As filed with the Securities and Exchange Commission on March 23, 2018

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form F-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

MEREO BIOPHARMA GROUP PLC

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

Not Applicable
(Translation of Registrant's Name into English)

United Kingdom	**2834**	**Not Applicable**
(State or other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

Fourth Floor
One Cavendish Place
London W1G 0QF UK
Tel: +44 (0) 33 3023 7300
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Cogency Global Inc.
10 E. 40th Street, 10th floor
New York, New York 10016
Telephone No.: +1 800 221 0102
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Mark V. Roeder **Nathan Ajiashvili** **Claire A. Keast-Butler** **Latham & Watkins LLP** **140 Scott Drive** **Menlo Park, California 94025** **+1 650 328 4600**	**Divakar Gupta** **Brent B. Siler** **Ed Lukins** **Yvan-Claude Pierre** **Cooley LLP** **1114 Avenue of the Americas** **New York, New York 10036** **+1 212 479 6000**

Approximate date of commencement of proposed sale to the public:
As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933.

Emerging growth company ☒

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act. ☐

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(2)(3)	AMOUNT OF REGISTRATION FEE(4)
Ordinary shares, nominal value £0.003 per ordinary share(1)	$80,500,000	$10,022

(1) In the U.S. offering, all ordinary shares are in the form of American Depositary Shares, or ADSs, with each ADS representing ordinary shares. ADSs issuable upon deposit of the ordinary shares registered hereby are being registered pursuant to a separate registration statement on Form F-6 (File No. 333-).
(2) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(o) of the Securities Act of 1933, as amended.
(3) Includes the aggregate offering price of (a) additional ordinary shares which the underwriters have the option to purchase and (b) ordinary shares which are being offered in a private placement in Europe and other countries outside of the United States and Canada but which may be resold from time to time in the United States in transactions requiring registration under the Securities Act or exemption therefrom. The total number of ordinary shares in the U.S. offering and the European private placement is subject to reallocation between them. All or part of the ordinary shares may be in the form of ADSs in the U.S. offering.
(4) Calculated pursuant to Rule 457(o) based on an estimate of the proposed maximum aggregate offering price.

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

The information in this preliminary prospectus is not complete and may be changed. This preliminary prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state or jurisdiction where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS (Subject to Completion) **Dated March 23, 2018**

Ordinary Shares

(including Ordinary Shares in the form of American Depositary Shares)

Mereo BioPharma

£ per Ordinary Share

$ per American Depositary Share

We are offering an aggregate of of our ordinary shares, including ordinary shares in the form of American Depositary Shares, or ADSs, in a global offering.

We are offering ADSs through the underwriters named in this prospectus in the United States, or the U.S. offering. Each ADS represents ordinary shares. This is our initial public offering of our ADSs, and no public market currently exists for our ADSs. We have applied to list our ADSs on The Nasdaq Global Market under the symbol "MREO."

We are offering ordinary shares through the underwriters named in this prospectus in Europe and countries outside of the United States and Canada in a concurrent private placement, or the European private placement.

The closing of each of the U.S. offering and the European private placement, together referred to as the global offering, will be conditioned upon the other. The total number of ordinary shares in the U.S. offering and the European private placement is subject to reallocation between them.

Our ordinary shares trade on AIM, a market of the London Stock Exchange, under the symbol "MPH." On , 2018, the last reported sale price of our ordinary shares on AIM was £ per ordinary share (equivalent to $ per ADS based on an exchange rate of £1.00 to $). For a discussion of the factors considered in determining the initial public offering price of our ADSs in the U.S. offering and the offering price of our ordinary shares in the European private placement, see "Underwriting".

We are an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012 and, as such, will be subject to reduced public company disclosure requirements. Please see "Prospectus Summary—Implications of Being an Emerging Growth Company and a Foreign Private Issuer" for additional information.

Our business and an investment in our ordinary shares and ADSs involve significant risks. See "Risk Factors" beginning on page 14 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed on the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

	PER ORDINARY SHARE	*PER ADS*	*TOTAL*
Offering price	**£**	**$**	**$**
Underwriting discounts and commissions(1)	**£**	**$**	**$**
Proceeds, before expenses, to Mereo BioPharma Group plc	**£**	**$**	**$**

(1) See "Underwriting" for additional information regarding underwriting compensation.

The underwriters may also purchase up to an additional ADSs from us in the U.S. offering at the initial public offering price, less underwriting discounts and commissions, within 30 days from the date of this prospectus to cover overallotments.

The underwriters expect to deliver ADSs in the U.S. offering and ordinary shares in the European private placement against payment in New York, New York and London, United Kingdom, respectively, on or about , 2018.

Cowen **BMO Capital Markets** **RBC Capital Markets**

JMP Securities

Cantor Fitzgerald Europe

Prospectus dated , 2018

TABLE OF CONTENTS

We are responsible for the information contained in this prospectus and any free-writing prospectus we prepare or authorize. We have not, and the underwriters have not, authorized anyone to provide you with different information, and we and the underwriters take no responsibility for any other information others may give you. We are not, and the underwriters are not, making an offer to sell our ADSs or ordinary shares in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front cover of this prospectus, regardless of the time of delivery of this prospectus or the sale of any ADSs or ordinary shares.

For investors outside the United States, neither we nor the underwriters have done anything that would permit the global offering or possession or distribution of this prospectus in any jurisdiction, other than the United States, where action for that purpose is required. Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the global offering and the distribution of this prospectus outside the United States.

We are a public limited company incorporated under the laws of England and Wales and a majority of our outstanding securities are owned by non-U.S. residents. Under the rules of the U.S. Securities and Exchange Commission, or SEC, we are currently eligible for treatment as a "foreign private issuer." As a foreign private issuer, we will not be required to file periodic reports and financial statements with the SEC as frequently or as promptly as domestic registrants whose securities are registered under the Securities Exchange Act of 1934, as amended.

ABOUT THIS PROSPECTUS

Unless otherwise indicated or the context otherwise requires, all references in this prospectus to the terms “Mereo,” the “Company,” “we,” “us,” and “our” refer to Mereo BioPharma Group plc and our wholly owned subsidiaries Mereo BioPharma 1 Limited, Mereo BioPharma 2 Limited, Mereo BioPharma 3 Limited, and Mereo BioPharma 4 Limited.

PRESENTATION OF FINANCIAL INFORMATION

This prospectus includes our audited consolidated financial statements as of and for the years ended December 31, 2016 and 2017 prepared in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB. None of our financial statements were prepared in accordance with U.S. GAAP.

Our financial information is presented in pounds sterling. For the convenience of the reader, in this prospectus, unless otherwise indicated, translations from pounds sterling into U.S. dollars were made at the rate of £1.00 to $1.3919, which was the noon buying rate of the Federal Reserve Bank of New York on March 16, 2018. Such U.S. dollar amounts are not necessarily indicative of the amounts of U.S. dollars that could actually have been purchased upon exchange of pounds sterling at the dates indicated. All references in this prospectus to “$” mean U.S. dollars and all references to “£” and “GBP” mean pounds sterling.

We have made rounding adjustments to some of the figures included in this prospectus. Accordingly, numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that preceded them.

PROSPECTUS SUMMARY

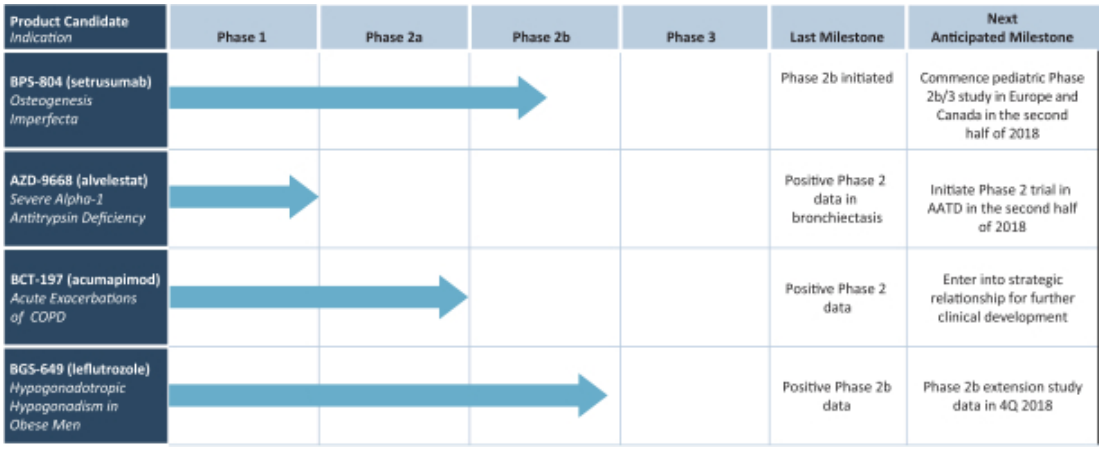
This summary highlights information contained elsewhere in this prospectus. This summary may not contain all the information that may be important to you, and we urge you to read this entire prospectus carefully, including "Risk Factors," "Business," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements, including the notes thereto, before deciding to invest in our ADSs or ordinary shares.

Overview

We are a multi-asset biopharmaceutical company focused on the acquisition, development, and commercialization of innovative therapeutics that aim to improve outcomes for patients with rare and specialty diseases. Our portfolio consists of four clinical-stage product candidates, each of which we acquired from large pharmaceutical companies. We are developing BPS-804 for the treatment of osteogenesis imperfecta, or OI, AZD-9668 for the treatment of severe alpha-1 antitrypsin deficiency, or AATD, BCT-197 for the treatment of acute exacerbations of chronic obstructive pulmonary disease, or AECOPD, and BGS-649 for the treatment of hypogonadotropic hypogonadism, or HH, in obese men. Each of our product candidates has generated positive clinical data for our target indication or for a related indication. We believe our portfolio is well diversified because each of our product candidates employs a different mechanism of action and targets a separate indication. We intend to develop and directly commercialize our rare disease product candidates. For our specialty disease product candidates, we intend to develop them through late-stage clinical milestones and then seek strategic relationships for further clinical development and/or commercialization.

Our strategy is to selectively acquire product candidates that have already received significant investment from pharmaceutical companies and that have substantial pre-clinical, clinical, and manufacturing data packages. Since our inception in March 2015, we have successfully executed on this strategy by acquiring our current product candidates from Novartis Pharma AG, or Novartis, and AstraZeneca AB, or AstraZeneca. We have commenced or completed large, randomized, placebo-controlled Phase 2 clinical trials for three of our product candidates. In December 2017, we reported top-line data from our completed Phase 2 dose-ranging clinical trial for BCT-197, and in March 2018, we reported top-line data from our Phase 2b dose-ranging clinical trial for BG6-649. We intend to commence additional late-stage clinical trials in 2018.

The following table summarizes our pipeline. We have global commercial rights to all of our product candidates.



Our team has extensive experience in the pharmaceutical and biotechnology sector in the identification, acquisition, development, manufacturing, and commercialization of product candidates in multiple therapeutic areas. Our senior management team has long-standing relationships with senior executives of large pharmaceutical companies, which we believe enhances our ability to identify and acquire additional product candidates. Since June 9, 2016, our ordinary shares have traded on AIM, a market of the London Stock Exchange, under the symbol “MPH.” Since our inception in March 2015, we have raised a total of £102.8 million in gross proceeds from private and public placements of our ordinary shares to institutional investors.

BPS-804 for the Treatment of Osteogenesis Imperfecta

BPS-804, or setrusumab, is a novel antibody we are developing as a treatment for OI, a rare genetic disease that results in bones that can break easily and is commonly known as brittle bone disease. OI is a debilitating orphan disease for which there are no treatments approved by the U.S. Food and Drug Administration, or FDA, or European Medicines Agency, or EMA. It is estimated that OI affects a minimum of 20,000 people in the United States and approximately 32,000 people in Germany, Spain, France, Italy, and the United Kingdom. BPS-804 is designed to inhibit sclerostin, a protein that inhibits the activity of bone-forming cells. We believe BPS-804’s mechanism of action is well suited for the treatment of OI and has the potential to become a novel treatment option for patients that could reduce fractures and improve patient quality of life.

Prior to our acquisition of BPS-804, Novartis conducted four clinical trials in 106 subjects. One of these trials was a Phase 2 randomized, open-label, intra-patient dose-escalating proof-of-concept trial in the United States, Canada, and Europe in adults with OI. Treatment with BPS-804 showed a statistically significant increase in lumbar spine bone mineral density from baseline, which was sustained at day 141 of the trial, 16 weeks after the last dose of BPS-804. Treatment with BPS-804 also showed a statistically significant improvement in all measured bone formation biomarkers and a clinically relevant reduction in a bone resorption biomarker at day 43 of the trial. We believe that the observed increase in lumbar spine bone mineral density in patients treated with BPS-804, along with the biomarker data, support the potential of BPS-804 for the treatment of OI.

In 2016, we obtained orphan drug designation in OI for BPS-804 in the United States and the European Union, or EU, and in February 2017, BPS-804 was accepted into the adaptive pathways program in the EU. In addition, BPS-804 was admitted to the PRIME scheme of the EMA in November 2017. In May 2017, we initiated a randomized, double-blind, placebo-controlled Phase 2b clinical trial of BPS-804 in adults in the United States, Europe and Canada. We intend to enroll approximately 120 patients for this trial. We expect the results from this trial, if favorable, along with validation of our use of high resolution peripheral quantitative computerized tomography, or HRPqCT, as a biomarker for fracture, may be sufficient to support the submission of a Conditional Marketing Authorisation, or CMA, to the EMA for BPS-804 for the treatment of adults with OI in the EU. We also intend to commence a Phase 2b/3 clinical trial of BPS-804 in children with OI in 2018 in Europe and Canada. We intend to enroll approximately 150 patients for this trial, with fracture rate as the primary endpoint. We expect the results from this trial, if favorable, may be sufficient to validate our use of HRPqCT and support the submission of a CMA to the EMA for BPS-804 for the treatment of children with severe OI in the EU.

In the United States, the FDA has denied our request for a Type C meeting to discuss the initiation of a pediatric Phase 2b study for BPS-804 for the treatment of patients with severe OI. The FDA has cited that a serious cardiovascular safety concern exists in adults treated with sclerostin inhibitors that has yet to be resolved. We do not believe the FDA’s concern is related to BPS-804. Given the undetermined risk/benefit assessment in adults, the FDA believes it is premature to conduct a study of sclerostin inhibitors in children. If this safety issue is resolved, we plan on submitting our proposed

Phase 2b/3 study for BPS-804 in children with severe OI to the FDA to expand the proposed trial into the United States. We believe the FDA's position does not impact our ability to conduct our clinical development activities of BPS-804 in Europe and Canada for children with severe OI and our clinical development activities of BPS-804 in Europe, the United States and Canada for adults with OI.

AZD-9668 for the Treatment of Severe Alpha-1-Antitrypsin Deficiency

AZD-9668, or alvelestat, is a novel, oral small molecule we are developing for the treatment of severe AATD, a potentially life-threatening rare, genetic condition. There are an estimated 50,000 patients in North America and 60,000 patients in Europe with severe AATD. Treatment of AATD involves bronchodilators and inhaled corticosteroid medications or surgical options such as lung volume reduction surgery and lung transplantation. Intravenous augmentation therapy is available for AATD using a partially purified plasma preparation highly enriched for AATD. However, this therapy was approved by the FDA based on its biochemical efficacy but not based on clinical outcome data.

AATD is caused by a lack of alpha-1 antitrypsin, or AAT, a protein that protects the lungs from enzymatic degradation. This degradation leads to severe debilitating diseases, including early-onset pulmonary emphysema, a disease that irreversibly destroys the tissues that support lung function. AZD-9668 is designed to inhibit neutrophil elastase, or NE, a neutrophil protease and a key enzyme involved in the destruction of lung tissue. We believe the inhibition of NE has the potential to protect AATD patients from further lung damage.

Prior to our license of AZD-9668, AstraZeneca conducted 12 clinical trials involving 1,776 subjects. Although these trials were conducted in other indications, we believe the data demonstrated potential clinical benefit and biomarker evidence of treatment effect for AATD patients. In particular, we believe the results from two Phase 2 clinical trials conducted for the treatment of bronchiectasis and cystic fibrosis, or CF, are most relevant in assessing AZD-9668's potential to treat severe AATD. AstraZeneca conducted a double-blind, placebo-controlled Phase 2 clinical trial in bronchiectasis in a total of 38 patients, 22 of whom were treated with AZD-9668. The results of this four-week trial showed a statistically significant improvement in the amount of air that can be forcibly exhaled in one second, or FEV1, a standard measure of exhalation, and a clinically meaningful improvement of slow vital capacity, which measures the volume of air on a slow exhale. We believe that bronchiectasis and AATD share common pathological features that support the potential for AZD-9668 to treat severe AATD. Additionally, we believe that data from the Phase 2 CF trial provides proof of concept for mechanistic effect and the use of a biomarker of lung degradation in diseases of high or unopposed NE, such as severe AATD.

We intend to initiate a Phase 2 proof-of-concept clinical trial in patients with severe AATD in the second half of 2018. We intend to enroll approximately 150 patients. If the results are favorable, we intend to seek regulatory advice on the design of, and commence, a pivotal trial.

BCT-197 for the Treatment of AECOPD

BCT-197, or acumapimod, is a p38 MAP kinase inhibitor we are developing as an oral first-line acute therapy for patients with AECOPD. Chronic obstructive pulmonary disease, or COPD, is a non-fully-reversible, progressive lung disease in which inflammation plays a central role. There are an estimated 16 million people in the United States and 13 million people in Europe diagnosed with COPD. Of all hospital admissions in the United States related to COPD, approximately 63% are for AECOPD patients. We believe BCT-197 offers a potential new treatment for controlling inflammation by targeting pathways that drive the pathological mechanism behind AECOPD. Since there are

currently no approved therapies in the United States or the EU to treat AECOPD, we believe that there is significant medical need for a drug which is disease-modifying. We believe BCT-197 could potentially prevent AECOPD instead of just treating the symptoms and improve quality of life, slow the progression of the disease, and significantly reduce direct healthcare costs.

Prior to our acquisition of BCT-197, Novartis conducted five clinical trials in 459 subjects, including a double-blind, Phase 2 clinical trial in AECOPD in Europe comparing BCT-197 to the steroid prednisolone and a placebo control. AECOPD patients receiving BCT-197 showed a statistically significant improvement in lung function at the highest dose.

In December 2017, we reported top-line data from our completed Phase 2 dose-ranging clinical trial for BCT-197. The trial was conducted in 282 patients with AECOPD to explore two different dosing regimens on top of standard of care, which included steroids, antibiotics, and bronchodilators. Both dosing regimens showed a statistically significant change in FEV1 from baseline to Day 7, meeting the trial's primary endpoint on an intent-to-treat patient population basis. Treatment with BCT-197 also showed a statistically significant reduction in the number of COPD exacerbations that required hospitalization. In addition, BCT-197 was observed to be well tolerated. Based on these results, we plan to enter into one or more strategic relationships with third parties for further clinical development and, if approved, commercialization, of BCT-197.

BGS-649 for the Treatment of Hypogonadotropic Hypogonadism

BGS-649, or leflutrozole, is a once-weekly oral therapy we are developing for the treatment of HH in obese men. HH is a clinical syndrome that results from inadequate levels of testosterone. Based on World Health Organization estimates and scientific data, we estimate there are approximately seven million cases of HH in obese men in the United States and approximately five million cases of HH in obese men in Europe. In these men, a decline in testosterone is exacerbated by high levels of the aromatase enzyme, which is present in fat tissue and leads to a reduction in testosterone. BGS-649 is designed to inhibit the aromatase enzyme and is being developed to restore normal levels of testosterone without causing excessively high testosterone levels or reducing the levels of luteinizing hormone, or LH, or follicular stimulating hormone, or FSH. Both FSH and LH play key roles in sperm formation and LH plays a key role in endogenous testosterone formation. In contrast to current therapies for HH, which involve the exogenous administration of testosterone and lead to further down regulation of LH and FSH, we believe that BGS-649, by preserving sperm formation through LH and FSH production, may present a benefit to patients.

Prior to our acquisition of BGS-649, Novartis conducted seven clinical trials in 131 subjects, including a two-part Phase 2 proof-of-concept trial for HH in obese men in North America. The first part was open-label to evaluate the pharmacokinetics and pharmacodynamics of a range of doses of BGS-649 administered orally once a week in obese men. Consistent with the goal of the trial, BGS-649 treatment increased testosterone into the normal range in all patients. The second part was two-arm, randomized, placebo-controlled, double-blind and lasted 12-weeks, with a three-month follow-up. Testosterone increase was statistically significant in the BGS-649 group with no evidence of increased total testosterone levels beyond the upper limit of the normal range in any patient exposed to BGS-649. Both FSH and LH levels also increased in the BGS-649 group.

In March 2018, we reported top-line data from our Phase 2b dose-ranging clinical trial of BGS-649 for the treatment of HH in obese men. The trial enrolled 271 patients who were administered placebo or one of three doses of BGS-649. The trial met its primary endpoint of normalizing testosterone levels in at least 75% of subjects after 24 weeks of treatment and all of the secondary endpoints, including normalizing testosterone in at least 90% of patients after 24 weeks of treatment at the two highest

doses and improvement in LH and FSH levels at all three doses. BGS-649 was observed to be well tolerated in the trial. A subset of patients have entered into a six month safety extension study, and we expect data from the extension study in the fourth quarter of 2018. We intend to commence additional late stage clinical developmental studies of BGS-649 in 2019.

Our Strategy

- ***Rapidly develop and directly commercialize our rare disease product candidates.*** We have commenced a Phase 2b clinical trial of BPS-804 for the treatment of OI in adults in the United States, Europe and Canada. If the results from this trial are favorable and our use of HRPqCT as a biomarker for fracture is validated, we intend to submit a CMA to the EMA for the treatment of OI in adults in the EU. We also intend to commence a Phase 2b/3 clinical trial of BPS-804 for the treatment of OI in children in the second half of 2018 in Europe and Canada. We expect that the results from this trial, if favorable, will be sufficient to validate our use of HRPqCT and support the submission of a CMA to the EMA for BPS-804 for the treatment of children with severe OI in the EU. We intend to initiate a Phase 2 clinical trial of AZD-9668 for the treatment of severe AATD in the second half of 2018 and, if the results are favorable and pending regulatory feedback, continue to develop AZD-9668 toward approval and commercialization. We plan to establish our own sales and marketing organization in the United States and Europe for BPS-804 and AZD-9668 and any future rare disease product candidates.
- ***Efficiently advance our specialty disease product candidates and explore strategic relationships with third parties for further clinical development and/or commercialization.*** Based on the top-line results from our Phase 2 clinical trial of BCT-197, we plan to enter into one or more strategic relationships with third parties for BCT-197 to undertake the next phase of clinical development and, if approved, commercialization. In March 2018, we also reported top-line Phase 2b data for BGS-649 for the treatment of HH. We intend to continue the clinical development of BGS-649 and plan to enter into strategic relationships with third parties for commercialization, if approved. We may also enter into strategic relationships with third parties to complete the clinical development of BGS-649.
- ***Leverage our expertise in business development to expand our pipeline of product candidates.*** Our senior management team has extensive relationships with large pharmaceutical and biotechnology companies, as evidenced by the acquisition of our four clinical-stage product candidates. We intend to leverage these relationships to grow our pipeline with a focus on rare diseases. We intend to continue to identify, acquire, develop, and ultimately commercialize novel product candidates that have received significant investment from large pharmaceutical companies. We will continue to focus on acquiring product candidates with either proof-of-concept clinical data in our target indication or with clinical data in a related indication and a strong scientific rationale that supports development in our target indication. Using a disciplined approach, we intend to continue building a diverse portfolio of product candidates that we believe have compelling market potential, robust pre-clinical, clinical, and manufacturing data packages, and a clear regulatory pathway.
- ***Continue to be a partner of choice for large pharmaceutical and biotechnology companies.*** We believe that we are a preferred partner for large pharmaceutical and biotechnology companies as they seek to unlock the potential in their development pipelines and deliver therapeutics to patients in areas of high unmet medical need. We have strong relationships with these companies, as evidenced by our agreements with Novartis and AstraZeneca, and a track record of structuring transactions that enable us to leverage our core capabilities while creating value for all stakeholders. We intend to continue to enter into strategic relationships that align our interests with those of large pharmaceutical and biotechnology companies and that we believe to be mutually beneficial.

Corporate Information

We were incorporated as a private limited company with the legal name Mereo BioPharma Group Limited under the laws of England and Wales on March 10, 2015 with the company number 09481161. On June 3, 2016, we were re-registered as a public limited company with the legal name Mereo BioPharma Group plc. Since June 9, 2016, our ordinary shares have traded on AIM under the symbol "MPH." Our registered office address is Fourth Floor, One Cavendish Place, London, W1G 0QF, United Kingdom and our telephone number is +44 (0) 33 3023 7300. Our website address is www.mereobiopharma.com. The information contained on, or that can be accessed from, our website does not form part of this prospectus. Our agent for service of process in the United States is Cogency Global Inc.

Risks Associated with Our Business

Our business is subject to a number of risks of which you should be aware before making an investment decision. You should carefully consider all of the information set forth in this prospectus and, in particular, should evaluate the specific factors set forth under "Risk Factors" in deciding whether to invest in our ADSs or ordinary shares. Among these important risks are the following:

- We have a limited operating history, have never generated any product revenue, have incurred significant operating losses since our inception, expect to incur significant operating losses for the foreseeable future, and may never achieve or maintain profitability.
- We may not be successful in our efforts to identify and acquire additional product candidates.
- We will need additional funding to complete the development and commercialization of our product candidates, if approved, and to acquire additional product candidates, and if we are unable to raise capital when needed, we could be forced to delay, reduce, or eliminate our product development programs or future commercialization efforts.
- We depend heavily on the success of our product candidates, and we cannot give any assurance that our product candidates will receive regulatory approval for any indication, which is necessary before they can be commercialized.
- We are, and will continue to be, dependent on pre-clinical and clinical trials conducted prior to our acquisition of a product candidate having been conducted in compliance with all applicable regulatory requirements and clinical standards and the results having been accurately reported, including for trials conducted by Novartis and AstraZeneca for our current product candidates.
- Undesirable side effects that may be caused by BPS-804, AZD-9668, BCT-197, and BGS-649 could cause us or regulatory authorities to interrupt, delay or halt clinical trials, and could result in a more restrictive label or the delay or denial of regulatory approval by the FDA, the EMA, or other comparable foreign authorities.
- We rely, and expect to continue to rely, on third parties to conduct our clinical trials and to manufacture our product candidates for pre-clinical and clinical testing, and those third parties may not perform satisfactorily, which could delay our product development activities.
- If we are unable to adequately protect our technology, or to secure and maintain freedom to operate or issued patents protecting our product candidates, others could preclude us from commercializing our technology and products or compete against us more directly.
- We face significant competition from other biotechnology and pharmaceutical companies.
- We will likely be classified as a passive foreign investment company in the current taxable year and may be classified as a passive foreign investment company in any future taxable year, which may result in adverse U.S. federal income tax consequences to U.S. holders of our ADSs or ordinary shares.

- As a foreign private issuer, we are exempt from a number of rules under the U.S. securities laws and Nasdaq corporate governance rules and are permitted to file less information with the SEC than U.S. companies, which may limit the information available to holders of our ADSs and ordinary shares.

Implications of Being an Emerging Growth Company and a Foreign Private Issuer

Emerging Growth Company

We are an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. As an emerging growth company we may take advantage of certain exemptions from various reporting requirements that are applicable to other publicly traded entities that are not emerging growth companies. These exemptions include:

- the option to present only two years of audited financial statements and only two years of related Management's Discussion and Analysis of Financial Condition and Results of Operations in this prospectus;
- not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002;
- not being required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements (i.e., an auditor discussion and analysis);
- not being required to submit certain executive compensation matters to stockholder advisory votes, such as "say-on-pay," "say-on-frequency," and "say-on-golden parachutes;" and
- not being required to disclose certain executive compensation related items such as the correlation between executive compensation and performance and comparisons of the chief executive officer's compensation to median employee compensation.

We may take advantage of these provisions until the earliest of: (i) the last day of the first fiscal year in which our annual gross revenues exceed $1.07 billion; (ii) the last day of 2023; (iii) the date that we become a "large accelerated filer" as defined in Rule 12b-2 under the Exchange Act, which would occur if the market value of our common equity held by non-affiliates exceeds $700 million as of the last business day of our most recently completed second fiscal quarter; or (iv) the date on which we have issued more than $1.0 billion in non-convertible debt securities during any three-year period.

As a result, we do not know if some investors will find our ADSs or ordinary shares less attractive. The result may be a less active trading market for our ADSs or ordinary shares, and the price of our ADSs or ordinary shares may become more volatile.

Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period provided in Section 13(a) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We are choosing to irrevocably opt out of this extended transition period and, as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Under federal securities laws, our decision to opt out of the extended transition period is irrevocable.

Foreign Private Issuer

Upon the completion of the U.S. offering, we will report under the Exchange Act as a non-U.S. company with foreign private issuer status. Even after we no longer qualify as an emerging growth company, as long as we qualify as a foreign private issuer under the Exchange Act we will be exempt from certain provisions of the Exchange Act that are applicable to U.S. domestic public companies, including:

- the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act;
- the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and
- the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q containing unaudited financial and other specific information, or current reports on Form 8-K, upon the occurrence of specified significant events.

Both foreign private issuers and emerging growth companies also are exempt from certain more stringent executive compensation disclosure rules. Thus, even if we no longer qualify as an emerging growth company, but remain a foreign private issuer, we will continue to be exempt from the more stringent compensation disclosures required of companies that are neither an emerging growth company nor a foreign private issuer.

The Offering	
Global offering	ordinary shares offered by us, consisting of ordinary shares in the form of ADSs offered in the U.S. offering and ordinary shares offered in the European private placement. The closing of each of the U.S. offering and the European private placement is conditioned upon the other. The total number of ordinary shares in the U.S. offering and European private placement is subject to reallocation between these offerings as permitted under applicable laws and regulations.
U.S. offering	ADSs
European private placement	ordinary shares
Ordinary shares to be outstanding immediately after the global offering	ordinary shares (or ordinary shares if the underwriters exercise in full their option to purchase an additional ADSs), including ordinary shares in the form of ADSs
Underwriters' option to purchase additional ADSs in the U.S. offering	ADSs
Offering price	On , 2018, the last reported sale price of our ordinary shares on AIM was £ per ordinary share (equivalent to $ per ADS). For a discussion of the factors considered in determining the initial public offering price of our ADSs in the U.S. offering and the price of our ordinary shares in the European private placement, see "Underwriting".
American Depositary Shares	Each ADS represents ordinary shares, nominal value £0.003 per ordinary share. As an ADS holder, you will not be treated as one of our shareholders and you will not have shareholder rights. You will have the rights of an ADS holder or beneficial owner of ADSs as provided in the deposit agreement among us, the depositary, and holders and beneficial owners of ADSs from time to time. To better understand the terms of our ADSs, see "Description of American Depositary Shares." We also encourage you to read the deposit agreement, the form of which is filed as an exhibit to the registration statement of which this prospectus forms a part.
Depositary	Citibank, N.A.

Use of proceeds	We estimate that the net proceeds to us from the global offering will be approximately $ million (or approximately $ million if the underwriters exercise in full their option to purchase additional ADSs), based on an assumed initial public offering price of $ per ADS in the U.S. offering and an assumed offering price of £ per ordinary share in the European private placement, which reflect the last reported sale price of our ordinary shares on AIM on , 2018, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use the net proceeds from the global offering, together with our existing cash resources, to advance the clinical development of BPS-804, AZD-9668, and BGS-649, and the remainder to fund general research and development activities, working capital and other general corporate purposes. See “Use of Proceeds.”
Risk factors	See “Risk Factors” and the other information included in this prospectus for a discussion of factors you should consider before deciding to invest in our ADSs or ordinary shares.
Proposed Nasdaq trading symbol	“MREO”
AIM trading symbol	“MPH”

The number of our ordinary shares to be outstanding after the global offering is based on 71,094,974 ordinary shares outstanding as of March 1, 2018 and excludes:

- 11,916,424 ordinary shares issuable upon the exercise of share options outstanding as of March 1, 2018 at a weighted average exercise price of £1.42 per ordinary share;
- 100,820 ordinary shares that may be issued under our Deferred Bonus Share Plan, as described in “Management—Equity Compensation Arrangements,” as of March 1, 2018;
- 1,887,186 ordinary shares that may be issued upon conversion of certain convertible notes issued to Novartis, as described in “Related Parties—Other Transactions with Novartis—Novartis Notes,” or the Novartis Notes, as of March 1, 2018;
- 696,490 ordinary shares issuable upon the exercise of warrants to purchase ordinary shares outstanding as of March 1, 2018 at a weighted average exercise price of £3.16 per ordinary share; and
- 1,430,000 ordinary shares issuable upon exercise of share options to be granted to our directors under our Share Option Plan for Non-Executive Directors and to our officers

under our Share Option Scheme, upon the effectiveness of the registration statement of which this prospectus forms a part, at an exercise price per share equal to the offering price per ordinary share in the European private placement, as more fully described in “Management—Incentive Award Arrangements.”

Unless otherwise indicated, all information contained in this prospectus assumes or gives effect to:

- no exercise of the outstanding share options after March 1, 2018;
- no conversion of the Novartis Notes after March 1, 2018;
- no exercise of the warrants to purchase ordinary shares after March 1, 2018; and
- no exercise by the underwriters of their option to purchase additional ADSs.

Summary Consolidated Financial Data

The following tables set forth our summary consolidated financial data for the period indicated. We have derived the consolidated statement of comprehensive loss data for the years ended December 31, 2016 and 2017 and the consolidated balance sheet data as of December 31, 2017 from our audited consolidated financial statements included elsewhere in this prospectus. Our historical results are not necessarily indicative of the results that should be expected for any future period. You should read the following summary consolidated financial data together with the audited consolidated financial statements included elsewhere in this prospectus and the sections titled "Exchange Rate Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

We maintain our books and records in pounds sterling, and we prepare our financial statements in accordance with IFRS as issued by the IASB. We report our financial results in pounds sterling. For the convenience of the reader, we have translated pound sterling amounts in the tables below as of December 31, 2017 and for the years ended December 31, 2016 and 2017 into U.S. dollars at the noon buying rate of the Federal Reserve Bank of New York on December 29, 2017, which was £1.00 to $1.3529. These translations should not be considered representations that any such amounts have been, could have been, or could be converted into U.S. dollars at that or any other exchange rate as of that or any other date.

	Year Ended December 31,			
	2016		2017	
	(£)	($)	(£)	($)
	(in thousands, except per ordinary share data)			
Consolidated Statement of Comprehensive Loss Data:				
Research and development expenses	(24,563)	(33,231)	(34,607)	(46,819)
General and administrative expenses	(11,617)	(15,716)	(10,697)	(14,472)
Operating loss	(36,179)	(48,947)	(45,304)	(61,292)
Finance income	375	507	827	1,119
Finance charge	(180)	(243)	(1,090)	(1,475)
Net foreign exchange gain/(loss)	2,263	3,061	(1,384)	(1,873)
Net loss before tax	(33,722)	(45,622)	(46,951)	(63,520)
Income tax benefit	5,331	7,213	8,152	11,029
Loss attributable to equity holders of the Company	(28,390)	(38,409)	(38,799)	(52,491)
Total comprehensive loss attributable to equity holders of the Company	(28,390)	(38,409)	(38,799)	(52,491)
Basic and diluted loss per share	(0.63)	(0.85)	(0.56)	(0.76)

	As of December 31, 2017,			
	Actual		As Adjusted(1)(2)	
	(£)	($)	(£)	($)
	(in thousands)			
Consolidated Balance Sheet Data:				
Cash and short-term deposits and short-term investments	52,545	71,088		
Total assets	96,335	130,332		
Issued capital	213	289		
Share premium	118,227	159,949		
Accumulated loss	(79,316)	(107,307)		
Total equity	62,483	84,534		
Total liabilities(3)	33,852	45,798		

(1) The as adjusted balance sheet data give effect to the sale by us of ordinary shares (including ordinary shares in the form of ADSs) in the global offering at an assumed initial public offering price of $ per ADS in the U.S. offering and an assumed offering price of £ per ordinary share in the European private placement, which reflect the last reported sale price of our ordinary shares on AIM on , 2018, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

(2) This as adjusted information is illustrative only and will depend on the actual offering prices and other terms of the global offering determined at pricing. Each £ increase or decrease in the assumed offering price of £ per ordinary share, which reflects the last reported sale price of our ordinary shares on AIM on , 2018, would increase or decrease the as adjusted amount of each of cash and short-term deposits and short-term investments, total assets, and total equity by £ million ($ million), assuming that the number of ordinary shares (including ordinary shares in the form of ADSs) offered by us in the global offering, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. An increase or decrease of 1,000,000 in the number of ordinary shares (including ordinary shares in the form of ADSs) offered by us in the global offering, as set forth on the cover page of this prospectus, would increase or decrease the as adjusted amount of each of cash and short-term deposits and short-term investments, total assets, and total equity by £ million ($ million), assuming no change in the assumed initial public offering price per ADS or in the assumed offering price per ordinary share and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

(3) Includes £2.0 million ($2.7 million) aggregate principal amount of, and accrued interest on, the Novartis Notes. See “Related Party Transactions—Other Transactions with Novartis—Novartis Notes.”

RISK FACTORS

You should carefully consider the risks and uncertainties described below and the other information in this prospectus before making an investment in our ADSs or ordinary shares. Our business, financial condition, results of operations, or prospects could be materially and adversely affected if any of these risks occurs, and as a result, the market price of our ADSs or ordinary shares could decline and you could lose all or part of your investment. This prospectus also contains forward-looking statements that involve risks and uncertainties. See "Cautionary Statement Regarding Forward-Looking Statements." Our actual results could differ materially and adversely from those anticipated in these forward-looking statements as a result of certain factors, including those set forth below.

Risks Related to Our Business and Industry

We have a limited operating history and have never generated any product revenue.

We are a multi-asset, clinical-stage biopharmaceutical company with a limited operating history, and have incurred significant operating losses since our inception. We had net losses of £28.4 million and £38.8 million in the years ended December 31, 2016 and 2017, respectively. As of December 31, 2016 and 2017, we had an accumulated loss of £40.6 million and £79.3 million, respectively. Our losses have resulted principally from expenses incurred from the research and development of our product candidates and from general and administrative costs that we have incurred while building our business infrastructure. We expect to continue to incur significant operating losses for the foreseeable future as we seek to acquire new product candidates, expand our research and development efforts, and seek to obtain regulatory approval and potentially commercialize our product candidates. We anticipate that our expenses will increase substantially as we:

- continue to conduct our ongoing Phase 2b clinical trial of BPS-804 for the treatment of OI in adults, and our ongoing safety extension study of BGS-649 for the treatment of HH;
- commence our planned pediatric Phase 2b/3 clinical trial of BPS-804 for the treatment of OI in Europe and Canada, our planned Phase 2 clinical trial of AZD-9668 for the treatment of severe AATD, and late-stage clinical program of BGS-649 for the treatment of HH;
- seek to acquire additional novel product candidates to treat rare and specialty diseases;
- seek regulatory approvals for our product candidates;
- potentially establish a commercial infrastructure and work with CMOs to scale up manufacturing processes to commercialize selected product candidates, if approved;
- maintain, expand, and protect our intellectual property portfolio;
- secure, maintain, or obtain freedom to operate for our technologies and products;
- add clinical, scientific, operational, financial, and management personnel, including personnel to support the development of our product candidates and potential future commercialization efforts; and
- expand our operations in the United Kingdom and potentially hire employees in the United States.

Our expenses may also increase substantially if we experience any delays or encounter any issues with any of the above, including, but not limited to, failed clinical trials, complex results, safety issues, or unforeseen regulatory challenges.

We have devoted substantially all of our financial resources and efforts to the acquisition and clinical development of BPS-804, AZD-9668, BCT-197, and BGS-649. We have not completed the clinical development of any product candidate through approval.

To become and remain profitable, we must succeed in developing and commercializing products that generate significant revenue. This will require us to be successful in a range of challenging activities, including completing clinical trials of our current or any future product candidates, obtaining regulatory approval for our product candidates that successfully complete clinical trials, establishing manufacturing supplies and marketing capabilities, and ultimately commercializing or entering into strategic relationships for our current and future product candidates, if approved. We are only in the preliminary stages of many of these activities. We may never succeed in these activities and, even if we do, we may never generate revenue that is significant enough to achieve profitability.

Because of the numerous risks and uncertainties associated with biopharmaceutical product development, we are unable to accurately predict the timing or amount of increased expenses or when, or if, we will be able to achieve profitability. We may be subject to different or contradictory regulatory requirements in different countries, and different regulatory authorities may not be aligned on the clinical trials necessary to support approval of our product candidates. If we are required by the FDA, the EMA, or other regulatory authorities to perform studies in addition to those we currently anticipate, or if there are any delays in completing our clinical trials or the development of our current product candidates, our expenses could increase and our ability to generate revenue could be further delayed. In addition, we may not be able to acquire new product candidates or may encounter unexpected difficulties or delays in such acquisitions, which would impair our business.

Even if we do generate product royalties or product sales, we may never achieve or sustain profitability. Our failure to sustain profitability would depress the market price of our ADSs and ordinary shares and could impair our ability to raise capital, acquire new product candidates, expand our business, or continue our operations. A decline in the market price of our ADSs or ordinary shares also could cause you to lose all or a part of your investment.

Our limited operating history may make it difficult for you to evaluate the success of our business to date and to assess our future viability.

Since our inception, we have devoted substantially all of our resources to acquiring and developing BPS-804, AZD-9668, BCT-197, and BGS-649; building our intellectual property portfolio; developing our supply chain; planning our business; raising capital; and providing general and administrative support for these operations. We have not yet demonstrated our ability to successfully complete any Phase 3 or other pivotal clinical trials, obtain regulatory approval, arrange for third parties to manufacture commercial-scale products, or conduct or partner with others to conduct sales and marketing activities necessary for successful product commercialization. Additionally, although we have acquired product candidates from two large pharmaceutical companies, we have not demonstrated the sustainability of our business model of acquiring and developing product candidates for rare and specialty diseases from, and becoming a partner of choice for, large pharmaceutical companies, nor have we demonstrated our ability to obtain approvals for or to commercialize these product candidates. Consequently, any predictions you make about our future success or viability may not be as accurate as they could be if we had a longer operating history.

We may not be successful in our efforts to identify and acquire additional product candidates.

Part of our strategy involves identifying and acquiring novel product candidates that have received significant investment from large pharmaceutical companies and that have substantial pre-clinical, clinical, and manufacturing data packages. The process by which we identify product candidates may fail to yield product candidates for clinical development for a number of reasons, including those discussed in these risk factors and also:

- any product candidates we acquire that have generated positive clinical data for our target indication or in diseases other than our target indications may not prove to be effective in treating our target indications;

- potential product candidates may, with further studies, be shown to have harmful side effects or other characteristics that indicate that they are unlikely to be products that will receive marketing approval and achieve market acceptance;
- the regulatory pathway for a potential product candidate may be too complex and difficult to navigate successfully or economically; or
- there may be competitive bids for potential product candidates which we do not seek to or are unable to match.

In addition, we may choose to focus our efforts and resources on a potential product candidate that ultimately proves to be unsuccessful. Further, time and resources spent searching for, identifying, acquiring, and developing potential product candidates may distract our management's attention from our primary business or other development programs. If we are unable to identify and acquire additional suitable product candidates for clinical development, this would adversely impact our business strategy and our financial position and share price.

We will need additional funding to complete the development of our current product candidates; to license, acquire, and develop future product candidates; and to commercialize our product candidates, if approved. If we are unable to raise capital when needed, we could be forced to delay, reduce, or eliminate our product development programs or any future commercialization efforts.

We expect our expenses to increase in connection with our ongoing activities, particularly as we conduct our ongoing Phase 2b clinical trial for BPS-804 and our ongoing safety extension study of BGS-649, our planned pediatric Phase 2b/3 study for BPS-804, our planned Phase 2 clinical trial for AZD-9668 and late-stage clinical development for BGS-649. We also expect our expenses to rise as we seek to acquire and develop new product candidates. In addition, if we obtain regulatory approval for any of our product candidates, we expect to incur significant commercialization expenses related to product manufacturing, marketing, sales, and distribution for any products we commercialize directly. Furthermore, upon the closing of the global offering, we expect to incur additional costs associated with operating as a public company in the United Kingdom and the United States and maintaining listings on both AIM and The Nasdaq Global Market, or Nasdaq. Accordingly, we will need to obtain substantial additional funding in connection with our continuing operations. If we are unable to raise capital when needed or on attractive terms, we could be forced to delay, reduce, or eliminate our research and development programs, any future commercialization efforts, or acquisitions of potential product candidates.

We expect that our existing cash resources, together with anticipated net proceeds from the global offering, will enable us to fund our operating expenses and capital expenditure requirements through . We have based this estimate on assumptions that may prove to be wrong, and we could use our capital resources sooner than we currently expect, or our operating plan may change as a result of many factors unknown to us. These factors, among others, may necessitate that we seek additional capital sooner than currently planned. In addition, we may seek additional capital due to favorable market conditions or strategic considerations, even if we believe we have sufficient funds for our current or future operating plans.

Our future capital requirements will depend on many factors, including:

- the costs, timing, and results of our ongoing Phase 2b clinical trial for BPS-804 and our ongoing safety extension study of BGS-649; our planned pediatric Phase 2b/3 study for BPS-804; our planned Phase 2 clinical trial for AZD-9668; and late-stage clinical development for BGS-649;
- the costs and timing of manufacturing clinical supplies of our product candidates;
- the costs, timing, and outcome of regulatory review of our product candidates, including post-marketing studies that could be required by regulatory authorities;

- the costs, timing, and outcome of potential future commercialization activities, including manufacturing, marketing, sales, and distribution, for our product candidates that we commercialize directly;
- the timing and amount of revenue, if any, received from commercial sales of our product candidates;
- the costs and timing of preparing, filing, and prosecuting patent applications; maintaining and enforcing our intellectual property rights; and defending any intellectual property-related claims, including any claims by third parties that we are infringing upon their intellectual property rights;
- the sales price and availability of adequate third-party coverage and reimbursement for our product candidates;
- the effect of competitors and market developments; and
- the extent to which we are able to acquire new product candidates or enter into licensing or collaboration arrangements for our product candidates, although we currently have no commitments or agreements to complete any such transactions.

Any additional fundraising efforts may divert our management from their day-to-day activities, which may adversely affect our ability to develop and commercialize our product candidates. In addition, we cannot guarantee that future financing will be available in sufficient amounts or on terms acceptable to us, if at all. Moreover, the terms of any financing may adversely affect our business, the holdings or the rights of our shareholders, or the value of our ADSs or ordinary shares.

If we are unable to obtain funding on a timely basis, we may be required to significantly curtail, delay, or discontinue our research and development programs or any commercialization efforts; be unable to expand our operations or acquire product candidates; or be unable to otherwise capitalize on our business opportunities, as desired, which could harm our business and potentially force us to discontinue operations.

Raising additional capital may cause dilution to, or adversely affect the rights of, our security holders, including purchasers of our ADSs or ordinary shares in the global offering; restrict our operations; or require us to relinquish rights to our technologies or product candidates.

Until such time, if ever, as we can generate substantial product revenues, we may finance our cash needs through securities offerings, debt financings, license and collaboration agreements, or other capital raising transactions. If we raise capital through securities offerings, your ownership interest will be diluted, and the terms of the securities we issue in such transaction may include liquidation or other preferences that adversely affect your rights as a holder of our ADSs or ordinary shares. Debt financing, if available, could result in fixed payment obligations, and we may be required to agree to certain restrictive covenants, such as limitations on our ability to incur additional debt, to acquire, sell or license intellectual property rights, to make capital expenditures, to declare dividends, or other operating restrictions. For example, our credit facility with Silicon Valley Bank and Kreos Capital V (UK) Limited, or the credit facility, requires us to seek consent for certain corporate transactions, dispositions, or incurrences of certain debt. If we raise additional funds through collaboration or licensing agreements, we may have to relinquish valuable rights to our technologies, future revenue streams, or product candidates or grant licenses on terms that may not be favorable to us. In addition, we could also be required to seek funds through arrangements with collaborators or others at an earlier stage than otherwise would be desirable. Raising additional capital through any of these or other means could adversely affect our business and the holdings or rights of our security holders, and may cause the market price of our ADSs or ordinary shares to decline.

We depend heavily on the success of BPS-804, AZD-9668, BCT-197, and BGS-649. We cannot give any assurance that any of these product candidates will receive regulatory approval, which is necessary before they can be commercialized. If we are unable to commercialize, whether on our own or through agreements with third parties, BPS-804, AZD-9668, BCT-197, or BGS-649, or experience significant delays in doing so, our ability to generate revenue and our financial condition will be adversely affected.

We do not currently generate any revenue from sales of any products, and we may never be able to develop or commercialize a marketable product. We have invested substantially all of our efforts and financial resources in the acquisition and development of BPS-804, AZD-9668, BCT-197, and BGS-649, and we do not have any other product candidates currently under development. Our ability to generate royalty and product revenues, which we do not expect will occur for at least the next several years, if ever, will depend heavily on the successful development and eventual commercialization of our current product candidates, if approved, which may never occur. Our current product candidates will require additional clinical development, management of clinical and manufacturing activities, regulatory approval in multiple jurisdictions, procurement of manufacturing supply, commercialization, substantial additional investment, and significant marketing efforts before we generate any revenue from product sales. For example, we intend to commence a Phase 2b/3 clinical trial of BPS-804, our most advanced product candidate, in children with OI in 2018. We are currently in communication with the EMA regarding the endpoints for the trial, and the EMA has not approved the pediatric investigation plan, or PIP, for this trial. While we anticipate approval of the PIP from the EMA, we may not receive such approval. In addition, the FDA may not approve our pediatric trial for BPS-804 in the future. Either of these occurrences would adversely affect the clinical development of BPS-804, which would adversely affect our commercialization plans.

We are not permitted to market or promote any product candidates in the United States, Europe, or other countries before we receive regulatory approval from the FDA, the EMA, or comparable foreign regulatory authorities, and we may never receive such regulatory approval for our current product candidates. We have not submitted a Biologics License application, or BLA, or a New Drug Application, or NDA, to the FDA; a Marketing Authorization Application, or MAA, to the EMA; or comparable applications to other regulatory authorities, and do not expect to be in a position to do so in the foreseeable future. The success of our current product candidates will depend on many factors, including the following:

- we may not be able to demonstrate that any of our current product candidates is safe and effective as a treatment for the targeted indications to the satisfaction of the applicable regulatory authorities;
- the applicable regulatory authorities may require additional clinical trials of our current product candidates, which would increase our costs and prolong development;
- the results of clinical trials of our current product candidates may not meet the level of statistical or clinical significance required by the applicable regulatory authorities for marketing approval;
- the applicable regulatory authorities may disagree with the number, design, size, conduct, or implementation of our planned and future clinical trials for our current product candidates;
- the contract research organizations, or CROs, that we retain to conduct clinical trials may take actions outside of our control that materially adversely impact clinical trials for our current product candidates;
- the applicable regulatory authorities may not find the data from clinical trials sufficient to demonstrate that the clinical and other benefits of our current product candidates outweigh their safety risks;
- the applicable regulatory authorities may disagree with our interpretation of data from our clinical trials or may require that we conduct additional trials;

- the applicable regulatory authorities may not accept data generated at our clinical trial sites;
- if we submit a BLA or NDA to the FDA, and it is reviewed by an advisory committee, the FDA may have difficulties scheduling an advisory committee meeting in a timely manner or the advisory committee may recommend against approval of our application or may recommend that the FDA require, as a condition of approval, additional pre-clinical studies or clinical trials, limitations on approved labeling, or distribution and use restrictions;
- the applicable regulatory authorities may require development of a risk evaluation and mitigation strategy, or REMS, as a condition of approval;
- the applicable regulatory authorities may identify deficiencies in the manufacturing processes or facilities of our third-party manufacturers;
- the applicable regulatory authorities may change its approval policies or adopt new regulations;
- through our clinical trials, we may discover factors that limit the commercial viability of our current product candidates or make the commercialization of any of our current product candidates unfeasible;
- if approved, acceptance of our current product candidates by patients, the medical community, and third-party payors; our ability to compete with other therapies to treat OI, AATD, AECOPD, or HH; continued acceptable safety profiles following approval of our current product candidates; and our ability to qualify for, maintain, enforce, and defend our intellectual property rights and claims.

If we do not achieve one or more of these factors in a timely manner or at all, we could experience significant delays or may not be able to successfully commercialize our current product candidates.

We cannot be certain that our current product candidates will be successful in clinical trials or receive regulatory approval. Further, our current product candidates may not receive regulatory approval even if they are successful in clinical trials. If we do not receive regulatory approvals for our current product candidates, we may not be able to continue our operations. Even if we successfully obtain regulatory approvals to manufacture and market our current product candidates, our revenues will be dependent, in part, upon the size of the markets in the territories for which we gain regulatory approval and have commercial rights. If the markets for patient subsets that we are targeting are not as significant as we estimate, we may not generate significant revenues from sales of such products, if approved.

We plan to seek regulatory approval to commercialize our current product candidates both in the United States and the EU, and potentially in additional foreign countries. While the scope of regulatory approval is similar in many countries, to obtain separate regulatory approval in multiple countries requires us to comply with the numerous and varying regulatory requirements of such countries regarding safety and efficacy and governing, among other things, clinical trials and commercial sales, pricing and distribution, and we cannot predict success in these jurisdictions.

Our business may become subject to economic, political, regulatory and other risks associated with international operations.

Our business is subject to risks associated with conducting business internationally. We source research and development, manufacturing, consulting, and other services from companies based throughout the United States, the EU, and Switzerland, and we conduct our clinical trials in the United States, Canada, certain European countries, and other countries. Accordingly, our future results could be harmed by a variety of factors, including:

- economic weakness, including inflation, or political instability in particular non-U.K. economies and markets;
- differing regulatory requirements for drug approvals in non-U.K. countries;

- differing jurisdictions could present different issues for securing, maintaining, or obtaining freedom to operate for our intellectual property in such jurisdictions;
- potentially reduced protection for intellectual property rights;
- difficulties in compliance with non-U.K. laws and regulations;
- changes in non-U.K. regulations and customs, tariffs, and trade barriers;
- changes in non-U.K. currency exchange rates of the pound sterling and currency controls;
- changes in a specific country's or region's political or economic environment, including the implications of the United Kingdom's withdrawal from the EU;
- trade protection measures, import or export licensing requirements or other restrictive actions by U.K. or non-U.K. governments;
- differing reimbursement regimes and price controls in certain non-U.K. markets;
- negative consequences from changes in tax laws;
- compliance with tax, employment, immigration, and labor laws for employees living or traveling outside of the United Kingdom;
- workforce uncertainty in countries where labor unrest is more common than in the United Kingdom;
- difficulties associated with staffing and managing international operations, including differing labor relations;
- production shortages resulting from any events affecting raw material supply or manufacturing capabilities abroad; and
- business interruptions resulting from geo-political actions, including war and terrorism, or natural disasters including earthquakes, typhoons, hurricanes, floods, and fires.

Exchange rate fluctuations may materially affect our results of operations and financial condition.

Owing to the international scope of our operations, fluctuations in exchange rates, particularly between the pound sterling and the U.S. dollar, the euro, or the Swiss Franc, may adversely affect us. Further, potential future revenue may be derived from multiple jurisdictions and in multiple currencies. As a result, our business and the price of our ADSs and ordinary shares may be affected by fluctuations in foreign exchange rates not only between the pound sterling and the U.S. dollar, but also the currencies of other countries, which may have a significant impact on our results of operations and cash flows from period to period. Currently, we do not have any exchange rate hedging arrangements in place.

The United Kingdom's withdrawal from the EU may have a negative effect on global economic conditions, financial markets and our business, which could reduce the price of our ADSs and ordinary shares.

Following the vote of a majority of the eligible members of the electorate in the United Kingdom to withdraw from the EU in a national referendum held on June 23, 2016, the U.K. government served notice under Article 50 of the Treaty of the European Union on March 29, 2017 to formally initiate a withdrawal process. The United Kingdom and the EU have a two-year period under Article 50 to negotiate the terms for withdrawal. Any extension of the negotiation period for withdrawal will require the consent of all of the remaining 27 member states.

The referendum and withdrawal have created significant uncertainty about the future relationship between the United Kingdom and the EU. Lack of clarity about future U.K. laws and regulations as the United Kingdom determines which EU-derived laws and regulations to replace or replicate as part of a withdrawal, including healthcare and pharmaceutical regulations; financial laws and regulations; tax and free trade agreements; intellectual property rights; supply chain logistics; environmental, health,

and safety laws and regulations; immigration laws; and employment laws, could decrease foreign direct investment in the United Kingdom, increase costs, depress economic activity, and restrict our access to capital. If the United Kingdom and the EU are unable to negotiate acceptable withdrawal terms or if other EU member states pursue withdrawal, barrier-free access between the United Kingdom and other EU member states or among the European economic area overall could be diminished or eliminated. These developments, or the perception that any of them could occur, have had and may continue to have a significant adverse effect on global economic conditions and the stability of global financial markets, and could significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Asset valuations, currency exchange rates, and credit ratings may be especially subject to increased market volatility. In addition, changes to U.K. border and immigration policy could occur as a result of the United Kingdom's withdrawal from the EU, affecting our ability to recruit and retain employees from outside the United Kingdom. Any of these factors could have a significant adverse effect on our business, financial condition, results of operations, and prospects.

Risks Related to Development, Clinical Testing, Manufacturing and Regulatory Approval

BPS-804, AZD-9668, BCT-197, and BGS-649 are in clinical development. Clinical drug development is a lengthy and expensive process with uncertain timelines and uncertain outcomes, and results of earlier studies and trials may not be predictive of future results. If clinical trials of our product candidates are prolonged or delayed, or if our product candidates fail to show the desired safety and efficacy in later stage clinical trials, we may be unable to obtain required regulatory approvals and be unable to commercialize our product candidates on a timely basis, or at all.

To obtain the requisite regulatory approvals to market and sell any of our product candidates, we must demonstrate through extensive clinical trials that such product candidates are safe and effective in humans. Clinical testing is expensive and can take many years to complete, and its outcome is inherently uncertain. Failure can occur at any time during the clinical trial process. The results of pre-clinical studies and early-stage clinical trials of our product candidates may not be predictive of the results of later-stage clinical trials. Product candidates in later stages of clinical trials may fail to show the desired safety and efficacy traits despite having progressed through pre-clinical studies and initial clinical trials. A number of companies in the biopharmaceutical industry have suffered significant setbacks in advanced clinical trials due to lack of efficacy or adverse safety profiles, notwithstanding promising results in earlier trials. Our future clinical trial results may not be successful.

We may experience delays in our ongoing clinical trials and we do not know whether planned clinical trials will begin on time, need to be redesigned, enroll patients on time or be completed on schedule, if at all. Our clinical trials can be delayed, suspended, or terminated for a variety of reasons, including the following:

- delays in or failure to obtain regulatory or ethics committee approval to commence a trial, for example, if we fail to obtain approval by the EMA for the PIP for BPS-804 or if we are unable to submit our proposed protocol to the FDA for a pediatric clinical trial for BPS-804;
- delays in or failure to reach agreement on acceptable terms with prospective CROs and clinical trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;
- failure of our CROs to execute our trials in accordance with the clinical trial protocol; good laboratory, clinical, and manufacturing practices, or GxP; or other regulatory or contractual obligations;
- delays in or failure to obtain institutional review board, or IRB, approval, centrally or at each site;

- delays in or failure to recruit suitable patients to participate in a trial;
- failure to have patients complete a trial or return for post-treatment follow-up;
- for our rare disease product candidates, failure to enroll a sufficient number of patients with the rare disease and clinical trial design challenges such as, but not limited to, the off-label use of drugs to treat rare disease or where the most common treatment method has not been clinically tested or has been approved on the basis of a different endpoint and not directly tied to a clinical outcome study, for example, augmentation therapy for AATD;
- clinical sites deviating from trial protocol or dropping out of a trial or committing gross misconduct or fraud;
- adding new clinical trial sites;
- unexpected technical issues during manufacture, storage, or transport of our product candidates and the corresponding drug product;
- inability to manufacture sufficient quantities of our product candidates for use in clinical trials;
- third-party actions claiming infringement by our product candidates in clinical trials inside or outside of the United States and obtaining injunctions interfering with our progress;
- business interruptions resulting from geo-political actions, including war and terrorism, or natural disasters including earthquakes, typhoons, hurricanes, floods, and fires;
- safety or tolerability concerns causing us or our collaborators, as applicable, to suspend or terminate a trial if we or our collaborators find that the participants are being exposed to unacceptable health risks;
- changes in regulatory requirements, policies, and guidelines;
- lower than anticipated retention rates of patients and healthy volunteers in clinical trials;
- unexpected technical issues with the equipment used to conduct clinical trials or analyze the results;
- our third-party research contractors failing to comply with regulatory requirements or to meet their contractual obligations to us in a timely manner, or at all;
- delays in establishing the appropriate dosage levels or frequency of dosing or treatment in clinical trials;
- difficulty in identifying the populations that we are trying to treat in a particular trial, which may delay enrollment and reduce the power of a clinical trial to detect statistically significant results;
- the quality or stability of our product candidates falling below acceptable standards for either safety or efficacy; and
- discoveries that may reduce the commercial viability of our product candidates.

We could encounter delays if a clinical trial is suspended or terminated by us, by the IRBs, centrally or at the institutions in which such trials are being conducted, by the Data Monitoring Committee or Data Safety Monitoring Board for such trial or by the FDA, the EMA, or other regulatory authorities. Such authorities may impose such a suspension or termination due to a number of factors, including failure to conduct the clinical trial in accordance with regulatory requirements or our clinical protocols; inspection of the clinical trial operations or trial site by the FDA, the EMA, or other regulatory authorities resulting in the imposition of a clinical hold; unforeseen safety issues or adverse side effects; failure to demonstrate a benefit from using a drug; failure of our clinical trials to demonstrate adequate efficacy and safety; changes in governmental regulations or administrative actions; or lack of adequate funding to continue the clinical trial.

A number of academic institutions are currently conducting and sponsoring clinical trials relating to our product candidate AZD-9668, including a clinical trial in patients with Type 2 diabetes and a clinical trial in patients with bronchiolitis obliterans. We do not control the design or administration of investigator-sponsored trials, and the investigator-sponsored trials could identify significant concerns

with respect to AZD-9668 that could impact our findings from our clinical trials, and adversely affect our ability to obtain marketing approval from the FDA or other applicable authorities. To the extent the results of these or other investigator-sponsored trials are inconsistent with, or different from, the results of our company-sponsored trials or raise concerns regarding AZD-9668, the FDA or a foreign regulatory authority may question the results of the company-sponsored trial, or subject such results to greater scrutiny than it otherwise would. In these circumstances, the FDA or such foreign regulatory authorities may require us to conduct additional clinical studies or submit additional clinical data, which could delay clinical development or marketing approval of AZD-9668.

Moreover, principal investigators for our clinical trials may serve as scientific advisors or consultants to us from time to time and receive compensation in connection with such services. Under certain circumstances, we may be required to report some of these relationships to the FDA, the EMA, or another regulatory authority. The FDA, the EMA, or the other regulatory authority may conclude that a financial relationship between us and a principal investigator has created a conflict of interest or otherwise affected interpretation of the study. The FDA, the EMA, or the other regulatory authority may therefore question the integrity of the data generated at the applicable clinical trial site and the utility of the clinical trial itself may be jeopardized. This could result in a delay in approval, or rejection, of our marketing applications by the FDA, the EMA, or the other regulatory authority, as the case may be, and may ultimately lead to the denial of marketing approval of our product candidates.

If we experience delays in the completion of any clinical trial of our product candidates or any clinical trial of our product candidates is terminated, the commercial prospects of our product candidates may be harmed, and our ability to generate product revenues from our product candidates, if any, will be delayed. Moreover, any delays in completing our clinical trials will increase our costs, slow down the development and approval process of our product candidates, and jeopardize our ability to commence product sales and generate revenue, if any. Significant clinical trial delays could also allow our competitors to bring products to market before we do or shorten any periods during which we have the exclusive right to commercialize our product candidates and could impair our ability to commercialize our product candidates. In addition, many of the factors that cause, or lead to, a delay in the commencement or completion of clinical trials may also ultimately lead to the denial of regulatory approval of our product candidates.

Clinical trials must be conducted in accordance with the laws and regulations of the FDA, EU rules and regulations and other applicable regulatory authorities' legal requirements, regulations or guidelines, and are subject to oversight by these governmental agencies and IRBs, centrally or at the institutions where the clinical trials are conducted. In addition, clinical trials must be conducted with supplies of our product candidates produced in compliance with the requirements of current good manufacturing practice, or cGMP, and other regulations. Furthermore, we rely on CROs and clinical trial sites to ensure the proper and timely conduct of our clinical trials and while we have agreements governing their committed activities, we have limited influence over their actual performance. We depend on our collaborators and on medical institutions and CROs to conduct our clinical trials in compliance with good clinical practice, or GCP, requirements. To the extent our collaborators or the CROs fail to enroll participants for our clinical trials, fail to conduct the study to GCP standards, or are delayed for a significant time in the execution of trials, including achieving full enrollment, we may be affected by increased costs, program delays, or both. In addition, clinical trials that are conducted in countries outside the EU and the United States may subject us to further delays and expenses as a result of increased shipment costs, additional regulatory requirements, and the engagement of non-EU and non-U.S. CROs, as well as expose us to risks associated with clinical investigators who are unknown to the FDA or the EMA, and different standards of diagnosis, screening, and medical care.

Prior to our acquisition of BPS-804, AZD-9668, BCT-197, and BGS-649, we were not involved in the development of these product candidates and, as a result, we are dependent on Novartis and AstraZeneca having accurately reported the results and correctly collected and interpreted the data from all clinical trials conducted prior to our acquisition.

We were not involved in the development of our current product candidates prior to our acquisition of them. We licensed AZD-9668 from AstraZeneca only in October 2017, and we may experience difficulties in the transition of this product candidate from AstraZeneca to us, which may result in delays in our clinical trial, including regulatory approval of the trial, for AZD-9668, particularly if we do not receive all of the necessary clinical trial materials, information, reports, and data in a timely manner. For all of our current product candidates, we have had no involvement with or control over their pre-clinical and clinical development prior to our acquisition of them. We are dependent on Novartis and AstraZeneca having conducted their research and development in accordance with the applicable protocols and legal, regulatory, and scientific standards; having accurately reported the results of all clinical trials conducted prior to our acquisition; and having correctly collected and interpreted the data from these trials. To the extent Novartis or AstraZeneca have not complied, the clinical development, regulatory approval, or commercialization of our product candidates may be adversely affected.

Interim "top-line" and preliminary data from our clinical trials that we announce or publish from time to time may change as more patient data become available and are subject to audit and verification procedures that could result in material changes in the final data.

From time to time, we may publish interim "top-line" or preliminary data from our clinical trials. Interim data from clinical trials that we may complete are subject to the risk that one or more of the clinical outcomes may materially change as patient enrollment continues and more patient data become available. Preliminary or "top-line" data also remain subject to audit and verification procedures that may result in the final data being materially different from the preliminary data we previously published. As a result, interim and preliminary data should be viewed with caution until the final data are available. Adverse differences between preliminary or interim data and final data could significantly harm our business prospects.

Our product candidates may have serious adverse, undesirable, or unacceptable side effects which may delay or prevent marketing approval or lead to the withdrawal of approval after it has been granted. If such side effects are identified during the development of these product candidates or following approval, if any, we may need to abandon our development of these product candidates, the commercial profile of any approved label may be limited, or we may be subject to other significant negative consequences following marketing approval, if any.

Undesirable side effects that may be caused by BPS-804, AZD-9668, BCT-197, and BGS-649 could cause us or regulatory authorities to interrupt, delay or halt clinical trials, and could result in a more restrictive label or the delay or denial of regulatory approval by the FDA, the EMA, or other comparable foreign authorities. Each of our product candidates has completed one or more Phase 2 clinical trials. In the trials conducted prior to our ownership, the most common adverse events observed have been the following:

- for BPS-804, headache, influenza, arthralgia, and fatigue;
- for AZD-9668, headache, nasopharyngitis, and elevated levels of the liver enzymes aspartate aminotransferase and alanine aminotransferase;
- for BCT-197, a mild acne-like rash, dizziness, and headache; and
- for BGS-649, headache, nasal congestion, somnolence, and spontaneous penile erection.

Clinical development for all of these product candidates is ongoing. Results of our ongoing and future clinical trials, or results from clinical trials for other similar product candidates, could reveal a high and unacceptable severity and prevalence of adverse side effects. In such an event, our trials

could be suspended or terminated and the FDA, EMA, or other comparable foreign regulatory authorities could order us to cease further development of or deny approval of our product candidates for any or all targeted indications.

For example, in the United States, the FDA has denied our request for a Type C meeting to discuss the initiation of a pediatric Phase 2b study for BPS-804 for the treatment of patients with severe OI. The FDA has cited that a serious cardiovascular safety concern exists in adults treated with sclerostin inhibitors that has yet to be resolved. We do not believe the FDA's concern is related to BPS-804. Given the undetermined risk/benefit assessment in adults, the FDA believes it is premature to conduct a study of sclerostin inhibitors in children. If this safety issue is resolved, we plan on submitting our proposed Phase 2b/3 study for BPS-804 in children with severe OI to the FDA to expand the proposed trial into the United States. We believe the FDA's position does not impact our ability to conduct our clinical development activities of BPS-804 in Europe and Canada for children with severe OI and our clinical development activities of BPS-804 in Europe, the United States and Canada for adults with OI.

Drug-related side effects could affect patient recruitment or the ability of enrolled patients to complete a trial or result in potential product liability claims. Additionally, if any of our product candidates receives marketing approval and we or others later identify undesirable or unacceptable side effects caused by these product candidates, a number of potentially significant negative consequences could result, including:

- regulatory authorities may withdraw approvals of any such product and require us to take it off the market;
- regulatory authorities may require the addition of labeling statements, specific warnings, a contraindication, or field alerts to physicians and pharmacies;
- regulatory authorities may require a medication guide outlining the risks of such side effects for distribution to patients, or that we implement a REMS plan to ensure that the benefits of the product outweigh its risks;
- we may be required to change the way a product is administered, conduct additional clinical trials, or change the labeling of a product;
- we may be subject to limitations on how we may promote the product;
- sales of the product may decrease significantly;
- we may be subject to litigation or product liability claims; and
- our reputation may suffer.

Any of these events could prevent us or any collaborators from achieving or maintaining market acceptance of our product candidates or could substantially increase commercialization costs and expenses, which in turn could delay or prevent us from generating significant revenue from the sale of our product candidates.

We depend on enrollment of patients in our clinical trials for our product candidates. If we are unable to enroll patients in our clinical trials, or enrollment is slower than anticipated, in particular for our product candidates with rare disease indications, our research and development efforts could be adversely affected.

Successful and timely completion of clinical trials for our product candidates will require that we enroll a sufficient number of patient candidates. Trials may be subject to delays as a result of the limited number of patients with the diseases that these product candidates target, patient enrollment taking longer than anticipated, or patient withdrawal. Due to the small number of patients for any rare disease, it may be difficult for us to enroll a sufficient number of patients in our clinical trials for our

product candidates with indications in rare diseases or enrollment for these product candidates may take significantly longer than we anticipate. In addition, we will compete with other companies in enrolling the same limited population of patients, which may further challenge our ability to timely enroll patients in our clinical trials. It is estimated that OI, the target indication for BPS-804, affects a minimum of 20,000 people in the United States and approximately 32,000 people in Germany, Spain, France, Italy, and the United Kingdom, respectively. There are an estimated 50,000 and 60,000 persons in North America and Europe, respectively, with the genotypes that we intend to enroll in our clinical trials for AATD, the target indication for AZD-9668. Patient enrollment depends on many factors, including the size and nature of the patient population, eligibility criteria for the trial, the proximity of patients to clinical sites, the design of the clinical protocol, the availability of competing clinical trials, the availability of new drugs or biologics approved for the indication the clinical trial is investigating, and clinicians' and patients' perceptions as to the potential advantages of the drug being studied in relation to other available therapies. These factors may make it difficult for us to enroll enough patients to complete our clinical trials in a timely and cost-effective manner. Delays in the completion of any clinical trial of our product candidates will increase our costs, slow down our development and approval of our product candidates, and delay or potentially jeopardize our ability to commence product sales and generate revenue. In addition, some of the factors that cause or lead to a delay in the commencement or completion of clinical trials may also ultimately lead to the denial of regulatory approval of our product candidates.

We may become exposed to costly and damaging liability claims, either when testing our product candidates in the clinic or at the commercial stage, and our product liability insurance may not cover all damages from such claims.

We are exposed to potential product liability and professional indemnity risks that are inherent in the development, manufacturing, marketing, and use of pharmaceutical products. Currently, we have no products that have been approved for commercial sale; however, the current and future use of our product candidates by us and any collaborators, in clinical trials, and the sale of these product candidates, if approved, in the future, may expose us to liability claims. These claims might be made by patients that use the product, healthcare providers, pharmaceutical companies, our collaborators, or others selling these product candidates. Any claims against us, regardless of their merit, could be difficult and costly to defend and could adversely affect the market for our product candidates or any prospects for commercialization of our product candidates. In addition, regardless of the merits or eventual outcome, liability claims may result in:

- decreased demand for our product candidates;
- injury to our reputation;
- withdrawal of clinical trial participants;
- costs to defend related litigation;
- diversion of management's time and our resources;
- substantial monetary awards to trial participants or patients;
- regulatory investigation, product recalls or withdrawals, or labeling, marketing or promotional restrictions;
- loss of revenue; and
- the inability to commercialize or promote our product candidates.

Although the clinical trial process is designed to identify and assess potential side effects, it is always possible that a drug, even after regulatory approval, may exhibit unforeseen side effects. If our product candidates were to cause adverse side effects during clinical trials or after approval, we may be exposed to substantial liabilities. Physicians and patients may not comply with any warnings that identify known potential adverse effects and patients who should not use our product candidates.

Although we maintain product liability insurance for our product candidates, it is possible that our liabilities could exceed our insurance coverage. We intend to expand our insurance coverage to include the sale of commercial products if we obtain marketing approval for any of our product candidates. However, we may not be able to maintain insurance coverage at a reasonable cost or obtain insurance coverage that will be adequate to satisfy any liability that may arise. If a successful product liability claim or series of claims is brought against us for uninsured liabilities or in excess of insured liabilities, our assets may not be sufficient to cover such claims and our business operations could be impaired.

The regulatory approval processes of the FDA, the EMA, and comparable foreign authorities are lengthy, time consuming, and inherently unpredictable, and if we are ultimately unable to obtain regulatory approval for our product candidates, our business will be substantially harmed.

The time required to obtain approval by the FDA, the EMA, and comparable foreign authorities is unpredictable, but typically takes many years following the commencement of clinical trials and depends upon numerous factors, including substantial discretion of the regulatory authorities. In addition, approval policies, regulations, or the type and amount of clinical data necessary to gain approval may change during the course of a product candidate's clinical development and may vary among jurisdictions. We have not obtained regulatory approval for any of our product candidates and it is possible that none of our product candidates will obtain regulatory approval.

Our product candidates could fail to receive regulatory approval for many reasons, including the following:

- the FDA, the EMA, or comparable foreign regulatory authorities may disagree with the design or implementation of our clinical trials;
- we may be unable to demonstrate to the satisfaction of the FDA, the EMA, or comparable foreign regulatory authorities that a product candidates is safe and effective for its proposed indication;
- the results of clinical trials may not meet the level of statistical significance required by the FDA, the EMA, or comparable foreign regulatory authorities for approval;
- we may be unable to demonstrate that a product candidate's clinical and other benefits outweigh its safety risks;
- the FDA, the EMA, or comparable foreign regulatory authorities may disagree with our interpretation of data from pre-clinical studies or clinical trials or may find the data to be unacceptable;
- the data collected from clinical trials may not be sufficient to support the submission of a BLA or NDA in the United States, an MAA in the EU, or other comparable submission to obtain regulatory approval in other countries;
- the FDA, the EMA, or comparable foreign regulatory authorities may fail to approve the manufacturing processes or facilities of third-party manufacturers with which we contract for clinical and commercial supplies; and
- the approval policies or regulations of the FDA, the EMA, or comparable foreign regulatory authorities may significantly change in a manner rendering our clinical data insufficient for approval.

This lengthy approval process as well as the unpredictability of future clinical trial results may result in our failing to obtain regulatory approval to market any product candidates. The FDA, the EMA, and other regulatory authorities have substantial discretion in the approval process, and determining when or whether regulatory approval will be obtained for a product candidate. Even if we believe the data

collected from clinical trials are promising, such data may not be sufficient to support approval by the FDA, the EMA, or any other regulatory authority.

In addition, even if we were to obtain approval for any jurisdiction, regulatory authorities may approve our product candidates for fewer or more limited indications than we request, may not approve the price we intend to charge for our product candidates, may grant approval contingent on the performance of costly post-marketing clinical trials, or may approve a product candidate with a label that does not include the labeling claims necessary or desirable for the successful commercialization of such product candidate. Any of the foregoing scenarios could materially harm our commercial prospects and business.

Even if any of our product candidates obtains regulatory approval, we will be subject to ongoing obligations and continued regulatory review, which may result in significant additional expense. Additionally, any of our product candidates, if approved, could be subject to labeling and other restrictions and market withdrawal and we may be subject to penalties if we fail to comply with regulatory requirements or experience unanticipated problems with such product candidate.

If the FDA, the EMA, or a comparable foreign regulatory authority approves any of our product candidates, the manufacturing processes, labeling, packaging, distribution, adverse event reporting, storage, advertising, promotion, and recordkeeping for such product candidate will be subject to extensive and ongoing regulatory requirements. These requirements include submissions of safety and other post-marketing information and reports, facility registration, and drug listing, as well as continued compliance with cGMP requirements for manufacturing, GDP, or good distribution practice, requirements for product distribution, and GCP requirements for any clinical trials that we conduct post-approval, all of which may result in significant expense and limit our ability to commercialize a product candidate. We and our contract manufacturers will also be subject to user fees and periodic inspection by the FDA, the EMA, and other regulatory authorities to monitor compliance with these requirements and the terms of any product approval we may obtain. In addition, any regulatory approvals that we receive for a product candidate may also be subject to limitations on the approved indicated uses for which such product may be marketed or to the conditions of approval, or contain requirements for potentially costly post-marketing testing, including Phase 4 clinical trials, and surveillance to monitor the safety and efficacy of such product.

If there are changes in the application of legislation or regulatory policies, or if problems are discovered with a product or the manufacture of a product, or if we or one of our distributors, licensees, or co-marketers fails to comply with regulatory requirements, the regulatory authorities could take various actions. These include imposing fines on us, imposing restrictions on our product or its manufacture, and requiring us to recall or remove a product from the market. The regulatory authorities could also suspend or withdraw our marketing authorizations, or require us to conduct additional clinical trials, change our product labeling, or submit additional MAAs. If any of these events occurs, our ability to sell our product may be impaired, and we may incur substantial additional expense to comply with regulatory requirements.

The policies of the FDA, the EMA, and other regulatory authorities may change and additional government regulations may be enacted that could prevent, limit, or delay regulatory approval of our product candidates. We cannot predict the likelihood, nature, or extent of government regulation that may arise from future legislation or administrative or executive action, either in the United States, the United Kingdom, Europe, or other jurisdictions. For example, the current U.S. presidential administration has taken several executive actions, including the issuance of a number of Executive Orders, that could impose significant burdens on, or otherwise materially delay, the FDA's ability to engage in routine oversight activities such as implementing statutes through rulemaking, issuance of guidance, and review and approval of marketing applications. Notably, in January 2017, an Executive

Order was issued directing all executive agencies, including the FDA, that, for each notice of proposed rulemaking or final regulation to be issued in fiscal year 2017, the agency identify at least two existing regulations to be repealed, unless prohibited by law. These requirements are referred to as the "two-for-one" provisions. This Executive Order includes a budget neutrality provision that requires the total incremental cost of all new regulations in the 2017 fiscal year, including repealed regulations, to be no greater than zero, except in limited circumstances. For fiscal years 2018 and beyond, the Executive Order requires agencies to identify regulations to offset any incremental cost of a new regulation. In interim guidance issued by the Office of Information and Regulatory Affairs in February 2017, the administration indicated that the "two-for-one" provisions may apply not only to agency regulations, but also to significant agency guidance documents, and in September 2017, the FDA published notices in the Federal Register soliciting broad public comment to identify regulations that could be modified in compliance with these Executive Orders. It is difficult to predict how these requirements will be implemented, and the extent to which they will impact the FDA's ability to exercise its regulatory authority. If these executive actions impose restrictions on the FDA's ability to engage in oversight and implementation activities in the normal course, our business may be negatively impacted. In addition, if we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are not able to maintain regulatory compliance, we may lose any marketing approval that we may have obtained and we may not achieve or sustain profitability.

Even if we obtain marketing approval of any of our product candidates in a major pharmaceutical market such as the United States or the EU, we may not be able to obtain approval or commercialize that product candidate in other markets, which would limit our ability to realize its full market potential.

In order to market any products in a country or territory, we must establish and comply with numerous and varying regulatory requirements of such country or territory regarding safety and efficacy. Clinical trials conducted in one country may not be accepted by regulatory authorities in other countries, and regulatory approval in one country does not mean that regulatory approval will be obtained in any other country. Approval procedures vary among countries and can involve additional product testing and validation and additional administrative review periods. Seeking regulatory approvals in multiple markets may require additional pre-clinical studies or clinical trials, which would be costly and time consuming. Regulatory requirements can vary widely from country to country and could delay or prevent the introduction of our product candidates in those countries. Satisfying these and other regulatory requirements is costly, time consuming, uncertain, and subject to unanticipated delays. In addition, our failure to obtain regulatory approval in any country may delay or have negative effects on the process for regulatory approval in other countries. We currently do not have any product candidates approved for sale in the United States, the EU, or any other markets, and our management team does not have experience in obtaining regulatory approval in markets outside of the United States and the EU. If we seek regulatory approval in other markets and fail to obtain marketing approval in those markets or, if our product candidates are approved in such markets but we fail to maintain such approvals, our ability to realize the full market potential of our product candidates will be compromised.

Our employees and independent contractors, including principal investigators, CROs, CMOs, consultants, vendors, and any other third parties we may engage in connection with the development and commercialization of our product candidates may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements, which could adversely affect our business.

Misconduct by our employees and independent contractors, including principal investigators, CROs, CMOs, consultants, vendors, and any other third parties we may engage in connection with the development and commercialization of our product candidates, could include intentional, reckless, or negligent conduct or unauthorized activities that violate: (i) the laws and regulations of the FDA, the EMA

and other similar regulatory authorities, including those laws that require the reporting of true, complete and accurate information to such authorities; (ii) manufacturing standards; (iii) data privacy, security, fraud and abuse, and other healthcare laws and regulations; or (iv) laws that require the reporting of true, complete, and accurate financial information and data. Specifically, sales, marketing, and business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent fraud, misconduct, kickbacks, self-dealing, and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs, and other business arrangements. Activities subject to these laws could also involve the improper use or misrepresentation of information obtained in the course of clinical trials, creation of fraudulent data in pre-clinical studies or clinical trials, or illegal misappropriation of drug product, which could result in regulatory sanctions and cause serious harm to our reputation. It is not always possible to identify and deter misconduct by employees and other third parties, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to comply with such laws or regulations. Additionally, we are subject to the risk that a person or government could allege such fraud or other misconduct, even if none occurred. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business and results of operations, including the imposition of significant civil, criminal and administrative penalties, damages, monetary fines, disgorgements, possible exclusion from participation in Medicare, Medicaid, other U.S. federal healthcare programs or healthcare programs in other jurisdictions, individual imprisonment, other sanctions, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of our operations.

Risks Related to Healthcare Laws and Other Legal Compliance Matters

Enacted and future healthcare legislation may increase the difficulty and cost for us to obtain marketing approval of and commercialize our product candidates and may affect the prices we may set.

In the United States, EU and other jurisdictions, there have been, and we expect there will continue to be, a number of legislative and regulatory changes and proposed changes to the healthcare system that could affect our future results of operations. In particular, there have been and continue to be a number of initiatives at the U.S. federal and state levels that seek to reduce healthcare costs and improve the quality of healthcare. For example, in March 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, or collectively the ACA, was enacted, which substantially changed the way healthcare is financed by both governmental and private insurers. Among the provisions of the ACA, those of greatest importance to the pharmaceutical and biotechnology industries include the following:

- an annual, non-deductible fee payable by any entity that manufactures or imports certain branded prescription drugs and biologic agents (other than those designated as orphan drugs), which is apportioned among these entities according to their market share in certain government healthcare programs;
- a new Medicare Part D coverage gap discount program, in which manufacturers must agree to offer 50% point-of-sale discounts off negotiated prices of applicable brand drugs to eligible beneficiaries during their coverage gap period, as a condition for the manufacturer’s outpatient drugs to be covered under Medicare Part D;
- new requirements to report certain financial arrangements with physicians and teaching hospitals, including reporting “transfers of value” made or distributed to prescribers and other healthcare providers and reporting investment interests held by physicians and their immediate family members;
- an increase in the statutory minimum rebates a manufacturer must pay under the Medicaid Drug Rebate Program to 23.1% and 13.0% of the average manufacturer price for branded and

generic drugs, respectively, and capped the total rebate amount for innovator drugs at 100% of the Average Manufacturer Price, or AMP;

- a new methodology by which rebates owed by manufacturers under the Medicaid Drug Rebate Program are calculated for drugs and biologics, including our product candidates, that are inhaled, infused, instilled, implanted, or injected;
- extension of a manufacturer's Medicaid rebate liability to covered drugs dispensed to individuals who are enrolled in Medicaid managed care organizations;
- expansion of eligibility criteria for Medicaid programs by, among other things, allowing states to offer Medicaid coverage to certain individuals with income at or below 133% of the federal poverty level, thereby potentially increasing a manufacturer's Medicaid rebate liability;
- a new Patient-Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research;
- creation of the Independent Payment Advisory Board, which, once empaneled, will have the authority to recommend certain changes to the Medicare program that could result in reduced payments for prescription drugs and those recommendations could have the effect of law unless overruled by a supermajority vote of Congress;
- establishment of a Center for Medicare Innovation at the Centers for Medicare & Medicaid Services, or CMS, to test innovative payment and service delivery models to lower Medicare and Medicaid spending, potentially including prescription drug spending;
- expansion of the entities eligible for discounts under the Public Health Service program; and
- a licensure framework for follow on biologic products.

Since its enactment, there have been judicial and Congressional challenges to certain aspects of the ACA, as well as recent efforts by the Trump administration to repeal or replace certain aspects of the ACA. Since January 2017, President Trump has signed two Executive Orders designed to delay the implementation of any certain provisions of the ACA or otherwise circumvent some of the requirements for health insurance mandated by the ACA. The Trump administration has also announced that it will discontinue the payment of cost-sharing reduction, or CSR, payments to insurance companies until Congress approves the appropriation of funds for the CSR payments. The loss of the CSR payments is expected to increase premiums on certain policies issued by qualified health plans under the ACA. A bipartisan bill to appropriate funds for CSR payments has been introduced in the Senate, but the future of that bill is uncertain. In addition, CMS has recently proposed regulations that would give states greater flexibility in setting benchmarks for insurers in the individual and small group marketplaces, which may have the effect of relaxing the essential health benefits required under the ACA for plans sold through such marketplaces. Further, each chamber of Congress have put forth multiple bills this year designed to repeal or repeal and replace portions of the ACA. Although none of these measures have been enacted by Congress to date, Congress may consider other legislation to repeal and replace elements of the ACA. Congress will likely consider other legislation to replace elements of the ACA. We continue to evaluate the effect that the ACA and its possible repeal and replacement has on our business. It is uncertain the extent to which any such changes may impact our business or financial condition.

Other legislative changes have been proposed and adopted in the United States since the ACA was enacted. In August 2011, the Budget Control Act of 2011, among other things, created measures for spending reductions by Congress. A Joint Select Committee on Deficit Reduction, tasked with recommending a targeted deficit reduction of at least $1.2 trillion for the years 2013 through 2021, was unable to reach required goals, thereby triggering the legislation's automatic reduction to several government programs. This includes aggregate reductions of Medicare payments to providers of 2% per fiscal year. These reductions went into effect in April 2013 and, due to subsequent legislative amendments to the statute, will remain in effect through 2025 unless additional action is taken by Congress. In January 2013, the American Taxpayer Relief Act of 2012 was signed into law, which,

among other things, further reduced Medicare payments to several types of providers, including hospitals, imaging centers and cancer treatment centers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. These new laws or any other similar laws introduced in the future may result in additional reductions in Medicare and other health care funding, which could negatively affect our customers and accordingly, our financial operations.

Additionally, there has been increasing legislative and enforcement interest in the United States with respect to specialty drug pricing practices. Specifically, there have been several recent U.S. Congressional inquiries and proposed federal and state legislation designed to, among other things, bring more transparency to drug pricing, reduce the cost of prescription drugs under Medicare, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies for drugs. Moreover, payment methodologies may be subject to changes in healthcare legislation and regulatory initiatives. We expect that additional U.S. federal healthcare reform measures will be adopted in the future, any of which could limit the amounts that the U.S. federal government will pay for healthcare products and services, which could result in reduced demand for our product candidates or additional pricing pressures.

Individual states in the United States have also become increasingly aggressive in passing legislation and implementing regulations designed to control pharmaceutical and biological product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing. Legally-mandated price controls on payment amounts by third-party payors or other restrictions could harm our business, results of operations, financial condition, and prospects. In addition, regional healthcare authorities and individual hospitals are increasingly using bidding procedures to determine what pharmaceutical products and which suppliers will be included in their prescription drug and other healthcare programs. This could reduce the ultimate demand for our product candidates or put pressure on our product pricing.

In the EU, similar political, economic and regulatory developments may affect our ability to profitably commercialize our product candidates, if approved. In addition to continuing pressure on prices and cost containment measures, legislative developments at the EU or member state level may result in significant additional requirements or obstacles that may increase our operating costs. The delivery of healthcare in the EU, including the establishment and operation of health services and the pricing and reimbursement of medicines, is almost exclusively a matter for national, rather than EU, law and policy. National governments and health service providers have different priorities and approaches to the delivery of health care and the pricing and reimbursement of products in that context. In general, however, the healthcare budgetary constraints in most EU member states have resulted in restrictions on the pricing and reimbursement of medicines by relevant health service providers. Coupled with ever-increasing EU and national regulatory burdens on those wishing to develop and market products, this could prevent or delay marketing approval of our product candidates, restrict or regulate post-approval activities and affect our ability to commercialize our product candidates, if approved.

In markets outside of the United States and EU, reimbursement and healthcare payment systems vary significantly by country, and many countries have instituted price ceilings on specific products and therapies.

We cannot predict the likelihood, nature, or extent of government regulation that may arise from future legislation or administrative action in the United States, the EU, or any other jurisdiction. If we or any third parties we may engage are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we or such third parties are not able to maintain

regulatory compliance, our product candidates may lose any regulatory approval that may have been obtained and we may not achieve or sustain profitability.

Our business operations and current and future relationships with investigators, healthcare professionals, consultants, third-party payors, patient organizations, and customers will be subject to applicable healthcare regulatory laws, which could expose us to penalties.

Our business operations and current and future arrangements with investigators, healthcare professionals, consultants, third-party payors, patient organizations, and customers, may expose us to broadly applicable fraud and abuse and other healthcare laws and regulations. These laws may constrain the business or financial arrangements and relationships through which we conduct our operations, including how we research, market, sell, and distribute our product candidates, if approved. Such laws include:

- the U.S. federal Anti-Kickback Statute, which prohibits, among other things, persons or entities from knowingly and willfully soliciting, offering, receiving, or providing any remuneration (including any kickback, bribe, or certain rebate), directly or indirectly, overtly or covertly, in cash or in kind, to induce or reward, or in return for, either the referral of an individual for, or the purchase, lease, order, or recommendation of, any good, facility, item, or service, for which payment may be made, in whole or in part, under U.S. federal and state healthcare programs such as Medicare and Medicaid. A person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation. The U.S. federal Anti-Kickback Statute has been interpreted to apply to arrangements between pharmaceutical manufacturers on the one hand and prescribers, purchasers, and formulary managers on the other hand;
- the U.S. federal false claims and civil monetary penalties laws, including the civil False Claims Act, or FCA, which, among other things, impose criminal and civil penalties, including through civil whistleblower or qui tam actions, against individuals or entities for knowingly presenting, or causing to be presented, to the U.S. federal government, claims for payment or approval that are false or fraudulent, knowingly making, using or causing to be made or used, a false record or statement material to a false or fraudulent claim, or from knowingly making a false statement to avoid, decrease or conceal an obligation to pay money to the U.S. federal government. In addition, the government may assert that a claim including items and services resulting from a violation of the U.S. federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the FCA. As a result of a modification made by the Fraud Enforcement and Recovery Act of 2009, a claim includes “any request or demand” for money or property presented to the federal government. In addition, manufacturers can be held liable under the FCA even when they do not submit claims directly to government payors if they are deemed to “cause” the submission of false or fraudulent claims;
- the U.S. federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, which imposes criminal and civil liability for, among other things, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program or obtain, by means of false or fraudulent pretenses, representations, or promises, any of the money or property owned by, or under the custody or control of, any healthcare benefit program, regardless of the payor (e.g., public or private) and knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false statement, in connection with the delivery of, or payment for, healthcare benefits, items or services; similar to the U.S. federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, or HITECH, and their respective implementing regulations, which impose, among other things, specified requirements relating to the privacy, security and transmission of

individually identifiable health information without appropriate authorization by covered entities subject to the rule, such as health plans, healthcare clearinghouses and healthcare providers as well as their business associates that perform certain services involving the use or disclosure of individually identifiable health information. HITECH also created new tiers of civil monetary penalties, amended HIPAA to make civil and criminal penalties directly applicable to business associates, and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce the federal HIPAA laws and seek attorneys' fees and costs associated with pursuing federal civil actions;

- the U.S. federal Food, Drug and Cosmetic Act, or FDCA, which prohibits, among other things, the adulteration or misbranding of drugs, biologics, and medical devices;
- the U.S. Public Health Service Act, which prohibits, among other things, the introduction into interstate commerce of a biological product unless a biologics license is in effect for that product;
- the U.S. federal legislation commonly referred to as the Physician Payments Sunshine Act, enacted as part of the ACA, and its implementing regulations, which requires certain manufacturers of drugs, devices, biologics, and medical supplies that are reimbursable under Medicare, Medicaid, or the Children's Health Insurance Program to report annually to the government information related to certain payments and other transfers of value to physicians and teaching hospitals, as well as ownership and investment interests held by the physicians described above and their immediate family members;
- analogous U.S. state laws and regulations, including: state anti-kickback and false claims laws, which may apply to our business practices, including but not limited to, research, distribution, sales, and marketing arrangements and claims involving healthcare items or services reimbursed by any third-party payor, including private insurers; state laws that require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the U.S. federal government, or otherwise restrict payments that may be made to healthcare providers and other potential referral sources; state laws and regulations that require drug manufacturers to file reports relating to pricing and marketing information, which requires tracking gifts and other remuneration and items of value provided to healthcare professionals and entities; and state laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts; and
- similar healthcare laws and regulations in the EU and other jurisdictions, including reporting requirements detailing interactions with and payments to healthcare providers.

Because of the breadth of these laws and the narrowness of the statutory exceptions and regulatory safe harbors available under such laws, it is possible that some of our business activities could be subject to challenge under one or more of such laws. The scope and enforcement of each of these laws is uncertain and subject to rapid change in the current environment of healthcare reform, especially in light of the lack of applicable precedent and regulations. Ensuring that our current and future internal operations and business arrangements with third parties comply with applicable healthcare laws and regulations will involve substantial costs. It is possible that governmental authorities will conclude that our business practices do not comply with current or future statutes, regulations, agency guidance or case law involving applicable fraud and abuse or other healthcare laws and regulations.

If our operations are found to be in violation of any of the laws described above or any other governmental laws and regulations that may apply to us, we may be subject to the imposition of civil, criminal and administrative penalties, damages, disgorgement, monetary fines, possible exclusion from participation in Medicare, Medicaid and other federal healthcare programs, individual imprisonment,

contractual damages, reputational harm, diminished profits and future earnings, additional reporting requirements and/or oversight if we become subject to a corporate integrity agreement or similar agreement to resolve allegations of non-compliance with these laws, and curtailment or restructuring of our operations, any of which could adversely affect our ability to operate our business and our results of operations. If any of the physicians or other providers or entities with whom we expect to do business are found to not be in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs and imprisonment, which could affect our ability to operate our business. Further, defending against any such actions can be costly, time-consuming and may require significant personnel resources. Therefore, even if we are successful in defending against any such actions that may be brought against us, our business may be impaired.

Due to our international operations, we are subject to anti-corruption laws, as well as export control laws, customs laws, sanctions laws and other laws governing our operations. If we fail to comply with these laws, we could be subject to civil or criminal penalties, other remedial measures and legal expenses.

Our operations are subject to anti-corruption laws, including the U.K. Bribery Act 2010, or Bribery Act; the U.S. Foreign Corrupt Practices Act, or FCPA; and other anti-corruption laws that apply in countries where we do business and may do business in the future. The Bribery Act, FCPA, and these other laws generally prohibit us, our officers and our employees and intermediaries from bribing, being bribed by, or providing prohibited payments or anything else of value to government officials or other persons to obtain or retain business or gain some other business advantage. We may in the future operate in jurisdictions that pose a high risk of potential Bribery Act or FCPA violations, and we may participate in collaborations and relationships with third parties whose actions could potentially subject us to liability under the Bribery Act, FCPA, or local anti-corruption laws. In addition, we cannot predict the nature, scope, or effect of future regulatory requirements to which any of our international operations might be subject or the manner in which existing laws might be administered or interpreted.

We also are subject to other laws and regulations governing any international operations, including regulations administered by the governments of the United Kingdom and the United States, and authorities in the EU, including applicable export control regulations, economic sanctions on countries and persons, customs requirements and currency exchange regulations, or, collectively, the Trade Control laws.

There is no assurance that we will be completely effective in ensuring our compliance with all applicable anti-corruption laws, including the Bribery Act, the FCPA, or other legal requirements, including Trade Control laws. If we are not in compliance with the Bribery Act, the FCPA, and other anti-corruption laws or Trade Control laws, we may be subject to criminal and civil penalties, disgorgement, and other sanctions and remedial measures and legal expenses. Any investigation of any potential violations of the Bribery Act, the FCPA, other anti-corruption laws, or Trade Control laws by U.K., U.S., or other authorities, even if it is ultimately determined that we did not violate such laws, could be costly and time-consuming, require significant personnel resources, and harm our reputation.

We will seek to build and continuously improve our systems of internal controls and to remedy any weaknesses identified. There can be no assurance, however, that the policies and procedures will be followed at all times or effectively detect and prevent violations of the applicable laws by one or more of our employees, consultants, agents, or collaborators and, as a result, we could be subject to fines, penalties, or prosecution.

Risks Related to Commercialization

We operate in a highly competitive and rapidly changing industry, which may result in others acquiring, developing, or commercializing competing products before or more successfully than we do.

The biopharmaceutical and pharmaceutical industries are highly competitive and subject to significant and rapid technological change. Our success is highly dependent on our ability to acquire, develop, and obtain marketing approval for new products on a cost-effective basis and to market them successfully. If BPS-804, AZD-9668, BCT-197, or BGS-649 is approved, we will face intense competition from a variety of businesses, including large, fully integrated pharmaceutical companies, specialty pharmaceutical companies, and biopharmaceutical companies in the United States, Europe, and other jurisdictions. These organizations may have significantly greater resources than we do and conduct similar research; seek patent protection; and establish collaborative arrangements for research, development, manufacturing, and marketing of products that may compete with our product candidates.

We expect to face competition for each of our current product candidates, including specifically:

- We consider BPS-804's current closest potential competitors in development for the treatment of OI to be denosumab (Prolia) from Amgen Inc., or Amgen, an anti-resorptive agent, and UCB S.A., or UCB, and Amgen's anti-sclerostin antibody, romosozumab. Blosozumab, an anti-sclerostin antibody, was in Phase 1 development for osteoporosis by Eli Lilly and Company, or Eli Lilly; however, we are not aware of any ongoing clinical trials for this product candidate and we do not believe this product candidate remains under active development. Additionally, Bone Therapeutics SA, or Bone Therapeutics, is developing osteoblastic cell therapy products. Baylor College of Medicine is also conducting a Phase 1 open label trial of fresolimumab, a TGF-B inhibitor, in adult OI patients.
- We consider AZD-9668's current closest potential competitors for the treatment of severe AATD to be alpha1-proteinase inhibitors that are administered intravenously in AAT augmentation therapy. Currently, there are four inhibitors on the market in the United States: Prolastin-C from Grifols, S.A., or Grifols, Aralast from Shire plc, or Shire, Zemaira from CSL Limited, or CSL, and Glassia from Kamada Ltd., or Kamada. Kamada is also investigating an inhaled version of augmentation therapy and Apic Bio, Inc., or Apic Bio and Adverum Biotechnologies, Inc., or Adverum, are in the early stages of developing gene-therapy approaches for AATD. Santhera Pharmaceuticals, or Santhera, has in-licensed an inhaled neutrophil elastase inhibitor and is planning a multiple ascending dose study, with the initial indication targeted being cystic fibrosis.
- For BCT-197, although we are not aware of any approved therapies for the treatment of AECOPD, there are a wide range of established therapies available for COPD as well as a number of products in development, with Verona Pharma plc, or Verona Pharma, GlaxoSmithKline plc. or GlaxoSmithKline, and AstraZeneca each conducting Phase 2 trials on drugs for the treatment of COPD.
- We consider BGS-649's current closest potential competitors for the treatment of HH to be testosterone replacement therapies, or TRT. These include Androgel from AbbVie Inc., or Abbvie, and Eli Lilly's Axiron, both administered transdermally by applying a gel formulation, which are approved in the United States and Europe, and Andriol from Merck & Co., Inc., or Merck, an oral testosterone therapy, which is approved in Europe but not in the United States. There are also other approved TRT products that are administered via injection and other oral TRTs that are still in the development or registration stages, such as JATENZO from Clarus Therapeutics, Inc., or Clarus, and TLANDO from Lipocine, Inc., or Lipocine. The FDA held Advisory Committee meetings in January 2018 for JATENZO and TLANDO. Lipocine has a Prescription Drug User Fee Act, or PDUFA, date of May 8, 2018. In addition, Repros Therapeutics, Inc., or Repros, is developing a selective estrogen receptor modulator and the EMA's Committee for Medicinal Products for Human Use, or CHMP, adopted a negative

opinion recommending the refusal of its marketing authorization. In December 2017, Allergan announced the acquisition of Repros.

We also anticipate that new companies will enter these markets in the future. If we successfully develop and commercialize any of BPS-804, AZD-9668, BCT-197, or BGS-649, they will compete with existing therapies and new therapies that may become available in the future. The highly competitive nature of and rapid technological changes in the biopharmaceutical and pharmaceutical industries could render our product candidates obsolete, less competitive, or uneconomical. Our competitors may, among other things:

- have significantly greater name recognition, financial, manufacturing, marketing, drug development, technical, and human resources than we do, and future mergers and acquisitions in the biopharmaceutical and pharmaceutical industries may result in even more resources being concentrated in our competitors;
- develop and commercialize products that are safer, more effective, less expensive, more convenient, or easier to administer, or have fewer or less severe effects, or in certain cases could be curative for the condition;
- obtain quicker regulatory approval;
- establish superior proprietary positions covering our products and technologies;
- implement more effective approaches to sales and marketing; or
- form more advantageous strategic alliances.

Smaller and other early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These third parties compete with us in recruiting and retaining qualified scientific and management personnel; establishing clinical trial sites and patient registration; and in acquiring technologies complementary to, or necessary for, our programs. Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize products that are more effective, have fewer or less severe side effects, are more convenient or are less expensive than our product candidates. Our competitors may also obtain FDA, EMA, or other regulatory approval for their product candidates more rapidly than we may obtain approval for ours, which could result in our competitors establishing or strengthening their market position before we are able to enter the market.

We have obtained orphan drug designation for BPS-804 for the treatment of OI in the United States and EU, but we may be unable to obtain orphan drug designation for AZD-9668 or any future product candidates, and we may be unable to obtain or maintain the benefits associated with orphan drug designation, including the potential for orphan drug exclusivity, for BPS-804 or any other product candidate for which we obtain orphan drug designation.

Under the Orphan Drug Act, the FDA may designate a product as an orphan drug if it is intended to treat a rare disease or condition, defined as one occurring in a patient population of fewer than 200,000 in the United States, or a patient population greater than 200,000 in the United States where there is no reasonable expectation that the cost of developing the drug will be recovered from sales in the United States. In the EU, the EMA's Committee for Orphan Medicinal Products grants orphan drug designation to promote the development of products that are intended for the diagnosis, prevention or treatment of a life-threatening or chronically debilitating condition affecting not more than five in 10,000 persons in the EU. Additionally, designation is granted for products intended for the diagnosis, prevention, or treatment of a life-threatening, seriously debilitating, or serious and chronic condition when, without incentives, it is unlikely that sales of the drug in the EU would be sufficient to justify the necessary investment in developing the drug or biological product or where there is no satisfactory method of diagnosis, prevention, or treatment, or, if such a method exists, the medicine must be of significant benefit to those affected by the condition.

In the United States, orphan drug designation entitles a party to financial incentives such as opportunities for grant funding towards clinical trial costs, tax credits for qualified clinical testing, and user-fee waivers. In addition, if a product receives the first FDA approval of that drug for the indication for which it has orphan designation, the product is entitled to orphan drug exclusivity, which means the FDA may not approve any other application to market the same drug for the same indication for a period of seven years, except in limited circumstances, such as a showing of clinical superiority over the product with orphan exclusivity or where the manufacturer is unable to assure the availability of sufficient quantities of the orphan drug to meet the needs of patients with the rare disease or condition. Under the FDA's regulations, the FDA will deny orphan drug exclusivity to a designated drug upon approval if the FDA has already approved another drug with the same active ingredient for the same indication, unless the drug is demonstrated to be clinically superior to the previously approved drug. In the EU, orphan drug designation entitles a party to financial incentives such as reduction of fees or fee waivers and ten years of market exclusivity following approval. This period may be reduced to six years if the orphan drug designation criteria are no longer met, including where it is shown that the drug is sufficiently profitable not to justify maintenance of market exclusivity. In the EU, a marketing authorization for an orphan designated product will not be granted if a similar drug has been approved in the EU for the same therapeutic indication, unless the applicant can establish that its product is safer, more effective or otherwise clinically superior. A similar drug is a product containing a similar active substance or substances as those contained in an already authorized product. Similar active substance is defined as an identical active substance, or an active substance with the same principal molecular structural features (but not necessarily all of the same molecular features) and which acts via the same mechanism.

We have obtained orphan drug designation from the FDA and EMA for BPS-804 for the treatment of OI, and we plan to seek orphan drug designation for AZD-9668 and future product candidates. Even with orphan drug designation, we may not be the first to obtain marketing approval for any particular orphan indication due to the uncertainties associated with developing pharmaceutical products, which could prevent us from marketing our product candidates if another company is able to obtain orphan drug exclusivity before we do. In addition, exclusive marketing rights in the United States may be unavailable if we seek approval for an indication broader than the orphan-designated indication or may be lost in the United States if the FDA later determines that the request for designation was materially defective or if we are unable to assure sufficient quantities of the drug to meet the needs of patients with the rare disease or condition following approval. Further, even if we obtain orphan drug exclusivity, that exclusivity may not effectively protect our product candidates from competition because different drugs with different active moieties can be approved for the same condition. In addition, the FDA and the EMA can subsequently approve products with the same active moiety for the same condition if the FDA or the EMA concludes that the later drug is safer, more effective, or makes a major contribution to patient care. Orphan drug designation neither shortens the development time or regulatory review time of a drug nor gives the drug any advantage in the regulatory review or approval process. In addition, while we intend to seek orphan drug designation for other existing and future product candidates, including AZD-9668, we may never receive such designations.

There have been legal challenges to aspects of the FDA's regulations and policies concerning the exclusivity provisions of the Orphan Drug Act, and future challenges could lead to changes that affect the protections afforded our product candidates in ways that are difficult to predict. In 2014, a U.S. district court invalidated the FDA's denial of orphan exclusivity to an orphan designated drug, which the FDA had based on its determination that the drug was not proven to be clinically superior to a previously approved "same drug." In response to the decision, the FDA released a policy statement stating that the court's decision is limited to the facts of that particular case and that the FDA will continue to deny orphan drug exclusivity to a designated drug upon approval if the drug is the "same"

as a previously approved drug, unless the drug is demonstrated to be clinically superior to that previously approved drug. Since then, similar legal challenges have been initiated against the FDA for its denial of orphan drug exclusivity to other designated drugs, and in 2017, Congress amended the Orphan Drug Act to require a demonstration of clinical superiority upon approval as a condition of receiving orphan drug exclusivity when another "same drug" has already been approved for the same indication. In the future, there is the potential for additional legal challenges to the FDA's orphan drug regulations and policies, and it is uncertain how ongoing and future challenges might affect our business.

We may seek and fail to obtain breakthrough therapy designation by the FDA for BPS-804 or AZD-9668, or any future product candidates or access to the PRIME scheme by the EMA for AZD-9668 or any future product candidates. Even if we obtain such designation or access, the designation or access may not lead to faster development or regulatory review or approval, and it does not increase the likelihood that our product candidates will receive marketing approval.

In 2012, the FDA established a breakthrough therapy designation which is intended to expedite the development and review of product candidates that treat serious or life-threatening diseases where preliminary clinical evidence indicates that the product candidate may demonstrate substantial improvement over existing therapies on one or more clinically-significant endpoints, such as substantial treatment effects observed early in clinical development. The designation of a product candidate as a breakthrough therapy provides potential benefits that include but are not limited to more frequent meetings with the FDA to discuss the development plan for the product candidate and ensure collection of appropriate data needed to support approval; more frequent written correspondence from the FDA about such things as the design of the proposed clinical trials and use of biomarkers; intensive guidance on an efficient drug development program, beginning as early as Phase 1; organizational commitment involving senior managers; and eligibility for rolling review and priority review. Drugs and biologics designated as breakthrough therapies by the FDA are also eligible for accelerated approval. Similarly, the EMA has established the PRIME scheme to expedite the development and review of product candidates that show a potential to address to a significant extent an unmet medical need, based on early clinical data. In November 2017, BPS-804 was admitted to the PRIME scheme of the EMA.

Designation as a breakthrough therapy is within the discretion of the FDA. Accordingly, even if we believe one of our product candidates meets the criteria for designation as a breakthrough therapy, the FDA may disagree and instead determine not to make such designation. We cannot be sure that our evaluation of our product candidates as qualifying for breakthrough therapy designation will meet the FDA's expectations. In any event, the receipt of a breakthrough therapy designation for a product candidate may not result in a faster development process, review, or approval compared to product candidates considered for approval under conventional FDA procedures and does not assure ultimate approval by the FDA. In addition, even if one or more of our product candidates qualify as breakthrough therapies, the FDA may later decide that such product candidates no longer meet the conditions for qualification or decide that the time period for FDA review or approval will not be shortened. Similarly, access to the PRIME scheme is at the discretion of the EMA, and we cannot be sure that AZD-9668 or any future product candidates will be granted access to the scheme; that participation in the scheme will result in expedited regulatory review or approval of our product candidates; or that access to the scheme, once granted, will not be revoked.

The successful commercialization of our product candidates will depend in part on the extent to which governmental authorities and health insurers establish adequate coverage, reimbursement levels, and pricing policies. Failure to obtain or maintain coverage and adequate reimbursement for our product candidates, if approved, could limit our ability to market those products and decrease our ability to generate revenue.

The availability and adequacy of coverage and reimbursement by governmental healthcare programs such as Medicare and Medicaid, private health insurers, and other third-party payors are essential for most patients to be able to afford prescription medications such as our product candidates, assuming approval. Our ability to achieve acceptable levels of coverage and reimbursement for products by governmental authorities, private health insurers, and other organizations will have an effect on our ability to successfully commercialize our product candidates. Assuming we obtain coverage for our product candidates by a third-party payor, the resulting reimbursement payment rates may not be adequate or may require co-payments that patients find unacceptably high. We cannot be sure that coverage and reimbursement in the United States, the EU, or elsewhere will be available for our product candidates or any product that we may develop, and any reimbursement that may become available may be decreased or eliminated in the future.

Third-party payors increasingly are challenging prices charged for pharmaceutical products and services, and many third-party payors may refuse to provide coverage and reimbursement for particular drugs or biologics when an equivalent generic drug, biosimilar, or a less expensive therapy is available. It is possible that a third-party payor may consider our product candidates as substitutable and only offer to reimburse patients for the less expensive product. Even if we show improved efficacy or improved convenience of administration with our product candidates, pricing of existing drugs may limit the amount we will be able to charge for our product candidates. These payors may deny or revoke the reimbursement status of a given product or establish prices for new or existing marketed products at levels that are too low to enable us to realize an appropriate return on our investment in our product candidates. If reimbursement is not available or is available only at limited levels, we may not be able to successfully commercialize our product candidates, and may not be able to obtain a satisfactory financial return on our product candidates.

There is significant uncertainty related to the insurance coverage and reimbursement of newly approved products. In the United States, third-party payors, including private and governmental payors, such as the Medicare and Medicaid programs, play an important role in determining the extent to which new drugs and biologics will be covered. The Medicare and Medicaid programs increasingly are used as models in the United States for how private payors and other governmental payors develop their coverage and reimbursement policies for drugs and biologics. Some third-party payors may require pre-approval of coverage for new or innovative devices or drug therapies before they will reimburse healthcare providers who use such therapies. It is difficult to predict at this time what third-party payors will decide with respect to the coverage and reimbursement for our product candidates.

No uniform policy for coverage and reimbursement for products exists among third-party payors in the United States. Therefore, coverage and reimbursement for products can differ significantly from payor to payor. As a result, the coverage determination process is often a time-consuming and costly process that will require us to provide scientific and clinical support for the use of our product candidates to each payor separately, with no assurance that coverage and adequate reimbursement will be applied consistently or obtained in the first instance. Furthermore, rules and regulations regarding reimbursement change frequently, in some cases at short notice, and we believe that changes in these rules and regulations are likely.

Our operations are also subject to extensive governmental price controls and other market regulations in the United Kingdom and other countries outside of the United States, and we believe the increasing emphasis on cost-containment initiatives in European and other countries have and will

continue to put pressure on the pricing and usage of our product candidates. In many countries, the prices of medical products are subject to varying price control mechanisms as part of national health systems. Other countries allow companies to fix their own prices for medical products, but monitor and control company profits. Additional foreign price controls or other changes in pricing regulation could restrict the amount that we are able to charge for our product candidates. Accordingly, in markets outside the United States, the reimbursement for our product candidates may be reduced compared with the United States and may be insufficient to generate commercially reasonable revenue and profits.

Moreover, increasing efforts by governmental and third-party payors in the United States and abroad to cap or reduce healthcare costs may cause such organizations to limit both coverage and the level of reimbursement for newly approved products and, as a result, they may not cover or provide adequate payment for our product candidates. We expect to experience pricing pressures in connection with the sale of our product candidates due to the trend toward managed health care, the increasing influence of health maintenance organizations, and additional legislative changes. The downward pressure on healthcare costs in general, particularly prescription drugs and biologics and surgical procedures and other treatments, has become intense. As a result, increasingly high barriers are being erected to the entry of new products.

Our existing and future product candidates may not gain market acceptance, in which case our ability to generate product revenues will be compromised.

Even if the FDA, the EMA, or any other regulatory authority approves the marketing of our product candidates, whether developed on our own or with a collaborator, physicians, healthcare providers, patients, or the medical community may not accept or use our product candidates. If our product candidates do not achieve an adequate level of acceptance, we may not generate significant product revenue or any profits from operations. The degree of market acceptance of our product candidates will depend on a variety of factors, including:

- the timing of market introduction;
- the number and clinical profile of competing products;
- the clinical indications for which our product candidates are approved;
- our ability to provide acceptable evidence of safety and efficacy;
- the prevalence and severity of any side effects;
- relative convenience and ease of administration;
- cost-effectiveness;
- marketing and distribution support;
- availability of adequate coverage, reimbursement, and adequate payment from health maintenance organizations and other insurers, both public and private; and
- other potential advantages over alternative treatment methods.

If our product candidates fail to gain market acceptance, our ability to generate revenues will be adversely affected. Even if our product candidates achieve market acceptance, the market may prove not to be large enough to allow us to generate significant revenues.

We intend to directly commercialize our product candidates for rare diseases and to seek strategic relationships with third parties for the commercialization of our product candidates for specialty diseases. If we are unable to develop our own sales, marketing, and distribution capabilities or enter into business arrangements, we may not be successful in commercializing our product candidates.

We have no marketing, sales, or distribution capabilities and we have no experience with marketing, selling or distributing pharmaceutical products. We also have no strategic relationships in

place for the commercialization of our product candidates. For BPS-804 and AZD-9668, if approved, and for any future product candidates for rare diseases, we intend either to establish a sales and marketing organization with technical expertise and supporting distribution capabilities to commercialize these product candidates in major markets or potentially to outsource aspects of these functions to third parties. We may not be able to hire a sales force that is sufficient in size or has adequate expertise in OI, AATD, or other relevant rare diseases. Any failure or delay in the development of our internal sales, marketing, and distribution capabilities would adversely impact the commercialization of these product candidates.

For BCT-197 and BGS-649, and for any future product candidates for specialty diseases, we intend to enter into strategic relationships for the commercialization of these product candidates. These arrangements may also include the late-stage clinical development of a product candidate. As a result, our revenue from product sales may be lower than if we directly marketed or sold these product candidates. In addition, any revenue we receive will depend upon the terms of such arrangement, which may not be as favorable to us as possible, and the efforts of the other party, which may not be adequate or successful and are likely to be beyond our control. If we are unable to enter into these arrangements on acceptable terms or at all, we may not be able to successfully commercialize these product candidates.

These commercialization approaches are expensive and time consuming, and some or all of the costs associated with such efforts may be incurred in advance of any approval of our product candidates. If we are not successful in commercializing our product candidates, either on our own or through strategic relationships with third parties, our future product revenue will suffer and we may incur significant losses.

Any product candidates for which we intend to seek approval as biologic products in the United States may face competition sooner than anticipated.

In the United States, the Biologics Price Competition and Innovation Act of 2009, or BPCIA, created an abbreviated approval pathway for biological products that are biosimilar to or interchangeable with an FDA-licensed reference biological product. Under the BPCIA, an application for a biosimilar product may not be submitted to the FDA until four years following the date that the reference product was first licensed by the FDA. In addition, the approval of a biosimilar product may not be made effective by the FDA until 12 years from the date on which the reference product was first licensed. During this 12-year period of exclusivity, another company may still market a competing version of the reference product if the FDA approves a full BLA for the competing product containing the sponsor's own pre-clinical data and data from adequate and well-controlled clinical trials to demonstrate the safety, purity, and potency of their product. The law is complex and is still being interpreted and implemented by the FDA. As a result, its ultimate impact, implementation, and meaning are subject to uncertainty. While it is uncertain when processes intended to implement the BPCIA may be fully adopted by the FDA, any such processes could adversely affect the future commercial prospects for any biological products.

We believe that if any product candidate is approved as a biological product under a BLA, it should qualify for the 12-year period of exclusivity. However, there is a risk that this exclusivity could be shortened due to congressional action or otherwise, or that the FDA will not consider our product candidates to be reference products for competing products, potentially creating the opportunity for generic competition sooner than anticipated. Other aspects of the BPCIA, some of which may impact the BPCIA exclusivity provisions, have also been the subject of recent litigation. Moreover, the extent to which a biosimilar, once approved, will be substituted for a reference product in a way that is similar to traditional generic substitution for non-biological products is not yet clear, and will depend on a number of marketplace and regulatory factors that are still developing.

In the EU, MAAs for products that are biosimilar to an already authorized biological product, the so-called reference product, can rely on the safety and efficacy data contained in the dossier of the reference product. To qualify as a biosimilar product the marketing authorization applicant must demonstrate, through comprehensive comparability studies with the reference product, that its product is: (i) highly similar to the reference product notwithstanding the natural variability inherent to all biological medicines, and (ii) that there are no clinically meaningful differences between the biosimilar and the reference product in terms of safety, quality, and efficacy. Biosimilars can only be authorized for use after the period of exclusivity of the reference biological medicine has expired. In general, this means that the biological reference product must have been authorized for at least 10 years before a biosimilar can be made available by another company.

Risks Related to Our Dependence on Third Parties

We rely, and expect to continue to rely, on third parties, including independent investigators and CROs, to conduct our clinical trials. If these CROs do not successfully carry out their contractual duties or meet expected deadlines, we may not be able to obtain regulatory approval for or commercialize our product candidates, or such approval or commercialization may be delayed, and our business could be substantially harmed.

We have relied upon and plan to continue to rely upon independent clinical investigators and CROs to conduct our clinical trials and to monitor and manage data for our ongoing clinical programs. We rely on these parties for the execution of our clinical trials and control only certain aspects of their activities. Nevertheless, we are responsible for ensuring that each of our studies and trials is conducted in accordance with the applicable protocol and legal, regulatory and scientific standards, and our reliance on these third parties does not relieve us of our regulatory responsibilities. We and our independent investigators and CROs are required to comply with GxP requirements, which are regulations and guidelines enforced by the FDA, the Competent Authorities of the Member States of the European Economic Area, and comparable foreign regulatory authorities for all of our product candidates in clinical development. Regulatory authorities enforce these GxP requirements through periodic inspections of trial sponsors, principal investigators and trial sites. If we fail to exercise adequate oversight over any of our independent investigators or CROs or if we or any of our independent investigators or CROs fail to comply with applicable GxP requirements, the clinical data generated in our clinical trials may be deemed unreliable and the FDA, the EMA, or comparable foreign regulatory authorities may require us to perform additional clinical trials before approving our marketing applications. We cannot assure you that upon a regulatory inspection of us or our independent investigators or CROs, such regulatory authority will determine that any of our clinical trials complies with GxP requirements. Our failure to comply with these regulations may require us to repeat clinical trials, which would delay the regulatory approval process.

Further, these independent investigators and CROs are not our employees and we are not able to control, other than by contract, the amount of resources, including time, which they devote to our clinical trials. If our independent investigators or CROs fail to devote sufficient resources to the development of our product candidates, or if their performance is substandard, it may delay or compromise the prospects for approval and commercialization of our product candidates. In addition, the use of third-party service providers requires us to disclose our proprietary information to these parties, which could increase the risk that this information is misappropriated.

If any of our relationships with our independent investigators or CROs terminate, we may not be able to enter into arrangements with alternative independent investigators or CROs or to do so on commercially reasonable terms. Switching or adding additional investigators or CROs involves additional cost and potential delays and requires our management’s time and focus. In addition, there is a natural transition period when a new independent investigator or CRO commences work. As a

result, delays could occur, which could materially impact our ability to meet our desired clinical development timelines.

If our independent investigators or CROs do not successfully carry out their contractual duties or obligations or meet expected deadlines, if they need to be replaced or if the quality or accuracy of the clinical data they obtain is compromised due to a failure to adhere to our clinical protocols, regulatory requirements, or for other reasons, our clinical trials may be extended, delayed, or terminated and we may not be able to obtain regulatory approval for or successfully commercialize our product candidates. As a result, our results of operations and the commercial prospects for our product candidates would be harmed, our costs could increase and our ability to generate revenue could be delayed.

We currently rely on third-party contract manufacturing organizations, or CMOs, for the production of clinical supply of our product candidates and intend to rely on CMOs for the production of commercial supply of our product candidates, if approved. Our dependence on CMOs may impair the development of our product candidates and may impair the commercialization of our product candidates, which would adversely impact our business and financial position.

We have limited personnel with experience in manufacturing, and we do not own facilities for manufacturing our product candidates. Instead, we rely on and expect to continue to rely on CMOs for the supply of cGMP grade clinical trial materials and commercial quantities of our product candidates, if approved. Reliance on CMOs may expose us to more risk than if we were to manufacture our product candidates ourselves. Novartis previously provided clinical supplies for BPS-804, BCT-197, and BGS-649 and certain transitional services. We have moved the clinical supply manufacture for these product candidates to CMOs. We also intend to contract with CMOs for the clinical supply of AZD-9668.

The facilities used to manufacture our product candidates must be approved by the FDA, the EMA, and comparable foreign authorities pursuant to inspections. While we provide oversight of manufacturing activities, we do not and will not control the execution of our manufacturing activities by, and are or will be essentially dependent on, our CMOs for compliance with cGMP requirements for the manufacture of our product candidates. As a result, we are subject to the risk that our product candidates may have manufacturing defects that we have limited ability to prevent. If a CMO cannot successfully manufacture material that conforms to our specifications and the regulatory requirements, we will not be able to secure or maintain regulatory approval for the use of our investigational medicinal products in clinical trials, or for commercial distribution of our product candidates, if approved. In addition, we have limited control over the ability of our CMOs to maintain adequate quality control, quality assurance and qualified personnel. If the FDA, the EMA or comparable foreign regulatory authority does not approve these facilities for the manufacture of our product candidates or if it withdraws any such approval in the future, we may need to find alternative manufacturing facilities, which would delay our development program and significantly impact our ability to develop, obtain regulatory approval for or commercialize our product candidates, if approved. In addition, any failure to achieve and maintain compliance with these laws, regulations and standards could subject us to the risk that we may have to suspend the manufacturing of our product candidates or that obtained approvals could be revoked. Furthermore, CMOs may breach existing agreements they have with us because of factors beyond our control. They may also terminate or refuse to renew their agreement at a time that is costly or otherwise inconvenient for us. In addition, the manufacture of biologics involves expensive and complex processes and worldwide capacity at CMOs for the manufacture of biologics is currently limited. In addition, Novartis has a contractual right to approve or reject any additional CMO we wish to engage for the manufacture of BPS-804. If we were unable to find an adequate CMO or another acceptable solution in time, our clinical trials could be delayed or our commercial activities could be harmed.

We rely on and will continue to rely on CMOs to purchase from third-party suppliers the raw materials necessary to produce our product candidates. We do not and will not have control over the process or timing of the acquisition of these raw materials by our CMOs. Moreover, we currently do not have any agreements for the production of these raw materials. Supplies of raw material could be interrupted from time to time and we cannot be certain that alternative supplies could be obtained within a reasonable timeframe, at an acceptable cost, or at all. In addition, a disruption in the supply of raw materials could delay the commercial launch of our product candidates, if approved, or result in a shortage in supply, which would impair our ability to generate revenues from the sale of our product candidates. Growth in the costs and expenses of raw materials may also impair our ability to cost effectively manufacture our product candidates. There are a limited number of suppliers for the raw materials that we may use to manufacture our product candidates and we may need to assess alternate suppliers to prevent a possible disruption of the manufacture of our product candidates.

Finding new CMOs or third-party suppliers involves additional cost and requires our management's time and focus. In addition, there is typically a transition period when a new CMO commences work. Although we generally do not begin a clinical trial unless we believe we have on hand, or will be able to obtain, a sufficient supply of our product candidates to complete the clinical trial, any significant delay in the supply of our product candidates or the raw materials needed to produce our product candidates, could considerably delay conducting our clinical trials and potential regulatory approval of our product candidates.

As part of their manufacture of our product candidates, our CMOs and third-party suppliers are expected to comply with and respect the proprietary rights of others. If a CMO or third-party supplier fails to acquire the proper licenses or otherwise infringes the proprietary rights of others in the course of providing services to us, we may have to find alternative CMOs or third-party suppliers or defend against claims of infringement, either of which would significantly impact our ability to develop, obtain regulatory approval for or commercialize our product candidates, if approved.

We intend to enter into strategic relationships with third parties, based on a product-by-product assessment, for the development of some of our product candidates. If we fail to enter into these arrangements, our business, development and commercialization prospects could be adversely affected.

Our development program for our product candidates, particularly as we enter late-stage development, will require substantial additional funds. We currently intend to enter into a strategic relationship with a pharmaceutical or biopharmaceutical company for the continued development of BCT-197 and potentially for BGS-649, and we may take the same approach for other product candidates.

These types of development arrangements are complex and time-consuming to negotiate and document, and we may not be able to enter into these arrangements on favorable terms or at all. In addition, we face significant competition from other companies in seeking out these types of development arrangements. If we are successful in entering into such an arrangement, we will be subject to other risks, including our inability to control the amount of time and resources the third party will dedicate to our product candidates, financial or other difficulties experienced by such third party, relinquishing important rights to such third party, and the arrangement failing to be profitable to us.

If we are unable to enter into an appropriate arrangement for the development of BCT-197 and potentially for BGS-649 or other product candidates, we may have to reduce, delay, or terminate the development of such product candidates. If we, instead, decide to increase our expenditures to fund development activities on our own, we will need to obtain additional capital, which may not be available to us on acceptable terms or at all. As a result, our business may be substantially harmed.

Risks Related to Intellectual Property and Data Protection

We rely on patents and other intellectual property rights to protect our product candidates, the obtainment, enforcement, defense and maintenance of which may be challenging and costly. Failure to enforce or protect these rights adequately could harm our ability to compete and impair our business.

Our commercial success depends in part on obtaining and maintaining patents and other forms of intellectual property protection, for example, for compositions-of-matter of our product candidates, formulations of our product candidates, polymorphs, salts and analogs of our product candidates, methods used to manufacture our product candidates, methods for manufacturing of the final drug products, and methods of using our product candidates for the treatment of the indications we are developing or plan to develop, or on in-licensing such rights. Our patent portfolio comprises patents and patent applications which cover our BPS-804, BCT-197, and BGS-649 product candidates acquired or exclusively licensed from Novartis, and patents and patent applications which cover our AZD-9668 product candidate exclusively licensed (with the option to purchase) from AstraZeneca. The assignments of those patents and patent applications which we acquired from Novartis have been registered with the relevant authorities in key territories and the exclusive licenses from AstraZeneca are in the process of being registered with the relevant authorities in key territories. There is no assurance that our pending patent applications will result in issued patents, or if issued as patents, will include claims with sufficient scope of coverage to protect our product candidates, or that any pending patent applications will be issued as patents in a timely manner. Failure to obtain, maintain or extend adequate patent and other intellectual property rights could adversely affect our ability to develop and market our product candidates, resulting in harm to our business.

The patent prosecution process is expensive and time-consuming. We or our licensors may not be able to prepare, file and prosecute all necessary or desirable patent applications for a commercially reasonable cost or in a timely manner or in all jurisdictions. It is also possible that we or our licensors may fail to identify patentable aspects of inventions made in the course of development and commercialization activities before it is too late to obtain patent protection on them. Moreover, depending on the terms of any future in-licenses to which we may become a party, we may not have the right to control the preparation, filing and prosecution of patent applications, or to maintain the patents, covering technology in-licensed from third parties. Therefore, these patents and patent applications may not be prosecuted and enforced in a manner consistent with the best interests of our business.

Further, the issuance, scope, validity, enforceability, and commercial value of our and our current or future licensors' patent rights are highly uncertain. Our and our licensors' pending and future patent applications may not result in issued patents that protect our technology or product candidates, in whole or in part, or that effectively prevent others from commercializing competitive technologies and products. The patent examination process may require us or our licensors to narrow the scope of the claims of our or our licensors' pending and future patent applications, which may limit the scope of patent protection that may be obtained. We cannot assure that all of the potentially relevant prior art relating to our patents and patent applications has been found. If such prior art exists, it can invalidate a patent or prevent a patent application from being issued as a patent. Even if patent applications do successfully issue as patents and even if such patents cover our product candidates, third parties may initiate an opposition, interference, reexamination, post grant review, inter partes review, nullification or derivation action in courts or before patent offices, or similar proceedings challenging the validity, enforceability, or scope of such patents, which may result in the patent claims being narrowed or invalidated. Our and our licensors' patent applications cannot be enforced against third parties practicing the technology claimed in such applications unless and until a patent issues from such patent applications, and then only to the extent the issued claims cover the technology.

Because patent applications are confidential for a period of time after filing, and some remain so until issued, we cannot be certain that we or our licensors were the first to file any patent application related to our product candidates. Furthermore, in the United States, if third parties have filed such patent applications on or before March 15, 2013, the date on which the United States changed from a first to invent to a first to file patent system, an interference proceeding can be initiated by such third parties to determine who was the first to invent any of the subject matter covered by the patent claims of our applications. If third parties have filed such applications after March 15, 2013, a derivation proceeding can be initiated by such third parties to determine whether our invention was derived from theirs. Even where we have a valid and enforceable patent, we may not be able to exclude others from practicing our invention where the other party can show that they used the invention in commerce before our filing date or the other party benefits from a compulsory license.

We enjoy only limited geographical protection with respect to certain patents and we may not be able to protect our intellectual property rights throughout the world.

Filing and prosecuting patent applications and defending patents covering our product candidates in all countries throughout the world would be prohibitively expensive. Competitors may use our and our licensors' technologies in jurisdictions where we have not obtained patent protection to develop their own products and, further, may export otherwise infringing products to territories where we and our licensors have patent protection, but enforcement rights are not as strong as that in the United States or Europe. These products may compete with our product candidates, and our and our licensors' patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

In addition, we may decide to abandon national and regional patent applications before grant. The examination of each national or regional patent application is an independent proceeding. As a result, patent applications in the same family may issue as patents in some jurisdictions, such as in the United States, but may issue as patents with claims of different scope or may even be refused in other jurisdictions, such as in China, which has different requirements for patentability, including a stringent requirement for a detailed description of medical uses of a claimed drug. It is also quite common that depending on the country, the scope of patent protection may vary for the same product candidate or technology.

The laws of some jurisdictions do not protect intellectual property rights to the same extent as the laws or rules and regulations in the United States and Europe, and many companies have encountered significant difficulties in protecting and defending such rights in such jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents, trade secrets and other intellectual property protection, which could make it difficult for us to stop the infringement of our patents or marketing of competing products in violation of our proprietary rights generally. Proceedings to enforce our patent rights in other jurisdictions, whether or not successful, could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing as patents, and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license. Furthermore, while we intend to protect our intellectual property rights in our expected significant markets, we cannot ensure that we will be able to initiate or maintain similar efforts in all jurisdictions in which we may wish to market our product candidates. Accordingly, our efforts to protect our intellectual property rights in such countries may be inadequate, which may have an adverse effect on our ability to successfully commercialize our product candidates in all of our expected significant foreign markets. If we or our licensors encounter difficulties in protecting, or are otherwise precluded from effectively protecting, the intellectual property rights important for our

business in such jurisdictions, the value of these rights may be diminished and we may face additional competition from others in those jurisdictions.

Some countries also have compulsory licensing laws under which a patent owner may be compelled to grant licenses to third parties. In addition, some countries limit the enforceability of patents against government agencies or government contractors. In those countries, the patent owner may have limited remedies, which could materially diminish the value of such patents. If we or any of our licensors is forced to grant a license to third parties with respect to any patents relevant to our business, our competitive position may be impaired.

Our patents and other proprietary rights may not adequately protect our technologies and product candidates, and may not necessarily address all potential threats to our competitive advantage.

The degree of protection afforded by our intellectual property rights is uncertain because intellectual property rights have limitations, and may not adequately protect our business, or permit us to maintain our competitive advantage. The following examples are illustrative:

- others may be able to make compounds that are the same as or similar to our product candidates but that are not covered by the claims of the patents that we own or have exclusively licensed;
- the patents of third parties may impair our ability to develop or commercialize our product candidates;
- the patents of third parties may be extended beyond the expected patent term and thus may impair our ability to develop or commercialize our product candidates;
- we or our licensors or any future strategic collaborators might not have been the first to conceive or reduce to practice the inventions covered by the issued patents or pending patent applications that we own or have exclusively licensed;
- we or our licensors or any future strategic collaborators might not have been the first to file patent applications covering our inventions, our product candidates, or uses of the product candidates in the indications under our development or to be developed;
- it is possible that the pending patent applications that we own or have exclusively licensed may not lead to issued patents;
- issued patents that we own or have exclusively licensed may not provide us with any competitive advantage, or may be held invalid or unenforceable, as a result of legal challenges by our competitors;
- issued patents that we own or have exclusively licensed may not provide coverage for all aspects of our product candidates in all countries, such as for uses of our product candidates in the indications under our development or to be developed;
- others may independently develop similar or alternative technologies or duplicate any of our technologies without infringing our intellectual property rights;
- our competitors might conduct research and development activities in countries where we do not have patent rights and then use the information learned from such activities to develop competitive products for sale in our major commercial markets;
- others performing manufacturing or testing for us using our products or technologies could use the intellectual property of others without obtaining a proper license;
- our or our licensors' inventions or technologies may be found to be not patentable; and
- we may not develop additional technologies that are patentable.

We may become subject to third parties' claims alleging infringement of their patents and proprietary rights, or we may be involved in lawsuits to protect or enforce our patents and other proprietary rights, which could be costly and time consuming, delay or prevent the development and commercialization of our product candidates, or put our patents and other proprietary rights at risk.

Our commercial success depends, in part, upon our ability to develop, manufacture, market, and sell our product candidates without alleged or actual infringement, misappropriation, or other violation of the patents and proprietary rights of third parties. Litigation relating to patents and other intellectual property rights in the biopharmaceutical and pharmaceutical industries is common, including patent infringement lawsuits and interferences, oppositions, and reexamination proceedings before the U.S. Patent and Trademark Office, or USPTO, and foreign patent offices. The various markets in which we plan to operate are subject to frequent and extensive litigation regarding patents and other intellectual property rights. In addition, many companies in intellectual property-dependent industries, including in the biopharmaceutical and pharmaceutical industries, have employed intellectual property litigation as a means to gain an advantage over their competitors. Numerous U.S., European, and foreign issued patents and pending patent applications, which are owned by third parties, exist in the fields in which we are developing product candidates. Some claimants may have substantially greater resources than we do and may be able to sustain the costs of complex intellectual property litigation to a greater degree and for longer periods of time than we could. In addition, patent holding companies that focus solely on extracting royalties and settlements by enforcing patent rights may target us. As the biopharmaceutical and pharmaceutical industries expand and more patents are issued, the risk increases that our product candidates may be subject to claims of infringement of the intellectual property rights of third parties.

We may be subject to third-party claims including infringement, interference or derivation proceedings, post-grant review and inter partes review before the USPTO, or similar adversarial proceedings or litigation in the U.S. and other jurisdictions. Even if we believe such claims are without merit, a court of competent jurisdiction could hold that these third-party patents are valid, enforceable and infringed, and the holders of any such patents may be able to block our ability to commercialize the applicable product candidate unless we obtained a license under the applicable patents, or until such patents expire or are finally determined to be invalid or unenforceable. Similarly, if any third-party patents were held by a court of competent jurisdiction to cover aspects of our compositions, formulations, or methods of treatment, prevention, or use, the holders of any such patents may be able to block our ability to develop and commercialize the applicable product candidate unless we obtained a license or until such patent expires or is finally determined to be invalid or unenforceable. In addition, defending such claims would cause us to incur substantial expenses and could cause us to pay substantial damages, if we are found to be infringing a third party's patent rights. These damages potentially include increased damages and attorneys' fees if we are found to have infringed such rights willfully. As an example of the foregoing risks, we are aware of a third-party patent family which currently includes a patent granted by the European Patent Office, or EPO, containing claims that appear to cover the use of BPS-804 in the treatment of OI. The patent owner could assert such patent against us, which could present the foregoing risks and impose limitations in our ability to develop, manufacture or sell BPS-804 for such use in the EU, unless we obtain a license under such patent, such patent is determined to be invalid or unenforceable by the EPO or a national court in one or more relevant territories, or such patent is revoked or otherwise limited by the EPO. This patent is currently the subject of ongoing opposition proceedings before the EPO, but there can be no assurance as to the outcome of such proceedings.

Further, if a patent infringement suit is brought against us or our third-party service providers, our development, manufacturing or sales activities relating to the product or product candidate that is the subject of the suit may be delayed or terminated. As a result of patent infringement claims, or in order to avoid potential infringement claims, we may choose to seek, or be required to seek, a license from

the third party, which would be likely to include a requirement to pay license fees or royalties or both. These licenses may not be available on acceptable terms or at all. Even if a license can be obtained on acceptable terms, the rights may be nonexclusive, which would give our competitors access to the same intellectual property rights. If we are unable to enter into a license on acceptable terms, we could be prevented from commercializing one or more of our product candidates, or forced to modify such product candidates, or to cease some aspect of our business operations, which could harm our business significantly. We might, if possible, also be forced to redesign our product candidates so that we no longer infringe the third-party intellectual property rights, which may result in significant cost and delay to us, or which redesign could be technically infeasible. Any of these events, even if we were ultimately to prevail, could require us to divert substantial financial and management resources that we would otherwise be able to devote to our business.

If we were to initiate legal proceedings against a third party to enforce a patent covering one of our product candidates, the defendant could counterclaim that our patent is invalid or unenforceable. In patent litigation in the United States and in Europe, defendant counterclaims alleging invalidity or unenforceability are commonplace. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, for example, lack of novelty, obviousness, or non-enablement. Third parties might allege unenforceability of our patents because someone connected with prosecution of the patent withheld relevant information, or made a misleading statement, during prosecution. The outcome of proceedings involving assertions of invalidity and unenforceability during patent litigation is unpredictable. With respect to the validity of patents, for example, we cannot be certain that there is no invalidating prior art of which we and the patent examiner were unaware during prosecution. There is a risk that in connection with such proceedings, a court will decide that a patent of ours is invalid or unenforceable, in whole or in part, and that we do not have the right to stop the other party from using the invention at issue. If a defendant were to prevail on a legal assertion of invalidity or unenforceability, we would lose at least part, and perhaps all, of the patent protection on our product candidates. There is also a risk that, even if the validity of such patents is upheld, the court will construe the patent's claims narrowly or decide that we do not have the right to stop the other party from using the invention at issue on the grounds that our patent claims do not cover the invention. Even if we establish infringement, the court may decide not to grant an injunction against further infringing activity and instead award only monetary damages, which may or may not be an adequate remedy. An adverse outcome in a litigation or proceeding involving one or more of our patents could limit our ability to assert those patents against those parties or other competitors, and may curtail or preclude our ability to exclude third parties from making and selling similar or competitive products. In addition, if the breadth or strength of protection provided by our patents is threatened, it could dissuade companies from collaborating with us to license, develop, or commercialize our current or future product candidates. Furthermore, our patents and other intellectual property rights also will not protect our technology if competitors design around our protected technology without infringing our patents or other intellectual property rights.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. Even if resolved in our favor, litigation or other legal proceedings relating to intellectual property claims may cause us to incur significant expenses and could distract our technical and management personnel from their normal responsibilities. Such litigation or proceedings could substantially increase our operating losses and reduce our resources available for development activities. We may not have sufficient financial or other resources to adequately conduct such litigation or proceedings. Some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can because of their substantially greater financial resources. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could have an adverse effect on our ability to compete in the marketplace. There could also be public announcements of the results of hearings, motions, or other

interim proceedings or developments. If securities analysts or investors view these announcements in a negative light, the price of our ADSs and ordinary shares could be adversely affected.

We may not identify relevant third-party patents or may incorrectly interpret the relevance, scope or expiration of a third-party patent which might adversely affect our ability to develop, manufacture and market our product candidates.

We cannot guarantee that any of our, our licensors', or the previous owners' patent searches or analyses, including but not limited to the identification of relevant patents, the scope of patent claims, or the expiration of relevant patent applications or patents, are complete or thorough, nor can we be certain that we have identified each and every third-party patent and patent application in the United States, Europe and elsewhere that is relevant to or necessary for the commercialization of our product candidates in any jurisdiction. For example, in the United States, patent applications filed before November 29, 2000 and, upon request, certain patent applications filed after that date that will not be filed outside the United States, remain confidential until those patent applications issue as patents. Patent applications in the United States, EU, and elsewhere are published approximately 18 months after the earliest filing for which priority is claimed, with such earliest filing date being commonly referred to as the priority date. Therefore, patent applications covering our product candidates could have been filed by others without our knowledge, including any such patent applications that may claim priority from patent applications for patents that we have determined will expire before we commercialize our products. Additionally, pending patent applications that have been published can, subject to certain limitations, be later amended in a manner that could cover our product candidates or the use of our product candidates. Moreover, as we study our product candidates during development, we may learn new information regarding their structure, composition, properties, or functions that may render third-party patent applications or patents that we had not identified as being, or that we had not believed to be, relevant to our product candidates instead to be relevant to or necessary for the commercialization of our product candidates in a jurisdiction. The scope of a patent claim is determined by an interpretation of the law, the written disclosure in the patent, and the patent's prosecution history. Our interpretation of the relevance or the scope of a patent or a pending patent application may be incorrect. We may incorrectly determine that our product candidates are not covered by a third-party patent or may incorrectly predict whether a third party's pending patent application will issue with claims of relevant scope. Our determination of the expiration date or the possibility of an extension of patent term of any patent in the United States, Europe, or elsewhere that we consider relevant also may be incorrect. Any of the foregoing circumstances, failures, or errors may negatively impact our ability to develop and market our product candidates.

If we fail to comply with our obligations under our existing and any future intellectual property licenses with third parties, we could lose license rights that are important to our business, and our business may be substantially harmed as a result.

We are party to agreements with Novartis and AstraZeneca, under which we in-license certain intellectual property and were assigned, in the case of Novartis, or granted an option to acquire, in the case of AstraZeneca, certain patents and patent applications related to our business. We may enter into additional license agreements in the future. Our existing license agreements impose and any future license agreements are likely to impose various diligence, milestone payment, royalty, insurance and other obligations on us. Any uncured, material breach under these license agreements could result in the loss of our rights to practice such in-licensed intellectual property, and could compromise our development and commercialization efforts for any current or future product candidates.

We may not be successful in maintaining necessary rights to our product candidates or obtaining patent or other intellectual property rights important to our business through acquisitions and in-licenses.

We currently own and have in-licensed rights to intellectual property, including patents, patent applications and know-how, relating to our product candidates, and our success will likely depend on

maintaining these rights. Because our programs may require the use of proprietary rights held by third parties, the growth of our business will likely depend in part on our ability to continue to acquire, in-license, maintain, or use these proprietary rights. In addition, our product candidates may require specific formulations to work effectively and the rights to those formulations or methods of making those formulations may be held by others. We may be unable to acquire or in-license any compositions, methods of use, processes, or other third-party intellectual property rights that we identify as necessary for the development and commercialization of our product candidates. The licensing and acquisition of third-party intellectual property rights is a competitive area, and a number of more established companies also are pursuing strategies to license or acquire third-party intellectual property rights that we may consider attractive. These established companies may have a competitive advantage over us due to their size, cash resources, and greater clinical development and commercialization capabilities.

In addition, companies that perceive us to be a competitor may be unwilling to assign or license rights to us. We may also be unable to license or acquire third-party intellectual property rights on a timely basis, on terms that would allow us to make an appropriate return on our investment, or at all. Even if we are able to obtain a license to intellectual property of interest, we may not be able to secure exclusive rights, in which case others could use the same rights and compete with us. If we are unable to successfully obtain a license to third-party intellectual property rights necessary for the development of our product candidates or a development program on acceptable terms, we may have to abandon development of our product candidates or that development program.

Obtaining and maintaining our patent protection depends on compliance with various procedural, document submission, fee payment, and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

Periodic maintenance and annuity fees on any issued patent are due to be paid to the USPTO and foreign patent agencies over the lifetime of a patent. In addition, the USPTO and other foreign patent agencies require compliance with a number of procedural, documentary, fee payment, and other similar provisions during the patent application process. While an inadvertent failure to make payment of such fees or to comply with such provisions can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which such non-compliance will result in the abandonment or lapse of the patent or patent application, and the partial or complete loss of patent rights in the relevant jurisdiction. Non-compliance events that could result in abandonment or lapse of a patent or patent application include failure to respond to official actions within prescribed time limits, and non-payment of fees and failure to properly legalize and submit formal documents within prescribed time limits. If we or our licensors fail to maintain the patents and patent applications covering our product candidates or if we or our licensors otherwise allow our patents or patent applications to be abandoned or lapse, our competitors might be able to enter the market, which would hurt our competitive position and could impair our ability to successfully commercialize our product candidates in any indication for which they are approved.

We may be subject to claims challenging the inventorship of our patents and other intellectual property.

Although we are not currently experiencing any claims challenging the inventorship of our patents and patent applications or ownership of our intellectual property, we may in the future be subject to claims that former employees or other third parties have an interest in our patents or other intellectual property as an inventor or co-inventor. While it is our policy to require our employees and contractors who may be involved in the conception or development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who, in fact, conceives or develops intellectual property that we regard as our own. For

example, the assignment of intellectual property rights may not be self-executing or the assignment agreements may be breached, or we may have inventorship disputes arise from conflicting obligations of consultants or others who are involved in developing our product candidates. Litigation may be necessary to defend against these and other claims challenging inventorship. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights, such as exclusive ownership of, or right to use, valuable intellectual property. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees.

Changes in patent laws or patent jurisprudence could diminish the value of patents in general, thereby impairing our ability to protect our product candidates.

As is the case with other biopharmaceutical and pharmaceutical companies, our success is heavily dependent on intellectual property, particularly patents. Obtaining and enforcing patents in the biopharmaceutical and pharmaceutical industries involve both technological complexity and legal complexity. Therefore, obtaining and enforcing biopharmaceutical and pharmaceutical patents is costly, time-consuming and inherently uncertain. In addition, the America Invents Act, or the AIA, which was passed in September, 2011, resulted in significant changes to the U.S. patent system.

An important change introduced by the AIA is that, as of March 16, 2013, the United States transitioned to a “first-to-file” system for deciding which party should be granted a patent when two or more patent applications are filed by different parties claiming the same invention. A third party that files a patent application in the USPTO after that date but before us could therefore be awarded a patent covering an invention of ours even if we made the invention before it was made by the third party. This will require us to be cognizant going forward of the time from invention to filing of a patent application, but circumstances could prevent us from promptly filing patent applications on our inventions.

Among some of the other changes introduced by the AIA are changes to the limitation where a patent may be challenged, thus providing opportunities for third parties to challenge any issued patent in the USPTO. This applies to all of our U.S. patents, even those issued before March 16, 2013. Because of a lower evidentiary standard in USPTO proceedings compared to the evidentiary standard in U.S. federal courts necessary to invalidate a patent claim, a third party could potentially provide evidence in a USPTO proceeding sufficient for the USPTO to hold a claim invalid even though the same evidence would be insufficient to invalidate the claim if first presented in a district court action.

Accordingly, a third party may attempt to use the USPTO proceedings to invalidate our patent claims that would not have been invalidated if first challenged by the third party as a defendant in a district court action. It is not clear what, if any, impact the AIA will have on the operation of our business. However, the AIA and its implementation could increase the uncertainties and costs surrounding the prosecution of our or our licensors’ patent applications and the enforcement or defense of our or our licensors’ issued patents.

Additionally, the U.S. Supreme Court has ruled on several patent cases in recent years either narrowing the scope of patent protection available in certain circumstances or weakening the rights of patent owners in certain situations. In addition to increasing uncertainty with regard to our ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents, once obtained. Depending on decisions by Congress, the federal courts and the USPTO, the laws and regulations governing patents could change in unpredictable ways that could weaken our ability to obtain new patents or to enforce our existing patents and patents that we might obtain in the future. Similarly, the complexity and uncertainty of European patent laws have also increased in recent years. In addition, the European patent system is relatively stringent in the type of

amendments that are allowed during prosecution. Complying with these laws and regulations could limit our ability to obtain new patents in the future that may be important for our business.

If we do not obtain protection under the Hatch-Waxman Amendments and similar non-U.S. legislation for extending the term of patents covering our product candidates, our ability to compete effectively could be impaired.

Depending upon the timing, duration and conditions of FDA marketing approval of our product candidates, one or more of our U.S. patents may be eligible for patent term extension under the Drug Price Competition and Patent Term Restoration Act of 1984, referred to as the Hatch Waxman Amendments. The Hatch Waxman Amendments permit a patent term extension of up to five years for a patent covering an approved product or method of use as compensation for patent term lost during product development and the FDA regulatory review process. Similar patent term extensions may be available in other jurisdictions. For example, a Supplementary Protection Certificate in Europe may be applied for approval to recover some of the time lost between the patent application filing date and the date of first marketing authorization. However, we may not receive an extension if we fail to apply within applicable deadlines, fail to apply prior to expiration of relevant patents, or otherwise fail to satisfy applicable requirements. Moreover, the length of the extension could be less than we request. If we are unable to obtain patent term extension or the term of any such extension is less than we request, the period during which we can enforce our patent rights for that product will be shortened and our competitors may obtain approval to market competing products sooner. As a result, our revenue from applicable products could be reduced, possibly materially.

If our trademarks and trade names are not adequately protected, we may not be able to build name recognition in our markets of interest and our competitive position may be adversely affected.

We currently own registered trademarks. We may not be able to obtain trademark protection in territories that we consider of significant importance to us. In addition, any of our trademarks or trade names, whether registered or unregistered, may be challenged, opposed, infringed, cancelled, circumvented or declared generic, or determined to be infringing on other marks, as applicable. We may not be able to protect our rights to these trademarks and trade names, which we will need to build name recognition by potential collaborators or customers in our markets of interest. Over the long term, if we are unable to establish name recognition based on our trademarks and trade names, we may not be able to compete effectively and our business may be adversely affected.

If we are unable to protect the confidentiality of our trade secrets and know-how, our business and competitive position would be harmed.

We consider proprietary trade secrets and confidential know-how and unpatented know-how to be important to our business. In addition to seeking patents for some of our technology and product candidates, we also may rely on trade secrets or confidential know-how to protect our technology, especially where patent protection is believed to be of limited value. However, trade secrets and confidential know-how are difficult to maintain as confidential.

To protect this type of information against disclosure or appropriation by competitors, our policy is to require our employees, consultants, contractors and advisors to enter into confidentiality agreements with us. We also seek to preserve the integrity and confidentiality of our data, trade secrets, and know-how by maintaining physical security of our premises and physical and electronic security of our information technology systems. Monitoring unauthorized uses and disclosures is difficult, and we cannot know whether the steps we have taken to protect our proprietary technologies will be effective. In addition, current or former employees, consultants, contractors, and advisers may unintentionally or willfully disclose our confidential information to competitors, and confidentiality agreements may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. We

therefore cannot guarantee that our trade secrets and other proprietary and confidential information will not be disclosed or that competitors will not otherwise gain access to our trade secrets. Enforcing a claim that a third party obtained illegally and is using trade secrets or confidential know-how is expensive, time consuming, and unpredictable. The enforceability of confidentiality agreements may vary from jurisdiction to jurisdiction. Furthermore, if a competitor lawfully obtained or independently developed any of our trade secrets, we would have no right to prevent such competitor from using that technology or information to compete with us, which could harm our competitive position. Additionally, if the steps taken to maintain our trade secrets are deemed inadequate, we may have insufficient recourse against third parties for misappropriating the trade secret.

Failure to protect or maintain trade secrets and confidential know-how could adversely affect our business and our competitive position. Moreover, our competitors may independently develop substantially equivalent proprietary information and may even apply for patent protection in respect of the same. If successful in obtaining such patent protection, our competitors could limit our use of our own trade secrets or confidential know-how.

We may be subject to claims by third parties asserting that we or our employees have misappropriated their intellectual property, or claiming ownership of what we regard as our own intellectual property. These claims may be costly to defend and if we do not successfully do so, we may be required to pay monetary damages and lose valuable intellectual property rights or personnel.

Some of our employees, including our senior management, were previously employed at other biopharmaceutical or pharmaceutical companies, including our competitors or potential competitors. Some of these employees executed proprietary rights, non-disclosure and non-competition agreements in connection with such previous employment. Although we try to ensure that our employees do not use the know-how, trade secrets, or other proprietary information of others in their work for us, we may be subject to claims that we or these employees have used or disclosed confidential information or intellectual property, including know-how, trade secrets, or other proprietary information, of any such employee's former employer. Litigation may be necessary to defend against these claims.

If we fail in prosecuting or defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. A loss of key research personnel or their work product could hamper or undermine our ability to develop and commercialize our product candidates, which would severely harm our business. In addition, if such intellectual property rights were to be awarded to a third party, we could be required to obtain a license from such third party to commercialize our technology or products. Such a license may not be available on commercially reasonable terms or at all, which could hamper or undermine our ability to develop and commercialize our product candidates, which would severely harm our business. Even if we successfully prosecute or defend against such claims, litigation could result in substantial costs and distract management from the development and commercialization of our product candidates.

Our proprietary information may be lost or we may suffer security breaches.

In the ordinary course of our business, we collect and store sensitive data, including intellectual property, clinical trial data, proprietary business information, personal data and personally identifiable information of our clinical trial subjects and employees, in our data centers and on our networks. The secure processing, maintenance and transmission of this information is critical to our operations. Despite our security measures, our information technology and infrastructure and those of our CROs or other contractors or consultants may be vulnerable to attacks by hackers or breached due to employee error, malfeasance, or other disruptions. The loss of clinical trial data from completed, ongoing, or planned trials could result in delays in our regulatory approval efforts and significantly increase our

costs to recover or reproduce the data. Although, to our knowledge, we have not experienced any such material security breach to date, any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost, or stolen. Any such access, disclosure, or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, and significant regulatory penalties; disrupt our operations; damage our reputation; and cause a loss of confidence in us and our ability to conduct clinical trials, which could adversely affect our reputation and delay our clinical development of our product candidates.

Risks Related to Employee Matters and Managing Growth

Our future growth and ability to compete depends on retaining our key personnel and recruiting additional qualified personnel.

Our success depends upon the continued contributions of our key management, including all of our senior management team, and scientific and technical personnel, many of whom have been instrumental for us and have substantial experience with rare and specialty diseases and the biopharmaceutical and pharmaceutical industries. The loss of key managers and senior physicians or scientists could delay our acquisition and development activities. In addition, the competition for qualified personnel in the biopharmaceutical and pharmaceutical fields is intense, and our future success depends upon our ability to attract, retain and motivate highly skilled scientific, technical, and managerial employees. We face competition for personnel from other companies and organizations. If our recruitment and retention efforts are unsuccessful in the future, it may be difficult for us to achieve our development objectives, raise additional capital, and implement our business strategy.

We expect to expand our development, regulatory, and sales and marketing capabilities, and as a result, we may encounter difficulties in managing our growth, which could disrupt our operations.

We expect to experience significant growth in the number of our employees and the scope of our operations, particularly in the areas of drug acquisition and development, regulatory affairs, and sales and marketing. To manage our anticipated future growth, we must continue to implement and improve our managerial, operational and financial systems, expand our facilities or acquire new facilities, and continue to recruit and train additional qualified personnel. Due to our limited financial resources and the limited experience of our management team in managing a company with such anticipated growth, we may not be able to effectively manage the expansion of our operations or recruit and train additional qualified personnel. The expansion of our operations may lead to significant costs and may divert our management and business development resources. Any inability to manage growth could delay the execution of our business plans or disrupt our operations.

Risks Related to the Global Offering and Our ADSs and Ordinary Shares

The price of our ADSs and ordinary shares may be volatile and may fluctuate due to factors beyond our control.

The trading market for publicly traded emerging drug development companies has been highly volatile and is likely to remain highly volatile in the future. The market price of our ADSs and ordinary shares may fluctuate significantly due to a variety of factors, including:

- positive or negative results from, or delays in, testing or clinical trials conducted by us or our competitors;
- delays in entering into strategic relationships with respect to development or commercialization of our product candidates or entry into strategic relationships on terms that are not deemed to be favorable to us;
- technological innovations or commercial product introductions by us or competitors;

- changes in government regulations;
- developments concerning proprietary rights, including patents and litigation matters;
- public concern relating to the commercial value or safety of our product candidates;
- financing or other corporate transactions;
- publication of research reports or comments by securities or industry analysts;
- general market conditions in the biopharmaceutical and pharmaceutical industries or in the economy as a whole;
- the loss of any of our key scientific or senior management personnel;
- sales of our ADSs or ordinary shares by us, our senior management and board members, holders of our ADSs or our security holders in the future; or
- other events and factors, many of which are beyond our control.

These and other market and industry factors may cause the market price and demand for our ADSs and ordinary shares to fluctuate substantially, regardless of our actual operating performance, which may limit or prevent investors from readily selling their ADSs or ordinary shares and may otherwise negatively affect the liquidity of our ADSs and ordinary shares. In addition, the stock market in general, and emerging companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of these companies. In the past in the United States, when the market price of a security has been volatile, holders of that security have sometimes instituted securities class action litigation against the issuer. If any of the holders of our ADSs or ordinary shares were to bring such a lawsuit against us, we could incur substantial costs defending the lawsuit and the attention of our senior management would be diverted from the operation of our business. Any adverse determination in litigation could also subject us to significant liabilities.

We will incur increased costs as a result of operating as a company with securities listed in the United States, and our senior management will be required to devote substantial time to new compliance initiatives and corporate governance practices.

As a company with securities listed in the United States, and particularly after we no longer qualify as an emerging growth company, we will incur significant legal, accounting, and other expenses that we did not incur previously. The Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of Nasdaq, and other applicable securities rules and regulations impose various requirements on non-U.S. reporting public companies, including the establishment and maintenance of effective disclosure and financial controls and corporate governance practices. Our senior management and other personnel will need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. For example, we expect that these rules and regulations may make it more expensive for us to obtain director and officer liability insurance, which in turn could make it more difficult for us to attract and retain qualified senior management personnel or members for our board of directors. In addition these rules and regulations are often subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, we will be required to furnish a report by our senior management on our internal control over financial reporting. However, while we remain an emerging growth company, we will not be required to include an attestation report on internal control over financial reporting issued by our independent registered public accounting firm.

To prepare for eventual compliance with Section 404, once we no longer qualify as an emerging growth company, we will be engaged in a process to document and evaluate our internal control over financial reporting, which is both costly and challenging. In this regard, we will need to continue to dedicate internal resources, potentially engage outside consultants and adopt a detailed work plan to assess and document the adequacy of internal control over financial reporting, continue steps to improve control processes as appropriate, validate through testing that controls are functioning as documented, and implement a continuous reporting and improvement process for internal control over financial reporting. Despite our efforts, there is a risk that we will not be able to conclude, within the prescribed timeframe or at all, that our internal control over financial reporting is effective as required by Section 404. If we identify one or more material weaknesses, it could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements.

There has been no public market for our ADSs prior to the U.S. offering, and an active market may not develop in which investors can resell our ADSs.

Prior to the U.S. offering, there has been no public market for our ADSs, although our ordinary shares have traded on AIM. We cannot predict the extent to which an active market for our ADSs will develop or be sustained after the U.S. offering, or how the development of such a market might affect the market price for our ADSs. The initial public offering price of our ADSs in the U.S. offering will be determined by negotiations between us and the underwriters taking into account the most recent closing price of our ordinary shares on AIM prior to the pricing date and prevailing market conditions, among other factors, and may not be indicative of the price at which our ADSs will trade following completion of the U.S. offering. Investors may not be able to sell their ADSs at or above the initial public offering price.

The dual listing of our ordinary shares and our ADSs following the U.S. offering may adversely affect the liquidity and value of our ADSs and ordinary shares.

Following the global offering and after our ADSs begin trading on Nasdaq, our ordinary shares will continue to be admitted to trading on AIM. We cannot predict the effect of this dual listing on the value of our ADSs and ordinary shares. However, the dual listing of our ADSs and ordinary shares may dilute the liquidity of these securities in one or both markets and may adversely affect the development of an active trading market for our ADSs. The price of our ADSs could also be adversely affected by trading in our ordinary shares on AIM.

Fluctuations in the exchange rate between the U.S. dollar and the pound sterling may increase the risk of holding the ADSs.

Our share price is quoted on AIM in pence sterling, while the ADSs will trade on Nasdaq in U.S. dollars. Fluctuations in the exchange rate between the U.S. dollar and the pound sterling may result in temporary differences between the value of the ADSs and the value of our ordinary shares, which may result in heavy trading by investors seeking to exploit such differences. In addition, as a result of fluctuations in the exchange rate between the U.S. dollar and the pound sterling, the U.S. dollar equivalent of the proceeds that a holder of the ADSs would receive upon the sale in the United Kingdom of any shares withdrawn from the depositary, and the U.S. dollar equivalent of any cash dividends paid in pounds sterling on our shares represented by the ADSs, could also decline.

Following the global offering, our executive officers, board of directors, and certain of our existing shareholders will continue to own a majority of our ordinary shares (including ordinary shares represented by ADSs) and as a result, will have control or significant influence over us, and your interests may conflict with the interests of these shareholders.

As of March 1, 2018, after giving effect to the closing of the global offering, our executive officers, board of directors, and greater than 3% shareholders and their respective affiliates, in the aggregate, will own approximately % of our ordinary shares (including ordinary shares in the form of ADSs).

Depending on the level of attendance at our general meetings of shareholders, these shareholders either alone or voting together as a group may be in a position to control or significantly influence the outcome of decisions taken at any such general meeting. Any shareholder or group of shareholders controlling more than 50% of the share capital present and voting at our general meetings of shareholders may control any shareholder resolution requiring a simple majority, including the appointment of board members, certain decisions relating to our capital structure, the approval of certain significant corporate transactions, and amendments to our Articles of Association. These shareholders may have interests that differ from yours and may vote in a way with which you disagree and which may be adverse to your interests. Among other consequences, this concentration of ownership may have the effect of delaying or preventing a change in control and might therefore negatively affect the market price of our ADSs and ordinary shares.

Future sales, or the possibility of future sales, of a substantial number of our ADSs or ordinary shares could adversely affect the price of our ADSs and ordinary shares.

Future sales of a substantial number of our ADSs or ordinary shares, or the perception that such sales will occur, could cause a decline in the market price of our ADSs and ordinary shares. Based on the number of ordinary shares outstanding as of March 1, 2018, after giving effect to the closing of the global offering, we will have ordinary shares outstanding (including ordinary shares in the form of ADSs). ADSs and ordinary shares issued and sold in the global offering may be resold in the public market immediately without restriction, unless sold in the United States by an affiliate. A significant portion of these ordinary shares, and potentially of our ADSs, will be subject to the lock-up agreements described in the sections titled “Ordinary Shares and ADSs Eligible for Future Sale” and “Underwriting.” If, after the termination of these lock-up agreements, these shareholders sell substantial amounts of ADSs or ordinary shares in the public market, or the market perceives that such sales may occur, the market price of our ADSs or ordinary shares and our ability to raise capital through an issue of equity securities in the future could be adversely affected.

If you purchase ordinary shares or ADSs in the global offering, you will suffer immediate dilution of your investment.

We expect the initial public offering price of our ADSs in the US offering and the offering price of our ordinary shares in the European private placement to be substantially higher than the net tangible book value per ADS and per ordinary share prior to the global offering. Therefore, if you purchase ADSs or ordinary shares in the global offering, you will pay a price per ADS and per ordinary share that substantially exceeds our net tangible book value per ADS and per ordinary share after the global offering. To the extent any of our outstanding share options or warrants are exercised, or convertible notes are converted, for ordinary shares, you may experience further dilution. Based on the assumed initial public offering price of $ per ADS and £ per ordinary share, which reflect the last reported sale price of our ordinary shares on AIM on , 2018, you will experience immediate dilution of $ per ADS and £ per ordinary share, representing the difference between our net tangible book value per ADS and per ordinary share after giving effect to the global offering and the assumed offering prices for our ADSs and ordinary shares in the global offering. See “Dilution.”

Because we do not anticipate paying any cash dividends on our ADSs or ordinary shares in the foreseeable future, capital appreciation, if any, will be your sole source of gains and you may never receive a return on your investment.

Under English law, a company’s accumulated realized profits must exceed its accumulated realized losses on a non-consolidated basis before dividends can be paid. Therefore, we must have distributable profits before issuing a dividend. We have not paid dividends in the past on our ordinary shares. We intend to retain earnings, if any, for use in our business and do not anticipate paying any cash dividends in the foreseeable future. In addition, our credit facility prohibits us from paying dividends on our equity securities, and any future debt agreements may likewise preclude us from

paying dividends. As a result, capital appreciation, if any, on our ADSs or ordinary shares will be your sole source of gains for the foreseeable future, and you will suffer a loss on your investment if you are unable to sell your ADSs or ordinary shares at or above the offering price for each. Investors seeking cash dividends should not purchase our ADSs or ordinary shares in the global offering.

We have broad discretion in the use of the net proceeds from the global offering and may not use them effectively.

Our senior management will have broad discretion in the application of the net proceeds from the global offering and could spend the proceeds in ways that do not improve our results of operations or enhance the value of our ADSs or ordinary shares. The failure by our senior management to apply these funds effectively could result in financial losses, cause the price of our ADSs or ordinary shares to decline, and delay the development of our product candidates. Pending their use, we may invest the net proceeds from the global offering in a manner that does not produce income or that loses value.

Securities traded on AIM may carry a higher risk than securities traded on other exchanges, which may impact the value of your investment.

Our ordinary shares are currently traded on AIM. Investment in equities traded on AIM is sometimes perceived to carry a higher risk than an investment in equities quoted on exchanges with more stringent listing requirements, such as the main market of the London Stock Exchange or Nasdaq. This is because AIM imposes less stringent corporate governance and ongoing reporting requirements than these other exchanges. In addition, AIM requires only half-yearly financial reporting, rather than the quarterly financial reporting required for domestic U.S.-listed companies. You should be aware that the value of our ordinary shares may be influenced by many factors, some of which may be specific to us and some of which may affect AIM-quoted companies generally, including the depth and liquidity of the market, our performance, a large or small volume of trading in our ordinary shares, legislative changes, and general economic, political, or regulatory conditions, and that prices may be volatile and subject to significant fluctuations. Therefore, the market price of our ADSs, our ordinary shares, or the ordinary shares underlying our ADSs may not reflect the underlying value of our company.

Purchasers of ADSs in the U.S. offering may not have the same voting rights as the holders of our ordinary shares and may not receive voting materials in time to be able to exercise their right to vote.

Except as described in this prospectus, holders of our ADSs will not be able to exercise voting rights attaching to the ordinary shares represented by our ADSs on an individual basis. Holders of our ADSs will appoint the depositary or its nominee as their representative to exercise the voting rights attaching to the ordinary shares represented by our ADSs. Purchasers of ADSs in the U.S. offering may not receive voting materials in time to instruct the depositary to vote, and it is possible that they, or persons who hold their ADSs through brokers, dealers, or other third parties, will not have the opportunity to exercise a right to vote. Furthermore, the depositary will not be liable for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote. As a result, purchasers of ADSs in the U.S. offering may not be able to exercise voting rights and may lack recourse if their ADSs are not voted as requested. In addition, in their capacity as ADS holders, purchasers of ADSs in the U.S. offering will not be able to call a shareholders' meeting.

Purchasers of ADSs in the U.S. offering may not receive distributions on our ordinary shares represented by our ADSs or any value for them if it is illegal or impractical to make them available to holders of ADSs.

The depositary for our ADSs has agreed to pay to purchasers of ADSs in the U.S. offering cash dividends or other distributions it or the custodian receives on our ordinary shares after deducting its fees and expenses. Purchasers of our ADSs will receive these distributions in proportion to the number

of our ordinary shares their ADSs represent. However, in accordance with the limitations set forth in the deposit agreement, it may be unlawful or impractical to make a distribution available to holders of ADSs. We have no obligation to take any other action to permit the distribution of our ADSs, ordinary shares, rights or anything else to holders of our ADSs. This means that purchasers of ADSs in the U.S. offering may not receive the distributions we make on our ordinary shares or any value from them if it is unlawful or impractical to make them available to them. These restrictions may negatively impact the value of our ADSs.

Purchasers of ADSs in the U.S. offering may be subject to limitations on transfer of their ADSs.

ADSs are transferable on the books of the depositary. However, the depositary may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depositary may refuse to deliver, transfer, or register transfers of ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary deems it advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason in accordance with the terms of the deposit agreement.

The rights of our shareholders may differ from the rights typically offered to shareholders of a U.S. corporation.

We are incorporated under English law. The rights of holders of ordinary shares and, therefore, certain of the rights of holders of ADSs, are governed by English law, including the provisions of the U.K. Companies Act 2006, and by our Articles of Association. These rights differ in certain respects from the rights of shareholders in typical U.S. corporations. See “Description of Share Capital and Articles of Association—Differences in Corporate Law” and “Description of Share Capital and Articles of Association—Articles of Association—Other U.K. Law Considerations—City Code on Takeovers and Mergers.” in this prospectus for a description of the principal differences between the provisions of the U.K. Companies Act 2006 applicable to us and, for example, the Delaware General Corporation Law relating to shareholders’ rights and protections.

Claims of U.S. civil liabilities may not be enforceable against us.

We are incorporated under English law. Substantially all of our assets are located outside the United States. The majority of our senior management and board of directors reside outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or to enforce judgments obtained in U.S. courts against them or us, including judgments predicated upon the civil liability provisions of the U.S. federal securities laws.

The United States and the United Kingdom do not currently have a treaty providing for recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Consequently, a final judgment for payment given by a court in the United States, whether or not predicated solely upon U.S. securities laws, would not automatically be recognized or enforceable in the United Kingdom. In addition, uncertainty exists as to whether English courts would entertain original actions brought in the United Kingdom against us or our directors or senior management predicated upon the securities laws of the United States or any state in the United States. Any final and conclusive monetary judgment for a definite sum obtained against us in U.S. courts would be treated by the courts of the United Kingdom as a cause of action in itself and sued upon as a debt at common law so that no retrial of the issues would be necessary, provided that certain requirements are met. Whether these requirements are met in respect of a judgment based upon the civil liability provisions of the U.S. securities laws, including whether the award of monetary damages under such laws would constitute a penalty, is an issue for the court making such decision. If an English court gives judgment for the sum payable under a U.S. judgment, the English judgment will be enforceable by methods generally available for this purpose. These methods generally permit the English court discretion to prescribe the manner of enforcement.

As a result, U.S. investors may not be able to enforce against us or our senior management, board of directors, or certain experts named herein who are residents of the United Kingdom or countries other than the United States any judgments obtained in U.S. courts in civil and commercial matters, including judgments under the U.S. federal securities laws.

We qualify as a foreign private issuer and, as a result, we will not be subject to U.S. proxy rules and will be subject to reporting obligations under the Securities Exchange Act of 1934, as amended, or the Exchange Act, that, to some extent, are more lenient and less frequent than those of a U.S. domestic public company.

Upon the closing of the U.S. offering, we will report under the Exchange Act, as a non-U.S. company with foreign private issuer status. Because we qualify as a foreign private issuer under the Exchange Act, we are exempt from certain provisions of the Exchange Act that are applicable to U.S. domestic public companies, including (i) the sections of the Exchange Act regulating the solicitation of proxies, consents, or authorizations in respect of a security registered under the Exchange Act; (ii) the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and (iii) the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q containing unaudited financial and other specified information or current reports on Form 8-K, upon the occurrence of specified significant events. In addition, foreign private issuers are not required to file their annual report on Form 20-F until 120 days after the end of each fiscal year, while U.S. domestic issuers that are accelerated filers are required to file their annual report on Form 10-K within 75 days after the end of each fiscal year. Foreign private issuers also are exempt from Regulation Fair Disclosure, aimed at preventing issuers from making selective disclosures of material information. As a result of the above, you may not have the same protections afforded to shareholders of companies that are not foreign private issuers.

As a foreign private issuer and as permitted by the listing requirements of Nasdaq, we may follow U.K. corporate governance rules instead of the corporate governance requirements of Nasdaq.

As a foreign private issuer, we may follow our home country corporate governance rules instead of the corporate governance requirements of Nasdaq. For example, we are exempt from Nasdaq regulations that require a listed U.S. company to:

- have a majority of the board of directors consist of independent directors;
- require non-management directors to meet on a regular basis without management present;
- promptly disclose any waivers of the code for directors or executive officers that should address certain specified items;
- have an independent nominating committee;
- solicit proxies and provide proxy statements for all shareholder meetings; and
- seek shareholder approval for the implementation of certain equity compensation plans and issuances of ordinary shares.

For an overview of our corporate governance principles, including those which comply with certain of the requirements above, see “Description of Share Capital and Articles of Association—Articles of Association.”

In accordance with our Nasdaq listing, our Audit Committee is required to comply with the provisions of Section 301 of the Sarbanes-Oxley Act of 2002 and Rule 10A-3 of the Exchange Act, both of which also are applicable to Nasdaq-listed U.S. companies. Because we are a foreign private issuer, however, our Audit Committee is not subject to additional Nasdaq requirements applicable to listed U.S. companies, including an affirmative determination that all members of the Audit Committee are “independent” using more stringent criteria than those applicable to us as a foreign private issuer.

To the extent we determine to follow U.K. corporate governance practices instead of Nasdaq governance requirements, you may not have the same protections afforded to shareholders of companies that are subject to these Nasdaq requirements.

We may lose our foreign private issuer status, which would then require us to comply with the Exchange Act's domestic reporting regime and cause us to incur significant legal, accounting and other expenses.

In order to maintain our current status as a foreign private issuer, either (a) a majority of our ordinary shares, including ordinary shares in the form of ADSs, must be either directly or indirectly owned of record by non-residents of the United States or (b)(i) a majority of our executive officers or directors are not U.S. citizens or residents, (ii) more than 50 percent of our assets must be located outside the United States and (iii) our business must be administered principally outside the United States. If we lose our status as a foreign private issuer, we would be required to comply with the Exchange Act reporting and other requirements applicable to U.S. domestic issuers, which are more detailed and extensive than the requirements for foreign private issuers. We may also be required to make changes in our corporate governance practices in accordance with various SEC and Nasdaq rules. The regulatory and compliance costs to us under U.S. securities laws if we are required to comply with the reporting requirements applicable to a U.S. domestic issuer may be significantly higher than the cost we would incur as a foreign private issuer. As a result, we expect that the loss of foreign private issuer status would increase our legal and financial compliance costs and would make some activities highly time consuming and costly. We also expect that if we were required to comply with the rules and regulations applicable to U.S. domestic issuers, it would make it more difficult and expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These rules and regulations could also make it more difficult for us to attract and retain qualified members of our board of directors.

We are an "emerging growth company," and we cannot be certain if the reduced reporting requirements applicable to "emerging growth companies" will make our ADSs or ordinary shares less attractive to investors.

We are an "emerging growth company" as defined in the JOBS Act. For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including not being required to comply with the auditor attestation requirements of Section 404, exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. As an emerging growth company, we are required to report only two years of financial results and selected financial data in this prospectus compared to three and five years, respectively, for comparable data reported by other public companies. We may take advantage of these exemptions until we are no longer an emerging growth company. We could be an emerging growth company for up to five years, although circumstances could cause us to lose that status earlier, including if the aggregate market value of our ADSs and ordinary shares held by non-affiliates exceeds $700 million as of any June 30 (the end of our second fiscal quarter) before that time, in which case we would no longer be an emerging growth company as of the following December 31 (our fiscal year-end). We cannot predict if investors will find our ADSs or ordinary shares less attractive because we may rely on these exemptions. If some investors find our ADSs or ordinary shares less attractive as a result, there may be a less active trading market for our ADSs or ordinary shares and the price of our ADSs or ordinary shares may be more volatile.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, shareholders could lose confidence in our financial and other public reporting, which would harm our business and the trading price of our ADSs or ordinary shares.

Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause us to fail to meet our reporting obligations. In addition, any testing by us conducted in connection with Section 404, or any subsequent testing by our independent registered public accounting firm, may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our financial statements or identify other areas for further attention or improvement. Inadequate internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our ADSs or ordinary shares.

Management will be required to assess the effectiveness of our internal controls annually. However, for as long as we are an "emerging growth company" under the JOBS Act, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal controls over financial reporting pursuant to Section 404. An independent assessment of the effectiveness of our internal controls could detect problems that our management's assessment might not. Undetected material weaknesses in our internal controls could lead to financial statement restatements requiring us to incur the expense of remediation and could also result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements.

If securities or industry analysts do not publish research, or publish inaccurate or unfavorable research, about our business, the price of our ADSs and ordinary shares and our trading volume could decline.

The trading market for our ADSs and ordinary shares will depend in part on the research and reports that securities or industry analysts publish about us or our business. If no or too few securities or industry analysts commence or continue coverage on us, the trading price for our ADSs and ordinary shares would likely be negatively affected. If one or more of the analysts who cover us downgrade our ADSs or ordinary shares or publish inaccurate or unfavorable research about our business, the price of our ADSs and ordinary shares would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our ADSs or ordinary shares could decrease, which might cause the price of our ADSs and ordinary shares and trading volume to decline.

We believe we will likely be classified as a passive foreign investment company for U.S. federal income tax purposes for the current year, which could result in adverse U.S. federal income tax consequences to U.S. investors in our ADSs or ordinary shares.

Because we do not expect to earn revenue from our business operations during the current taxable year, and because our sole source of income currently is interest on bank accounts held by us, we believe we will likely be classified as a "passive foreign investment company," or PFIC, for the current taxable year. A non-U.S. company will be considered a PFIC for any taxable year if (i) at least 75% of its gross income is passive income (including interest income), or (ii) at least 50% of the value of its assets (based on an average of the quarterly values of the assets during a taxable year) is attributable to assets that produce or are held for the production of passive income. If we are classified as a PFIC in any year with respect to which a U.S. Holder (as defined below under "Material Tax Considerations—U.S. Federal Income Taxation") owns our ADSs or ordinary shares, we will continue to be treated as a PFIC with respect to such U.S. Holder in all succeeding years during which the U.S. Holder owns ADSs or ordinary shares, regardless of whether we continue to meet the PFIC test

described above, unless the U.S. Holder makes a specified election once we cease to be a PFIC. If we are classified as a PFIC for any taxable year during which a U.S. Holder holds our ADSs or ordinary shares, certain adverse U.S. federal income tax consequences could apply to such U.S. Holder, including (i) the treatment of all or a portion of any gain on disposition as ordinary income, (ii) the application of a deferred interest charge on such gain and the receipt of certain dividends and (iii) the obligation to comply with certain reporting requirements. See “Material Tax Considerations—Passive Foreign Investment Company Rules.”

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains statements that constitute forward-looking statements. Many of the forward-looking statements contained in this prospectus can be identified by the use of forward-looking words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “plan,” “potential” and “should,” among others.

Forward-looking statements appear in a number of places in this prospectus and include, but are not limited to, statements regarding our intent, belief, or current expectations. Forward-looking statements are based on our management’s beliefs and assumptions and on information currently available to our management. Such statements are subject to substantial risks and uncertainties, and actual results may differ materially from those expressed or implied in the forward-looking statements due to various important factors, including, but not limited to, those identified under “Risk Factors.” In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a guarantee by us or any other person that we will achieve our objectives and plans in any specified time frame, or at all.

Forward-looking statements include, but are not limited to, statements about:

- the development of our product candidates, including statements regarding the expected initiation, timing, progress, and availability of data from our clinical trials;
- the potential attributes and benefit of our product candidates and their competitive position;
- our ability to successfully commercialize, or enter into strategic relationships with third parties to commercialize, our product candidates, if approved;
- our expectations regarding the use of proceeds from the global offering;
- our estimates regarding expenses, future revenues, capital requirements, and our need for additional financing;
- our ability to acquire or in-license new product candidates;
- potential strategic relationships; and
- the duration of our patent portfolio.

Forward-looking statements speak only as of the date they are made, and we do not undertake any obligation to update them in light of new information or future developments or to release publicly any revisions to these statements in order to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

You should read this prospectus and the documents that we reference in this prospectus and have filed as exhibits to the registration statement, of which this prospectus is a part, completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

MARKET AND INDUSTRY DATA

Certain industry data and market data included in this prospectus were obtained from independent third-party surveys, market research, publicly available information, reports of governmental agencies, and industry publications and surveys. All of the market data used in this prospectus involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. We believe that the information from these industry publications and surveys included in this prospectus is reliable. The industry in which we operate is subject to a high degree of uncertainty and risk due to a variety of factors, including those described in “Risk Factors.” These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us.

TRADEMARKS, SERVICE MARKS AND TRADENAMES

Solely for convenience, the trademarks, service marks, logos and trade names referred to in this prospectus are without the ® and ™ symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensors to these trademarks, service marks, and trade names. This prospectus contains additional trademarks, service marks, and trade names of others, which are the property of their respective owners. All trademarks, service marks, and trade names appearing in this prospectus are, to our knowledge, the property of their respective owners. We do not intend our use or display of other companies' trademarks, service marks, copyrights, or trade names to imply a relationship with, or endorsement or sponsorship of us by, any other companies.

EXCHANGE RATE INFORMATION

The following table presents information on the exchange rates between the pound sterling and the U.S. dollar for the periods indicated. Such U.S. dollar amounts are not necessarily indicative of the amounts of U.S. dollars that could actually have been purchased upon exchange of pounds sterling at the dates indicated.

	Period-end(1)	Average for period(2)	Low	High
	(U.S. dollars per pound sterling)			
Year Ended December 31:				
2013	1.6574	1.5641	1.4837	1.6574
2014	1.5578	1.6484	1.5517	1.7165
2015	1.4746	1.5284	1.4648	1.5882
2016	1.2337	1.3555	1.2155	1.4800
2017	1.3529	1.2890	1.2118	1.3578

(1) In the event that the period end fell on a day for which data are not available, the exchange rate on the prior most recent business day is given.

(2) The average of the noon buying rate of the Federal Reserve Bank of New York for pounds sterling on the last day of each full month during the relevant year or each business day during the relevant month indicated.

	Low	High
	(U.S. dollars per pound sterling)	
Month Ended:		
August 31, 2017	1.2787	1.3236
September 30, 2017	1.2972	1.3578
October 31, 2017	1.3063	1.3304
November 2017	1.3067	1.3506
December 2017	1.3316	1.3529
January 2018	1.3513	1.4264
February 2018	1.3794	1.4247
March 2018 (through March 16)	1.3755	1.3987

On March 16, 2018, the exchange rate between the pound sterling and the U.S. dollar was $1.3919 per £1.00.

PRICE RANGE OF OUR ORDINARY SHARES

Our ordinary shares have been trading on AIM under the symbol “MPH” since June 9, 2016.

The following table presents, for the periods indicated, the reported high and low sale prices, including intra-day sales, of our ordinary shares on AIM in pounds sterling and U.S. dollars. For the convenience of the reader, we have translated pound sterling amounts in the table below into U.S. dollars at the noon buying rate of the Federal Reserve Bank of New York on March 16, 2018, which was £1.00 to $1.3919.

	Price Per Ordinary Share £		Price Per Ordinary Share $	
	High	Low	High	Low
Year Ended December 31:				
2016 (beginning June 9, 2016)	3.40	2.40	4.73	3.34
2017	3.59	2.60	5.00	3.62
Quarterly:				
Second Quarter 2016 (beginning June 9, 2016)	3.03	2.40	4.22	3.34
Third Quarter 2016	3.40	2.71	4.73	3.77
Fourth Quarter 2016	3.00	2.41	4.18	3.35
First Quarter 2017	3.10	2.60	4.31	3.62
Second Quarter 2017	3.60	2.90	5.01	4.04
Third Quarter 2017	3.14	2.85	4.37	3.97
Fourth Quarter 2017	3.39	3.00	4.72	4.18
Most Recent Six Months:				
September 2017	3.12	3.00	4.34	4.18
October 2017	3.40	3.00	4.73	4.18
November 2017	3.35	3.15	4.66	4.38
December 2017	3.34	3.15	4.65	4.38
January 2018	3.26	3.20	4.54	4.45
February 2018	3.23	3.04	4.50	4.23
March 2018 (through March 22)	3.10	3.01	4.31	4.19

On March 22, 2018, the last reported sale price of our ordinary shares on AIM was £3.08 per ordinary share ($4.29 per ordinary share based on the exchange rate set forth above).

USE OF PROCEEDS

We estimate that the net proceeds to us from the global offering will be approximately $ million (or approximately $ million if the underwriters exercise in full their option to purchase additional ADSs), assuming an initial public offering price of $ per ADS in the U.S. offering and an offering price of £ per ordinary share in the European private placement, which reflect the last reported sale price of our ordinary shares on AIM on , 2018, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

Each £ increase or decrease in the assumed offering price of £ per ordinary share, which reflects the last reported sale price of our ordinary shares on AIM on , 2018, would increase or decrease our net proceeds from the global offering by £ ($), assuming that the number of ordinary shares (including ordinary shares in the form of ADSs) offered by us, as set forth on the cover of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. An increase or decrease of 1,000,000 in the number of ordinary shares (including ordinary shares in the form of ADSs) offered by us in the global offering, as set forth on the cover page of this prospectus, would increase or decrease our net proceeds by approximately £ million ($ million), assuming no change in the assumed initial public offering price per ADS or in the assumed offering price per ordinary share and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

We intend to use the net proceeds from the global offering, together with our existing cash resources, as follows:

- approximately $ million to advance the clinical development of BPS-804 for the treatment of OI in adults and children, which we expect will be sufficient to complete our ongoing Phase 2b clinical trial in adults that we initiated in May 2017 and to initiate our planned Phase 2b/3 clinical trial of BPS-804 in children in 2018;
- approximately $ million to advance the clinical development of AZD-9668 for the treatment of severe AATD, which we expect will be sufficient to complete our planned Phase 2 proof-of-concept trial;
- approximately $ million to advance the clinical development of BGS-649 for the treatment of HH in obese men, which we expect will be sufficient to complete our ongoing Phase 2b six-month extension study and to commence further late stage clinical development; and
- the remainder to fund general research and development activities, working capital and other general corporate purposes, including the costs relating to entering into a third party strategic relationship for development and commercialization of BCT-197.

The expected use of the net proceeds from the global offering represents our intentions based upon our current plans and business conditions. We may also use a portion of the net proceeds to in-license, acquire, or invest in additional products or assets, businesses, or technologies, although currently we have no specific agreements, commitments, or understandings in this regard. As of the date of this prospectus, we cannot predict with certainty all of the particular uses for the net proceeds to be received upon the closing of the global offering or the amounts that we will actually spend on the uses set forth above. Predicting the costs necessary to develop product candidates can be difficult. The amounts and timing of our actual expenditures and the extent of clinical development may vary significantly depending on numerous factors, including the progress of our development efforts, the status of and results from ongoing clinical trials or clinical trials we may commence in the future, as well as any collaborations that we may enter into with third parties and any unforeseen cash needs. As a result, our management will retain broad discretion over the allocation of the net proceeds from the global offering.

We anticipate that our existing cash resources, together with the anticipated net proceeds from the global offering, will enable us to fund our operating expenses and capital expenditure requirements through . We have based this estimate on assumptions that may prove to be incorrect, and we could use our available capital resources sooner than we currently expect.

Pending their use, we plan to invest the net proceeds from the global offering in short- and intermediate-term interest-bearing obligations and certificates of deposit.

DIVIDEND POLICY

We have never paid or declared any cash dividends on our ordinary shares, and we do not anticipate paying any cash dividends on our ordinary shares in the foreseeable future. We intend to retain all available funds and any future earnings to fund the development and expansion of our business. Under English law, among other things, we may only pay dividends if we have sufficient distributable reserves (on a non-consolidated basis), which are our accumulated realized profits that have not been previously distributed or capitalized less our accumulated realized losses, so far as such losses have not been previously written off in a reduction or reorganization of capital.

In addition, the terms of our existing loan agreement with Silicon Valley Bank and Kreos Capital V (UK) Limited, or Kreos, preclude us from paying cash dividends without Kreos's consent.

CAPITALIZATION

The table below sets forth our cash and short-term deposits and short-term investments and capitalization as of December 31, 2017 derived from our audited consolidated financial statements to be included elsewhere in this prospectus:

- on an actual basis; and
- on an as adjusted basis to give effect to the sale of ordinary shares (including ordinary shares in the form of ADSs) in the global offering at the assumed initial public offering price of $ per ADS in the U.S. offering and the assumed offering price of £ per ordinary share in the European private placement, which reflect the last reported sale price of our ordinary shares on AIM on , 2018, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

You should read this table in conjunction with our consolidated financial statements included elsewhere in this prospectus and the sections of this prospectus titled “Exchange Rate Information,” “Use of Proceeds,” “Selected Consolidated Financial Data,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” These translations should not be considered representations that any such amounts have been, could have been or could be converted into U.S. dollars at that or any other exchange rate as of that or any other date.

	As of December 31, 2017			
	Actual		As Adjusted(1)	
	(in thousands)			
Cash and short-term deposits and short-term investments	£ 52,545	$ 71,088	£	$
Total interest bearing loans and borrowings	£ 20,752	$ 28,075	£	$
Warrant liability	£ 1,346	$ 1,822	£	$
Equity:				
Issued capital	213	289		
Share premium	118,227	159,949		
Other capital reserves	16,359	22,132		
Other reserves	7,000	9,470		
Accumulated loss	(79,316)	(107,307)		
Total equity	62,483	84,534		
Total capitalization	£ 84,582	$ 114,431	£	$

(1) Each £ increase or decrease in the assumed offering price of £ per ordinary share, which reflects the last reported sale price of our ordinary shares on AIM and the exchange rate on , 2018, would increase or decrease the as adjusted amount of each of cash and short-term deposits and short-term investments, total equity and total capitalization by £ million ($ million), assuming the number of ordinary shares (including ordinary shares in the form of ADSs) offered by us in the global offering, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. An increase or decrease of 1,000,000 in the number of ordinary shares (including ordinary shares in the form of ADSs) offered by us in the global offering, as set forth on the cover page of this prospectus, would increase or decrease the as adjusted amount of each of cash and short-term deposits and short-term investments, share premium, total equity and total capitalization by £ million ($ million), assuming no change in the assumed initial public offering price per ADS or in the assumed offering price per ordinary share and after

deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The table above excludes:

- 11,916,424 ordinary shares issuable upon the exercise of share options outstanding as of December 31, 2017 at a weighted average exercise price of £1.42 per ordinary share;
- 100,820 ordinary shares that may be issued under our Deferred Bonus Share Plan, as described in “Management—Equity Compensation Arrangements,” as of December 31, 2017;
- 1,799,382 ordinary shares that may be issued upon conversion of the Novartis Notes as of December 31, 2017; and
- 696,490 ordinary shares issuable upon the exercise of warrants to purchase ordinary shares outstanding as of December 31, 2017 at a weighted average exercise price of £3.16 per ordinary share.

DILUTION

If you invest in our ADSs or ordinary shares, your interest will be diluted to the extent of the difference between the offering price per ADS or ordinary share paid by purchasers in the global offering and our as adjusted net tangible book value per ADS or ordinary share after completion of the global offering.

At December 31, 2017, we had a historical net tangible book value of £29.5 million ($39.9 million), corresponding to a net tangible book value of £0.41 per ordinary share and $ per ADS. Net tangible book value per ordinary share represents the amount of our total assets less our total liabilities, excluding goodwill and other intangible assets, divided by the total number of our ordinary shares outstanding as of December 31, 2017.

After giving effect to the sale by us of ordinary shares (including ordinary shares in the form of ADSs) in the global offering at an assumed initial public offering price of $ per ADS in the U.S. offering and an assumed offering price of £ per ordinary share in the European private placement, which reflect the last reported sale price of our ordinary shares on AIM on , 2018, and after deducting the estimated underwriting discounts and commissions and estimated expenses payable by us, our as adjusted net tangible book value as of December 31, 2017 would have been £ million ($ million), representing an as adjusted net tangible book value of £ per ordinary share and $ per ADS. This represents an immediate increase in net tangible book value of £ per ordinary share (equal to $ ADS) to existing shareholders and an immediate dilution of £ per ordinary share and $ per ADS to new investors purchasing ordinary shares or ADSs in the global offering. Dilution per ordinary share or ADS to new investors is determined by subtracting the as adjusted net tangible book value per ADS or ordinary share after the global offering from the assumed initial public offering price per ADS or the assumed offering price per ordinary share, as applicable, paid by new investors.

The following table illustrates this dilution to new investors purchasing ADSs or ordinary shares in the global offering.

	As of December 31, 2017	
	Ordinary Shares	ADSs
Assumed offering price	£	$
Net tangible book value per ordinary share or ADS	£0.41	$
Increase in net tangible book value per ordinary share or ADS attributable to the global offering		
As adjusted net tangible book value per ordinary share or ADS after the global offering		
Dilution per ADS or ordinary share to new investors in the global offering	£	$

If the underwriters exercise in full their option to purchase an additional ADSs, our as adjusted net tangible book value after the global offering would be £ per ordinary share and $ per ADS, representing an immediate increase in as adjusted net tangible book value of £ per ordinary share and $ per ADS to existing shareholders and immediate dilution of £ per ordinary share and $ per ADS to new investors participating in the global offering, based on the assumed initial public offering price of $ per ADS in the U.S. offering and the assumed offering price of £ per ordinary share in the European private placement, which reflect the last reported sale price of our ordinary shares on AIM on , 2018.

Each £ increase or decrease in the assumed offering price of £ per ordinary share, which reflects the last reported sale price of our ordinary shares on AIM on , 2018, would increase or decrease the as adjusted net tangible book value after the global offering by £ per ordinary share and $ per ADS and the dilution to new investors in the global offering by £ per ordinary share and $ per ADS, assuming that the number of ordinary shares (including ordinary shares in the form of ADSs) offered by us in the global offering, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. An increase of 1,000,000 in the number of ordinary shares (including ordinary shares in the form of ADSs) offered by us in the global offering, as set forth on the cover page of this prospectus, would increase the as adjusted net tangible book value after the global offering by £ per ordinary share and $ per ADS and decrease the dilution to new investors participating in the global offering by £ per ordinary share and $ per ADS, assuming no change in the assumed initial public offering price per ADS or in the assumed offering price per ordinary share and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. A decrease of 1,000,000 in the number of ordinary shares (including ordinary shares in the form of ADSs) offered by us in the global offering, as set forth on the cover page of this prospectus, would decrease the as adjusted net tangible book value after the global offering by £ per ordinary share and $ per ADS, and increase the dilution to new investors participating in the global offering by £ per ordinary share and $ per ADS, assuming no change in the assumed initial public offering price per ADS or in the assumed offering price per ordinary share and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The following table summarizes, as of December 31, 2017, on the as adjusted basis described above, the number of ordinary shares purchased from us (including ordinary shares in the form of ADSs), the total consideration paid to us and the average price per ordinary share and per ADS paid by existing shareholders and by new investors purchasing ordinary shares or ADSs in the global offering. The table below is based on an assumed initial public offering price of $ per ADS in the U.S. offering and an assumed offering price of £ per ordinary share in the European private placement, which reflect the last reported sale price of our ordinary shares on AIM on , 2018, before deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us:

	Ordinary Shares Purchased(1)		Total Consideration		Average Price per Ordinary Share	Average Price per ADS
	Number	Percent	Amount	Percent		
Existing shareholders		%	$	%	£	$
New investors						
Total		100.0%	$	100.0%		

(1) Including ordinary shares in the form of ADSs.

Each $ increase or decrease in the assumed initial public offering price of $ per ADS, which reflects the last reported sale price of our ordinary shares on AIM on , 2018, would increase or decrease the total consideration paid by new investors by $ million (£ million) and would increase or decrease the percentage of total consideration paid by new investors by %, assuming that the number of ordinary shares (including ordinary shares in the form of ADSs) offered by us in the global offering, as set forth on the cover page of this prospectus, remains the same. An increase or decrease of 1,000,000 in the number of ordinary shares (including ordinary shares in the form of ADSs) offered by us, as set forth on the cover page of this prospectus, would increase or decrease the total consideration paid by new investors by $ million (£ million) and would

increase or decrease the percentage of total consideration paid by new investors by %, assuming no change in the assumed initial public offering price per ADS or in the assumed offering price per ordinary share.

If the underwriters exercise in full their option to purchase an additional ADSs, the following will occur:

- the percentage of our ordinary shares held by existing shareholders will decrease to % of the total number of our ordinary shares outstanding after the global offering; and
- the percentage of our ordinary shares held by new investors will increase to approximately % of the total number of our ordinary shares outstanding after the global offering.

The tables above are based on ordinary shares outstanding as of December 31, 2017. The tables above exclude:

- 11,916,424 ordinary shares issuable upon the exercise of share options outstanding as of December 31, 2017 at a weighted average exercise price of £1.42 per ordinary share;
- 100,820 ordinary shares that may be issued under our Deferred Bonus Share Plan, as described in “Management—Equity Compensation Arrangements,” as of December 31, 2017;
- 1,799,382 ordinary shares that may be issued upon conversion of the Novartis Notes, as of December 31, 2017; and
- 696,490 ordinary shares issuable upon the exercise of warrants to purchase ordinary shares outstanding as of December 31, 2017 at a weighted average exercise price of £3.16 per ordinary share.

To the extent that share options or warrants are exercised, the Novartis Notes convert to ordinary shares, or we issue additional ADSs or ordinary shares in the future, there will be further dilution to investors participating in the global offering. In addition, we may choose to raise additional capital because of market conditions or strategic considerations, even if we believe that we have sufficient funds for our current or future operating plans. If we raise additional capital through the sale of equity or convertible debt securities, the issuance of these securities could result in further dilution to our shareholders.

SELECTED CONSOLIDATED FINANCIAL DATA

You should read the following selected consolidated financial data together with the audited consolidated financial statements and the sections titled “Exchange Rate Information” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” We have derived the consolidated statement of comprehensive loss data for the years ended December 31, 2016 and 2017 and the consolidated balance sheet data as of December 31, 2017 from our consolidated financial statements included elsewhere in this prospectus. Our historical results are not necessarily indicative of the results that should be expected in any future period.

We maintain our books and records in pounds sterling, and we prepare our financial statements in accordance with IFRS as issued by the IASB. We report our financial results in pounds sterling. For the convenience of the reader, we have translated pound sterling amounts as of and for the years ended December 31, 2016 and 2017 into U.S. dollars at the noon buying rate of the Federal Reserve Bank of New York on December 29, 2017, which was £1.00 to $1.3529. These translations should not be considered representations that any such amounts have been, could have been or could be converted into U.S. dollars at that or any other exchange rate as of that or any other date.

	Year Ended December 31,			
	2016		2017	
	(£)	($)	(£)	($)
	(in thousands, except per ordinary share data)			
Consolidated Statement of Comprehensive Loss Data:				
Research and development expenses	(24,563)	(33,231)	(34,607)	(46,819)
General and administrative expenses	(11,617)	(15,716)	(10,697)	(14,472)
Operating loss	(36,179)	(48,947)	(45,304)	(61,292)
Finance income	375	507	827	1,119
Finance charge	(180)	(243)	(1,090)	(1,475)
Net foreign exchange gain/(loss)	2,263	3,061	(1,384)	(1,873)
Net loss before tax	(33,722)	(45,622)	(46,951)	(63,520)
Income tax benefit	5,331	7,213	8,152	11,029
Loss attributable to equity holders of the Company	(28,390)	(38,409)	(38,799)	(52,491)
Total comprehensive loss attributable to equity holders of the Company	(28,390)	(38,409)	(38,799)	(52,491)
Basic and diluted loss per share	(0.63)	(0.85)	(0.56)	(0.76)

	As of December 31,			
	2016		2017	
	(£)	($)	(£)	($)
	(in thousands)			
Consolidated Balance Sheets Data:				
Cash and short-term deposits and short-term investments	53,578	72,486	52,545	71,088
Total assets	86,765	117,384	96,335	130,332
Issued capital	193	261	213	289
Share premium	99,975	135,256	118,227	159,949
Accumulated loss	(40,579)	(54,900)	(79,316)	(107,307)
Total equity	79,257	107,226	62,483	84,534
Total liabilities	7,508(1)	10,158(1)	35,417(2)	47,916(2)

(1) Includes £3.1 million ($3.9 million) aggregate principal amount of, and accrued interest on, the Novartis Notes. See “Related Party Transactions—Other Transactions with Novartis—Novartis Notes.”

(2) Includes £2.0 million ($2.7 million) aggregate principal amount of, and accrued interest on, the Novartis Notes. See “Related Party Transactions—Other Transactions with Novartis—Novartis Notes.”

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with the information in "Selected Consolidated Financial Data" and our Consolidated Financial Statements, including the notes thereto. The following discussion is based on our financial information prepared in accordance with IFRS as issued by the IASB, which may differ in material respects from generally accepted accounting principles in other jurisdictions, including generally accepted accounting principles in the United States. The following discussion includes forward-looking statements that involve risks, uncertainties, and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to those described under "Risk Factors" and elsewhere in this prospectus.

Our financial statements are presented in pounds sterling. For the convenience of the reader, we have translated information in the tables below presented in pounds sterling into U.S. dollars at the noon buying rate of the Federal Reserve Bank of New York on December 31, 2017 which was £1.00 to $1.3529. These translations should not be considered representations that any such amounts have been, could have been, or could be converted into U.S. dollars at that or any other exchange rate as of that or any other date.

Overview

We are a multi-asset biopharmaceutical company focused on the acquisition, development, and commercialization of innovative therapeutics that aim to improve outcomes for patients with rare and specialty diseases. Our portfolio consists of four clinical-stage product candidates, each of which we acquired from large pharmaceutical companies. We are developing BPS-804 for the treatment of OI, AZD-9668 for the treatment of severe AATD, BCT-197 for the treatment of AECOPD and BGS-649 for the treatment of HH in obese men. Each of our product candidates has generated positive clinical data for our target indication or for a related indication. We believe our portfolio is well diversified because each of our product candidates employs a different mechanism of action and targets a separate indication. We intend to develop and directly commercialize our rare disease product candidates. For our specialty disease product candidates, we intend to develop them through late-stage clinical milestones and then seek strategic relationships for further clinical development and/or commercialization.

Our strategy is to selectively acquire product candidates that have already received significant investment from pharmaceutical companies and that have substantial pre-clinical, clinical, and manufacturing data packages. Since our inception in March 2015, we have successfully executed on this strategy by acquiring our current product candidates from Novartis and AstraZeneca. We have commenced or completed large, randomized, placebo-controlled Phase 2 clinical trials for three of our product candidates. In December 2017, we reported top-line data from our completed Phase 2 dose-ranging clinical trial for BCT-197, and in March 2018 we reported top-line data from our phase 2b study for BGS-649. We intend to commence additional late-stage clinical trials in 2018.

We do not have any approved products and, as a result, have not generated any revenue from product sales. Our ability to generate revenue sufficient to achieve profitability will depend on our successful development and eventual commercialization of our product candidates, if approved. Since our inception, we have incurred significant operating losses. For the years ended December 31, 2016 and 2017, we incurred net losses of £28.4 million and £38.8 million respectively. As of December 31, 2016 and 2017, we had an accumulated loss of £40.6 million and £79.3 million, respectively.

We expect to continue to incur significant expenses and operating losses for the foreseeable future as we advance the clinical development of our product candidates and seek regulatory approval. In

addition, if we obtain regulatory approval for any of our product candidates and do not enter into a third-party commercialization relationship, we expect to incur significant commercialization expenses related to product manufacturing, marketing, sales, and distribution. We also expect to incur expenses in connection with the in-license or acquisition of additional product candidates and the potential clinical development of any such product candidates. Furthermore, upon the closing of the global offering, we expect to incur additional costs associated with operating as a U.S. public company listed on the Nasdaq in addition to operating as a U.K. public company listed on AIM, including significant legal, accounting, investor relations, and other expenses that we did not previously incur.

As a result of these anticipated expenditures, we will need additional financing to support our continuing operations. Until such time as we can generate significant revenue from product sales, if ever, we expect to finance our operations through a combination of public or private equity or debt financings or other sources, which may include collaborations with third parties. Adequate additional financing may not be available to us on acceptable terms, or at all. Our inability to raise capital as and when needed would have a negative impact on our financial condition and our ability to pursue our business strategy. We will need to generate significant revenue to achieve profitability, and we may never do so.

We were incorporated in March 2015 and are headquartered in London, United Kingdom. Since June 9, 2016, our shares have traded on AIM under the symbol “MPH.” Since our inception, we have raised a total of £102.9 million in gross proceeds from private and public placements of our ordinary shares to institutional investors and £3.5 million from the issuance of the Novartis Notes. In August 2017, we also entered into a credit facility in the amount of £20.0 million which was fully drawn by December 31, 2017. As of December 31, 2017, we had cash and short-term deposits and short-term investments of £52.5 million.

We are organized into a single segment following management’s view of the business as a single portfolio of product candidates. Research and development expenses are monitored at a product candidate level; however, decisions over resource allocation are made at an overall portfolio level. Our financing is managed and monitored on a consolidated basis.

Asset Purchase Agreements with Novartis

In July 2015, three of our wholly owned subsidiaries, Mereo BioPharma 3 Limited, Mereo BioPharma 2 Limited, and Mereo BioPharma 1 Limited, or the Subsidiaries, entered into asset purchase agreements, or the Purchase Agreements, to acquire from Novartis rights to BPS-804, BCT-197, and BGS-649, or the Compounds, respectively, and certain related assets, or, together with the Compounds, the Novartis Assets.

In connection with the acquisition of the Novartis Assets, we issued 3,849,000 of our ordinary shares to Novartis pursuant to a subscription agreement. See “Related Party Transactions—Subscription Agreement.” In addition, we paid Novartis $1.5 million for a payment made by Novartis to a third party in full satisfaction of all monetary obligations of Novartis to such third party with respect to BCT-197. Under the Purchase Agreements, we have agreed to make tiered royalty payments to Novartis based on annual worldwide net sales of products that include the Compounds, or the Acquired Novartis Products, at percentages ranging from the high single digits to low double digits. In the event that the parties agree or it is otherwise determined in accordance with the Purchase Agreements that we require third-party intellectual property rights to exploit the Acquired Novartis Products, we are entitled to offset a specified percentage of amounts paid to such third parties in consideration for such intellectual property rights against the royalties due to Novartis. The royalty payments are payable for a period of ten years after the first commercial sale of an Acquired Novartis Product.

We further agreed that in the event of a change in control that involves the transfer, license, assignment, or lease of all or substantially all of a Subsidiary's assets, including a Compound and related assets, we will pay Novartis a percentage of the proceeds of such transaction, with the majority of the proceeds being retained by us. No payment, however, is required with respect to any transaction of Mereo BioPharma Group plc involving its equity interests, a merger or consolidation of it, or a sale of any of its assets.

We also entered into a sublicense agreement with Novartis, or the Sublicense Agreement, pursuant to which Novartis granted us an exclusive, worldwide, royalty-bearing sublicense for certain therapeutic antibody products directed against sclerostin, or the Antibody Products, including BPS-804. Under the Sublicense Agreement, we have agreed to pay Novartis royalties in the low single digits on worldwide net sales of Antibody Products. We have also agreed to pay Novartis up to $3.25 million in development and regulatory milestones, and to use commercially reasonable efforts to develop and commercialize an Antibody Product.

License Agreement with AstraZeneca

In October 2017, our wholly owned subsidiary Mereo BioPharma 4 Limited entered into an exclusive license and option agreement, or the License Agreement, to obtain from AstraZeneca an exclusive worldwide, sub-licensable license under AstraZeneca's intellectual property rights relating to certain products containing a NE inhibitor, including products that contain AZD-9668, with an option to acquire such intellectual property rights, following commencement of a pivotal trial and payment of related milestone payments, or the Option, together with the acquisition of certain related assets.

Upon entering into the License Agreement, we made an upfront payment of $3.0 million to AstraZeneca in cash and issued 490,798 new ordinary shares for an aggregate upfront payment equal to $5.0 million. In connection with certain development and regulatory milestones, we have agreed to make payments of up to $115.5 million in the aggregate and issue additional ordinary shares to AstraZeneca for licensed products containing AZD-9668. In addition, we have agreed to make payments to AstraZeneca based on specified commercial milestones of the product. In the event that we sub-license AZD-9668, we have also agreed to pay a specified percentage of sublicensing revenue to AstraZeneca. Otherwise, we have agreed to make royalty payments to AstraZeneca equal to ascending specified percentages of tiered annual worldwide net sales by us or our affiliates of licensed products (subject to certain reductions), ranging from the high single digits to low double digits.

Financial Operations Overview

Revenue

We do not currently have any approved products. Accordingly, we have not generated any revenue and do not expect to do so unless we obtain regulatory approval and commercialize any of our product candidates or until we receive revenues from collaborations with third parties, neither of which may occur.

Research and Development Expenses

Research and development expenses include:

- employee-related expenses, such as salaries, share-based compensation, and other benefits, for our research and development personnel;
- costs for production of drug substance and drug product and development of our manufacturing processes by CMOs;
- fees and other costs paid to CROs, consultants, and other suppliers to conduct our clinical trials and pre-clinical and non-clinical studies; and

- costs of facilities, materials, and equipment related to drug production and our clinical trials and pre-clinical and non-clinical studies.

Our direct research and development expenses are allocated on a product-by-product basis. We allocate employee-related expenses for our research and development personnel and other related expenses to specific product candidate development programs.

Product candidates in a later stage of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later stage clinical trials. We expect that our research and development expense will increase substantially as we continue to advance the clinical development of our product candidates, including through our ongoing and planned Phase 2b clinical trials of BPS-804, our planned Phase 2 proof-of-concept trial for AZD-9668, and our ongoing Phase 2b clinical trial and late-stage clinical development for BGS-649; hire additional clinical, scientific, and commercial personnel; and acquire or in-license future product candidates and technologies. As a result, we expect our research and development expenses will increase for the foreseeable future.

The successful development, approval, and commercialization of our product candidates is highly uncertain. At this time, we cannot reasonably estimate the nature, timing, and estimated costs of the efforts that will be necessary to complete the development of, or the period, if any, in which material net cash inflows may commence from any of our product candidates.

Our future expenditure on developing our product candidates is therefore highly uncertain. This is due to numerous risks and uncertainties associated with developing our drugs, including the uncertainty of:

- the scope, rate of progress, and expense of our research and development activities;
- the progress and results of our clinical trials and our pre-clinical and non-clinical studies;
- the terms and timing of regulatory approvals, if any;
- establishment of arrangements with our third-party manufacturers to obtain manufacturing supply;
- protection of our rights in our intellectual property portfolio;
- launch of commercial sales of any of our product candidates, if approved, whether alone or in collaboration with others;
- third party strategic relationships for late-stage clinical development and/or commercialization of our specialty product candidates and performance of our strategic partners under these arrangements;
- acceptance of any of our product candidates, if approved, by patients, the medical community and payors;
- competition with other therapies; and
- continued acceptable safety profile of any of our product candidates following approval.

Any of these variables with respect to the development of our product candidates or any other future candidate that we may develop could result in a significant change in the costs and timing associated with their development. For example, if the FDA, the EMA, or another regulatory authority were to require us to conduct pre-clinical studies and clinical trials beyond those we currently anticipate will be required for the completion of clinical development or if we experience significant delays in enrollment in any clinical trials, we could be required to expend significant additional financial resources and time on the completion of our clinical development programs. We may never succeed in obtaining regulatory approval for any of our product candidates.

General and Administrative Expenses

Our general and administrative expenses principally consist of salaries and related benefits, including share-based compensation, for personnel in our executive, finance and other administrative

functions. Other general and administrative costs include facility-related costs and professional services fees for auditing, tax and general legal services, as well as expenses associated with our requirements of being a listed public company on AIM.

We expect that our general and administrative costs will increase in the future as our business expands and we increase our headcount to support the expected growth in our operating activities. These increases will likely include increased costs related to the hiring of additional personnel and fees to outside consultants, lawyers and accountants, among other expenses. In addition, we expect to continue to grant share-based compensation awards to existing and future key management personnel and other employees. Additionally, we anticipate increased costs associated with being a U.S. public company, including expenses related to services associated with maintaining compliance with Nasdaq rules and SEC requirements, director compensation, insurance, and investor relation costs. If any of our product candidates that we intend to directly commercialize obtains regulatory approval, we expect that we will incur expenses associated with building a sales and marketing team.

Finance Income

Finance income consists of interest earned on our short-term cash deposits.

Finance Charge

Finance charge consists of interest on the Novartis Notes, interest on our credit facility and losses on short term deposits. For further information on the terms of the Novartis Notes and our credit facility see "—Indebtedness."

Net Foreign Exchange Gain/(Loss)

Our functional currency is pound sterling. We initially record transactions in foreign currencies at the rate ruling on the date the transaction first qualifies for recognition. Net foreign exchange gain/(loss) consists of the difference arising on settlement or translation of our foreign currencies, which are primarily held in U.S. dollars.

Taxation

As a U.K. resident trading entity, we are subject to U.K. corporate taxation. Due to the nature of our business, we have generated losses since inception. As of December 31, 2016 and 2017, we had cumulative carryforward tax losses of £16.3 million and £36.4 million, respectively. Subject to any relevant restrictions, we expect these to be available to carry forward and offset against future operating profits. As a company that carries out extensive research and development ("R&D") activities, we benefit from the U.K. R&D small or medium-sized enterprise tax credit regime and are able to surrender some of our trading losses that arise from our research and development activities for a cash rebate of up to 33.35% of eligible R&D expenditure. Qualifying expenditures largely comprise employment costs for research staff, subcontracted CRO and CMO costs, consumables and certain internal overhead costs incurred as part of research projects. Certain subcontracted qualifying research expenditures are eligible for a cash rebate of up to 21.67%. Our effective cash rebate on qualifying R&D expenditure in 2017 was £8.2 million and we expect to receive this in 2018. Our cash rebate for 2016 was £5.3 million and we received this in May 2017. The cash rebate due for 2017 has increased by £2.8 million reflecting the higher level of qualifying R&D spend in 2017. We may not be able to continue to claim payable research and development tax credits in the future because we may no longer qualify as a small or medium-sized company.

In the event we generate revenues in the future, we may benefit from the U.K. "patent box" regime that allows profits attributable to revenues from patents or patented products to be taxed at an effective rate of 10%. This relief applies to profits earned from April 1, 2013. When taken in combination with the

enhanced relief available on our R&D expenditures, we expect a long-term lower rate of corporation tax to apply to us. If, however, there are unexpected adverse changes to the U.K. R&D tax credit regime or the “patent box” regime, or for any reason we are unable to qualify for such advantageous tax legislation, or we are unable to use net operating loss and tax credit carryforwards and certain built-in losses to reduce future tax payments, our business, results of operations, and financial condition may be adversely affected.

Results of Operations

The following table sets forth our results of operations for the years ended December 31, 2016 and 2017.

	Year Ended December 31,			
	2016		2017	
	(£)	($)	(£)	($)
	(in thousands)			
Research and development expenses	(24,563)	(33,231)	(34,607)	(46,819)
General and administrative expenses	(11,617)	(15,716)	(10,697)	(14,472)
Operating loss	(36,179)	(48,947)	(45,304)	(61,292)
Finance income	375	507	827	1,119
Finance charge	(180)	(243)	(1,090)	(1,475)
Net foreign exchange gain/(loss)	2,263	3,061	(1,384)	(1,873)
Net loss before tax	(33,722)	(45,622)	(46,951)	(63,520)
Income tax benefit	5,331	7,213	8,152	11,029
Loss attributable to equity holders of the Company	(28,390)	(38,409)	(38,799)	(52,491)

Comparison of the Years Ended December 31, 2016 and 2017

Research and Development Expenses

The following table sets forth our research and development expenses by product development program for the years ended December 31, 2016 and 2017.

	Year Ended December 31,			
	2016		2017	
	(£)	($)	(£)	($)
	(in thousands)			
BPS-804	4,804	6,499	13,380	18,100
BCT-197	9,734	13,169	10,014	13,548
BGS-649	9,432	12,761	10,801	14,613
AZD-9668	—	—	2	3
Unallocated costs	593	803	410	555
Total research and development expenses	24,563	33,231	34,607	46,819

Our total R&D, expenses increased by £10.0 million, or 41%, from £24.6 million in 2016 to £34.6 million in 2017. This was a result of increased spending on clinical development as we continued the Phase 2 programs for BCT-197 and BGS-649 and commenced the adult Phase 2b program for BPS-804. Total R&D expenses included payments we made to CROs and other suppliers for the ongoing clinical development of each of BPS-804, BCT-197, and BGS-649, which increased from £17.9 million in 2016 to £22.8 million in 2017, reflecting the inclusion of expenses relating to the adult Phase 2b study for BPS-804. Additionally, our R&D employee related costs increased from £3.1 million in 2016

to £4.1 million in 2017, reflecting increased headcount, higher other employee-related expenses, including travel, and higher bonus amounts earned in 2017. Our payments to CMOs for the provision of drug substance and drug product and associated manufacturing development to support our clinical trials and the transfer of manufacturing of drug substance and drug product from Novartis to third-party manufacturers increased from £2.9 million in 2016 to £7.3 million in 2017, reflecting ongoing manufacturing activity primarily due to the manufacture of additional clinical trial materials in respect of BPS-804.

Direct research and development expenses related to BPS-804 increased by £8.6 million, from £4.8 million in 2016 to £13.4 million in 2017, due to the commencement of the adult Phase 2b study for BPS-804 during 2017 and the completion of the manufacture of associated clinical trial materials.

Direct research and development expenses related to BCT-197 increased by £0.3 million, from £9.7 million in 2016 to £10.0 million in 2017, due to the completion of the Phase 2 clinical trial for BCT-197 in the fourth quarter of 2017, which trial commenced in the first half of 2016.

Direct research and development expenses related to BGS-649 increased by £1.4 million, from £9.4 million in 2016 to £10.8 million in 2017, due to the continuation of the Phase 2b study for BGS-649 and the commencement of the Phase 2b extension study.

General and Administrative Expenses

General and administrative expenses decreased by £0.9 million, or 7.8%, from £11.6 million in 2016 to £10.7 million in 2017. This decrease was due to a decrease in share-based payment expenses of £2.8 million, reflecting the lower level of share option awards in 2017, partially offset by a rise in other general and administrative costs of £1.9 million, reflecting an increase in payroll-related costs due to a higher headcount and higher bonus amounts earned in 2017, together with additional legal and professional fees in connection with the equity financing in April 2017, the entering into a credit facility in August 2017, and the acquisition of AZD-9668 in October 2017.

Finance Income

Interest earned on our short-term cash deposits increased from £0.4 million in 2016 to £0.8 million in 2017, reflecting higher cash balances held in deposit in 2017.

Finance Charge

Finance charge increased from £0.2 million in 2016 to £1.1 million in 2017, reflecting interest costs on additional borrowings under our credit facility during 2017 and lower costs related to the Novartis Notes after the exercise of a portion of these notes in April 2017. Finance charge in 2017 also included £0.3 million of losses on short term deposits.

Net Foreign Exchange Gain/(Loss)

In 2016, the net foreign exchange gain was £2.3 million, primarily as a result of the unrealized gain on translation of cash deposits held primarily in U.S. dollars at year end, reflecting a strengthening of the U.S. dollar against pounds sterling during the year. In 2017, net foreign exchange loss was £1.4 million, reflecting a weakening of the U.S. dollar against pounds sterling during the year which negatively impacted the translation of our foreign deposits and investments at December 31, 2017.

Income Tax Benefit

We recorded a tax credit of £5.3 million in 2016 and £8.2 million in 2017. The tax credit represents the cash rebate from the U.K. tax authorities we qualified for in respect of eligible research and development activities during the years. Due to the increase in qualifying R&D expenditure in 2017, the 2017 tax credit increased by £2.9 million from the 2016 tax credit. The 2016 tax credit was received in May 2017. We expect to receive the 2017 tax credit of £8.2 million in 2018.

Liquidity and Capital Resources

Overview

Since our inception, we have incurred significant operating losses. We expect to incur significant expenses and operating losses for the foreseeable future as we advance the clinical development of our product candidates. We expect that our research and development and general and administrative costs will increase in connection with conducting clinical trials for our product candidates and any new product candidates we acquire and due to the costs in seeking marketing approval for our product candidates in Europe and the United States as well as other jurisdictions. As a result, we will need additional capital to fund our operations, which we may obtain from additional debt or equity financings, collaborations, licensing arrangements, or other sources.

We do not currently have any approved products and have never generated any revenue from product sales or otherwise. To date, we have financed our operations primarily through the issuances of our equity securities and convertible debt and our credit facility, which we entered into in August 2017. Since we were incorporated, we have raised a total of £102.9 million in gross proceeds from private and public placements of our ordinary shares to institutional investors and £3.5 million from the issuance of the Novartis Notes. In August 2017, we also entered into a credit facility in the amount of £20.0 million which we have fully drawn down during 2017. As of December 31, 2016 and 2017, we had cash and short term deposits and short term investments of £53.6 million and £52.5 million, respectively.

Cash Flows

The table below summarizes our cash flows for the period presented.

	Year Ended December 31,			
	2016		2017	
	(£)	($)	(£)	($)
	(in thousands)			
Net cash used in operating activities	(29,662)	(40,130)	(32,148)	(43,493)
Net cash from (used in) investing activities	373	504	(3,745)	(5,065)
Net cash from financing activities	68,356	92,480	33,744	45,651
Net increase (decrease) in cash and cash equivalents	39,067	52,854	(2,149)	(2,907)

Operating Activities

The increase in net cash used in operating activities was £2.4 million, from £29.7 million in 2016 to £32.1 million in 2017. This was largely due to the increased loss before taxation due to higher levels of R&D activity in 2017, offset in part by the increase in cash tax credit received from £0.9 million in 2016 to £5.3 million in 2017. In addition there were changes in the add-backs for non-cash expenses as follows: (i) share based payment add-backs were reduced from £6.5 million to £3.7 million, reflecting lower share based payments charge in 2017, (ii) foreign exchange add-backs increased by £3.6 million in 2017, reflecting the movement from a foreign exchange gain of £2.3 million in 2016 to a loss of £1.4 million in 2017, (iii) interest earned increased by £0.5 million in 2017 as a result of higher cash held in deposits throughout 2017 and increased interest rates, (iv) £0.3 million on interest expense on the credit facility entered into in August 2017, (v) £0.3 million of loss on short-term deposits in 2017 and (vi) working capital increased by £5.6 million in 2017, reflecting higher creditor and accrual balances at December 31, 2017 compared to 2016.

Investing Activities

Our net cash from investing activities reduced from £0.4 million in 2016 to net cash used in financing activities of £3.7 million in 2017, largely due to the £2.3 million cash cost of purchasing a

license for AZD-9668 from AstraZeneca in October 2017 and £2.5 million of cash transferred into short-term investments held on deposit, partially offset by £1.1 million of interests received on our short-term deposits.

Financing Activities

Our net cash from financing activities reduced from £68.4 million in 2016 to £33.7 million in 2017. In June 2016, we raised gross proceeds of £56.5 million in the second tranche of a private placement entered into in 2015. In June 2016, in connection with our ordinary shares being admitted to trading on the AIM market, we raised gross proceeds of £11.4 million in private placements of our ordinary shares with institutional investors. In addition, and as part of that transaction, we raised £3.5 million gross proceeds in the form of the Novartis Notes. Our total costs in respect of the foregoing transactions were £3.0 million. In April 2017, we raised gross proceeds of £15.0 million in a placement of ordinary shares with institutional investors, for which the cash cost amounted to £0.8 million. In August 2017, we borrowed the first £10.0 million tranche under our credit facility and in December 2017 we borrowed the second and final tranche under our credit facility for another £10.0 million. In addition, in 2017, we paid an aggregate of £0.3 million of interest on our outstanding borrowings under our credit facility.

Operating and Capital Expenditure Requirements

As of December 31, 2016 and 2017, we had an accumulated loss of £40.6 million and £79.3 million, respectively. We expect to continue to incur significant operating losses in 2018 and for the foreseeable future as we continue our research and development efforts and seek to obtain regulatory approval of our product candidates and any future product candidate we develop.

We expect our expenses to increase substantially in connection with our ongoing development activities related to our product candidates. In addition, upon the closing of the global offering, we expect to incur additional costs associated with operating as a U.S. public company listed on the Nasdaq Global Market in addition to operating as a U.K. public company listed on AIM.

We anticipate that our expenses will increase substantially due to the costs associated with our current and planned clinical trials, our outsourced manufacturing activities and other associated costs including the management of our intellectual property portfolio. These costs will increase further if we:

- seek to develop additional product candidates;
- seek regulatory approvals for any of our product candidates that successfully completes clinical trials;
- potentially establish a sales, marketing, and distribution infrastructure and scale-up manufacturing capabilities to commercialize any products for which we may obtain regulatory approval and chose to commercialize directly;
- expand our intellectual property portfolio;
- add further central clinical, scientific, operational, financial and management information systems, and personnel, including personnel to support our development and to support our operations as a U.S. public company listed on the Nasdaq Global Market; and
- experience any delays or encounter any issues from any of the above, including but not limited to failed studies, complex results, safety issues, or other regulatory challenges.

We expect that our existing cash resources will enable us to fund our currently committed clinical trials and operating expenses and capital expenditure requirements for at least the next 12 months. We expect that these cash resources, together with anticipated net proceeds from the global offering, will enable us to fund our current and planned clinical trials and operating expenses and capital expenditure requirements through . We have based these estimates on assumptions that may

prove to be wrong, and we may use our available capital resources sooner than we currently expect. Because of the numerous risks and uncertainties associated with the development of our product candidates and any future product candidates and because the extent to which we may enter into collaborations with third parties for development of any of our product candidates is unknown, we are unable to estimate the amounts of increased capital outlays and operating expenses associated with completing the research and development of our product candidates. Our future capital requirements will depend on many factors, including:

- the costs, timing, and results of our ongoing Phase 2b clinical trial for BPS-804, our planned pediatric Phase 2b/3 study for BPS-804 in Europe, and our planned Phase 2 clinical trial for AZD-9668 and late-stage clinical development for BGS-649;
- the costs and timing of manufacturing clinical supplies of our product candidates;
- the costs, timing, and outcome of regulatory review of our product candidates, including post-marketing studies that could be required by regulatory authorities;
- the costs, timing, and outcome of potential future commercialization activities, including manufacturing, marketing, sales and distribution, for our product candidates that we commercialize directly;
- the timing and amount of revenue, if any, received from commercial sales of our product candidates;
- the costs and timing of preparing, filing, and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending any intellectual property-related claims, including any claims by third parties that we are infringing upon their intellectual property rights;
- the sales price and availability of adequate third-party coverage and reimbursement for our product candidates;
- the effect of competitors and market developments;
- the extent to which we are able to acquire new product candidates or enter into licensing or collaboration arrangements for our product candidates, although we currently have no commitments or agreements to complete any such transactions; and
- milestone and deferred payments under our license and option agreement with AstraZeneca.

Our revenues, if any, will be derived from sales of any products that we are able to successfully develop, receive regulatory approval for, and commercialize in future years. In the meantime, we will need to obtain substantial additional funds to achieve our business objective.

Adequate additional funds may not be available to us on acceptable terms, or at all. To the extent that we raise additional capital through the sale of equity or convertible debt securities, your ownership interest will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect your rights as a shareholder. Any future debt financing or preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends and may require the issuance of warrants, which could potentially dilute your ownership interests.

If we raised additional funds through collaborations, strategic alliances, or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce, or terminate our product development programs or any future commercialization efforts or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

Indebtedness

Novartis Notes

On June 3, 2016, as part of the fundraising for our product development programs and for general corporate purposes and in connection with our ordinary shares being admitted to trading on AIM, we issued 3,463,563 unsecured convertible loan notes to Novartis, or the Novartis Notes, for aggregate proceeds of £3,463,563. The Novartis Notes bear interest at 4% per annum payable annually and accruing daily and rank senior to any other unsecured obligations we may have. Novartis may at any time convert all or some of the Novartis Notes, together with accrued interest, into our ordinary shares at a conversion price of £2.21 per ordinary share. In addition, upon conversion, Novartis is entitled to receive an additional number of our ordinary shares equal to the number of shares into which such Novartis Notes and accrued interest are converted multiplied by 0.93, or the Bonus Shares. At December 31, 2016, Novartis was entitled to receive up to 1,453,520 Bonus Shares.

On April 6, 2017, Novartis delivered to us a notice of conversion with respect to £1,398,552 aggregate principal amount of Novartis Notes. Pursuant to such notice, on April 26, 2017, £1,398,552 aggregate principal amount of Novartis Notes was converted into 632,829 fully paid ordinary shares. Additionally, in connection with such conversion, we issued 588,532 Bonus Shares to Novartis. At December 31, 2017, Novartis was entitled to receive up to 864,998 Bonus Shares.

To the extent any of the Novartis Notes remain outstanding on March 2, 2021, we are obligated to pay Novartis the principal amount of such outstanding Novartis Notes together with any accrued interest.

Credit Facility

On August 7, 2017, we entered into a loan agreement with Silicon Valley Bank and Kreos Capital V (UK) Limited, which provides for total borrowings of £20.0 million. We borrowed £10.0 million on each of August 21, 2017 and December 29, 2017 for general working capital purposes. We are obligated to make interest-only payments on the loan amount until September 30, 2018, and thereafter we are obligated to pay interest and principal in 30 equal monthly installments until March 31, 2021, the maturity date. The loan bears interest at an annual fixed rate equal to 9.0%. In addition a final payment of 7.5% of the principal loan amount is due upon the earlier of the maturity date, prepayment in whole of the loan amount, mandatory repayment, acceleration of the loan, and the loan becoming immediately due and payable due to an event of default. The loan is secured by substantially all of our assets, including intellectual property rights owned or controlled by us.

In connection with the loan agreement, we issued to the lenders warrants to subscribe for 363,156 of our ordinary shares at an exercise price of £3.029 per ordinary share and warrants to subscribe for 333,334 of our ordinary shares at an exercise price of £3.30 per ordinary share.

Contractual Obligations and Commitments

The table below summarizes our contractual obligations at December 31, 2017.

	Payments Due by Period				
	Up to 1 year	1-3 Years	3-5 Years	Over 5 Years	Total
			(in thousands)		
Novartis Notes(1)	£ 83	£ 165	£2,079	–	£ 2,327
Bank loan(2)	3,574	17,794	2,983	–	24,351
Operating lease(3)	744	535	–	–	1,279
Total	£ 4,401	£18,494	£5,062	–	£27,957

(1) Includes interest. See "—Indebtedness—Novartis Notes."
(2) Includes interest. See "—Indebtedness—Credit Facility."
(3) Reflects payments due for our office lease under a lease agreement that expires in August 2025. We may terminate this agreement in August 2020 and, as such, no amounts due under the agreement after August 2020 are reflected.

As further described above under "—Asset Purchase Agreements with Novartis" and "—License Agreement with AstraZeneca," under various agreements with Novartis and AstraZeneca, we have agreed to make milestone payments and pay royalties. We have not included any deferred payment obligations, such as milestones or royalties, in the table above, as the amount, timing, and likelihood of such payments are not known and will remain uncertain for the foreseeable future.

In addition, we enter into contracts in the ordinary course of business with CROs, CMOs, and other vendors to assist in the performance of our research and development activities and other services and products for operating purposes. These contracts generally provide for termination on notice, and therefore are cancelable contracts and not included in the table of contractual obligations and commitments.

Off-Balance Sheet Arrangements

We did not have during the period presented, and we do not currently have, any off-balance sheet arrangements.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to a variety of financial risks. Our overall risk management program seeks to minimize potential adverse effects of these financial risks on our financial performance.

Interest Rate Risk

We manage interest rate risk by monitoring short and medium-term interest rates and placing cash on deposit for periods that optimize the amount of interest earned while maintaining access to sufficient funds to meet day-to-day cash requirements. We have a committed borrowing facility in an amount of £20.0 million which was fully drawn as of the date of this prospectus. Loans under the credit facility bear interest at a fixed rate of 9.0% per annum. The interest payable on the Novartis Notes is fixed at 4.0% per annum. Consequently, there is no material exposure to interest rate risk in respect of interest payable.

Credit Risk

We consider all of our material counterparties to be creditworthy. We consider the credit risk for each of our major counterparties to be low. We are, however, dependent on a number of third parties for the delivery of our programs and, in addition, where appropriate we pay upfront deposits and fees in advance of the delivery of services where required. We continue to assess credit risk as part of our management of these third-party relationships.

Liquidity Risk

We manage our liquidity risk by maintaining adequate cash reserves at banking facilities and invested in short term money market accounts, and by continuously monitoring our cash forecasts, our actual cash flows and by matching the maturity profiles of financial assets and liabilities.

Foreign Currency Risk

Foreign currency risk reflects the risk that the value of a financial commitment or recognized asset or liability will fluctuate due to changes in foreign currency rates. The majority of our operating costs

are denominated in pounds sterling, euros, and U.S. dollars. Our financial position, as expressed in pounds sterling, is exposed to movements in foreign exchange rates against the U.S. dollar and the euro. Our main trading currencies are pounds sterling and U.S. dollars. We are exposed to foreign currency risk as a result of operating transactions and the translation of foreign currency bank accounts and short-term deposits. We monitor our exposure to foreign exchange risk. We have not entered into foreign exchange contracts to hedge against foreign exchange fluctuations but maintain cash and investments in U.S. dollars to cover anticipated forward commitments. For the year ended December 31, 2017, we recorded a net foreign exchange loss of £1.4 million, compared to a £2.3 million gain for the year ended December 31, 2016, primarily as a result of the accretion in value of our U.S. dollar cash deposits measured at the balance sheet date compared to the date of conversion. These deposits amounted to $20.0 million and $10.5 million as of December 31, 2016 and 2017, respectively.

Critical Accounting Judgments and Estimates

Our financial statements have been prepared in accordance with IFRS as issued by the IASB. In the application of our accounting policies, we are required to make judgments, estimates, and assumptions about the value of assets and liabilities for which there is no definitive third-party reference. The estimates and associated assumptions are based on historical experience and other factors that we considered to be relevant. Actual results may differ from these estimates. We review our estimates and assumptions on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revisions and future periods if the revision affects both current and future periods.

The following are our critical judgments and estimates that we have made in the process of applying our accounting policies and that have the most significant effect on the amounts recognized in our consolidated financial statements included elsewhere in this prospectus.

Measurement of Share-Based Compensation

We have granted share options and awards under the following four equity award plans: (i) the Mereo BioPharma Group Limited Share Option Scheme, or the 2015 Plan; (ii) the Mereo BioPharma Group plc Share Option Scheme, or the Share Option Plan; (iii) the Mereo BioPharma Group plc Long Term Incentive Plan, or LTIP; and (iv) the Mereo BioPharma Group plc Deferred Bonus Share Plan, or DBSP.

We measure share options at fair value at their grant date in accordance with IFRS 2, “Share-based Payment.” We calculate the fair value of the share options using either the Black-Scholes model, or for options with performance conditions, a simulation model. We charge the fair value to the statement of comprehensive income over the expected vesting period.

2015 Plan

Under the 2015 Plan, we have granted share options to our employees, including our senior executives, and our non-executive directors. For all employees, share options vest over four years with 25% vesting 12 months after the vesting start date and the balance vesting equally over the next 36 months. For non-executive directors, share options vest over three years in three equal annual installments. There have been no performance conditions attached to the share options granted under the 2015 Plan. Certain rules apply for accelerated vesting and exercise of share options in the event of an offer for the company.

We measure the share options under the 2015 Plan at fair value at their grant date in accordance with IFRS 2, “Share-based Payment,” using the Black-Scholes model. The exercise price of the share options under the 2015 Plan is in the range of £1.29 to £2.21 per ordinary share and the share options

were granted between September 2015 and May 2016 with an exercise period of 10 years from the date of grant.

Other inputs to determine the fair value included:

Volatility(1)	56%
Risk-free rate	1.48 to 2.07%
Expected dividends	£nil

(1) Measured by reference to a basket of similar companies trading on AIM.

The fair value of such share-based compensation is recognized as an expense over the respective vesting period. Share-based compensation expense under the 2015 Plan was £6.2 million in 2016.

Since there is no historical data in relation to the expected life of the share options, the contractual life of the options was used in calculating the expense for the year. Volatility was estimated by reference to the share price volatility of a group of comparable companies over a retrospective year equal to the expected life of the share options.

Share Option Plan

Under the Share Option Plan, we granted 1,593,188 share options to executive officers and other employees and 15,000 options lapsed. The weighted-average remaining contractual life for the share options outstanding as of December 31, 2017 was 9.4 years. The weighted-average fair value of options granted during the year was £1.85 per share. Share options outstanding at the end of the year had an exercise price of between £3.03 and £3.23 per share.

The weighted-average inputs to the models used for the fair value of share options granted during the year ended December 31, 2017 were as follows:

	Year ended December 31, 2016	Year ended December 31, 2017
Expected volatility (%)	–	49-51
Risk-free interest rate (%)	–	1.06-1.33
Expected life of share options (years)	–	10
Market price of ordinary shares (£)	–	3.03-3.23
Model used	–	Black Scholes

Since there is no historical data in relation to the expected life of the share options, the contractual life of the options was used in calculating the expense for the year. Volatility was estimated by reference to the share price volatility of a group of comparable companies over a retrospective year equal to the expected life of the share options.

Long Term Incentive Plan

Under the LTIP, share options were granted to executive officers on June 9, 2016 and April 4, 2017. 75% of these share options have specific performance conditions and vest up to 33.3% on June 9, 2019 (Tranche 1), 33.3% on June 9, 2020 (Tranche 2) and 33.3% on June 9, 2021 (Tranche 3) depending on achieving share price increases relative to the share price at January 1 2019, January 1, 2020 and January 1, 2021 relative to the share price at admission to AIM. The share options were granted at a weighted-average fair value of £1.34 per ordinary share and have an exercise price of £nil.

Other inputs used to determine the fair value of the strategic element of the LTIP share options were:

	Tranche 1	Tranche 2	Tranche 3
Volatility	48.9%	48.9%	48.9%
Risk-free rate	0.48%	0.61%	0.74%
Expected dividends	£nil	£nil	£nil

We measure the fair value of the share price element of the LTIP share options at their grant date in accordance with IFRS 2, “Share-based Payment,” using a Monte Carlo simulation model. Share options have an exercise period of one year from vesting date.

25% of the LTIP share options are subject to strategic targets and share options vest three years from the date of grant. LTIP share options were granted at a weighted-average fair value of £1.34 per ordinary share and have an exercise price of £nil. We measure the fair value of the strategic element of the LTIP share options using the Black-Scholes model.

Other inputs used to determine the fair value of LTIP share options were:

Volatility	48.9%
Risk-free rate	0.74%
Expected dividends	£nil

The fair value of the total share-based compensation is recognized as an expense over the respective vesting period. Share-based compensation expense under the LTIP was £0.3 million in 2017 and £0.1 million in 2016.

Deferred Bonus Share Plan

Under the DBSP, share options were granted to executive officers on April 4, 2017 in respect of the year ended December 31, 2016. Share options have no performance conditions, an exercise price of £nil, a normal vesting date of 3 years from grant and are exercisable within one year of vesting.

Since the DBSP awards are equity-settled, they are valued using the grant date model based on the fair value at the date of issue. Given there are no market conditions nor any non-vesting conditions, the value of the awards will be the monetary value of the shares issued at the date of issue.

The fair value of such share-based compensation is recognized as an expense over the respective vesting period. Share-based compensation expense under the DBSP was £0.3 million in 2017 and £0.2 million in 2016.

We account for related social security contributions on all share options as cash-settled share-based payment transactions. We recognize a liability over the vesting period in respect of share options to be exercised. The total charge in respect of social security was £1.1 million in 2017 and £1.0 million in 2016.

We expect to grant additional share options that will result in additional share-based compensation expense.

Measuring the Fair Value of Our Intangible Assets

At each reporting date, we review the carrying value of our intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the

recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

We consider the future development costs, the probability of successfully progressing each program to product approval and likely commercial returns after product approval, among other factors, when reviewing for indicators of impairment. The results of this testing did not indicate any impairment of the acquired products' rights in the years ended December 31, 2016 and December 31, 2017.

The acquired development programs are assets which are not used in launched products. These assets have not yet begun to be amortized but have been tested for impairment by assessing their value in use. Value-in-use calculations for each program are utilized to calculate the recoverable amount. The calculations use pre-tax cash flow projections covering the period through product development to commercial sales up to the later of loss of patent protection or market exclusivity, which extend beyond five years from the balance sheet date; no cash flows are included after this date. Approved products are assumed to be out-licensed such that we receive upfront fees, milestone payments, and royalties on sales; therefore, we do not incur any costs of commercialization after out-licensing.

Key assumptions we have used for the value-in-use calculations are described as follows:

- development costs to obtain regulatory approval—costs are estimated net of any contributions expected from collaborative arrangements with future partners. Our directors have developed cost estimates based on our previous experience and in conjunction with the expertise of our clinical development partners;
- launch dates of products—these reflect our expected date of launch for products based on the timeline of development programs required to obtain regulatory approval. The assumptions are based on our directors' prior experience together with the outcome of discussions with regulators;
- probability of successful development—we estimate probabilities of success for each phase of development based on industry averages and knowledge of specific programs;
- out-licensing upfront fees, milestones, and royalty rates on sales—we estimate these amounts based on prior experience and access to values from similar transactions in the industry, which are collated and accessible from specialist third-party sources;
- sales projections—these are based on our internal projections using external market data and market research commissioned by us;
- profit margins and other operational expenses—these are based on our internal projections of current product manufacturing costings, with input from manufacturing partners where applicable, and estimates of operating costs based on our prior industry experience;
- cash flow projections—the periods over which cash flows are forecast (based on the current patent protection periods relevant to the asset), are as follows:
  - BCT-197—18 years;
  - BGS-649—17 years;
  - BPS-804—14 years; and
  - AZD-9668—16 years
- discount rates—the discount rate is estimated on a pre-tax basis reflecting our estimated cost of capital and is applied consistently across each of the operating segments. The cost of capital in 2017 was reviewed in 2017 and was 15.3%. In 2016, the cost of capital was 11.2%.

At this stage of product development, we believe the key sensitivity for all three development programs is the probability of successful completion of clinical trials in order to obtain regulatory

approval for sale. Therefore, full impairment of a development program is expected should such related trials be unsuccessful and development halted.

Determining whether an intangible asset is impaired requires an estimation of whether there are any indications that its carrying value is not recoverable.

Fair Value of Warrants

In connection with the borrowings under the credit facility in 2017, we issued to the lenders warrants to subscribe for an aggregate of 363,156 of our ordinary shares at an exercise price of £3.029 per ordinary share and warrants to subscribe for an aggregate of 333,334 of our ordinary shares at an exercise price of £3.30 per ordinary share.

The fair value of the warrants is measured using the Black-Scholes model taking into account any appropriate amendments to inputs in respect of volatility and remaining expected life of the warrants.

The weighted-average inputs to the models used for the fair value of warrants granted during the period ended December 31, 2017 were as follows:

	Year ended December 31 2017
Expected volatility (%)	50-51
Risk-free interest rate (%)	1.10-1.25
Expected life of share options (years)	9.6-10
Market price of ordinary shares (£)	3.00-3.25
Model used	Black Scholes

The fair value of the warrants at December 31, 2017 was £1.3 million. The carrying value of the loan at December 31, 2017 was £18.8 million.

Fair Value of Provision for Deferred Cash Consideration

Provision for deferred cash consideration represents the potential future cash payments in respect of the AZD-9668 acquisition. As this is in respect of a product which is not yet approved, this provision for deferred cash consideration includes all contingent payments up to the point of exercise of the right to acquire the intellectual property and excludes potential downstream milestones, royalties or other payments because they are unquantifiable. The provision is recognized as a liability at each balance sheet date with the amounts calculated as the risk adjusted net present value of certain future payments we may make. The payments are dependent on reaching specific milestones based on the commencement and outcome of clinical trials.

The total amount of provision for deferred cash consideration at December 31, 2017 was £2.1 million.

Key inputs used to determine the value of the provision for deferred consideration include:

Discount rate:	15.3%
Likely payment date:	Based on the expected timing of the planned Phase 2 study for AZD-9668
Risk adjustment:	Standard risk adjustments for orphan asset development programs

Fair Value of Deferred Equity Consideration

Deferred equity consideration is accounted for as equity-settled share-based payment transactions in accordance with IFRS 2. Fair value is determined by the share price at the date of purchase.

Deferred Tax and Current Tax Credits

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognized in the statement of operations, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Tax credits are accrued for the year based on calculations that conform to the U.K. research and development tax credit regime applicable to small and medium-sized companies.

We may not be able to continue to claim research and development tax credits in the future under the current research and development tax credit scheme, when we become a U.S. public company because we may no longer qualify as a small or medium-sized company. However, we may be able to file under a large-company scheme. Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. No deferred tax assets are recognized on our losses carried forward because there is currently no indication that we will make sufficient profits to utilize these tax losses.

Recent Accounting Pronouncements

We refer to Note 27 to our consolidated financial statements for the year ended December 31, 2017 included elsewhere in this prospectus for a discussion of new standards and interpretations not yet adopted by us.

JOBS Act

In April 2012, the U.S. Jumpstart Our Business Startups Act of 2012, or the JOBS Act, was enacted. Section 107(b) of the JOBS Act provides that an “emerging growth company,” or EGC, can take advantage of an extended transition period for complying with new or revised accounting standards. Thus, an EGC can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. Given that we currently report and expect to continue to report under IFRS as issued by the IASB, we have irrevocably elected not to avail ourselves of this extended transition period, and, as a result, we will adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies.

BUSINESS

Overview

We are a multi-asset biopharmaceutical company focused on the acquisition, development, and commercialization of innovative therapeutics that aim to improve outcomes for patients with rare and specialty diseases. Our portfolio consists of four clinical-stage product candidates, each of which we acquired from large pharmaceutical companies. We are developing BPS-804 for the treatment of osteogenesis imperfecta, or OI, AZD-9668 for the treatment of severe alpha-1 antitrypsin deficiency, or AATD, BCT-197 for the treatment of acute exacerbations of chronic obstructive pulmonary disease, or AECOPD, and BGS-649 for the treatment of hypogonadotropic hypogonadism, or HH, in obese men. Each of our product candidates has generated positive clinical data for our target indication or for a related indication. We believe our portfolio is well diversified because each of our product candidates employs a different mechanism of action and targets a separate indication. We intend to develop and directly commercialize our rare disease product candidates. For our specialty disease product candidates, we intend to develop them through late-stage clinical milestones and then seek strategic relationships for further clinical development and/or commercialization.

Our strategy is to selectively acquire product candidates that have already received significant investment from pharmaceutical companies and that have substantial pre-clinical, clinical, and manufacturing data packages. Since our inception in March 2015, we have successfully executed on this strategy by acquiring our current product candidates from Novartis Pharma AG, or Novartis, and AstraZeneca AB, or AstraZeneca. We have commenced or completed large, randomized, placebo-controlled Phase 2 clinical trials for three of these product candidates. In December 2017, we reported top-line data from our completed Phase 2 dose-ranging clinical trial for BCT-197, and in March 2018, we reported top-line data from our Phase 2b dose-ranging clinical trial for BGS-649. We intend to commence additional late-stage clinical trials in 2018.

Our team has extensive experience in the pharmaceutical and biotechnology sector in the identification, acquisition, development, manufacturing, and commercialization of product candidates in multiple therapeutic areas. Our senior management team has long-standing relationships with senior executives of large pharmaceutical companies, which we believe enhances our ability to identify and acquire additional product candidates.

Our Pipeline

The following table summarizes our pipeline. We have global commercial rights to all of our product candidates.

Product Candidate *Indication*	Phase 1	Phase 2a	Phase 2b	Phase 3	Last Milestone	Next Anticipated Milestone
BPS-804 (setrusumab) *Osteogenesis Imperfecta*	→	→	→		Phase 2b initiated	Commence pediatric Phase 2b/3 study in Europe and Canada in the second half of 2018
AZD-9668 (alvelestat) *Severe Alpha-1 Antitrypsin Deficiency*	→				Positive Phase 2 data in bronchiectasis	Initiate Phase 2 trial in AATD in the second half of 2018
BCT-197 (acumapimod) *Acute Exacerbations of COPD*	→	→			Positive Phase 2 data	Enter into strategic relationship for further clinical development
BGS-649 (lefl utrozole) *Hypogonadotropic Hypogonadism in Obese Men*	→	→	→		Positive Phase 2b data	Phase 2b extension study data in 4Q 2018

Our portfolio consists of the following product candidates:

- ***BPS-804:*** BPS-804, or setrusumab, is a novel antibody we are developing as a treatment for OI, a rare genetic disease that results in bones that can break easily and is commonly known as brittle bone disease. OI is a debilitating orphan disease for which there are no treatments approved by the U.S. Food and Drug Administration, or FDA, or European Medicines Agency, or EMA. It is estimated that OI affects a minimum of 20,000 people in the United States and approximately 32,000 people in Germany, Spain, France, Italy, and the United Kingdom. BPS-804 is designed to inhibit sclerostin, a protein that inhibits the activity of bone-forming cells. We believe BPS-804's mechanism of action is well suited for the treatment of OI and has the potential to become a novel treatment option for patients that could reduce fractures and improve patient quality of life.

  In 2016, we obtained orphan drug designation in OI for BPS-804 in the United States and the European Union, or EU, and in February 2017, BPS-804 was accepted into the adaptive pathways program in the EU. In addition, in November 2017, BPS-804 was admitted to the PRIME scheme of the EMA. Prior to our acquisition of BPS-804, Novartis conducted four clinical trials in 106 patients and healthy volunteers. A Phase 2 clinical trial of BPS-804 showed statistically significant improvements in bone formation biomarkers and bone mineral density. In May 2017, we initiated a randomized, double-blind, placebo-controlled Phase 2b clinical trial for BPS-804 in adults in the United States, Europe and Canada. We expect the results from this trial, if favorable, along with validation of our use of high resolution peripheral quantitative computerized tomography, or HRPqCT, as a biomarker for fracture, may be sufficient to support the submission of a Conditional Marketing Authorisation, or CMA, to the EMA for BPS-804 for the treatment of adults with OI in the EU. We also intend to commence a Phase 2b/3 clinical trial of BPS-804 in children with OI in the second half of 2018 in Europe and Canada, with fracture rate as the primary endpoint. We expect the results from this trial, if favorable, may be sufficient to validate our use of HRPqCT and support the submission of a CMA to the EMA for BPS-804 for the treatment of children with severe OI in the EU.

  In the United States, the FDA has denied our request for a Type C meeting to discuss the initiation of a pediatric Phase 2b study for BPS-804 for the treatment of patients with severe OI. The FDA has cited that a serious cardiovascular safety concern exists in adults treated with sclerostin inhibitors that has yet to be resolved. We do not believe the FDA's concern is related to BPS-804. Given the undetermined risk/benefit assessment in adults, the FDA believes it is premature to conduct a study of sclerostin inhibitors in children. If this safety issue is resolved, we plan on submitting our proposed Phase 2b/3 study for BPS-804 in children with severe OI to the FDA to expand the proposed trial into the United States. We believe the FDA's position does not impact our ability to conduct our clinical development activities of BPS-804 in Europe and Canada for children with severe OI and our clinical development activities of BPS-804 in Europe, the United States and Canada for adults with OI.

- ***AZD-9668:*** AZD-9668, or alvelestat, is a novel, oral small molecule we are developing for the treatment of severe AATD, a potentially life-threatening rare, genetic condition caused by a lack of alpha-1 antitrypsin, or AAT, a protein that protects the lungs from enzymatic degradation. This degradation leads to severe debilitating diseases, including early-onset pulmonary emphysema, a disease that irreversibly destroys the tissues that support lung function. There are an estimated 50,000 patients in North America and 60,000 patients in Europe with severe AATD. AZD-9668 is designed to inhibit neutrophil elastase, or NE, a neutrophil protease, which is a key enzyme involved in the destruction of lung tissue. We believe the inhibition of NE has the potential to protect AATD patients from further lung damage.

  Prior to our license of AZD-9668, AstraZeneca conducted 12 clinical trials involving 1,776 subjects, including trials in bronchiectasis and cystic fibrosis, or CF. Although these trials were

conducted in diseases other than AATD, we believe the data demonstrated potential clinical benefit and biomarker evidence of treatment effect for AATD patients. We intend to initiate a Phase 2 proof-of-concept clinical trial in patients with severe AATD in the second half of 2018.

- ***BCT-197:*** BCT-197, or acumapimod, is a p38 MAP kinase inhibitor we are developing as an oral first-line acute therapy for patients with AECOPD. Chronic obstructive pulmonary disease, or COPD, is a non-fully-reversible, progressive lung disease in which inflammation plays a central role. There are an estimated 16 million people in the United States and 13 million people in Europe diagnosed with COPD. Of all hospital admissions in the United States related to COPD, approximately 63% are for AECOPD patients. We believe BCT-197 offers a potential new treatment for controlling inflammation by targeting pathways that drive the pathological mechanism behind AECOPD.

  Since there are currently no approved therapies in the United States or the EU to treat AECOPD, we believe that there is significant medical need for a drug which is disease-modifying . We believe BCT-197 could potentially prevent AECOPD instead of just treating the symptoms and has the potential to improve quality of life, slow the progression of the disease, and significantly reduce direct healthcare costs.

  Prior to our acquisition of BCT-197, Novartis conducted five clinical trials in 459 patients and healthy volunteers, including a Phase 2a trial in AECOPD patients that showed a clinically meaningful improvement in lung function at all doses and a statistically significant improvement in lung function at the highest dose. In December 2017, we reported top-line data from our completed placebo-controlled Phase 2 dose-ranging clinical trial for BCT-197. The trial was conducted in 282 patients with AECOPD to explore two different dosing regimens on top of standard of care, which included steroids, antibiotics, and bronchodilators. Both dosing regimens showed a statistically significant change in FEV1 from baseline to Day 7, meeting the trial's primary endpoint on an intent-to-treat patient population basis. Treatment with BCT-197 also showed a statistically significant reduction in the number of COPD exacerbations that required hospitalization. In addition, BCT-197 was reported to be safe and well tolerated. Based on these results, we plan to enter into one or more strategic relationships with third parties for further clinical development and, if approved, commercialization, of BCT-197.

- ***BGS-649:*** BGS-649, or leflutrozole, is a once-weekly oral therapy we are developing for the treatment of HH in obese men. HH is a clinical syndrome that results from inadequate levels of testosterone. Based on World Health Organization, or WHO, estimates and scientific data, we estimate there are approximately seven million cases of HH in obese men in the United States and approximately five million cases of HH in obese men in Europe. In these men, a decline in testosterone is exacerbated by high levels of the aromatase enzyme, which is present in fat tissue and leads to a reduction in testosterone. BGS-649 is designed to inhibit the aromatase enzyme and is being developed to restore normal levels of testosterone without causing excessively high testosterone levels or reducing the levels of luteinizing hormone, or LH, or follicular stimulating hormone, or FSH. Both LH and FSH play key roles in sperm formation and LH plays a key role in endogenous testosterone formation. In contrast to current therapies for HH, which involve the exogenous administration of testosterone and lead to further down regulation of LH and FSH, we believe that BGS-649, by preserving sperm formation through LH and FSH production, may present a benefit to patients.

  Prior to our acquisition of BGS-649, Novartis conducted seven clinical trials in 131 patients and healthy volunteers, including a Phase 2 proof-of-concept trial for HH in obese men in which BGS-649 normalized testosterone levels in all patients and demonstrated an increase in LH and FSH levels. In March 2018, we reported top-line data from our completed Phase 2b dose-ranging clinical trial of BGS-649 for the treatment of HH in obese men. The trial enrolled 271 patients who were administered placebo or one of three doses of BGS-649. The

trial met its primary endpoint of normalizing testosterone levels in at least 75% of subjects after 24 weeks of treatment and all of the secondary endpoints, including normalizing testosterone in at least 90% of patients after 24 weeks of treatment at the two highest doses and improvement in LH and FSH levels at all three doses. BGS-649 was reported to be well-tolerated in the trial. A subset of patients have entered into a six-month extension study, and we expect data from the extension study in the fourth quarter of 2018. We intend to advance BGS-649 into late-stage clinical development.

Our Strategy

We intend to become a leading biopharmaceutical company focused on the acquisition, development and commercialization of innovative therapeutics that aim to improve outcomes for patients with rare and specialty diseases. The key elements of our strategy to achieve this goal include:

- ***Rapidly develop and directly commercialize our rare disease product candidates.*** We have commenced a Phase 2b clinical trial of BPS-804 for the treatment of OI in adults in the United States, Europe and Canada. If the results from this trial are favorable and our use of HRPqCT as a biomarker for fracture is validated, we intend to submit a CMA to the EMA for the treatment of adults with OI in the EU. We also intend to commence a Phase 2b/3 clinical trial of BPS-804 for the treatment of OI in children in the second half of 2018 in Europe and Canada. We expect that the results from this trial, if favorable, will be sufficient to validate our use of HRPqCT and support the submission of a CMA to the EMA for BPS-804 for the treatment of children with severe OI in the EU. We intend to initiate a Phase 2 clinical trial of AZD-9668 for the treatment of severe AATD in the second half of 2018 and, if the results are favorable and pending regulatory feedback, continue to develop AZD-9668 toward approval and commercialization. We plan to establish our own sales and marketing organization in the United States and Europe for BPS-804 and AZD-9668 and any future rare disease product candidates.
- ***Efficiently advance our specialty disease product candidates and explore strategic relationships with third parties for further clinical development and/or commercialization.*** Based on the top-line results from our Phase 2 clinical trial of BCT-197, we plan to enter into one or more strategic relationships with third parties for BCT-197 to undertake the next phase of clinical development and, if approved, commercialization. In March 2018, we reported top-line Phase 2b data for BGS-649 for the treatment of HH. We intend to continue late-stage clinical development of BGS-649 and plan to enter into strategic relationships with third parties for commercialization, if approved. We may also enter into strategic relationships with third parties to complete the clinical development of BGS-649.
- ***Leverage our expertise in business development to expand our pipeline of product candidates.*** Our senior management team has extensive relationships with large pharmaceutical and biotechnology companies, as evidenced by the acquisition of our four clinical-stage product candidates. We intend to leverage these relationships to grow our pipeline with a focus on rare diseases. We intend to continue to identify, acquire, develop, and ultimately commercialize novel product candidates that have received significant investment from large pharmaceutical companies. We will continue to focus on acquiring product candidates with either proof-of-concept clinical data in our target indication or with clinical data in a related disease and a strong scientific rationale that supports development in our target indication. Using a disciplined approach, we intend to continue building a diverse portfolio of product candidates that we believe have compelling market potential, robust pre-clinical, clinical, and manufacturing data packages, and a clear regulatory pathway.
- ***Continue to be a partner of choice for large pharmaceutical and biotechnology companies.*** We believe that we are a preferred partner for large pharmaceutical and biotechnology companies as they seek to unlock the potential in their development pipelines

and deliver therapeutics to patients in areas of high unmet medical need. We have strong relationships with these companies, as evidenced by our agreements with Novartis and AstraZeneca, and a track record of structuring transactions that enable us to leverage our core development capabilities while creating value for all stakeholders. We intend to continue to enter into strategic relationships that align our interests with those of large pharmaceutical and biotechnology companies and that we believe to be mutually beneficial.

BPS-804 (setrusumab) for the Treatment of Osteogenesis Imperfecta

Overview

We are developing BPS-804 (setrusumab) for the treatment of OI. BPS-804 is a novel, intravenously administered antibody that is designed to inhibit sclerostin, a protein that inhibits the activity of bone-forming cells, known as osteoblasts. We believe that by blocking sclerostin, BPS-804 has the potential to induce or increase osteoblast function and maturation of these cells, increasing bone formation and reducing bone resorption, thereby reducing fractures in OI patients.

Background of Osteogenesis Imperfecta

OI is a genetic disorder characterized by fragile bones and reduced bone mass, resulting in bones that break easily, loose joints and weakened teeth. In severe cases, patients may experience hundreds of fractures in a lifetime. In addition, people with OI often suffer from muscle weakness, early hearing loss, fatigue, curved bones, scoliosis (curved spine), brittle teeth, respiratory problems and short stature. The disease can be extremely debilitating and even fatal in newborn infants with a severe form of the disease. OI is a rare condition that affects a minimum of 20,000 people, an incidence rate of 6.2 out of 100,000, in the United States, according to estimates by the Osteogenesis Imperfecta Foundation, and approximately 32,000 people, an incidence rate of 10 out of 100,000, in Germany, Spain, France, Italy, and the United Kingdom, according to estimates by Orphanet.

There are eight recognized forms of OI, designated type I through type VIII. Type I is the least severe form, while type II is the most severe and frequently causes death at or shortly after birth. The most prevalent form of OI is type I, which is estimated to occur in approximately 50% to 60% of OI patients. The less severe forms of OI, such as type I and type IV, are characterized by broken bones, often as a result of minor trauma. Patients typically have a blue or gray tint to the sclera, the part of the eye that is usually white, and are at risk of hearing loss in adulthood. Individuals affected by less severe types of OI are usually of normal height and have normal life spans.

In addition to the features of less severe forms of OI, type III patients are characterized by frequent bone fractures starting even before birth, respiratory problems, short stature, a disorder of tooth development, and reduced life expectancy as a result of respiratory failure and cardiac failure. Type III OI is characterized by extreme growth deficiency and typically scoliosis, and patients may require wheelchairs for mobility. The most severe forms of OI, particularly type II, may be characterized by an extremely small, fragile rib cage, and underdeveloped lungs. Infants with these abnormalities have life-threatening problems related to breathing and often die shortly after birth.

Current Treatment Landscape for Osteogenesis Imperfecta

There are no approved therapies for the treatment of OI in the United States or the EU. The only treatments available to OI patients are the acute management of fractures as they occur and bisphosphonate drugs, which are not approved for this indication but are commonly used off-label in children.

Current treatment of OI is directed towards management of fractures with casting or surgical fixation. Following either of these, physical therapy will often be required. Preventative surgeries, such

as intramedullary, or in-bone, nailing fixation are also undertaken. Supportive care for the disease involves surgery to correct deformities, internal splinting of bones with metal rods, bracing to support weak limbs and decrease pain, physical therapy, and muscle strengthening and aerobic conditioning to improve bone mass and strength.

Many OI patients are treated off-label with drugs indicated for osteoporosis. Bisphosphonate drugs slow down the rate at which osteoclasts, which are cells which resorb or take away bone, reduce the bones' mass. These include Aredia (pamidronate), Fosamax (alendronate) and Reclast (zoledronic acid). However, bisphosphonate drugs are not approved by the FDA or the EMA for use in OI. We are not aware of any long-term clinical studies demonstrating an improvement in fractures in adults and the effect of long-term therapy with these drugs remains unclear. Therefore, we believe the effect of bisphosphonate drugs on fractures, growth, bone deformity, mobility, and pain remains unclear in both adults and children. Despite not being approved, bisphosphonates are effectively the standard of care in children, especially those with more severe disease.

Our Approach

Our product candidate for treating OI is BPS-804, a fully human monoclonal antibody that is designed to inhibit sclerostin. Sclerostin is produced in osteocytes, which are mature bone cells that are thought to be the mechanoreceptor cells that regulate the activity of bone-building osteoblasts and bone-resorbing osteoclasts. Sclerostin inhibits the activity of osteoblasts. We believe that by blocking sclerostin, BPS-804 has the potential to induce or increase osteoblast activity and maturation of these cells, increasing bone formation and reducing bone resorption, thereby reducing fractures in OI patients.

Clinical Development of BPS-804

The following table summarizes the historical, current and planned clinical trials of BPS-804:

Historical Trials			Current Trials			Planned Trials			
Phase	Population	Subjects Treated with BPS-804	Phase	Population	Planned Enrollment	Phase	Population	Planned Enrollment	Target Start
Phase 1	Healthy Volunteers (postmenopausal women)	30	Phase 2b	OI (adult)	120	Phase 2b/3	OI (pediatrics)	~150	2018
Phase 2	Hypophosphatasia	8							
Phase 2	Women with Low Bone Mineral Density	36							
Phase 2	OI	9							

Phase 1 and Phase 2 Clinical Trials in Other Indications

Novartis performed a Phase 1 single ascending dose trial in 30 healthy female volunteers. A range of doses of BPS-804 were administered and were shown to be well tolerated. A Phase 2 ascending dose trial was also performed in eight adult patients with hypophosphatasia, a rare disorder characterized by abnormal development of bones and teeth. Three different BPS-804 doses were administered and a positive effect on bone formation biomarkers was observed.

Additionally, Novartis performed a Phase 2 clinical trial in a total of 44 postmenopausal women with low bone mineral density, in which 36 subjects were treated with BPS-804. The trial had four arms, with patients dosed weekly for three weeks (4 doses), monthly for three months (4 doses) and quarterly for one quarter (2 doses), and a placebo group. In this trial, BPS-804 increased bone mineral density up to 7.8%, 7.3% and 4.3% in the weekly, monthly and quarterly groups, respectively.

Phase 2 Clinical Trial in Osteogenesis Imperfecta

Novartis conducted a Phase 2 randomized, open-label, intra-patient dose-escalating proof-of-concept trial in the United States, Canada and Europe in adults with OI. The objectives were:

- to evaluate safety and tolerability of BPS-804;
- to evaluate the effect of BPS-804 on lumbar spine bone mineral density measured by dual-energy X-ray absorptiometry, or DEXA, scan; and
- to determine the pharmacodynamic effect of BPS-804 when administered as multiple dose escalating intravenous infusions on:
  - serum bone formation markers, including procollagen 1 N-terminal propeptide, or P1NP, procollagen 1 C terminal propeptide, or P1CP, osteocalcin, or OC, and bone-specific alkaline phosphatase, or BSAP; and
  - serum bone resorption markers, including C-telopeptides of type I collagen cross-links, or CTX-1, and N-telopeptides of type I collagen cross-links.

The trial included 14 patients with types I, III and IV OI, nine of which were treated and five of which were observed as a reference group in parallel during the trial to provide comparative data. The reference patients did not receive drug or placebo. The patients were treated with three doses of BPS-804 two weeks apart, over four weeks, and were followed for a total of 21 weeks after the last dose. DEXA studies were performed at day 141 and bone biomarkers were measured on days eight, 15, 29, 36, 43, 57, 85, 113 and 141, for both groups.

Treatment with BPS-804 showed a statistically significant increase in lumbar spine bone mineral density from baseline, which was sustained at day 141 of the trial, 16 weeks after the last dose of BPS-804, with a mean increase in lumbar spine bone mineral density in treated patients of 4%, as shown in the table below:

	BPS-804			Reference		
Parameter	Number of patients	Ratio of geometric mean to baseline	p-value	Number of patients	Ratio of geometric mean to baseline	p-value
Bone Mineral Density	9	1.04	0.038*	4**	1.01	0.138

* Statistically significant, meaning a less than 5% chance (or p-value less than 0.05) that the observed results occurred by chance alone.

** One patient in the reference group did not complete the study and is not included in the results.

Bone turnover comprises two processes: the removal of bone and the laying down of new bone. Markers in blood can be used to assess the formation and resorption of bone. P1NP and CTX-1 are the markers of bone formation and resorption, respectively, that are recommended for clinical use and are considered the two reference markers by the International Osteoporosis Foundation and International Federation of Clinical Chemistry.

Treatment with BPS-804 also showed a statistically significant improvement in all measured bone formation biomarkers at day 43 of the trial, as shown in the table below, as well as a trend of reduction in the CTX-1 biomarker of bone resorption:

	BPS-804			Reference			
Bone formation biomarker	Number of patients	Ratio of geometric mean to baseline	p-value	Number of patients	Ratio of geometric mean to baseline	p-value	Ratio of geometric means 90% confidence interval
P1NP	9	1.84	<0.001*	5	1.06	0.651	1.75
P1CP	9	1.53	0.003*	5	1.05	0.6	1.45
BSAP	9	1.59	<0.001*	5	0.87	0.582	1.83
OC	9	1.44	0.012*	5	0.81	0.436	1.78

* Statistically significant.

These results showed a statistically significant upregulation in the activity of P1NP, P1CP, BSAP, and increased OC levels, while the corresponding biomarkers remained unchanged or declined moderately in the reference group.

We believe that the observed increase in lumbar spine bone mineral density in patients treated with BPS-804, along with the bone biomarker data, support the bone anabolic effects of BPS-804 in adult patients with moderate OI and support the potential for BPS-804 to stimulate bone formation and reduce bone resorption after three doses.

Summary of Safety Results

In the trials conducted by Novartis, BPS-804 was generally well tolerated. In the Phase 2 OI clinical trial, there was one non-drug related significant adverse event in the reference group. The most common adverse events were headaches, influenza, arthralgia and fatigue both in patients who received BPS-804 and in the reference group.

Current and Planned Phase 2b Clinical Trials in Osteogenesis Imperfecta

In May 2017, we commenced a Phase 2b clinical trial of BPS-804 in the United States, Europe and Canada. The Phase 2b clinical trial is a multi-center, randomized double-blind, placebo-controlled trial of BPS-804 in which we intend to enroll approximately 140 adult OI patients. Similar to the Phase 2 clinical trial conducted by Novartis, we plan to enroll patients with types I, III and IV OI.

The primary endpoint of this trial is the change in trabecular volumetric bone mineral density measured by HRpQCT and change in bone strength using finite element analysis, or FEA. HRpQCT enables the measurement of relevant parameters of bone density, microstructure, and strength. FEA uses data from HRpQCT measurements to provide a predictive measure of the whole bone strength and biomechanical risk of fracture. Additional endpoints include further measures of bone parameters measured by HRpQCT, bone turnover markers and quality of life scores. Based on our interactions with the EMA, we believe that the results from this trial, if favorable, and validation of our use of HRpQCT as a biomarker for fracture, from our planned Phase 2b/3 trial in children with OI, will be sufficient to support the submission of a CMA for BPS-804 for the treatment of adults with OI in the EU.

In addition, in the second half of 2018, we intend to commence a Phase 2b/3 clinical trial of BPS-804 for the treatment of OI in children aged 5 to 18 in Europe and Canada. We intend to enroll approximately 150 patients in this trial, with fracture rate as the primary endpoint. Based on our interactions with the EMA, we expect the results from this trial, if favorable, will be sufficient to validate our use of HRPqCT and support the submission of a CMA for BPS-804 for the treatment of children with severe OI in the EU.

In the United States, the FDA has denied our request for a Type C meeting to discuss the initiation of a pediatric Phase 2b study for BPS-804 for the treatment of patients with severe OI. The FDA has cited that a serious cardiovascular safety concern exists in adults treated with sclerostin inhibitors that has yet to be resolved. We do not believe the FDA's concern is related to BPS-804. Given the undetermined risk/benefit assessment in adults, the FDA believes it is premature to conduct a study of sclerostin inhibitors in children. If this safety issue is resolved, we plan on submitting our proposed European Phase 2b/3 study for BPS-804 in children with severe OI to the FDA to expand the proposed trial into the United States. We believe the FDA's position does not impact our ability to conduct our clinical development activities of BPS-804 in Europe and Canada for children with severe OI and our clinical development activities of BPS-804 in Europe, the United States and Canada for adults with OI.

AZD-9668 (alvelestat) for the Treatment of Severe Alpha-1-Antitrypsin Deficiency

Overview

We are developing AZD-9668 (alvelestat) for the treatment of severe AATD, a potentially life-threatening rare, genetic condition that results in severe debilitating diseases, including early-onset pulmonary emphysema. AZD-9668 is a novel, oral small molecule designed to inhibit NE. Scientific data indicate that the increased risk of lung tissue injury in AATD patients may be due to inadequately controlled NE caused by insufficient AAT. We believe that by inhibiting NE, AZD-9668 has the potential to reduce the destruction of lung tissue and stabilize clinical deterioration in severe AATD patients.

Background of Alpha-1-Antitrypsin Deficiency

AATD is a genetic disease. There are estimated to be 50,000 people in North America and 60,000 in Europe with severe AATD, which we define as AATD in patients with either a PiZZ genotype or NullNull genotype. The major function of AAT in the lungs is to protect the connective tissue from NE released from triggered neutrophils. In the majority of people, the lungs are defended from NE attack by AAT, which is a highly effective inhibitor of NE. Severe AATD patients, however, produce minimal or no AAT and are, therefore, unable to defend against NE attack. As a result, severe AATD patients commonly experience degeneration of lung function, such as early-onset pulmonary emphysema, which significantly affects quality of life and life expectancy.

AATD is the result of a mutation of the SERPINA1 gene. Most people with AATD inherit two copies of the defective PiZ allele, or gene variant, of the SERPINA1 gene, resulting in a PiZZ genotype. Patients with a PiZZ genotype have approximately 15% of normal AAT levels. Individuals who inherit two copies of the Null allele, resulting in a NullNull genotype, do not produce any AAT. These two groups are at very high risk of developing lung disease. AATD patients with the PiZZ genotype experience a decline in the amount of air that can be forcibly exhaled in one second, or FEV1, a standard measure of exhalation. The annual mortality rate in this genotype estimated to be 4%. Given that individuals with the NullNull genotype do not produce any AAT, we believe that they are likely to experience an even greater annual decline in FEV1.

Current Treatment Landscape for Alpha-1-Antitrypsin Deficiency

AATD patients are monitored by pulmonary functions tests, including spirometry. Treatment involves bronchodilators and inhaled corticosteroid medications and pulmonary rehabilitation, with increased intensity of therapy guided by disease severity. Surgical options include lung volume reduction surgery and lung transplantation. Both are highly invasive, and transplantation is only an option for a portion of patients with end-stage disease despite optimal therapy.

Augmentation therapy is available for AATD, using a partially purified plasma preparation highly enriched for AAT that is administered weekly by intravenous infusion. This therapy was approved by the FDA based on its biochemical efficacy, or its ability to raise blood levels of AAT, but not based on

clinical outcome data. Several observational studies have suggested that AAT augmentation therapy may slow the rate of decline in lung function in a subgroup of AATD patients with moderate-to-severe airflow obstruction. In a randomized, controlled trial of augmentation therapy, patients had some reduction in the progression of emphysema, as assessed by measuring lung density using computed tomography. The study did not show significant slowing in the decline in FEV1.

We believe that current therapies for AATD are inadequate. Surgical options are limited to a few patients, are highly invasive, have variable results, and do not address the underlying pathology of AATD. AAT augmentation therapy, while FDA approved, was not approved on the basis of clinical outcome data. In addition, AAT augmentation therapy requires potentially inconvenient weekly intravenous infusions.

Our Approach

Our product candidate for treating severe AATD is AZD-9668, a potent, specific oral small molecule that is designed to inhibit NE. We believe that by inhibiting NE, AZD-9668 has the potential to reduce the enzymatic destruction of lung tissue. Furthermore, we believe that convenient oral dosing of AZD-9668 could provide a significant advantage compared to the current treatments for AATD of surgery or weekly intravenous AAT augmentation therapy.

Clinical Development of AZD-9668

The following table summarizes the historical and planned clinical trials of AZD-9668:

Historical Trials				Planned Trials			
Phase	# of Studies	Population	Subjects Treated with AZD-9668	Phase	Population	Planned Enrollment	Target Start
Phase 1	7	Healthy Volunteers / COPD	143	Phase 2	AATD	~150	2018
Phase 2	3	COPD	958				
Phase 2	1	CF	26				
Phase 2	1	Bronchiectasis	22				

Phase 2 Clinical Trials

Although prior clinical trials of AZD-9668 were in indications other than AATD, we believe that the clinical benefit observed in these trials and the biomarker evidence of treatment effect make AZD-9668 a promising potential product candidate for treating severe AATD. In particular, we believe the results from the Phase 2 clinical trials in bronchiectasis and CF are most relevant in assessing AZD-9668's potential to treat severe AATD.

Phase 2 Clinical Trial in Bronchiectasis

AstraZeneca conducted a double-blind, placebo-controlled Phase 2 clinical trial in bronchiectasis in a total of 38 patients, 22 of whom were treated with AZD-9668, using a 60 mg dose of AZD-9668 administered twice daily for four weeks. Bronchiectasis is a disease characterized by localized, irreversible dilatation of parts of the bronchial tree, caused by destruction of the structural components of the bronchial wall that result from a vicious cycle of transmural infection and inflammation. Neutrophils play a key role in inflammation in bronchiectasis with airway neutrophilia resulting in high concentrations of neutrophil proteases, such as NE, which may be inadequately neutralized by anti-proteases.

The results of this four-week trial showed a statistically significant improvement at day 28 versus placebo in mean FEV1 of 100 ml (p=0.006) and a clinically meaningful improvement of 130 ml (p=0.079) in mean slow vital capacity, which measures the volume of air on a slow full expiration of air in the patient's lungs. The effect on the St. George's Respiratory Questionnaire, a questionnaire that

measures quality of life in patients with diseases of airways obstruction, favored AZD-9668 overall and in each measured domain, with a more than four-unit difference in the overall score, demonstrating clinical relevance. In addition, although the data did not show statistical significance in desmosine levels in urine, the treatment group showed a reduction in desmosine levels while the placebo group showed an increase in desmosine levels.

We believe that bronchiectasis and AATD share common pathological features such as damage to structural parts of the bronchial tree caused by neutrophil proteases that support the potential for AZD-9668 to treat severe AATD, a disease driven primarily by insufficient inhibition of NE.

Phase 2 Clinical Trial in Cystic Fibrosis

AstraZeneca conducted a double-blind, placebo-controlled Phase 2 clinical trial in CF in a total of 56 patients, 26 of whom were treated with AZD-9668, using a 60 mg dose of AZD-9668 administered twice daily for four weeks. CF is a disease that results in thickened secretions and endobronchial infections. These chronic infections are associated with an exaggerated inflammatory response in the airways and neutrophil infiltration of the lungs. The presence of neutrophils in the airways, and the resulting high concentrations of neutrophil proteases, such as NE, suggest that neutrophils are contributors in the pathogenesis of the proteolytic lung destruction associated with CF.

The trial was designed to examine the safety and efficacy of AZD-9668 and its effect on the biomarkers of lung damage. The trial did not demonstrate a statistically significant benefit in lung function, which we believe was due to the anti-proteolytic mechanism of action of AZD-9668 only addressing one component of the pathology of CF. However, there was a statistically significant reduction in free desmosine in urine corrected for creatinine (p=0.002), and a reduction in plasma desmosine of 16%. Desmosine and isodesmosine are unique cross linking amino acids in elastin. Elastin is a protein that makes up the structure of the alveoli in the lungs and provides the pressure that allows for easy breathing, but is vulnerable to breakdown by NE. The reduction in desmosine in this trial indicates a reduction in the breakdown of elastin, which we believe suggests the utility of desmosine as a clinical biomarker with direct relevance to the proposed mechanism of action in severe AATD.

We believe that the data from this trial provide proof of concept for mechanistic effect and the use of desmosine as a biomarker of lung degradation in diseases of high or unopposed NE, such as severe AATD.

Summary of Safety Results

In the clinical trials conducted by AstraZeneca, no treatment-related serious adverse events were identified. A dose of up to 120 mg twice daily was well tolerated in Phase 1 clinical trials and a dose of 60 mg twice daily was well tolerated in the CF, bronchiectasis and COPD Phase 2 trials. Across the 1,149 patients and healthy volunteers treated with AZD-9668, 16 patients had an elevation of liver enzymes with alanine transaminase or aspartate transaminase enzyme concentrations elevated to greater than three times the upper limit of normal, but no patient met the criteria of Hy's law of drug-induced liver injury and no dose dependency was observed. Independent safety review committees evaluated this data and recommended that the trials continue.

Planned Phase 2 Clinical Trial in Severe AATD

We intend to commence a Phase 2 proof-of-concept clinical trial of AZD-9668 for severe AATD in the second half of 2018. We anticipate this trial will be a 12-week, double-blind, placebo-controlled clinical trial examining two doses of AZD-9668 compared to placebo with primary endpoints of elastin breakdown and binding to NE or NE inhibition as determined using biomarkers. We anticipate desmosine will be the elastin breakdown product that is the biomarker endpoint. We believe that by

inhibiting NE, AZD-9668 will reduce the breakdown of elastin and therefore the amount of desmosine. Planned secondary endpoints are plasma A_a-Val(360), a biomarker of NE activity, NE activity in sputum, and lung function tests, including FEV1.

We plan to enroll only patients with PiZZ or NullNull genotypes with confirmed emphysema and declining FEV1, who have not received AAT augmentation therapy or have undergone a wash-out period following AAT augmentation therapy. We estimate that we will need to recruit approximately 150 patients for this trial.

If the results from this trial are favorable, we intend to seek regulatory advice on the design of, and commence, a pivotal trial.

BCT-197 (acumapimod) for the Treatment of AECOPD

Overview

We are developing BCT-197 (acumapimod) as a first-line acute therapy in patients with AECOPD. BCT-197 is a novel, orally active p38 MAP kinase inhibitor designed to inhibit the pathological mechanism behind inflammation, which is a key feature of AECOPD. Currently available treatments only manage the symptoms of AECOPD and are comprised primarily of oxygen therapy, corticosteroids, antibiotics, and bronchodilators. We believe BCT-197 offers a potential new treatment by targeting the underlying disease and delivering tangible benefits for patients and payors by potentially preventing AECOPD, or reducing the frequency of exacerbations and reducing readmissions.

Background of COPD and AECOPD

COPD includes chronic bronchitis, emphysema, refractory (non-reversible) asthma, and some forms of bronchiectasis. COPD is a non-fully-reversible, progressive lung disease that was the third largest cause of death in the world in 2010 according to the Global Burden of Disease Study, and the WHO forecasts that it will remain the third largest cause of death in the world in 2030. The National Heart Lung Blood Institute estimates that 16 million people in the United States have been diagnosed with the disease and the same number likely suffer from the disease without being aware of it. The European COPD Coalition estimates that 13 million people in Europe have been diagnosed with COPD. In 2015, according to the WHO, there were over three million deaths from the disease worldwide.

An AECOPD is defined as an acute event characterized by a worsening of the patient's symptoms beyond normal day-to-day variations that requires a change in medication. Typical symptoms include an increase in breathlessness and/or increase in sputum production, which lead to an increase in the frequency or dose of bronchodilators or an increase in corticosteroid use, or the need to seek further medical attention. The risk of AECOPD increases with COPD progression and increases following exacerbations. Increased inflammation is a core feature of an AECOPD. This is demonstrated by inflamed airways and the influx of white blood cells that respond to and can propagate inflammation.

On average, COPD patients suffer one to three AECOPDs per year with an average hospital stay, if admitted, of three to 10 days. Each episode of AECOPD poses significant risk to the patient, including an increased risk of death. Approximately 8% of patients admitted to the hospital for COPD die while in the hospital. The frequency and severity of exacerbations increase with age, disease severity and history of prior AECOPD. The five-year survival rate for those suffering three or more AECOPDs per year is 30%, but those who do not suffer AECOPDs have an 80% survival rate. Moderate to severe cases of AECOPD can also result in greatly diminished quality of life, disability, and serious co-morbidities, including heart disease. After an AECOPD many patients do not return to their pre-AECOPD baseline respiratory function. Furthermore, a patient who has several AECOPDs a

year is typically exposed to large quantities of systemic corticosteroids, which can lead to osteoporosis and diabetes.

AECOPDs account for the greatest proportion of COPD costs. Of all COPD-related hospital admissions in the United States, approximately 63% are for AECOPD patients, representing more than 1.5 million emergency room visits in the United States alone. Based on current estimates of U.S. COPD rates, the direct costs of COPD are estimated at $4,000 per patient per year. Costs increase in correlation with each progressive stage of the disease. In the United States in 2010, mild COPD patients had median direct costs of $1,681 per patient per year, moderate patients had direct costs of $5,037 per patient per year and severe patients had direct costs of $10,812 per patient per year. Hospital stays make up the greatest proportion of the total COPD burden on the healthcare system, accounting for approximately 45% to 50% of the total direct cost generated by COPD patients. The mean length of hospital stays varies but is typically about 4.7 days. In the United States, the average cost of admission is $7,500 but more than 20% of patients are re-admitted within 30 days with significantly higher cost.

Current Treatment Landscape of AECOPD

We are not aware of any approved therapies for the treatment of AECOPD in the United States or the EU. The management of AECOPD is directed at relieving symptoms and restoring functional capacity of the airways. In its milder forms, an AECOPD can be controlled with inhaled steroids, bronchodilators, and antibiotics. The bronchodilators reduce the patients' breathlessness by opening up the airways, and corticosteroids reduce inflammation. In more severe cases, AECOPD requires hospitalization, where patients are typically treated with oral or intravenous steroids and antibiotics.

The current recommended management for AECOPD includes beta2 agonists, the addition of anticholinergics or an increase in their dosage, the systemic administration of corticosteroids and antibiotics, and the intravenous administration of methylxanthines, such as aminophylline. Additionally, supporting oxygen therapy is used in order to provide the patient with sufficient blood oxygen levels. While AECOPDs are often triggered by bacterial or viral pathogens or pollutants, antibiotics are often used as the precise etiology is often unknown.

We believe there is a significant medical need for a drug which is disease-modifying and could potentially prevent AECOPD instead of just treating the symptoms. In addition, we believe that a drug that could prevent or reduce AECOPD and also has anti-inflammatory effects would significantly improve the quality of life of AECOPD patients due to improved lung function, fewer infections and possibly reduced risk of rehospitalization and mortality.

Our Approach

Our product candidate for treating AECOPD is BCT-197, an orally administered small molecule that inhibits p38 MAP kinase. p38 MAP kinase is an enzyme that plays a key role in the cellular response to external stress signals. p38 MAP kinase is activated in COPD and AECOPD and is inversely correlated with measures of lung function, in particular, FEV1 and forced vital capacity, which is the amount of air that can be forcibly exhaled from the lungs after maximal inspiration. The higher the p38 MAP kinase activation, the lower we would expect lung function to be. Inhibition of this enzyme has been shown to have anti-inflammatory effects, primarily through the inhibition of the expression of inflammatory mediators or molecules called cytokines. The inflammatory cytokines are key to initiating and escalating the inflammatory response by attracting inflammatory cells and inducing further release of the cytokines by these cells. Key cytokines released in the inflammatory response are tumor necrosis factor alpha, or TNFa, and interleukin-8, which are released in the blood stream, and interleukin-6, which is released from bronchial epithelial cells, all of which are blocked by inhibiting p38 MAP kinase.

We believe that BCT-197 has the following key advantages over current therapies:

- potential to be a rapid-onset treatment targeting inflammatory drivers of AECOPD;
- designed to target anti-inflammatory response systemically and locally with easier oral administration than inhaled treatments;
- simple oral regimen of three doses over five days that can be conveniently administered in either the hospital or an outpatient setting;
- designed to target pathophysiology of acute exacerbations without generalized immune suppression; and
- potential for efficacy in steroid-resistant population.

Clinical Development of BCT-197

The following table summarizes the historical clinical trials of BCT-197. We plan to enter into one or more strategic relationships with third parties for BCT-197 to undertake the next phase of clinical development and, if approved, for commercialization.

	Historical Trials		
Phase	**# of Studies**	**Population**	**Subjects Treated with BCT-197**
Phase 1	4*	Healthy Volunteers	152
Phase 2	1	AECOPD	108
Phase 2	1	Acute Kidney Injury	50
Phase 2	1	AECOPD	188

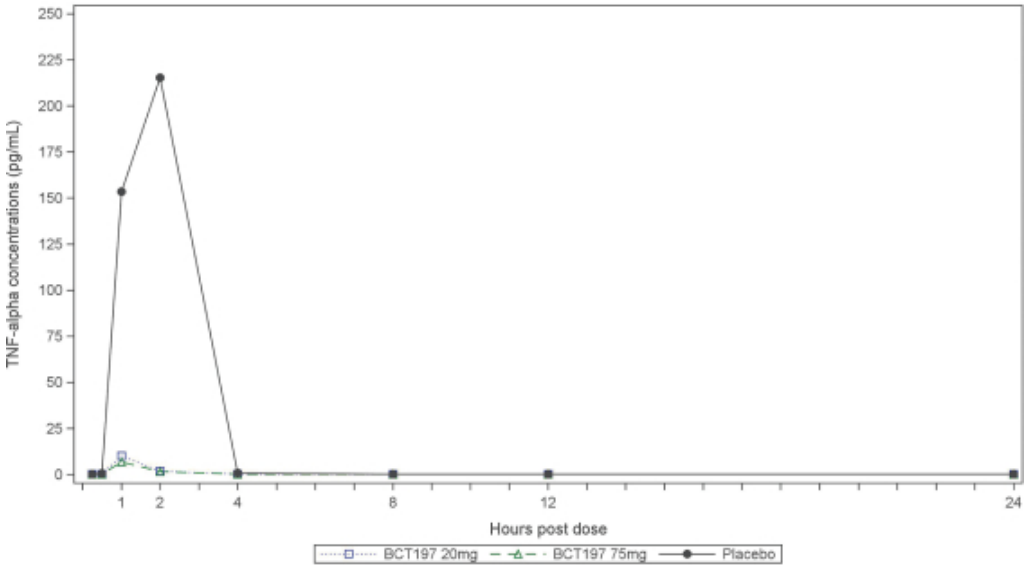
* Includes our 16-patient drug-drug interaction study.

Phase 1 Clinical Trials

Prior to our acquisition of BCT-197, Novartis performed three Phase 1 clinical trials. One of these trials was a three-part Phase 1 clinical trial in a total of 141 healthy volunteers designed to evaluate the safety and anti-inflammatory properties of BCT-197 following lipopolysaccharide, or LPS, challenge, a method of inducing an inflammatory response. Parts 1 and 2 of this trial assessed the ability of BCT-197 to inhibit TNFa, a pro-inflammatory cytokine, *ex vivo* following LPS challenge and Part 3 assessed the same *in vivo*. In Part 1, which was a single ascending dose trial, TNFa was inhibited by a mean of 50% by doses of at least 30 mg, and in Part 2, which was a multi-ascending dose trial, TNFa was inhibited by a mean of 70%.

In Part 3, a three-arm trial, 24 subjects were randomized to receive placebo, 20 mg of BCT-197, or 75 mg of BCT-197. Subjects were exposed to LPS three hours following dosing of BCT-197 or placebo and the concentration of TNFa was measured. In this trial, BCT-197 produced a statistically significant reduction in the levels of TNFa in the treated subjects versus placebo. The following graph shows that the TNFa response was seen in both doses of BCT-197.

TNFa Concentration over Time following LPS Challenge
n=24



In addition, a radiolabeled pharmacology trial was performed in four healthy volunteers. We believe the results of this trial suggest that BCT-197 has pharmacology appropriate for an oral drug.

Phase 2 Clinical Trial in AECOPD

Novartis conducted a double-blind, Phase 2 clinical trial in Europe comparing BCT-197 to the steroid prednisolone and a placebo control. The trial was designed to assess the effect of single and repeated dose of BCT-197 in AECOPD patients. The primary endpoint was to demonstrate an improvement in FEV1 relative to placebo. Secondary and exploratory endpoints included the assessment of safety and tolerability, measurement of the time to recovery, and the determination of the pharmacokinetic properties of BCT-197.

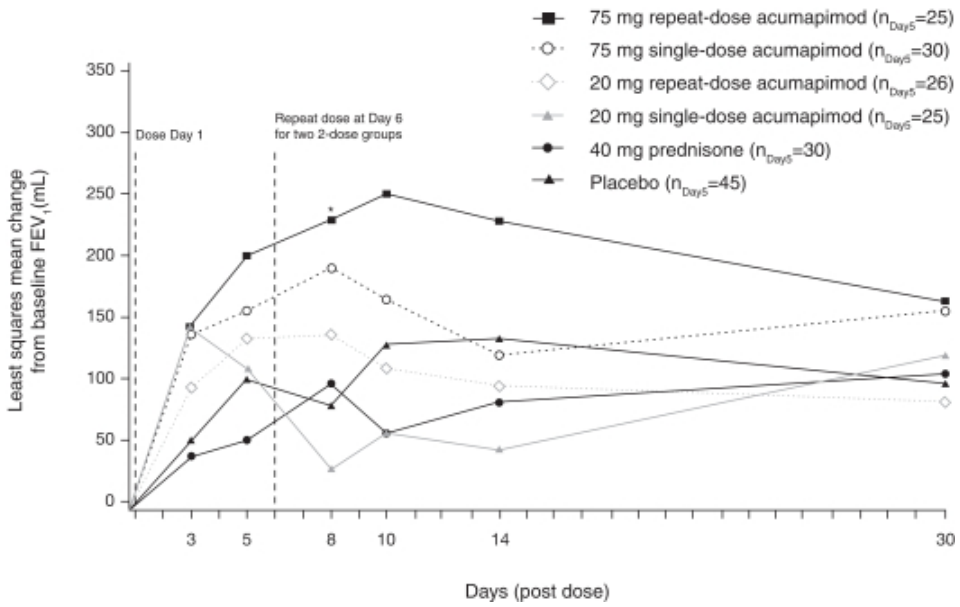
The trial was split into four parts and included a total of 183 patients:

- part 1: 91 patients were randomized to receive either: 75 mg of BCT-197 on day one plus placebo daily for 10 days, prednisolone on day one plus placebo daily for 10 days, or placebo on day one and for 10 days daily;
- part 2: 30 patients were randomized to receive 20 mg of BCT-197 or placebo on day one of the trial. The ratio of patients receiving BCT-197 to patients receiving placebo was five to one;
- part 3: 32 patients were randomized to receive 20 mg of BCT-197 or placebo on days one and six of the trial. The ratio of patients receiving BCT-197 to patients receiving placebo was five to one; and

- part 4: 30 patients were randomized to receive 75 mg of BCT-197 or placebo on days one and six of the trial. The ratio of patients receiving BCT-197 to patients receiving placebo was five to one.

The data on FEV1 were recorded on days three, five, eight, 10, 14 and 30 and showed a clinically meaningful increase in FEV1 (of greater than 100 milliliters) on measuring dates in patients receiving two doses of BCT-197, during a 14-day period, consistent with the duration of most AECOPDs. The following graph summarizes the mean change from baseline in FEV1 values for each dose arm. The change was greatest in the group that received two doses of 75 mg of BCT-197, reaching statistical significance in this group at day 8 (p=0.022). On analysis of the area under the curve to Day 14, two doses of 75 mg of BCT-197 demonstrated a statistically significant improvement in FEV1 versus placebo and prednisolone (p=0.0198 and 0.0102 respectively).

Mean Change from Baseline in FEV1



Summary of Safety Results

In trials conducted by Novartis, BCT-197 was well tolerated in the target patient population. In the Phase 2a clinical trial, 54% of patients out of 183 experienced one or more adverse events. There were six deaths, none of which were deemed to be attributable to BCT197. Over the six-month follow-up period, 13 patients experienced 15 significant adverse events, excluding deaths: 10 cases of COPD worsening or re-exacerbation, three of pneumonia, one of sinusitis and one of bladder cancer. Six of the COPD adverse events were in the placebo and prednisolone arms, two in the 20 mg repeat dose and two in the 75 mg repeat dose. None of these adverse events were considered by the investigators to be related to BCT-197. There were also two cases of rash in the 75 mg repeat dose arm. Two cases of mild and transient transaminase elevations were reported as adverse events, one in the 20 mg dose group and the other in the 75 mg repeat dose group. Other events were mild to moderate.

Phase 2 Dose-Ranging Clinical Trial in AECOPD

In December 2017, we reported top-line data from our completed dose-ranging Phase 2 clinical trial in the United States and Europe to identify the most effective dosing regimen for AECOPD patients. The primary endpoint of the trial was to demonstrate a change in FEV1 from baseline to Day 7. A total of 282 patients enrolled in the trial.

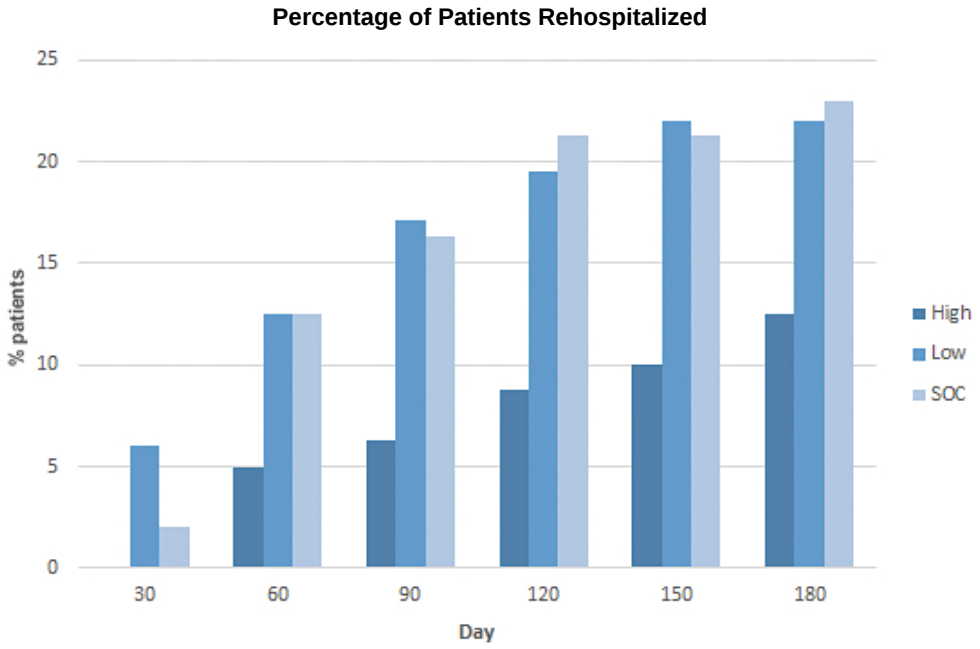
This dose-ranging trial assessed two dosing regimens of BCT-197 and placebo in combination with standard of care, which included steroids, antibiotics, and bronchodilators. Patients were followed for 26 weeks to explore recurrence rates of AECOPD and number of re-hospitalizations. Secondary and exploratory endpoints included clinical failure rate, number of moderate/severe AECOPDs during the trial, the area under the curve of FEV1 over time and time to normalization of FEV1.

The reduction in clinical failure rate was also observed. Clinical treatment failure is defined as a composite endpoint in which any patient fulfils one of more of the following criteria:

- hospitalization or re-hospitalization due to worsening respiratory symptoms;
- worsening of respiratory symptoms requiring the addition of another antibiotic or substitution of a new antibiotic;
- worsening of respiratory symptoms requiring an increase in dose of oral corticosteroids or initiation of new corticosteroids;
- worsening of respiratory symptoms requiring an additional treatment regimen of systemic corticosteroids and/or antibiotics, after completion of the first regimen;
- COPD-related death; or
- any new moderate or severe exacerbation after a period of seven days of resolution from the index AECOPD.

Both dosing regimens of BCT-197 showed a statistically significant change in FEV1 from baseline to Day 7 (p=0.012 and p £ 0.001), meeting the trial's primary endpoint on an intent-to-treat patient population basis. The standard of care plus placebo group did not show a significant change from baseline (p=0.102). The high- and low-dosage BCT-197 groups showed a mean improvement in FEV1 of 84 ml and 115 ml, respectively, compared to 57 ml for the standard of care plus placebo group. While the BCT-197 groups showed greater improvement when compared to the standard of care plus placebo group, the difference in improvement was not statistically significant.

As shown in the chart below, the high-dose BCT-197 group showed a statistically significant reduction in clinical treatment failure of more than 50% (p £ 0.027 to 0.05) compared to the standard of care plus placebo group, measured by the number of rehospitalizations for the treatment of COPD at Days 90 through 150, with a trend observed as early as Day 30. A trend showing reduced composite clinical treatment failures of 56% to 28% from Day 30 through Day 150 was also observed in the high-dose BCT-197 group. We are currently conducting analysis of the data for the secondary and exploratory endpoints.



In a prespecified subgroup analysis of patients with low blood eosinophils of less than 2%, which comprised 68% of the patients in this trial, BCT-197 showed a trend toward improvement of FEV1 from baseline at Day 7, compared to standard of care plus placebo, which showed almost no improvement. Approximately 50% of COPD patients have low blood eosinophils and are considered to be resistant to treatment with steroids.

In this trial, BCT-197 was observed to be well tolerated. Adverse events included two cases of acneiform rash, which were resolved. No induced liver injuries were observed.

BGS-649 (leflutrozole) for the Treatment of Hypogonadotropic Hypogonadism

Overview

We are developing BGS-649 (leflutrozole) for the treatment of HH in obese men. In obese men, a decline in testosterone is exacerbated by high levels of the aromatase enzyme in the fat tissue. The aromatase enzyme converts testosterone to estradiol, thereby reducing testosterone levels. BGS-649 is a novel once-weekly oral aromatase inhibitor designed to normalize testosterone levels and improve HH without causing the excessively high testosterone levels and impaired fertility that may result from exogenous hormone replacement therapy, or TRT, the primary treatment for HH.

Background of Hypogonadotropic Hypogonadism

HH is a clinical syndrome that results from the failure of the testes to produce adequate levels of testosterone. Low testosterone or male hypogonadism is classified in two different types: primary

hypogonadism and HH. Primary hypogonadism generally results from the failure of the testes to produce sufficient levels of testosterone, due to testicular trauma, disease (such as mumps), or genetic defects. HH also results from the failure of the testes to produce sufficient levels of testosterone, in this case due to the disruption of the hypothalamic-pituitary-testicular, or HPT, axis, an endocrine pathway, and is typically associated with obesity, aging, stress, or as a side effect of medications. The symptoms of testosterone deficiency are non-specific, which can make the diagnosis difficult. Symptoms that are most commonly associated with testosterone deficiency include reduced or loss of libido, the absence of morning erections and erectile dysfunction. Other common symptoms include fatigue, impaired physical endurance, loss of vitality, lack of motivation and mood disturbance. In physician assessments of the symptoms of HH, patients rate decreased energy levels and impaired sexual function as having the greatest negative impact on quality of life.

The largest group affected by HH is comprised of men over the age of 40 who suffer from chronic diseases, such as obesity or type 2 diabetes. Based on World Health Organization, or WHO, estimates and scientific data, we believe there are approximately seven million cases of HH in obese men, generally defined as men with a body mass index, or BMI, of 30 kilograms per meter squared or more, in the United States and approximately five million cases of HH in obese men in Europe. Over 85% of men with HH are untreated despite access to care. Obesity rates continue to increase in the United States and in other developed and developing countries around the world. In 2016, the WHO estimated that 35.5% and 21.9% of males in the United States and the EU, respectively, were obese. A recent study in obese men, published in the Netherlands Journal of Medicine, showed that HH increased linearly with an increase in BMI.

Current Treatment Landscape of Hypogonadotropic Hypogonadism

The primary treatment for HH is TRT, in which testosterone is administered to normalize testosterone levels. There are several available routes of administering TRT, including intramuscular injections, scrotal patches, transdermal patches, transdermal gel, and implants. The direct replacement of testosterone exposes the patient to significant side effects. The FDA has concluded that there is a possible increased cardiovascular risk associated with TRT. One of the most common and serious side effects associated with TRT is impaired sperm formation. Additional complications caused by excessive testosterone include prostate enlargement, sleep apnea and worsening heart failure, gynecomastia, or breast development in males, and mood swings. Besides these side effects, each of these delivery methods also has considerable drawbacks. For example, intramuscular injections can be painful, gels and patches run the risk of testosterone transmission to other people, and patches can cause skin irritation.

The leading testosterone replacement products on the market are Abbvie's AndroGel and Eli Lilly's Axiron, both of which carry a black box warning. Both products are administered transdermally by applying a gel formulation. Allergan's Androderm is the leading transdermal patch on the market. The most frequently prescribed intramuscular injections are Bayer's Nebido and Endo's Aveed. The leading implant on the market is Endo's Testopel.

Our Approach

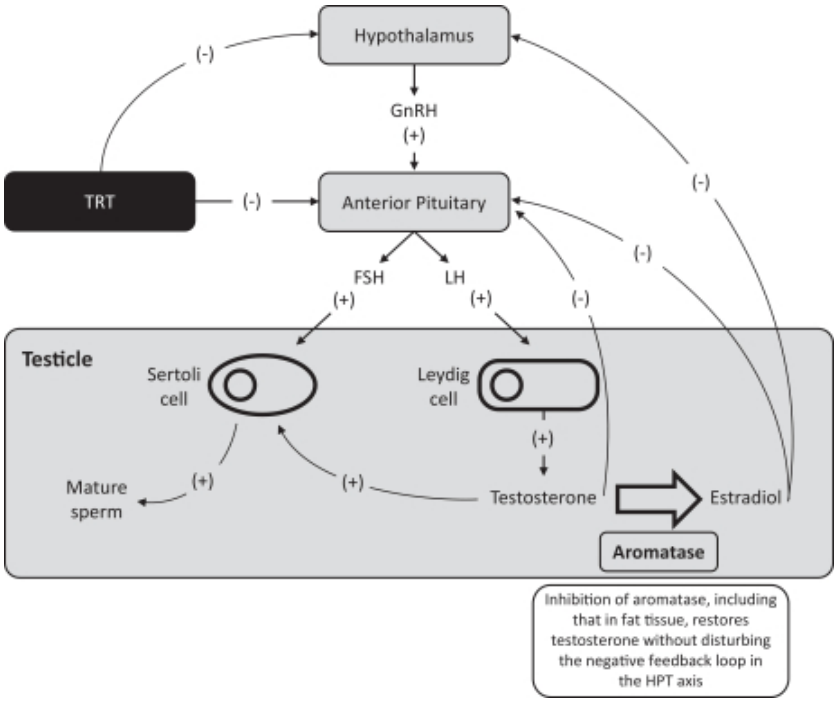
Our product candidate for treating HH in obese men is BGS-649, which is intended for once-weekly oral administration and is designed to inhibit the aromatase enzyme, instead of directly replacing testosterone. The aromatase enzyme converts testosterone to estradiol, thereby reducing testosterone levels. Aromatase is expressed at high levels in fat tissue, and therefore obese men are potentially more prone to HH. BGS-649 is intended to restore normal levels of testosterone without causing the excessively high testosterone levels that may result from TRT. In addition, we believe that the long half-life of BGS-649 of 22 days may allow for convenient weekly dosing.

Testosterone is a hormone that is regulated by three organs in the body, the hypothalamus, anterior pituitary glands and testes, which comprise the HPT axis. The initial stimulus for hormone

formation begins in the hypothalamus with the formation of hormones, such as gonadotropin-releasing hormone, or GnRH, that stimulate the pituitary gland to release LH and FSH. LH, in turn, stimulates the testicular production of testosterone, while FSH stimulates sperm formation. As testosterone levels rise, they feedback directly to the hypothalamus and indirectly through estradiol to the hypothalamus and anterior pituitary gland, which reduces the stimulation to produce more hormones, thereby creating a negative feedback loop that maintains normal testosterone levels. In obese men with HH, excessive aromatase enzyme in fat tissue convert testosterone into estradiol, which inhibits the HPT axis by the negative feedback loop.

The administration of exogenous testosterone, such as with TRT, which is not controlled by the HPT feedback loop, rapidly leads to suppression of LH and FSH. Furthermore, as exogenous testosterone is not controlled by the HPT feedback loop, supraphysiological, or excessively high, levels of testosterone can be reached, which have been associated with cardiovascular disease. In contrast to exogenous TRT, BGS-649 is designed to inhibit aromatase and restore testosterone without disturbing the physiological feedback in the HPT axis, thereby maintaining or increasing LH and FSH with minimal risk of reaching supraphysiological levels of testosterone.

The diagram below illustrates the HPT feedback loop process, including the negative effects of TRT:



Clinical Development of BGS-649

The following is a table of the historical, current and planned clinical trials of BGS-649:

Historical Trials				Current Trials			Planned Trials	
Phase	# of Studies	Population	Subjects Treated with BGS-649	Phase	Population	Total Enrollment	Phase	Population
Phase 1	5	Healthy Women / Endometriosis	95	Phase 2b (extension study)	HH obese men	143	Phase 3	HH obese men
Phase 2	1	Endometriosis	12					
Phase 2	1	HH obese men	24					
Phase 2b	1	HH obese men	271					

Phase 2 Proof-of-Concept Clinical Trial in Hypogonadotropic Hypogonadism

Novartis conducted a two-part Phase 2 proof-of-concept trial for HH in obese men in North America.

Part 1 was an open-label trial to evaluate the pharmacokinetics and pharmacodynamics of BGS-649 in obese men. Fourteen patients were enrolled in this 12-week trial with a three-month follow-up phase. Patients received a first dose of BGS-649, and testosterone was measured on days five through seven to allow the physicians to choose subsequent doses with the goal of achieving and maintaining normal testosterone levels. Following the first dose, a range of doses were administered. The average BMI of participants was 34 kilograms per meter squared.

Consistent with the goal of the trial, BGS-649 treatment increased testosterone into the normal range of 300 to 1,000 nanograms per deciliter, or ng/dl, in all patients exposed in Part 1. Mean baseline testosterone was 239 ng/dl, and rose to a mean of 514 ng/dl at week 12 of the trial. Both FSH and LH levels also increased in the BGS-649 group.

Part 2 was a two-arm, randomized, placebo-controlled, double-blind 12-week trial, with a three-month follow-up trial. The primary objectives were to evaluate the ability of BGS-649 to normalize testosterone and examine if normalized testosterone benefits insulin sensitivity. The secondary endpoints were safety, tolerability, pharmacodynamic effects on glucose, insulin and lipid metabolism.

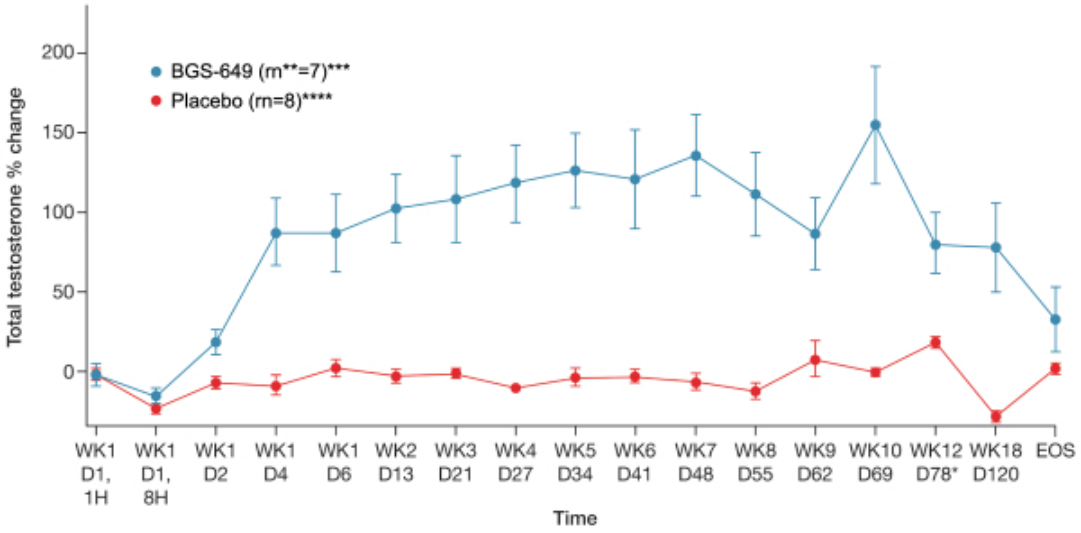
Fifteen patients were enrolled in Part 2 of the trial, eight in the placebo group and seven in the treatment arm. Originally, 30 patients were to be enrolled. Enrollment was terminated early due to a dosing error at a trial site, which resulted in three placebo patients receiving an active dose of BGS-649. The error was identified after testosterone levels in these three patients normalized, and was confirmed by the presence of BGS-649 in these patients' plasma. The patients who were inadvertently given an initial dose of BGS-649 continued to the end of the trial on placebo. Their results were included in the safety database, but were not included in the efficacy analysis. Therefore, there were five placebo patients. Due to the early termination of the trial, among the placebo patients, one completed the full 12-week protocol, two completed week 10, one completed week seven and one completed week six.

Of the seven patients treated with BGS-649, five completed all 11 doses, one completed week eight and one completed week six prior to termination of the trial. Their subsequent testosterone levels were recorded and included in efficacy analyses, though one patient missed the end-of-trial blood test as he withdrew consent. Despite the early termination, BGS-649 normalized testosterone levels in all patients treated.

The treated patients received a loading dose of BGS-649 on day one, followed by a lower weekly dose of BGS-649. The testosterone levels of all patients treated with BGS-649 normalized after one dose and remained in the normal range throughout the treatment period, with the exception of one patient on day 21, whose level dropped to 279 ng/dl but recovered to a level of 480 ng/dl on day 27. Testosterone levels in the placebo patients occasionally reached the normal range, but this effect was not consistent or sustained. In the BGS-649 arm, the mean testosterone level increased from 273 ng/dl at baseline to 423 ng/dl at week 12. Both FSH and LH levels also increased in the BGS-649 group.

The following graph illustrates the percentage increase in testosterone level relative to baseline in patients receiving a weekly dose of BGS-649 or placebo. The testosterone increase was statistically significant in the BGS-649 group from day 4 (p=0.012), with a trend towards return to baseline by the end of the trial, with no evidence of increased total testosterone levels beyond the upper limit of the normal range in any patient exposed to BGS-649.

Percentage Change in Testosterone from Baseline over Time



* Last dose of BGS-649 administered at week 12 (day 78).

** Due to the early termination of this trial, some of these patients did not receive all doses of BGS-649 or placebo. Instead of the total number of patients who completed the trial in each group, the number of patients that were randomly assigned to each group at the start of the trial, or rn, is provided in this graph.

*** Five patients received BGS-649 through week 12 of the trial, one patient received BGS-649 through week 10, and one patient received BGS-649 through week eight.

**** One patient received placebo through week 12 of the trial, two patients received placebo through week 10, one patient received placebo through week seven and one patient received placebo through week six. Results from three patients randomly assigned to the placebo group who mistakenly received a dose of BGS-649 are excluded from this graph.

In addition, patients receiving a weekly dose of BGS-649 showed a trend towards an increase in LH and FSH levels in the treated group with a return to baseline by end of trial. These results in the treated group, suggest that the negative feedback loop controlling the gonadotropin levels in the HPT axis was not disrupted.

Summary of Safety Results

In the clinical trials conducted by Novartis, BGS-649 was well tolerated in the 131 treated patients, with no treatment related serious adverse events. In the Phase 2 proof-of-concept trial in HH, there were 41 adverse events, 16 in the BGS-649 group and 25 in the placebo group. In the BGS-649 group, six of the adverse events were moderate and 10 were mild.

In Part 1 of the trial there were 59 adverse events, 16 of which were moderate and 43 of which were mild. These adverse events were transient and resolved spontaneously. Four patients reported spontaneous penile erection, three patients reported an episode of a headache and two patients reported abnormal hair growth, which were suspected of being related to BGS-649. Other common adverse events were oropharyngeal pain, nasal congestion, diarrhea, arthralgia, cough, dizziness and frequent bowel movements. There were no drug-related significant adverse events.

In Part 2 of the trial, the most common adverse events were lack of energy, headache, nasal congestion, somnolence, and spontaneous penile erection, which were distributed broadly across the BGS-649 and placebo groups. None of these adverse events occurred in more than three patients. Special safety parameters, including prostate specific antigen, haematocrit, hemoglobin, high-density lipoprotein, and bone turnover markers, showed no significant effect of BGS-649. We are monitoring these parameters in the current trial.

A reproductive toxicology trial was also performed in rats to evaluate the risk of potential transference of BGS-649 in the semen, and no reproductive toxicology risk was identified. The maximum dosage would equate to a maximum of 4,700 times the human exposure, which should provide a significant safety margin.

Phase 2b Clinical Trial in Hypogonadotropic Hypogonadism

In March 2018, we announced top-line data from our Phase 2b clinical trial of BGS-649 for the treatment of HH in obese men. We enrolled 271 patients in the trial in the United States and Europe. The trial was a multi-center, randomized double-blind, dose-ranging, placebo-controlled trial of BGS-649 in obese males with HH with a BMI of over 30. Subjects were divided into four groups, with 71 receiving placebo and 67, 66 and 67, receiving the low, intermediate or high dose, respectively, of BGS-649.

The primary endpoint of the trial was to measure the percentage of patients whose testosterone levels normalized. The trial was designed to detect whether at least 75% of patients had normalized testosterone levels at week 24.

The secondary endpoints were:

- the ability of BGS-649 to normalize testosterone in at least 90% of patients;
- the effects of BGS-649 on LH and FSH; and
- the proportion of subjects that overshoot testosterone levels at 24 weeks.

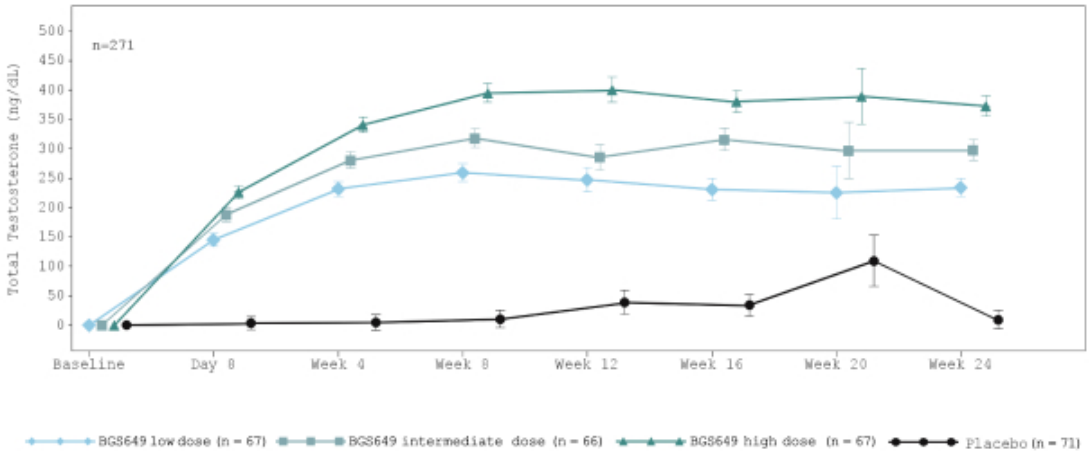
In addition, the trial was designed:

- to investigate the benefit on patient-reported outcomes, or PROs, including the Patient Reported Outcomes Measurement Information System, or PROMIS, Brief Fatigue Inventory, Sex SF and International Index of Erectile Function, which examine the most common complaints HH patients present to a doctor, fatigue and sexual dysfunction;
- to assess the effects of BGS-649 on semen analysis (sperm count and motility), in a subset of patients; and

- to evaluate safety and tolerability, which included analysis of lipid profiles, haematocrit bone turnover markers, and bone mineral density measured by DEXA score.

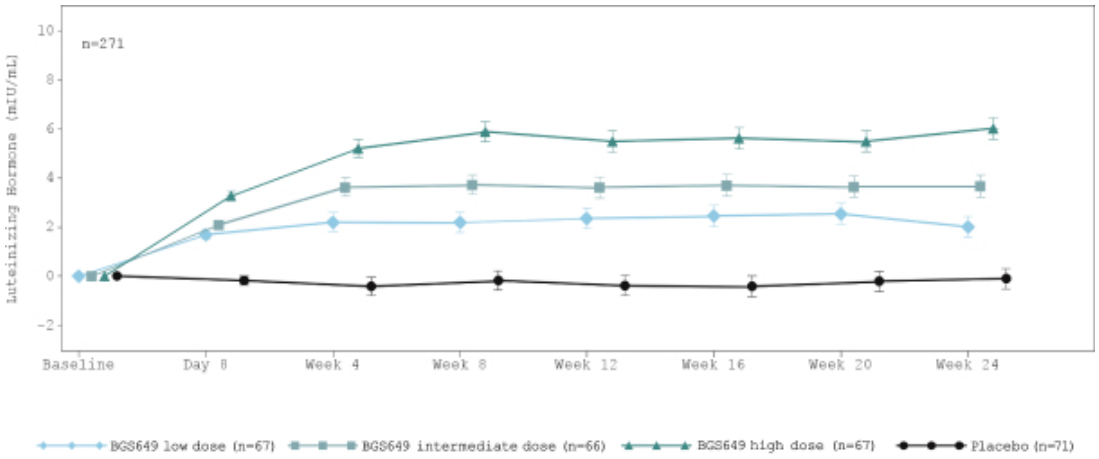
The trial involved a four-week screening phase followed by a 24-week treatment phase and a 12-week follow-up period. All doses of BGS-649 met the primary endpoint, normalizing total testosterone levels in over 75% of subjects after 24 weeks of treatment ($p<0.001$ versus placebo). Normalization of testosterone was observed at the first measurement following the initial dosing of BGS-649 at day 8 in more than 80% of subjects at all three doses. A dose response was also observed in absolute total testosterone levels and over the dosing period, with mean testosterone reaching 458.0 ng/dl (low dose), 512.5 ng/dl (intermediate dose) and 586.5 ng/dl (high dose). The following graph illustrates the increase in mean total testosterone levels from baseline in patients in each of the three dosing arms of BGS-649 and receiving placebo.

Change from Baseline in Mean Total Testosterone

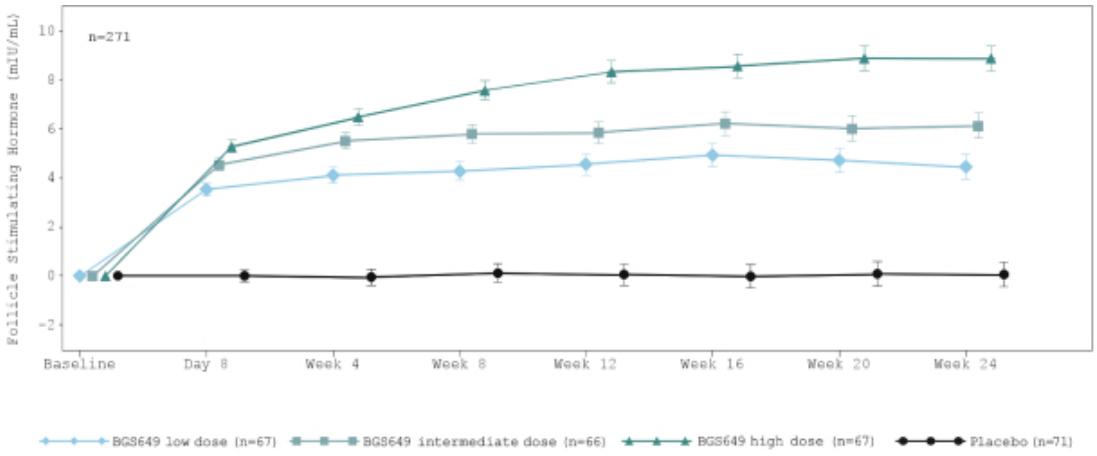


The two highest doses also met the secondary endpoint of normalizing testosterone in 90% of patients at week 24 with the lowest dose normalizing testosterone in 88% of patients at week 24. All three doses of BGS-649 met the remaining secondary endpoints, including the improvement of LH and FSH levels. A statistically significant increase in LH and FSH at all doses at week 24 ($p<0.001$ for each dose versus placebo) was observed, with an increase following initial dosing at day 8 and an observed dose response. The following graphs illustrate the increase in total LH and total FSH from baseline in patients in each of the three dosing arms of BGS-649 and receiving placebo.

Change from Baseline in Mean Total Luteinising Hormone



Change from Baseline in Mean Total Follicle Stimulating Hormone



The trial also showed an improvement in total motile sperm count across all three doses versus placebo with mean changes at week 20 of 70 million, 14 million and 58 million for the high, intermediate and low doses of BGS-649, respectively, compared with a decrease of 23 million for placebo. Although the trial was not designed to detect statistical significance for this exploratory endpoint, a statistically significant improvement was shown at the highest dose of BGS-649 ($p=0.03$). No subjects on BGS-649 had testosterone levels greater than 1500 ng/dl at any time during the study.

In addition, a positive trend of treatment effect was observed at eight to 12 weeks for reduction of fatigue as measured by the PROMIS Brief Fatigue Inventory. The trial was not designed to detect statistical significance for this endpoint. Further analysis on the remaining PROs is ongoing and will be combined with the results of the extension study.

BGS-649 was observed to be well tolerated during the trial. An increased incidence of elevated haematocrit levels was observed in each of the treatment arms of the trial, which is consistent with increasing testosterone levels.

A subset of 143 patients have entered into a six-month extension study, to gain long-term data on both efficacy and safety. We expect results from the extension study in the fourth quarter of 2018. The results from this extension study will provide further analysis on the current top-line data reported to further inform our understanding of the PROs and to assist in developing our clinical strategy for BGS-649. We intend to commence additional late-stage clinical studies of BGS-649 in 2019.

Material Agreements

Novartis Agreements

In July 2015, our wholly owned subsidiaries, Mereo BioPharma 3 Limited, Mereo BioPharma 2 Limited, and Mereo BioPharma 1 Limited, or the Subsidiaries, entered into asset purchase agreements, or the Purchase Agreements, to acquire from Novartis rights to, respectively, BPS-804, BCT-197, and BGS-649, or the Compounds, and certain related assets, which, together with the Compounds, we refer to as the Novartis Assets. In connection with the acquisition of the Novartis Assets, we issued 3,849,000 ordinary shares to Novartis pursuant to a subscription agreement. See “Related Party Transactions—Subscription Agreement” for more information. In addition, we paid Novartis $1.5 million for a payment made by Novartis to a third party in full satisfaction of all monetary obligations of Novartis to such third party with respect to BCT-197. Under the Purchase Agreements, we have agreed to make tiered royalty payments to Novartis based on annual worldwide net sales of products that include the Compounds, or the Acquired Novartis Products, at percentages ranging from the high single digits to low double digits. In the event that the parties agree or it is otherwise determined in accordance with the Purchase Agreements that we require third-party intellectual property rights to exploit the Acquired Novartis Products, we are entitled to offset a specified percentage of amounts paid to such third parties in consideration for such intellectual property rights against the royalties due to Novartis. The royalty payments are payable for a period of ten years after the first commercial sale of an Acquired Novartis Product. We further agreed that in the event of a change in control that involves the transfer, license, assignment, or lease of all or substantially all of a Subsidiary’s assets, including a Compound and related assets, we will pay Novartis a percentage of the proceeds of such transaction, with the majority of the proceeds being retained by us. No payment, however, is required with respect to any transaction of Mereo BioPharma Group plc involving its equity interests, a merger or consolidation of it, or a sale of any of its assets.

We granted Novartis an irrevocable, transferable, royalty-free, worldwide and non-exclusive license to use know-how included within the Novartis Assets for Novartis’ activities unrelated to any Acquired Novartis Products. We have agreed to use commercially reasonable efforts to develop at least one Acquired Novartis Product. In addition, Novartis agreed to a three-year non-competition restriction in relation to clinical trial activities for the therapeutic treatment of HH in obese men in respect of the BGS-649 Compound and sclerostin in respect of the BGS-804 Compound, subject to exceptions, including where Novartis does not have the ability to control such clinical trial activity and for any of Novartis’ existing contracts or relationships.

We also entered into a sublicense agreement with Novartis, or the Sublicense Agreement, pursuant to which Novartis granted us an exclusive, worldwide, royalty-bearing sublicense for certain therapeutic antibody products directed against sclerostin, or the Antibody Products, including BPS-804. Under the Sublicense Agreement, we have agreed to pay Novartis royalties in the low single digits on worldwide net sales of Antibody Products. Royalties will be payable on a country-by-country basis until the later of expiration of the last valid claim of the licensed patents covering the Antibody Products in a country and ten years after the first commercial sale of the Antibody Products in such country, with a maximum royalty term of 12 years after the first commercial sale of the Antibody Products in such country. We have also agreed to pay Novartis up to $3.25 million in development and regulatory milestones, and to use commercially reasonable efforts to develop and commercialize an Antibody Product. The Sublicense Agreement will expire on the earlier of the termination of the agreement under which Novartis is granting us a sublicense, or the Original License Agreement, and, on a product-by-product and country-by-country basis, the expiration of the royalty term with respect to such Antibody Product in such country. The Original License Agreement has a perpetual term and may be terminated for breach or upon a change in control of the licensing party. We may terminate the Sublicense Agreement upon written notice to Novartis and either party may terminate the Sublicense Agreement for the other party's uncured material breach or bankruptcy.

AstraZeneca Agreement

In October 2017, our wholly owned subsidiary Mereo BioPharma 4 Limited entered into an exclusive license and option agreement, or the License Agreement, to obtain from AstraZeneca an exclusive worldwide, sub-licensable license under AstraZeneca's intellectual property rights relating to certain products containing a NE inhibitor, including products that contain AZD-9668, with an option to acquire such intellectual property rights following commencement of a pivotal trial and payment of related milestone payments, or the Option, together with the acquisition of certain related assets.

Upon entering into the License Agreement, we made a payment of $3.0 million and issued 490,798 ordinary shares to AstraZeneca, for an aggregate upfront payment equal to $5.0 million. In connection with certain development and regulatory milestones, we have agreed to make payments of up to $115.5 million in the aggregate and issue additional ordinary shares to AstraZeneca for licensed products containing AZD-9668. In addition, we have agreed to make payments to AstraZeneca based on specified commercial milestones of the product. In the event that we sub-license AZD-9668, we have also agreed to pay a specified percentage of sublicensing revenue to AstraZeneca. Otherwise, we have agreed to make royalty payments to AstraZeneca equal to ascending specified percentages of tiered annual worldwide net sales by us or our affiliates of licensed products (subject to certain reductions), ranging from the high single digits to low double digits. Royalties will be payable on a licensed product-by-licensed product and country-by-country basis until the later of ten years after the first commercial sale of such licensed product in such country and expiration of the last patent covering such licensed product in such country that would be sufficient to prevent generic entry. Under the License Agreement, we may freely grant sub-licenses to affiliates upon notice to AstraZeneca and we must obtain AstraZeneca's consent, not be unreasonably withheld, to grant sub-licenses to a third party. We have agreed to use commercially reasonable efforts to develop and commercialize at least one licensed product.

The License Agreement will expire on the expiry of the last-to-expire royalty term with respect to all licensed products. Upon the expiration of the royalty term for a licensed product in a particular country, the licenses to us for such product in such country will become fully-paid and irrevocable. Prior to exercise of the Option, if at all, we may terminate the License Agreement upon prior written notice. Either party may terminate the agreement upon prior written notice for the other party's material breach that remains uncured for a specified period of time or insolvency. AstraZeneca has agreed to a three-year non-competition restriction in relation to the direct or indirect commercialization or development of NE

inhibitors for the treatment of AATD. In addition, AstraZeneca agreed not to assert any AstraZeneca intellectual property rights that were included in the scope of the License Agreement against us.

Manufacturing

We do not own or operate manufacturing facilities for the production of our product candidates, nor do we have plans to develop our own manufacturing operations in the foreseeable future. We have entered into manufacturing agreements with a number of drug substance, drug product, and other manufacturers and suppliers for BPS-804, BCT-197, and BGS-649, and we intend to enter into additional manufacturing agreements as necessary. Following our license of AZD-9668, we acquired certain clinical trial materials and we plan to outsource production of further clinical supplies to our own manufacturing suppliers. We also intend to outsource certain product formulation trials. We expect that drug product pre-validation and validation batches will be manufactured to satisfy regulatory requirements where we progress products to late stage trials.

We do not yet have any contractual relationships for the manufacture of commercial supplies of BPS-804, AZD-9668, BCT-197, or BGS-649, and we intend to enter into contractual relationships for commercial supplies prior to commercialization of any product candidates. Any batches of product candidates for commercialization will need to be manufactured in facilities, and by processes, that comply with the requirements of the FDA, the EMA, and the regulatory agencies of other jurisdictions in which we are seeking approval. We employ internal resources to manage our manufacturing contractors and ensure they are compliant with current good manufacturing practices.

Commercialization, Sales and Marketing

We do not have our own marketing, sales, or distribution capabilities. In order to commercialize our product candidates, if approved for commercial sale, we must either develop a sales and marketing infrastructure or collaborate with third parties that have sales and marketing experience. We plan to establish our own sales and marketing organization in the United States and Europe for BPS-804 and AZD-9668, and may seek to directly commercialize our future rare disease product candidates. In markets for which commercialization may be less capital efficient for us, we may selectively pursue arrangements with third parties in order to maximize the commercial potential of BPS-804, AZD-9668, and our future rare disease product candidates. We intend to seek to enter into one or more strategic relationships with third parties for BCT-197 to undertake the next phase of clinical development and, if approved, for commercialization, and to seek to enter into strategic relationships with third parties for further clinical development and/or commercialization of BGS-649.

Competition

We compete directly with other biopharmaceutical and pharmaceutical companies that focus on the treatment of OI, AATD, AECOPD or HH. We may also face competition from academic research institutions, governmental agencies and other various public and private research institutions. We expect to face increasingly intense competition as new technologies become available. Any product candidates, including BPS-804, AZD-9668, BCT-197, and BGS-649 that we successfully develop and commercialize will compete with existing therapies and new therapies that may become available in the future.

We consider BPS-804's current closest potential competitors in development for the treatment of OI to be Amgen's denosumab (Prolia) an anti-resorptive agent, and Amgen and UCB's anti-sclerostin antibody, romosozumab. Blosozumab, an anti-sclerostin antibody, was in Phase 1 development for osteoporosis by Eli Lilly; however, we are not aware of any ongoing clinical trials for this product candidate and we do not believe this product candidate remains under active development. Additionally, Bone Therapeutics is developing osteoblastic cell therapy products. Baylor College of Medicine is also conducting a Phase 1 open label trial of fresolimumab, a TGF-B inhibitor, in adult OI patients.

We consider AZD-9668's current closest potential competitors for the treatment of severe AATD to be alpha1-proteinase inhibitors that are administered intravenously in AAT augmentation therapy. Currently, there are four inhibitors on the market in the United States: Grifols's Prolastin-C, Shire's Aralast, CSL's Zemaira and Kamada's Glassia. Kamada is also investigating an inhaled version of augmentation therapy and Apic Bio and Adverum are in the early stages of developing gene-therapy approaches for AATD. Santhera has inlicensed an inhaled neutrophil elastase inhibitor and is planning a multiple ascending dose study, with the initial indication targeted being cystic fibrosis.

The current standard of care for AECOPD involves steroids, antibiotics and bronchodilators; however, we are not aware of any drugs specifically approved for the treatment of AECOPD. There are a number of products currently in development, with Verona Pharma, GlaxoSmithKline, and AstraZeneca each conducting Phase 2 clinical trials of drugs for the treatment of COPD. We consider BCT-197's current closest potential competitor in development for the treatment of AECOPD to be Verona Pharma's RPL554, a PDE3 / PDE4 dual inhibitor that is currently being developed as a bronchodilator and anti-inflammatory agent for COPD and asthma patients. GlaxoSmithKline is developing GSK-2269557, a PI3Kd inhibitor, for the treatment of acute and long term use in COPD and asthma, which we believe to be an anti-inflammatory. GSK-2269557 is currently being studied in a Phase 2 clinical trial.

We consider BGS-649's current closest potential competitors for the treatment of HH to be TRT therapies. These include Abbvie's Androgel and Eli Lilly's Axiron, both administered transdermally by applying a gel formulation, which are approved in the United States and Europe, and Merck's Andriol, an oral testosterone therapy, which is approved in Europe but not in the United States. There are also other approved TRT products that are administered via injection and other oral TRTs that are still in the development or registration stages, such as JATENZO from Clarus and TLANDO from Lipocine. The FDA held Advisory Committee meetings in January 2018 for JATENZO and TLANDO. Lipocine has a PDUFA date of May 8, 2018. In addition, Repros is developing a selective estrogen receptor modulator and CHMP/EMA adopted a negative opinion recommending the refusal of its marketing authorization. In December 2017, Allergen announced the acquisition of Repros.

We may face increasing competition for additional new product acquisitions from pharmaceutical companies as new companies emerge with a similar business model and other more established companies focus on acquiring products to develop their pipeline. Many of our competitors have significantly greater financial, manufacturing, marketing, drug development, technical and human resources than we do. Mergers and acquisitions in the pharmaceutical and biotechnology industries may result in even more resources being concentrated among a smaller number of our competitors. Smaller or early stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These competitors also compete with us in recruiting and retaining top qualified scientific and management personnel and establishing clinical trial sites and patient registration for clinical trials.

The key competitive factors affecting the success of BPS-804, AZD-9668, BCT-197 and BGS-649, if approved, are likely to be their efficacy, safety, dosing convenience, price, the effectiveness of companion diagnostics in guiding the use of related therapeutics, the level of generic competition and the availability of reimbursement from government and other third-party payors.

Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize products that are safer, more effective, less expensive, more convenient or easier to administer, or have fewer or less severe effects than any products that we may develop. Our competitors may also obtain FDA, EMA or other regulatory approval for their products more rapidly than we may obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the market. Even if BPS-804, AZD-9668, BCT-197 or BGS-

649 achieve marketing approval, they may be priced at a significant premium over competitive products if any have been approved by then.

Intellectual Property

We have acquired or exclusively licensed a comprehensive intellectual property portfolio from Novartis and AstraZeneca, respectively. We strive to protect and enhance the proprietary technologies, inventions and improvements that we believe are important to our business, including seeking, maintaining and defending patent rights, whether developed internally or acquired or licensed from third parties. Our policy is to seek to protect our proprietary position by, among other methods, pursuing and obtaining patent protection in the United States and in jurisdictions outside of the United States related to our proprietary technology, inventions, improvements, platforms and our product candidates that are important to the development and implementation of our business.

Mereo BioPharma Group plc is the parent company of four wholly-owned subsidiaries: Mereo BioPharma 1 Limited, Mereo BioPharma 2 Limited, Mereo BioPharma 3 Limited and Mereo BioPharma 4 Limited, each of which holds the intellectual property for our product candidates BCT-197, BGS-649, BPS-804 and AZD-9668, respectively. As of March 1, 2018, our patent portfolio comprises approximately 275 issued patents and approximately 39 pending patent applications on a global basis.

BPS-804 (setrusumab)

As of March 1, 2018, our patent portfolio relating to our product candidate BPS-804 consisted of three issued U.S. patents, one pending U.S. patent application, 84 issued foreign patents, five pending foreign patent applications and two pending international patent applications filed under the Patent Cooperation Treaty, or PCT. These patents and patent applications include claims directed to the BPS-804 antibody as well as nucleic acids encoding the antibody and the antibody's use as a medicament; the use of anti-sclerostin antibodies in the treatment of OI; the use of the BPS-804 antibody in the treatment of OI with a specific dosing regimen; and the use of a specific anti-sclerostin antibody in the treatment of OI, with expected expiry dates not earlier than between 2028 and 2037.

The patent portfolio relating to our product candidate BPS-804 includes two patent families:

- The first of these patent families relates to the BPS-804 antibody as well as nucleic acids encoding the antibody and the antibody's use as a medicament. As of March 1, 2018, this patent family included granted patents in Algeria, Argentina, Australia, Canada, China, Colombia, Europe (Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Monaco, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey and United Kingdom), Gulf Cooperation Council countries, Hong Kong, Indonesia, Israel, Japan, Macau, Mexico, New Zealand, Russia, Singapore, South Africa, South Korea and the United States. We expect patents in this family to expire in 2028.
- The second of these patent families relates to the use of anti-sclerostin antibodies in the treatment of OI and the use of the BPS-804 antibody in the treatment of OI at a specific dosing regimen. As of March 1, 2018, this patent family included one U.S. non-provisional application and two pending international patent applications filed under the PCT. We expect patents emanating from this family to expire in 2036/2037.

AZD-9668 (alvelestat)

As of March 1, 2018, our patent portfolio relating to our product candidate AZD-9668 consisted of three issued U.S. patents, no pending U.S. patent applications, 34 issued foreign patents and four pending foreign patent applications. These patents have all been licensed under our agreement with

AstraZeneca. See "—Material Agreements—AstraZeneca Agreement." These patents and patent applications include claims directed to 2-pyridone derivatives as NE inhibitors and their uses as well as claims to polymorphs of the tosylate salt of a 5-pyrazolyl-2-pyridone derivative, with expected expiry dates not earlier than between 2024 and 2030.

The patent portfolio relating to our product candidate AZD-9668 includes two patent families:

- The first of these patent families relates to 2-pyridone derivatives as NE inhibitors and their use. As of March 1, 2018, this patent family included granted patents in Australia, Canada, China, Europe (France, Germany, Italy, Netherlands, Spain, Sweden, Switzerland, Turkey and United Kingdom), Hong Kong, India, Japan, Mexico, Russia, South Korea and the United States. We expect patents in this family to expire in 2024.
- The second of these patent families relates to polymorphs of the tosylate salt of a 5-pyrazolyl-2-pyridone derivative. As of March 1, 2018, this patent family included granted patents in Australia, Canada, China, Europe (France, Germany, Italy, Netherlands, Spain, Sweden, Switzerland, Turkey and United Kingdom), Hong Kong, Japan, Mexico, Russia and the United States. We expect patents in this family to expire in 2030.

BCT-197 (acumapimod)

As of March 1, 2018, our patent portfolio relating to our product candidate BCT-197 consisted of five issued U.S. patents, no pending U.S. patent applications, 129 issued foreign patents, 13 pending foreign applications, and four pending international patent applications filed under the PCT. These patents and patent applications include claims directed to 5-membered heterocycle-based p38 kinase inhibitors, the use of a pyrazole derivative in the treatment of AECOPD, dosage regimens of BCT-197, the use of BCT-197 in the treatment of specific patient subpopulations, and methods of producing specific polymorphs of BCT-197, with expected expiry dates not earlier than between 2024 and 2038.

The patent portfolio relating to our product candidate BCT-197 includes five patent families:

- The first of these patent families relates to the key composition per se and other 5-membered heterocycle-based p38 kinase inhibitors. As of March 1, 2018, this patent family included granted patents in Algeria, Australia, Canada, China, Colombia, Europe (Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, Monaco, Netherlands, Poland, Portugal, Romania, Slovenia, Slovakia, Spain, Sweden, Switzerland, Turkey and United Kingdom), Hong Kong, India, Indonesia, Israel, Japan, Malaysia, Mexico, New Zealand, Norway, Russia, Singapore, South Africa, South Korea and the United States. We expect patents in this family to expire in 2024.
- The second of these patent families relates to the use of pyrazole derivatives in the treatment of AECOPD. As of March 1, 2018, this patent family included granted patents in Algeria, Australia, Canada, China, Europe (Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Germany, Finland, France, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Monaco, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, Norway and United Kingdom,), Hong Kong, Israel, Japan, Mexico, New Zealand, Russia, Singapore, South Africa, South Korea, Taiwan and the United States. We expect patents in this family to expire in 2033.
- The third of these patent families relates to dosage regimens of BCT-197. As of March 1, 2018, this patent family included two PCT patent applications. We expect patents emanating from this family to expire in 2036.

- The fourth of these patent families relates to specific polymorphs of BCT-197. As of March 1, 2018, this patent family included two PCT patent applications. We expect patents emanating from this family to expire in 2037.
- The fifth of these patent families relates to novel regimes for the prevention of AECOPD and the use of BCT-197 in a specific patient subpopulation. As of March 1, 2018, this patent family included four U.K. national patent applications. We expect patents emanating from this family to expire in 2038.

BGS-649 (leflutrozole)

As of March , 2018, our patent portfolio relating to our product candidate BGS-649 consisted of three issued U.S. patents, one pending U.S. patent application, 83 issued foreign patents, 14 pending foreign patent applications, and one pending international patent application filed under the PCT. These patents and patent applications include claims directed to BGS-649 formulations the use of BGS-649 in treating hypogonadism according to a specific dosing regimen with expected expiry dates not earlier than 2032. The pending PCT application includes claims directed to the use of BGS-649 in treating endometriosis according to a specific dosing regimen, with an expected expiry date not earlier than 2037.

The patent portfolio relating to our product candidate BGS-649 includes two patent families:

- The first of these patent families relates to BGS-649 formulations and to the use of BGS-649 in treating hypogonadism according to a specific dosing regimen. As of March 1, 2018, this patent family included granted patents in Algeria, Australia, China, Europe (Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Monaco, Norway, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, and United Kingdom), Hong Kong, Indonesia, Israel, Japan, Mexico, New Zealand, Russia, South Africa and the United States. We expect patents in this family to expire in 2032.
- The second of these patent families relates to the use of BGS-649 in treating endometriosis according to a specific dosing regimen. As of March 1, 2018, this patent family included a single PCT patent application. We expect patents emanating from this family to expire in 2037.

Individual patents extend for varying periods depending on the date of filing of the patent application or the date of patent issuance and the legal term of patents in the countries in which they are obtained. Generally, patents issued for regularly filed applications in the United States are granted a term of 20 years from the earliest effective non-provisional filing date. In addition, in certain instances, a patent term can be extended to recapture a portion of the U.S. Patent and Trademark Office, or the USPTO, delay in issuing the patent as well as a portion of the term effectively lost as a result of the FDA regulatory review period. However, as to the FDA component, the restoration period cannot be longer than five years and the total patent term including the restoration period must not exceed 14 years following FDA approval. The duration of foreign patents varies in accordance with provisions of applicable local law, but typically the duration of foreign issued patents is also 20 years from the earliest effective filing date. However, the actual protection afforded by a given patent varies on a product-by-product basis and from country to country, dependent on many factors, including the type of patent, the scope of its coverage, the availability of regulatory-related extensions, the availability of legal remedies in a particular country and the validity and enforceability of the patent.

In addition to patent protection, we also rely upon trademarks, trade secrets and know-how, and continuing technological innovation, to develop and maintain our competitive position. We seek to protect our proprietary information, in part, using confidentiality agreements with our collaborators, employees and consultants and invention assignment agreements with our employees. We also have confidentiality agreements or invention assignment agreements with our collaborators and selected consultants. These agreements are designed to protect our proprietary information and, in the case of the invention assignment agreements, to grant us ownership of technologies that are developed through a relationship with a third party. These agreements may be breached, and we may not have adequate remedies for any breach. In addition, our trade secrets may otherwise become known or be independently discovered by competitors. To the extent that our collaborators, employees and consultants use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions.

Our commercial success will also depend in part on not infringing upon the proprietary rights of third parties. It is uncertain whether the issuance of any third-party patent would require us to alter our development or commercial strategies, or our product candidates or processes, obtain licenses or cease certain activities. Our breach of any license agreements or failure to obtain a license to proprietary rights that we may require to develop or commercialize our product candidates may have an adverse impact on us. If third parties have prepared and filed patent applications prior to March 16, 2013 in the United States that also claim technology to which we have rights, we may have to participate in interference proceedings in the USPTO, to determine priority of invention. For more information, please see “Risk Factors—Risks Related to Intellectual Property and Data Protection.”

Government Regulation

Among others, the FDA, the EMA, U.S. Department of Health and Human Services Office of Inspector General, the Centers for Medicare and Medicaid Services, or CMS, and comparable regulatory authorities in state and local jurisdictions and in other countries impose substantial and burdensome requirements upon companies involved in the clinical development, manufacture, marketing and distribution of drugs such as those we are developing. These agencies and other federal, state and local entities regulate, among other things, the research and development, testing, manufacture, quality control, safety, effectiveness, labeling, storage, record keeping, approval, advertising and promotion, distribution, post-approval monitoring and reporting, sampling and export and import of our product candidates.

U.S. Government Regulation

In the United States, the FDA regulates drugs under the Federal Food, Drug, and Cosmetic Act, or FDCA, and its implementing regulations, and biological products, or biologics, under both the FDCA and the Public Health Service Act, or PHSA, and its implementing regulations.

The process of obtaining regulatory approvals and the subsequent compliance with applicable federal, state, local and foreign statutes and regulations requires the expenditure of substantial time and financial resources. Failure to comply with the applicable U.S. requirements at any time during the product development process, approval process or after approval, may subject an applicant to a variety of administrative or judicial sanctions, such as the FDA’s refusal to approve pending applications, withdrawal of an approval, imposition of a clinical hold, issuance of warning letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, refusals of government contracts, restitution, disgorgement or civil or criminal penalties.

The process required by the FDA before a drug or biologic may be marketed in the United States generally involves the following:

- completion of pre-clinical laboratory tests, animal studies and formulation studies in compliance with the FDA’s GLP regulations;

- submission to the FDA of an investigational new drug application, or IND, which must become effective before human clinical trials may begin;
- approval by an independent institutional review board, or IRB, at each clinical site before each trial may be initiated;
- performance of adequate and well-controlled human clinical trials in accordance with good clinical practice, or GCP, requirements to establish the safety and efficacy of the proposed drug product for each indication;
- submission to the FDA of an NDA or BLA;
- satisfactory completion of an FDA advisory committee review, if applicable;
- satisfactory completion of an FDA inspection of the manufacturing facility or facilities at which the product is produced to assess compliance with cGMP requirements and to assure that the facilities, methods and controls are adequate to preserve the product's identity, strength, quality and purity;
- satisfactory completion of potential FDA audits of clinical trials sites and the sponsor's clinical trial records to assure compliance with GCPs and the integrity of the clinical data;
- payment of user fees and FDA review and approval of the NDA or BLA; and
- compliance with any post-approval requirements, including the potential requirement to implement a Risk Evaluation and Mitigation Strategy, or REMS, and the potential requirement to conduct post-approval studies.

Pre-clinical Studies

Pre-clinical studies include laboratory evaluation of product chemistry, toxicity and formulation, as well as animal studies to assess potential safety and efficacy. The conduct of the pre-clinical tests must comply with federal regulations and requirements, including GLPs. An IND sponsor must submit the results of the pre-clinical tests, together with manufacturing information, analytical data and any available clinical data or literature, among other things, to the FDA as part of an IND. Some pre-clinical testing may continue even after the IND is submitted. An IND automatically becomes effective 30 days after receipt by the FDA, unless before that time the FDA raises concerns or questions related to one or more proposed clinical trials and places the clinical trial on a clinical hold. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before the clinical trial can begin. As a result, submission of an IND may not result in the FDA allowing clinical trials to commence.

Clinical Trials

Clinical trials involve the administration of the investigational new drug or biologic to human subjects under the supervision of qualified investigators in accordance with GCP requirements, which include the requirement that all research subjects provide their informed consent in writing for their participation in any clinical trial. Clinical trials are conducted under protocols detailing, among other things, the objectives or endpoints of the trial, the parameters to be used in monitoring safety, and the effectiveness criteria to be evaluated. A protocol for each clinical trial and any subsequent protocol amendments must be submitted to the FDA as part of the IND. In addition, an institutional review board, or IRB, must review and approve the plan for a clinical trial. This can be a central or local IRB. In the case of a central IRB a single IRB will be the source of record for all sites in a trial; otherwise, a local IRB at each institution participating in the clinical trial must review and approve the plan for any clinical trial before it commences at that institution. Information about certain clinical trials must be submitted within specific timeframes to the National Institutes of Health for public dissemination on their www.clinicaltrials.gov website.

Human clinical trials are typically conducted in three sequential phases, which may overlap or be combined:

- Phase 1: The product candidate is initially introduced into healthy human subjects or patients with the target disease or condition and tested for safety, dosage tolerance, absorption, metabolism, distribution, excretion and, if possible, to gain an early indication of its effectiveness.
- Phase 2: The product candidate is administered to a limited patient population to identify possible adverse effects and safety risks, to preliminarily evaluate the efficacy of the product for specific targeted diseases and to determine dosage tolerance and optimal dosage.
- Phase 3: The product candidate is administered to an expanded patient population, generally at geographically dispersed clinical trial sites, in well-controlled clinical trials to generate enough data to statistically evaluate the efficacy and safety of the product for approval, to establish the overall risk-benefit profile of the product, and to provide adequate information for the labeling of the product.

Progress reports detailing the results of the clinical trials must be submitted at least annually to the FDA and more frequently if serious adverse events occur. Phase 1, Phase 2 and Phase 3 clinical trials may not be completed successfully within any specified period, or at all. Furthermore, the FDA or the sponsor may suspend or terminate a clinical trial at any time on various grounds, including a finding that the research subjects are being exposed to an unacceptable health risk. Similarly, an IRB can suspend or terminate approval of a clinical trial at its institution if the clinical trial is not being conducted in accordance with the IRB's requirements or if the product candidate has been associated with unexpected serious harm to patients.

Special FDA Expedited Review and Approval

The FDA has various programs, including fast track designation, breakthrough therapy designation, accelerated approval, and priority review, which are intended to expedite or simplify the process for the development and FDA review of drugs and biologics that are intended for the treatment of serious or life-threatening diseases or conditions and demonstrate the potential to address unmet medical needs. The purpose of these programs is to provide important new drugs and biologics to patients earlier than under standard FDA review procedures.

To be eligible for a fast-track designation, the FDA must determine, based on the request of a sponsor, that a product is intended to treat a serious or life-threatening disease or condition and demonstrates the potential to address an unmet medical need by providing a therapy where none exists or a therapy that may be potentially superior to existing therapy based on efficacy or safety factors. Fast-track designation provides opportunities for frequent interactions with the FDA review team to expedite development and review of the product. The FDA may also review sections of the NDA or BLA for a fast-track product on a rolling basis before the complete application is submitted, if the sponsor and FDA agree on a schedule for the submission of the application sections, and the sponsor pays any required user fees upon submission of the first section of the NDA or BLA.

In addition, under the provisions of the Food and Drug Administration Safety and Innovation Act passed in July 2012, a sponsor can request designation of a product candidate as a "breakthrough therapy." A breakthrough therapy is defined as a drug or biologic that is intended, alone or in combination with one or more other drugs or biologics, to treat a serious or life-threatening disease or condition, and preliminary clinical evidence indicates that the drug or biologic may demonstrate substantial improvement over existing therapies on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical development. Drugs or biologics designated as breakthrough therapies are also eligible for accelerated approval. The FDA must take certain actions, such as holding timely meetings and providing advice, intended to expedite the development and review of an application for approval of a breakthrough therapy.

Products studied for their safety and effectiveness in treating serious or life-threatening illnesses and that provide meaningful therapeutic benefit over existing treatments may be eligible for accelerated approval and may be approved on the basis of adequate and well-controlled clinical trials establishing that the product has an effect on a surrogate endpoint that is reasonably likely to predict clinical benefit, or on a clinical endpoint that can be measured earlier than irreversible morbidity or mortality, or IMM, that is reasonably likely to predict an effect on IMM or other clinical benefit, taking into account the severity, rarity or prevalence of the condition and the availability or lack of alternative treatments. As a condition of approval, the FDA may require a sponsor of a product receiving accelerated approval to perform post-marketing studies to verify and describe the predicted effect on IMM or other clinical endpoint, and the product may be subject to accelerated withdrawal procedures.

Once an NDA or BLA is submitted for a product intended to treat a serious condition, the FDA may assign a priority review designation if the FDA determines that the product, if approved, would provide a significant improvement in safety or effectiveness. Under priority review, the FDA must review an application in six months, compared to 10 months for a standard review. Most products that are eligible for fast-track or breakthrough therapy designation are also likely to be considered appropriate to receive a priority review.

Even if a product qualifies for one or more of these programs, the FDA may later decide that the product no longer meets the conditions for qualification or decide that the time period for FDA review or approval will not be shortened. Furthermore, fast-track designation, breakthrough-therapy designation, accelerated approval and priority review do not change the standards for approval and may not ultimately expedite the development or approval process.

Orphan Product Designation and Exclusivity

Under the Orphan Drug Act, the FDA may grant orphan designation to a drug or biologic product candidate if it is intended to treat a rare disease or condition (generally meaning that it affects fewer than 200,000 individuals in the United States, or more in cases in which there is no reasonable expectation that the cost of developing and making a drug product available in the United States for treatment of the disease or condition will be recovered from sales of the product). A company must request orphan product designation before submitting an NDA or BLA. If the request is granted, the FDA will publicly disclose the identity of the therapeutic agent and its potential use. We have been granted Orphan Product Designation by the FDA for our product candidate BPS-804 for the treatment of OI. Orphan product designation does not convey any advantage in or shorten the duration of the regulatory review and approval process.

If a product with orphan status receives the first FDA approval for the disease or condition for which it has such designation or for a select indication or use within the rare disease or condition for which it was designated, the product is entitled to orphan-product exclusivity. Orphan-product exclusivity means that the FDA may not approve any other applications for the same product for the same indication for seven years, except in certain limited circumstances. If a product candidate designated as an orphan product ultimately receives marketing approval for an indication broader than what was designated in its orphan-product application, it may not be entitled to exclusivity. Orphan exclusivity will not bar approval of another product under certain circumstances, including if a subsequent product with the same active ingredient for the same indication is shown to be clinically superior to the approved product on the basis of greater efficacy or safety, or providing a major contribution to patient care, or if the company with orphan drug exclusivity is not able to meet market demand. Further, the FDA may approve more than one product for the same orphan indication or disease as long as the products contain different active ingredients. Moreover, competitors may receive approval of different products for the indication for which the orphan product has exclusivity or obtain approval for the same product but for a different indication for which the orphan product has exclusivity.

Marketing Approval

Assuming successful completion of the required clinical testing, the results of the pre-clinical studies and clinical trials, together with detailed information relating to the product's chemistry, manufacture, controls and proposed labeling, among other things, are submitted to the FDA as part of an NDA or BLA requesting approval to market the product for one or more indications. In most cases, the submission of an NDA or BLA is subject to a substantial application user fee. Under the goals and policies agreed to by the FDA under the Prescription Drug User Fee Act, or PDUFA, for new molecular entity NDAs and original BLAs, the FDA has 10 months from the filing date in which to complete its initial review of a standard application and respond to the applicant, and six months from the filing date for an application with priority review. The FDA does not always meet its PDUFA goal dates, and the review process is often significantly extended by FDA requests for additional information or clarification. This review typically takes 12 months from the date the NDA or BLA is submitted to the FDA because the FDA has approximately two months to make a "filing" decision.

In addition, under the Pediatric Research Equity Act of 2003, as amended and reauthorized, certain NDAs, BLAs or supplements to an NDA or BLA must contain data that are adequate to assess the safety and effectiveness of the product candidate for the claimed indications in all relevant pediatric subpopulations, and to support dosing and administration for each pediatric subpopulation for which the product is safe and effective. The FDA may, on its own initiative or at the request of the applicant, grant deferrals for submission of some or all pediatric data until after approval of the product for use in adults, or full or partial waivers from the pediatric data requirements.

The FDA may also require submission of a REMS plan if it determines that a REMS is necessary to ensure that the benefits of the product outweigh its risks. Depending on the specific serious risk(s) to be addressed, the FDA may require that the REMS include a medication guide or patient package insert, physician communication plans, assessment plans, and/or elements to assure safe use, such as restricted distribution methods, patient registries, or other risk minimization tools.

The FDA conducts a preliminary review of all NDAs and BLAs within the first 60 days after submission, before accepting them for filing, to determine whether they are sufficiently complete to permit substantive review. The FDA may request additional information rather than accept an application for filing. In this event, the application must be resubmitted with the additional information. The resubmitted application is also subject to review before the FDA accepts it for filing. Once the submission is accepted for filing, the FDA begins an in-depth substantive review. The FDA reviews an application to determine, among other things, whether the drug is safe and effective (for biologics, the standard is referred to as safe, pure and potent) and whether the facility in which it is manufactured, processed, packaged or held meets standards designed to assure the product's continued safety, quality and purity.

The FDA may refer an application for a novel drug or biologic candidate to an advisory committee. An advisory committee is a panel of independent experts, including clinicians and other scientific experts, that reviews, evaluates and provides a recommendation as to whether the application should be approved and under what conditions. The FDA is not bound by the recommendations of an advisory committee, but it considers such recommendations carefully when making decisions.

Before approving an application, the FDA typically will inspect the facility or facilities where the product is manufactured. The FDA will not approve an application unless it determines that the manufacturing processes and facilities are in compliance with cGMP requirements and adequate to assure consistent production of the product within required specifications. Additionally, before approving an application, the FDA may inspect the sponsor and one or more clinical trial sites to assure compliance with GCP requirements and the integrity of the clinical data submitted in an NDA.

After evaluating the application and all related information, including the advisory committee recommendation, if any, and inspection reports regarding the manufacturing facilities and clinical trial sites, the FDA may issue an approval letter, or, in some cases, a complete response letter. A complete response letter generally details specific conditions that must be met in order to secure final approval of the application and may require additional clinical or pre-clinical testing in order for FDA to reconsider the application. Even with submission of this additional information, the FDA ultimately may decide that the application does not satisfy the regulatory criteria for approval. If and when those conditions have been met to the FDA's satisfaction, the FDA will typically issue an approval letter. An approval letter authorizes commercial marketing of the product with specific prescribing information for specific indications.

Even if the FDA approves a product, it may limit the approved indications for use of the product, require additional contraindications, warnings or precautions to be included in the product labeling, require that post-approval studies, including Phase 4 clinical trials, be conducted to further assess a product's safety after approval, require testing and surveillance programs to monitor the product after commercialization, or impose other conditions, including distribution and use restrictions or other risk management mechanisms under a REMS, which can materially affect the potential market and profitability of the product. The FDA may prevent or limit further marketing of a product based on the results of post-marketing studies or surveillance programs. After approval, some types of changes to the approved product, such as adding new indications, manufacturing changes, and additional labeling claims, are subject to further testing requirements and FDA review and approval.

Post-Approval Requirements

Drugs and biologics manufactured or distributed pursuant to FDA approvals are subject to pervasive and continuing regulation by the FDA, including, among other things, requirements relating to recordkeeping, periodic reporting, product sampling and distribution, advertising and promotion and reporting of adverse experiences with the product. After approval, most changes to the approved product, such as adding new indications or other labeling claims are subject to prior FDA review and approval. There also are continuing, annual user fee requirements for any marketed products and the establishments at which such products are manufactured, as well as new application fees for supplemental applications with clinical data.

The FDA may impose a number of post-approval requirements as a condition of approval of an NDA or BLA. For example, the FDA may require post-marketing testing, including Phase 4 clinical trials, and surveillance to further assess and monitor the product's safety and effectiveness after commercialization.

In addition, manufacturers and other entities involved in the manufacture and distribution of approved products are required to register their establishments with the FDA and state agencies, and are subject to periodic unannounced inspections by the FDA and these state agencies for compliance with cGMP requirements. Changes to the manufacturing process are strictly regulated and often require prior FDA approval before being implemented. FDA regulations also require investigation and correction of any deviations from cGMP requirements and impose reporting and documentation requirements upon the sponsor and any third-party manufacturers that the sponsor may decide to use. Accordingly, manufacturers must continue to expend time, money and effort in the area of production and quality control to maintain cGMP compliance.

Once an approval is granted, the FDA may withdraw the approval if compliance with regulatory requirements and standards is not maintained or if problems occur after the product reaches the market. Later discovery of previously unknown problems with a product, including adverse events of unanticipated severity or frequency, or with manufacturing processes, or failure to comply with regulatory requirements, may result in mandatory revisions to the approved labeling to add new safety information; imposition of post-market studies or clinical trials to assess new safety risks; or imposition

of distribution or other restrictions under a REMS program. Other potential consequences include, among other things:

- restrictions on the marketing or manufacturing of the product, complete withdrawal of the product from the market or product recalls;
- fines, warning letters or holds on post-approval clinical trials;
- refusal of the FDA to approve pending applications or supplements to approved applications, or suspension or revocation of product approvals;
- product seizure or detention, or refusal to permit the import or export of products
- injunctions or the imposition of civil or criminal penalties;
- consent decrees, corporate integrity agreements, debarment, or exclusion from federal healthcare programs;
- mandated modification of promotional materials and labeling and the issuance of corrective information; or
- the FDA or other regulatory authorities may issue safety alerts, Dear Healthcare Provider letters, press releases or other communications containing warnings or other safety information about the product.

The FDA strictly regulates marketing, labeling, advertising and promotion of products that are placed on the market. Products may be promoted only for the approved indications and in accordance with the provisions of the approved label. The FDA and other agencies actively enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have improperly promoted off-label uses may be subject to significant liability.

Foreign Government Regulation

Our product candidates will be subject to similar laws and regulations imposed by jurisdictions outside of the United States, and, in particular, Europe, which may include, for instance, applicable post-marketing requirements, including safety surveillance, anti-fraud and abuse laws and implementation of corporate compliance programs and reporting of payments or other transfers of value to healthcare professionals.

In order to market our future products in the European Economic Area (which is comprised of the 28 Member States of the EU plus Norway, Iceland and Liechtenstein), or EEA, and many other foreign jurisdictions, we must obtain separate regulatory approvals. More concretely, in the EEA, medicinal products can only be commercialized after obtaining a Marketing Authorization, or MA. There are two types of marketing authorizations:

- the Community MA, which is issued by the European Commission through the Centralized Procedure, based on the opinion of the Committee for Medicinal Products for Human Use of the European Medicines Agency, and which is valid throughout the entire territory of the EEA. The Centralized Procedure is mandatory for certain types of products, such as biotechnology medicinal products, orphan medicinal products and medicinal products indicated for the treatment of AIDS, cancer, neurodegenerative disorders, diabetes, auto-immune and viral diseases. The Centralized Procedure is optional for products containing a new active substance not yet authorized in the EEA, or for products that constitute a significant therapeutic, scientific or technical innovation or which are in the interest of public health in the EU; and
- National MAs, which are issued by the competent authorities of the Member States of the EEA and only cover their respective territory, are available for products not falling within the mandatory scope of the Centralized Procedure. Where a product has already been authorized

for marketing in a Member State of the EEA, this National MA can be recognized in another Member State through the Mutual Recognition Procedure. If the product has not received a National MA in any Member State at the time of application, it can be approved simultaneously in various Member States through the Decentralized Procedure.

Under the above described procedures, before granting the MA, the EMA or the competent authorities of the Member States of the EEA make an assessment of the risk-benefit balance of the product on the basis of scientific criteria concerning its quality, safety and efficacy.

Data and marketing exclusivity. In the EEA, new products authorized for marketing, or reference products, qualify for eight years of data exclusivity and an additional two years of market exclusivity upon marketing authorization. The data exclusivity period prevents generic or biosimilar applicants from relying on the pre-clinical and clinical trial data contained in the dossier of the reference product when applying for a generic or biosimilar marketing authorization in the EU during a period of eight years from the date on which the reference product was first authorized in the EU. The market exclusivity period prevents a successful generic or biosimilar applicant from commercializing its product in the EU until 10 years have elapsed from the initial authorization of the reference product in the EU. The 10-year market exclusivity period can be extended to a maximum of eleven years if, during the first eight years of those 10 years, the marketing authorization holder obtains an authorization for one or more new therapeutic indications which, during the scientific evaluation prior to their authorization, are held to bring a significant clinical benefit in comparison with existing therapies.

Pediatric investigation plan. In the EEA, marketing authorization applications for new medicinal products not authorized have to include the results of studies conducted in the pediatric population, in compliance with a pediatric investigation plan, or PIP, agreed with the EMA's Pediatric Committee, or PDCO. The PIP sets out the timing and measures proposed to generate data to support a pediatric indication of the drug for which marketing authorization is being sought. The PDCO can grant a deferral of the obligation to implement some or all of the measures of the PIP until there are sufficient data to demonstrate the efficacy and safety of the product in adults. Further, the obligation to provide pediatric clinical trial data can be waived by the PDCO when these data are not needed or appropriate because the product is likely to be ineffective or unsafe in children, the disease or condition for which the product is intended occurs only in adult populations, or when the product does not represent a significant therapeutic benefit over existing treatments for pediatric patients. Once the marketing authorization is obtained in all Member States of the EU and study results are included in the product information, even when negative, the product is eligible for a six-months supplementary protection certificate extension.

Orphan drug designation. In the EEA, a medicinal product can be designated as an orphan drug if its sponsor can establish that the product is intended for the diagnosis, prevention or treatment of a life-threatening or chronically-debilitating condition affecting not more than five in 10,000 persons in the EU when the application is made, or that the product is intended for the diagnosis, prevention or treatment of a life-threatening, seriously-debilitating or serious and chronic condition in the European Community and that without incentives it is unlikely that the marketing of the drug in the EU would generate sufficient return to justify the necessary investment. For either of these conditions, the applicant must demonstrate that there exists no satisfactory method of diagnosis, prevention or treatment of the condition in question that has been authorized in the EU or, if such method exists, the drug will be of significant benefit to those affected by that condition.

In the EEA, an application for designation as an orphan product can be made any time prior to the filing of an application for approval to market the product. Marketing authorization for an orphan drug leads to a ten-year period of market exclusivity. During this market exclusivity period, the EMA or the member state competent authorities, cannot accept another application for a marketing authorization,

or grant a marketing authorization, for a similar medicinal product for the same indication. The period of market exclusivity is extended by two years for medicines that have also complied with an agreed PIP.

This period may, however, be reduced to six years if, at the end of the fifth year, it is established that the product no longer meets the criteria for orphan drug designation, for example because the product is sufficiently profitable not to justify market exclusivity. Market exclusivity can be revoked only in very selected cases, such as consent from the marketing authorization holder, inability to supply sufficient quantities of the product, demonstration of "clinical superiority" by a similar medicinal product, or, after a review by the Committee for Orphan Medicinal Products, requested by a member state in the fifth year of the marketing exclusivity period (if the designation criteria are believed to no longer apply). Medicinal products designated as orphan drugs are eligible for incentives made available by the EU and its Member States to support research into, and the development and availability of, orphan drugs. In March 2016, we obtained orphan drug designation for BPS-804 for the treatment of OI in the EU.

Adaptive pathways. The EMA has an adaptive pathways program which allows for early and progressive patient access to a medicine. The adaptive pathways concept is an approach to medicines approval that aims to improve patients' access to medicines in cases of high unmet medical need. To achieve this goal, several approaches are envisaged: identifying small populations with severe disease where a medicine's benefit-risk balance could be favorable; making more use of real-world data where appropriate to support clinical trial data; and involving health technology assessment bodies early in development to increase the chance that medicines will be recommended for payment and ultimately covered by national healthcare systems. The adaptive pathways concept applies primarily to treatments in areas of high medical need where it is difficult to collect data via traditional routes and where large clinical trials would unnecessarily expose patients who are unlikely to benefit from the medicine. The approach builds on regulatory processes already in place within the existing EU legal framework. These include: scientific advice; compassionate use; the conditional approval mechanism (for medicines addressing life-threatening conditions); patient registries and other pharmacovigilance tools that allow collection of real-life data and development of a risk-management plan for each medicine.

The adaptive pathways program does not change the standards for the evaluation of benefits and risks or the requirement to demonstrate a positive benefit-risk balance to obtain marketing authorization. In February 2017, BPS-804 was accepted into the adaptive pathways program.

PRIME scheme. In July 2016, the EMA launched its Priority Medicines scheme, or PRIME. PRIME is a voluntary scheme aimed at enhancing the EMA's support for the development of medicines that target unmet medical needs. It is based on increased interaction and early dialogue with companies developing promising medicines, to optimize their product development plans and speed up their evaluation to help them reach patients earlier. Product developers that benefit from PRIME designation can expect to be eligible for accelerated assessment but this is however not guaranteed. The benefits of a PRIME designation includes the appointment of a rapporteur from the Committee for Medicinal Products for Human Use before submission of an MAA, early dialogue and scientific advice at key development milestones, and the potential to qualify products for accelerated review earlier in the application process. In November 2017, the EMA granted PRIME designation for BPS-804 for the treatment of OI.

Other U.S. Healthcare Laws

In addition to FDA restrictions on marketing of pharmaceutical and biologic products, other U.S. federal and state healthcare regulatory laws restrict business practices in the pharmaceutical and biotechnology industry, which include, but are not limited to, state and federal anti-kickback, false claims, data privacy and security and physician payment and pricing transparency laws.

The U.S. federal Anti-Kickback Statute prohibits, among other things, any person or entity from knowingly and willfully offering, paying, soliciting, receiving or providing any remuneration, directly or indirectly, overtly or covertly, to induce or in return for purchasing, leasing, ordering, or arranging for or recommending the purchase, lease, or order of any good, facility, item or service reimbursable, in whole or in part, under Medicare, Medicaid or other federal healthcare programs. The term "remuneration" has been broadly interpreted to include anything of value. The Anti-Kickback Statute has been interpreted to apply to arrangements, such as those between pharmaceutical manufacturers on the one hand and prescribers, purchasers, formulary managers and beneficiaries on the other. Although there are a number of statutory exceptions and regulatory safe harbors protecting some common activities from prosecution, the exceptions and safe harbors are drawn narrowly. Practices that involve remuneration that may be alleged to be intended to induce prescribing, purchases, or recommendations may be subject to scrutiny if they do not meet the requirements of a statutory or regulatory exception or safe harbor. Failure to meet all of the requirements of a particular applicable statutory exception or regulatory safe harbor does not make the conduct per se illegal under the U.S. federal Anti-Kickback Statute. Instead, the legality of the arrangement will be evaluated on a case-by-case basis based on a cumulative review of all facts and circumstances. Several courts have interpreted the statute's intent requirement to mean that if any one purpose of an arrangement involving remuneration is to induce referrals of federal healthcare covered business, the statute has been violated.

Additionally, the intent standard under the U.S. federal Anti-Kickback Statute was amended by the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010, or collectively, the ACA, to a stricter standard such that a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation. In addition, the ACA codified case law that a claim including items or services resulting from a violation of the U.S. federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the federal civil False Claims Act. The majority of states also have anti-kickback laws, which establish similar prohibitions and in some cases may apply to items or services reimbursed by any third-party payor, including commercial insurers, or to self-pay patients.

The federal false claims and civil monetary penalties laws, including the civil False Claims Act, prohibit any person or entity from, among other things, knowingly presenting, or causing to be presented, a false, fictitious or fraudulent claim for payment to, or approval by, the federal government, knowingly making, using, or causing to be made or used a false record or statement material to a false or fraudulent claim to the federal government, or from knowingly making a false statement to avoid, decrease or conceal an obligation to pay money to the U.S. federal government. A claim includes "any request or demand" for money or property presented to the U.S. government. Actions under the civil False Claims Act may be brought by the Attorney General or as a qui tam action by a private individual in the name of the government. Violations of the civil False Claims Act can result in very significant monetary penalties and treble damages. Several pharmaceutical and other healthcare companies have been prosecuted under these laws for, among other things, allegedly providing free product to customers with the expectation that the customers would bill federal programs for the product. Other companies have been prosecuted for causing false claims to be submitted because of the companies' marketing of products for unapproved, or off-label, uses. In addition, the civil monetary penalties statute imposes penalties against any person who is determined to have presented or caused to be presented a claim to a federal health program that the person knows or should know is for an item or service that was not provided as claimed or is false or fraudulent. Many states also have similar fraud and abuse statutes or regulations that apply to items and services reimbursed under Medicaid and other state programs, or, in several states, apply regardless of the payor.

The federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, created additional federal criminal statutes that prohibit, among other actions, knowingly and willfully executing, or

attempting to execute, a scheme to defraud any healthcare benefit program, including private third-party payors, knowingly and willfully embezzling or stealing from a healthcare benefit program, willfully obstructing a criminal investigation of a healthcare offense and knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services. Similar to the U.S. federal Anti-Kickback Statute, the ACA broadened the reach of certain criminal healthcare fraud statutes created under HIPAA by amending the intent requirement such that a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation.

In addition, there has been a trend of increased federal and state regulation of payments made to physicians and certain other healthcare providers. The ACA imposed, among other things, new annual reporting requirements through the Physician Payments Sunshine Act for applicable manufacturers for certain payments and "transfers of value" provided to physicians and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members. Failure to submit timely, accurately and completely the required information for all payments, transfers of value and ownership or investment interests may result in civil monetary penalties. Applicable manufacturers must submit reports by the 90th day of each subsequent calendar year. In addition, certain states require implementation of compliance programs and compliance with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government, impose restrictions on marketing practices and/or tracking and reporting of gifts, compensation and other remuneration or items of value provided to physicians and other healthcare professionals and entities.

We may also be subject to data privacy and security regulation by both the federal government and the states in which we conduct our business. HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, or HITECH, and their respective implementing regulations, including the Final HIPAA Omnibus Rule published on January 25, 2013, impose specified requirements relating to the privacy, security and transmission of individually identifiable health information held by covered entities and their business associates. Among other things, HITECH made HIPAA's security standards directly applicable to "business associates," defined as independent contractors or agents of covered entities that create, receive, maintain or transmit protected health information in connection with providing a service for or on behalf of a covered entity. HITECH also increased the civil and criminal penalties that may be imposed against covered entities, business associates and possibly other persons, and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce the federal HIPAA laws and seek attorney's fees and costs associated with pursuing federal civil actions. In addition, state laws govern the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and may not have the same requirements, thus complicating compliance efforts.

The scope and enforcement of each of these laws is uncertain and subject to rapid change in the current environment of healthcare reform, especially in light of the lack of applicable precedent and regulations. Ensuring that internal operations and business arrangements with third parties comply with applicable healthcare laws and regulations involve substantial costs.

Violations of any of these laws may be punishable by criminal and civil sanctions, including fines and civil monetary penalties, the possibility of exclusion from federal healthcare programs (including Medicare and Medicaid), disgorgement and corporate integrity agreements, which impose, among other things, rigorous operational and monitoring requirements on companies. Similar sanctions and penalties, as well as imprisonment, also can be imposed upon executive officers and employees of such companies. Given the significant size of actual and potential settlements, it is expected that the government authorities will continue to devote substantial resources to investigating healthcare providers' and manufacturers' compliance with applicable laws.

Coverage and Reimbursement

Significant uncertainty exists as to the coverage and reimbursement status of any pharmaceutical or biological product for which we obtain regulatory approval. In the United States and markets in other countries, patients who are prescribed treatments for their conditions and providers performing the prescribed services generally rely on third-party payors to reimburse all or part of the associated healthcare costs. Patients are unlikely to use our products unless coverage is provided and reimbursement is adequate to cover a significant portion of the cost of our products. Sales of any products for which we receive regulatory approval for commercial sale will therefore depend, in part, on the availability of coverage and adequate reimbursement from third-party payors. Third-party payors include government authorities, managed care plans, private health insurers and other organizations.

In the United States, the process for determining whether a third-party payor will provide coverage for a pharmaceutical or biologic product typically is separate from the process for setting the price of such product or for establishing the reimbursement rate that the payor will pay for the product once coverage is approved. Third-party payors may limit coverage to specific products on an approved list, also known as a formulary, which might not include all of the FDA-approved products for a particular indication. A decision by a third-party payor not to cover our product candidates could reduce physician utilization of our products once approved and have a material adverse effect on our sales, results of operations and financial condition. Moreover, a third-party payor's decision to provide coverage for a pharmaceutical or biologic product does not imply that an adequate reimbursement rate will be approved. Adequate third-party reimbursement may not be available to enable us to maintain price levels sufficient to realize an appropriate return on our investment in product development. Additionally, coverage and reimbursement for products can differ significantly from payor to payor. One third-party payor's decision to cover a particular medical product or service does not ensure that other payors will also provide coverage for the medical product or service, or will provide coverage at an adequate reimbursement rate. As a result, the coverage-determination process will require us to provide scientific and clinical support for the use of our products to each payor separately and will be a time-consuming process.

In the EEA, governments influence the price of products through their pricing and reimbursement rules and control of national health care systems that fund a large part of the cost of those products to consumers. Some jurisdictions operate positive and negative list systems under which products may only be marketed once a reimbursement price has been agreed to by the government. To obtain reimbursement or pricing approval, some of these countries may require the completion of clinical trials that compare the cost effectiveness of a particular product candidate to currently available therapies. Other member states allow companies to fix their own prices for medicines, but monitor and control company profits. The downward pressure on health care costs in general, particularly prescription products, has become very intense. As a result, increasingly high barriers are being erected to the entry of new products. In addition, in some countries, cross-border imports from low-priced markets exert a commercial pressure on pricing within a country.

The containment of healthcare costs has become a priority of federal, state and foreign governments, and the prices of pharmaceutical or biological products have been a focus in this effort. Third-party payors are increasingly challenging the prices charged for medical products and services, examining the medical necessity and reviewing the cost-effectiveness of pharmaceutical or biological products, medical devices and medical services, in addition to questioning safety and efficacy. If these third-party payors do not consider our products to be cost effective compared to other available therapies, they may not cover our products after approval, if any, or, if they do, the level of payment may not be sufficient to allow us to sell our products at a profit.

Healthcare Reform

A primary trend in the U.S. healthcare industry and elsewhere is cost containment. Government authorities and other third-party payors have attempted to control costs by limiting coverage and the amount of reimbursement for particular medical products. For example, the ACA , among other things, increased the minimum Medicaid rebates owed by most manufacturers under the Medicaid Drug Rebate Program; introduced a new methodology by which rebates owed by manufacturers under the Medicaid Drug Rebate Program are calculated for products that are inhaled, infused, instilled, implanted or injected; extended the Medicaid Drug Rebate Program to utilization of prescriptions of individuals enrolled in Medicaid-managed care plans; imposed mandatory discounts for certain Medicare Part D beneficiaries as a condition for manufacturers' outpatient drugs coverage under Medicare Part D; subjected manufacturers to new annual fees based on pharmaceutical companies' share of sales to federal healthcare programs; created a new Patient Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research; created the Independent Payment Advisory Board, which, once empaneled, will have authority to recommend certain changes to the Medicare program that could result in reduced payments for prescription drugs and biologics; and established a Center for Medicare Innovation at CMS to test innovative payment and service delivery models to lower Medicare and Medicaid spending. Since its enactment, the U.S. federal government has delayed or suspended implementation of certain provisions of the ACA. In addition, there have been judicial and Congressional challenges to certain aspects of the ACA, and we expect there will be additional challenges and amendments to the ACA in the future.

We expect that the ACA, as well as other healthcare reform measures that may be adopted in the future, may result in more rigorous coverage criteria and lower reimbursement, and additional downward pressure on the price that we receive for any approved product. Any reduction in reimbursement from Medicare or other government-funded programs may result in a similar reduction in payments from private payors. Moreover, recently there has been heightened governmental scrutiny over the manner in which manufacturers set prices for their marketed products. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability or commercialize our product candidates.

Additionally, in August, 2011, the Budget Control Act of 2011 was signed into law, which, among other things, included aggregate reductions of Medicare payments to providers of 2% per fiscal year. These reductions went into effect on April 1, 2013 and, due to subsequent legislative amendments to the statute, will stay in effect through 2025 unless additional action is taken by Congress. In January, 2013, the American Taxpayer Relief Act of 2012 was signed into law, which, among other things, further reduced Medicare payments to several types of providers, including hospitals, imaging centers and cancer treatment centers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. More recently, there has been heightened governmental scrutiny over the manner in which manufacturers set prices for their marketed products, which have resulted in several Congressional inquiries and proposed bills designed to, among other things, bring more transparency to product pricing, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies for pharmaceutical and biologic products.

We expect that additional state and federal healthcare reform measures will be adopted in the future, any of which could limit the amounts that federal and state governments will pay for healthcare products and services, which could result in reduced demand for our products once approved or additional pricing pressures.

Employees

As of March 1, 2018, we had 33 employees. None of our employees is subject to a collective bargaining agreement or represented by a trade or labor union. We consider our relationship with our employees to be good.

Facilities

Our principal office is located at Fourth Floor, One Cavendish Place, London W1G 0QF, United Kingdom, where we lease approximately 4,000 square feet of office space. We lease this office space under a lease that terminates on August 16, 2025. We intend to add new facilities as we add employees, and we believe that suitable additional or substitute space will be available as needed to accommodate any such expansion of our operations.

Legal Proceedings

We are not subject to any material legal proceedings.

MANAGEMENT

Executive Officers and Directors

The following table presents information about our executive officers and directors, including their ages, as of the date of this prospectus:

Name	Age	Position
Executive Officers		
Denise Scots-Knight, Ph.D.	58	Chief Executive Officer and Director
Richard Jones	51	Chief Financial Officer and Director
Alastair MacKinnon, MBBS	47	Chief Medical Officer
John Richard	60	Head of Corporate Development
Charles Sermon	48	General Counsel
Non-Executive Directors		
Peter Fellner, Ph.D.	74	Chairman of the Board
Frank Armstrong, MBChB	61	Director
Peter Bains	60	Director
Paul Blackburn	63	Director
Anders Ekblom, M.D., Ph.D.	63	Director
Kunal Kashyap	53	Director

The current business addresses for our executive officers and directors is c/o Mereo BioPharma Group plc, Fourth Floor, One Cavendish Place, London, W1G 0QF, United Kingdom.

The following are brief biographies of our executive officers and directors:

Denise Scots-Knight, Ph.D. Dr. Scots-Knight has served as our Chief Executive Officer since July 2015 and as a member of our board of directors since our inception. From 2010 until joining Mereo, Dr. Scots-Knight was the Managing Partner of Phase4 Partners Ltd., or Phase4, a global life science venture capital firm. Dr. Scots-Knight is currently a board member of OncoMed Pharmaceuticals, Inc. and Phase4. Dr. Scots-Knight holds a B.Sc. (Hons.) and a Ph.D. from Birmingham University.

Richard Jones. Mr. Jones has served as our Chief Financial Officer and as a member of our board of directors since January 2017. From 2011 until joining Mereo, Mr. Jones was the Chief Financial Officer and Company Secretary of Shield Therapeutics plc, where he also served as a Non-Executive Director from 2010 to 2011. Mr. Jones is a qualified chartered accountant (ACA) with the Institute of Chartered Accountants in England and Wales (ICAEW) and holds a B.Eng. (Hons.) from the University of Newcastle upon Tyne.

Alastair MacKinnon, MBBS. Dr. MacKinnon has served as our Chief Medical Officer since July 2015. From 2010 until joining Mereo, Dr. MacKinnon was a Partner of Phase4, where he currently serves as a member of the Board of Directors. Dr. MacKinnon holds a B.Sc. and a MBBS from King's College London and is a Member of the Royal College of Surgeons in Edinburgh.

John Richard. Mr. Richard has served as our Head of Corporate Development since July 2015. Prior to joining Mereo, he was a consultant for Nomura, a global investment bank, and Phase4. Mr. Richard serves on the boards of Vaxart, Inc., Catalyst Biosciences, QUE Oncology, and Phase4. Mr. Richard holds a B.S. from Stanford University and an MBA from Harvard Business School.

Charles Sermon. Mr. Sermon has served as our General Counsel and Company Secretary since July 2015. From 2010 until joining Mereo, Mr. Sermon was a Partner of Phase4, where he currently

serves as a member of the Board of Directors. Mr. Sermon trained and qualified as a lawyer with Freshfields after completing the Law Society's Final Examination. Mr. Sermon holds an LL.B. (Hons.) from Hull University.

Peter Fellner, Ph.D. Dr. Fellner has been Chairman of our board of directors since July 2015. He also serves as Chairman of the board of directors of Consort Medical plc and Vernalis plc, and was Chairman of the board of directors of Ablynx nv until January 2018. Dr. Fellner was previously Chairman of the board of directors of Acambis plc until its acquisition by Sanofi Pasteur and Optos plc until its acquisition by Nikon Corporation, and Vice Chairman of Astex Pharmaceuticals Inc. until its acquisition by Otsuka Pharmaceutical Company. He also served as a Director of UCB SA and was CEO and then Chairman of Celltech Group plc. Dr. Fellner holds a B.Sc. (Hons.) from the University of Sheffield and a Ph.D. from the University of Cambridge.

Frank Armstrong, MBChB. Dr. Armstrong has served on our board of directors since July 2015. Dr. Armstrong served as Chief Executive Officer of CuraGen Corporation and Fulcrum Pharmaceuticals. Prior to that, Dr. Armstrong served as Senior Vice President at Merck Serono, Executive Vice President Product Development at Bayer AG, and Senior Vice President Medical Research at Zeneca Pharmaceuticals (now AstraZeneca). Dr. Armstrong currently serves as Non-Executive Chairman of Caldan Therapeutics Ltd., Summit Therapeutics plc, and Faron Pharmaceuticals. Dr. Armstrong holds a B.Sc. (Hons.) and MBChB from the University of Edinburgh, and is a Fellow of the Royal College of Physicians.

Peter Bains. Mr. Bains has served on our board of directors since July 2015. Mr. Bains is Representative Executive Officer and Chief Executive Officer of Sosei Group Corporation, a biotechnology company. Previously, he was Chief Executive Officer of Syngene International Ltd., or Syngene, and served as a Non-Executive Director until 2016. Mr. Bains currently serves as Non-Executive Director for Phase4 and MiNA Therapeutics Ltd. and as Non-Executive Chairman of Fermenta Biotech Ltd. Mr. Bains holds a B.Sc. (Hons.) from Sheffield University.

Paul Blackburn. Mr. Blackburn has served on our board of directors since October 2015. Mr. Blackburn was Senior Vice President Strategic Finance Projects and Financial Controller at GlaxoSmithKline. Mr. Blackburn currently serves on the Board of Directors of Syngene. Mr. Blackburn holds a B.Sc. from Warwick University.

Anders Ekblom, M.D., Ph.D. Dr. Ekblom has served on our board of directors since July 2015. Dr. Ekblom has held a number of executive positions at AstraZeneca, including Executive Vice President Global Drug Development, Executive Vice President Global Medicines Development, Global Head Clinical Development, Global Therapy Area Head, Global Head Science & Technology Integration, and Chief Executive Officer of AstraZeneca AB Sweden. He currently serves as Chairman of the Board at the Karolinska University Hospital and on the Boards of Directors of Alligator Bioscience AB, Infant Bacterial AB, and Medivir AB. Dr. Ekblom is a board-certified medical doctor and an Associate Professor at the Karolinska Institute. Dr. Ekblom holds a D.D.S., M.D. and Ph.D. from Karolinska Institutet.

Kunal Kashyap. Mr. Kashyap has served on our board of directors since July 2015. Mr. Kashyap is Chairman and Managing Director of Allegro Capital Advisors and also serves as an Independent Director of GlaxoSmithKline Consumer Healthcare Ltd and a Non-Executive Director of Phase4. Mr. Kashyap is also the Founder and was the Executive Director of Celstream Technologies Private Limited. Mr. Kashyap holds a Bachelor of Commerce from Bombay University.

In accordance with our Articles of Association, our directors serve for three-year terms. In 2018, the term for all of the members of our board of directors except for Richard Jones will expire. In 2019,

the term for Mr. Jones will expire. Our shareholders elect directors in accordance with our Articles of Association. If our shareholders do not elect a new director, then the retiring director may, if willing to serve, continue as a director. See “Description of Share Capital and Articles of Association—Articles of Association—Directors—Appointment of Directors.”

Foreign Private Issuer Exemption

As a “foreign private issuer,” as defined by the SEC, we are permitted to follow home country corporate governance practices, instead of certain corporate governance practices required by Nasdaq for U.S. domestic issuers. While we intend to follow most Nasdaq corporate governance rules, we intend to follow U.K. corporate governance practices in lieu of Nasdaq corporate governance rules as follows:

- We do not intend to follow Nasdaq Rule 5620(c) regarding quorum requirements applicable to meetings of shareholders. Such quorum requirements are not required under English law. In accordance with generally accepted business practice, our Articles of Association provide alternative quorum requirements that are generally applicable to meetings of shareholders.
- We do not intend to follow Nasdaq Rule 5605(b)(2), which requires that independent directors regularly meet in executive session, where only independent directors are present. Our independent directors may choose to meet in executive session at their discretion.

Although we may rely on certain home country corporate governance practices, we must comply with Nasdaq Rule 5640 Notification of Noncompliance and Rule 5640 Voting Rights. Further, we must have an audit committee that satisfies Rule 5605(c)(3), which addresses audit committee responsibilities and authority, and that consists of committee members that meet the independence requirements of Rule 5605(c)(2)(A)(ii).

We intend to take all actions necessary for us to maintain compliance as a foreign private issuer under the applicable corporate governance requirements of the Sarbanes-Oxley Act of 2002, the rules adopted by the SEC and the Nasdaq corporate governance rules and listing standards.

Because we are a foreign private issuer, our directors and senior management are not subject to short-swing profit and insider trading reporting obligations under Section 16 of the Exchange Act. They will, however, be subject to the obligations to report changes in share ownership under Section 13 of the Exchange Act and related SEC rules.

Composition of our Board of Directors

Our board of directors currently consists of eight members. Our board of directors has determined that four of our eight directors, Peter Fellner, Peter Bains, Paul Blackburn, and Anders Ekblom, do not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of director and that each of these directors is “independent” as that term is defined under the rules of Nasdaq. As a foreign private issuer, we are not required to meet the Nasdaq rule that our board be comprised of a majority of independent directors. However, we intend to comply with this requirement within 12 months of the listing of our ADSs with Nasdaq. There are no family relationships among any of our directors or senior management.

In accordance with our Articles of Association, each of our directors serves for a term of three years, and, as a result, effectively one-third of our directors retire from office at every annual general meeting of shareholders. Retiring directors are eligible for re-election and, if no other director is elected to fill his or her position and the director is willing, shall be re-elected by default. See “Description of Share Capital and Articles of Association—Articles of Association—Directors—Appointment of Directors.”

Committees of our Board of Directors

Our board of directors has four standing committees: an audit and risk committee, a remuneration committee, a nomination committee, and a research and development committee.

Audit and Risk Committee

The audit and risk committee, which consists of Paul Blackburn, Anders Ekblom, and Kunal Kashyap, assists the board in overseeing our accounting and financial reporting processes and the audits of our financial statements. Mr. Blackburn serves as Chairman of the committee. The audit and risk committee consists exclusively of members of our board who are financially literate, and Mr. Blackburn is considered an "audit committee financial expert" as defined by applicable SEC rules and has the requisite financial sophistication as defined under the applicable Nasdaq rules and regulations. Our board has determined that all of the members of the audit and risk committee satisfy the "independence" requirements set forth in Rule 10A-3 under the Exchange Act. The audit and risk committee will be governed by a charter that complies with Nasdaq rules, effective upon the effectiveness of the registration statement of which this prospectus forms a part.

The audit and risk committee's responsibilities include:

- recommending the appointment of the independent auditor to the general meeting of shareholders;
- the appointment, compensation, retention and oversight of any accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit services;
- pre-approving the audit services and non-audit services to be provided by our independent auditor before the auditor is engaged to render such services;
- evaluating the independent auditor's qualifications, performance and independence, and presenting its conclusions to the full board on at least an annual basis;
- reviewing and discussing with the executive officers, the board, and the independent auditor our financial statements and our financial reporting process; and
- approving or ratifying any related person transaction (as defined in our related person transaction policy) in accordance with our related person transaction policy.

The audit and risk committee will meet as often as one or more members of the audit and risk committee deem necessary, but in any event will meet at least four times per year. The audit and risk committee will meet at least once per year with our independent accountant, without our senior management being present.

Remuneration Committee

The remuneration committee, which consists of Frank Armstrong, Peter Bains, and Anders Ekblom, assists the board in determining senior management compensation. Dr. Ekblom serves as Chairman of the committee. Under SEC and Nasdaq rules, there are heightened independence standards for members of the remuneration committee, including a prohibition against the receipt of any compensation from us other than standard board member fees. However, foreign private issuers are not required to meet this heightened standard. Nonetheless, our board has determined that Mr. Bains and Dr. Ekblom meet this heightened standard, and we intend for all members of our remuneration committee to comply with this heightened standard within 12 months of the listing of our ADSs with Nasdaq. The remuneration committee will be governed by a charter that complies with Nasdaq rules, effective upon the effectiveness of the registration statement of which this prospectus forms a part.

The remuneration committee's responsibilities include:

- identifying, reviewing, and proposing policies relevant to senior management compensation;
- evaluating each member of senior management's performance in light of such policies and reporting to the board;

- analyzing the possible outcomes of the variable compensation components and how they may affect the compensation of senior management;
- recommending any equity long-term incentive component of each member of senior management's compensation in line with any compensation policy and reviewing our senior management compensation and benefits policies generally; and
- reviewing and assessing risks arising from our compensation policies and practices.

Nomination Committee

The nomination committee, which consists of Peter Bains, Anders Ekblom, and Peter Fellner, assists our board in identifying individuals qualified to become members of our board and senior management consistent with criteria established by our board and in developing our corporate governance principles. Dr. Fellner serves as Chairman of the nomination committee. The nomination committee will be governed by a charter that complies with Nasdaq rules, effective upon the effectiveness of the registration statement of which this prospectus forms a part.

The nomination committee's responsibilities include:

- drawing up selection criteria and appointment procedures for board members;
- reviewing and evaluating the size and composition of our board and making a proposal for a composition profile of the board at least annually;
- recommending nominees for election to our board and its corresponding committees;
- assessing the functioning of individual members of the board and senior management and reporting the results of such assessment to the board; and
- developing and recommending to the board rules governing the board, reviewing and reassessing the adequacy of such rules governing the board, and recommending any proposed changes to the board.

Research and Development Committee

The research and development committee, which consists of Frank Armstrong, Peter Bains, and Anders Ekblom, assists our senior management with oversight and guidance related to research and development matters and provides guidance and makes recommendations to our board regarding research and development matters. Dr. Armstrong serves as Chairman of the research and development committee.

The research and development committee's responsibilities include oversight of:

- our strategic development plans for products, taking into account any regulatory feedback; and
- the acquisition of new products.

In addition, the research and development committee is tasked with keeping informed of strategic issues and commercial changes affecting our development programs and potential product acquisitions.

Code of Business Conduct and Ethics and Anti-Bribery and Anti-Corruption Policy

In connection with the global offering, we adopted a Code of Business Conduct and Ethics and an Anti-Bribery and Anti-Corruption Policy, effective upon the effectiveness of the registration statement of which this prospectus forms a part, that covers a broad range of matters including the handling of conflicts of interest, compliance issues, and other corporate policies such as equal opportunity and non-discrimination standards.

Compensation

Executive Officer Remuneration

The following table sets forth the approximate remuneration paid during the years ended December 31, 2017 and 2016 to our current executive officers.

Name and Principal Position	Year	Salary (£)	Bonus(1) (£)	All Other Compensation(2) (£)	Total(3) (£)
Denise Scots-Knight, Ph.D.	2017	365,000	242,725	64,196	671,921
Chief Executive Officer	2016	340,000	166,600	56,863	563,463
Richard Jones (4)	2017	231,090	166,250	29,224	426,564
Chief Financial Officer	2016	—	—	—	—
Alastair MacKinnon, MBBS	2017	256,000	170,240	27,916	454,156
Chief Medical Officer	2016	230,000	112,700	25,071	367,771
Charles Sermon	2017	271,625	180,631	33,164	485,420
General Counsel	2016	265,000	129,850	31,847	426,697
John Richard (5)	2017	275,338	218,727	—	494,065
Head of Corporate Development	2016	259,745	158,589	—	418,334

(1) Amount shown reflects cash bonuses awarded for achievement of performance goals in 2016 and 2017, as applicable.
(2) Amount shown represents health benefit payments and pension contributions made by us.
(3) Total compensation set out in this table does not include any amounts for awards under our Deferred Bonus Share Plan or the value of options to acquire our ordinary shares or awards granted to or held by current senior management, which is described in "—Equity Compensation Arrangements."
(4) Mr. Jones commenced employment with us in January 2017.
(5) Mr. Richard provided services to us in 2017 under a consultancy agreement and currently provides services to us under a consultancy agreement and an employment agreement. These agreements are described in "—Executive Officer Employment and Consultancy Agreements—John Richard."

Executive Officer Employment and Consultancy Agreements

Denise Scots-Knight, Ph.D.

We entered into an employment agreement with Dr. Scots-Knight on July 29, 2015. This agreement entitles Dr. Scots-Knight to receive an initial annual base salary of £275,000 (which was subsequently increased to £379,600 for 2018) and an opportunity to earn an annual discretionary performance-based bonus, subject to the achievement of performance goals determined in accordance with our annual bonus plan. We currently contribute to Dr. Scots-Knight's Self-Invested Personal Pension Scheme an amount equal to 15% of Dr. Scots-Knight's annual salary, provided that she contributes 4% or more of her annual salary to that scheme. In lieu of a pension contribution, we may, at Dr. Scots-Knight's request, pay a pro-rata amount equal to 10% of her base salary as additional compensation. Either party may terminate the employment agreement by giving the other party not less than 12 months' written notice, provided that we may terminate Dr. Scots-Knight at any time with immediate effect for cause or by giving written notice to Dr. Scots-Knight that we will instead pay her basic salary for any remaining notice period. Dr. Scots-Knight's employment agreement also contains restrictive covenants pursuant to which she has agreed to refrain from competing with us or soliciting our key employees for a period of six months following her termination of employment or soliciting our customers for a period of nine months following her termination of employment.

Richard Jones

We entered into an employment agreement with Mr. Jones on November 7, 2016 pursuant to which he commenced employment with us on January 28, 2017. This agreement entitles Mr. Jones to

receive an initial annual base salary of £250,000 (which was subsequently increased to £260,000 for 2018) and an opportunity to earn an annual discretionary performance-based bonus, subject to the achievement of performance goals determined in accordance with our annual bonus plan. Mr. Jones is also eligible to participate in our group personal pension scheme and we have agreed to contribute to the pension scheme an amount equal to 10% of Mr. Jones's annual salary provided that he contributes 4% or more of his annual salary to that scheme. In lieu of a pension contribution, we may, at Mr. Jones's request, pay a pro-rata amount equal to 10% of his base salary as additional compensation. Either party may terminate the employment agreement by giving the other party not less than six months' written notice, provided that we may terminate Mr. Jones at any time with immediate effect for cause or by giving written notice to Mr. Jones that we will instead pay his basic salary for any remaining notice period. Mr. Jones's employment agreement also contains restrictive covenants pursuant to which he has agreed to refrain from competing with us or soliciting our key employees for a period of six months following his termination of employment or soliciting our customers for a period of nine months following his termination of employment.

Alastair MacKinnon

We entered into an employment agreement with Dr. MacKinnon on July 29, 2015, and subsequently amended the agreement on November 24, 2017. This agreement entitles Dr. MacKinnon to receive an initial annual base salary of £210,000 (which was subsequently increased to £281,600 for 2018) and an opportunity to earn an annual discretionary performance-based bonus, subject to the achievement of performance goals determined in accordance with our annual bonus plan. Dr. MacKinnon is also eligible to participate in our group personal pension scheme and we have agreed to contribute to the pension scheme an amount equal to 10% of Dr. MacKinnon's annual salary provided that he contributes 4% or more of his annual salary to that scheme. In lieu of a pension contribution, we may, at Dr. MacKinnon's request, pay a pro-rata amount equal to 10% of his base salary as additional compensation. Either party may terminate the employment agreement by giving the other party not less than six months' written notice, provided that we may terminate Dr. MacKinnon at any time with immediate effect for cause or by giving written notice to Dr. MacKinnon that we instead pay his basic salary for any remaining notice period. Dr. MacKinnon's employment agreement also contains restrictive covenants pursuant to which he has agreed to refrain from competing with us for a period of three months following his termination of employment, soliciting our key employees for a period of six months following his termination of employment, or soliciting our customers for a period of nine months following his termination of employment.

Charles Sermon

We entered into an employment agreement with Mr. Sermon on July 29, 2015. This agreement entitles Mr. Sermon to receive an initial annual base salary of £245,000 (which was subsequently increased to £282,490 for 2018) and an opportunity to earn an annual discretionary performance-based bonus, subject to the achievement of performance goals determined in accordance with our annual bonus plan. We have agreed to contribute to Mr. Sermon's Self-Invested Personal Pension Scheme an amount equal to 10% of Mr. Sermon's annual salary provided that he contributes 4% or more of his annual salary to that scheme. In lieu of a pension contribution, we may, at Mr. Sermon's request, pay a pro-rata amount equal to 10% of his base salary as additional compensation. Either party may terminate the employment agreement by giving the other party not less than six months' written notice, provided that we may terminate Mr. Sermon at any time with immediate effect for cause or by giving written notice to Mr. Sermon that we will instead pay his basic salary for any remaining notice period. Mr. Sermon's employment agreement also contains restrictive covenants pursuant to which he has agreed to refrain from competing with us or soliciting our key employees for a period of six months following his termination of employment or soliciting our customers for a period of nine months following his termination of employment.

John Richard

We entered into a consultancy agreement with Mr. Richard on February 1, 2017, pursuant to which he provided services to us during 2017 and which has subsequently expired. Mr. Richard currently provides services to us pursuant to an employment agreement dated February 26, 2018, or the Richard Employment Agreement, and a consultancy agreement dated February 1, 2018, or the Richard Consulting Agreement.

The Richard Employment Agreement entitles Mr. Richard to receive an initial base salary of £3,900 per month and an opportunity to earn an annual discretionary performance-based bonus, subject to the achievement of performance goals determined in accordance with our annual bonus plan. Mr. Richard is also eligible to participate in our group personal pension scheme and we have agreed to contribute to the pension scheme an amount equal to 10% of Mr. Richard's annual salary provided that he contributes 4% or more of his annual salary to that scheme. In lieu of a pension contribution, we may, at Mr. Richard's request, pay a pro-rata amount equal to 10% of his base salary as additional compensation. Either party may terminate the employment agreement by giving the other party not less than six months' written notice, provided that we may terminate Mr. Richard at any time with immediate effect for cause or by giving written notice to Mr. Richard that we will instead pay his basic salary for any remaining notice period. Mr. Richard's employment agreement also contains restrictive covenants pursuant to which he has agreed to refrain from competing with us or soliciting our key employees for a period of six months following his termination of employment, or soliciting our customers for a period of nine months following his termination of employment.

Pursuant to the Richard Consulting Agreement, Mr. Richard also provides services to us as a consultant for up to 75% of his working capacity. The Richard Consulting Agreement is expected to remain in effect until January 31, 2019. The Richard Consulting Agreement entitles Mr. Richard to receive a retainer of $25,550 per month and an opportunity to earn a one-time discretionary payment from us based upon the achievement of agreed-upon performance goals with regard to the preceding 12-month period.

Equity Compensation Arrangements

We have granted or may grant or intend to grant share options and awards under the following five equity award plans, or the Share Plans: (i) the 2015 Plan; (ii) the Share Option Plan; (iii) the LTIP; (iv) the DBSP; and (v) the Share Option Scheme for Non-Executive Directors, or the NED Plan.

The 2015 Plan

Prior to the admission of our ordinary shares to trading on AIM, or Admission, we granted options under the 2015 Plan. No further grants have been made under the 2015 Plan since Admission.

Eligibility, Awards and Administration

The 2015 Plan provides for the grant of options to executive directors, non-executive directors, employees and consultants.

Options granted under the 2015 Plan vest in accordance with the vesting schedule set out in each option holder's option agreement, in normal circumstances, between the first and fourth anniversary (or between the first and third anniversary for non-executive directors) of the vesting start date (typically the date of commencement of employment, appointment as a director, or entering into a consultancy agreement with us).

Admission did not automatically accelerate the vesting of options, and unvested options continue to vest in accordance with their original vesting schedule, subject to the rules of the 2015 Plan. The options are not subject to performance conditions other than continued service.

Options are not automatically exercisable on vesting, but upon Admission became exercisable to the extent vested. Options may generally be exercised until the day immediately preceding the tenth anniversary of the date of grant.

Options have been granted under the 2015 Plan with an exercise price ranging from £1.29 per ordinary share to £2.21 per ordinary share.

Plan Leavers

Options held by option holders who leave their office or employment will lapse immediately, unless the option holder is a Good Leaver (as defined in the plan rules). If the option holder is a Good Leaver, the option may be exercised to the extent vested at the date of cessation of services and for such period as our board of directors determines and communicates to the option holder at that time (except upon death, in which case, options may be exercised for a period of one year), after which time they will lapse.

Certain Transactions

Under the 2015 Plan, certain corporate events such as a Takeover or a Trade Sale (as defined in the plan rules) will accelerate the vesting of all unvested options upon the occurrence of such event. Options will then be exercisable for a period of 40 days thereafter, after which they will lapse.

Adjustments

In the event of any capitalization, rights issue, consolidation, subdivision, reduction or any other variation of our share capital, the number of ordinary shares subject to an option and the exercise price applying to an option may be varied in such manner as our board of directors may determine.

Amendment and Termination

Our board of directors may, at any time, amend the rules of the 2015 Plan with effect from a current, future or past date by way of a resolution, except that no amendment may be made which would abrogate or adversely affect the subsisting rights of option holders, unless consent from a majority of the affected option holders is obtained (by reference to the number of ordinary shares subject to options). However, any amendment to benefit the administration of the 2015 Plan, to take account of legislative changes, a Takeover or a Trade Sale (as defined in the plan rules) or to obtain or maintain favorable tax treatment or regulatory treatment may be made by our board of directors without the consent of option holders.

The Mereo BioPharma Group plc Share Option Plan

Our board of directors adopted the Share Option Plan on March 4, 2016, and has subsequently amended it. Except where the context indicates otherwise, references to our ordinary shares shall be deemed to include a number of ADSs representing a right to receive such ordinary shares.

Eligibility, Awards and Administration

The Share Option Plan provides for the grant of options to acquire our ordinary shares to employees and executive directors. Options may be granted to all eligible employees on commencement of employment and may be granted on a periodic basis after that. The Share Option Plan is administered by our board of directors who also set the terms and conditions of all options granted under the Share Option Plan, including any vesting and vesting acceleration conditions. Options are granted under the Share Option Plan at the discretion of our board of directors.

Vesting and Exercise

Under the Share Option Plan, our board of directors may determine the vesting schedule of an option and whether the vesting of an option will be subject to the satisfaction of a performance condition, although options are not currently granted subject to performance conditions other than continued service with us. Once an option has vested, it may be exercised during the period ending on the tenth anniversary of the date of grant, after which time it will lapse. The exercise price of an option may not be less than the greater of: (i) the market value of a share on the date of grant; or (ii) if the shares are to be subscribed, the nominal value of a share. Our board of directors may determine that an options be settled in cash or by net exercise of the option.

Limitation on Awards

No eligible employee may be granted options that, at the time they are granted, would cause the market value of shares subject to the options granted to the employee in respect of a financial year to exceed 400% of the employee's salary.

Plan Leavers

If a participant ceases to hold office or employment with us as a result of dismissal for gross misconduct, any option the participant holds, whether vested or unvested, will lapse.

If a participant ceases to hold office or employment with us for any reason other than dismissal for gross misconduct then: (i) if the option is already vested, it may be exercised within six months from the date of cessation of services if such cessation did not occur as a result of the participant's death, and within 12 months from the date of cessation of services if such cessation occurred as a result of the participant's death; and (ii) if the option is not already vested, it will vest on the normal vesting date as described above, unless our board of directors determines that the option will vest on the date of cessation of services. Where an option vests in these circumstances, any performance condition will be taken into account and, unless our board of directors determines otherwise, will be pro-rated for time.

Unless the board determines otherwise, options may not be transferred in any way and will lapse immediately on any attempt to do so, except that options may be transferred to a participant's personal representative upon death.

Certain Transactions

Under the Share Option Plan, if certain changes are made in, or events occur with respect to our ordinary shares (including any variation of share capital, demerger, delisting, special dividend, rights issue or any other event, which may, in the opinion of our board of directors affect the current or future value of our ordinary shares), the number of shares subject to an option or the exercise price of an option may be adjusted as determined by our board of directors. In addition, upon such an event, our board of directors will determine: (i) whether and to what extent options which have not yet vested will vest; and (ii) the period of time during which any vested option may be exercised.

In the event of certain corporate transactions, including a scheme of arrangement or general offer, the vesting and exercisability of all options will accelerate to the extent determined by our board of directors, after which they will be exercisable for one month (or such longer period as determined by our board of directors, but not exceeding six months), following which they will lapse. However, if there is an internal reorganization, unless our board of directors determines otherwise, an option will generally be exchanged in consideration of the grant of a new option which, as determined by our board of directors, is equivalent to the option but relates to shares in a different company (whether the acquiring company or a different company). Any option that does not vest or is not exchanged will lapse immediately.

Amendment and Termination

Our board of directors may, at any time, amend the rules of the Share Option Plan, except that no amendment may be made: (i) which would be to the material disadvantage of the existing rights of participants unless every participant who may be affected by such amendment has been invited to indicate whether he or she approves the amendment and the amendment is approved by a majority of such participants; or (ii) which would prevent the Share Option Plan from being an employees' share scheme in accordance with the Companies Act 2006. No options may be granted pursuant to the Share Option Plan after the tenth anniversary of the date of our Admission.

The Mereo BioPharma Group plc Long Term Incentive Plan

In order to further incentivize our employees and align their interests with shareholders, our board of directors adopted the LTIP on June 9, 2016 and has subsequently amended it.

Eligibility, Awards and Administration

The LTIP provides for the grant of nil-cost options, conditional awards, cash conditional awards or cash options, or, the LTIP Awards, to our employees. The shares used to satisfy the LTIP Awards are currently delivered through the Mereo BioPharma Group plc Employee Benefit Trust, which is based in Jersey.

Our board of directors may determine that the LTIP Awards are settled in cash.

Vesting and Exercise

The LTIP Awards are subject to a vesting schedule as determined by our board of directors. LTIP Awards granted to key executive directors and senior management are subject to: (i) a share price performance condition; and (ii) the achievement of strategic operational targets. If on the date a LTIP Award is due to vest or be exercisable a restriction on share dealing (as may be imposed by our share dealing code or the AIM rules) applies to the award, then the award will vest on the date on which such dealing restriction lifts.

Limitation on Awards

No eligible employee may be granted LTIP Awards that, at the time they are granted, would cause the market value of shares subject to the LTIP Awards granted to the employee in respect of a financial year to exceed 300% of the employee's salary.

The LTIP Awards may be: (i) reduced; or (ii) where the underlying shares or cash has already been transferred to the participant following vesting or exercise of the LTIP Award (as applicable), clawed back, where prior to the second anniversary of the end of the relevant performance period there has been a material misstatement of our accounts, an error in assessing a performance condition such that the LTIP Award vests to a greater extent than it would have vested, or fraudulent or material misconduct on the part of the participant.

Scheme Leavers

The LTIP Awards will usually lapse on the participant's cessation of employment or office, unless the cessation is because of death, ill health, injury or disability, or where the participant is no longer employed by us, or for any other reason at our board of directors' discretion, except where the participant is summarily dismissed, in which case any unvested LTIP Awards will usually continue until the normal vesting date, unless our board of directors determines otherwise.

Certain Transactions

Under the LTIP, if certain changes are made in or events occur with respect to our ordinary shares (including any variation of share capital, any demerger, delisting, special dividend, rights issue or other

event which may in the opinion of our board of directors, affect the current or future value of our ordinary shares), the number of shares subject to a LTIP Award, or any performance condition, may be adjusted as determined by our board of directors. In addition, upon such an event, our board of directors will determine: (i) whether and to what extent Awards which have not yet vested will vest; and (ii) the period of time during which any vested option may be exercised.

In the event of certain corporate transactions, including a general offer or a scheme of arrangement, the vesting and exercisability of all LTIP Awards will accelerate to the extent determined by our board of directors (taking into account the extent to which any performance conditions have been satisfied and usually the period of time from the date of grant to the date of the corporate transaction), and any nil-cost options will remain exercisable for one month (or such other period as determined by our board of directors), following which they will lapse. However, if there is an internal reorganization, a LTIP Award will be exchanged in consideration of the grant of a new award which, as determined by our board of directors, is equivalent to the LTIP Award but relates to shares in a different company (whether the acquiring company or a different company). Any LTIP Award that does not vest or is not exchanged will lapse immediately.

Amendment and Termination

Our board of directors may, at any time, amend the rules of the LTIP or the terms of any LTIP Award, except that no amendment may be made: (i) which would be to the material disadvantage of the existing rights of participants unless every participant who may be affected by such amendment has been invited to indicate whether he or she approves the amendment and the amendment is approved by a majority of such participants; or (ii) which would prevent the LTIP from being an employees' share scheme in accordance with the Companies Act 2006. No LTIP Awards may be granted pursuant to the LTIP after the tenth anniversary of the date of Admission.

The Mereo BioPharma Group plc Deferred Bonus Share Plan

Our board of directors adopted the DBSP on June 9, 2016 and has subsequently amended it.

Eligibility, Awards and Administration

The DBSP provides for the deferral of a percentage (currently 30%) of the annual bonuses awarded to our employees into the right to acquire shares equal in value to the amount deferred, free of charge.

Under the DBSP, conditional awards or nil-cost options, or the DBSP Awards, may only be granted to participants who have earned a bonus, pursuant to our annual bonus plan, for the financial year immediately preceding the financial year in which the grant date occurs. A DBSP Award will be granted over such number of shares as have at the grant date a market value, as determined by our board of directors, equal to the deferred bonus (the amount of bonus which is to be delivered in the form of a conditional award or a nil-cost option).

Vesting and Exercise

The DBSP Awards will generally vest three years after the date of grant and have no performance conditions or service condition. The DBSP Awards may be settled in cash if determined by our board of directors. The shares used to satisfy the DBSP Awards are currently delivered through the Mereo BioPharma Group plc Employee Benefit Trust, which is based in Jersey.

If on the date a DBSP Award is due to vest or be exercisable a restriction on share dealing (as may be imposed by our share dealing code or the AIM rules) applies to the award, then the award will vest on the date on which such dealing restriction lifts.

Once a nil-cost option has vested, it may be exercised during the period ending on the first anniversary of the date on which it vested in such manner as our board of directors determines, after which time it will lapse.

Limitation on Awards

No eligible employee may be granted DBSP Awards that, at the time they are granted, would cause the market value of shares subject to the DBSP Awards granted to the employee in respect of a financial year to exceed 100% of the employee's salary.

The DBSP Awards may, prior to the third anniversary of the grant date, be: (i) reduced; or (ii) where the underlying shares or cash have already been transferred to the participant following vesting or exercise of the DBSP Award (as applicable), clawed back, where there has been a material misstatement of our accounts, an error in assessing the information on which the bonus was determined such that the bonus was overpaid, or fraudulent or material misconduct on the part of the participant.

Certain Transactions

Under the DBSP, if certain changes are made in or events occur with respect to our ordinary shares (including any variation of share capital, any demerger, delisting, special dividend, rights issue or other event which may in the opinion of our board of directors, affect the current or future value of our ordinary shares), the number of shares subject to a DBSP Award may be adjusted as determined by our board of directors. In addition, upon such an event, our board of directors will determine: (i) whether and to what extent DBSP Awards which have not yet vested will vest; and (ii) the period of time during which any vested option may be exercised.

In the event of certain corporate transactions, including a general offer or a scheme of arrangement, the vesting and exercisability of all DBSP Awards will accelerate to the extent determined by our board of directors, after which, the DBSP Awards will be exercisable for one month (or such other period as or determined by our board of directors), following which they will lapse. However, if there is an internal reorganization, a DBSP Award will be exchanged in consideration of the grant of a new award which, as determined by our board of directors, is equivalent to the DBSP Award but relates to shares in a different company (whether the acquiring company or a different company).

Scheme Leavers

Except for where a participant is summarily dismissed (in which case the awards will be forfeited), the DBSP Awards usually will continue upon cessation of office or employment with us and vest in full on the normal vesting date as described above. Options will remain exercisable for a period of 12 months from the date of vesting.

Amendment and Termination

Our board of directors may, at any time, amend the rules of the DBSP, except that no amendment may be made: (i) which would be to the material disadvantage of the existing rights of participants unless every participant who may be affected by such amendment has been invited to indicate whether he or she approves of the amendment and the amendment is approved by a majority of such participants; or (ii) which would prevent the DBSP from being an employees' share scheme in accordance with the Companies Act 2006.

No DBSP Awards may be granted pursuant to the DBSP after the tenth anniversary of the date of Admission.

The Mereo BioPharma Group plc Share Option Scheme for Non-Executive Directors

Our board of directors adopted the NED Plan on March 20, 2018. Except where the context indicates otherwise, references to our ordinary shares shall be deemed to include a number of ADSs representing the right to receive such ordinary shares.

Eligibility, Awards and Administration

The NED Plan provides for the grant of options to acquire our ordinary shares to non-executive directors. The NED Plan is administered by our board of directors who also set the terms and conditions of all options granted under the NED Plan, including any vesting and vesting acceleration conditions. Options are granted under the NED Plan at the discretion of our board of directors.

Vesting and Exercise

Under the NED Plan, our board of directors may determine the vesting schedule of the option. Once an option has vested, it may be exercised during the period ending on the tenth anniversary of the date of grant, after which time it will lapse. The exercise price of an option may not be less than the greater of: (i) the market value of a share on the date of grant; or (ii) if the shares are to be subscribed, the nominal value of a share. Our board of directors may determine that options be settled in cash or by cashless exercise of the option.

Plan Leavers

If a participant ceases to hold office with us as a result of dismissal for gross misconduct, any option the participant holds, whether vested or unvested, will lapse. If a participant ceases to hold office with us for any reason other than dismissal for gross misconduct then: (i) if the option is already vested, it may be exercised within six months from the date of cessation of services if such cessation did not occur as a result of the participant's death, and within 12 months from the date of cessation of services if such cessation occurred as a result of the participant's death; and (ii) if the option is not already vested, it will vest on the option's normal vesting date, unless our board of directors determines that the option will vest on the date of cessation of services. Where an option vests in these circumstances, options will be pro-rated for time, unless the Board decides otherwise. Options may not be transferred in any way and will lapse immediately on any attempt to do so, except that options may be transferred to a participant's personal representative upon death.

Certain Transactions

Under the NED Plan, if certain changes are made in, or events occur with respect to our ordinary shares (including any variation of share capital, demerger, delisting, special dividend, rights issue or any other event, which may, in the opinion of our board of directors affect the current or future value of our ordinary shares), the number of shares subject to an option or the exercise price of an option may be adjusted as determined by our board of directors. In addition, upon such an event, our board of directors will determine: (i) whether and to what extent options which have not yet vested will vest; and (ii) the period of time during which any vested option may be exercised.

In the event of certain corporate transactions, including a scheme of arrangement or general offer, the vesting and exercisability of all options will accelerate to the extent determined by our board of directors, after which they will be exercisable for one month (or such longer period as determined by our board of directors, but not exceeding six months), following which they will lapse. However, if there is an internal reorganization, unless our board of directors determines otherwise, an option will generally be exchanged in consideration of the grant of a new option which, as determined by our board of directors, is equivalent to the option but relates to shares in a different company (whether the acquiring company or a different company). Any option that does not vest or is not exchanged will lapse immediately.

Amendment and Termination

Our board of directors may, at any time, amend the rules of the NED Plan, except that no amendment may be made which would be to the material disadvantage of the existing rights of

participants unless every participant who may be affected by such amendment has been invited to indicate whether he or she approves the amendment and the amendment is approved by a majority of such participants. No options may be granted pursuant to the NED Plan after the tenth anniversary of the date of its adoption.

The following table summarizes: (i) the outstanding number of options and awards under the equity incentive plans; and (ii) the number of shares granted to directors, executive officers, and non-executive directors, as of March 1, 2018:

Name	Ordinary Shares	Ordinary Shares Underlying Options	Exercise Price Per Ordinary Share (£)	Grant Date	Expiration Date
Denise Scots-Knight, Ph.D.	844,199	1,544,745 461,538 25,319 N/A	1.29 nil nil N/A	September 25, 2015 June 9, 2016 April 4, 2017 N/A	September 25, 2025 June 9, 2026 April 4, 2021 N/A
Richard Jones	—	650,000 185,950	3.02 nil	April 4, 2017 April 4, 2017	April 4, 2027 June 9, 2026
Alastair MacKinnon	425,974	772,371 234,162 17,127 N/A	1.29 nil nil N/A	September 25, 2015 June 9, 2016 April 4, 2017 N/A	September 25, 2025 June 9, 2026 April 4, 2021 N/A
John Richard	249,658	772,371 50,000 N/A	1.29 2.21 N/A	September 25, 2015 June 1, 2016 N/A	September 25, 2025 June 1, 2026 N/A
Charles Sermon	524,504	772,371 269,796 19,734 N/A	1.29 nil nil N/A	September 25, 2015 June 9, 2016 April 4, 2017 N/A	September 25, 2025 June 9, 2026 April 4, 2021 N/A
Peter Fellner	10,000	1,692,673 N/A	1.29 N/A	September 29, 2015 N/A	September 29, 2025 N/A
Frank Armstrong	256,444	216,264 N/A N/A	1.29 N/A N/A	September 29, 2015 N/A N/A	September 29, 2025 N/A N/A
Peter Bains	107,906	710,583 N/A	1.29 N/A	September 29, 2015 N/A	September 29, 2025 N/A
Paul Blackburn	22,624	236,974 N/A	1.84 N/A	May 11, 2016 N/A	May 11, 2026 N/A
Anders Ekblom	93,002	216,264 N/A	1.29 N/A	September 29, 2015 N/A	September 29, 2025 N/A
Kunal Kashyap	1,497,735	216,264 N/A	1.29 N/A	September 29, 2015 N/A	September 29, 2025 N/A

Incentive Award Arrangements

In connection with the global offering and effective upon pricing of the global offering, our board of directors has approved one-time incentive awards, effective upon the effectiveness of the registration statement of which this prospectus forms a part, to certain of our employees, including our current executive officers, to incentivize future performance and recognize their service and significant efforts for our business. These awards are in the form of option grants under the Share Option Plan in the following amounts: Dr. Scots-Knight: 460,000 shares subject to the option; Mr. Jones: 250,000 shares

subject to the option; Dr. MacKinnon: 200,000 shares subject to the option; Mr. Sermon: 200,000 shares subject to the option; and Mr. Richard: 200,000 shares subject to the option. The options will have a per share exercise price equal to the offering price of our ordinary shares in the European private placement and will vest over three years following the date of grant, subject to continued employment on the applicable vesting date.

Our board of directors has also approved one-time incentive awards to each of the following non-executive directors: Frank Armstrong, Peter Bains, Paul Blackburn, Anders Ekblom, Peter Fellner, and Kunal Kashyap. Each award is in the form of an option grant under the NED Plan with respect to 20,000 shares. The options will have a per share exercise price equal to the offering price of our ordinary shares in the European private placement and will vest as to one-third of the shares subject to the option, on the first anniversary of the date of grant, and as to the remainder of the shares subject to the option, in 24 equal monthly installments thereafter, subject to continued service on the applicable vesting date.

Following the global offering, we currently expect to make grants of incentive awards under our Share Plans representing an aggregate of 4% of our share capital on an annual basis to our employees and non-executive directors. The terms, allocation and amounts of these awards will be determined by our board of directors.

Non-Employee Directors Remuneration

The following table sets forth the remuneration paid during 2017 to the current non-employee directors, all of which was in the form of annual fees:

Name	Annual Fees (£)
Frank Armstrong	56,000
Peter Bains	44,000
Paul Blackburn	48,000
Anders Ekblom	48,000
Peter Fellner	100,000
Kunal Kashyap	40,000

Non-Employee Director Service Contracts

The remuneration of the non-executive directors is determined by our board as a whole, based on a review of current practices in other companies. We have entered into service contracts with our directors for their services, which are subject to a three-month termination period. There are no arrangements under which any non-executive director is entitled to receive compensation upon the early termination of his appointment.

Pension, Retirement or Similar Benefits

We operate a defined contribution pension scheme which is available to all employees. We make payments of up to 10% of basic salary for executives (up to 15% for our Chief Executive Officer) into any pension scheme or similar arrangement as the participating executive may reasonably request (or a payment in lieu thereof) Such payments are not counted for the purposes of determining bonuses or awards under the LTIP. The total amount set aside or accrued by us to provide pension, retirement or similar benefits to our current directors and our senior management with respect to 2017 was £130,622, which represents contributions made by us in 2017 in respect of a defined contribution scheme.

Employees

As of December 31, 2017 and 2016, we had 31 and 24 employees, respectively. All of our employees were based in the United Kingdom. All of our employees were engaged in either general and administrative or research and development functions. None of our employees are covered by a collective bargaining agreement.

Insurance and Indemnification

To the extent permitted by the U.K. Companies Act 2006, we are empowered to indemnify our directors against any liability they incur by reason of their directorship. We maintain directors' and officers' insurance to ensure such persons against certain liabilities. We have entered into a deed of indemnity with each of our directors and we expect to enter into a new deed of indemnity with each of our directors and executive officers in connection with the global offering.

Insofar as indemnification of liabilities arising under the Securities Act may be permitted to our board, executive officers, or persons controlling us pursuant to the forgoing provisions, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

PRINCIPAL SHAREHOLDERS

The following table sets forth information relating to the beneficial ownership of our ordinary shares as of March 1, 2018 by:

- each person, or group of affiliated persons, known by us to own beneficially 3% or more of our outstanding ordinary shares; and
- each member of our board of directors and each of our other executive officers.

The number of ordinary shares beneficially owned by each entity, person, board member, or executive officer is determined in accordance with the rules of the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares over which the individual has sole or shared voting power or investment power as well as any shares that the individual has the right to acquire within 60 days of , 2018 through the exercise of any option, warrant or other right. Except as otherwise indicated, and subject to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all ordinary shares held by that person.

The percentage of ordinary shares beneficially owned before the offering is computed on the basis of 71,094,974 ordinary shares outstanding as of March 1, 2018. Ordinary shares that a person has the right to acquire within 60 days of March 1, 2018 are deemed outstanding for purposes of computing the percentage ownership of the person holding such rights, but are not deemed outstanding for purposes of computing the percentage ownership of any other person, except with respect to the percentage ownership of all board members and executive officers as a group. Unless otherwise indicated below, the address for each beneficial owner listed is c/o Mereo BioPharma Group plc, Fourth Floor, One Cavendish Place, London W1G 0QF, United Kingdom.

Name and address of beneficial owner	Number of Ordinary Shares Beneficially Owned Before Offering	Percentage of Ordinary Shares Beneficially Owned	
		Before Offering	After Offering
3% or Greater Shareholders:			
Woodford Investment Management(1)	29,843,946	41.98%	
Invesco Asset Management(2)	19,149,176	26.93	
Novartis Pharma AG(3)	13,887,000	19.5	
Hargreave Hale(4)	2,870,000	4.04	
Executive Officers and Directors:			
Denise Scots-Knight, Ph.D.	844,199	1.19%	
Richard Jones	—	—	
Alastair MacKinnon, MBBS	425,974	*	
John Richard	249,658	*	
Charles Sermon	524,504	*	
Peter Fellner, Ph.D.	10,000	*	
Frank Armstrong, MBChB	249,658	*	
Peter Bains	107,906	*	
Paul Blackburn	22,624	*	
Anders Ekblom, M.D., Ph.D.	93,002	*	
Kunal Kashyap	1,497,735	2.11%	

* Indicates beneficial ownership of less than 1% of the total outstanding ordinary shares.

(1) Consists of (i) 16,853,667 shares of common stock held LF Woodford Equity Income Fund, a sub fund of CF Woodford Investment Fund, or WEIF, (ii) 2,023,636 ordinary shares held by Omnis Income & Growth Fund, a sub fund of Omnis Portfolio Investments ICVC, or OIGF, (iii) 1,070,770 shares held by Old Mutual Woodford Equity Income Fund, or OMWEIF, and (iv) 9,895,873 ordinary shares of common stock held by Woodford Patient Capital Trust, Plc, or WPCT. Woodford Investment Management Limited acts as agent for and on behalf of WEIF, OIGF, OMWEIF, and WPCT, each as a discretionary managed client. Woodford Investment Management Limited has the power to direct the vote and disposition of the common stock held by WEIF, OIGF, OMWEIF and WPCT. Accordingly, Woodford Investment Management Limited may be deemed to be the beneficial owner of these ordinary shares. Neil Woodford is Head of Investments for Woodford Investment Management Limited and may be deemed to share beneficial ownership of these ordinary shares with Woodford Investment Management Limited. Mr. Woodford expressly disclaims beneficial ownership of these shares, except to the extent of any pecuniary interest therein. Beneficial ownership information is based on information known to us and a Form TR 1 provided to us on November 6, 2017. The address of Woodford Investment Management Limited is 9400 Garsington Road, Oxford, OX4 2HN, United Kingdom.

(2) The share holdings of Invesco Asset Management consist of (i) 13,529,377 ordinary shares beneficially owned by Invesco Perpetual High Income Fund; (ii) 501,678 ordinary shares beneficially owned by Invesco Perpetual Income Fund; and (iiii) 5,118,121 ordinary shares beneficially owned by Invesco Perpetual UK Growth Fund. Beneficial ownership information is based on information known to us and a Form TR 1 provided to us on April 28, 2017. The address of Invesco Asset Management Limited is 30 Finsbury Square, London EC2A 1AG, United Kingdom.

(3) Consists of 13,767,841 ordinary shares held by Novartis Pharma AG and 119,159 ordinary shares that Novartis Pharma AG is able to acquire pursuant to the Novartis Notes within 60 days of March 1, 2018. Novartis AG is the publicly owned parent company of Novartis Pharma AG and may be deemed to beneficially own the ordinary shares held by Novartis Pharma AG. Beneficial ownership information is based on information known to us and a Form TR 1 provided to us on April 28, 2017. The address of Novartis AG is Lichtstrasse 35, 4056 Basel, Switzerland.

(4) Consists of 1,250,000 ordinary shares held by Marlborough Special Situations Fund and 1,620,000 ordinary shares held by Marlborough UK Micro Cap Growth Fund, for which Hargreave Hale acts as manager. Beneficial ownership information is based on information known to us.

To our knowledge, and other than changes in percentage ownership as a result of the shares issued in connection with our initial public offering in the United Kingdom, there has been no significant change in the percentage ownership held by the major shareholders listed above in the last three years, except as discussed under the heading “Related Party Transactions.”

RELATED PARTY TRANSACTIONS

The following is a description of related party transactions we have entered into with the beneficial owners of 3% or more of our ordinary shares, which are our only voting securities, and senior management and members of our board of directors, since our incorporation.

Subscription Agreement

On July 28, 2015, we entered into a subscription agreement for ordinary shares, or the Subscription Agreement, with Invesco Perpetual High Income Fund, Woodford Patient Capital Trust plc and LF Woodford Equity Income Fund, or, collectively, the Existing Investors, and Novartis. Under the Subscription Agreement, we initially issued 10,869,566 ordinary shares to the Existing Investors at a price per ordinary share of £1.84 for total aggregate cash proceeds of £20.0 million, and 3,849,000 ordinary shares to Novartis in connection with the asset purchase agreements described under "—Other Transactions with Novartis."

The Subscription Agreement provided for us to draw down additional investments from the Existing Investors. The Subscription Agreement also obligated us, upon the issuance of additional ordinary shares, to issue to Novartis the number of ordinary shares required to maintain Novartis' percentage ownership of us at 19.5%, with the maximum aggregate number of ordinary shares that may be issued to Novartis under the Subscription Agreement set at 14,000,000. On June 9, 2016, we issued an additional 30,727,361 ordinary shares to the Existing Investors pursuant to the drawdown and 8,697,480 ordinary shares to Novartis to maintain its percentage ownership following the drawdown and an additional private placement of our ordinary shares, for aggregate cash proceeds to us of £72.6 million. In accordance with its terms, the Subscription Agreement was terminated upon the admission of our ordinary shares to trading on AIM on June 9, 2016. In lieu of the remaining ordinary shares that we were obligated to issue to Novartis under the Subscription Agreement, Novartis is entitled to receive additional shares upon conversion of the convertible notes issued to Novartis on June 3, 2016. See "—Other Transactions with Novartis—Novartis Notes."

Other Transactions with Novartis

On July 28, 2015, we entered into asset purchase agreements with Novartis to purchase each of BPS-804, BCT-197, and BGS-649. See "Business—Material Agreements—Novartis Agreements." As consideration, we issued 3,849,000 ordinary shares to Novartis.

Novartis Notes

On June 3, 2016, we issued 3,463,563 Novartis Notes to Novartis, for aggregate proceeds to us of £3.5 million. The Novartis Notes bear interest at 4% per annum and accruing daily. Novartis may at any time convert all or some of the Novartis Notes into our ordinary shares at a conversion price of £2.21 per ordinary share. In addition, upon the conversion of any Novartis Notes, Novartis is entitled to receive a number of Bonus Shares equal to the number of shares into which such Novartis Notes are converted multiplied by 0.93, up to 1,453,520 Bonus Shares in aggregate. To the extent any of the Novartis Notes remain outstanding on March 2, 2021, we are obligated to pay Novartis the principal amount of such outstanding Novartis Notes together with any accrued interest.

On April 6, 2017, Novartis delivered to us a notice of conversion with respect to £1,398,552 aggregate principal amount of Novartis Notes. Pursuant to such notice, on April 26, 2017, £1,398,552 aggregate principal amount of Novartis Notes was converted into 632,829 fully paid ordinary shares. Additionally, in connection with such conversion, we issued 588,532 Bonus Shares to Novartis.

As of the date of this prospectus, the outstanding principal and accrued interest of the Novartis Notes is £2,264,036.

Supply Payments

In 2016, we paid Novartis a total of £968,219. In 2017, we paid Novartis a total of £4,610,106 for the manufacture and supply of clinical trial material.

Novartis Board Observer Rights

Pursuant to our Articles of Association, for as long as Novartis holds not less than one percent of our issued share capital, Novartis may appoint one observer who may attend, but not participate or vote in, any meeting of our board of directors.

Transactions with Our Executive Officers and Directors

Frank Armstrong, a member of our board of directors, is a director of Dr. Frank M Armstrong Consulting Ltd., or Armstrong Consulting. In 2015, we paid Armstrong Consulting a total of £120,412 for assistance with diligence activities, advisory services and reimbursement of travel costs.

Dr. Denise Scots-Knight, Dr. Alastair MacKinnon, Charles Sermon, John Richard, Kunal Kashyap, and Peter Bains are directors of Phase4. In 2015, we paid Phase4 a total of £458,359 for reimbursement of pre-establishment third-party consultancy services and for office and travel costs.

We have entered into employment agreements or consultancy agreements with certain of our executive officers. See “Management—Compensation—Executive Officer Employment and Consultancy Agreements.”

Indemnity Agreements

We have entered into deeds of indemnity with each of our directors and we expect to enter into a new deed of indemnity with each of our directors and executive officers in connection with the global offering. See “Management—Insurance and Indemnification.”

Related Person Transaction Policy

Our board of directors has adopted a written related person transaction policy, to be effective immediately upon the effectiveness of the registration statement of which this prospectus forms a part, setting forth the policies and procedures for the review and approval or ratification of related person transactions. This policy will cover, any transaction or proposed transactions between us and a related person that are material to us or the related person, including without limitation, purchases of goods or services by or from the related person or entities in which the related person has a material interest, indebtedness, guarantees of indebtedness and employment by us of a related person. In reviewing and approving any such transactions, our audit and risk committee is tasked to consider all relevant facts and circumstances, including, but not limited to, whether the transaction is on terms comparable to those that could be obtained in an arm’s length transaction and the extent of the related person’s interest in the transaction. All of the transactions described in this section occurred prior to the adoption of this policy.

DESCRIPTION OF SHARE CAPITAL AND ARTICLES OF ASSOCIATION

General

We were incorporated as a private limited company with the legal name Mereo BioPharma Group Limited under the laws of England and Wales on March 10, 2015 with the company number 09481161. On June 3, 2016, we were re-registered as a public limited company with the legal name Mereo BioPharma Group plc. Our registered office is 4th Floor, One Cavendish Place, London, W1G 0QF, United Kingdom. The principal legislation under which we operate and our ordinary shares are issued is the U.K. Companies Act 2006.

Share Capital

As of March 1, 2018, our issued share capital was £213,285. The nominal value of our ordinary shares is £0.003 per ordinary share. Each issued ordinary share is fully paid.

Options

As of March 1, 2018, there were options to purchase 11,916,424 ordinary shares outstanding with a weighted average exercise price of £1.42 per ordinary share. The options generally lapse after 10 years from the date of the grant.

Novartis Notes

On June 3, 2016, we issued 3,463,563 Novartis Notes to Novartis. As of March 1, 2018, the outstanding principal and accrued interest on the Novartis Notes was £2,259,057, which may be converted into 1,022,197 ordinary shares at a conversion price of £2.21 per ordinary share at any time until they mature. In connection with any such conversion, we are also obligated to issue a number of Bonus Shares equal to the number of shares into which the Novartis Notes are converted multiplied by 0.93, up to a maximum of 1,453,520 Bonus Shares. To date, we have issued 588,532 Bonus Shares. The Novartis Notes mature on March 2, 2021, at which time we will be obligated to pay any outstanding principal together with any accrued interest.

Ordinary Shares

The following summarizes the rights of holders of our ordinary shares:

- each holder of our ordinary shares is entitled to one vote per ordinary share at a meeting of shareholders (provided that certain shareholders each have their votes on a poll limited to 19.5% of the total voting share capital and any votes which would have otherwise been exercisable by them shall be deemed to be held and exercisable by the other shareholders, other than those and certain other shareholders, on a pro rata basis);
- the holders of the ordinary shares shall be entitled to receive notice of, attend, speak, and vote at our general meetings; and
- holders of our ordinary shares are entitled to receive such dividends as are recommended by our directors and declared by our shareholders.

Registered Shares

We are required by the U.K. Companies Act 2006 to keep a register of our shareholders. Under English law, the ordinary shares are deemed to be issued when the name of the shareholder is entered in our share register. The share register therefore is prima facie evidence of the identity of our shareholders, and the shares that they hold. The share register generally provides limited, or no, information regarding the ultimate beneficial owners of our ordinary shares. Our share register is maintained by our registrar, Link Asset Services.

Holders of our ADSs will not be treated as shareholders and their names will therefore not be entered in our share register. The depositary, the custodian or their nominees will be the holder of the ordinary shares underlying our ADSs. For discussion on our ADSs and ADS holder rights see “Description of American Depository Shares” in this prospectus. Holders of our ADSs have a right to receive the ordinary shares underlying their ADSs as discussed in “Description of American Depository Shares” in this prospectus.

Under the U.K. Companies Act 2006, we must enter an allotment of ordinary shares in our share register as soon as practicable and in any event within two months of the allotment. We will perform all procedures necessary to update the share register to reflect the ordinary shares being sold in the global offering, including updating the share register with the number of ordinary shares to be issued to the depositary upon the closing of the U.S. offering. We also are required by the U.K. Companies Act 2006 to register a transfer of ordinary shares (or give the transferee notice of and reasons for refusal) as soon as practicable and in any event within two months of receiving notice of the transfer.

We, any of our shareholders or any other affected person may apply to the court for rectification of the share register if:

- the name of any person, without sufficient cause, is wrongly entered in or omitted from our register of members; or
- there is a default or unnecessary delay in entering on the register the fact of any person having ceased to be a member or on which we have a lien, provided that such refusal does not prevent dealings in the shares taking place on an open and proper basis.

Preemptive Rights

English law generally provides shareholders with preemptive rights when new shares are issued for cash; however, it is possible for the articles of association, or shareholders in a general meeting, to exclude preemptive rights. Such an exclusion of preemptive rights may be for a maximum period of up to five years from the date of adoption of the articles of association, if the exclusion is contained in the articles of association, or from the date of the shareholder resolution, if the exclusion is by shareholder resolution. In either case, this exclusion would need to be renewed by our shareholders upon its expiration (i.e., at least every five years). On June 2, 2016, our shareholders approved the exclusion of preemptive rights for a period of five years from the date of the approval in respect of the allotment of up to a maximum amount of £350,000 of ordinary shares of £0.003 each, which exclusion will need to be renewed upon expiration (i.e., at least every five years) to remain effective, but may be sought more frequently for additional five-year terms (or any shorter period).

Articles of Association

The following is a description of our Articles of Association to be adopted in connection with this offering. Unless noted otherwise, references in this prospectus to our Articles of Association refer to the Articles of Association to be adopted in connection with this offering.

Shares and Rights Attaching to Them

Objects

The objects of our company are unrestricted.

Share Rights

Subject to any special rights attaching to shares already in issue, our shares may be issued with or have attached to them any rights or restrictions as we may resolve by ordinary resolution of the shareholders or failing such determination, as the board may determine.

Voting Rights

Without prejudice to any special rights, privileges or restrictions as to voting rights attached to any shares forming part of our share capital from time to time, the voting rights attaching to shares are as follows:

- on a show of hands, every shareholder who (being an individual) is present in person and (being a corporation) is present by a duly authorized representative shall have one vote;
- on a show of hands, each proxy present in person has one vote for and one vote against a resolution if the proxy has been duly appointed by more than one shareholder and the proxy has been instructed by one or more of those shareholders to vote for the resolution and by one or more other of those shareholders to vote against it;
- on a show of hands, each proxy present in person has one vote for and one vote against a resolution if the proxy has been duly appointed by more than one shareholder entitled to vote on the resolution and either: (1) the proxy has been instructed by one or more of those shareholders to vote for the resolution and has been given any discretion by one or more other of those shareholders to vote and the proxy exercises that discretion to vote against it; or (2) the proxy has been instructed by one or more of those shareholders to vote against the resolution and has been given any discretion by one or more other of those shareholders to vote and the proxy exercises that discretion to vote for it; or
- on a poll every shareholder who is present in person or by proxy shall have one vote for each share of which he is the holder, provided that certain shareholders each have their votes limited to 19.5% of the total voting share capital and any votes which would have otherwise been exercisable by them shall be deemed to be held and exercisable by the other shareholders, other than those and certain other shareholders, on a pro rata basis.

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is demanded. Subject to the provisions of the U.K. Companies Act 2006, as described in “Differences in Corporate Law—Voting Rights” in this prospectus, a poll may be demanded by:

- the chairman of the meeting;
- the directors;
- two or more persons having the right to vote on the resolution; or
- a person or persons representing not less than 10% of the total voting rights of all shareholders having the right to vote on the resolution.

Restrictions on Voting

No shareholder shall be entitled to vote at any general meeting in respect of any share held by him unless all sums payable by him in respect of that share have been paid.

The board may from time to time make calls upon the shareholders in respect of any money unpaid on their shares and each shareholder shall (subject to at least 14 days’ notice specifying when and how the payment is to be made) pay at the time or times so specified the amount called on his shares.

Dividends

We may by ordinary resolution of shareholders declare dividends out of profits available for distribution in accordance with the respective rights of shareholders but no such dividend shall exceed the amount recommended by the directors. The board may from time to time pay shareholders such interim dividends as appear to the board to be justified by our financial position but, if at any time, our share capital is divided into different classes the board may not pay such interim dividends in respect of those shares which confer on the holders thereof deferred or non-preferential rights with regard to dividends if, at the time of payment, any preferential dividend is in arrears.

Subject to any special rights attaching to or the terms of issue of any share, all dividends shall be declared and paid according to the amounts paid up on the shares and shall be apportioned and paid pro rata according to the amounts paid up on the shares during any part or parts of the period in respect of which the dividend is paid.

No dividend or other moneys payable by us on or in respect of any share shall bear interest against us unless otherwise provided by the rights attached to the share or the provisions of another agreement between the shareholder and us. Any dividend unclaimed after a period of 12 years from the date such dividend became due for payment shall be forfeited and cease to remain owing.

Dividends may be declared or paid in any currency and the board may decide the rate of exchange for any currency conversions that may be required, and how any costs involved are to be met, in relation to the currency of any dividend.

Any general meeting declaring a dividend may by ordinary resolution of shareholders, upon the recommendation of the board, direct payment or satisfaction of such dividend wholly or in part by the distribution of non-cash assets of equivalent value, including shares or other securities in any company.

The directors may, if authorized by an ordinary resolution of shareholders, offer any holders of ordinary shares the right to elect to receive in lieu of a dividend, or part of a dividend, an allotment of ordinary shares credited as fully paid up.

Change of Control

There is no specific provision in our Articles that would have the effect of delaying, deferring, or preventing a change of control.

Distributions on Winding Up

If we are in liquidation, the liquidator may, if authorized by a special resolution of shareholders and any other authority required at law, divide among shareholders (excluding us to the extent we are a shareholder by virtue only of holding treasury shares) in specie or in kind the whole or any part of our assets (whether or not the assets consist of property of one kind or consist of properties of different kinds and the liquidator may for such purpose set such value as the liquidator deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the shareholders or different classes of shareholders), or vest the whole or any part of such assets in trustees upon such trusts for the benefit of the shareholders as the liquidator determines (and the liquidation of the Company may be closed and the Company dissolved), but no shareholder shall be compelled to accept any shares or other assets upon which there is any liability or potential liability.

Variation of Rights

All or any of the rights and privileges attached to any class of shares issued may be varied or abrogated only with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class (excluding any shares held as treasury shares) or by special resolution passed at a separate general meeting of the holders of such shares, subject to the other provisions of the U.K. Companies Act 2006 and the terms of their issue. The U.K. Companies Act 2006 also provides a right to object to the variation of the share capital by the shareholders who did not vote in favor of the variation. Should 15% or more of the shareholders of the issued shares in question apply to the court to have the variation cancelled, the variation shall have no effect unless and until it is confirmed by the court.

Alteration to Share Capital

We may, by ordinary resolution of shareholders, consolidate all or any of our share capital into shares of larger amount than our existing shares, or sub-divide our shares or any of them into shares of a smaller amount. We may, by special resolution of shareholders, confirmed by the court, reduce our

share capital or any capital redemption reserve or any share premium account in any manner authorized by the U.K. Companies Act 2006. We may redeem or purchase all or any of our shares as described in "—Other U.K. Law Considerations—Purchase of Own Shares."

Preemption Rights

In certain circumstances, our shareholders may have statutory preemption rights under the U.K. Companies Act 2006 in respect of the allotment of new shares as described in "—Preemptive Rights" and "—Differences in Corporate Law—Pre-emptive Rights" in this prospectus.

Transfer of Shares

Any shareholder holding shares in certificated form may transfer all or any of his shares by an instrument of transfer in any usual form or any other form approved by the board. Any written instrument of transfer shall be signed by or on behalf of the transferor and (in the case of a partly paid share) the transferee.

In the case of uncertificated shares, the directors may take such action as they consider appropriate to achieve a transfer. The Uncertificated Securities Regulations 2001 permit shares to be issued and held in uncertificated form and transferred by means of a computer based system.

The board may decline to register any transfer of any share:

- which is not a fully paid share;
- where the transfer is not lodged at our registered office or such other place as the directors have appointed;
- where the transfer is not accompanied by the share certificate to which it relates, or such other evidence as the board may reasonably require to show the transferor's right to make the transfer, or evidence of the right of someone other than the transferor to make the transfer on the transferor's behalf;
- where the transfer is in respect of more than one class of share; and
- where the number of joint holders to whom the share is to be transferred exceeds four.

If the board declines to register a transfer, it must return to the transferee the instrument of transfer together with notice of the refusal, unless the board suspects that the proposed transfer may be fraudulent.

CREST

To be traded on AIM, securities must be able to be transferred and settled through the CREST system. CREST is a computerized paperless share transfer and settlement system which allows securities to be transferred by electronic means, without the need for a written instrument of transfer. The Articles are consistent with CREST membership and, amongst other things, allow for the holding and transfer of shares in uncertificated form.

Shareholder Meetings

Annual General Meetings

In accordance with the U.K. Companies Act 2006, we are required in each year to hold an annual general meeting in addition to any other general meetings in that year and to specify the meeting as such in the notice convening it. The annual general meeting shall be convened whenever and wherever the board sees fit, subject to the requirements of the U.K. Companies Act 2006, as described in "—Differences in Corporate Law—Annual General Meeting" and "—Differences in Corporate Law—Notice of General Meetings" in this prospectus.

Notice of General Meetings

The arrangements for the calling of general meetings are described in "—Differences in Corporate Law—Notice of General Meetings" in this prospectus.

Quorum of General Meetings

No business shall be transacted at any general meeting unless a quorum is present. At least two shareholders present in person or by proxy and entitled to vote shall be a quorum for all purposes.

Class Meetings

The provisions in the Articles relating to general meetings apply to every separate general meeting of the holders of a class of shares.

Directors

Number of Directors

We may not have less than two directors on the board of directors and not more than nine. We may, by ordinary resolution of the shareholders, vary the minimum and maximum number of directors from time to time.

Appointment of Directors

Subject to the provisions of the Articles, we may, by ordinary resolution of the shareholders or a decision of the directors, elect any person to be a director, either to fill a casual vacancy or as an addition to the existing board, provided the total number of directors does not exceed the maximum number fixed by or in accordance with the Articles. However, any person that is not a director retiring from the existing board must be recommended by the board or the person must have confirmed in writing to the Company their willingness to be elected as a director not later than seven days before the general meeting at which the relevant resolution is proposed.

Any director appointed by the board will hold office only until the next following annual general meeting at which they must retire. In addition, all directors must retire at the third annual general meeting following the annual general meeting at which such director was elected or last re-elected. Such directors are eligible for re-election at the annual general meeting at which they retire

The shareholders may, at the meeting at which a director retires, fill the vacated office by electing a person and in default the retiring director shall, if willing to continue to act, be deemed to have been re-elected, unless at such meeting it is expressly resolved not to fill such vacated office or unless a resolution for the re-election of such director shall have been put to the meeting and lost.

Directors' Interests

If a situation arises in which a director has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with our interests (other than a situation that cannot reasonably be regarded as likely to give rise to a conflict of interest or a conflict of interest arising in relation to a transaction or arrangement with the Company), the board may authorize in accordance with the U.K. Companies Act 2006 the director's interest and the continuing performance by the relevant director of his duties as a director on such terms as the board may determine.

A director shall not be accountable to us for any benefit which he derives from or in connection with a relationship involving a conflict of interest or possible conflict of interest which has been authorized by the directors or by the Company in a general meeting and any such transaction or arrangement shall not be liable to be avoided on the grounds of any such benefit.

Subject to the requirements under sections 175, 177 and 182 of the U.K. Companies Act 2006, a director shall declare the nature and extent of such conflicts.

A director may participate in the decision-making process and count in the quorum and vote on a proposed decision of the board which is concerned with such director's interests (subject to any restrictions imposed by the other directors when providing such consent) if such director has declared the nature and extent of any interest of his and provided a majority of the other directors consent, or if one of the following situations applies:

- the director's interest arises solely through an interest in shares, debentures or other securities of or otherwise in or through the Company;
- an ordinary resolution of the Company permits the director to count in the quorum and vote on the proposed decision;
- the director's interest cannot reasonably be regarded as likely to give rise to a material conflict of interest;
- the conflict of interest arises from one of the following:
  - a guarantee, security or indemnity given, or to be given, by or to the director in respect of an obligation incurred by or on behalf of the Company or any of its subsidiaries;
  - a subscription, or agreement to subscribe, for shares or other securities of the Company or any of its subsidiaries, or to underwrite, sub-underwrite or guarantee an offer of any such shares or securities by the Company or any of its subsidiaries for subscription, purchase or exchange;
  - arrangements pursuant to which benefits are made are made available to employees and directors, or former employees and directors, of the Company or any of its subsidiaries which do not provide special benefits for directors or former directors;
  - the purchase or maintenance of insurance which the Company is empowered to purchase or maintain for directors or officers;
  - the giving to the director of an indemnity against liabilities incurred or to be incurred by the director in the execution and discharge of his duties;
  - the provision of funds to the director to meet expenditure incurred or to be incurred by the director in defending criminal or civil proceedings against him or in connection with any application under certain provisions of the U.K. Companies Act 2006 or otherwise enabling him to avoid incurring that expenditure; or
  - proposals concerning another company in which the director is interested directly or indirectly (whether as officer, shareholder or otherwise), if the director and any other persons connected with him do not to his knowledge hold an interest in shares representing 1% or more of the issued shares of any class of the equity share capital of that company (or of any third company through which his or their interest is derived) or of the voting rights available to shareholders of the relevant company.

A director shall not be counted in the quorum present at a meeting in relation to a resolution on which he is not entitled to vote.

If a question arises at a meeting of the board or of a committee of the board as to the right of a director to vote or be counted in the quorum, and such question is not resolved by his voluntarily agreeing to abstain from voting, the question shall be determined by a resolution of the board or such committee (with such director being excluded from voting on the resolution).

Directors' Fees and Remuneration

Each of the directors is entitled to remuneration as determined by the board for their service as directors and other services undertaken for the Company.

Each director may be paid his reasonable expenses in connection with such director's attendance at meetings of the board or committees of the board or general meetings or separate meetings of the holders class of shares or of debentures, or otherwise in connection with the exercise of powers and the discharge of responsibilities in relation to the Company.

Indemnity

Every director, officer or former director or officer of our group may be indemnified against all costs, charges, losses, expenses and liabilities incurred by him in connection with any negligence, default, breach of duty, or breach of trust by him in relation to us or in connection with our activities as a trustee of an occupational pension scheme, in the actual or purported exercise of his powers or duties or otherwise as our officer, to the extent permitted under the U.K. Companies Act 2006.

Novartis Observer

For as long as Novartis holds not less than one percent of our issued share capital, Novartis may appoint one observer who may attend, but not participate or vote in, any meeting of our board of directors.

Other U.K. Law Considerations

Notification of Voting Rights

A shareholder in a public company incorporated in the United Kingdom whose shares are admitted to trading on AIM is required pursuant to Chapter 5 of the Disclosure Guidance and Transparency Rules of the U.K. Financial Conduct Authority to notify us of the percentage of his voting rights if the percentage of voting rights which he holds as a shareholder or through his direct or indirect holding of financial instruments (or a combination of such holdings) reaches, exceeds, or falls below 3%, 4%, 5%, and each 1% threshold thereafter up to 100% as a result of an acquisition or disposal of shares or financial instruments.

Mandatory Purchases and Acquisitions

Pursuant to Sections 979 to 991 of the U.K. Companies Act 2006, where a takeover offer has been made for us and the offeror has acquired or unconditionally contracted to acquire not less than 90% in value of the shares to which the offer relates and not less than 90% of the voting rights carried by those shares, the offeror may give notice to the holder of any shares to which the offer relates which the offeror has not acquired or unconditionally contracted to acquire that he wishes to acquire, and is entitled to so acquire, those shares on the same terms as the general offer. The offeror would do so by sending a notice to the outstanding minority shareholders telling them that it will compulsorily acquire their shares. Such notice must be sent within three months of the last day on which the offer can be accepted in the prescribed manner. The squeeze-out of the minority shareholders can be completed at the end of six weeks from the date the notice has been given, subject to the minority shareholders failing to successfully lodge an application to the court to prevent such squeeze-out any time prior to the end of those six weeks following which the offeror can execute a transfer of the outstanding shares in its favor and pay the consideration to us, which would hold the consideration on trust for the outstanding minority shareholders. The consideration offered to the outstanding minority shareholders whose shares are compulsorily acquired under the U.K. Companies Act 2006 must, in general, be the same as the consideration that was available under the takeover offer.

Sell Out

The U.K. Companies Act 2006 also gives our minority shareholders a right to be bought out in certain circumstances by an offeror who has made a takeover offer for all of our shares. The holder of shares to which the offer relates, and who has not otherwise accepted the offer, may require the offeror to acquire his shares if, prior to the expiry of the acceptance period for such offer, (i) the offeror has acquired or unconditionally agreed to acquire not less than 90% in value of the voting shares, and (ii) not less than 90% of the voting rights carried by those shares. The offeror may impose a time limit on the rights of minority shareholders to be bought out that is not less than three months after the end

of the acceptance period. If a shareholder exercises his rights to be bought out, the offeror is required to acquire those shares on the terms of this offer or on such other terms as may be agreed.

Disclosure of Interest in Shares

Pursuant to Part 22 of the U.K. Companies Act 2006, we are empowered to give notice in writing to any person whom we know or have reasonable cause to believe to be interested in our shares, or to have been so interested at any time during the three years immediately preceding the date on which the notice is issued requiring such persons, within a reasonable time to disclose to us particulars of that person's interest and (so far as is within his knowledge) particulars of any other interest that subsists or subsisted in those shares.

Under our Articles, if a person defaults in supplying us with the required particulars in relation to the shares in question, or default shares, within the prescribed period, the directors may by notice direct that:

- in respect of the default shares, the relevant shareholder shall not be entitled to vote (either in person or by proxy) at any general meeting or to exercise any other right conferred by a shareholding in relation to general meetings;
- where the default shares represent at least 0.25% of their class, (a) any dividend or other money payable in respect of the default shares shall be retained by us without liability to pay interest and/or (b) no transfers by the relevant shareholder of any default shares may be registered (unless the shareholder himself is not in default and the shareholder provides a certificate, in a form satisfactory to the directors, to the effect that after due and careful enquiry the shareholder is satisfied that none of the shares to be transferred are default shares); and
- any shares held by the relevant shareholder in uncertificated form shall be converted into certificated form and that shareholder shall not after that be entitled to convert all or any shares held by him into uncertificated form (except with the authority of the directors) unless the shareholder himself is not in default and the shares which the shareholder wishes to convert are part only of the shareholder's holding and the shareholder provides a certificate, in a form satisfactory to the directors, to the effect that after due and careful enquiry the shareholder is satisfied that none of the shares to be converted into uncertificated form are default shares.

Purchase of Own Shares

Under English law, a limited company may only purchase its own shares out of the distributable profits of the company or the proceeds of a fresh issue of shares made for the purpose of financing the purchase, provided that they are not restricted from doing so by their articles. A limited company may not purchase its own shares if, as a result of the purchase, there would no longer be any issued shares of the company other than redeemable shares or shares held as treasury shares. Shares must be fully paid in order to be repurchased.

Subject to the above, we may purchase our own shares in the manner prescribed below. We may make a market purchase of our own fully paid shares pursuant to an ordinary resolution of shareholders. The resolution authorizing the purchase must:

- specify the maximum number of shares authorized to be acquired;
- determine the maximum and minimum prices that may be paid for the shares; and
- specify a date, not being later than five years after the passing of the resolution, on which the authority to purchase is to expire.

We may purchase our own fully paid shares otherwise than on a recognized investment exchange pursuant to a purchase contract authorized by resolution of shareholders before the purchase takes place. Any authority will not be effective if any shareholder from whom we propose to purchase shares

votes on the resolution and the resolution would not have been passed if he had not done so. The resolution authorizing the purchase must specify a date, not being later than five years after the passing of the resolution, on which the authority to purchase is to expire.

Distributions and Dividends

Under the U.K. Companies Act 2006, before a company can lawfully make a distribution or dividend, it must ensure that it has sufficient distributable reserves (on a non-consolidated basis). The basic rule is that a company's profits available for the purpose of making a distribution are its accumulated, realized profits, so far as not previously utilized by distribution or capitalization, less its accumulated, realized losses, so far as not previously written off in a reduction or reorganization of capital duly made. The requirement to have sufficient distributable reserves before a distribution or dividend can be paid applies to us and to each of our subsidiaries that has been incorporated under English law.

It is not sufficient that we, as a public company, have made a distributable profit for the purpose of making a distribution. An additional capital maintenance requirement is imposed on us to ensure that the net worth of the company is at least equal to the amount of its capital. A public company can only make a distribution:

- if, at the time that the distribution is made, the amount of its net assets (that is, the total excess of assets over liabilities) is not less than the total of its called up share capital and undistributable reserves; and
- if, and to the extent that, the distribution itself, at the time that it is made, does not reduce the amount of the net assets to less than that total.

City Code on Takeovers and Mergers

As a public company incorporated in England and Wales with our registered office in England and Wales which has shares admitted to AIM, we are subject to the U.K. City Code on Takeovers and Mergers, or the City Code, which is issued and administered by the U.K. Panel on Takeovers and Mergers, or the Panel. The City Code provides a framework within which takeovers of companies subject to it are conducted. In particular, the City Code contains certain rules in respect of mandatory offers. Under Rule 9 of the City Code, if a person:

- acquires an interest in our shares which, when taken together with shares in which he or persons acting in concert with him are interested, carries 30% or more of the voting rights of our shares; or
- who, together with persons acting in concert with him, is interested in shares that in the aggregate carry not less than 30% and not more than 50% of the voting rights of our shares, and such persons, or any person acting in concert with him, acquires additional interests in shares that increase the percentage of shares carrying voting rights in which that person is interested,

the acquirer and depending on the circumstances, its concert parties, would be required (except with the consent of the Panel) to make a cash offer for our outstanding shares at a price not less than the highest price paid for any interests in the shares by the acquirer or its concert parties during the previous 12 months.

Exchange Controls

There are no governmental laws, decrees, regulations or other legislation in the United Kingdom that may affect the import or export of capital, including the availability of cash and cash equivalents for use by us, or that may affect the remittance of dividends, interest, or other payments by us to non-resident holders of our ordinary shares or ADSs, other than withholding tax requirements. There is no limitation imposed by English law or in the Articles on the right of non-residents to hold or vote shares.

Differences in Corporate Law

The applicable provisions of the U.K. Companies Act 2006 differ from laws applicable to U.S. corporations and their shareholders. Set forth below is a summary of certain differences between the provisions of the U.K. Companies Act 2006 applicable to us and the General Corporation Law of the State of Delaware relating to shareholders' rights and protections. This summary is not intended to be a complete discussion of the respective rights and it is qualified in its entirety by reference to Delaware law and English law.

	England and Wales	Delaware
Number of Directors	Under the U.K. Companies Act 2006, a public limited company must have at least two directors and the number of directors may be fixed by or in the manner provided in a company's articles of association.	Under Delaware law, a corporation must have at least one director and the number of directors shall be fixed by or in the manner provided in the bylaws.
Removal of Directors	Under the U.K. Companies Act 2006, shareholders may remove a director without cause by an ordinary resolution (which is passed by a simple majority of those voting in person or by proxy at a general meeting) irrespective of any provisions of any service contract the director has with the company, provided 28 clear days' notice of the resolution has been given to the company and its shareholders. On receipt of notice of an intended resolution to remove a director, the company must forthwith send a copy of the notice to the director concerned. Certain other procedural requirements under the U.K. Companies Act 2006 must also be followed such as allowing the director to make representations against his or her removal either at the meeting or in writing.	Under Delaware law, any director or the entire board of directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors, except (a) unless the certificate of incorporation provides otherwise, in the case of a corporation whose board of directors is classified, shareholders may effect such removal only for cause, or (b) in the case of a corporation having cumulative voting, if less than the entire board of directors is to be removed, no director may be removed without cause if the votes cast against his removal would be sufficient to elect him if then cumulatively voted at an election of the entire board of directors, or, if there are classes of directors, at an election of the class of directors of which he is a part.
Vacancies on the Board of Directors	Under English law, the procedure by which directors, other than a company's initial directors, are appointed is generally set out in a company's articles of association, provided that where two or more persons are appointed as directors of a public limited company by resolution of the shareholders, resolutions appointing each director must be voted on individually.	Under Delaware law, vacancies and newly created directorships may be filled by a majority of the directors then in office (even though less than a quorum) or by a sole remaining director unless (a) otherwise provided in the certificate of incorporation or by-laws of the corporation or (b) the certificate of incorporation directs that a particular class of stock is to elect such director, in which case a majority of the other directors elected by such class, or a sole remaining director elected by such class, will fill such vacancy.

	England and Wales	Delaware
Annual General Meeting	Under the U.K. Companies Act 2006, a public limited company must hold an annual general meeting in each six-month period following the company's annual accounting reference date.	Under Delaware law, the annual meeting of stockholders shall be held at such place, on such date and at such time as may be designated from time to time by the board of directors or as provided in the certificate of incorporation or by the bylaws.
General Meeting	Under the U.K. Companies Act 2006, a general meeting of the shareholders of a public limited company may be called by the directors. Shareholders holding at least 5% of the paid-up capital of the company carrying voting rights at general meetings (excluding any paid up capital held as treasury shares) can require the directors to call a general meeting and, if the directors fail to do so within a certain period, may themselves convene a general meeting.	Under Delaware law, special meetings of the stockholders may be called by the board of directors or by such person or persons as may be authorized by the certificate of incorporation or by the bylaws.
Notice of General Meetings	Under the U.K. Companies Act 2006, 21 clear days' notice must be given for an annual general meeting and any resolutions to be proposed at the meeting. Subject to a company's articles of association providing for a longer period, at least 14 clear days' notice is required for any other general meeting. In addition, certain matters, such as the removal of directors or auditors, require special notice, which is 28 clear days' notice. The shareholders of a company may in all cases consent to a shorter notice period, the proportion of shareholders' consent required being 100% of those entitled to attend and vote in the case of an annual general meeting and, in the case of any other general meeting, a majority in number of the members having a right to attend and vote at the meeting, being a majority who together hold not less than 95% in nominal value of the shares giving a right to attend and vote at the meeting.	Under Delaware law, unless otherwise provided in the certificate of incorporation or bylaws, written notice of any meeting of the stockholders must be given to each stockholder entitled to vote at the meeting not less than ten nor more than 60 days before the date of the meeting and shall specify the place, date, hour, and purpose or purposes of the meeting.

	England and Wales	Delaware
Proxy	Under the U.K. Companies Act 2006, at any meeting of shareholders, a shareholder may designate another person to attend, speak and vote at the meeting on their behalf by proxy.	Under Delaware law, at any meeting of stockholders, a stockholder may designate another person to act for such stockholder by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A director of a Delaware corporation may not issue a proxy representing the director's voting rights as a director.
Pre-emptive Rights	Under the U.K. Companies Act 2006, "equity securities", being (i) shares in the company other than shares that, with respect to dividends and capital, carry a right to participate only up to a specified amount in a distribution ("ordinary shares") or (ii) rights to subscribe for, or to convert securities into, ordinary shares, proposed to be allotted for cash must be offered first to the existing equity shareholders in the company in proportion to the respective nominal value of their holdings, unless an exception applies or a special resolution to the contrary has been passed by shareholders in a general meeting or the articles of association provide otherwise in each case in accordance with the provisions of the U.K. Companies Act 2006.	Under Delaware law, shareholders have no preemptive rights to subscribe to additional issues of stock or to any security convertible into such stock unless, and except to the extent that, such rights are expressly provided for in the certificate of incorporation.
Authority to Allot	Under the U.K. Companies Act 2006, the directors of a company must not allot shares or grant of rights to subscribe for or to convert any security into shares unless an exception applies or an ordinary resolution to the contrary has been passed by shareholders in a general meeting or the articles of association provide otherwise in each case in accordance with the provisions of the U.K. Companies Act 2006.	Under Delaware law, if the corporation's charter or certificate of incorporation so provides, the board of directors has the power to authorize the issuance of stock. It may authorize capital stock to be issued for consideration consisting of cash, any tangible or intangible property or any benefit to the corporation or any combination thereof. It may determine the amount of such consideration by approving a formula. In the absence of actual fraud in the transaction, the judgment of the directors as to the value of such consideration is conclusive.
Liability of Directors and Officers	Under the U.K. Companies Act 2006, any provision, whether contained in a company's articles of association or any contract or otherwise, that purports to exempt a director of a company, to any extent, from any liability that would	Under Delaware law, a corporation's certificate of incorporation may include a provision eliminating or limiting the personal liability of a director to the corporation and its stockholders for damages arising from a breach of

	England and Wales	Delaware
	otherwise attach to him in connection with any negligence, default, breach of duty or breach of trust in relation to the company is void.	fiduciary duty as a director. However, no provision can limit the liability of a director for:
	Any provision by which a company directly or indirectly provides an indemnity, to any extent, for a director of the company or of an associated company against any liability attaching to him in connection with any negligence, default, breach of duty or breach of trust in relation to the company of which he is a director is also void except as permitted by the U.K. Companies Act 2006, which provides exceptions for the company to (a) purchase and maintain insurance against such liability; (b) provide a "qualifying third party indemnity" (being an indemnity against liability incurred by the director to a person other than the company or an associated company or criminal proceedings in which he is convicted); and (c) provide a "qualifying pension scheme indemnity" (being an indemnity against liability incurred in connection with the company's activities as trustee of an occupational pension plan).	▪ any breach of the director's duty of loyalty to the corporation or its stockholders; ▪ acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law; ▪ intentional or negligent payment of unlawful dividends or stock purchases or redemptions; or ▪ any transaction from which the director derives an improper personal benefit.
Voting Rights	Under English law, unless a poll is demanded by the shareholders of a company or is required by the chairman of the meeting or the company's articles of association, shareholders shall vote on all resolutions on a show of hands. Under the U.K. Companies Act 2006, a poll may be demanded by (a) not fewer than five shareholders having the right to vote on the resolution; (b) any shareholder(s) representing not less than 10% of the total voting rights of all the shareholders having the right to vote on the resolution (excluding any voting rights attaching to treasury shares); or (c) any shareholder(s) holding shares in the company conferring a right to vote on the resolution (excluding any voting rights attaching to treasury shares) being shares on which an aggregate sum has been paid up equal to not less than 10% of the	Delaware law provides that, unless otherwise provided in the certificate of incorporation, each stockholder is entitled to one vote for each share of capital stock held by such stockholder.

	England and Wales	Delaware
	total sum paid up on all the shares conferring that right. A company's articles of association may provide more extensive rights for shareholders to call a poll. Under English law, an ordinary resolution is passed on a show of hands if it is approved by a simple majority (more than 50%) of the votes cast by shareholders present (in person or by proxy) and entitled to vote. If a poll is demanded, an ordinary resolution is passed if it is approved by holders representing a simple majority of the total voting rights of shareholders present, in person or by proxy, who, being entitled to vote, vote on the resolution. Special resolutions require the affirmative vote of not less than 75% of the votes cast by shareholders present (in person or by proxy) at the meeting. If a poll is demanded, a special resolution is passed if it is approved by holders representing not less than 75% of the total voting rights of shareholders present (in person or by proxy) who (being entitled to vote) vote on the resolutions.	
Shareholder Vote on Certain Transactions	The U.K. Companies Act 2006 provides for schemes of arrangement, which are arrangements or compromises between a company and any class of shareholders or creditors and used in certain types of reconstructions, amalgamations, capital reorganizations, or takeovers. These arrangements require: ▪ the approval at a shareholders' or creditors' meeting convened by order of the court, of a majority in number of shareholders or creditors representing 75% in value of the capital held by, or debt owed to, the class of shareholders or creditors, or class thereof present and voting, either in person or by proxy; and ▪ the approval of the court.	Generally, under Delaware law, unless the certificate of incorporation provides for the vote of a larger portion of the stock, completion of a merger, consolidation, sale, lease or exchange of all or substantially all of a corporation's assets or dissolution requires: ▪ the approval of the board of directors; and ▪ approval by the vote of the holders of a majority of the outstanding stock or, if the certificate of incorporation provides for more or less than one vote per share, a majority of the votes of the outstanding stock of a corporation entitled to vote on the matter.

	England and Wales	Delaware

Standard of Conduct for Directors	Under English law, a director owes various statutory and fiduciary duties to the company, including:
	▪ to act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole;
	▪ to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly conflicts, with the interests of the company;
	▪ to act in accordance with the company's constitution and only exercise his powers for the purposes for which they are conferred;
	  ▪ to exercise independent judgment;
	  ▪ to exercise reasonable care, skill, and diligence;
	  ▪ not to accept benefits from a third party conferred by reason of his being a director or doing, or not doing, anything as a director; and
	▪ a duty to declare any interest that he has, whether directly or indirectly, in a proposed or existing transaction or arrangement with the company.
		Delaware law does not contain specific provisions setting forth the standard of conduct of a director. The scope of the fiduciary duties of directors is generally determined by the courts of the State of Delaware. In general, directors have a duty to act without self-interest, on a well-informed basis and in a manner they reasonably believe to be in the best interest of the stockholders.
		
		Directors of a Delaware corporation owe fiduciary duties of care and loyalty to the corporation and to its shareholders. The duty of care generally requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director act in a manner he reasonably believes to be in the best interests of the corporation. He must not use his corporate position for personal gain or advantage. In general, but subject to certain exceptions, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Delaware courts have also imposed a heightened standard of conduct upon directors of a Delaware corporation who take any action designed to defeat a threatened change in control of the corporation.
		
		In addition, under Delaware law, when the board of directors of a Delaware corporation approves the sale or break-up of a corporation, the board of directors may, in certain circumstances, have a duty to obtain the highest value reasonably available to the shareholders.

	England and Wales	Delaware
Stockholder Suits	Under English law, generally, the company, rather than its shareholders, is the proper claimant in an action in respect of a wrong done to the company or where there is an irregularity in the company's internal management. Notwithstanding this general position, the U.K. Companies Act 2006 provides that (i) a court may allow a shareholder to bring a derivative claim (that is, an action in respect of and on behalf of the company) in respect of a cause of action arising from a director's negligence, default, breach of duty or breach of trust and (ii) a shareholder may bring a claim for a court order where the company's affairs have been or are being conducted in a manner that is unfairly prejudicial to some of its shareholders.	Under Delaware law, a stockholder may initiate a derivative action to enforce a right of a corporation if the corporation fails to enforce the right itself. The complaint must: ▪ state that the plaintiff was a stockholder at the time of the transaction of which the plaintiff complains or that the plaintiffs shares thereafter devolved on the plaintiff by operation of law; and ▪ allege with particularity the efforts made by the plaintiff to obtain the action the plaintiff desires from the directors and the reasons for the plaintiff's failure to obtain the action; or ▪ state the reasons for not making the effort. Additionally, the plaintiff must remain a stockholder through the duration of the derivative suit. The action will not be dismissed or compromised without the approval of the Delaware Court of Chancery.

DESCRIPTION OF AMERICAN DEPOSITARY SHARES

American Depositary Shares

Citibank, N.A., or Citibank, has agreed to act as the depositary for the ADSs. Citibank's depositary offices are located at 388 Greenwich Street, New York, New York 10013. ADSs represent ownership interests in securities that are on deposit with the depositary. ADSs may be represented by certificates that are commonly known as American Depositary Receipts, or ADRs. The depositary typically appoints a custodian to safekeep the securities on deposit. In this case, the custodian is Citibank, N.A., London Branch, located at 25 Canada Square, Canary Wharf, London, E14 5LB, United Kingdom.

We have appointed Citibank as depositary pursuant to a deposit agreement. A copy of the deposit agreement will be on file with the SEC under cover of a registration statement on Form F-6. You may obtain a copy of the deposit agreement from the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 and from the SEC's website (www.sec.gov). Please refer to registration number 333- when retrieving such copy.

We are providing you with a summary description of the material terms of the ADSs and of your material rights as an owner of ADSs. Please remember that summaries by their nature lack the precision of the information summarized and that the rights and obligations of an owner of ADSs will be determined by reference to the terms of the deposit agreement and not by this summary. We urge you to review the deposit agreement in its entirety.

Each ADS represents the right to receive, and to exercise the beneficial ownership interests in, ordinary shares that are on deposit with the depositary and/or custodian. An ADS also represents the right to receive, and to exercise the beneficial interests in, any other property received by the depositary or the custodian on behalf of the owner of the ADS but that has not been distributed to the owners of ADSs because of legal restrictions or practical considerations. We and the depositary may agree to change the ADS-to-Share ratio by amending the deposit agreement. This amendment may give rise to, or change, the depositary fees payable by ADS owners. The custodian, the depositary and their respective nominees will hold all deposited property for the benefit of the holders and beneficial owners of ADSs. The deposited property does not constitute the proprietary assets of the depositary, the custodian or their nominees. Beneficial ownership in the deposited property will under the terms of the deposit agreement be vested in the beneficial owners of the ADSs. The depositary, the custodian and their respective nominees will be the record holders of the deposited property represented by the ADSs for the benefit of the holders and beneficial owners of the corresponding ADSs. A beneficial owner of ADSs may or may not be the holder of ADSs. Beneficial owners of ADSs will be able to receive, and to exercise beneficial ownership interests in, the deposited property only through the registered holders of the ADSs, the registered holders of the ADSs (on behalf of the applicable ADS owners) only through the depositary, and the depositary (on behalf of the owners of the corresponding ADSs) directly, or indirectly, through the custodian or their respective nominees, in each case upon the terms of the deposit agreement.

If you become an owner of ADSs, you will become a party to the deposit agreement and therefore will be bound to its terms and to the terms of any ADR that represents your ADSs. The deposit agreement and the ADR specify our rights and obligations as well as your rights and obligations as owner of ADSs and those of the depositary. As an ADS holder you appoint the depositary to act on your behalf in certain circumstances. The deposit agreement and the ADRs are governed by New York law. However, our obligations to the holders of ordinary shares will continue to be governed by the laws of England and Wales, which may be different from the laws in the United States.

In addition, applicable laws and regulations may require you to satisfy reporting requirements and obtain regulatory approvals in certain circumstances. You are solely responsible for complying with

such reporting requirements and obtaining such approvals. Neither the depositary, the custodian, us or any of their or our respective agents or affiliates shall be required to take any actions whatsoever on your behalf to satisfy such reporting requirements or obtain such regulatory approvals under applicable laws and regulations.

As an owner of ADSs, we will not treat you as one of our shareholders and you will not have direct shareholder rights. The depositary will hold on your behalf the shareholder rights attached to the ordinary shares underlying your ADSs. As an owner of ADSs you will be able to exercise the shareholders rights for the ordinary shares represented by your ADSs through the depositary only to the extent contemplated in the deposit agreement. To exercise any shareholder rights not contemplated in the deposit agreement you will, as an ADS owner, need to arrange for the cancellation of your ADSs and become a direct shareholder.

As an owner of ADSs, you may hold your ADSs either by means of an ADR registered in your name, through a brokerage or safekeeping account, or through an account established by the depositary in your name reflecting the registration of uncertificated ADSs directly on the books of the depositary (commonly referred to as the direct registration system or DRS). The direct registration system reflects the uncertificated (book-entry) registration of ownership of ADSs by the depositary. Under the direct registration system, ownership of ADSs is evidenced by periodic statements issued by the depositary to the holders of the ADSs. The direct registration system includes automated transfers between the depositary and The Depository Trust Company, or DTC, the central book-entry clearing and settlement system for equity securities in the United States. If you decide to hold your ADSs through your brokerage or safekeeping account, you must rely on the procedures of your broker or bank to assert your rights as ADS owner. Banks and brokers typically hold securities such as the ADSs through clearing and settlement systems such as DTC. The procedures of such clearing and settlement systems may limit your ability to exercise your rights as an owner of ADSs. Please consult with your broker or bank if you have any questions concerning these limitations and procedures. All ADSs held through DTC will be registered in the name of a nominee of DTC. This summary description assumes you have opted to own the ADSs directly by means of an ADS registered in your name and, as such, we will refer to you as the “holder.” When we refer to “you,” we assume the reader owns ADSs and will own ADSs at the relevant time.

The registration of the ordinary shares in the name of the depositary or the custodian shall, to the maximum extent permitted by applicable law, vest in the depositary or the custodian the record ownership in the applicable ordinary shares with the beneficial ownership rights and interests in such ordinary shares being at all times vested with the beneficial owners of the ADSs representing the ordinary shares. The depositary or the custodian shall at all times be entitled to exercise the beneficial ownership rights in all deposited property, in each case only on behalf of the holders and beneficial owners of the ADSs representing the deposited property.

Dividends and Other Distributions

As a holder of ADSs, you generally have the right to receive the distributions we make on the securities deposited with the custodian. Your receipt of these distributions may be limited, however, by practical considerations and legal limitations. Holders of ADSs will receive such distributions under the terms of the deposit agreement in proportion to the number of ADSs held as of the specified record date, after deduction the applicable fees, taxes, and expenses.

Distributions of Cash

Whenever we make a cash distribution for the securities on deposit with the custodian, we will deposit the funds with the custodian. Upon receipt of confirmation of the deposit of the requisite funds, the depositary will arrange for the funds to be converted into U.S. dollars and for the distribution of the U.S. dollars to the holders, subject to the laws and regulations of England and Wales.

The conversion into U.S. dollars will take place only if practicable and if the U.S. dollars are transferable to the United States. The depositary will apply the same method for distributing the proceeds of the sale of any property (such as undistributed rights) held by the custodian in respect of securities on deposit.

The distribution of cash will be made net of the fees, expenses, taxes, and governmental charges payable by holders under the terms of the deposit agreement. The depositary will hold any cash amounts it is unable to distribute in a non-interest bearing account for the benefit of the applicable holders and beneficial owners of ADSs until the distribution can be effected or the funds that the depositary holds must be escheated as unclaimed property in accordance with the laws of the relevant states of the United States.

Distributions of Shares

Whenever we make a free distribution of ordinary shares for the securities on deposit with the custodian, we will deposit the applicable number of ordinary shares with the custodian. Upon receipt of confirmation of such deposit, the depositary will either distribute to holders new ADSs representing the ordinary shares deposited or modify the ADS-to-ordinary shares ratio, in which case each ADS you hold will represent rights and interests in the additional ordinary shares so deposited. Only whole new ADSs will be distributed. Fractional entitlements will be sold and the proceeds of such sale will be distributed as in the case of a cash distribution.

The distribution of new ADSs or the modification of the ADS-to-ordinary shares ratio upon a distribution of ordinary shares will be made net of the fees, expenses, taxes, and governmental charges payable by holders under the terms of the deposit agreement. In order to pay such taxes or governmental charges, the depositary may sell all or a portion of the new ordinary shares so distributed.

No such distribution of new ADSs will be made if it would violate a law (*e.g.*, the U.S. securities laws) or if it is not operationally practicable. If the depositary does not distribute new ADSs as described above, it may sell the ordinary shares received upon the terms described in the deposit agreement and will distribute the proceeds of the sale as in the case of a distribution of cash.

Distributions of Rights

Whenever we intend to distribute rights to purchase additional ordinary shares, we will give prior notice to the depositary and we will assist the depositary in determining whether it is lawful and reasonably practicable to distribute rights to purchase additional ADSs to holders.

The depositary will establish procedures to distribute rights to purchase additional ADSs to holders and to enable such holders to exercise such rights if it is lawful and reasonably practicable to make the rights available to holders of ADSs, and if we provide all of the documentation contemplated in the deposit agreement (such as opinions to address the lawfulness of the transaction). You may have to pay fees, expenses, taxes and other governmental charges to subscribe for the new ADSs upon the exercise of your rights. The depositary is not obligated to establish procedures to facilitate the distribution and exercise by holders of rights to purchase new ordinary shares other than in the form of ADSs.

The depositary will *not* distribute the rights to you if:

- we do not timely request that the rights be distributed to you or we request that the rights not be distributed to you; or
- we fail to deliver satisfactory documents to the depositary; or
- it is not reasonably practicable to distribute the rights.

The depositary will sell the rights that are not exercised or not distributed if such sale is lawful and reasonably practicable. The proceeds of such sale will be distributed to holders as in the case of a cash distribution. If the depositary is unable to sell the rights, it will allow the rights to lapse.

Elective Distributions

Whenever we intend to distribute a dividend payable at the election of shareholders either in cash or in additional shares, we will give prior notice thereof to the depositary and will indicate whether we wish the elective distribution to be made available to you. In such case, we will assist the depositary in determining whether such distribution is lawful and reasonably practicable.

The depositary will make the election available to you only if it is reasonably practicable and if we have provided all of the documentation contemplated in the deposit agreement. In such case, the depositary will establish procedures to enable you to elect to receive either cash or additional ADSs, in each case as described in the deposit agreement.

If the election is not made available to you, you will receive either cash or additional ADSs, depending on what a shareholder in England and Wales would receive upon failing to make an election, as more fully described in the deposit agreement.

Other Distributions

Whenever we intend to distribute property other than cash, ordinary shares, or rights to purchase additional ordinary shares, we will notify the depositary in advance and will indicate whether we wish such distribution to be made to you. If so, we will assist the depositary in determining whether such distribution to holders is lawful and reasonably practicable.

If it is reasonably practicable to distribute such property to you and if we provide all of the documentation contemplated in the deposit agreement, the depositary will distribute the property to the holders in a manner it deems practicable.

The distribution will be made net of fees, expenses, taxes, and governmental charges payable by holders under the terms of the deposit agreement. In order to pay such taxes and governmental charges, the depositary may sell all or a portion of the property received.

The depositary will *not* distribute the property to you and will sell the property if:

- we do not request that the property be distributed to you or if we ask that the property not be distributed to you; or
- we do not deliver satisfactory documents to the depositary; or
- the depositary determines that all or a portion of the distribution to you is not reasonably practicable.

The proceeds of such a sale will be distributed to holders as in the case of a cash distribution.

Redemption

Whenever we decide to redeem any of the securities on deposit with the custodian, we will notify the depositary in advance. If it is practicable and if we provide all of the documentation contemplated in the deposit agreement, the depositary will provide notice of the redemption to the holders.

The custodian will be instructed to surrender the shares being redeemed against payment of the applicable redemption price. The depositary will convert the redemption funds received into U.S. dollars upon the terms of the deposit agreement and will establish procedures to enable holders to

receive the net proceeds from the redemption upon surrender of their ADSs to the depositary. You may have to pay fees, expenses, taxes, and other governmental charges upon the redemption of your ADSs. If less than all ADSs are being redeemed, the ADSs to be retired will be selected by lot or on a *pro rata* basis, as the depositary may determine.

Changes Affecting Ordinary Shares

The ordinary shares held on deposit for your ADSs may change from time to time. For example, there may be a change in nominal or par value, split-up, cancellation, consolidation, or any other reclassification of such ordinary shares or a recapitalization, reorganization, merger, consolidation, or sale of assets of the Company.

If any such change were to occur, your ADSs would, to the extent permitted by law, represent the right to receive the property received or exchanged in respect of the ordinary shares held on deposit. The depositary may in such circumstances deliver new ADSs to you, amend the deposit agreement, the ADRs and the applicable registration statement(s) on Form F-6, call for the exchange of your existing ADSs for new ADSs and take any other actions that are appropriate to reflect as to the ADSs the change affecting the Shares. If the depositary may not lawfully distribute such property to you, the depositary may sell such property and distribute the net proceeds to you as in the case of a cash distribution.

Issuance of ADSs upon Deposit of Ordinary Shares

Upon completion of the U.S. offering, the ordinary shares being offered pursuant to this prospectus will be deposited by us with the custodian. Upon receipt of confirmation of such deposit, the depositary will issue ADSs to the underwriters named in this prospectus.

After the closing of this offer, the depositary may create ADSs on your behalf if you or your broker deposit ordinary shares with the custodian. The depositary will deliver these ADSs to the person you indicate only after you pay any applicable issuance fees and any charges and taxes payable for the transfer of the ordinary shares to the custodian. Your ability to deposit ordinary shares and receive ADSs may be limited by the legal considerations in the United States and England and Wales applicable at the time of deposit.

The issuance of ADSs may be delayed until the depositary or the custodian receives confirmation that all required approvals have been given and that the ordinary shares have been duly transferred to the custodian. The depositary will only issue ADSs in whole numbers.

When you make a deposit of ordinary shares, you will be responsible for transferring good and valid title to the depositary. As such, you will be deemed to represent and warrant that:

- the ordinary shares are duly authorized, validly issued, fully paid, non-assessable, and legally obtained;
- all preemptive (and similar) rights, if any, with respect to such ordinary shares have been validly waived or exercised;
- you are duly authorized to deposit the ordinary shares;
- the ordinary shares presented for deposit are free and clear of any lien, encumbrance, security interest, charge, mortgage, or adverse claim, and are not, and the ADSs issuable upon such deposit will not be, “restricted securities” (as defined in the deposit agreement); and
- the ordinary shares presented for deposit have not been stripped of any rights or entitlements.

If any of the representations or warranties are incorrect in any way, we and the depositary may, at your cost and expense, take any and all actions necessary to correct the consequences of the misrepresentations.

Transfer, Combination and Split Up of ADRs

As an ADR holder, you will be entitled to transfer, combine, or split up your ADRs and the ADSs evidenced thereby. For transfers of ADRs, you will have to surrender the ADRs to be transferred to the depositary and also must:

- ensure that the surrendered ADR is properly endorsed or otherwise in proper form for transfer;
- provide such proof of identity and genuineness of signatures as the depositary deems appropriate;
- provide any transfer stamps required by the State of New York or the United States; and
- pay all applicable fees, charges, expenses, taxes, and other government charges payable by ADR holders pursuant to the terms of the deposit agreement, upon the transfer of ADRs.

To have your ADRs either combined or split up, you must surrender the ADRs in question to the depositary with your request to have them combined or split up, and you must pay all applicable fees, charges, and expenses payable by ADR holders, pursuant to the terms of the deposit agreement, upon a combination or split up of ADRs.

Withdrawal of Ordinary Shares Upon Cancellation of ADSs

As a holder, you will be entitled to present your ADSs to the depositary for cancellation and then receive the corresponding number of underlying ordinary shares at the custodian's offices. Your ability to withdraw the ordinary shares held in respect of the ADSs may be limited by the legal considerations in the United States and England and Wales applicable at the time of withdrawal. In order to withdraw the ordinary shares represented by your ADSs, you will be required to pay to the depositary the fees for cancellation of ADSs and any charges and taxes payable upon the transfer of the ordinary shares. You assume the risk for delivery of all funds and securities upon withdrawal. Once canceled, the ADSs will not have any rights under the deposit agreement.

If you hold ADSs registered in your name, the depositary may ask you to provide proof of identity and genuineness of any signature and such other documents as the depositary may deem appropriate before it will cancel your ADSs. The withdrawal of the ordinary shares represented by your ADSs may be delayed until the depositary receives satisfactory evidence of compliance with all applicable laws and regulations. Please keep in mind that the depositary will only accept ADSs for cancellation that represent a whole number of securities on deposit.

You will have the right to withdraw the securities represented by your ADSs at any time subject only to:

- temporary delays that may arise because (i) the transfer books for the ordinary shares or ADSs are closed, or (ii) ordinary shares are immobilized on account of a shareholders' meeting or a payment of dividends;
- obligations to pay fees, taxes, and similar charges; and/or
- restrictions imposed because of laws or regulations applicable to ADSs or the withdrawal of securities on deposit.

The deposit agreement may not be modified to impair your right to withdraw the securities represented by your ADSs except to comply with mandatory provisions of law.

Voting Rights

As a holder, you generally have the right under the deposit agreement to instruct the depositary to exercise the voting rights for the ordinary shares represented by your ADSs. The voting rights of holders of ordinary shares are described in "Description of Share Capital and Articles of Association—Articles of Association" in this prospectus.

At our request, the depositary will distribute to you any notice of shareholders' meeting received from us together with information explaining how to instruct the depositary to exercise the voting rights of the securities represented by ADSs.

If the depositary timely receives voting instructions from a holder of ADSs, it will endeavor to vote the securities (in person or by proxy) represented by the holder's ADSs as follows:

- *In the event of voting by show of hands*, the depositary will vote (or cause the custodian to vote) all ordinary held on deposit at that time in accordance with the voting instructions received from a majority of holders of ADSs who provide timely voting instructions.
- *In the event of voting by poll*, the depositary will vote (or cause the custodian to vote) the ordinary shares held on deposit in accordance with the voting instructions received from the holders of ADSs. The depositary will give a discretionary proxy to a person designated by the Company to vote any ordinary shares held on deposit for which voting instructions were not received from the holders of ADSs, unless the Company informs the depositary that (a) the Company does not wish such proxy to be given, (b) substantial opposition exists, or (c) the rights of holders of ADSs may be adversely affected.

Securities for which no voting instructions have been received will not be voted (except as otherwise contemplated herein). Please note that the ability of the depositary to carry out voting instructions may be limited by practical and legal limitations and the terms of the securities on deposit. We cannot assure you that you will receive voting materials in time to enable you to return voting instructions to the depositary in a timely manner.

Fees and Charges

As an ADS holder, you will be required to pay the following fees under the terms of the deposit agreement:

Service	Fee
Issuance of ADSs (e.g., an issuance of ADS upon a deposit of ordinary shares or upon a change in the ADS(s)-to-ordinary shares ratio), excluding ADS issuances as a result of distributions of ordinary shares	Up to $.05 per ADS issued
Cancellation of ADSs (e.g., a cancellation of ADSs for delivery of deposited property or upon a change in the ADS(s)-to-ordinary shares ratio)	Up to $.05 per ADS cancelled
Distribution of cash dividends or other cash distributions (e.g., upon a sale of rights and other entitlements)	Up to $.05 per ADS held
Distribution of ADSs pursuant to (i) stock dividends or other free stock distributions, or (ii) exercise of rights to purchase additional ADSs	Up to $.05 per ADS held
Distribution of securities other than ADSs or rights to purchase additional ADSs (e.g., upon a spin-off)	Up to $.05 per ADS held
ADS Services	Up to $.05 per ADS held on the applicable record date(s) established by the depositary

As an ADS holder you will also be responsible to pay certain charges such as:

- taxes (including applicable interest and penalties) and other governmental charges;
- the registration fees as may from time to time be in effect for the registration of ordinary shares on the share register and applicable to transfers of ordinary shares to or from the name of the custodian, the depositary, or any nominees upon the making of deposits and withdrawals, respectively;

- certain cable, telex, and facsimile transmission and delivery expenses;
- the expenses and charges incurred by the depositary in the conversion of foreign currency;
- the fees and expenses incurred by the depositary in connection with compliance with exchange control regulations and other regulatory requirements applicable to ordinary shares, ADSs, and ADRs; and
- the fees and expenses incurred by the depositary, the custodian, or any nominee in connection with the servicing or delivery of deposited property.

ADS fees and charges payable upon (i) the issuance of ADSs, and (ii) the cancellation of ADSs are charged to the person to whom the ADSs are issued (in the case of ADS issuances) and to the person whose ADSs are cancelled (in the case of ADS cancellations). In the case of ADSs issued by the depositary into DTC, the ADS issuance and cancellation fees and charges may be deducted from distributions made through DTC, and may be charged to the DTC participant(s) receiving the ADSs being issued or the DTC participant(s) holding the ADSs being cancelled, as the case may be, on behalf of the beneficial owner(s) and will be charged by the DTC participant(s) to the account of the applicable beneficial owner(s) in accordance with the procedures and practices of the DTC participants as in effect at the time. ADS fees and charges in respect of distributions and the ADS service fee are charged to the holders as of the applicable ADS record date. In the case of distributions of cash, the amount of the applicable ADS fees and charges is deducted from the funds being distributed. In the case of (i) distributions other than cash and (ii) the ADS service fee, holders as of the ADS record date will be invoiced for the amount of the ADS fees and charges and such ADS fees and charges may be deducted from distributions made to holders of ADSs. For ADSs held through DTC, the ADS fees and charges for distributions other than cash and the ADS service fee may be deducted from distributions made through DTC, and may be charged to the DTC participants in accordance with the procedures and practices prescribed by DTC and the DTC participants in turn charge the amount of such ADS fees and charges to the beneficial owners for whom they hold ADSs.

In the event of refusal to pay the depositary fees, the depositary may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depositary fees from any distribution to be made to the ADS holder. Certain of the depositary fees and charges (such as the ADS services fee) may become payable shortly after the closing of the ADS offering. Note that the fees and charges you may be required to pay may vary over time and may be changed by us and by the depositary. You will receive prior notice of such changes. The depositary may reimburse us for certain expenses incurred by us in respect of the ADR program, by making available a portion of the ADS fees charged in respect of the ADR program or otherwise, upon such terms and conditions as we and the depositary agree from time to time.

Amendments and Termination

We may agree with the depositary to modify the deposit agreement at any time without your consent. We undertake to give holders 30 days' prior notice of any modifications that would materially prejudice any of their substantial rights under the deposit agreement. We will not consider to be materially prejudicial to your substantial rights any modifications or supplements that are reasonably necessary for the ADSs to be registered under the Securities Act or to be eligible for book-entry settlement, in each case without imposing or increasing the fees and charges you are required to pay. In addition, we may not be able to provide you with prior notice of any modifications or supplements that are required to accommodate compliance with applicable provisions of law.

You will be bound by the modifications to the deposit agreement if you continue to hold your ADSs after the modifications to the deposit agreement become effective. The deposit agreement cannot be amended to prevent you from withdrawing the ordinary shares represented by your ADSs (except as permitted by law).

We have the right to direct the depositary to terminate the deposit agreement. Similarly, the depositary may in certain circumstances on its own initiative terminate the deposit agreement. In either case, the depositary must give notice to the holders at least 30 days before termination. Until termination, your rights under the deposit agreement will be unaffected.

Termination

After termination, the depositary will continue to collect distributions received (but will not distribute any such property until you request the cancellation of your ADSs) and may sell the securities held on deposit. After the sale, the depositary will hold the proceeds from such sale and any other funds then held for the holders of ADSs in a non-interest bearing account. At that point, the depositary will have no further obligations to holders other than to account for the funds then held for the holders of ADSs still outstanding (after deduction of applicable fees, taxes and expenses).

In connection with the termination of the deposit agreement, the depositary may, independently and without the need for any action by us, make available to holders a means to withdraw the ordinary shares and other deposited securities represented by their ADSs and to direct the deposit of such ordinary shares and other deposited securities into an unsponsored American depositary shares program established by the depositary, upon such terms and conditions as the depositary may deem reasonably appropriate, subject however, in each case, to satisfaction of the applicable registration requirements by the unsponsored American depositary shares program under the Securities Act, and to receipt by the depositary of payment of the applicable fees and charges of, and reimbursement of the applicable expenses incurred by, the depositary.

Books of Depositary

The depositary will maintain ADS holder records at its depositary office. You may inspect such records at such office during regular business hours but solely for the purpose of communicating with other holders in the interest of business matters relating to the ADSs and the deposit agreement.

The depositary will maintain in New York facilities to record and process the issuance, cancellation, combination, split-up, and transfer of ADSs. These facilities may be closed from time to time, to the extent not prohibited by law.

Transmission of Notices, Reports and Proxy Soliciting Material

The depositary will make available for your inspection at its office all communications that it receives from us as a holder of deposited securities that we make generally available to holders of deposited securities. Subject to the terms of the deposit agreement, the depositary will send you copies of those communications or otherwise make those communications available to you if we ask it to.

Limitations on Obligations and Liabilities

The deposit agreement limits our obligations and the depositary's obligations to you. Please note the following:

- We and the depositary are obligated only to take the actions specifically stated in the deposit agreement without negligence or bad faith.
- The depositary disclaims any liability for any failure to carry out voting instructions, for any manner in which a vote is cast or for the effect of any vote, provided it acts in good faith and in accordance with the terms of the deposit agreement.
- The depositary disclaims any liability for any failure to determine the lawfulness or practicality of any action, for the content of any document forwarded to you on our behalf or for the

accuracy of any translation of such a document, for the investment risks associated with investing in ordinary shares, for the validity or worth of the ordinary shares, for any tax consequences that result from the ownership of ADSs, for the credit-worthiness of any third party, for allowing any rights to lapse under the terms of the deposit agreement, for the timeliness of any of our notices, or for our failure to give notice.

- We and the depositary will not be obligated to perform any act that is inconsistent with the terms of the deposit agreement.
- We and the depositary disclaim any liability if we or the depositary are prevented or forbidden from or subject to any civil or criminal penalty or restraint on account of, or delayed in, doing or performing any act or thing required by the terms of the deposit agreement, by reason of any provision, present or future of any law or regulation, or by reason of present or future provision of any provision of our Articles of Association, or any provision of or governing the securities on deposit, or by reason of any act of God or war or other circumstances beyond our control.
- We and the depositary disclaim any liability by reason of any exercise of, or failure to exercise, any discretion provided for in the deposit agreement or in our Articles of Association or in any provisions of or governing the securities on deposit.
- We and the depositary further disclaim any liability for any action or inaction in reliance on the advice or information received from legal counsel, accountants, any person presenting Shares for deposit, any holder of ADSs or authorized representatives thereof, or any other person believed by either of us in good faith to be competent to give such advice or information.
- We and the depositary also disclaim liability for the inability by a holder to benefit from any distribution, offering, right or other benefit that is made available to holders of ordinary shares but is not, under the terms of the deposit agreement, made available to you.
- We and the depositary may rely without any liability upon any written notice, request or other document believed to be genuine and to have been signed or presented by the proper parties.
- We and the depositary also disclaim liability for any consequential or punitive damages for any breach of the terms of the deposit agreement.
- No disclaimer of any Securities Act liability is intended by any provision of the deposit agreement.

Pre-Release Transactions

Subject to the terms and conditions of the deposit agreement, the depositary may issue to broker/dealers ADSs before receiving a deposit of ordinary shares or release ordinary shares to broker/dealers before receiving ADSs for cancellation. These transactions are commonly referred to as “pre-release transactions,” and are entered into between the depositary and the applicable broker/dealer. The deposit agreement limits the aggregate size of pre-release transactions (not to exceed 30% of the ordinary shares on deposit in the aggregate, but such limit may be changed or disregarded from time to time as the depositary deems appropriate) and imposes a number of conditions on such transactions (e.g., the need to receive collateral, the type of collateral required, the representations required from brokers, etc.). The depositary may retain the compensation received from the pre-release transactions.

Taxes

You will be responsible for the taxes and other governmental charges payable on the ADSs and the securities represented by the ADSs. We, the depositary and the custodian may deduct from any distribution the taxes and governmental charges payable by holders and may sell any and all property on deposit to pay the taxes and governmental charges payable by holders. You will be liable for any deficiency if the sale proceeds do not cover the taxes that are due.

The depositary may refuse to issue ADSs; to deliver, transfer, split, and combine ADRs; or to release securities on deposit until all taxes and charges are paid by the applicable holder. The

depositary and the custodian may take reasonable administrative actions to obtain tax refunds and reduced tax withholding for any distributions on your behalf. However, you may be required to provide to the depositary and to the custodian proof of taxpayer status and residence and such other information as the depositary and the custodian may require to fulfill legal obligations. You are required to indemnify us, the depositary and the custodian for any claims with respect to taxes based on any tax benefit obtained for you.

Foreign Currency Conversion

The depositary will arrange for the conversion of all foreign currency received into U.S. dollars if such conversion is practical, and it will distribute the U.S. dollars in accordance with the terms of the deposit agreement. You may have to pay fees and expenses incurred in converting foreign currency, such as fees and expenses incurred in complying with currency exchange controls and other governmental requirements.

If the conversion of foreign currency is not practical or lawful, or if any required approvals are denied or not obtainable at a reasonable cost or within a reasonable period, the depositary may take the following actions in its discretion:

- Convert the foreign currency to the extent practical and lawful and distribute the U.S. dollars to the holders for whom the conversion and distribution is lawful and practical.
- Distribute the foreign currency to holders for whom the distribution is lawful and practical.
- Hold the foreign currency (without liability for interest) for the applicable holders.

Governing Law/Waiver of Jury Trial

The deposit agreement and the ADRs will be interpreted in accordance with the laws of the State of New York. The rights of holders of ordinary shares (including ordinary shares represented by ADSs) is governed by the laws of England and Wales.

AS A PARTY TO THE DEPOSIT AGREEMENT, YOU WAIVE YOUR RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING AGAINST US AND/OR THE DEPOSITARY ARISING OUT OF THE DEPOSIT AGREEMENT OR THE ADRs.

ORDINARY SHARES AND ADSs ELIGIBLE FOR FUTURE SALE

Prior to the U.S. offering, there has been no market for our ADSs. Future sales of substantial amounts of our ADSs or ordinary shares in the public market, or the perception that such sales may occur, could adversely affect prevailing market prices of our ADSs or ordinary shares.

Based on the number of our ordinary shares outstanding as of March 1, 2018, upon the closing of the global offering, we will have ADSs outstanding, representing ordinary shares, and ordinary shares outstanding (including ordinary shares in the form of ADSs), or, if the underwriters exercise in full their option to purchase an additional ADSs in the U.S. offering, ordinary shares (including ordinary shares in the form of ADSs). The ordinary shares and ADSs sold in the global offering will be freely tradable without restriction or further registration under the Securities Act of 1933, as amended, or the Securities Act, except for any ordinary shares or ADSs purchased by our "affiliates," as that term is defined in Rule 144 under the Securities Act, whose sale would be subject to the Rule 144 resale restrictions described below other than the holding period requirement. We expect of our ordinary shares outstanding after the global offering will be subject to the contractual 180-day lock-up period described below.

Rule 144

In general, a person who has beneficially owned our unregistered ordinary shares for at least six months would be entitled to sell such shares pursuant to Rule 144 of the Securities Act, provided that (i) such person is not deemed to have been one of our affiliates at the time of, or at any time during the 90 days preceding, a sale and (ii) we are subject to Exchange Act periodic reporting requirements for at least 90 days before the sale.

Persons who are our affiliates at the time of, or any time during the 90 days preceding, a sale of our ordinary shares or ADSs, are subject to additional restrictions, as follows:

- in the case of a sale of our unregistered ordinary shares, such persons must have beneficially owned such shares for at least six months; and
- such person may sell within any three month period only a number of our securities that does not exceed the greater of either of the following:
  - 1% of the number of our ordinary shares then outstanding, which will equal approximately ordinary shares immediately after the global offering, assuming no exercise of the underwriters' options to purchase additional ADSs; or
  - the average weekly trading volume of our ordinary shares in the form of ADSs on the Nasdaq Global Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale;

provided, in each case, that we are subject to the Exchange Act periodic reporting requirements for at least 90 days before the sale. Such sales by non-affiliates and affiliates must also comply with the manner of sale, current public information and notice provisions of Rule 144 to the extent applicable.

Rule 701

In general, under Rule 701 under the Securities Act, any of our employees, board members, senior management, consultants or advisors who purchases ordinary shares from us in connection with a compensatory share or option plan or other written agreement before the effective date of the registration statement of which this prospectus forms a part, or the effective date, is entitled to resell such shares 90 days after the effective date in reliance on Rule 144, without having to comply with the holding period requirements or other restrictions contained in Rule 701.

The SEC has indicated that Rule 701 will apply to typical share options granted by an issuer before it becomes subject to the reporting requirements of the Exchange Act, along with the shares acquired upon exercise of such options, including exercises after the date of this prospectus. Securities issued in reliance on Rule 701 are restricted securities and, subject to the lock-up restrictions described below, beginning 90 days after the date of this prospectus, may be sold by persons other than "affiliates," as defined in Rule 144, subject only to the manner of sale provisions of Rule 144 and by affiliates under Rule 144 without compliance with the holding period requirement.

Regulation S

Regulation S provides generally that sales made in offshore transactions are not subject to the registration or prospectus-delivery requirements of the Securities Act.

Lock-up Agreements

All of our board members and executive officers and certain other holders of our ordinary shares and other securities have agreed, subject to certain exceptions, not to offer, sell, assign, transfer, pledge, contract to sell, or otherwise dispose of or announce the intention to otherwise dispose of, or enter into any swap, hedge or similar agreement or arrangement that transfers, in whole or in part, the economic risk of ownership of, directly or indirectly, our ADSs or ordinary shares or securities convertible into or exchangeable or exercisable for our ADSs or ordinary shares for a period of 180 days after the date of this prospectus, without the prior written consent of Cowen and Company, LLC and BMO Capital Markets Corp. See "Underwriting."

MATERIAL TAX CONSIDERATIONS

U.S. Federal Income Taxation

The following is a description of the material U.S. federal income tax consequences to the U.S. Holders (as defined below) of owning and disposing of our ordinary shares or ADSs. It is not a comprehensive description of all tax considerations that may be relevant to a particular person's decision to acquire our ordinary shares or ADSs. This discussion applies only to a U.S. Holder that holds our ordinary shares or ADSs as a capital asset for tax purposes (generally, property held for investment). In addition, it does not describe all of the tax consequences that may be relevant in light of a U.S. Holder's particular circumstances, including non-U.S. tax consequences, state and local tax consequences, estate tax consequences, alternative minimum tax consequences, the potential application of the Medicare contribution tax, and tax consequences applicable to U.S. Holders subject to special rules, such as:

- banks, insurance companies, and certain other financial institutions;
- U.S. expatriates and certain former citizens or long term residents of the United States;
- dealers or traders in securities who use a mark to market method of tax accounting;
- persons holding ordinary shares or ADSs as part of a hedging transaction, "straddle," wash sale, conversion transaction or integrated transaction or persons entering into a constructive sale with respect to ordinary shares or ADSs;
- persons whose "functional currency" for U.S. federal income tax purposes is not the U.S. dollar;
- brokers, dealers or traders in securities, commodities or currencies;
- tax exempt entities or government organizations;
- S corporations, partnerships, or other entities or arrangements classified as partnerships for U.S. federal income tax purposes;
- regulated investment companies or real estate investment trusts;
- persons who acquired our ordinary shares or ADSs pursuant to the exercise of any employee stock option or otherwise as compensation;
- persons subject to special tax accounting rules as a result of any item of gross income with respect to the ADSs being taken into account in an applicable financial statement;
- persons that own or are deemed to own ten percent or more of our shares, measured by vote or by value; and
- persons holding our ordinary shares or ADSs in connection with a trade or business, permanent establishment, or fixed base outside the United States.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds ordinary shares or ADSs, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships owning ordinary shares or ADSs and partners in such partnerships are encouraged to consult their tax advisers as to the particular U.S. federal income tax consequences of owning and disposing of our ordinary shares or ADSs.

The discussion is based on the Internal Revenue Code of 1986, as amended, or the Code, administrative pronouncements, judicial decisions, final, temporary and proposed Treasury Regulations, and the income tax treaty between the United Kingdom and the United States, or the Treaty, all as of the date hereof, changes to any of which may affect the tax consequences described herein—possibly with retroactive effect.

A “U.S. Holder” is a holder who, for U.S. federal income tax purposes, is a beneficial owner of ordinary shares or ADSs who is eligible for the benefits of the Treaty and is:

(1) a citizen or individual resident of the United States;
(2) a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia;
(3) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
(4) a trust (A) that is subject to the primary supervision of a court within the United States and one or more United States persons as described in Code Section 7701(a)(30) have the authority to control all substantial decisions of the trust or (B) any trust that has a valid election in effect under applicable United States Treasury Regulations to be treated the as a U.S. person.

U.S. Holders are encouraged to consult their tax advisers concerning the U.S. federal, state, local and foreign tax consequences of owning and disposing of ordinary shares or ADSs in their particular circumstances.

The discussion below assumes that the representations contained in the deposit agreement are true and that the obligations in the deposit agreement and any related agreement will be complied with in accordance with their terms. Generally, a holder of an ADS should be treated for U.S. federal income tax purposes as owning the ordinary shares represented by the ADS. Accordingly, no gain or loss will be recognized upon an exchange of ADSs for ordinary shares. The U.S. Treasury has expressed concerns that intermediaries in the chain of ownership between the holder of an ADS and the issuer of the security underlying the ADS may be taking actions that are inconsistent with the beneficial ownership of the underlying security. Accordingly the consequences described below may not apply if, as a result of actions taken by intermediaries in the chain of ownership between the holders of ADSs and our Company, the holders of our ADSs are not properly treated as beneficial owners of the underlying ordinary shares.

Passive Foreign Investment Company Rules

Because we do not expect to earn revenue from our business operations during the current taxable year, and because our sole source of income currently is interest on bank accounts held by us, we believe we will likely be a PFIC for the current taxable year. A non U.S. corporation will be classified as a PFIC for any taxable year in which, after applying certain look through rules, either:

- at least 75% of its gross income is passive income (such as interest income); or
- at least 50% of its gross assets (determined on the basis of a quarterly average) is attributable to assets that produce passive income or are held for the production of passive income.

We will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other corporation, the equity of which we own, directly or indirectly, 25% or more (by value).

A separate determination must be made after the close of each taxable year as to whether we are a PFIC for that year. As a result, our PFIC status may change. While it is possible we may not meet the PFIC test described above once we start generating substantial revenue from our business operations, the analysis is factual and it is possible we may continue to be a PFIC for future years. In particular, the total value of our assets for purposes of the asset test generally will be calculated using the market price of the ordinary shares or ADSs, which may fluctuate considerably. Fluctuations in the market price of the ordinary shares or ADSs may result in our being a PFIC for any taxable year.

If we are classified as a PFIC in any year with respect to which a U.S. Holder owns the ordinary shares or ADSs, we will continue to be subject to the PFIC rules discussed below with respect to such U.S. Holder in all succeeding years during which the U.S. Holder owns the ordinary shares or ADSs,

regardless of whether we continue to meet the tests described above unless (1) we cease to be a PFIC and the U.S. Holder has made a "deemed sale" election under the PFIC rules, or (2) the U.S. Holder makes a QEF Election (defined and discussed further below) with respect to all taxable years in which we are a PFIC. If you make a deemed sale election, you will be deemed to have sold the ordinary shares or ADSs you hold at their fair market value and any gain from such deemed sale would be subject to the "excess distribution" rules described further below. After the deemed sale election, so long as we do not become a PFIC in a subsequent taxable year, your ordinary shares or ADSs with respect to which you made such election will not be treated as shares in a PFIC and you will not be subject to the rules described below with respect to any "excess distribution" you receive from us or any gain from an actual sale or other disposition of the ordinary shares or ADSs. U.S. Holders should consult their tax advisors as to the possibility and consequences of making a deemed sale election if we cease to be a PFIC and such election becomes available.

If the U.S. Holder makes a QEF Election in the first year in the U.S. Holder's holding period in which we are a PFIC, or a Pedigreed Election, then the U.S. Holder may make the QEF Election by simply filing the appropriate documents at the time the U.S. Holder files its tax return for such first year (as discussed further below). If a Pedigreed Election is made, and we no longer qualify as a PFIC in a subsequent year, normal Code rules and not the PFIC rules will apply. If a U.S. shareholder makes a QEF Election that is not a Pedigreed Election (i.e., it is made after the first year during which the company is a PFIC and the U.S. shareholder holds shares of the company), the QEF rules apply prospectively but do not apply to years prior to the year in which the QEF first becomes effective.

For each taxable year we are treated as a PFIC with respect to you, you will be subject to special tax rules with respect to any "excess distribution" you receive and any gain you recognize from a sale or other disposition (including a pledge) of ordinary shares or ADSs, unless you make a QEF Election or a mark to market election as discussed further below. Distributions you receive in a taxable year that are greater than 125% of the average annual distributions you received during the shorter of the three preceding taxable years or your holding period for the ordinary shares or ADSs will be treated as an excess distribution. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over your holding period for the ordinary shares or ADSs;
- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we became a PFIC, will be treated as ordinary income; and
- the amount allocated to each other year will be subject to the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

The tax liability for amounts allocated to years prior to the year of disposition or "excess distribution" cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale of the ordinary shares or ADSs cannot be treated as capital, even if you hold the ordinary shares or ADSs as capital assets.

If we are a PFIC, to the extent any of our subsidiaries are also PFICs or we make direct or indirect equity investments in other entities that are PFICs, you may be deemed to own shares in such lower-tier PFICs that are directly or indirectly owned by us in that proportion which the value of the ADSs you own bears to the value of all of our ADSs. A U.S. Holder will generally be subject to similar rules to those described above with respect to distributions we receive from, and our dispositions of the stock of, any of our direct or indirect subsidiaries that also are PFICs, as if such distributions were indirectly received by, and/or dispositions were indirectly carried out by, such U.S. Holder. It is possible that one or more of our subsidiaries may be treated as a lower-tier PFIC. U.S. Holders should consult their tax advisors regarding the application of the PFIC rules to our subsidiaries and the adverse tax

consequences that may result from such U.S. Holder's deemed ownership interests in any lower-tier PFICs.

U.S. Holders can avoid the interest charge on excess distributions or gain relating to the ordinary shares or ADSs by making a mark to market election with respect to the ordinary shares or ADSs, provided that the ordinary shares or ADSs are "marketable." Ordinary shares or ADSs will be marketable if they are "regularly traded" on certain U.S. stock exchanges or on a foreign stock exchange that meets certain conditions. For these purposes, the ordinary shares or ADSs will be considered regularly traded during any calendar year during which they are traded, other than in de minimis quantities, on at least 15 days during each calendar quarter. In addition, if we initiate a public offering of ADSs in the fourth quarter of a calendar year, the ADSs will be considered regularly traded if the ADSs are traded other than in de minimis quantities, on the greater of 1/6 of the days remaining in the quarter in which the offering occurs, or 5 days. Any trades that have as their principal purpose meeting this requirement will be disregarded. Our ADSs will be listed on the Nasdaq, which is a qualified exchange for these purposes. Consequently, if our ADSs remain listed on the Nasdaq and are regularly traded, and you are a holder of ADSs, we expect the mark to market election would be available to you if we are a PFIC (which we believe likely for the current year). It is unclear whether our ordinary shares would be considered "marketable" for purposes of these rules and, therefore, whether you would be able to make a mark-to-market election with respect to our ordinary shares. Each U.S. Holder should consult its tax advisor as to the whether a mark to market election is available or advisable with respect to the ordinary shares or ADSs.

A U.S. Holder that makes a valid mark to market election with respect to ordinary shares or ADSs must include in ordinary income for each year an amount equal to the excess, if any, of the fair market value of the ordinary shares or ADSs (as applicable) at the close of the taxable year over the U.S. Holder's adjusted tax basis in such ordinary shares or ADSs (as applicable). An electing holder may also claim an ordinary loss deduction for the excess, if any, of the U.S. Holder's adjusted basis in the ordinary shares or ADSs (as applicable) over the fair market value of the ordinary shares or ADSs (as applicable) at the close of the taxable year, but this deduction is allowable only to the extent of any net mark to market gains for prior years. If a mark-to-market election applies, gains from an actual sale or other disposition of the ordinary shares or ADSs (as applicable) will be treated as ordinary income, and any losses incurred on a sale or other disposition will be treated as an ordinary loss to the extent of any net mark to market gains for prior years. Once made, the mark-to-market election cannot be revoked without the consent of the IRS unless the ordinary shares or ADSs with respect to which the election was made cease to be marketable.

However, a mark to market election generally cannot be made for equity interests in any lower tier PFICs that we own, unless shares of such lower tier PFIC are themselves "marketable." It is possible that one or more of our subsidiaries will be treated as a lower-tier PFIC and shares in any such subsidiary would not be considered marketable for this purpose. As a result, even if a U.S. Holder validly makes a mark to market election with respect to our ordinary shares or ADSs, the U.S. Holder may continue to be subject to the general "excess distribution" PFIC rules (described above) with respect to its indirect interest in any of our investments that are treated as an equity interest in a PFIC for U.S. federal income tax purposes. U.S. Holders should consult their tax advisors as to the availability and desirability of a mark to market election, as well as the impact of such election on indirect interests in any lower tier PFICs.

Alternatively, a U.S. Holder can make an election, if we provide the necessary information, to treat us and each lower tier PFIC as a qualified electing fund, or a QEF Election, in the first taxable year we (and our relevant subsidiaries) are treated as a PFIC with respect to the holder. If such election remains in place while we and any lower tier PFIC subsidiaries are PFICs, we and our subsidiaries will not be treated as PFICs with respect to such U.S. Holder when we cease to be a PFIC. To make the

QEF Election for each PFIC, a U.S. Holder must attach a separate properly completed IRS Form 8621 for each PFIC to the holder's timely filed U.S. federal income tax return. We will provide the information necessary for a U.S. Holder to make a QEF Election with respect to us and will cause each lower tier PFIC which we control to provide such information with respect to such lower tier PFIC.

If a U.S. Holder makes a QEF Election with respect to a PFIC, the holder will be currently taxable on its pro rata share of the PFIC's ordinary earnings and net capital gain (at ordinary income and capital gain rates, respectively) for each taxable year that the entity is classified as a PFIC. If a U.S. Holder makes a QEF Election with respect to us, any distributions paid by us out of our earnings and profits that were previously included in the holder's income under the QEF Election would not be taxable to the holder. A U.S. Holder will increase its tax basis in its ordinary shares or ADSs by an amount equal to any income included under the QEF Election and will decrease its tax basis by any amount distributed on the ordinary shares or ADSs that is not included in the holder's income. In addition, a U.S. Holder will recognize capital gain or loss on the disposition of ordinary shares or ADSs in an amount equal to the difference between the amount realized and the holder's adjusted tax basis in the ordinary shares or ADSs. U.S. Holders should note that if they make QEF Elections with respect to us and our subsidiaries that are treated as lower tier PFICs, they may be required to pay U.S. federal income tax with respect to their ordinary shares or ADSs for any taxable year significantly in excess of any cash distributions received on the ordinary shares or ADSs for such taxable year. U.S. Holders should consult their tax advisors regarding making QEF Elections in their particular circumstances.

Unless otherwise provided by the U.S. Treasury, each U.S. shareholder of a PFIC is required to file an annual report containing such information as the U.S. Treasury may require. A U.S. Holder's failure to file the annual report will cause the statute of limitations for such U.S. Holder's U.S. federal income tax return to remain open with regard to the items required to be included in such report until three years after the U.S. Holder files the annual report, and, unless such failure is due to reasonable cause and not willful neglect, the statute of limitations for the U.S. Holder's entire U.S. federal income tax return will remain open during such period. U.S. Holders should consult their tax advisors regarding the requirements of filing such information returns under these rules.

Calculation of Basis in the Ordinary Shares or ADSs

A U.S. Holder's initial tax basis in the ordinary shares or ADSs will generally equal the cost of such ordinary shares. If a U.S. Holder used foreign currency to purchase the ordinary shares or ADSs, the cost of the ordinary shares or ADSs will be the U.S. dollar value of the foreign currency purchase price on the date of purchase, translated at the spot rate of exchange on that date.

Taxation of Distributions

Subject to the discussion above under "—Passive Foreign Investment Company Rules," distributions paid on ordinary shares or ADSs, other than certain pro rata distributions of ordinary shares or ADSs, will generally be treated as dividends to the extent paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Because we do not calculate our earnings and profits under U.S. federal income tax principles, we expect that distributions generally will be reported to U.S. Holders as dividends. Subject to applicable limitations, dividends paid to certain non-corporate U.S. Holders may be taxable at preferential rates applicable to "qualified dividend income." However, the qualified dividend income treatment will not apply if we are treated as a PFIC in the year the dividend is paid or in the preceding year. The amount of a dividend will include any amounts withheld by us in respect of United Kingdom income taxes. The amount of the dividend will be treated as foreign source dividend income to U.S. Holders and will not be eligible for the dividends received deduction generally available to U.S. corporations under the Code. Dividends will generally be included in a U.S. Holder's income on the date of the U.S. Holder's actual or

constructive receipt of the dividend. The amount of any dividend income paid in foreign currency will be the U.S. dollar amount calculated by reference to the exchange rate in effect on the date of actual or constructive receipt, regardless of whether the payment is in fact converted into U.S. dollars. If the dividend is converted into U.S. dollars on the date of receipt, a U.S. Holder should not be required to recognize foreign currency gain or loss in respect of the dividend income. A U.S. Holder may have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of receipt. Such gain or loss would generally be treated as U.S. source ordinary income or loss. The amount of any distribution of property other than cash (and other than certain pro rata distributions of ordinary shares or ADSs or rights to acquire ordinary shares or ADSs) will be the fair market value of such property on the date of distribution. Amounts, if any, not treated as dividend income will constitute a return of capital and will first be applied to reduce a U.S. Holder's tax basis in its ordinary shares or ADSs, but not below zero, and then any excess will be treated as a gain realized on a sale or other disposition of ordinary shares or ADSs.

For foreign tax credit purposes, our dividends will generally be treated as passive category income. Subject to applicable limitations, some of which vary depending upon the U.S. Holder's particular circumstances, any United Kingdom income taxes withheld from dividends on ordinary shares or ADSs at a rate not exceeding the rate provided by the Treaty will be creditable against the U.S. Holder's U.S. federal income tax liability. The rules governing foreign tax credits are complex and U.S. Holders should consult their tax advisers regarding the creditability of foreign taxes in their particular circumstances. In lieu of claiming a foreign tax credit, U.S. Holders may, at their election, deduct foreign taxes, including any United Kingdom income tax, in computing their taxable income, subject to generally applicable limitations under U.S. law. An election to deduct foreign taxes instead of claiming foreign tax credits applies to all foreign taxes paid or accrued in the taxable year.

Sale or Other Taxable Disposition of Ordinary Shares and ADSs

Subject to the discussion above under "—Passive Foreign Investment Company Rules," gain or loss realized on the sale or other taxable disposition of ordinary shares or ADSs will be capital gain or loss, and will be long term capital gain or loss if the U.S. Holder held the ordinary shares or ADSs for more than one year. The amount of the gain or loss will equal the difference between the U.S. Holder's tax basis in the ordinary shares or ADSs disposed of and the amount realized on the disposition, in each case as determined in U.S. dollars. This gain or loss will generally be U.S. source gain or loss for foreign tax credit purposes. The deductibility of capital losses is subject to limitations.

If the consideration received by a U.S. Holder is not paid in U.S. dollars, the amount realized will be the U.S. dollar value of the payment received determined by reference to the spot rate of exchange on the date of the sale or other disposition. However, if the ordinary shares or ADSs are treated as traded on an "established securities market" and you are either a cash basis taxpayer or an accrual basis taxpayer that has made a special election (which must be applied consistently from year to year and cannot be changed without the consent of the IRS), you will determine the U.S. dollar value of the amount realized in a non U.S. dollar currency by translating the amount received at the spot rate of exchange on the settlement date of the sale. If you are an accrual basis taxpayer that is not eligible to or does not elect to determine the amount realized using the spot rate on the settlement date, you will recognize foreign currency gain or loss to the extent of any difference between the U.S. dollar amount realized on the date of sale or disposition and the U.S. dollar value of the currency received at the spot rate on the settlement date.

WE STRONGLY URGE YOU TO CONSULT YOUR TAX ADVISOR REGARDING THE IMPACT OF OUR PFIC STATUS ON YOUR INVESTMENT IN THE ORDINARY SHARES OR ADSs AS WELL AS THE APPLICATION OF THE PFIC RULES TO YOUR INVESTMENT IN THE ORDINARY SHARES OR ADSs.

Information Reporting and Backup Withholding

Payments of dividends and sales proceeds that are made within the United States or through certain U.S. related financial intermediaries generally are subject to information reporting, and may be subject to backup withholding, unless (i) the U.S. Holder is a corporation or other exempt recipient or (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding.

Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the holder's U.S. federal income tax liability and may entitle it to a refund, provided that the required information is timely furnished to the IRS.

Transfer Reporting Requirements

A U.S. Holder (including a U.S. tax-exempt entity) that acquires equity of a non-U.S. corporation may be required to file a Form 926, or a similar form, with the IRS reporting the payment of the offering price if (i) such person owned, directly or by attribution, immediately after the transfer at least 10.0% by vote or value of the corporation or (ii) if the transfer, when aggregated with all transfers made by such person (or any related person) within the preceding 12 month period, exceeds USD 100,000. Substantial penalties may be imposed upon a U.S. Holder that fails to comply. Also, in the event a U.S. Holder does not file IRS Form 926, the statute of limitations on the assessment and collection of U.S. federal income taxes of such U.S. Holder for the related tax year may not close until three years after the date the required information is filed. Each U.S. Holder should consult its own tax advisor as to the possible obligation to file Form 926. U.S. Holders should consult their tax advisers regarding the applicability of this requirement to their acquisition of our ordinary shares.

Information with Respect to Foreign Financial Assets

Certain U.S. Holders who are individuals (and, under proposed regulations, certain entities) may be required to report information relating to the ordinary shares or ADSs, subject to certain exceptions (including an exception for ordinary shares or ADSs held in accounts maintained by certain U.S. financial institutions). U.S. Holders should consult their tax advisers regarding their reporting obligations with respect to their ownership and disposition of the ordinary shares or ADSs.

FATCA

Provisions under Sections 1471 through 1474 of the Code and applicable U.S. Treasury Regulations commonly referred to as "FATCA" generally impose 30% withholding on certain "withholdable payments" and, in the future, may impose such withholding on "foreign passthru payments" made by a "foreign financial institution" (each as defined in the Code) that has entered into an agreement with the IRS to perform certain diligence and reporting obligations with respect to the foreign financial institution's U.S.-owned accounts. The United States has entered into intergovernmental agreements with the United Kingdom and other jurisdictions that modify the FATCA withholding regime. It is not yet clear how these intergovernmental agreements will address foreign passthru payments and whether such intergovernmental agreements may relieve foreign financial institutions of any obligation to withhold on foreign passthru payments. Prospective investors should consult their tax advisors regarding the potential impact of FATCA, or any intergovernmental agreement or non-U.S. legislation implementing FATCA, on their investment in the ordinary shares.

United Kingdom Taxation

The following paragraphs are intended as a general guide to current U.K. tax law and HM Revenue & Customs published practice applying as at the date of this prospectus (both of which are subject to change at any time, possibly with retrospective effect) relating to the holding of ordinary shares or ADSs. They do not constitute legal or tax advice and do not purport to be a complete

analysis of all U.K. tax considerations relating to the holding of ordinary shares or ADSs. They are written on the basis that the Company is and remains solely resident in the U.K. for tax purposes and will therefore be subject to the U.K. tax regime and not the U.S. tax regime save as set out above under "—U.S. Federal Income Taxation." They relate only to persons who are absolute beneficial owners of ordinary shares or ADSs (and where the ordinary shares or ADSs are not held through an Individual Savings Account or a Self-Invested Personal Pension) and who are resident for tax purposes in (and only in) the U.K., or U.K. Holders (except to the extent that the position of non-U.K. resident persons is expressly referred to). These paragraphs assume that a holder of ADSs is the beneficial owner of the underlying ordinary shares and any dividends paid in respect of the underlying ordinary shares (where the dividends are regarded for U.K. purposes as that person's own income) for U.K. direct tax purposes.

These paragraphs may not relate to certain classes of U.K. Holders, such as (but not limited to):

- persons who are connected with the Company;
- financial institutions;
- insurance companies;
- charities or tax-exempt organizations;
- collective investment schemes;
- pension schemes;
- brokers or dealers in securities or persons who hold ordinary shares or ADSs otherwise than as an investment;
- persons who have (or are deemed to have) acquired their ordinary shares or ADSs by virtue of an office or employment or who are or have been officers or employees of the Company or any of its affiliates; and
- individuals who are subject to U.K. taxation on a remittance basis.

THESE PARAGRAPHS DO NOT DESCRIBE ALL OF THE CIRCUMSTANCES IN WHICH HOLDERS OF ORDINARY SHARES OR ADSs MAY BENEFIT FROM AN EXEMPTION OR RELIEF FROM U.K. TAXATION. IT IS RECOMMENDED THAT ALL HOLDERS OF ORDINARY SHARES OR ADSs OBTAIN THEIR OWN TAX ADVICE AS TO THE CONSEQUENCES OF THE ACQUISITION, OWNERSHIP, AND DISPOSAL OF THE ORDINARY SHARES OR ADSs IN THEIR OWN PARTICULAR CIRCUMSTANCES. IN PARTICULAR, NON-U.K. RESIDENT OR DOMICILED PERSONS ARE ADVISED TO CONSIDER THE POTENTIAL IMPACT OF ANY RELEVANT DOUBLE TAX AGREEMENTS.

Dividends

Withholding Tax

Dividends paid by the Company will not be subject to any withholding or deduction for or on account of U.K. tax, irrespective of the residence or particular circumstances of the holders of ordinary shares or ADSs.

Income Tax

An individual U.K. Holder may, depending on his or her particular circumstances, be subject to U.K. tax on dividends received from the Company. An individual holder of ordinary shares or ADSs who is not resident for tax purposes in the U.K. should not be chargeable to U.K. income tax on dividends received from the Company unless he or she carries on (whether solely or in partnership) any trade, profession, or vocation in the U.K. through a branch or agency to which the ordinary shares or ADSs are attributable (subject to certain exceptions for trading through independent agents, such as some brokers and investment managers).

All individual U.K. Holders will receive a tax-free allowance of £5,000 per annum (reducing to £2,000 for dividends received on or after 6 April 2018). Dividend income in excess of this tax-free allowance will be charged at 7.5% for basic rate taxpayers, 32.5% for higher rate taxpayers, and 38.1% for additional rate taxpayers. Dividend income is treated as the top slice of the total income chargeable to U.K. income tax.

Corporation Tax

Corporate U.K. Holders should not be subject to U.K. corporation tax on any dividend received from the Company so long as the dividends qualify for exemption, which is likely to be the case, provided the dividends fall within an exempt class and certain conditions are met (including anti-avoidance conditions).

Chargeable Gains

A disposal or deemed disposal of ordinary shares or ADSs by a U.K. Holder may, depending on the U.K. Holder's circumstances and subject to any available exemptions or reliefs, give rise to a chargeable gain or an allowable loss for the purposes of U.K. capital gains tax and corporation tax on chargeable gains.

If an individual U.K. Holder who is subject to U.K. income tax at either the higher or the additional rate becomes liable to U.K. capital gains tax on the disposal of ordinary shares or ADSs, the current applicable rate would be 20%. For an individual U.K. Holder who is subject to U.K. income tax at the basic rate and liable to U.K. capital gains tax on such disposal, the current applicable rate would be 10%, save to the extent that any capital gains exceed the unused basic rate tax band. In that case, the current rate applicable to the excess would be 20%.

If a corporate U.K. Holder becomes liable to U.K. corporation tax on the disposal of ordinary shares or ADSs, the main rate of U.K. corporation tax (currently 19%) would apply. An indexation allowance may be available to such a holder to give an additional deduction based on the indexation of its base cost in the shares by reference to U.K. retail price inflation over its holding period (but note that, in respect of disposals on or after 1 January 2018, the U.K. Government announced plans in the Autumn Budget 2017 to freeze indexation allowance at the amount that would be due based on the retail price index for December 2017). An indexation allowance can only reduce a gain on a future disposal, and cannot create a loss.

A holder of ordinary shares or ADSs which is not resident for tax purposes in the U.K. should not normally be liable to U.K. capital gains tax or corporation tax on chargeable gains on a disposal of ordinary shares or ADSs. However, an individual holder of ordinary shares or ADSs who has ceased to be resident for tax purposes in the U.K. for a period of less than five years and who disposes of ordinary shares or ADSs during that period may be liable on his or her return to the U.K. to U.K. tax on any capital gain realized (subject to any available exemption or relief).

Any gains or losses in respect of currency fluctuations relating to the ordinary shares or ADSs would be brought into account on the disposal.

Stamp Duty and Stamp Duty Reserve Tax

The discussion below relates to holders of ordinary shares or ADSs wherever resident.

Transfer of Ordinary Shares

Neither U.K. stamp duty nor stamp duty and reserve tax, or SDRT, should arise on transfers of ordinary shares on AIM (including instruments transferring ordinary shares or agreement to transfer ordinary shares) based on the following assumptions:

- that the ordinary shares are admitted to trading on AIM but are not listed on any market (with the term "listed" being construed in accordance with section 99A of the U.K. Finance Act 1986); and

- that AIM continues to be accepted as a “recognised growth market” (as construed in accordance with section 99A of the U.K. Finance Act 1986).

In the event that either of the above assumptions does not apply, transfers of, or agreements to transfer, ordinary shares may give rise to U.K. stamp duty or SDRT in certain circumstances.

Transfers of ADSs

No U.K. stamp duty will in practice be payable on a written instrument transferring an ADS or on a written agreement to transfer an ADS, provided that the instrument of transfer or the agreement to transfer is executed and remains at all times outside the U.K. Where these conditions are not met, the transfer of, or agreement to transfer, an ADS could, depending on the circumstances, attract a charge to U.K. stamp duty at the rate of 0.5% (rounded up to the nearest £5) of the value of the consideration.

No SDRT will be payable in respect of agreement to transfer an ADS.

UNDERWRITING

We and the underwriters for the global offering named below have entered into an underwriting agreement with respect to the ADSs and ordinary shares being offered. Subject to the terms and conditions of the underwriting agreement, each underwriter has severally agreed to purchase from us the number of ADSs and ordinary shares set forth opposite its name below. Cowen and Company, LLC, 599 Lexington Avenue, New York, New York 10022; BMO Capital Markets Corp., 3 Times Square, New York, New York 10036; and RBC Capital Markets, LLC, 3 World Financial Center, 200 Vesey Street, New York, New York 10281, are the representatives of the underwriters.

Underwriters	Number of ADSs	Number of Ordinary Shares
Cowen and Company, LLC		
BMO Capital Markets Corp.		
RBC Capital Markets, LLC		
JMP Securities LLC		
Cantor Fitzgerald Europe		
Total		

The underwriting agreement provides that the obligations of the underwriters are subject to certain conditions precedent and that the underwriters have agreed, severally and not jointly, to purchase all of the ADSs and ordinary shares sold under the underwriting agreement if any of these ADSs or ordinary shares are purchased, other than those ADSs covered by the overallotment option described below. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the non-defaulting underwriters may be increased or the underwriting agreement may be terminated.

We have agreed to indemnify the underwriters against specified liabilities, including liabilities under the Securities Act and to contribute to payments the underwriters may be required to make in respect thereof.

The underwriters are offering the ADSs and ordinary shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel and other conditions specified in the underwriting agreement. The underwriters reserve the right to withdraw, cancel, or modify offers to the public and to reject orders in whole or in part.

Option to Purchase Additional ADSs. We have granted to the underwriters an option to purchase up to additional ADSs at the public offering price per ADS, less the underwriting discounts and commissions. This option is exercisable for a period of 30 days after the date of the pricing of the global offering. The underwriters may exercise this option solely for the purpose of covering overallotments, if any, made in connection with the sale of ADSs offered hereby. To the extent that the underwriters exercise this option, the underwriters will purchase additional ADSs from us in approximately the same proportion as shown in the table above.

Discounts and Commissions. The following table shows the public offering price, underwriting discounts and commissions and proceeds, before expenses to us. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional ADSs.

We estimate that the total expenses of the global offering payable by us, excluding underwriting discounts and commissions, will be approximately $. We have also agreed to reimburse the underwriters for certain expenses, including up to an aggregate of $35,000 in connection with the

clearance of the global offering with the Financial Industry Regulatory Authority, or FINRA, as set forth in the underwriting agreement.

	Per ADS	Per Share	Total	
			Without Overallotment	With Overallotment
Offering price	$	£	$	$
Underwriting discounts and commissions	$	£	$	$
Proceeds, before expenses, to Mereo	$	£	$	$

The underwriters propose to offer the ADSs and ordinary shares at the offering prices set forth on the cover of this prospectus. The underwriters may offer the ADSs and ordinary shares to securities dealers at the public offering prices less a concession not in excess of $ per ADS and £ per ordinary share. If all of the ADSs and ordinary shares are not sold at the relevant offering price, the underwriters may change the initial public offering price per ADS and the offering price per ordinary share and other selling terms. Sales of ADSs made outside of the United States may be made by affiliates of certain of the underwriters. Certain of the underwriters may sell ADSs or ordinary shares through one or more of their affiliates as selling agents.

Discretionary Accounts. The underwriters do not intend to confirm sales of the ADSs or ordinary shares to any accounts over which they have discretionary authority.

Market Information. Prior to the global offering, there has been no public market for the ADSs. Our ordinary shares have been listed on the AIM under the symbol “MPH” since June 9, 2016. The initial public offering price for the ADSs and the ordinary shares offered in this offering will be determined by negotiations between us and the representatives of the underwriters taking into account the most recent closing price of our ordinary shares on the AIM prior to the pricing date and prevailing market conditions. In addition, factors to be considered in these negotiations will include:

- the history of, and prospects for, our company and the industry in which we compete;
- our past and present financial information, assessment of our management, its past and present operations, and the prospects for, and timing of, our future revenues;
- the present state of our development; and
- the foregoing factors in relation to market values and various valuation measures of other companies engaged in activities similar to ours.

An active trading market for the ADSs may not develop. It is also possible that after the global offering, the ADSs will not trade in the public market at or above the initial public offering price.

We applied to list the ADSs on the Nasdaq Global Market under the trading symbol “MREO.”

Stabilization. In connection with the global offering, the underwriters may engage in stabilizing transactions, overallotment transactions, syndicate covering transactions, penalty bids and purchases to cover positions created by short sales.

- Stabilizing transactions permit bids to purchase ADSs or ordinary shares so long as the stabilizing bids do not exceed a specified maximum, and are engaged in for the purpose of preventing or retarding a decline in the market price of the ADSs or ordinary shares while the global offering is in progress.
- Overallotment transactions involve sales by the underwriters of ADSs in excess of the number of ADSs the underwriters are obligated to purchase. This creates a syndicate short position

which may be either a covered short position or a naked short position. In a covered short position, the number of ADSs overallotted by the underwriters is not greater than the number of ADSs that they may purchase in the overallotment option. In a naked short position, the number of ADSs involved is greater than the number of ADSs in the overallotment option. The underwriters may close out any short position by exercising their overallotment option and/or purchasing ADSs in the open market.

- Syndicate covering transactions involve purchases of ADSs in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of ADSs to close out the short position, the underwriters will consider, among other things, the price of ADSs available for purchase in the open market as compared with the price at which they may purchase ADSs through exercise of the overallotment option. If the underwriters sell more ADSs than could be covered by exercise of the overallotment option and, therefore, have a naked short position, the position can be closed out only by buying ADSs in the open market. A naked short position is more likely to be created if the underwriters are concerned that after pricing there could be downward pressure on the price of the ADSs in the open market that could adversely affect investors who purchase in the global offering.
- Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the ADSs or ordinary shares originally sold by that syndicate member are purchased in stabilizing or syndicate covering transactions to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of the ADSs or ordinary shares or preventing or retarding a decline in the market price of the ADSs or ordinary shares. As a result, the price of the ADSs and ordinary shares in the open market may be higher than it would otherwise be in the absence of these transactions. Neither we nor the underwriters make any representation or prediction as to the effect that the transactions described above may have on the price of the ADSs or ordinary shares. These transactions may be effected on the Nasdaq Global Market, in the over-the-counter market or otherwise and, if commenced, may be discontinued at any time.

Passive Market Making. In connection with this offering, underwriters may engage in passive market making transactions in the ADSs on the Nasdaq Global Market in accordance with Rule 103 of Regulation M under the Exchange Act during a period before the commencement of offers or sales of ADSs and extending through the completion of the distribution. A passive market maker must display its bid at a price not in excess of the highest independent bid of that security. However, if all independent bids are lowered below the passive market maker's bid, that bid must then be lowered when specified purchase limits are exceeded.

Lock-Up Agreements. Pursuant to certain "lock-up" agreements, we and our executive officers, directors and certain of our other shareholders, have agreed, subject to certain exceptions, not to offer, sell, assign, transfer, pledge, contract to sell, or otherwise dispose of or announce the intention to otherwise dispose of, or enter into any swap, hedge or similar agreement or arrangement that transfers, in whole or in part, the economic risk of ownership of, directly or indirectly, or engage in any short selling of, or make any demand or request for or exercise any right with respect to the registration of, or file with the SEC a registration statement under the Securities Act relating to, our ADSs or ordinary shares or securities convertible into or exchangeable or exercisable for our ADSs or ordinary shares without the prior written consent of Cowen and Company, LLC and BMO Capital Markets Corp. for a period of 180 days after the date of the pricing of the global offering.

This lock-up provision applies to ADSs, ordinary shares and securities convertible into or exchangeable or exercisable for ADSs or ordinary shares. It also applies to ADSs or ordinary shares owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition. The exceptions permit us, among other things

and subject to restrictions, to: (a) issue ADSs, ordinary shares or options pursuant to employee benefit incentive or share option plans, and file a registration statement to register the offer and sale of such securities or (b) issue ADSs or ordinary shares upon the conversion of outstanding securities or the exercise of outstanding options, or warrants or convertible debt securities. The exceptions permit parties to the "lock-up" agreements, among other things and subject to restrictions, to: (a) make certain gifts; (b) if the party is a corporation, partnership, limited liability company or other business entity, make transfers to any shareholders, partners, members of, or owners of similar equity interests in, the party, or to an affiliate of the party, if such transfer is not for value; (c) make transfers of our ADSs or ordinary shares acquired in the open market after the global offering; (d) if the party is a corporation, partnership, limited liability company or other business entity, make transfers in connection with the sale or transfer of all of the party's capital stock, partnership interests, membership interests or other similar equity interests, as the case may be, or all or substantially all of the party's assets, in any such case not undertaken for the purpose of avoiding the restrictions imposed by the "lock-up" agreement; (d) make certain transfers by operation of law; (e) make transfers of ADSs or ordinary shares acquired in the open market following the global offering; and (f) participate in tenders involving the acquisition of all of our outstanding ordinary shares. In addition, the lock-up provision will not restrict broker-dealers from engaging in market making and similar activities conducted in the ordinary course of their business.

Cowen and Company, LLC and BMO Capital Markets Corp., in their sole discretion, may release our ADS or ordinary shares and other securities subject to the lock-up agreements described above in whole or in part at any time. When determining whether or not to release our ADSs or ordinary shares and other securities from lock-up agreements, Cowen and Company, LLC and BMO Capital Markets Corp. will consider, among other factors, the holder's reasons for requesting the release, the number of ADSs or ordinary shares for which the release is being requested, and market conditions at the time of the request. In the event of such a release or waiver for one of our directors or officers, Cowen and Company, LLC and BMO Capital Markets Corp. shall provide us with notice of the impending release or waiver at least three business days before the effective date of such release or waiver and we will announce the impending release or waiver by issuing a press release at least two business days before the effective date of the release or waiver.

Electronic Offer, Sale and Distribution of ADSs and Ordinary Shares. A prospectus in electronic format may be made available on the websites maintained by one or more of the underwriters or selling group members, if any, participating in the global offering and one or more of the underwriters participating in the global offering may distribute prospectuses electronically. The representatives may agree to allocate a number of ADSs or ordinary shares to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the underwriters that will make internet distributions on the same basis as other allocations. Other than the prospectus in electronic format, the information on these websites is not part of this prospectus or the registration statement of which this prospectus forms a part, has not been approved or endorsed by us or any underwriter in its capacity as underwriter, and should not be relied upon by investors.

Other Relationships. Certain of the underwriters and their affiliates have provided, and may in the future provide, various investment banking, commercial banking, and other financial services for us and our affiliates for which they have received, and may in the future receive, customary fees.

Selling Restrictions

No action has been taken in any jurisdiction except the United States that would permit a public offering of the ADSs or ordinary shares, or the possession, circulation, or distribution of this prospectus or any other material relating to us or the ADSs or ordinary shares in any jurisdiction where action for that purpose is required. Accordingly, neither the ADSs nor ordinary shares may not be offered or sold, directly or indirectly, and neither this prospectus nor any other offering material or advertisements in

connection with the ADSs and ordinary shares may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of any such country or jurisdiction.

Canada. The ADSs and ordinary shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the ADSs or ordinary shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, *provided* that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with the global offering.

United Kingdom. Each of the underwriters has represented and agreed that:

- it has not made or will not make an offer of the securities to the public in the United Kingdom within the meaning of section 102B of the Financial Services and Markets Act 2000 (as amended), or FSMA, except to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities or otherwise in circumstances which do not require the publication by us of a prospectus pursuant to the Prospectus Rules of the U.K. Financial Conduct Authority;
- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) to persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive that also are (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, or the Order, and/or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order and other persons to whom it may lawfully be communicated (each such person being referred to as a "relevant person"); and
- it has complied with and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the securities in, from or otherwise involving the United Kingdom.

In the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at, relevant persons. This prospectus and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents. Any investment or investment activity to which this prospectus relates is available only to relevant persons and will be engaged in only with relevant persons.

Switzerland. The securities will not be offered, directly or indirectly, to the public in Switzerland and this prospectus does not constitute a public offering prospectus as that term is understood pursuant to article 652a or 1156 of the Swiss Federal Code of Obligations.

European Economic Area. In relation to each member state of the European Economic Area which has implemented the Prospectus Directive, or each referred as a Relevant Member State, an offer to the public of any ADSs or ordinary shares which are the subject of the global offering contemplated by this prospectus may not be made in that Relevant Member State except that an offer to the public in that Relevant Member State of any ADSs or ordinary shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- to any legal entity which is a "qualified investor" as defined in the Prospectus Directive;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the underwriters or the underwriters nominated by us for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of ADSs or ordinary shares shall require us or any of the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

Each person located in a Relevant Member State to whom any offer of ADSs or ordinary shares is made or who receives any communication in respect of an offer of ADSs or ordinary shares, or who initially acquires any ADSs or ordinary shares will be deemed to have represented, warranted, acknowledged and agreed to and with each of the underwriters and us that (1) it is a "qualified investor" within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and (2) in the case of any ADSs or ordinary shares acquired by it as a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, the ADSs or ordinary shares acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the underwriters or the underwriters nominated by us has been given to the offer or resale; or where ADSs or ordinary shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those ADSs or ordinary shares to it is not treated under the Prospectus Directive as having been made to such persons.

The Company, the underwriters and their respective affiliates will rely upon the truth and accuracy of the foregoing representations, warranties, acknowledgments and agreements.

This prospectus has been prepared on the basis that any offer of ADSs or ordinary shares in any Relevant Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of securities. Accordingly any person making or intending to make an offer in that Relevant Member State of ADSs or ordinary shares which are the subject of the offering contemplated in this prospectus may only do so in circumstances in which no obligation arises for us or any of the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither us nor the underwriters have authorized, nor do they authorize, the making of any offer of ADSs or ordinary shares in circumstances in which an obligation arises for the Company or the underwriters to publish a prospectus for such offer.

For the purposes of this provision, the expressions "offer ADSs to the public" in relation to our ADSs and "offer ordinary shares to the public" in relation to our ordinary shares in any Relevant

Member State means the communication in any form and by any means of sufficient information on the terms of the offer and our ADSs or ordinary shares to be offered so as to enable an investor to decide to purchase or subscribe to our ADSs or ordinary shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended, or MiFID II; (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures, together, the MiFID II Product Governance Requirements, and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the ADSs and ordinary shares have been subject to a product approval process, which has determined that such securities are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II, or the Target Market Assessment. Notwithstanding the Target Market Assessment, "distributors" (for the purposes of the MiFID II Product Governance Requirements) should note that: the price of ADSs and ordinary shares may decline and investors could lose all or part of their investment; the ADSs and ordinary shares offer no guaranteed income and no capital protection; and an investment in ADSs and ordinary shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the offering.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to ADSs or the ordinary shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the ADSs and the ordinary shares and determining appropriate distribution channels.

Israel. In the State of Israel this prospectus shall not be regarded as an offer to the public to purchase securities under the Israeli Securities Law, 5728 – 1968, which requires a prospectus to be published and authorized by the Israel Securities Authority, if it complies with certain provisions of Section 15 of the Israeli Securities Law, 5728 – 1968, including, inter alia, if: (i) the offer is made, distributed, or directed to not more than 35 investors, subject to certain conditions, or the Addressed Investors; or (ii) the offer is made, distributed, or directed to certain qualified investors defined in the First Addendum of the Israeli Securities Law, 5728 – 1968, subject to certain conditions, the Qualified Investors. The Qualified Investors shall not be taken into account in the count of the Addressed Investors and may be offered to purchase securities in addition to the 35 Addressed Investors. We have not and will not take any action that would require us to publish a prospectus in accordance with and subject to the Israeli Securities Law, 5728 – 1968. We have not and will not distribute this prospectus or make, distribute, or direct an offer to subscribe for our securities to any person within the State of Israel, other than to Qualified Investors and up to 35 Addressed Investors.

Qualified Investors may have to submit written evidence that they meet the definitions set out in of the First Addendum to the Israeli Securities Law, 5728 – 1968. In particular, we may request, as a condition to be offered our securities, that Qualified Investors will each represent, warrant and certify to us and/or to anyone acting on our behalf: (i) that it is an investor falling within one of the categories listed in the First Addendum to the Israeli Securities Law, 5728 – 1968; (ii) which of the categories listed in the First Addendum to the Israeli Securities Law, 5728 – 1968 regarding Qualified Investors is applicable to it; (iii) that it will abide by all provisions set forth in the Israeli Securities Law, 5728 – 1968 and the regulations promulgated thereunder in connection with the offer to be issued securities; (iv) that the securities that it will be issued are, subject to exemptions available under the Israeli Securities Law, 5728 – 1968: (a) for its own account; (b) for investment purposes only; and (c) not issued with a view to resale within the State of Israel, other than in accordance with the provisions of the Israeli Securities Law, 5728 – 1968; and (v) that it is willing to provide further evidence of its Qualified Investor status. Addressed Investors may have to submit written evidence in respect of their identity and may have to sign and submit a declaration containing, inter alia, the Addressed Investor's name, address, and passport number or Israeli identification number.

Hong Kong. The contents of this document have not been reviewed or approved by any regulatory authority in Hong Kong. This document does not constitute an offer or invitation to the public in Hong Kong to acquire securities. Accordingly, unless permitted by the securities laws of Hong Kong, no person may issue or have in its possession for the purposes of issue, this document or any advertisement, invitation or document relating to the securities, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong other than in relation to shares which are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" (as such term is defined in the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong, or SFO) and the subsidiary legislation made thereunder); or in circumstances which do not result in this document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong, or CO); or which do not constitute an offer or an invitation to the public for the purposes of the SFO or the CO. The offer of the shares is personal to the person to whom this document has been delivered, and a subscription for shares will only be accepted from such person. No person to whom a copy of this document is issued may issue, circulate, or distribute this document in Hong Kong, or make or give a copy of this document to any other person. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

Singapore. This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the ADSs or ordinary shares may not be circulated or distributed, nor may the securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, Chapter 289 of Singapore, or SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA), or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the ADSs or ordinary shares are subscribed or purchased pursuant to an offer made in reliance on Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor;

shares, debentures, and units of shares and debentures of that corporation, or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable for six months after that corporation or that trust has acquired the shares under Section 275 except:

(1) to an institutional investor or to a relevant person (as defined in Section 275(2) of the SFA), or any person pursuant to Section 275(1A) of the SFA (in the case of that corporation) or Section 276(4)(i)(B) of the SFA (in the case of that trust);

(2) where no consideration is or will be given for the transfer; or

(3) where the transfer is by operation of law.

EXPENSES OF THE OFFERING

We estimate that our expenses in connection with the global offering, other than underwriting discounts and commissions, will be as follows:

Expenses	Amount
Securities and Exchange Commission registration fee	$ 10,022
FINRA filing fee	$ 12,575
The Nasdaq listing fee	$150,000
AIM admission fee	*
Printing and engraving expenses	*
Legal fees and expenses	*
Accounting fees and expenses	*
Miscellaneous costs	*
Total	$ *

* To be filed by amendment

All amounts in the table are estimates except the SEC registration fee, the Nasdaq listing fee, and the FINRA filing fee. We will pay all of the expenses of the global offering.

LEGAL MATTERS

The validity of our ADSs and ordinary shares and certain other matters of English law and U.S. federal law will be passed upon for us by Latham & Watkins LLP. Cooley LLP is serving as legal counsel for the underwriters in connection with the global offering with respect to matters of English law and U.S. federal law.

EXPERTS

The consolidated financial statements of Mereo BioPharma Group plc at December 31, 2016 and 2017, and for each of the two years in the period ended December 31, 2017, appearing in this Prospectus and Registration Statement have been audited by Ernst & Young LLP, an independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The registered business address of Ernst & Young LLP is Apex Plaza, Reading RG1 1YE, United Kingdom.

SERVICE OF PROCESS AND ENFORCEMENT OF LIABILITIES

We are incorporated and currently existing under the laws of England and Wales. In addition, most of our directors and officers reside outside of the United States and most of the assets of our subsidiaries are located outside of the United States. As a result, it may be difficult for investors to effect service of process on us or those persons in the United States or to enforce in the United States judgments obtained in United States courts against us or those persons based on the civil liability or other provisions of the United States securities laws or other laws.

In addition, uncertainty exists as to whether the courts of England and Wales would:

- recognize or enforce judgments of United States courts obtained against us or our directors or officers predicated upon the civil liabilities provisions of the securities laws of the United States or any state in the United States; or
- entertain original actions brought in England and Wales against us or our directors or officers predicated upon the securities laws of the United States or any state in the United States.

We have been advised by Latham & Watkins LLP that there is currently no treaty between (i) the United States and (ii) England and Wales providing for reciprocal recognition and enforcement of judgments of United States courts in civil and commercial matters (although the United States and the United Kingdom are both parties to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards) and that a final judgment for the payment of money rendered by any general or state court in the United States based on civil liability, whether or not predicated solely upon the United States securities laws, would not be automatically enforceable in England and Wales. We have also been advised by Latham & Watkins LLP that any final and conclusive monetary judgment for a definite sum obtained against us in United States courts would be treated by the courts of England and Wales as a cause of action in itself and sued upon as a debt at common law so that no retrial of the issues would be necessary, provided that:

- the relevant U.S. court had jurisdiction over the original proceedings according to English conflicts of laws principles at the time when proceedings were initiated;
- England and Wales courts had jurisdiction over the matter on enforcement and we either submitted to such jurisdiction or were resident or carrying on business within such jurisdiction and were duly served with process;
- the U.S. judgment was final and conclusive on the merits in the sense of being final and unalterable in the court that pronounced it and being for a definite sum of money;
- the judgment given by the courts was not in respect of penalties, taxes, fines, or similar fiscal or revenue obligations (or otherwise based on a U.S. law that an English court considers to relate to a penal, revenue or other public law);
- the judgment was not procured by fraud;
- the judgment was not obtained following a breach of a jurisdictional or arbitration clause, unless with the agreement of the defendant or the defendant's subsequent submission to the jurisdiction of the court;
- recognition or enforcement of the judgment in England and Wales would not be contrary to public policy or the Human Rights Act 1998;
- the proceedings pursuant to which judgment was obtained were not contrary to natural justice;
- the U.S. judgment was not arrived at by doubling, trebling, or otherwise multiplying a sum assessed as compensation for the loss or damages sustained and not being otherwise in breach of Section 5 of the UK Protection of Trading Interests Act 1980, or is a judgment based on measures designated by the Secretary of State under Section 1 of that Act;

- there is not a prior decision of an English court or the court of another jurisdiction on the issues in question between the same parties; and
- the English enforcement proceedings were commenced within the limitation period.

Whether these requirements are met in respect of a judgment based upon the civil liability provisions of the United States securities laws, including whether the award of monetary damages under such laws would constitute a penalty, is an issue for the court making such decision.

Subject to the foregoing, investors may be able to enforce in England and Wales judgments in civil and commercial matters that have been obtained from U.S. federal or state courts. Nevertheless, we cannot assure you that those judgments will be recognized or enforceable in England and Wales.

If an English court gives judgment for the sum payable under a U.S. judgment, the English judgment will be enforceable by methods generally available for this purpose. These methods generally permit the English court discretion to prescribe the manner of enforcement. In addition, it may not be possible to obtain an English judgment or to enforce that judgment if the judgment debtor is or becomes subject to any insolvency or similar proceedings, or if the judgment debtor has any set-off or counterclaim against the judgment creditor. Also note that, in any enforcement proceedings, the judgment debtor may raise any counterclaim that could have been brought if the action had been originally brought in England unless the subject of the counterclaim was in issue and denied in the U.S. proceedings.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement (including amendments and exhibits to the registration statement) on Form F-1 under the Securities Act. This prospectus, which is part of the registration statement, does not contain all of the information set forth in the registration statement and the exhibits and schedules to the registration statement. For further information, we refer you to the registration statement and the exhibits and schedules filed as part of the registration statement. If a document has been filed as an exhibit to the registration statement, we refer you to the copy of the document that has been filed. Each statement in this prospectus relating to a document filed as an exhibit is qualified in all respects by the filed exhibit.

Upon completion of the U.S. offering, we will become subject to the informational requirements of the Exchange Act. Accordingly, we will be required to file reports and other information with the SEC, including annual reports on Form 20-F and reports on Form 6-K. You may inspect and copy reports and other information filed with the SEC at the Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet website that contains reports and other information about issuers, like us, that file electronically with the SEC. The address of that website is www.sec.gov.

As a foreign private issuer, we are exempt under the Exchange Act from, among other things, the rules prescribing the furnishing and content of proxy statements, and our board members, executive officers, and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we will not be required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act.

We will send our transfer agent a copy of all notices of our general meetings of shareholders and other reports, communications, and information that are made generally available to shareholders. The transfer agent has agreed to mail to all shareholders a notice containing the information (or a summary of the information) contained in any notice of a meeting of our shareholders received by the transfer agent and will make available to all shareholders such notices and all such other reports and communications received by the transfer agent.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

The Shareholders and Board of Directors of Mereo BioPharma Group plc

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Mereo BioPharma Group plc (the "Company") as of December 31, 2017 and 2016, and the related consolidated statements of comprehensive loss, changes in equity, and cash flows for each of the two years in the period ended December 31, 2017, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2017, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform an audit of the Company's internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2015
Reading, United Kingdom
February 27, 2018

Consolidated statement of comprehensive loss
for the years ended December 31, 2016 and 2017

	Notes	Year ended December 31, 2016 £	Year ended December 31, 2017 £
Research and development expenses		(24,562,502)	(34,606,649)
General and administrative expenses		(11,616,816)	(10,697,194)
Operating loss		(36,179,318)	(45,303,843)
Finance income	7	374,906	826,855
Finance charge	7	(179,765)	(1,089,925)
Net foreign exchange gain/(loss)		2,262,626	(1,384,225)
Net loss before tax		(33,721,551)	(46,951,138)
Taxation	9	5,331,271	8,152,084
Loss attributable to equity holders of the Company		(28,390,280)	(38,799,054)
Total comprehensive loss for the year, attributable to the equity holders of the Company		(28,390,280)	(38,799,054)
Basic and diluted loss per share	10	(0.63)	(0.56)

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

Consolidated balance sheet
as at December 31, 2016 and 2017

	Notes	December 31, 2016 £	December 31, 2017 £
Assets			
Non-current assets			
Property, plant and equipment	11	**173,869**	**153,361**
Intangible assets	12	**25,812,941**	**33,005,229**
		25,986,810	**33,158,590**
Current assets			
Prepayments		**1,102,146**	**1,970,781**
R&D tax credits	9	**5,331,271**	**8,152,084**
Other receivables	14	**767,009**	**509,350**
Short-term investments	16	—	**2,500,000**
Cash and short-term deposits	15	**53,577,571**	**50,044,672**
		60,777,997	**63,176,887**
Total assets		**86,764,807**	**96,335,477**
Equity and liabilities			
Equity			
Issued capital	17	**193,022**	**213,285**
Share premium	17	**99,975,399**	**118,226,956**
Other capital reserves	17	**12,667,562**	**16,359,169**
Other reserves	17	**7,000,000**	**7,000,000**
Accumulated loss		**(40,579,241)**	**(79,315,920)**
Total equity		**79,256,742**	**62,483,490**
Non-current liabilities			
Provisions	19	**1,172,420**	**4,075,386**
Interest bearing loans and borrowings	18	**3,126,526**	**18,812,511**
Warrant Liability	20	—	**1,346,484**
		4,298,946	**24,234,381**
Current liabilities			
Trade and other payables	21	**1,121,107**	**3,024,026**
Accruals		**2,088,012**	**4,379,774**
Provisions	19	—	**274,000**
Interest bearing loans and borrowings	18	—	**1,939,806**
Total liabilities		**7,508,065**	**33,851,987**
Total equity and liabilities		**86,764,807**	**96,335,477**

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

Consolidated statement of cash flows
for the years ended December 31, 2016 and 2017

	Notes	December 31, 2016 £	December 31, 2017 £
Operating activities			
Loss before tax		**(33,721,551)**	**(46,951,138)**
Adjustments to reconcile loss before tax to net cash flows:			
Depreciation of property, plant and equipment, net of disposals	11	**32,940**	**36,076**
Share-based payment expense	24	**6,494,018**	**3,651,898**
Net foreign exchange (gain)/loss		**(2,262,626)**	**1,384,225**
Provision for social security contributions on employee share options		**1,031,109**	**1,115,966**
Interest earned	7	**(374,906)**	**(826,855)**
Loss on short-term deposits	7	—	**338,279**
Accrued interest on convertible loan		**179,765**	**103,115**
Transaction costs on bank loan	7	—	**200,000**
Interest on bank loan	7	—	**327,123**
Accreted interest on bank loan	7	—	**66,935**
Warrant fair value adjustment	7	—	**54,473**
Working capital adjustments:			
Increase in receivables		**(1,219,202)**	**(839,751)**
(Decrease)/Increase in payables and accruals		**(768,402)**	**3,860,412**
Tax credit received		**946,681**	**5,331,271**
Net cash flows used in operating activities		**(29,662,174)**	**(32,147,971)**
Investing activities			
Purchase of property, plant and equipment	11	**(3,467)**	**(15,568)**
Purchase of licence	12	—	**(2,280,000)**
Disposal of property, plant and equipment	11	**1,175**	—
Short-term investments	16	—	**(2,500,000)**
Interest earned		**374,906**	**1,051,620**
Net cash flows provided by investing activities		**372,614**	**(3,743,948)**
Financing activities			
Proceeds from issue of ordinary shares	17	**67,888,820**	**15,000,000**
Transaction costs on issue of ordinary shares	17	**(2,995,864)**	**(729,632)**
Proceeds from issue of convertible loan	18a	**3,463,563**	—
Proceeds from issue of bank loan	18b	—	**20,000,000**
Transaction costs on bank loan		—	**(200,000)**
Interest paid on bank loan		—	**(327,123)**
Net cash flows provided by financing activities		**68,356,519**	**33,743,245**
Net increase in cash and cash equivalents		**39,066,959**	**(2,148,674)**
Cash and cash equivalents at January 1		**12,247,986**	**53,577,571**
Effect of exchange rates changes on cash and cash equivalents		**2,262,626**	**(1,384,225)**
Cash and cash equivalents at December 31	15	**53,577,571**	**50,044,672**

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

Consolidated statement of changes in equity
for the years ended December 31, 2016 and 2017

	Issued capital £	Share premium £	Other capital reserves £	Other reserves £	Accumulated loss £	Total equity £
At January 1, 2016	59,221	26,212,880	21,660,105	—	(12,188,961)	35,743,245
Total comprehensive loss for the year	—	—	—		(28,390,280)	(28,390,280)
Issue of share capital (Note 17)	107,709	67,781,112	—		—	67,888,821
Share-based payments – share options (Note 24)	—	—	6,185,067		—	6,185,067
Share-based payments – LTIPS (Note 24)	—	—	133,601		—	133,601
Share-based payments – deferred bonus shares (Note 24)	—	—	175,350		—	175,350
Issue of share capital (Note 17)	26,092	15,977,271	(16,003,363)		—	—
Equity element of convertible loan (Note 18a)	—	—	516,802		—	516,802
Share capital reduction (Note 17)	—	(7,000,000)	—	7,000,000	—	—
Transaction costs on issuance of share capital (Note 17)	—	(2,995,864)	—		—	(2,995,864)
At December 31, 2016	**193,022**	**99,975,399**	**12,667,562**	**7,000,000**	**(40,579,241)**	**79,256,742**
Total comprehensive loss for the year	—	—	—	—	(38,799,054)	(38,799,054)
Share-based payments – share options (Note 24)	—	—	3,027,963	—	—	3,027,963
Share-based payments – LTIP (Note 24)	—	—	298,287	—	—	298,287
Share-based payments – DBSP (Note 24)	—	—	325,648	—	—	325,648
Share-based payments – Deferred equity consideration (Note 24)	—	—	1,331,288	—	—	1,331,288
Issue of share capital on April, 4 2017 (Note 17)	15,125	14,984,875	—	—	—	15,000,000
Issue of share capital on conversion of loan note (Note 17)	1,899	1,396,654	—	—	—	1,398,553
Issue of share capital for Novartis bonus shares (Note 17)	1,766	1,081,133	(1,082,899)	—	—	—
Equity element of convertible loan (Note 18a)	—	—	(208,680)	—	—	(208,680)
Conversion of convertible loan (Note 18a)	—	—	—	—	62,375	62,375
Issue of share capital on October, 31 2017 (Note 17)	1,473	1,518,527	—	—	—	1,520,000
Transaction costs on issuance of share capital (Note 17)	—	(729,632)	—	—	—	(729,632)
At December 31, 2017	213,285	118,226,956	16,359,169	7,000,000	(79,315,920)	62,483,490

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

Notes to the consolidated financial statements

1. Corporate information

Mereo BioPharma Group plc (the “Company”) is multi-asset biopharmaceutical company focused on the acquisition, development and commercialization of innovative therapeutics that aim to improve outcomes for patients with rare and specialty diseases.

We are a public limited company incorporated and domiciled in the United Kingdom, and registered in England, with our shares publicly traded on the Alternative Investment Market of the London Stock Exchange. Our registered office is located at Fourth Floor, 1 Cavendish Place, London W1G 0QF.

The consolidated financial statements of Mereo BioPharma Group plc and its subsidiaries (collectively, the “Group”) for the year ended December 31, 2017 were authorised for issue in accordance with a resolution of the Directors on February 26, 2017.

2. Significant accounting policies

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These financial statements are presented in pounds sterling (“Sterling”).

2.2 Revision of previously issued financial statements

We have reclassified the capital reduction undertaken in 2016 resulting in the reduction of the accumulated loss by £7.0 million and the crediting a new Other reserves by the same amount as set out in the Consolidated balance sheet and in the Consolidated statement of changes in equity.

2.3 Going concern

Though the Group continues to incur losses, the Directors believe it is appropriate to prepare the financial information on the going concern basis. This is because the Group’s development of its products continues to progress according to plan and the funding secured to date will allow it to meet its liabilities as they fall due for at least 12 months from the date of authorisation for the issue of these consolidated financial statements.

2.4 Basis of consolidation

The consolidated financial information comprises the financial statements of Mereo BioPharma Group plc and its subsidiaries as at December 31, 2017. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated in preparing the consolidated financial statements. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

The Group has an employee share trust to facilitate share transactions pursuant to certain employee share plans. Although the trust is a separate legal entity from the Group, it is consolidated into the Group's results in accordance with the IFRS 10 "Consolidated Financial Statements" rules on special purpose vehicles. The Group is deemed to control the trust principally because the trust cannot operate without the funding the Group provides.

All Group subsidiaries prepare yearly financial information to December 31 consistent with the Company.

2.5 Changes of accounting policies

a) Segment reporting

Effective in the third quarter of 2017 and following the completion of the exclusive license agreement with AstraZeneca for AZD- 9668, the Company has revised its policy and now reports as a single operating segment (See Note 4).

b) Other reserves

Other reserves arose on reduction of share premium. These reserves are available for distribution to shareholders in the future at a time when the Company has sufficient accumulated realized profits to make a distribution.

2.6 Summary of significant accounting policies

a) Taxation

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, and include R&D tax credits receivable under the HM Revenue and Customs ("HMRC") small or medium enterprise ("SME") scheme, which provides additional taxation relief for qualifying expenditure on R&D activities, and allows for the surrender of tax losses in exchange for a cash payment from HMRC.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive loss.

Income tax credit

The Company benefits from the U.K. research and development tax credit regime whereby a portion of the Company's losses can be surrendered for a cash rebate of up to 33.35% of eligible expenditures. Such credits are accounted for within the tax provision, in the year in which the expenditures were incurred.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be

utilised. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply to the year when the asset is realised, based on tax rates (and tax laws) enacted or substantively enacted at the end of the reporting period.

b) Foreign currencies

The functional currency of the Company and its subsidiaries is Sterling. Transactions in foreign currencies are initially recorded by the Group's entities at the rate ruling on the date the transaction first qualifies for recognition.

Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Gains or losses on the retranslation of foreign currency balances at the year end are recognized in the consolidated statement of comprehensive loss under net foreign exchange gain.

c) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment if the recognition criteria are met. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

- Leasehold improvements ten years
- Office equipment five years
- IT equipment three years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive loss when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

d) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive loss on a straight-line basis over the period of the lease.

The Group leases its premises. The Group recognizes any lease incentives on a straight-line basis over the entire period of the lease, assuming that any break clauses available will not be exercised. By not exercising any break clauses, the Group receives a 50% rent discount from the landlord for a fixed period of time.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the

arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

e) Intangible assets

Intangible assets, relating to intellectual property rights acquired through licensing or assigning patents and knowhow, are initially recognized at cost which has been determined as the fair value of the consideration paid and payable. Consideration comprises cash paid together with the net present value of any provision for deferred cash consideration (see Note 2p) and the fair value of consideration settled in shares. The fair value of consideration is regularly reviewed based on the probability of achieving the contractual milestones. Where share transfer occurs, the cost is measured at fair value of the shares issued or to be issued in accordance with IFRS 2. Intangible assets are held at cost less accumulated amortization and provision for impairment, if any. Where a finite useful life of the acquired intangible asset cannot be determined or the intangible asset is not yet available for use, the asset is tested annually for impairment by allocating the assets to the cash-generating units to which they relate. Amoritzation would commence when product candidates underpinned by the intellectual property rights become available for commercial use. No amoritzation has been charged to date, as the product candidates underpinned by the intellectual property rights are not yet available for commercial use.

f) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

  Or

- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

g) Impairment of non-financial assets

Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

- Disclosures for significant assumptions Note 3
- Property, plant and equipment Note 11
- Intangible assets not yet available for use Notes 12 and 13

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses are recognized in the statement of comprehensive loss in expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Intangible assets not yet available for use are tested for impairment annually as at December 31 at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired. An impairment test was performed at December 31, 2017.

h) Cash and short-term deposits

Cash and short-term deposits in the balance sheet comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

i) Short-term investments

Cash on deposit for terms greater than three months are recognized at fair value in the balance sheet.

j) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of comprehensive loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

k) Share-based payments

Employees (including Executive Officers) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Incentives in the form of shares are provided to employees under the Share Option Plan. Executive Officers are also provided with shares under a deferred bonus share plan (“DBSP Plan”) and a long-term incentive plan (“LTIP Plan”). In accordance with IFRS 2 “Share-based Payment” (“IFRS 2”), charges for these incentives are expensed through the consolidated statement of comprehensive loss on a straight-line basis over their vesting period, based on the Group’s estimate of shares that will eventually vest. The total amount to be expensed is determined by reference to the fair value of the options or awards at the date they were granted. For LTIP shares, the fair value excludes the impact of any non-market vesting conditions. The fair value of LTIP shares, which have market conditions attached, includes an adjustment based on the probability of the shares vesting at the end of the vesting period.

Under the 2015 plan, options were historically awarded to employees, non- executive directors and certain consultants. Share options awarded to non-employees under the 2015 plan are accounted for as for options awarded to employees as the value of non-employee services could be readily determined.

In accordance with IFRS 2, the cancellation of share options is accounted for as an acceleration of the vesting period and therefore any amount unrecognized that would otherwise have been charged in future accounting periods is recognized immediately. When options are forfeited, the accounting expense for any unvested awards is reversed.

Purchases, where consideration is satisfied by issuing equity shares, are accounted for as equity-settled share-based payment transactions in accordance with IFRS 2. Fair value is determined by the share price at the date of purchase.

l) Costs of issuing capital

The Group deducts directly attributable costs of issuing capital from the proceeds in accordance with IAS 39 “Financial Instruments: Recognition and Measurement”. Incremental costs incurred and directly attributable to the offering of equity securities are deducted from the related proceeds of the offering. The net amount is recorded as share premium in the period when such shares are issued. Where such expenses are incurred prior to the offering they are recorded in prepayments until the offering completes. Other costs incurred in such offerings are expensed as incurred and included in general and administrative expenses.

m) Convertible loan instrument

Convertible loan notes are regarded as compound instruments consisting of a liability component and an equity component. At the date of issue the fair value of the liability component is estimated using a discount rate for an equivalent liability without the conversion feature. The difference between the proceeds of issue of the convertible loan note and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group, is included in equity.

An exchange between an existing borrower and lender of debt instruments with 'substantially different' terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability as per IAS 39 and IFRS 9. Similarly, a substantial modification of the terms of an existing financial liability, or a part of it, (whether or not due to the financial difficulty of the debtor) should be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

In line with IAS 39 the terms of exchanged or modified debt are regarded as 'substantially different' if the net present value of the cash flows under the new terms (including any fees paid net of any fees received) discounted at the original effective interest rate is at least 10% different from the discounted present value of the remaining cash flows of the original debt instrument. Where such modifications are less than 10% different, the effective interest rate is adjusted to take account of the new terms.

n) Employee Benefit Trust

The Group operates an Employee Benefit Trust ("EBT"): Mereo BioPharma Group plc Employee Benefit Trust.

The EBT has been established to fulfil awards made under the Deferred Share Bonus Plan and the Long Term Incentive Plan. The EBT is a Jersey-based trust which is funded by a loan from the Company, which it will utilise to buy shares at nominal value from the Company in sufficient quantity to fulfil the envisaged awards. The EBT will acquire shares in the Company and these will be deducted from the shareholders' funds on the consolidated balance sheet at the cost of acquisition less proceeds on disposal.

In compliance with IAS 32 "Financial Instruments: Presentation" Group, shares held by the EBT are included in the consolidated balance sheet as a reduction in equity. Gains and losses on Group shares are recognized directly in equity.

The Group consolidated accounts treat the EBT as a wholly owned subsidiary company. Residual cash within the EBT is classified as a debtor (restricted cash) since it is not readily accessible by the Group.

o) Research and development costs

Expenditure on product development is capitalised as an intangible asset and amortised over the expected useful economic life of the product candidate concerned. Capitalisation commences from the point at which technical feasibility and commercial viability of the product candidate can be demonstrated and the Group is satisfied that it is probable that future economic benefits will result from the product candidate once completed. Capitalisation ceases when the product candidate receives regulatory approval for launch. No such costs have been capitalised to date.

Expenditure on research and development activities that do not meet the above criteria, including ongoing costs associated with acquired intellectual property rights and intellectual property rights

generated internally by the Group, is charged to the statement of comprehensive loss as incurred. Intellectual property and in-process research and development from asset acquisitions are recognized as intangible assets at cost.

p) Provisions for deferred cash consideration

Provisions for deferred cash consideration consist of future payments which are contractually committed but not yet certain. In respect of products which are not yet approved such deferred cash consideration excludes potential downstream milestones, royalties or other payments as these are deemed to be so uncertain as to be unquantifiable. Deferred cash consideration is recognized as a liability with the amounts calculated as the risk adjusted net present value of anticipated deferred payments.

The provision is reviewed at each balance sheet date and adjusted based on the likelihood of contractual milestone(s) being achieved and therefore the deferred payment being settled. Increases in the provision relating to changes in the probability are recognized as an intangible asset. Increases in the provision relating to the unwinding of the time value of money are recognized as a finance expense.

q) Bank loan and associated warrants

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate (EIR) method. The EIR amortization is included as a finance charge in the statement of comprehensive loss. This category applies to interest-bearing borrowings, trade and other payables.

Associated warrants are measured at fair value with changes recorded through the statement of comprehensive loss (see note 20).

3. Significant accounting judgements, estimates and assumptions

The preparation of the consolidated accounts requires the management of the Group to make estimates and judgements that affect the reported amounts of assets, liabilities, revenues and expenses. The Group bases its estimates and judgements on historical experience and on various other assumptions that it considers to be reasonable. Actual results may differ from these estimates under different assumptions or conditions.

Share-based compensation

Incentives in the form of shares are provided to employees under a share option plan, long term incentive plan and deferred share bonus plan. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The expense is based upon a number of assumptions disclosed in Note 24. The selection of different assumptions could affect the results of the Group.

Impairment of intangible assets and property, plant and equipment

An assessment was made in respect of indicators of impairment in the carrying value of the Group’s intangible assets (see Note 13) and leasehold improvements, office equipment and IT equipment as at December 31, 2017. If such an indication exists, the recoverable amount of the asset, being the higher of the asset’s fair value less costs to sell and value in use, is compared to the asset’s carrying value. Any excess of the asset’s carrying value over its recoverable amount is expensed to the income statement. The assessment of intangible assets involves a number of judgements regarding the likelihood of successful product approval, the costs of reaching approval and the subsequent commercial profitability of the product once approved.

Deferred license consideration

Deferred consideration in the form of cash is recognized as a provision at each balance sheet date, to the extent its amount is quantifiable at the inception of the arrangement. The amount provided is based on a number of judgements regarding the timing and progress of the related research. Deferred consideration in the form of shares is recognized as a share-based payment when it is probable that shares will be transfered.

Bank loan and associated warrants

As part of the bank loan, the Group has issued warrants to subscribe for shares. The fair value of the warrants issued is assessed at each balance sheet date based upon a number of assumptions, as disclosed in Note 20.

4. Segment information

The consolidation of product candidates into a single segment follows management's view of the business as a single portfolio of product candidates. Research and development ("R&D") expenses only are monitored at a product candidate level, however the Chief Operating Decision Maker ("CODM") makes decisions over resource allocation at an overall portfolio level. The Group's financing is managed and monitored on a consolidated basis. All non-current assets held by the Group are located in the United Kingdom.

The Company's CODM is the Executive Management team (comprised of the Chief Executive Officer, Chief Financial Officer, Chief Medical Officer, General Counsel and the Head of Corporate Development) which manages the operating results of the business.

5. Group information

Information about subsidiaries

The consolidated financial statements of the Group include:

Name	Principal activities	Country of incorporation	% equity interest December 31, 2016	% equity interest December 31, 2017
Mereo BioPharma 1 Limited	Pharmaceutical research and development	United Kingdom	100	100
Mereo BioPharma 2 Limited	Pharmaceutical research and development	United Kingdom	100	100
Mereo BioPharma 3 Limited	Pharmaceutical research and development	United Kingdom	100	100
Mereo BioPharma 4 Limited	Pharmaceutical research and development	United Kingdom	—	100
Mereo BioPharma Group plc Employee Benefit Trust	Employee share plan	Jersey	—	—

6. Compensation of key management personnel of the Group

Key management includes Directors (Executive and Non-Executive) and Executive Officers, the General Counsel, the Chief Medical Officer and the Head of Corporate Development. The compensation paid or payable to key management is set out below.

	Year ended December 31, 2016 £	Year ended December 31, 2017 £
Short-term benefits	2,111,712	2,756,979
Post-employment benefits	106,500	87,269
IFRS 2 Share-based payment charge	4,631,853	2,726,337
Total compensation paid to key management personnel	**6,850,065**	**5,570,585**

7. Finance income and Finance charge

	Year ended December 31, 2016 £	Year ended December 31, 2017 £
Finance income		
Bank interest earned	374,906	826,855
Finance charge		
Interest expense on convertible loan	(179,765)	(103,115)
Interest paid on bank loan	—	(327,123)
Accreted interest on bank loan	—	(66,935)
Transaction costs on bank loan	—	(200,000)
Loss on short-term deposits	—	(338,279)
Change in warrant fair value	—	(54,473)
Total Finance charge	**(179,765)**	**(1,089,925)**

8. Employee benefits expense

	December 31, 2016 £	December 31, 2017 £
Included in research & development expenses:		
Salaries	1,150,222	1,640,373
Social security costs	344,467	420,417
Pension contributions	50,864	77,425
Share-based payment expense	1,550,884	822,173
Included in general and administrative expenses:		
Salaries	2,132,920	2,253,393
Social security costs	1,040,409	1,159,548
Pension contributions	109,187	96,598
Share-based payment expense	4,943,133	2,829,725
Total employee benefits expense	**11,322,086**	**9,299,652**

9. Income tax

The Group is entitled to claim tax credits in the United Kingdom (the "UK") under the UK R&D SME scheme. The amount included in the financial statements represents the credit receivable by the Group for the year. The claims in respect of the year ended December 31, 2016 were received by the Group in May 2017. The year ended December 31, 2017 amounts have not yet been agreed with the relevant tax authorities.

	Year ended December 31 2016 £	Year ended December 31 2017 £
United Kingdom corporation tax R&D credit	5,331,271	8,152,084

The charge for the year can be reconciled to the loss per the income statement as follows:

	Year ended December 31 2016 £	Year ended December 31 2017 £
Loss before tax	**(33,721,551)**	(46,951,138)
Loss on ordinary activities before tax at the United Kingdom's statutory income tax rate of 19.25% (2016:20%)	6,744,310	9,038,094
Expenses not deductible for tax purposes (permanent differences)	(15,116)	(14,316)
Temporary timing differences	(1,300,044)	(711,677)
Research and development relief uplift	2,134,107	3,447,474
Losses (unrecognized)	(2,231,986)	(3,784,801)
Deferred income from MBG loan guarantee costs		177,310
Tax credit for the year	**5,331,271**	**8,152,084**

At December 31, 2017, the Group had tax losses to be carried forward of approximately £36,010,916 (2016: £16,343,508).

Deferred tax

Deferred tax relates to the following:

	December 31, 2016 £	December 31, 2017 £
Losses	2,778,396	6,121,400
Accelerated capital allowances	(9,883)	—
Other	2,210	—
Temporary differences trading	—	2,266,798
Net deferred tax asset	**2,770,723**	**8,388,198**

The deferred tax asset has not been recognized as there is uncertainty regarding when suitable future profits against which to offset the accumulated tax losses will arise. There is no expiration date for the accumulated tax losses.

A reduction in the rate of UK corporation tax to 19% from April 1, 2017 and to 17% from April 1, 2020 has been substantively enacted. The standard rate of corporation tax applied to reported loss is 19.25% (2016:20%) and any UK deferred tax assets and liabilities would be recognized at a rate of 17%.

10. Loss per share

Basic loss per share is calculated by dividing the loss attributable for the year to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. As net losses from continuing operations were recorded in the year, the dilutive potential shares are anti-dilutive for the earnings per share calculation.

	Year ended December 31, 2016		
	Loss £	Weighted shares number	Loss per share £
Basic and diluted	(28,390,280)	44,789,893	(0.63)

	Year ended December 31, 2017		
	Loss £	Weighted shares number	Loss per share £
Basic and diluted	(38,799,054)	69,012,348	(0.56)

The Group operates a number of share option plans (see Note 24) which could potentially dilute basic earnings per share in the future. In addition, there exist within equity 864,988 (2016: 1,453,520) shares to be issued which also have the potential to dilute basic earnings per share in future (see Note 17).

As part of a licence and option agreement with AstraZeneca (see Note 25), additional future payments of a maximum of 1,349,692 new ordinary shares would be payable on reaching certain clinical milestones.

Warrants totaling 696,490 were issued in 2017 that could potentially dilute basic earnings per share if converted.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

11. Property, plant and equipment

	Leasehold improvements £	Office equipment £	IT equipment £	Total £
Cost or valuation				
At January 1, 2016	155,494	20,024	40,360	215,878
Additions	—	—	3,467	3,467
Disposals	—	—	(1,175)	(1,175)
At December 31, 2016	**155,494**	**20,024**	**42,652**	**218,170**
Additions	—	10,107	5,461	15,568
Disposals	—	—	—	—
At December 31, 2017	**155,494**	**30,131**	**48,113**	**233,738**
Depreciation and impairment				
At January 1, 2016	(5,625)	(1,335)	(4,401)	(11,361)
Disposals	—	—	457	457
Depreciation for the year	(15,549)	(4,005)	(13,843)	(33,397)
At December 31, 2016	**(21,174)**	**(5,340)**	**(17,787)**	**(44,301)**
Disposals	—	—	—	—
Depreciation for the year	(15,549)	(5,386)	(15,141)	(36,076)
At December 31, 2017	**(36,723)**	**(10,726)**	**(32,928)**	**(80,377)**
Net book value				
At January 1, 2016	149,869	18,689	35,959	204,517
At December 31, 2016	134,320	14,684	24,865	173,869
At December 31, 2017	**118,771**	**19,405**	**15,185**	**153,361**

12. Intangible assets

	Acquired development programmes £
Cost at January 1, 2016 and December 31, 2016	**25,812,941**
Amortisation and impairment	
At January 1, 2016	—
Impairment (Note 13)	—
At December 31, 2016	**—**
Net book value	
At January 1, 2016	25,812,941
At December 31, 2016	**25,812,941**
Cost at January 1, 2017	25,812,941
Additions	7,192,288
At December 31, 2017	**33,005,229**
Amortisation and impairment	
At January 1, 2017	**—**
Impairment (Note 13)	**—**
At December 31, 2017	**—**
Net book value	
At January 1, 2017	25,812,941
At December 31, 2017	**33,005,229**

The Group's strategy is to acquire clinical-stage development programmes for the treatment of speciality and rare diseases from large pharmaceutical companies.

On October 28, 2017, the Group acquired the exclusive license for AZD-9668 and included the option to acquire certain assets from Astra Zeneca AB (AstraZeneca). AZD-9668 is being developed for the treatment of severe alpha-1 antitrypsin deficiency, at a cost of £7,192,288 as follows:

	December 31, 2017 £
Cash payment in October 2017	2,280,000
Equity issued (see Note 17)	1,520,000
Deferred equity consideration (see Note 24)	1,331,288
Present value of provision for deferred cash consideration (see Note 19)	2,061,000
	7,192,288

13. Impairment testing of intangible assets not yet available for use

Acquired or licensed development programmes not yet available for use are assessed annually for impairment.

Carrying amount of acquired and licensed development programmes:

	As at December 31, 2016 £			
	BPS-804 (setrusumab)	BGS-649 (leflutozole)	BCT-197 (acumapimod)	Total
Acquired development programmes	11,615,824	9,886,356	4,310,761	25,812,941

	As at December 31, 2017 £				
	BPS-804 (setrusumab)	AZD-9668 (alvelestat)	BGS-649 (leflutozole)	BCT-197 (acumapimod)	Total
Acquired and licensed development programmes	11,615,824	7,192,288	9,886,356	4,310,761	33,005,229

The Group considers the future development costs, the probability of successfully progressing each programme to product approval and likely commercial returns after product approval, among other factors, when reviewing for indicators of impairment. The results of this testing did not indicate any impairment of the acquired products' rights in the year to December 31, 2017. We believe that the likelihood of a materially different outcome using different assumptions is remote.

The acquired development programmes are assets which are not used in launched products. These assets have not yet begun to be amortised but have been tested for impairment by assessing their value in use. Value-in-use calculations for each programme are utilised to calculate the recoverable amount. The calculations use pre-tax cash flow projections covering the period through product development to commercial sales up to the later of loss of patent protection or market exclusivity, which extend beyond five years from the balance sheet date. Approved products are assumed to be out-licensed such that the Group receives signature fees, milestone receipts and royalties on sales; therefore, the Group does not incur any costs of commercialisation after out-licensing.

Key assumptions for the value-in-use calculations are described as follows:

- development costs to obtain regulatory approval—costs are estimated net of any contributions expected from collaborative arrangements with future partners. The Directors have developed cost estimates based on their previous experience and in conjunction with the expertise of their clinical development partners;
- launch dates of products—these reflect management's expected date of launch for products based on the timeline of development programmes required to obtain regulatory approval. The assumptions are based on the Directors' and clinical development partners' prior experience;
- probability of successful development—management estimates probabilities of success for each phase of development based on industry averages and knowledge of specific programmes;
- out-licensing signature fees, milestones and royalty rates on sales—management estimates these amounts based on prior experience and access to values from similar transactions in the industry, which are collated and accessible from specialist third-party sources;
- sales projections—these are based on management's internal projections using external market data and market research commissioned by the Group;
- profit margins and other operational expenses—these are based on the Group's internal projections of current product manufacturing costings, with input from manufacturing partners

where applicable, and estimates of operating costs based on management's prior industry experience;

- cash flow projections—the periods over which cash flows are forecast (based on the current patent protection periods relevant to the asset), are as follows:
  - BCT-197 —18 years;
  - BGS-649 —17 years; and
  - BPS-804 —14 years: and
  - AZD-9668 —16 years: and
- discount rates—the discount rate is estimated on a pre-tax basis reflecting the estimated cost of capital of the Group and is applied consistently across each of the operating segments. The cost of capital was calculated at 15.3% (2016: 11.2%).

At this stage of product development, the key sensitivity for all three development programmes is the probability of successful completion of clinical trials in order to obtain regulatory approval for sale. Therefore, full impairment of a development programme is expected should such related trials be unsuccessful.

14. Other receivables

	December 31, 2016 £	December 31, 2017 £
Rent deposit	293,328	293,328
Accrued interest	228,775	—
VAT recoverable	241,306	212,422
Cash held by Employee Benefit Trust	3,600	3,600
	767,009	**509,350**

15. Cash and short-term deposits

	December 31, 2016 £	December 31, 2017 £
Cash at banks and on hand	421,292	11,005,675
Short-term deposits	53,156,279	39,038,997
	53,577,571	**50,044,672**

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are available immediately and earn fixed interest at the respective short-term deposit rates and are held in a diversified portfolio of counterparties.

16. Short-term investments

	December 31, 2016 £	December 31, 2017 £
Short-term investments	—	2,500,000

Short term investments consist of cash deposits held with greater than three month's term to maturity. None of these investments are held with terms greater than a year.

17. Issued capital and reserves

Ordinary share capital	Year ended December 31, 2016 £	Year ended December 31, 2017 £
Balance at beginning of year	59,221	193,022
Issuances in the year	133,801	20,263
Nominal share capital as at December 31	193,022	213,285
Ordinary shares issued and fully paid		
At January 1, 2016		19,740,296
Issued on June 9, 2016 for private financing round		39,464,540
Issued on June 9, 2016 for private placement		5,135,962
At December 31, 2016		**64,340,798**
Nominal value at December 31, 2016 (£)		**0.003**
Issued capital at December 31, 2016 (£)		**193,022**
At January 1, 2017		64,340,798
Issued on 3 April 2017		5,042,017
Issued on 26 April 2017 for conversion of loan note		1,221,361
Issued on 28 October 2017 for acquisition of licence		490,798
At December 31, 2017		71,094,974
Nominal value at December 31, 2017 (£)		0.003
Issued capital at December 31, 2017 (£)		213,285

Since January 1, 2016, the following alterations to the Company's share capital have been made:

- under the subscription agreement dated July 28, 2015, as amended by an agreement dated June 1, 2016, the Company issued and allotted 39,464,540 ordinary shares of £0.003 in nominal value in the capital of the Company on June 9, 2016 at a price of £1.84 per share. 39,699 of these ordinary shares were issued to WG Partners LLP, for no cash consideration, as payment for financial advisory services;
- on March 21, 2016 the Directors of the Company signed a solvency statement with the agreement of all shareholders and undertook a capital reduction, reducing the share premium account by £7,000,000 and crediting a new Other reserve by the same amount;
- under a private placement dated June 9, 2016, the Company issued and allotted 5,135,962 ordinary shares of £0.003 in nominal value in the capital of the Company on June 9, 2016 at a price of £2.21 per share; and
- on June 9, 2016, the Company's ordinary shares were admitted to trading on the AIM market of the London Stock Exchange.
- under a placement dated April 3, 2017, the Company issued and allotted 5,042,017 ordinary shares of £0.003 in nominal value in the capital of the Company on April 3, 2017 at a price of £2.975 per share to institutional investors. Gross cash received was £15,000,000.
- on April 26, 2017 Novartis converted £1,398,552 of loan notes dated 3 June 2016 into 632,829 ordinary shares of £0.003 in nominal value in the capital of the Company at the fixed conversion price of £2.21 per share. Under the terms of the Notes, Novartis also received 588,532 bonus shares

- on October 31, 2017, Mereo BioPharma Group plc issued and allotted 490,798 ordinary shares of £0.003 in nominal value in the capital of the Company to Astrazeneca AB as part payment for the acquisition by Mereo BioPharma 4 Ltd of an exclusive licence and option to acquire certain assets

Share premium	£
At January 1, 2016	**26,212,880**
Share capital reduction on March 21, 2016	(7,000,000)
Issuance of share capital for private financing round on June 9, 2016	72,423,314
Issuance of share capital for private placement on June 9, 2016	11,335,069
Transaction costs for issued share capital	(2,995,864)
At December 31, 2016	**99,975,399**
Issued on 3 April 2017 for private financing round	14,984,875
Issued on 26 April 2017 for conversion of loan note	2,477,787
Issued on 28 October 2017 for acquisition of licence	1,518,527
Transaction costs for issued share capital	(729,632)
At December 31, 2017	118,226,956

Other capital reserves

	Shares to be issued £	Share based payments £	Equity component of convertible loan instrument £	Total £
At January 1, 2016	18,677,840	2,982,265	—	21,660,105
Share-based payments expense during 2016	—	6,494,018	—	6,494,018
Shares issued	(16,003,363)	—	—	(16,003,363)
Equity component of convertible loan instrument	—	—	516,802	516,802
At December 31, 2016	**2,674,477**	**9,476,283**	**516,802**	**12,667,562**
Share-based payments expense during 2017	—	4,983,186	—	4,983,186
Shares issued	(1,082,899)	—	—	(1,082,899)
Equity component of convertible loan instrument	—	—	(208,680)	(208,680)
At December 31, 2017	1,591,578	14,459,469	308,122	16,359,169

Share-based payments

The Group has a number of share option plans under which options to subscribe for the Group's shares have been granted to certain Executives, Non-Executive Directors and employees (see Note 24 for further details).

The share-based payment reserve is used to recognise (a) the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration and (b) deferred equity consideration. Refer to Note 24 for further details of these plans. Of the £6,494,018 share-based payment expense in 2016, £298,836 is an accelerated charge relating to 500,000 share options which were cancelled on June 9, 2016.

Shares issued/to be issued

Shares to be issued at January 1, 2016 of £18,677,840 represented a maximum potential 10,151,000 bonus shares due to Novartis under the terms of an investment in the prior year. Of the 44,600,502 ordinary shares issued on June 9, 2016, 8,697,480 shares were issued to Novartis as fully paid up bonus shares (for £nil consideration), the number of which was calculated to maintain its shareholding at 19.5%. The fair value of these shares was £1.84 per share. At December 31, 2016, £2,674,477 representing a maximum of 1,453,520 shares at £1.84 were remaining to be issued to Novartis pro rata to their percentage shareholding as and when the Company issues further ordinary shares.

Of the 1,221,361 ordinary shares issued on April 26, 2017, 588,532 shares were issued to Novartis as fully paid up bonus shares (for £nil consideration), the number of which was calculated to maintain its shareholding at 19.5%. The fair value of these shares was £1.84 per share. At December 31, 2017, £1,591,578 representing a maximum of 864,988 shares at £1.84 were remaining to be issued to Novartis pro rata to their percentage shareholding as and when the Company issues further ordinary shares.

Equity component of convertible loan instrument

The convertible loan notes issued to Novartis are a compound instrument consisting of a liability and an equity component (see Note 18a). The value of the equity component (cost of the conversion option) as at 31 December 2017 is £308,122 (2016: £516,802).

Accumulated deficit

	Year ended December 31, 2016 £	Year ended December 31, 2017 £
Other reserves	7,000,000	7,000,000
Accumulated losses	(40,579,241)	(79,315,920)
Accumulated deficit	(33,579,241)	(72,315,920)

On March 21, 2016 the Directors of the Company signed a solvency statement with the agreement of all shareholders and undertook a capital reduction, reducing the share premium account by £7,000,000 and crediting a new Other Reserve by the same amount.

18. Interest bearing loans and borrowings

	Year ended December 31, 2016 £	Year ended December 31, 2017 £
Novartis Notes - see Note 18a	3,126,526	1,977,393
Bank loan -see Note 18b	—	18,774,924
At December 31	3,126,526	20,752,317
Current	—	1,939,806
Non-current	3,126,526	18,812,511

18a. Novartis Notes

On June 3, 2016, the Company issued 3,463,563 £1 unsecured convertible loan notes (“Novartis Notes”) to Novartis Pharma AG, a shareholder of the Company (see Note 26) in consideration for an investment in cash by Novartis at the time of the private placement on June 9, 2016. The Novartis Notes attract an interest rate of 4% per annum and accruing daily and constitute direct, unsecured obligations of the Company ranking ahead of any other unsecured obligations of the Company.

On April 26, 2017 Novartis converted £1,398,553 of loan notes into 632,829 ordinary shares at the fixed conversion price of £2.21 per share. This has been recorded as a £1,187,974 reduction in interest bearing loans and borrowings, a reduction in other capital reserves of £208,680, and a reduction in accumulated loss of £62,375. Under the terms of the Notes, Novartis also received 588,532 bonus shares. Novartis holds £2,065,011 principal value of Notes at December 31, 2017 representing 934,394 ordinary shares if converted, together with 864,988 potential bonus shares, together these represent 2.5% of the current share capital of the Company as at December 31, 2017.

In August 2017, in connection with the new loan agreements (see Note 18b), Novartis agreed to amend the terms of its Novartis Notes. Under the revised terms of the Novartis Notes, the loan is subordinated to the Silicon Valley Bank and Kreos Capital loan such that Novartis shall be entitled, at any time up to the repayment of the foregoing loan, being March 2, 2021, to serve a conversion notice on the Company to convert all or some only of the outstanding Novartis Notes into fully paid ordinary shares at a conversion price of £2.21 per share. To the extent the Novartis Notes are not converted at that date, the outstanding principal amount of the Novartis Notes, together with any accrued and unconverted interest, is redeemable. Upon conversion of any Novartis Notes, in addition to the relevant number of conversion shares, Novartis is entitled to receive an additional number of ordinary shares in the Company equal to the number of conversion shares into which such Novartis Notes are to convert, multiplied by 0.93, up to a maximum aggregate number of 864,988 such bonus shares.

The value of the debt component of the Notes at the date of issue was calculated as £2,946,761. The cash flows attached to the Note up to the Maturity Date were calculated and discounted at an appropriate venture debt rate of 10%. The carrying amount at December 31, 2017 is £1,977,393 (2016: £3,126,526).

The value of the equity component of the Notes at December 31, 2017 was calculated as £308,123 (2016: £516,802).

18b. Bank loan

On August 7, 2017, we entered into a loan agreement with Silicon Valley Bank and Kreos Capital V (UK) Limited, which provides for total borrowings of £20.0 million and the issue of warrants over shares in the Company (see Note 20). We borrowed £10.0 million on each of August 21, 2017 (Tranche 1) and December 29, 2017 (Tranche 2) for general working capital purposes. We are obligated to make interest-only payments on the loan amount until September 30, 2018, and thereafter we are obligated to pay interest and principal in 30 equal monthly installments until March 31, 2021, the maturity date. The loan bears interest at an annual fixed rate equal to 9.0%. In addition a final payment of 7.5% of the principal loan amount is due upon the earlier of the maturity date, prepayment in whole of the loan amount, mandatory repayment, acceleration of the loan, and the loan becoming immediately due and payable due to an event of default. The loan is secured by substantially all of our assets, including intellectual property rights owned or controlled by us. The terms of the debt facility include an interest only period to September 30, 2018, a thirty-month capital and interest repayment period thereafter, a 9% headline interest rate and customary security over all assets of the Group.

The fair value of warrants issued as part of Tranche 1 on August 21, 2017 was £657,676. The fair value of the loan liability of Tranche 1 on August 21, 2017 was £9,342,324. Application of the effective interest method is required to accrete the initial loan liability value up to the face value of the loan at the end of the loan term. This non-cash interest charge will be made in each statutory reporting period. The annual value of this interest charge is £182,133, which is an effective interest rate of 1.95%.

The fair value of warrants issued as part of Tranche 2 on December 29, 2017 was £634,335. The fair value of the loan liability of Tranche 2 on December 29, 2017 was £9,365,665. Application of the effective interest method is required to accrete the initial loan liability value up to the face value of the loan at the end of the loan term. This non-cash interest charge will be made in each statutory reporting period. The annual value of this interest charge is £194,892, which is an effective interest rate of 2.08%.

The total carrying value of the loan at 31 December 2017 was £18,774,924. £1,939,806 is a current liability and £16,835,118 is a non-current liability. A total of £66,935 of non-cash interest has been charged to the statement of comprehensive loss in the period.

19. Provisions

Summary

	Year ended December 31, 2016 £	Year ended December 31, 2017 £
Social security contributions on share options	1,172,420	2,288,386
Provision for deferred cash consideration	—	2,061,000
At December 31	1,172,420	4,349,386
Current	—	274,000
Non-current	1,172,420	4,075,386

Social security contributions on share options	Year ended December 31, 2016 £	Year ended December 31, 2017 £
At beginning of year	141,311	1,172,420
Accretion of discount	7,293	—
Arising during the year	1,084,181	1,115,966
Released	(60,365)	—
At December 31	1,172,420	2,288,386
Current	—	—
Non-current	1,172,420	2,288,386

The provision for social security contributions on share options is calculated based on the number of options outstanding at the reporting date that are expected to be exercised. The provision is based on the estimated gain arising on exercise of the share options, using the best estimate of the market price at the balance sheet date. Since the Directors assume the options will be held for their full contractual life of ten years (see Note 24) the liability has been classified as non-current. The provision has been discounted.

Provision for deferred cash consideration	Year ended December 31, 2016 £	Year ended December 31, 2017 £
At beginning of year	—	—
Arising during the year	—	2,061,000
At December 31	—	2,061,000
Current	—	274,000
Non-current	—	1,787,000

The deferred cash consideration is the estimate of the quantifiable but not certain future cash payment obligations due to AstraZeneca for the acquisition of certain assets (see Note 12). This liability is calculated as the risk adjusted net present value of future cash payments to be made by the Group. The payments are dependent on reaching certain milestones based on the commencement and outcome of clinical trials. The likelihood of achieving such milestones is reviewed at the balance sheet date and the provision is increased or decreased as appropriate.

20. Warrant liability

	Year ended December 31, 2016 £	Year ended December 31, 2017 £
At beginning of year	—	—
Arising during the year	—	1,346,484
At December 31	—	1,346,484

As part of the bank loan facility (see Note 18b), 363,156 warrants to subscribe for shares were issued to the lenders on August 21, 2017. These warrants will be capable of exercise until August 7, 2027 at an exercise price of £3.029. A further 333,334 warrants were issued to the lenders on December 29, 2017. These warrants will be capable of exercise until August 7, 2027 at an exercise price of £3.30. The total of 696,490 warrants is equivalent to 0.98% of ordinary share capital at December 31, 2017.

The terms of the warrant instrument allow for a cashless exercise. In line with IAS32, the future number of shares to be issued to the warrantholder under a cashless exercise can only be determined at that future date. At each balance sheet date the fair value of the warrants will be assessed using the Black-Scholes model taking into account appropriate amendments to inputs in respect of volatility and remaining expected life of the warrants.

The following table lists the weighted average inputs to the models used for the fair value of warrants granted during the period ended December 31, 2017:

	Year ended 31 December 2017
Expected volatility (%)	50-51
Risk-free interest rate (%)	1.10–1.25
Expected life of share options (years)	9.6-10
Market price of ordinary shares (£)	3.00–3.25
Model used	Black Scholes

The fair value of the warrants at grant was £1,292,011. At December 31, 2017 it was £1,346,484.

Since there is no historical data in relation to the expected life of the warrants the contractual life of the options was used in calculating the expense for the year.

Volatility was estimated by reference to the share price volatility of a group of comparable companies over a retrospective year equal to the expected life of the warrants.

21. Trade and other payables

	December 31, 2016 £	December 31, 2017 £
Trade payables	994,901	2,860,303
Social security and other taxes	113,205	144,348
Other payables	13,001	19,375
	1,121,107	**3,024,026**

Terms and conditions of the above financial liabilities:

- trade payables are non-interest bearing and are normally settled on 30-day terms; and
- other payables are non-interest bearing and have an average term of one month.

22. Changes in liabilities arising from financing activities

	Total Interest bearing loans and borrowings	Total Other liabilities	Total
January 1, 2017	3,126,526	—	3,126,526
Cash			
Net increase in bank loan	18,507,989	—	18,507,989
Increase in warrant liability	—	1,292,011	1,292,011
Interest payments	(327,123)	—	(327,123)
Non-cash			
Conversion of Novartis notes	(1,252,248)	—	(1,252,248)
Bank loan transaction costs	200,000	—	200,000
Change in fair value warrant	—	54,473	54,473
Provision for deferred cash consideration	—	2,061,000	2,061,000
Interest accrual	327,123	—	327,123
Accreted interest	170,050	—	170,050
December 31, 2017	20,752,317	3,407,484	24,159,801

23. Financial and capital risk measurement and Fair value measurement

23.1. Capital risk management

For the purpose of the Group's capital management, capital includes issued capital, share premium, the equity component of a convertible loan note and all other equity reserves attributable to the equity holders of the parent.

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern and ensure that sufficient capital is in place to fund the Group's research and development activities. The Group's principal method of adjusting the capital available is through issuing new shares or arranging suitable debt financing, including any related warrants. The Group's share capital and share premium are disclosed in Note 17. The Group's loans are disclosed in note 18. The Group monitors the availability of capital with regard to its committed and planned forecast future expenditure on an ongoing basis.

23.2. Financial risk management objectives and policies

Monitoring of financial risk is part of the Board's ongoing risk management, the effectiveness of which is reviewed annually. Our agreed policies are implemented by the Chief Financial Officer, who submits periodic reports to the Board. We seek to maintain a balance between equity capital and convertible and secured debt to provide sufficient cash resources to execute our business plan. In addition, we maintain a balance between cash held on deposit and short term investments in sterling and other currencies to reduce its exposure to foreign exchange fluctuations in respect of our planned expenditure. During the year, in order to maintain a strong cash runway we completed an equity placing and arranged and drew down a new bank debt facility, which includes an initial interest-only period until September 2018.

Except for the bank loans and the existing convertible loan notes issued in 2016, the Group's principal financial instruments comprise trade payables which arise directly from its operations and are not designed as a means of raising finance for the Group's operations. The Group has various financial assets, such as receivables and cash and short-term deposits. The Group does not consider that its financial instruments gave rise to any material financial risks during the year to December 31, 2017.

Interest rate risk

The Group's policy in relation to interest rate risk is to monitor short and medium-term interest rates and to place cash on deposit for periods that optimise the amount of interest earned while maintaining access to sufficient funds to meet day-to-day cash requirements.

The interest payable on both the convertible loan note and on the bank loan is fixed. Consequently, there is no material exposure to interest rate risk in respect of interest payable.

Foreign currency risk

The Group currently has no revenue. The majority of operating costs are denominated in Sterling, Euros and U.S. dollars ("USD"). Foreign exchange risk arises from commercial transactions and recognized assets and liabilities in foreign currencies. In relation to foreign currency risk, the Group's policy is to hold the majority of its funds in Sterling and to hold sufficient USD to fund planned commitments for the next 12 months on a rolling basis with short term spot purchases to manage commitments in other currencies.

Credit risks

The Group's policy is to place funds with financial institutions which have a minimum long-term credit rating with S&P of A. The Group also allocates a quota to individual institutions in respect of cash deposits and also seeks to diversify its investments where this is consistent with achieving competitive rates of return. It is the Group's policy to place not more than £10 million with any one investment counterparty and no more than £5m with any one cash deposit counter party.

Cash flow and liquidity risk

Credit risk from balances with banks and financial institutions is managed by the Group's finance department in accordance with the Group's policy. Investments of funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Group's Audit and Risk Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The Group's maximum exposure to credit risk for the components of the balance sheet at December 31, 2017 is the carrying amounts.

The Group monitors its funding requirements through preparation of short-term, mid-term and long-term forecasts. All short-term deposits are immediately convertible to liquid funds without penalty and are recorded in the balance sheet at their open market value. Please refer to Note 2.3 "Going Concern" regarding the Directors' assessment of liquidity for further information.

23.3. Fair value hierarchy

Fair value measurement hierarchy for liabilities as at December 31, 2017:

			Fair Value Measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities measured at fair value:					
Provision for deferred cash consideration (Note 19)	December 31, 2017	£ 2,061,000			£ 2,061,000
Warrant liability (Note 20)	December 31, 2017	£ 1,346,484			£ 1,346,484
Liabilities for which fair values are disclosed					
Convertible loan (Note 18a)	December 31, 2017	£ 1,977,393			£ 1,977,393
Bank loan (Note 18b)	December 31, 2017	£18,774,924			£18,774,924

There were no transfers between Level 1 and Level 2 during 2017

Fair value measurement hierarchy for liabilities as at December 31, 2016:

			Fair Value Measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities for which fair values are disclosed					
Convertible loan (Note 18a)	December 31, 2016	£3,126,526			£3,126,526

There were no transfers between Level 1 and Level 2 during 2016

Set out below is a comparison, by class, of the carrying amounts and fair values of the Group's financial instruments:

	December 31, 2016		December 31, 2017	
	Carrying amount £	Fair value £	Carrying amount £	Fair value £
Liabilities				
Provision for deferred cash consideration	—	—	2,061,000	2,061,000
Warrant liability	—	—	1,346,484	1,346,484

The management of the Group assessed that the fair values of cash and short-term deposits, other receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following methods and assumptions were used to estimate the fair values:

- The fair value of the provision for deferred cash consideration is estimated by discounting future cash flows using rates currently available for debt on similar terms and credit risk. In addition to being sensitive to a reasonably possible change in the forecast cash flows or the discount rate, the fair value of the deferred cash consideration is also sensitive to a

reasonably possible change in the probability of reaching certain milestones. The valuation requires management to use unobservable inputs in the model, of which the significant unobservable inputs are disclosed in the tables below. Management regularly assesses a range of reasonably possible alternatives for those significant unobservable inputs and determines their impact on the total fair value.

- The warrant liability is estimated using the Black-Scholes model taking into account appropriate amendments to inputs in respect of volatility and remaining expected life of the warrants, cost of capital, probability of success and interest rates.

The significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at December 31, 2017 and 2016 are as shown below:

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of the input to fair value
Provision for deferred cash consideration	DCF	WACC	2017: 15.3%	1% increase / (decrease) would result in a decrease / (increase) in fair value by £30,000.
		Probability of success	2017: 28 – 85%	10% increase / (decrease) would result in an increase / (decrease) in fair value by £600,000.
Warrant liability	Black Scholes	Risk free interest rate	2017: 1.25%	1% increase / (decrease) would result in an increase / (decrease) of £46,000.
		Volatility	2017: 50%	10% increase / (decrease) would result in an increase / (decrease) of £200,000.
		Remaining life	2017: 3519 days	Increase / (decrease) of 365 days would result in an increase / (decrease) of £54,000.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments at December 31, 2017:

	Payments Due by Period				
	Up to 1 year	1-3 Years	3-5 Years	Over 5 Years	Total
Novartis Notes	£ 82,600	£ 165,427	£2,078,815	—	£ 2,326,842
Bank loan	£3,574,208	£17,793,665	£2,982,805	—	£24,350,678
Operating lease (see Note 25)	£ 743,858	£ 535,203	—	—	£ 1,279,061
	£4,400,666	£18,494,295	£5,061,620	—	£27,956,581

The table below summarizes our contractual obligations at December 31, 2016:

	Payments Due by Period				
	Up to 1 year	1-3 Years	3-5 Years	Over 5 Years	Total
Novartis Notes	£ 138,543	£3,660,559	—	—	£3,799,102
Bank loan	—	—	—	—	—
Operating lease (see Note 25)	£ 325,920	£ 651,840	£202,736	—	£1,180,496
	£ 464,463	£4,312,399	£202,736	—	£4,979,598

We may incur potential payments upon our achievement of clinical, regulatory and commercial milestones, as applicable, or royalty payments that we may be required to make under license

agreements we have entered into with various entities pursuant to which we have in-licensed certain intellectual property, including our license agreements with Novartis and AstraZeneca. Due to the uncertainty of the achievement and timing of the events requiring payment under these agreements, the amounts to be paid by us are not fixed or determinable at this time.

24. Share-based payments

The charge for employee-related share-based payments under IFRS 2 arises across the following plans:

	December 31, 2016 £	December 31, 2017 £
2015 Plan	6,185,067	2,441,671
Share Option Plan	—	586,291
LTIP	133,601	298,287
DBSP	175,350	325,649
Total	6,494,018	3,651,898

The 2015 Plan

Under the Mereo BioPharma Group Limited Share Option Plan (the "2015 Plan"), the Group, at its discretion, granted share options to employees, including executive management, and Non-Executive Directors. Share options vest over four years for executive management and employees and over three years for Non-Executive Directors. There are no performance conditions attached to the options issued under the Option Plan. The fair value of share options granted was estimated at the date of grant using a Black Scholes pricing model, taking into account the terms and conditions upon which the share options were granted. The fair value calculation does not include any allowance for dividends as the Company has no available profits for distribution.

The exercise price of the share options will be equal to the market price of the underlying shares on the date of grant, less a discount agreed with the Group's institutional investors. The contractual term of the share options is ten years.

Of the £6,185,067 expense recognized under the option plan for employee services received during 2016, £298,836 is an accelerated charge relating to 500,000 options which were cancelled on June 9, 2016.

No share options were issued during the year under the 2015 Share Plan.

Movements during the year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	2016 Number	2016 WAEP £	2017 Number	2017 WAEP £
Outstanding at beginning of year	8,964,394	1.29	9,198,655	1.32
Granted during the year	1,316,117	1.49	—	—
Cancelled during the year	(500,000)	1.29	—	—
Forfeited during the year	(581,856)	1.29	(74,045)	1.29
Outstanding at December 31	9,198,655	1.32	9,124,610	1.32
Exercisable at December 31	3,115,337	1.29	5,655,676	1.31

The weighted average remaining contractual life for the share options outstanding as at December 31, 2017 was 7.6 years (2016: 8.3 years).

There were no options granted in 2017. The weighted average fair value of options granted during 2016 was £1.29.

Options outstanding at the end of the year had an exercise price of between £1.29 and £2.21.

The following tables list the weighted average inputs to the models used for the fair value of share options granted during the years ended December 31, 2016 and 2017:

	Year ended December 31, 2016	Year ended December 31, 2017
Expected volatility (%)	56	—
Risk-free interest rate (%)	1.48–2.07	—
Expected life of share options (years)	10	—
Market price of ordinary shares (£)	1.84–2.21	—
Model used	**Black Scholes**	—

Since there is no historical data in relation to the expected life of the share options the contractual life of the options was used in calculating the expense for the year.

Volatility was estimated by reference to the share price volatility of a group of comparable companies over a retrospective year equal to the expected life of the share options.

The Mereo BioPharma Group plc Share Option Plan

The Mereo BioPharma Group plc Share Option Plan (“Share Option Plan”) provides for the grant of options to acquire our ordinary shares to employees, executive directors and executive officers. Options may be granted to all eligible employees on commencement of employment and may be granted on a periodic basis after that. Under the Share Option Plan, our board of directors may determine if the vesting of an option will be subject to the satisfaction of a performance condition. With regard to an option which is subject to satisfaction of a performance condition, the option will normally vest on the later of: (i) the date on which our board of directors determines that the performance condition has been satisfied; and (ii) the third anniversary of the date of grant. With regard to an option which is not subject to the satisfaction of a performance condition, the option will normally vest on the third anniversary of the date of grant, or such other date determined by our board of directors and notified to the participant. Once an option has vested, it may be exercised during the period ending on the tenth anniversary of the date of grant, after which time it will lapse. The exercise price of an option may not be less than the greater of: (i) the market value of a share on the date of grant; or (ii) if the shares are to be subscribed, the nominal value of a share. Options are not currently subject to performance conditions other than continued service with us and typically vest on the third anniversary of the date of grant, after which they remain exercisable generally until the tenth anniversary of the grant date. Our board of directors may determine that an option be settled in cash or by net exercise of the option.

Movements during the period

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, options for the Share Option Plan during the period:

	2016 Number	2016 WAEP £	2017 Number	2017 WAEP £
Outstanding at beginning of year	—	—	—	—
Granted during the year	—	—	1,593,188	3.05
Cancelled during the year	—	—	—	—
Forfeited during the year	—	—	(15,000)	3.03
Outstanding at December 31	—	—	1,578,188	3.05
Exercisable at December 31	—	—	—	—

The weighted average remaining contractual life for the share options outstanding as at December 31, 2017 was 9.4 years.

The weighted average fair value of options granted during the year was £1.85.

Options outstanding at the end of the year had an exercise price of between £3.03 and £3.23.

The following tables list the weighted average inputs to the models used for the fair value of share options granted during the year ended December 31, 2017:

	Year ended December 31, 2016	Year ended December 31, 2017
Expected volatility (%)	—	49-51
Risk-free interest rate (%)	—	1.06-1.33
Expected life of share options (years)	—	10
Market price of ordinary shares (£)	—	3.03-3.23
Model used	—	**Black Scholes**

Since there is no historical data in relation to the expected life of the share options the contractual life of the options was used in calculating the expense for the year.

Volatility was estimated by reference to the share price volatility of a group of comparable companies over a retrospective year equal to the expected life of the share options.

Long Term Incentive Plan

Under the Company's Long Term Incentive Plan (LTIP), initiated in 2016, the Group, at its discretion, may grant nil-cost options to acquire shares to employees. Under the LTIP rules, vesting of 75% of the options issued to employees is subject to a share price performance condition (the "Share Price Element") and vesting of 25% of the options is subject to achievement of strategic operational targets (the "Strategic Element"). Share options vest over a maximum of five years, dependent upon achievement of these targets.

The fair value of the LTIP Share Price Element is estimated at the date of grant using a Monte Carlo pricing model, taking into account the terms and conditions upon which the share options were granted.

The fair value of the LTIP Strategic Element is estimated at the date of grant using a Black Scholes pricing model, taking into account the terms and conditions upon which the share options were granted, and the expense recorded is based upon the expected level of achievement of strategic targets.

The fair value calculations do not include any allowance for dividends as the Company has no available profits for distribution.

The contractual term of the LTIP options is five years.

The expense recognized for employee services received during the year to December 31, 2017 was £298,287 (2016: £133,601).

Movements during the year

The following table illustrates the number of, and movements in, LTIP options during the year:

	2016 Number	2017 Number
Granted during the year	1,199,658	185,950
Cancelled during the year	—	—
Forfeited during the year	(234,162)	—
Outstanding at December 31	965,496	1,151,446
Exercisable at December 31	—	—

The weighted average remaining contractual life for the LTIP options outstanding as at December 31, 2017 was 2.9 years (2016: 3.7 years).

The weighted average fair value of LTIP options granted during the year was £1.99 (2016: £1.21).

The following tables list the weighted average inputs to the models used for the fair value of LTIP options granted during the years ended December 31:

LTIP Share Price Element

	Year ended December 31, 2016	Year ended December 31, 2017
Expected volatility (%)	48.9	51.7
Risk-free interest rate (%)	0.48–0.74	0.17-0.39
Expected life of share options (years)	3–5	3-5
Market price of ordinary shares (£)	2.21	3.03
Model used	Monte Carlo	Monte Carlo

LTIP Strategic Element

	Year ended December 31, 2016	Year ended December 31, 2017
Expected volatility (%)	48.9	51.7
Risk-free interest rate (%)	0.74	0.39
Expected life of share options (years)	5	5
Market price of ordinary shares (£)	2.21	3.03
Model used	Black Scholes	Black Scholes

Since there is no historical data in relation to the expected life of the LTIP options the contractual life of the options has been used in calculating the expense for the year.

Volatility is estimated by reference to the share price volatility of a group of comparable companies over a retrospective year equal to the expected life of the LTIP options.

Deferred Bonus Share Plan

Under the Company's Deferred Bonus Share Plan (DBSP), 30% of the annual bonus for the executive management team is payable in deferred shares, which are governed by the DBSP rules. At the date of grant of the awards, the monetary bonus amount will be divided by the closing share price to give the number of shares issued to the employee under the DBSP. The number of shares is fixed and not subject to adjustment between the issue date and vesting date. Under the DBSP, awards vest after three years from the grant date of the award. There are no further performance conditions attached to the award, nor any service conditions (including no requirement for continued employment once the awards have been made). The plan does allow for adjustment of awards in the event of a material misstatement of Group's accounts or fraud or misconduct on the part of an individual. The plan also allows for adjustment of awards in the event there was an error in calculating the vesting of the awards.

Since the awards are issued at £nil cost they will be satisfied by the issue of shares from the EBT.

The following table illustrates the number of, and movements in, DBSP options during the year:

	Year ended December 31, 2016	Year ended December 31, 2017
Outstanding at January 1	—	62,180
Awarded during the year	62,180	100,820
Granted during the year	—	—
Outstanding at December 31	62,180	163,000
Exercisable at December 31	—	—

The weighted average remaining contractual life for the DBSP options outstanding as at December 31, 2017 was 3.6 years (2016: 4 years).

The weighted average fair value of deferred share bonus plan options granted during the year was £3.23 (2016: £2.80).

Deferred Equity Consideration

In October 2017, our wholly owned subsidiary Mereo BioPharma 4 Limited entered into an exclusive license and option agreement, or the License Agreement, to obtain from AstraZeneca an exclusive worldwide, sub-licensable license under AstraZeneca's intellectual property rights relating to AZD-9668, with an option to acquire such intellectual property rights following commencement of a pivotal trial and payment of related milestone payments, or the Option, together with the acquisition of certain related assets.

Under the agreement with Astrazeneca, we may issue up to 1,349,693 ordinary shares which are dependent on achieving certain milestones.

In respect of milestones that are probable, we have accounted for, but not yet issued, 429,448 ordinary shares which have been measured at fair value, being £3.10, giving a total of £1,331,288.

25. Commitments and contingencies

Operating lease commitments—Group as lessee

Future minimum rentals payable under non-cancellable operating leases as at December 31, 2017 are as follows:

	December 31, 2016 £	December 31, 2017 £
Within one year	325,920	743,858
After one year but not more than three years	651,840	535,203
After three years but not more than five years	202,736	—
More than five years	—	—
	1,180,496	**1,279,061**

The Group has entered into a lease for its premises at Fourth Floor, 1 Cavendish Place, London W1G 0QF. The term of the lease agreement is from August 17, 2015 through to August 16, 2025. The total lease expense for the year ended December 31, 2017 was £293,328 (2016:£293,328).

The premises comprise approximately 4,000 square feet. The principal rent for the premises is £162,960 per annum through December 16, 2016 and £325,920 per annum thereafter, subject to increase on August 17, 2020 based on the open market value of the premises (the “Principal Rent”). In addition to the Principal Rent, the Group is responsible for value added tax on the Principal Rent and certain insurance costs and service charges incurred by the landlord.

The Group may break the lease agreement on August 16, 2020 by providing six months’ prior written notice to the landlord. If the Group does not exercise its break option, the landlord will decrease by 50% the Principal Rent for the period from August 16, 2020 through to April 15, 2021.

The Group has entered into a lease for six High Resolution peripheral quantitative computed tomography (HRpQCT) scanners for use in its ongoing clinical studies.

Each scanner has a lease term of 12 months from the date on which delivery of that scanner occurred. The Company has the right to extend the lease period for a further six months at any point during the lease term. This option may be exercised in respect of any of the individual scanners and does not have to be exercised in respect of all the scanners.

Finance leases—Group as lessee

The Group did not have any leasing arrangements classifying as finance leases at December 31, 2017.

Financial commitments

Each of Mereo BioPharma 1 Ltd, Mereo BioPharma 2 Ltd and Mereo BioPharma 3 Ltd issued to Novartis loan notes (the Novartis notes) (which were assigned by Novartis to the Company in exchange for ordinary shares pursuant to the Subscription Agreement) and each of Mereo BioPharma 1 Ltd, Mereo BioPharma 2 Ltd and Mereo BioPharma 3 Ltd agreed to make future payments to Novartis comprising amounts equal to ascending specified percentages of tiered annual worldwide net sales (beginning at high single digits and reaching into double digits at higher sales) by such subsidiary of

products that include the assets acquired. The levels of ascending percentages of tiered annual worldwide net sales are the same for each of Mereo BioPharma 1, Mereo BioPharma 2 and Mereo BioPharma 3 under the respective Purchase Agreements.

Each of Mereo BioPharma 1 Ltd, Mereo BioPharma 2 Ltd and Mereo BioPharma 3 Ltd further agreed that in the event it transfers, licenses, assigns or leases all or substantially all of its assets, it will pay Novartis a percentage of the proceeds of such transaction. The Company will retain the majority of the proceeds from such a transaction. Such percentage is the same for each of Mereo BioPharma 1 Ltd, Mereo BioPharma 2 Ltd and Mereo BioPharma 3 Ltd under the respective Purchase Agreements. The payment of a percentage of proceeds is not payable with respect to any transaction involving equity interests of Mereo BioPharma Group plc, a merger or consolidation of Mereo BioPharma Group plc, or a sale of any assets of Mereo BioPharma Group plc.

In October 2017, our wholly owned subsidiary Mereo BioPharma 4 Limited entered into an exclusive license and option agreement, or the License Agreement, to obtain from AstraZeneca an exclusive worldwide, sub-licensable license under AstraZeneca's intellectual property rights relating to AZD-9668, with an option to acquire such intellectual property rights following commencement of a pivotal trial and payment of related milestone payments, or the Option, together with the acquisition of certain related assets. Upon entering into the License Agreement, we made a payment of $3.0 million and issued 490,798 ordinary shares to AstraZeneca, for an aggregate upfront payment equal to $5.0 million. In connection with certain development and regulatory milestones, we have agreed to make payments of up to $115.5 million in the aggregate and issue additional ordinary shares to AstraZeneca for licensed products containing AZD-9668. In addition, we have agreed to make payments to AstraZeneca based on specified commercial milestones of the product. In the event that we sub-license AZD-9668, we have also agreed to pay a specified percentage of sublicensing revenue to AstraZeneca. Otherwise, we have agreed to make royalty payments to AstraZeneca equal to ascending specified percentages of tiered annual worldwide net sales by us or our affiliates of licensed products (subject to certain reductions), ranging from the high single digits to low double digits. Royalties will be payable on a licensed product-by-licensed product and country-by-country basis until the later of ten years after the first commercial sale of such licensed product in such country and expiration of the last patent covering such licensed product in such country that would be sufficient to prevent generic entry. Under the License Agreement, we may freely grant sub-licenses to affiliates upon notice to AstraZeneca and we must obtain AstraZeneca's consent, not be unreasonably withheld, to grant sub-licenses to a third party. We have agreed to use commercially reasonable efforts to develop and commercialize at least one licensed product.

The License Agreement will expire on the expiry of the last-to-expire royalty term with respect to all licensed products. Upon the expiration of the royalty term for a licensed product in a particular country, the licenses to us for such product in such country will become fully-paid and irrevocable. Prior to exercise of the Option, if at all, we may terminate the License Agreement upon prior written notice. Either party may terminate the agreement upon prior written notice for the other party's material breach that remains uncured for a specified period of time or insolvency. AstraZeneca has agreed to a three-year non-competition restriction in relation to the direct or indirect commercialization or development of NE inhibitors for the treatment of AATD. In addition, AstraZeneca agreed not to assert any AstraZeneca intellectual property rights that were included in the scope of the License Agreement against us.

26. Related party disclosures

The following transactions have been entered into with related parties for the year ended December 31, 2016 and 2017.

Novartis Pharma AG ("Novartis") holds shares in the Company at December 31, 2016. On June 3, 2016, the Group issued 3,463,563 £1 unsecured convertible loan notes (the Novartis Notes) to Novartis and received £3,463,563 from Novartis in consideration (Note 19).

The Group purchased goods and services from Novartis in the year as set out below:

	December 31, 2016 £	December 31, 2017 £
Manufacture and supply of clinical trial material	968,219	4,610,106

The amount outstanding to be paid to Novartis at December 31, 2017 was £nil (2016: £35,249).

The purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions.

27. Standards issued but not yet effective

The standards and interpretations that were issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

IFRS 9 applies to reporting periods on or after January 1, 2018. The Group is currently assessing the impact of IFRS 9 and plans to adopt the new standard on the required effective date.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 "Revenue from Contracts with Customers" ("IFRS 15") was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. As the Group is not currently, nor will it for the foreseeable future, generating revenues, IFRS 15 will be adopted when the Group has an arrangement within the scope of the standard.

IFRS 16 Leases

IFRS 16 "Leases" ("IFRS 16") specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 "Leases".

IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after January 1, 2019.

The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

Other standards

The following standards and interpretations, applicable for annual periods beginning on or after January 1, 2017, are not expected to have any material impact on the results of the Group or the presentation of the financial statements:

- IFRS 10 “Consolidated Financial Statements”—Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture and amendments regarding the application of the consolidation exception
- IFRS 11 “Joint Arrangements”—Amendments regarding the accounting for acquisitions of an interest in a joint operation
- IFRS 12 “Disclosure of Interests in Other Entities”—Amendments regarding the application of the consolidation exception
- IFRS 14 “Regulatory Deferral Accounts”
- IAS 1 “Presentation of Financial Statements”—Amendments resulting from the disclosure initiative
- IAS 7 “Statement of Cash Flows”—Amendments resulting from the disclosure initiative
- IAS 12 “Income Taxes”—Amendments to recognition of deferred tax assets for unrealised losses
- IAS 16 “Property, Plant and Equipment” (“IAS 16”)—Amendments regarding the clarification of acceptable methods of depreciation and amortisation and amendments bringing bearer plants into the scope of IAS 16
- IAS 27 “Separate Financial Statements (as amended in 2011)”—Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity’s separate financial statements
- IAS 28 “Investments in Associates and Joint Ventures”—Amendments regarding the application of the consolidation exception
- IAS 38 “Intangible Assets”—Amendments regarding the clarification of acceptable methods of depreciation and amortisation
- IAS 41 “Agriculture”—Amendments bringing bearer plants into the scope of IAS 16
- Amendments resulting from September 2014 Annual Improvements to IFRSs:
- IFRS 2 “Classification and Measurement of Share-based Payment” Transactions
- IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”
- IFRS 7 “Financial Instruments: Disclosures”
- IFRIC Interpretation 22 “Foreign Currency Transactions and Advance Consideration”
- IAS 19 “Employee Benefits”
- IAS 34 “Interim Financial Reporting”

Ordinary Shares
(including Ordinary Shares in the form
of American Depositary Shares)

PROSPECTUS

Cowen **BMO Capital Markets** **RBC Capital Markets**

JMP Securities

Cantor Fitzgerald Europe

, 2018

Until , 2018 (25 days after the date of this prospectus), all dealers that buy, sell or trade ADSs or ordinary shares, whether or not participating in the global offering, may be required to deliver a prospectus. This delivery requirement is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

PART II—INFORMATION NOT REQUIRED IN THE PROSPECTUS

Item 6. Indemnification of directors and officers

Members of the registrant's board of directors have the benefit of the following indemnification provisions in the registrant's Articles of Association:

Current and former members of the registrant's board of directors may be indemnified for:

(a) any liability incurred by that director in connection with any negligence, default, breach of duty, or breach of trust in relation to the registrant or an associated company;

(b) any liability incurred by that director in connection with the activities of the registrant or an associated company in its capacity as a trustee of an occupational pension scheme; and

(c) any other liability incurred by that director as an officer of the registrant or an associated company.

In addition, members of the registrant's board of directors who have received payment from the registrant under these indemnification provisions must repay the amount they received in accordance with the Statutes or in any other circumstances that the registrant may prescribe or where the registrant has reserved the right to require repayment.

The underwriting agreement the registrant will enter into in connection with the offering of ADSs being registered hereby provides that the underwriters will indemnify, under certain conditions, the registrant's board of directors and its officers against certain liabilities arising in connection with the U.S. offering.

Item 7. Recent sales of unregistered securities

Issuance of Share Capital

- On March 10, 2015, the registrant issued an ordinary share of nominal value £1 to its founder for aggregate consideration of £1.
- On April 21, 2015, the registrant issued 4,999 ordinary shares of nominal value £1 each to its founders for aggregate consideration of £4,999.
- On July 29, 2015, the registrant effected subdivision of its 5,000 ordinary shares at a 1:1,000 ratio, resulting in there being 5,000,000 ordinary shares of nominal value £0.001 each.
- On July 29, 2015, the registrant issued 14,740,296 ordinary shares of nominal value £0.001 each to new investors for aggregate consideration of £20.0 million in cash and the assignment to the registrant of loan notes in an aggregate amount of £25.8 million.
- On November 27, 2015, the registrant issued 39,480,592 ordinary shares of nominal value £0.001 each to existing investors in connection with a recapitalization of the registrant. Following such issuance, the ordinary shares of the registrant were consolidated at a 3:1 ratio, resulting in there being 19,740,296 ordinary shares of nominal value £0.003 per ordinary share.
- On June 9, 2016, the registrant issued 44,600,502 ordinary shares of nominal value £0.003 each to new and existing investors for aggregate consideration of £84.0 million.
- On April 3, 2017, the registrant issued 5,042,017 ordinary shares of nominal value £0.003 each to new and existing investors for aggregate consideration of £15.0 million.
- On April 26, 2017, the registrant issued 1,221,361 ordinary shares of nominal value £0.003 each upon the conversion of £1.4 million of unsecured convertible loan notes.
- On October 31, 2017, the registrant issued 490,798 ordinary shares of nominal value £0.003 each to a new investor in connection with a licensing agreement.

Issuance of Notes

On June 3, 2016, the registrant issued 3,463,563 unsecured convertible loan notes for aggregate consideration of £3,463,563.

Options

From its inception in March 2015 through December 31, 2015, the registrant granted stock options to purchase an aggregate of 8,964,394 ordinary shares with exercise prices of £1.29 per ordinary share to certain employees, senior management, and directors in connection with services provided to the registrant by such parties.

From January 1, 2016 through December 31, 2016, the registrant granted stock options to purchase an aggregate of 2,515,775 ordinary shares with exercise prices ranging from nil to £2.21 per ordinary share to certain employees, senior management, and directors in connection with services provided to the registrant by such parties.

From January 1, 2017 through December 31, 2017, the registrant granted stock options to purchase an aggregate of 1,841,318 ordinary shares with exercise prices ranging from nil to £3.23 per ordinary share to certain employees, senior management, and directors in connection with services provided to the registrant by such parties.

Warrants

On August 21, 2017, the registrant issued warrants to purchase 363,156 ordinary shares at an exercise price of £3.029 each.

On December 29, 2017, the registrant issued warrants to purchase 333,334 ordinary shares at an exercise price of £3.300 each.

All of the foregoing issuances of share capital, notes, options, and warrants were made outside of the United States pursuant to Regulation S or to U.S. entities pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended, or the Securities Act.

Item 8. Exhibits and financial statements

(a) **Exhibits.** The exhibits to this registration statement are listed in the Exhibit Index to this registration statement and incorporated herein by reference.

(b) **Financial Statement Schedules.** Schedules have been omitted because the information required to be set forth therein is not applicable or is shown in our combined financial statements or the notes thereto.

Item 9. Undertakings

(a) The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

(b) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the U.S. Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in

connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(c) The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Table of Contents

EXHIBIT INDEX

Exhibit Number	Exhibit Description
1.1*	Form of Underwriting Agreement
3.1	Articles of Association, as currently in effect
3.2	Form of Articles of Association, to be adopted in connection with this offering
4.1	Form of Deposit Agreement
4.2	Form of American Depositary Receipt (included in Exhibit 4.1)
4.3	Form of Warrant Instrument
5.1	Opinion of Latham & Watkins LLP
10.1	Underlease by and between the registrant and O&H (Cavendish Place) Limited, dated August 17, 2015
10.2	Contract of Employment, dated July 29, 2015, between the registrant and Denise Scots-Knight
10.3	Contract of Employment, dated July 29, 2015, and Deed of Amendment, dated November 24, 2017, between the registrant and Alastair MacKinnon
10.4	Contract of Employment, dated July 29, 2015, between the registrant and Charles Sermon
10.5	Contract of Employment, dated November 7, 2016, between the registrant and Richard Jones
10.6	Consultancy Agreement, dated February 1, 2018, by and among the registrant, John Richard & Associates, LLC, and John Richard
10.6.1	Contract of Employment, dated February 26, 2018, between the registrant and John Richard
10.7	Letter of Appointment, dated July 29, 2015, between the registrant and Dr. Peter Fellner
10.8	Letter of Appointment, dated July 29, 2015, between the registrant and Frank Armstrong
10.9	Letter of Appointment, dated July 29, 2015, between the registrant and Peter Bains
10.10	Letter of Appointment, dated October 28, 2015, between the registrant and Paul Blackburn
10.11	Letter of Appointment, dated July 29, 2015, between the registrant and Anders Ekblom
10.12	Letter of Appointment, dated July 29, 2015, between the registrant and Kunal Kashyap
10.13	Rules of the Mereo BioPharma Group plc Share Option Scheme, as adopted March 4, 2016 and amended April 4, 2017 and March 20, 2018 and form of option documentation
10.14	Scheme Rules of Mereo BioPharma Group Limited Share Option Scheme, as adopted July 8, 2015
10.15	Rules of the Mereo BioPharma Group plc Long Term Incentive Plan, as adopted March 4, 2016 and amended March 20, 2018
10.16	Rules of the Mereo BioPharma Group plc Deferred Bonus Share Plan, as adopted March 4, 2016 and amended March 20, 2018
10.17	Rules of the Mereo BioPharma Group plc Share Option Scheme for Non-Executive Directors, as adopted March 20, 2018 and form of option documentation
10.18†	BCT197 Asset Purchase Agreement, dated July 28, 2015, by and between Mereo BioPharma 1 Limited and Novartis Pharma AG
10.19†	BGS649 Asset Purchase Agreement, dated July 28, 2015, by and between Mereo BioPharma 2 Limited and Novartis Pharma AG

Exhibit Number	Exhibit Description
10.20†	BPS804 Asset Purchase Agreement, dated July 28, 2015, by and between Mereo BioPharma 3 Limited and Novartis Pharma AG
10.21†	Sublicense Agreement, dated July 29, 2015, by and between Mereo BioPharma 3 Limited and Novartis Pharma AG
10.22†	Exclusive License and Option Agreement, dated October 28, 2017, by and between Mereo BioPharma 4 Limited and AstraZeneca AB
10.23	Loan Agreement, dated August 7, 2017, by and among the registrant, as borrower, the guarantors party thereto, Silicon Valley Bank, as a lender, and Kreos Capital V (UK) Limited, as a lender, agent and security agent
10.24	Form of Deed of Indemnity for board members
10.25	Convertible Loan Note Instrument relating to Mereo BioPharma Group plc, dated June 3, 2016, by the registrant, including Deeds of Amendment thereto, between the registrant and Novartis Pharma AG
21.1	List of Subsidiaries
23.1	Consent of Ernst & Young LLP, independent registered public accounting firm
23.2	Consent of Latham & Watkins LLP (included in Exhibit 5.1)
24.1	Powers of Attorney (included on signature page to the registration statement)

* To be filed by amendment.

† Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment and this exhibit has been filed separately with the SEC.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-1 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in London, the United Kingdom on March 23, 2018.

MEREO BIOPHARMA GROUP PLC

By: /s/ Denise Scots-Knight
Name: Denise Scots-Knight, Ph.D.
Title: Chief Executive Officer

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Denise Scots-Knight and Richard Jones and each of them, individually, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead in any and all capacities, in connection with this registration statement, including to sign in the name and on behalf of the undersigned, this registration statement and any and all amendments thereto, including post-effective amendments and registrations filed pursuant to Rule 462 under the Securities Act of 1933, as amended, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the U.S. Securities and Exchange Commission, granting unto such attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or his substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons on March 23, 2018 in the capacities indicated:

Name	Title
/s/ Denise Scots-Knight Denise Scots-Knight, Ph.D.	Chief Executive Officer and Member of the Board (Principal Executive Officer)
/s/ Richard Jones Richard Jones	Chief Financial Officer and Member of the Board (Principal Financial Officer and Principal Accounting Officer)
/s/ Peter Fellner Peter Fellner, Ph.D.	Chairman of the Board
/s/ Frank Armstrong Frank Armstrong, MBChB	Member of the Board
/s/ Peter Bains Peter Bains	Member of the Board
/s/ Paul Blackburn Paul Blackburn	Member of the Board
/s/ Anders Ekblom Anders Ekblom, M.D., Ph.D.	Member of the Board
/s/ Kunal Kashyap Kunal Kashyap	Member of the Board

Table of Contents

SIGNATURE OF AUTHORIZED U.S. REPRESENTATIVE OF REGISTRANT

Pursuant to the requirements of the Securities Act of 1933, as amended, the undersigned, the duly authorized representative in the United States of Mereo BioPharma Group plc has signed this registration statement on March 23, 2018.

By: /s/ Colleen A. Devries
Name: Colleen A. Devries
Title: SVP on behalf of Cogency Global Inc.

Proskauer

Articles of Association
of Mereo BioPharma Group plc

The Companies Act 2006
Public Company

(as adopted by written special resolution passed on
2 June 2016)

PROSKAUER ROSE (UK) LLP
110 BISHOPSGATE
LONDON
EC2N 4AY

New Articles of Association
of
Mereo BioPharma Group plc (the "Company")

(as adopted by written special resolution and passed on 2 June 2016)

Table of Contents

PART 1

INTERPRETATION AND LIMITATION OF LIABILITY

1 Preliminary

No regulations or articles set out in any statute, or in any statutory instrument or other subordinate legislation made under any statute, concerning companies (including the regulations in the Companies, (Model Articles) Regulations 2008 (S1 2008/3229)) shall apply as the articles of the Company. The following shall be the articles of association of the Company.

1.1. In the Articles, unless the context requires otherwise, the following words and expressions will have the meanings set out below:

Articles	means the articles of association of the Company
Associated Undertaking	has the meaning given in article 19.1
Bankruptcy	includes individual insolvency proceedings in a jurisdiction other than England and Wales or Northern Ireland which have an effect similar to that of bankruptcy
Board	means the Board of Directors of the Company as appointed from time to time in accordance with the Articles
Call	has the meaning given in article 62.1
Call Notice	has the meaning given in article 62.2
Capitalised Sum	has the meaning given in article 87.1(b)
Certificate	means a paper certificate (other than a Share warrant) evidencing a person's title to specified Shares or other securities
Certificated	in relation to a Share, means that it is not an Uncertificated Share or a share in respect of which a Share warrant has been issued and is current
Chairman	has the meaning given in article 15.2
Chairman of the Meeting	has the meaning given in article 36.3
Companies Acts	means the Companies Acts (as defined in section 2 of the Companies Act 2006), in so far as they apply to the Company

Company's Lien	has the meaning given in article 60.1
Director	means a Director of the Company, and includes any person occupying the position of Director, by whatever name called
Document	includes, unless otherwise specified, any document sent or supplied in Electronic Form
Electronic Form	has the meaning given in section 1168 of the Companies Act 2006
Fully Paid	in relation to a Share, means that the nominal value and any premium to be Paid to the Company in respect of that Share have been Paid to the Company
Group	means the Company and its subsidiaries
Hard Copy Form	has the meaning given in section 1168 of the Companies Act 2006
Holder	in relation to Shares means the person whose name is entered in the register of Members as the holder of the Shares, or, in the case of a Share in respect of which a Share warrant has been issued (and not cancelled), the person in possession of that warrant
Instrument	means a Document in Hard Copy Form
Invesco Fund	the Invesco Perpetual High Income Fund
Invesco UK Strategic	the Invesco Perpetual UK Strategic Income Fund
Lien Enforcement Notice	has the meaning given in article 61
Member	has the meaning given in section 112 of the Companies Act 2006
Novartis	Novartis Pharma AG Lichtstrasse 35, CH-4002, Basel, Switzerland
Ordinary Resolution	has the meaning given in section 282 of the Companies Act 2006
Paid	means paid or credited as paid

Partly Paid	in relation to a Share means that part of that Share's nominal value or any premium at which it was issued has not been Paid to the Company
Persons Entitled	has the meaning given in article 87.1(b)
Proxy Notice	has the meaning given in article 45
Relevant Situation	has the meaning given in article 19.3
Securities Seal	has the meaning given in article 61.2
Shares	means shares in the Company
Special Resolution	has the meaning given in section 283 of the Companies Act 2006
Subsidiary	has the meaning given in section 1159 of the Companies Act 2006
Transmittee	means a person entitled to a Share by reason of the death or Bankruptcy of a shareholder or otherwise by operation of law
Uncertificated	in relation to a Share means that, by virtue of legislation (other than section 778 of the Companies Act 2006) permitting title to Shares to be evidenced and transferred without a Certificate, title to that Share is evidenced and may be transferred without a Certificate
WEIF	CF Woodford Equity Income Fund
WPCT	Woodford Patient Capital Trust plc
Writing	means the representation or reproduction of words, symbols or other information in a visible form by any method or combination of methods, whether sent or supplied in Electronic Form or otherwise

1.2. Unless the context otherwise requires, other words or expressions contained in these Articles bear the same meaning as in the Companies Act 2006 as in force on the date when these Articles become binding on the Company.

1.3. In accordance with section 31(1) of the Companies Act 2006, the objects of the Company are unrestricted.

2 Liability of Members

The liability of the Members is limited to the amount, if any, unpaid on the Shares held by them.

PART 2

DIRECTORS,
DIRECTORS' POWERS AND RESPONSIBILITIES

3 Directors' general authority

3.1. Subject to the Articles, the Directors are responsible for the management of the Company's business, for which purpose they may exercise all the powers of the Company other than those required by law or these Articles to be exercised by the Company at a general meeting.

3.2. All acts done by a meeting of directors, or of a committee of directors, or by a person acting as a director, shall, notwithstanding that it be afterwards discovered that there was a defect in the appointment of any director or that any of them were disqualified from holding office, or had vacated office, or were not entitled to vote, be as valid as if every such person had been duly appointed and was qualified and had continued to be a director and had been entitled to vote.

4 Directors' authority to allot

4.1. The Company may from time to time pass an Ordinary Resolution authorising, in accordance with section 551 of the Companies Act 2006, the Board to exercise all the powers of the Company to allot shares or to grant rights to subscribe for, or to convert any security into, any shares.

5 Pari passu issues

5.1. If new shares are created or issued which rank equally with any other existing shares, the rights of the existing shares will not be regarded as changed or abrogated unless the terms of the existing shares expressly say otherwise.

6 Members' reserve power

6.1. The Members may, by Special Resolution, direct the Directors to take, or refrain from taking, specified action.

6.2. No such Special Resolution invalidates anything which the Directors have done before the passing of the resolution.

7 Directors may delegate

7.1. Subject to the Articles, the Directors may delegate any of the powers which are conferred on them under the Articles:

(a) to such person or committee;

(b) by such means (including by power of attorney);

(c) to such an extent;

(d) in relation to such matters or territories; and

(e) on such terms and conditions;

as they think fit.

7.2. If the Directors so specify, any such delegation may authorise further delegation of the Directors' powers by any person to whom they are delegated.

7.3. The Directors may revoke any delegation in whole or part, or alter its terms and conditions.

8 Committees

8.1. Committees to which the Directors delegate any of their powers must follow procedures which are based as far as they are applicable on those provisions of the Articles which govern the taking of decisions by Directors.

8.2. The Directors may make rules of procedure for all or any committees, which prevail over rules derived from the Articles if they are not consistent with them.

9 Observer rights

For as long as Novartis holds not less than one per cent. (1%) of the issued share capital of the Company, Novartis may appoint one observer of the Board who may attend but not participate or vote in any meeting of the Directors.

DECISION-MAKING BY DIRECTORS

10 Directors to take decisions collectively

10.1. Decisions of the Directors may be taken:

(a) at a Directors' meeting; or

(b) in the form of a Directors' written resolution.

11 Calling a Directors' meeting

11.1. Any Director may call a Directors' meeting.

11.2. The Company secretary must call a Directors' meeting if a Director so requests.

11.3. A Directors' meeting is called by giving notice of the meeting to the Directors.

11.4. Notice of any Directors' meeting must indicate:

(a) its proposed date and time;

(b) where it is to take place; and

(c) if it is anticipated that Directors participating in the meeting will not be in the same place, how it is proposed that they should communicate with each other during the meeting.

11.5. Notice of a Directors' meeting must be given to each Director, but need not be in Writing.

11.6. Any Director may waive their right to notice of any meeting and any such waiver may be retroactive.

11.7. Notice of a Directors' meeting need not be given to Directors who waive their entitlement to notice of that meeting, by giving notice to that effect to the Company not more than seven (7) days after the date on which the meeting is held. Where such notice is given after the meeting has been held, that does not affect the validity of the meeting, or of any business conducted at it.

12 Participation in Directors' meetings

12.1. Subject to the Articles, Directors participate in a Directors' meeting, or part of a Directors' meeting, when:

(a) the meeting has been called and takes place in accordance with the Articles; and

(b) they can each communicate to the others any information or opinions they have on any particular item of the business of the meeting.

12.2. In determining whether Directors are participating in a Directors' meeting, it is irrelevant where any Director is or how they communicate with each other.

12.3. If all the Directors participating in a meeting are not in the same place, they may decide that the meeting is to be treated as taking place wherever any of them is.

13 Quorum for Directors' meetings

13.1. At a Directors' meeting, unless a quorum is participating, no proposal is to be voted on, except a proposal to call another meeting.

13.2. The quorum for Directors' meetings may be fixed from time to time by a decision of the Directors, but it must never be less than two, and unless otherwise fixed it is two.

14 Meetings where total number of Directors less than quorum

14.1. This article applies where the total number of Directors for the time being is less than the quorum for Directors' meetings.

14.2. If there is only one Director, that Director may appoint sufficient Directors to make up a quorum or call a general meeting to do so but not for any other purpose.

14.3. If there is more than one Director:

(a) a Directors' meeting may take place, if it is called in accordance with the Articles and at least two Directors participate in it, with a view to appointing sufficient Directors to make up a quorum or calling a general meeting to do so; and

(b) if a Directors' meeting is called but only one Director attends at the appointed date and time to participate in it, that Director may appoint sufficient Directors to make up a quorum or call a general meeting to do so.

15 Chairing Directors' meetings

15.1. The Directors may appoint a Director to chair their meetings.

15.2. The person so appointed for the time being is known as the Chairman.

15.3. The Directors may appoint other Directors as deputy or assistant chairmen to chair Directors' meetings in the Chairman's absence.

15.4. The Directors may terminate the appointment of the Chairman, deputy or assistant Chairman at any time.

15.5. If neither the Chairman nor any Director appointed generally to chair Directors' meetings in the Chairman's absence is participating in a meeting within ten minutes of the time at which it was to start, the participating Directors must appoint one of themselves to chair it.

16 Voting at Directors' meetings: general rules

16.1. Subject to the Articles, a decision is taken at a Directors' meeting by a majority of the votes of the participating Directors.

16.2. Subject to the Articles, each Director participating in a Directors' meeting has one vote.

17 Chairman's casting vote at Directors' meetings

17.1. If the numbers of votes for and against a proposal are equal, the Chairman or other Director chairing the meeting has a casting vote.

17.2. But 17.1 above does not apply if, in accordance with the Articles, the Chairman or other Director is not to be counted as participating in the decision-making process for quorum or voting purposes.

18 Transactions with the Company

18.1. Provided that a Director has declared at a Directors' meeting or in such other manner as the Directors may resolve to the other Directors the nature and extent of any interest of his, a Director notwithstanding his office may be a party to, or otherwise directly or indirectly interested in, any proposed or existing transaction or arrangement with the Company.

18.2. A Director will not count in the quorum or be entitled to vote:

(a) on a proposal under consideration concerning his appointment to an office or employment with the Company; or

(b) on any undertaking or proposal in which the Director (or a person connected with the Director) is interested.

18.3. Where proposals under article 18.2(a) are under consideration concerning the appointment of two or more Directors to any such offices or employments the proposals may be divided and considered in relation to each Director separately and (provided he is not for another reason precluded from voting) each of the Directors concerned will be entitled to participate in the decision-making process and count in the quorum and vote in respect of each decision except that concerning his own appointment.

18.4. Subject to the immediately preceding article 18.3 and provided that he has declared to the other Directors the nature and extent of any interest of his and provided that a majority of the other Directors consent, a Director may participate in the decision-making process and count in the quorum and vote if a proposed decision of the Directors is concerned with an actual or proposed transaction or arrangement with the Company in which the director is interested.

19 Conflicts of interest

19.1. A Director may be a director or other officer of, or employed by, or otherwise interested in, any company in the Group, any undertaking promoted by or advised by or managed by a company in the Group and any undertaking in which a company in the Group is otherwise interested (each, an "**Associated Undertaking**"), or be a party to, or otherwise interested in, any contract, transaction or arrangement in which an Associated Undertaking is interested, provided that the Director declares to the other Directors the nature and extent of his interest as soon as practicable after such interest arises.

19.2. A Director may make full disclosure of any information relating to the Company to another company in the Group (or anyone acting on behalf of any such company in the Group, including its advisers).

19.3. If a situation (a "**Relevant Situation**") arises in which a Director has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company (other than a situation that cannot reasonably be regarded as likely to give rise to a conflict of interest or a conflict of interest arising in relation to a transaction or

arrangement with the Company), the Directors may authorise in accordance with the Companies Act a Relevant Situation in respect of any Director and the continuing performance by the relevant Director of his duties as a Director of the Company on such terms as they may determine. Such terms may permit the interested Director to continue to participate in the decision-making process and vote and count in the quorum at a meeting of the Directors or of a committee of the Directors in respect of resolutions relating to the subject matter of the Relevant Situation. Authorisation of a Relevant Situation may be withdrawn, and the terms of authorisation may be varied or subsequently imposed, at any time. Any resolution of the Directors for the purposes of providing, varying the terms of or withdrawing such authorisation will not be effective unless:

(a) the requirement as to the quorum at the meeting at which the resolution is proposed is met without counting the interested Director or any other interested Director (and for these purposes any other provisions of these Articles that would require the interested Director or any other interested Director to be present during such part of the meeting for the quorum requirement to be met will not apply); and

(b) the resolution is passed without the interested Director or any other interested Director voting or would have been passed if their votes had not been counted.

19.4. Notwithstanding the foregoing, if a Relevant Situation arises and the matter has not previously been duly authorised, a Director may elect to deal with the Relevant Situation in the following manner:

(a) he will declare to the other directors the nature and extent of his interest in the Relevant Situation (except as set forth in paragraph (d) below);

(b) he will not vote (and will not be counted in the quorum at a meeting of the Directors or of a committee of the directors) in respect of a resolution of the Directors relating to the subject matter of the Relevant Situation; and/or

(c) he may elect to be excluded from all information and discussion by the Company relating to the subject matter of the Relevant Situation; and

(d) if he obtains (other than through his position as a Director of the Company) information that is confidential to a third party, or in respect of which he owes a duty of confidentiality to a third party, or the disclosure of which would amount to a breach of applicable law or regulation, he may elect not to disclose it to the Company or to use it in relation to the Company's affairs in circumstances where to do so would amount to a breach of that confidence or a breach of applicable law or regulation,

and the provisions of the Articles that would require him to be present for the quorum requirement for meetings of the Directors to be met will not apply.

19.5. If a Relevant Situation has been duly authorised by the Directors or the Company (or is otherwise permitted or dealt with in accordance with the Articles, as described above) and its nature and extent has been disclosed to the other Directors, a Director may participate in the decision making process and count in the quorum and vote if a proposed decision of the Directors is concerned with such situation (subject to any restrictions imposed under the terms on which it was authorised).

20 Proposing Directors' written resolutions

20.1. Any Director may propose a Directors' written resolution.

20.2. The Company secretary must propose a Directors' written resolution if a Director so requests.

20.3. A Directors' written resolution is proposed by giving notice of the proposed resolution to the Directors.

20.4. Notice of a proposed Directors' written resolution must indicate:

(a) the proposed resolution; and

(b) the time by which it is proposed that the Directors should adopt it.

20.5. Notice of a proposed Directors' written resolution must be given in Writing to each Director.

20.6. Any decision which a person giving notice of a proposed Directors' written resolution takes regarding the process of adopting that resolution must be taken reasonably in good faith.

21 Adoption of Directors' written resolutions

21.1. A proposed Directors' written resolution is adopted when all the Directors who would have been entitled to vote on the resolution at a Directors' meeting have signed one or more copies of it, provided that those Directors would have formed a quorum at such a meeting.

21.2. It is immaterial whether any Director signs the resolution before or after the time by which the notice proposed that it should be adopted.

21.3. Once a Directors' written resolution has been adopted, it must be treated as if it had been a decision taken at a Directors' meeting in accordance with the Articles.

21.4. The Company secretary must ensure that the Company keeps a record, in Writing, of all Directors' written resolutions for at least ten years from the date of their adoption.

22 Directors' discretion to make further rules

22.1. Subject to the Articles, the Directors may make any rule which they think fit about how they take decisions, and about how such rules are to be recorded or communicated to Directors.

APPOINTMENT OF DIRECTORS

23 Number of directors

Unless otherwise determined by Ordinary Resolution the Directors of the Company shall number no less than two and not more than nine.

24 Methods of appointing Directors

24.1. Any person who is willing to act as a Director, and is permitted by law to do so, may be appointed to be a Director either to fill a casual vacancy or as an addition to the existing Board:

(a) by Ordinary Resolution; or

(b) by a decision of the Directors,

but the total number of Directors shall not exceed the maximum number fixed in accordance with Article 23.

24.2. No person shall be elected as a Director unless such person is recommended by the Board or the Company has received from such person confirmation in writing of that person's willingness to be elected as a Director, no later than seven days before the general meeting at which the relevant resolution is proposed.

25 Retiring directors

25.1. At each annual general meeting of the Company any Director then in office:

(a) who has been appointed by the Board since the previous annual general meeting in accordance with Article 24.1; or

(b) for whom it is the third annual general meeting following the annual general meeting at which he was elected or last re-elected;

shall retire from office but shall be eligible for re-appointment.

26 Deemed re-appointment

26.1. A Director who retires at an annual general meeting shall (unless he is removed from office or his office is vacated in accordance with these Articles) retain office until the close of the meeting at which he retires or (if earlier) when a resolution is passed at that meeting not to fill the vacancy or to elect another person in his place or the resolution to re-appoint him is put to the meeting and lost.

26.2. If the Company, at any meeting at which a Director retires in accordance with these Articles does not fill the office vacated by such Director, the retiring Director, if willing to act, shall be deemed to be re-appointed unless at that meeting a resolution is passed not to fill the vacancy or elect another person in his place or unless the resolution to reappoint him is put to the meeting and lost.

27 Procedure if insufficient directors appointed

27.1. If:

(a) at the annual general meeting in any year any resolution or resolutions for the appointment or re-appointment of the persons eligible for appointment or reappointment as Directors are put to the meeting and lost; and

(b) at the end of that meeting the number of Directors is fewer than any minimum number of Directors required under Article 23,

all retiring Directors who stood for re-appointment at that meeting ("**Retiring Directors"**) shall be deemed to have been re-appointed as Directors and shall remain in office but the Retiring Directors may only act for the purpose of filling vacancies, convening general meetings of the Company and performing such duties as are essential to maintain the Company as a going concern, and not for any other purpose.

27.2. The Retiring Directors shall convene a general meeting as soon as reasonably practicable following the meeting referred to in Article 27.1 and they shall retire from office at that meeting. If at the end of any meeting convened under this Article the number of Directors is fewer than any minimum number of Directors required under Article 23, the provisions of this Article shall also apply to that meeting.

28 Removal of directors

In addition to any power of removal conferred by the Companies Acts, the Company may by special resolution, or by ordinary resolution of which special notice has been given in accordance with section 312 of the Act, remove a director before the expiry of his period of office (without prejudice to a claim for damages for breach of contract or otherwise) and may (subject to these articles) by ordinary resolution appoint another person who is willing to act to be a director in his place.

29 Termination of Director's appointment

29.1. A person ceases to be a Director as soon as:

(a) that person ceases to be a Director by virtue of any provision of the Companies Act 2006 or is prohibited from being a Director by law;

(b) a Bankruptcy order is made against that person;

(c) a composition is made with that person's creditors generally in satisfaction of that person's debts or any analogous event occurs in the United Kingdom or another country;

(d) a registered medical practitioner who is treating that person gives a written opinion to the Company stating that that person has become physically or mentally incapable of acting as a Director and may remain so for more than three months;

(e) by reason of that person's mental health, a court makes an order which wholly or partly prevents that person from personally exercising any powers or rights which that person would otherwise have; or

(f) notification is received by the Company from the Director that the Director is resigning from office as Director, and such resignation has taken effect in accordance with its terms.

30 Directors' remuneration

30.1. Directors may undertake any services for the Company that the Directors decide.

30.2. Directors are entitled to such remuneration as the Directors determine:

(a) for their services to the Company as Directors; and

(b) for any other service which they undertake for the Company.

30.3. A Director's remuneration may:

(a) take any form; and

(b) include any arrangements in connection with the payment of a pension, allowance or gratuity, or any death, sickness or disability benefits, to or in respect of that Director.

30.4. Unless the Directors decide otherwise, Directors' remuneration accrues from day to day.

30.5. Unless the Directors decide otherwise, Directors are not accountable to the Company for any remuneration which they receive as Directors or other officers or employees of the Company's Subsidiaries or of any other body corporate in which the Company is interested.

31 Directors' expenses

The Company may pay any reasonable expenses which the Directors properly incur in connection with their attendance at:

(a) meetings of Directors or committees of Directors;

(b) general meetings; or

(c) separate meetings of the Holders of any class of Shares or of debentures of the Company,

(d) or otherwise in connection with the exercise of their powers and the discharge of their responsibilities in relation to the Company.

PART 3

DECISION-MAKING BY MEMBERS
ORGANISATION OF GENERAL MEETINGS

32 Frequency of meetings and quorum

32.1. An annual general meeting shall be held in accordance with the applicable statutory provisions or on the requisition of shareholders in accordance with the Companies Act. An annual general meeting shall be called by not less than such minimum notice period as is permitted by the applicable statutory provisions.

32.2. The requisite quorum for general meetings of the Company shall be two qualifying persons, as determined in accordance with the Companies Act 2006.

33 Members can require the Directors to call general meetings

Two or more Members holding 5% or more of the voting share capital of the Company may require the Directors to call a general meeting (or instruct the Company secretary to do so).

34 Attendance and speaking at general meetings

34.1. A person is able to exercise the right to speak at a general meeting when that person is in a position to communicate to all those attending the meeting, during the meeting, any information or opinions which that person has on the business of the meeting.

34.2. A person is able to exercise the right to vote at a general meeting when:

(a) that person is able to vote, during the meeting, on resolutions put to the vote at the meeting; and

(b) that person’s vote can be taken into account in determining whether or not such resolutions are passed at the same time as the votes of all the other persons attending the meeting.

34.3. The Directors may make whatever arrangements they consider appropriate to enable those attending a general meeting to exercise their rights to speak or vote at it.

34.4. In determining attendance at a general meeting, it is immaterial whether any two or more Members attending it are in the same place as each other.

34.5. Two or more persons who are not in the same place as each other attend a general meeting if their circumstances are such that if they have (or were to have) rights to speak and vote at that meeting, they are (or would be) able to exercise them.

35 Quorum for general meetings

No business other than the appointment of the Chairman of the Meeting is to be transacted at a general meeting if the persons attending it do not constitute a quorum.

36 Chairing general meetings

36.1. If the Directors have appointed a Chairman, the Chairman shall chair general meetings if present and willing to do so.

36.2. If the Directors have not appointed a Chairman, or if the Chairman is unwilling to chair the meeting or is not present within ten minutes of the time at which a meeting was due to start:

(a) the Directors present; or

(b) (if no Directors are present), the meeting,

must appoint a Director or Member to chair the meeting, and the appointment of the Chairman of the Meeting must be the first business of the meeting.

36.3. The person chairing a meeting in accordance with this article is referred to as the "**Chairman of the Meeting**".

37 Attendance and speaking by Directors and non-Members

37.1. Directors may attend and speak at general meetings, whether or not they are Members.

37.2. The Chairman of the Meeting may permit other persons who are not:

(a) Members of the Company; or

(b) otherwise entitled to exercise the rights of Members in relation to general meetings,

to attend and speak at a general meeting.

38 Adjournment

38.1. If the persons attending a general meeting within half an hour of the time at which the meeting was due to start do not constitute a quorum, or if during a meeting a quorum ceases to be present, the Chairman of the Meeting must adjourn it.

38.2. The Chairman of the Meeting may adjourn a general meeting at which a quorum is present if:

(a) the meeting consents to an adjournment; or

(b) it appears to the Chairman of the Meeting that an adjournment is necessary to protect the safety of any person attending the meeting or ensure that the business of the meeting is conducted in an orderly manner.

38.3. The Chairman of the Meeting must adjourn a general meeting if directed to do so by the meeting.

38.4. When adjourning a general meeting, the Chairman of the Meeting must:

(a) either specify the time and place to which it is adjourned or state that it is to continue at a time and place to be fixed by the Directors; and

(b) have regard to any directions as to the time and place of any adjournment which have been given by the meeting.

38.5. If the continuation of an adjourned meeting is to take place more than fourteen (14) days after it was adjourned, the Company must give at least seven (7) clear days' notice of it (that is, excluding the day of the adjourned meeting and the day on which the notice is given):

(a) to the same persons to whom notice of the Company's general meetings is required to be given; and

(b) containing the same information which such notice is required to contain.

38.6. No business may be transacted at an adjourned general meeting which could not properly have been transacted at the meeting if the adjournment had not taken place.

VOTING AT GENERAL MEETINGS

39 Voting: general

39.1. A resolution put to the vote of a general meeting must be decided on a show of hands unless a poll is duly demanded in accordance with the Articles.

39.2. Notwithstanding article 39.1, any Shares held by WEIF, Invesco Fund, Invesco UK Strategic and Novartis will each have one vote per Share, provided that if at any time:

(a) WEIF's Shares constitute more than 19.5% of the total voting share capital of the Company, WEIF's Shares shall be limited in aggregate to 19.5% of the total number of votes, such votes to be split equally on a fractional basis amongst WEIF's Shares;

(b) Invesco Fund's Shares constitute more than 19.5% of the total voting share capital of the Company, Invesco Fund's Shares shall be limited in aggregate to 19.5% of the total number of votes, such votes to be split equally on a fractional basis amongst Invesco Fund's Shares; and

(c) Invesco UK Strategic's Shares constitute more than 19.5% of the total voting share capital of the Company, Invesco UK Strategic's Shares shall be limited in aggregate to 19.5% of the total number of votes, such votes to be split equally on a fractional basis amongst Invesco UK Strategic's Shares,

provided further that any votes which would, but for the operation of this article 39.2, be exercisable by WEIF, Invesco Fund or Invesco UK Strategic shall be deemed to be held and exercisable by the holders of Shares, other than WEIF, WPCT, Invesco Fund, Invesco UK Strategic and Novartis, pro rata in proportion to the number of Shares held by them.

40 Errors and disputes

40.1. No objection may be raised to the qualification of any person voting at a general meeting except at the meeting or adjourned meeting at which the vote objected to is tendered, and every vote not disallowed at the meeting is valid.

40.2. Any such objection must be referred to the Chairman of the Meeting whose decision is final.

41 Demanding a poll

41.1. A poll on a resolution may be demanded:

(a) in advance of the general meeting where it is to be put to the vote; or

(b) at a general meeting, either before a show of hands on that resolution or immediately after the result of a show of hands on that resolution is declared.

41.2. A poll may be demanded by:

(a) the Chairman of the Meeting;

(b) the Directors;

(c) two or more persons having the right to vote on the resolution; or

(d) a person or persons representing not less than one tenth of the total voting rights of all the Members having the right to vote on the resolution.

41.3. A demand for a poll may be withdrawn if:

(a) the poll has not yet been taken; and

(b) the Chairman of the Meeting consents to the withdrawal.

42 Procedure on a poll

42.1. Subject to the Articles, polls at general meetings must be taken when, where and in such manner as the Chairman of the Meeting directs.

42.2. The Chairman of the Meeting may appoint scrutineers (who need not be Members) and decide how and when the result of the poll is to be declared.

42.3. The result of a poll shall be the decision of the meeting in respect of the resolution on which the poll was demanded.

42.4. A poll on:

(a) the election of the Chairman of the Meeting; or

(b) a question of adjournment,

must be taken immediately.

42.5. Other polls must be taken within thirty (30) days of their being demanded.

42.6. A demand for a poll does not prevent a general meeting from continuing, except as regards the question on which the poll was demanded.

42.7. No notice need be given of a poll not taken immediately if the time and place at which it is to be taken are announced at the meeting at which it is demanded.

42.8. In any other case, at least seven (7) days' notice must be given specifying the time and place at which the poll is to be taken.

43 Appointment of proxies

43.1. A Member is entitled to appoint a proxy to exercise all or any of such member's rights to attend and to speak and vote at a general meeting.

43.2. A proxy need not be a member of the Company.

44 Multiple Proxies

A Member may appoint more than one proxy in relation to a meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by such member or (as the case may be) a different £10, or multiple of £10, of stock held by such member.

45 Content of Proxy Notices

45.1. Proxies may only validly be appointed by a notice in Writing (a "Proxy **Notice")** which:

(a) states the name and address of the Member appointing the proxy;

(b) identifies the person appointed to be that Member's proxy and the general meeting in relation to which that person is appointed;

(c) is signed by or on behalf of the Member appointing the proxy, or is authenticated in such manner as the Directors may determine; and

(d) is delivered to the Company in accordance with the Articles and any instructions contained in the notice of the general meeting to which they relate.

45.2. The Company may require Proxy Notices to be delivered in a particular form, and may specify different forms for different purposes.

45.3. Proxy Notices may specify how the proxy appointed under them is to vote (or that the proxy is to abstain from voting) on one or more resolutions.

45.4. Unless a Proxy Notice indicates otherwise, it must be treated as:

(a) allowing the person appointed under it as a proxy discretion as to how to vote on any ancillary or procedural resolutions put to the meeting; and

(b) appointing that person as a proxy in relation to any adjournment of the general meeting to which it relates as well as the meeting itself.

46 Delivery of Proxy Notices

46.1. Any notice of a general meeting must specify the address or addresses ("Proxy **Notification Address")** at which the Company or its agents will receive Proxy Notices relating to that meeting, or any adjournment of it, delivered in hard copy or Electronic Form.

46.2. A person who is entitled to attend, speak or vote (either on a show of hands or on a poll) at a general meeting remains so entitled in respect of that meeting or any adjournment of it, even though a valid Proxy Notice has been delivered to the Company by or on behalf of that person.

46.3. Subject to articles 46.4 and 46.5, a Proxy Notice must be delivered to a Proxy Notification Address not less than 48 hours before the general meeting or adjourned meeting to which it relates.

46.4. In the case of a poll taken more than 48 hours after it is demanded, the notice must be delivered to a Proxy Notification Address not less than 24 hours before the time appointed for the taking of the poll.

46.5. In the case of a poll not taken during the meeting but taken not more than 48 hours after it was demanded, the Proxy Notice must be delivered:

(a) in accordance with article 46.3; or

(b) at the meeting at which the poll was demanded to the Chairman, secretary or any Director.

46.6. An appointment under a Proxy Notice may only be revoked by delivering a notice in Writing given by or on behalf of the person by whom or on whose behalf the Proxy Notice was given to a Proxy Notification Address.

46.7. A notice revoking a proxy appointment only takes effect if it is delivered before:

(a) the start of the meeting or adjourned meeting to which it relates; or

(b) (in the case of a poll not taken on the same day as the meeting or adjourned meeting) the time appointed for taking the poll to which it relates.

47 Amendments to resolutions

47.1. An Ordinary Resolution to be proposed at a general meeting may be amended by Ordinary Resolution if:

(a) notice of the proposed amendment is given to the Company secretary in Writing by a person entitled to vote at the general meeting at which it is to be proposed not less than 48 hours before the meeting is to take place (or such later time as the Chairman of the Meeting may determine); and

(b) the proposed amendment does not, in the reasonable opinion of the Chairman of the Meeting, materially alter the scope of the resolution.

47.2. A Special Resolution to be proposed at a general meeting may be amended by Ordinary Resolution, if:

(a) the Chairman of the Meeting proposes the amendment at the general meeting at which the resolution is to be proposed; and

(b) the amendment does not go beyond what is necessary to correct a grammatical or other non-substantive error in the resolution.

47.3. If the Chairman of the Meeting, acting in good faith, wrongly decides that an amendment to a resolution is out of order, the Chairman's error does not invalidate the vote on that resolution.

RESTRICTIONS ON MEMBERS' RIGHTS

48 No voting of Shares on which money owed to Company

No voting rights attached to a Share may be exercised at any general meeting, at any adjournment of it, or on any poll called at or in relation to it, unless all amounts payable to the Company in respect of that Share have been Paid.

APPLICATION OF RULES TO CLASS MEETINGS

49 Class meetings

The provisions of the Articles relating to general meetings apply, with any necessary modifications, to meetings of the Holders of any class of Shares.

PART 4

SHARES AND DISTRIBUTIONS
ISSUE OF SHARES

50 Powers to issue different classes of Share

50.1. Subject to the Articles, but without prejudice to the rights attached to any existing Share, the Company may issue Shares with the rights and restrictions set out in the Articles and any other Shares with such rights or restrictions as may be determined by Ordinary Resolution.

50.2. The Company may issue Shares which are to be redeemed, or are liable to be redeemed at the option of the Company or the Holder, and the Directors may determine the terms, conditions and manner of redemption of any such Shares.

51 Payment of commissions on subscription for Shares

51.1. The Company may pay any person a commission in consideration for that person:

(a) subscribing, or agreeing to subscribe, for Shares; or

(b) procuring, or agreeing to procure, subscriptions for Shares.

51.2. Any such commission may be Paid:

(a) in cash, or in Fully Paid or Partly Paid Shares or other securities, or partly in one way and partly in the other; and

(b) in respect of a conditional or an absolute subscription.

INTERESTS IN SHARES

52 Company not bound by less than absolute interests

Except as required by law, no person is to be recognised by the Company as holding any Share upon any trust, and except as otherwise required by law or the Articles, the Company is not in any way to be bound by or recognise any interest in a Share other than the Holder’s absolute ownership of it and all the rights attaching to it.

53 Rights attaching to Shares

53.1. Each Share is entitled to one vote per share at a meeting of the members of the Company.

SHARE CERTIFICATES

54 Certificates to be issued except in certain cases

54.1. The Company must issue each Member with one or more Certificates in respect of the Shares which that Member holds.

54.2. This article does not apply to:

(a) Uncertificated Shares;

(b) Shares in respect of which a Share warrant has been issued;

(c) Shares in respect of which the Companies Acts permit the Company not to issue a Certificate; or

54.3. Except as otherwise specified in the Articles, all Certificates must be issued free of charge.

54.4. No Certificate may be issued in respect of Shares of more than one class.

54.5. If more than one person holds a Share, only one Certificate may be issued in respect of it.

55 Contents and execution of Share Certificates

55.1. Every Certificate must specify:

(a) in respect of how many Shares, of what class, it is issued;

(b) the nominal value of those Shares;

(c) the amount Paid up on them; and

(d) any distinguishing numbers assigned to them.

55.2. Certificates must: be executed in accordance with the Companies Acts.

56 Consolidated Share Certificates

56.1. When a Member's holding of Shares of a particular class increases, the Company may issue that Member with:

(a) a single, consolidated Certificate in respect of all the Shares of a particular class which that Member holds; or

(b) a separate Certificate in respect of only those Shares by which that Member's holding has increased.

56.2. When a Member's holding of Shares of a particular class is reduced, the Company must ensure that the Member is issued with one or more Certificates in respect of the number of Shares held by the Member after that reduction. But the Company need not (in the absence of a request from the Member) issue any new Certificate if:

(a) all the Shares which the Member no longer holds as a result of the reduction; and

(b) none of the Shares which the Member retains following the reduction,

were, immediately before the reduction, represented by the same Certificate.

56.3. A Member may request the Company, in Writing, to replace:

(a) the Member's separate Certificates with a consolidated Certificate; or

(b) the Member's consolidated Certificate with two or more separate Certificates representing such proportion of the Shares as the Member may specify.

56.4. When the Company complies with such a request it may charge such reasonable fee as the Directors may decide for doing so.

56.5. A consolidated Certificate must not be issued unless any Certificates which it is to replace have first been returned to the company secretary for cancellation.

57 Replacement Share Certificates

57.1. If a Certificate issued in respect of a Member's Shares is:

(a) damaged or defaced; or

(b) said to be lost, stolen or destroyed,

that Member is entitled to be issued with a replacement Certificate in respect of the same Shares.

57.2. A Member exercising the right to be issued with such a replacement Certificate:

(a) may at the same time exercise the right to be issued with a single Certificate or separate Certificates;

(b) must return the Certificate which is to be replaced to the Company if it is damaged or defaced; and

(c) must comply with such conditions as to evidence, indemnity and the payment of a reasonable fee as the Directors decide.

SHARES NOT HELD IN CERTIFIED FORM

58 Uncertificated Shares

58.1. In this article, the "**Relevant Rules**" means:

(a) any applicable provision of the Companies Acts about the holding, evidencing of title to, or transfer of Shares other than in Certificated form; and

(b) any applicable legislation, rules or other arrangements made under or by virtue of such provision.

58.2. The provisions of this article have effect subject to the Relevant Rules.

58.3. Any provision of the Articles which is inconsistent with the Relevant Rules must be disregarded, to the extent that it is inconsistent, whenever the Relevant Rules apply.

58.4. Any Share or class of Shares of the Company may be issued or held on such terms, or in such a way, that:

(a) title to it or them is not, or must not be, evidenced by a Certificate; or

(b) it or they may or must be transferred wholly or partly without a Certificate.

58.5. The Directors have power to take such steps as they think fit in relation to:

(a) the evidencing of and transfer of title to Uncertificated Shares (including in connection with the issue of such Shares);

(b) any records relating to the holding of Uncertificated Shares;

(c) the conversion of Certificated Shares into Uncertificated Shares; or

(d) the conversion of Uncertificated Shares into Certificated Shares.

58.6. The Company may by notice to the Holder of a Share require that Share:

(a) if it is Uncertificated, to be converted into Certificated form; and

(b) if it is Certificated, to be converted into Uncertificated form,

to enable it to be dealt with in accordance with the Articles.

58.7. If:

(a) the Articles give the Directors power to take action, or require other persons to take action, in order to sell, transfer or otherwise dispose of Shares; and

(b) Uncertificated Shares are subject to that power, but the power is expressed in terms which assume the use of a Certificate or other written Instrument,

the Directors may take such action as is necessary or expedient to achieve the same results when exercising that power in relation to Uncertificated Shares.

58.8. In particular, the Directors may take such action as they consider appropriate to achieve the sale, transfer, disposal, forfeiture, re-allotment or surrender of an Uncertificated Share or otherwise to enforce a lien in respect of it.

58.9. Unless the Directors otherwise determine, Shares which a Member holds in Uncertificated form must be treated as separate holdings from any Shares which that Member holds in Certificated form.

58.10. A class of Shares must not be treated as two classes simply because some Shares of that class are held in Certificated form and others are held in Uncertificated form.

59 Share warrants

59.1. The Directors may issue a Share warrant in respect of any Fully Paid Share.

59.2. Share warrants must be:

(a) issued in such form; and

(b) executed in such manner,

as the Directors decide.

59.3. A Share represented by a Share warrant may be transferred by delivery of the warrant representing it.

59.4. The Directors may make provision for the payment of dividends in respect of any Share represented by a share warrant.

59.5. Subject to the Articles, the Directors may decide the conditions on which any Share warrant is issued. In particular, they may:

(a) decide the conditions on which new warrants are to be issued in place of warrants which are damaged or defaced, or said to have been lost, stolen or destroyed;

(b) decide the conditions on which bearers of warrants are entitled to attend and vote at general meetings;

(c) decide the conditions subject to which bearers of warrants may surrender their warrant so as to hold their Shares in Certificated or Uncertificated form instead; and

(d) vary the conditions of issue of any warrant from time to time,

and the bearer of a warrant is subject to the conditions and procedures in force in relation to it, whether or not they were decided or specified before the warrant was issued.

59.6. Subject to the conditions on which the warrants are issued from time to time, bearers of Share warrants have the same rights and privileges as they would if their names had been included in the register as Holders of the Shares represented by their warrants.

59.7. The Company must not in any way be bound by or recognise any interest in a Share represented by a Share warrant other than the absolute right of the bearer of that warrant to that warrant.

PARTLY PAID SHARES

60 Company's Lien over Partly Paid Shares

60.1. The Company has a lien (the "**Company's Lien**") over every Share which is Partly Paid for any part of:

(a) that Share's nominal value; and

(b) any premium at which it was issued,

which has not been Paid to the Company, and which is payable immediately or at some time in the future, whether or not a Call Notice has been sent in respect of it.

60.2. The Company's Lien over a Share:

(a) takes priority over any third party's interest in that Share; and

(b) extends to any dividend or other money payable by the Company in respect of that Share and (if the lien is enforced and the Share is sold by the Company) the proceeds of sale of that Share.

60.3. The Directors may at any time decide that a Share which is or would otherwise be subject to the Company's Lien shall not be subject to it, either wholly or in part.

61 Enforcement of the Company's Lien

61.1. Subject to the provisions of this article, if:

(a) a Lien Enforcement Notice has been given in respect of a Share; and

(b) the person to whom the notice was given has failed to comply with it, the Company may sell that Share in such manner as the Directors decide.

61.2. A Lien Enforcement Notice:

(a) may only be given in respect of a Share which is subject to the Company's Lien, in respect of which a sum is payable and the due date for payment of that sum has passed;

(b) must specify the Share concerned;

(c) must require payment of the sum payable within fourteen (14) days of the notice;

(d) must be addressed either to the Holder of the Share or to a person entitled to it by reason of the Holder's death, Bankruptcy or otherwise; and

(e) must state the Company's intention to sell the Share if the notice is not complied with.

61.3. Where Shares are sold under this article:

(a) the Directors may authorise any person to execute an Instrument of transfer of the Shares to the purchaser or a person nominated by the purchaser; and

(b) the transferee is not bound to see to the application of the consideration, and the transferee's title is not affected by any irregularity in or invalidity of the process leading to the sale.

61.4. The net proceeds of any such sale (after payment of the costs of sale and any other costs of enforcing the lien) must be applied:

(a) *first*, in payment of so much of the sum for which the lien exists as was payable at the date of the Lien Enforcement Notice; and

(b) *second*, to the person entitled to the Shares at the date of the sale, but only after the Certificate for the Shares sold has been surrendered to the Company for cancellation or a suitable indemnity has been given for any lost Certificates, and subject to a lien equivalent to the Company's Lien over the Shares before the sale for any money payable in respect of the Shares after the date of the Lien Enforcement Notice.

61.5. A statutory declaration by a Director or the Company secretary that the declarant is a Director or the Company secretary and that a Share has been sold to satisfy the Company's Lien on a specified date:

(a) is conclusive evidence of the facts stated in it as against all persons claiming to be entitled to the Share; and

(b) subject to compliance with any other formalities of transfer required by the Articles or by law, constitutes a good title to the Share.

62 Call Notices

62.1. Subject to the Articles and the terms on which Shares are allotted, the Directors may send a notice (a "**Call Notice**") to a Member requiring the Member to pay the Company a specified sum of money (a "**Call**") which is payable in respect of Shares which that Member holds at the date when the Directors decide to send the Call Notice.

62.2. A Call Notice:

(a) may not require a Member to pay a Call which exceeds the total sum unpaid on that Member's Shares (whether as to the Share's nominal value or any amount payable to the Company by way of premium);

(b) must state when and how any Call to which it relates it is to be Paid; and

(c) may permit or require the Call to be Paid by instalments.

62.3. A Member must comply with the requirements of a Call Notice, but no Member is obliged to pay any Call before 14 days have passed since the notice was sent.

62.4. Before the Company has received any Call due under a Call Notice the Directors may:

(a) revoke it wholly or in part; or

(b) specify a later time for payment than is specified in the notice,

by a further notice in Writing to the Member in respect of whose Shares the Call is made.

63 Liability to pay calls

63.1. Liability to pay a Call is not extinguished or transferred by transferring the Shares in respect of which it is required to be Paid.

63.2. Joint Holders of a Share are jointly and severally liable to pay all Calls in respect of that Share.

63.3. Subject to the terms on which Shares are allotted, the Directors may, when issuing Shares, provide that Call Notices sent to the Holders of those Shares may require them:

(a) to pay Calls which are not the same; or

(b) to pay Calls at different times.

64 When Call Notice need not be issued

64.1. A Call Notice need not be issued in respect of sums which are specified, in the terms on which a Share is issued, as being payable to the Company in respect of that Share (whether in respect of nominal value or premium):

(a) on allotment;

(b) on the occurrence of a particular event; or

(c) on a date fixed by or in accordance with the terms of issue.

64.2. But if the due date for payment of such a sum has passed and it has not been Paid, the Holder of the Share concerned is treated in all respects as having failed to comply with a Call Notice in respect of that sum, and is liable to the same consequences as regards the payment of interest and forfeiture.

65 Failure to comply with Call Notice: automatic consequences

65.1. If a person is liable to pay a Call and fails to do so by the Call payment date:

(a) the Directors may issue a notice of intended forfeiture to that person; and

(b) until the Call is Paid, that person must pay the Company interest on the Call from the Call payment date at the Relevant Rate.

65.2. For the purposes of this article:

(a) the "**Call Payment Date**" is the time when the Call Notice states that a Call is payable, unless the Directors give a notice specifying a later date, in which case the Call Payment Date is that later date; and

(b) the "**Relevant Rate**" is:

(i) the rate fixed by the terms on which the Share in respect of which the Call is due was allotted;

(ii) such other rate as was fixed in the Call Notice which required payment of the call, or has otherwise been determined by the Directors; or

(iii) if no rate is fixed in either of these ways, five (5) per cent. per annum.

65.3. The Relevant Rate must not exceed by more than five (5) percentage points the base lending rate most recently set by the Monetary Policy Committee of the Bank of England in connection with its responsibilities under Part 2 of the Bank of England Act 1998.

65.4. The Directors may waive any obligation to pay interest on a Call wholly or in part.

66 Notice of intended forfeiture

A notice of intended forfeiture:

(a) may be sent in respect of any Share in respect of which a Call has not been Paid as required by a Call Notice;

(b) must be sent to the Holder of that Share or to a person entitled to it by reason of the Holder's death, Bankruptcy or otherwise;

(c) must require payment of the Call and any accrued interest by a date which is not less than fourteen (14) days after the date of the notice;

(d) must state how the payment is to be made; and

(e) must state that if the notice is not complied with, the Shares in respect of which the Call is payable will be liable to be forfeited.

67 Directors' power to forfeit Shares

If a notice of intended forfeiture is not complied with before the date by which payment of the Call is required in the notice of intended forfeiture, the Directors may decide that any Share in respect of which it was given is forfeited, and the forfeiture is to include all dividends or other moneys payable in respect of the forfeited Shares and not Paid before the forfeiture.

68 Effect of forfeiture

68.1. Subject to the Articles, the forfeiture of a Share extinguishes:

(a) all interests in that Share, and all claims and demands against the Company in respect of it; and

(b) all other rights and liabilities incidental to the Share as between the person whose Share it was prior to the forfeiture and the Company.

68.2. Any Share which is forfeited in accordance with the Articles:

(a) is deemed to have been forfeited when the Directors decide that it is forfeited;

(b) is deemed to be the property of the Company; and

(c) may be sold, re-allotted or otherwise disposed of upon such terms and in such manner as the Board shall decide either to the person who was before the forfeiture the holder of the share or to any other person and whether with or without all or any part of the amount previously paid up on the share being credited as so paid up.

68.3. If a person's Shares have been forfeited:

(a) the Company must send that person notice that forfeiture has occurred and record it in the register of Members;

(b) that person ceases to be a Member in respect of those Shares;

(c) that person must surrender the Certificate for the Shares forfeited to the Company for cancellation;

(d) that person remains liable to the Company for all sums payable by that person under the Articles at the date of forfeiture in respect of those Shares, including any interest (whether accrued before or after the date of forfeiture); and

(e) the Directors may waive payment of such sums wholly or in part or enforce payment without any allowance for the value of the Shares at the time of forfeiture or for any consideration received on their disposal.

68.4. At any time before the Company disposes of a forfeited Share, the Directors may decide to cancel the forfeiture on payment of all calls and interest due in respect of it and on such other terms as they think fit.

69 Procedure following forfeiture

69.1. If a forfeited Share is to be disposed of by being transferred, the Company may receive the consideration for the transfer and the Directors may authorise any person to execute the Instrument of transfer.

69.2. A statutory declaration by a Director or the Company secretary that the declarant is a Director or the Company secretary and that a Share has been forfeited on a specified date:

(a) is conclusive evidence of the facts stated in it as against all persons claiming to be entitled to the Share, and

(b) subject to compliance with any other formalities of transfer required by the Articles or by law, constitutes a good title to the Share.

69.3. A person to whom a forfeited Share is transferred is not bound to see to the application of the consideration (if any) nor is that person's title to the Share affected by any irregularity in or invalidity of the process leading to the forfeiture or transfer of the Share.

69.4. If the Company sells a forfeited Share, the person who held it prior to its forfeiture is entitled to receive from the Company the proceeds of such sale, net of any commission, and excluding any amount which:

(a) was, or would have become, payable; and

(b) had not, when that Share was forfeited, been Paid by that person in respect of that Share,

but no interest is payable to such a person in respect of such proceeds and the Company is not required to account for any money earned on them.

70 Surrender of Shares

70.1. A Member may surrender any Share:

(a) in respect of which the Directors may issue a notice of intended forfeiture;

(b) which the Directors may forfeit; or

(c) which has been forfeited.

70.2. The Directors may accept the surrender of any such Share.

70.3. The effect of surrender on a Share is the same as the effect of forfeiture on that Share.

70.4. A Share which has been surrendered may be dealt with in the same way as a Share which has been forfeited.

TRANSFER AND TRANSMISSION OF SHARES

71 Transfers of Shares

71.1. Shares may be transferred by means of an Instrument of transfer in any usual form or any other form approved by the Directors or the Articles, which is executed by or on behalf of:

(a) the transferor; and

(b) (if any of the Shares is Partly Paid) the transferee.

71.2. No fee may be charged for registering any Instrument of transfer or other Document relating to or affecting the title to any Share.

71.3. The Company may retain any Instrument of transfer which is registered.

71.4. The transferor remains the Holder of a Share until the transferee's name is entered in the register of Members as Holder of it.

71.5. The Directors may refuse to register the transfer of a Share if: (a) the Share is not Fully Paid;

(b) the transfer is not lodged at the Company's registered office or such other place as the Directors have appointed;

(c) the transfer is not accompanied by the Certificate for the Shares to which it relates, or such other evidence as the Directors may reasonably require to show the transferor's right to make the transfer, or evidence of the right of someone other than the transferor to make the transfer on the transferor's behalf;

(d) the transfer is in respect of more than one class of Share; or

(e) the transfer is in favour of more than four transferees.

71.6. If the Directors refuse to register the transfer of a Share, the Instrument of transfer must be returned to the transferee with the notice of refusal unless they suspect that the proposed transfer may be fraudulent.

72 Transfer of Uncertificated Shares

72.1. A transfer of an Uncertificated Share must not be registered if it is in favour of more than four transferees.

73 Transmission of Shares

73.1. If title to a Share passes to a Transmittee, the Company may only recognise the Transmittee as having any title to that Share.

73.2. Nothing in these Articles releases the estate of a deceased Member from any liability in respect of a Share solely or jointly held by that Member.

74 Transmittees' rights

74.1. A Transmittee who produces such evidence of entitlement to Shares as the Directors may properly require:

(a) may, subject to the Articles, choose either to become the Holder of those Shares or to have them transferred to another person; and

(b) subject to the Articles, and pending any transfer of the Shares to another person, has the same rights as the Holder had.

74.2. But Transmittees do not have the right to attend or vote at a general meeting in respect of Shares to which they are entitled, by reason of the Holder's death or Bankruptcy or otherwise, unless they become the Holders of those Shares.

75 Exercise of Transmittees' rights

75.1. Transmittees who wish to become the Holders of Shares to which they have become entitled must notify the Company in Writing of that wish.

75.2. If the Share is a Certificated Share and a Transmittee wishes to have it transferred to another person, the Transmittee must execute an Instrument of transfer in respect of it.

75.3. If the Share is an Uncertificated Share and the Transmittee wishes to have it transferred to another person, the Transmittee must:

(a) procure that all appropriate instructions are given to effect the transfer; or

(b) procure that the Uncertificated Share is changed into Certificated form and then execute an Instrument of transfer in respect of it.

75.4. Any transfer made or executed under this article is to be treated as if it were made or executed by the person from whom the Transmittee has derived rights in respect of the Share, and as if the event which gave rise to the transmission had not occurred.

76 Transmittees bound by prior notices

If a notice is given to a Member in respect of Shares and a Transmittee is entitled to those Shares, the Transmittee is bound by the notice if it was given to the Member before the Transmittee's name has been entered in the register of Members.

CONSOLIDATION OF SHARES

77 Procedure for disposing of fractions of Shares

77.1. This article applies where:

(a) there has been a consolidation or division of Shares, and

(b) as a result, Members are entitled to fractions of Shares.

77.2. The Directors may:

(a) sell the Shares representing the fractions to any person including the Company for the best price reasonably obtainable;

(b) in the case of a Certificated Share, authorise any person to execute an Instrument of transfer of the Shares to the purchaser or a person nominated by the purchaser; and

(c) distribute the net proceeds of sale in due proportion among the Holders of the Shares.

77.3. Where any Holder's entitlement to a portion of the proceeds of sale amounts to less than a minimum figure determined by the Directors, that Member's portion may be distributed to an organisation which is a charity for the purposes of the law of England and Wales, Scotland or Northern Ireland.

77.4. The person to whom the Shares are transferred is not obliged to ensure that any purchase money is received by the person entitled to the relevant fractions.

77.5. The transferee's title to the Shares is not affected by any irregularity in or invalidity of the process leading to their sale.

DISTRIBUTIONS

78 Procedure for declaring dividends

78.1. The Company may by Ordinary Resolution declare dividends and may fix the time for payment of such dividend, and the Directors may decide to pay interim dividends as appear to the Board to be justified by the financial position of the Company.

78.2. A dividend must not be declared unless the Directors have made a recommendation as to its amount. Such a dividend must not exceed the amount recommended by the Directors.

78.3. No dividend may be declared or Paid unless it is in accordance with Members' respective rights.

78.4. If the Company's Share capital is divided into different classes, no interim dividend may be Paid on Shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrears.

78.5. The Directors may pay at intervals any dividend payable at a fixed rate if it appears to them that the profits available for distribution justify the payment.

78.6. If the Directors act in good faith, they do not incur any liability to the Holders of Shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on Shares with deferred or non-preferred rights.

79 Calculation of dividends

79.1. Except as otherwise provided by the Articles, by Members' resolution, the Directors' decision to pay a dividend, the rights attached to, or the terms of issue of any Shares, all dividends must be apportioned and Paid proportionately to the amounts Paid up on the Shares in respect of which the dividend is paid during any portion or portions of the period in respect of which the dividend is Paid.

79.2. If any Share is issued on terms providing that it ranks for dividend as from a particular date, that Share ranks for dividend accordingly.

79.3. For the purposes of calculating dividends, no account is to be taken of any amount which has been Paid up on a Share in advance of the due date for payment of that amount.

80 Payment of dividends and other distributions

80.1. Where a dividend or other sum which is a distribution is payable in respect of a Share, it must be Paid by one or more of the following means:

(a) transfer to a bank or building society account specified by the Distribution Recipient either in Writing or as the Directors may otherwise decide;

(b) sending a cheque made payable to the Distribution Recipient by post to the Distribution Recipient at the Distribution Recipient's registered address (if the Distribution Recipient is a Holder of the Share), or (in any other case) to an address specified by the Distribution Recipient either in Writing or as the Directors may otherwise decide;

(c) sending a cheque made payable to such person by post to such person at such address as the Distribution Recipient has specified either in Writing or as the Directors may otherwise decide; or

(d) any other means of payment as the Directors agree with the Distribution Recipient either in Writing or by such other means as the Directors decide.

80.2. In the Articles, the "**Distribution Recipient**" means, in respect of a Share in respect of which a dividend or other sum is payable:

(a) the Holder of the Share;

(b) if the Share has two or more joint Holders, whichever of them is named first in the register of Members; or

(c) if the Holder is no longer entitled to the Share by reason of death or Bankruptcy, or otherwise by operation of law, the Transmittee.

81 Deductions from distributions in respect of sums owed to the Company

81.1. If:

(a) a Share is subject to the Company's Lien; and

(b) the Directors are entitled to issue a Lien Enforcement Notice in respect of it,

they may, instead of issuing a Lien Enforcement Notice, deduct from any dividend or other sum payable in respect of the Share any sum of money which is payable to the Company in respect of that Share to the extent that they are entitled to require payment under a Lien Enforcement Notice.

81.2. Money so deducted must be used to pay any of the sums payable in respect of that Share.

81.3. The Company must notify the Distribution Recipient in Writing of:

(a) the fact and amount of any such deduction;

(b) any non-payment of a dividend or other sum payable in respect of a Share resulting from any such deduction; and

(c) how the money deducted has been applied.

82 No interest on distributions

82.1. The Company may not pay interest on any dividend or other sum payable in respect of a Share unless otherwise provided by:

(a) the rights attached to the Share; or

(b) the provisions of another agreement between the Holder of that Share and the Company.

83 Unclaimed distributions

83.1. All dividends or other sums which are:

(a) payable in respect of Shares; and

(b) unclaimed after having been declared or become payable,

may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed.

83.2. The payment of any such dividend or other sum into a separate account does not make the Company a trustee in respect of it.

83.3. If:

(a) twelve (12) years have passed from the date on which a dividend or other sum became due for payment; and

(b) the Distribution Recipient has not claimed it,

the Distribution Recipient is no longer entitled to that dividend or other sum and it ceases to remain owing by the Company.

84 Non-cash distributions

84.1. Subject to the terms of issue of the Share in question, the Company may, by Ordinary Resolution on the recommendation of the Directors, decide to pay all or part of a dividend or other distribution payable in respect of a Share by transferring non-cash assets of equivalent value (including, without limitation, Shares or other securities in any Company).

84.2. If the Shares in respect of which such a non-cash distribution is Paid are Uncertificated, any Shares in the Company which are issued as a non-cash distribution in respect of them must be Uncertificated.

84.3. For the purposes of paying a non-cash distribution, the Directors may make whatever arrangements they think fit, including, where any difficulty arises regarding the distribution:

(a) fixing the value of any assets;

(b) paying cash to any Distribution Recipient on the basis of that value in order to adjust the rights of recipients; and

(c) vesting any assets in trustees.

85 Waiver of distributions

85.1. Distribution Recipients may waive their entitlement to a dividend or other distribution payable in respect of a Share by giving the Company notice in Writing to that effect, but if:

(a) the Share has more than one Holder; or

(b) more than one person is entitled to the Share, whether by reason of the death or Bankruptcy of one or more joint Holders, or otherwise,

the notice is not effective unless it is expressed to be given, and signed, by all the Holders or persons otherwise entitled to the Share.

86 Return of capital

86.1. If the Company is in liquidation, the liquidator may, if they are so authorised by a Special Resolution of the Members of the Company and any other authority required by any applicable statutory provision:

(a) divide among the Holder(s) of the Shares the whole or any party of the assets of the Company; or

(b) vest the whole or any part of the assets in trustees upon such trusts for the benefit of the Holder(s) of the Shares as the liquidator determines provided that no member shall be compelled to accept any assets upon which there is any liability.

CAPITALISATION OF PROFITS

87 Authority to capitalise and appropriation of Capitalised Sums

87.1. Subject to the Articles, the Directors may, if they are so authorised by an Ordinary Resolution:

(a) decide to capitalise any profits of the Company (whether or not they are available for distribution) which are not required for paying a preferential dividend, or any sum standing to the credit of the Company's Share premium account or capital redemption reserve; and

(b) appropriate any sum which they so decide to capitalise (a "**Capitalised Sum**") to the persons who would have been entitled to it if it were distributed by way of dividend (the "**Persons Entitled**") and in the same proportions.

87.2. Capitalised Sums must be applied:

(a) on behalf of the Persons Entitled; and

(b) in the same proportions as a dividend would have been distributed to them.

87.3. Any Capitalised Sum may be applied in paying up new Shares of a nominal amount equal to the Capitalised Sum which are then allotted credited as Fully Paid to the persons entitled or as they may direct.

87.4. A Capitalised Sum may be applied:

(a) in or towards paying up any amounts unpaid on existing Shares held by the persons entitled; or

(b) in paying up new debentures of the Company which are then allotted credited as Fully Paid to the persons entitled or as they may direct.

87.5. Subject to the Articles the Directors may:

(a) apply Capitalised Sums in accordance with articles 87.3 and 87.4 partly in one way and partly in another;

(b) make such arrangements as they think fit to deal with Shares or debentures becoming distributable in fractions under this article (including the issuing of fractional Certificates or the making of cash payments); and

(c) authorise any person to enter into an agreement with the Company on behalf of all the persons entitled which is binding on them in respect of the allotment of Shares and debentures to them under this article.

PART 5

MISCELLANEOUS PROVISIONS
COMMUNICATIONS

88 Means of communication to be used

88.1. Subject to the Articles, anything sent or supplied by or to the Company under the Articles may be sent or supplied in any way in which the Companies Act 2006 provides for Documents or information which are authorised or required by any provision of that Act to be sent or supplied by or to the Company.

88.2. Subject to the Articles, any notice or Document to be sent or supplied to a Director in connection with the taking of decisions by Directors may also be sent or supplied by the means by which that Director has asked to be sent or supplied with such notices or Documents for the time being.

88.3. A Director may agree with the Company that notices or Documents sent to that Director in a particular way are to be deemed to have been received within a specified time of their being sent, and for the specified time to be less than 48 hours.

89 Failure to notify contact details

89.1. If:

(a) the Company sends two consecutive Documents to a Member over a period of at least twelve (12) months; and

(b) each of those Documents is returned undelivered, or the Company receives notification that it has not been delivered,

that Member ceases to be entitled to receive notices from the Company.

89.2. A Member who has ceased to be entitled to receive notices from the Company becomes entitled to receive such notices again by sending the Company:

(a) a new address to be recorded in the register of Members; or

(b) if the Member has agreed that the Company should use a means of communication other than sending things to such an address, the information that the Company needs to use that means of communication effectively.

90 Destruction of Documents

90.1. The Company is entitled to destroy:

(a) all Instruments of transfer of Shares which have been registered, and all other Documents on the basis of which any entries are made in the register of Members, from six (6) years after the date of registration;

(b) all dividend mandates, variations or cancellations of dividend mandates, and notifications of change of address, from two years after they have been recorded;

(c) all Share Certificates which have been cancelled from one year after the date of the cancellation;

(d) all Paid dividend warrants and cheques from one year after the date of actual payment; and

(e) all Proxy Notices from one year after the end of the meeting to which the Proxy Notice relates.

90.2. If the Company destroys a Document in good faith, in accordance with the Articles, and without notice of any claim to which that Document may be relevant, it is conclusively presumed in favour of the Company that:

(a) entries in the register purporting to have been made on the basis of an Instrument of transfer or other Document so destroyed were duly and properly made;

(b) any Instrument of transfer so destroyed was a valid and effective Instrument duly and properly registered;

(c) any Share Certificate so destroyed was a valid and effective Certificate duly and properly cancelled; and

(d) any other Document so destroyed was a valid and effective Document in accordance with its recorded particulars in the books or records of the Company.

90.3. This article does not impose on the Company any liability which it would not otherwise have if it destroys any Document before the time at which this article permits it to do so.

90.4. In this article, references to the destruction of any Document include a reference to its being disposed of in any manner.

91 No right to inspect accounts and other records

91.1. Except as provided by law or authorised by the Directors or an Ordinary Resolution of the Company, no person is entitled to inspect any of the Company’s accounting or other records or Documents merely by virtue of being a Member.

92 Provision for employees on cessation of business

The Directors may decide to make provision for the benefit of persons employed or formerly employed by the Company or any of its Subsidiaries (other than a Director or former Director or shadow Director) in connection with the cessation or transfer to any person of the whole or part of the undertaking of the Company or that Subsidiary.

DIRECTORS' INDEMNITY AND INSURANCE

93 Indemnity

93.1. Subject to article 94.2, a Relevant Director of the Company or an associated Company may be indemnified out of the Company's assets against:

(a) any liability incurred by that Director in connection with any negligence, default, breach of duty or breach of trust in relation to the Company or an associated Company;

(b) any liability incurred by that Director in connection with the activities of the Company or an associated Company in its capacity as a trustee of an occupational pension scheme (as defined in section 235(6) of the Companies Act 2006); and

(c) any other liability incurred by that Director as an officer of the Company or an associated Company.

93.2. This article does not authorise any indemnity which would be prohibited or rendered void by any provision of the Companies Acts or by any other provision of law.

93.3. In this article:

(a) companies are associated if one is a subsidiary of the other or both are subsidiaries of the same body corporate, and

(b) a "**Relevant Director**" means any Director or former Director of the Company or an associated Company.

94 Insurance

94.1. The Directors may decide to purchase and maintain insurance, at the expense of the Company, for the benefit of any Relevant Director in respect of any Relevant Loss.

94.2. In this article:

(a) a "**Relevant Director**" means any Director or former Director of the Company or an associated Company;

(b) a "**Relevant Loss**" means any loss or liability which has been or may be incurred by a Relevant Director in connection with that Director's duties or powers in relation to the Company, any associated company or any pension fund or employees' Share scheme of the Company or associated company; and

(c) companies are associated if one is a subsidiary of the other or both are subsidiaries of the same body corporate.

Articles of Association
of Mereo BioPharma Group plc

The Companies Act 2006
Public Company

(as adopted by special resolution passed on
[6 April 2018])

New Articles of Association
of
Mereo BioPharma Group plc (the "Company")

(as adopted by special resolution passed on [6 April 2018])

Table of Contents

PART 1

INTERPRETATION AND LIMITATION OF LIABILITY

1 Preliminary

No regulations or articles set out in any statute, or in any statutory instrument or other subordinate legislation made under any statute, concerning companies (including the regulations in the Companies (Model Articles) Regulations 2008 (SI 2008/3229)) shall apply as the articles of the Company except in so far as they are repeated or contained in these Articles. The following shall be the articles of association of the Company.

1.1. In the Articles, unless the context requires otherwise, the following words and expressions will have the meanings set out below:

Appointed Number	has the meaning given in Article 135
Appointed Proxy	has the meaning given in Article 136
Appointed Proxy Record Date	has the meaning given in Article 140.1
Approved Depositary	means a custodian or some other person appointed in Writing by the Directors whereby such custodian or other person holds or is interested in Ordinary Shares and issues securities or other documents of title or otherwise evidencing the entitlement of the Holder thereof to receive such shares, provided and to the extent that the terms and conditions of the custodian or other person acting as such have been approved by the Directors for the purpose of these Articles
Articles	means these articles of association as altered from time to time
Associated Undertaking	has the meaning given in Article 20.1
Bankruptcy	includes individual insolvency proceedings in a jurisdiction other than England and Wales or Northern Ireland which have an effect similar to that of bankruptcy
Board	means the Board of Directors of the Company as appointed from time to time in accordance with the Articles

Call	has the meaning given in Article 79.1
Call Notice	has the meaning given in Article 79.1
Call Payment Date	has the meaning given in Article 82.2(a)
Capitalised Sum	has the meaning given in Article 111.1(b)
Certificate	means a paper certificate (other than a Share warrant) evidencing a person's title to specified Shares or other securities
Certificated	in relation to a Share, means that it is not an Uncertificated Share or a Share in respect of which a Share warrant has been issued and is current
Chairman	has the meaning given in Article 16.2
Chairman of the Meeting	has the meaning given in Article 42.3
Companies Acts	means the Companies Acts (as defined in section 2 of the Companies Act 2006), in so far as they apply to the Company
Company's Lien	has the meaning given in Article 77.1
Default Shares	has the meaning given in Article 95.5
Depositary Shares	has the meaning given in Article 135
Direction Notice	has the meaning given in Article 95.5
Director	means a Director of the Company, and includes any person occupying the position of Director, by whatever name called
Distribution Recipient	has the meaning given in Article 100.2
Document	includes, unless otherwise specified, any document sent or supplied in Electronic Form
Elected Ordinary Shares	has the meaning given in Article 110(d)
Electronic Form	has the meaning given in section 1168 of the Companies Act 2006

Fully Paid	in relation to a Share, means that the nominal value and any premium to be Paid to the Company in respect of that Share have been Paid to the Company
Group	means the Company and its subsidiaries
Hard Copy Form	has the meaning given in section 1168 of the Companies Act 2006
Holder	in relation to Shares means the person whose name is entered in the register of Members as the holder of the Shares, or, in the case of a Share in respect of which a Share warrant has been issued (and not cancelled), the person in possession of that warrant
Instrument	means a Document in Hard Copy Form
Invesco Fund	the Invesco Perpetual High Income Fund
Invesco UK Strategic	the Invesco Perpetual UK Strategic Income Fund
Lien Enforcement Notice	has the meaning given in Article 78
London Stock Exchange	means London Stock Exchange plc
Member	has the meaning given in section 112 of the Companies Act 2006
Nasdaq	means the market known as Nasdaq operated by The Nasdaq OMX Group, Inc.
Nasdaq Rules	means the rules of Nasdaq
Novartis	Novartis Pharma AG Lichtstrasse 35, CH-4002, Basel, Switzerland
Ordinary Resolution	has the meaning given in section 282 of the Companies Act 2006
Ordinary Shares	means ordinary shares of £0.003 each in the Company
Paid	means paid or credited as paid
Partly Paid	in relation to a Share means that part of that Share's nominal value or any premium at which it was issued has not been Paid to the Company

Persons Entitled	has the meaning given in Article 111.1(b)
Proxy Notice	has the meaning given in Article 58
Proxy Notification Address	has the meaning given in Article 59.1
Proxy Register	has the meaning given in Article 135
Regulations	means the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)
Relevant Director	has the meaning given in Article 132.4(b)
Relevant Loss	has the meaning given in Article 133.2(a)
Relevant Price	has the meaning given in Article 110(b)
Relevant Rate	has the meaning given in Article 82.2(b)
Relevant Rules	has the meaning given in Article 75.1
Relevant Situation	has the meaning given in Article 20.3
Relevant System	means the computer-based system, and procedures, which enable title to units of a security to be evidenced and transferred without a written instrument, and which facilitate supplementary and incidental matters in accordance with the Regulations
Retiring Directors	has the meaning given in Article 31.1
Shares	means shares in the Company
Special Resolution	has the meaning given in section 283 of the Companies Act 2006
Specified Place	has the meaning given in Article 45.2
Subsidiary	has the meaning given in section 1159 of the Companies Act 2006
Transmittee	means a person entitled to a Share by reason of the death or Bankruptcy of a shareholder or otherwise by operation of law

Uncertificated	in relation to a Share means that, by virtue of legislation (other than section 778 of the Companies Act 2006) permitting title to Shares to be evidenced and transferred without a Certificate, title to that Share is evidenced and may be transferred without a Certificate
WEIF	LF Woodford Equity Income Fund
WPCT	Woodford Patient Capital Trust plc
Writing	means the representation or reproduction of words, symbols or other information in a visible form by any method or combination of methods, whether sent or supplied in Electronic Form or otherwise

1.2. Unless the context otherwise requires, other words or expressions contained in these Articles bear the same meaning as in the Companies Act 2006 as in force on the date when these Articles become binding on the Company.

1.3. In accordance with section 31(1) of the Companies Act 2006, the objects of the Company are unrestricted.

2 Liability of Members

The liability of the Members is limited to the amount, if any, unpaid on the Shares held by them.

PART 2

DIRECTORS,
DIRECTORS' POWERS AND RESPONSIBILITIES

3 Directors' general authority

3.1. Subject to the Articles, the Directors are responsible for the management of the Company's business, for which purpose they may exercise all the powers of the Company other than those required by law or these Articles to be exercised by the Company at a general meeting.

3.2. All acts done by a meeting of Directors, or of a committee of Directors, or by a person acting as a Director or as a member of any such committee, shall, notwithstanding that it be afterwards discovered that there was a defect in the appointment of any such person or that any of them were disqualified from holding office, or had vacated office, or were not entitled to vote, be as valid as if every such person had been duly appointed and was qualified and had continued to be a Director or member of the committee and had been entitled to vote.

4 Directors' authority to allot

The Company may from time to time pass an Ordinary Resolution authorising, in accordance with section 551 of the Companies Act 2006, the Board to exercise all the powers of the Company to allot Shares or to grant rights to subscribe for, or to convert any security into, any Shares.

5 Pari passu issues

If new Shares are created or issued which rank equally with any other existing Shares, or the Company purchases any of its own Shares, the rights of the existing Shares will not be regarded as changed or abrogated unless the terms of the existing Shares expressly say otherwise.

6 Members' reserve power

6.1. The Members may, by Special Resolution, direct the Directors to take, or refrain from taking, specified action.

6.2. No such Special Resolution invalidates anything which the Directors have done before the passing of the resolution.

7 Directors may delegate

7.1. Subject to the Articles, the Directors may delegate any of the powers which are conferred on them under the Articles:

(a) to such person or committee;

(b) by such means (including by power of attorney);

(c) to such an extent;

(d) in relation to such matters or territories; and

(e) on such terms and conditions;

as they think fit.

7.2. If the Directors so specify, any such delegation may authorise further delegation of the Directors' powers by any person to whom they are delegated.

7.3. The Directors may revoke any delegation in whole or part, or alter its terms and conditions.

8 Committees

8.1. Committees to which the Directors delegate any of their powers must follow procedures which are based as far as they are applicable on those provisions of the Articles which govern the taking of decisions by Directors.

8.2. The Directors may make rules of procedure for all or any committees, which prevail over rules derived from the Articles if they are not consistent with them.

9 Observer rights

For as long as Novartis holds not less than one per cent. (1%) of the issued share capital of the Company, Novartis may appoint one observer of the Board who may attend but not participate or vote in any meeting of the Directors.

10 Power to establish local boards

10.1. The Directors may establish any local boards or agencies for managing any of the affairs of the Company, either in the United Kingdom or elsewhere, and may appoint any persons to be members of such local boards and may determine their remuneration. The Directors may delegate to any local board, manager or agent any of the powers, authorities and discretions vested in the Directors with power to subdelegate, and may authorise the members of any local board, or any of them, to fill any vacancies therein and to act despite vacancies. Any such appointment or delegation may be made upon such terms and subject to such conditions as the Directors may think fit, and either collaterally with or to the exclusion of its own powers, and the Directors may remove any person so appointed, and may annul or vary any such delegation, but no person dealing in good faith and without notice of any such annulment or variation shall be affected by it. Subject to this, the proceedings of any local board shall be governed by such of these Articles as regulate the proceedings of the Directors so far as they are capable of applying.

DECISION-MAKING BY DIRECTORS

11 Directors to take decisions collectively

11.1. Decisions of the Directors may be taken:

(a) at a Directors' meeting; or

(b) in the form of a Directors' written resolution.

12 Calling a Directors' meeting

12.1. Any Director may call a Directors' meeting.

12.2. The Company secretary must call a Directors' meeting if a Director so requests.

12.3. A Directors' meeting is called by giving notice of the meeting to the Directors.

12.4. Notice of any Directors' meeting must indicate:

(a) its proposed date and time;

(b) where it is to take place; and

(c) if it is anticipated that Directors participating in the meeting will not be in the same place, how it is proposed that they should communicate with each other during the meeting.

12.5. Notice of a Directors' meeting must be given to each Director, but need not be in Writing.

12.6. Any Director may waive their right to notice of any meeting and any such waiver may be retroactive.

12.7. Notice of a Directors' meeting need not be given to Directors who waive their entitlement to notice of that meeting, by giving notice to that effect to the Company not more than seven (7) days after the date on which the meeting is held. Where such notice is given after the meeting has been held, that does not affect the validity of the meeting, or of any business conducted at it.

13 Participation in Directors' meetings

13.1. Subject to the Articles, Directors participate in a Directors' meeting, or part of a Directors' meeting, when:

(a) the meeting has been called and takes place in accordance with the Articles; and

(b) they can each communicate to the others any information or opinions they have on any particular item of the business of the meeting.

13.2. In determining whether Directors are participating in a Directors' meeting, it is irrelevant where any Director is or how they communicate with each other.

13.3. If all the Directors participating in a meeting are not in the same place, they may decide that the meeting is to be treated as taking place wherever any of them is.

14 Quorum for Directors' meetings

14.1. At a Directors' meeting, unless a quorum is participating, no proposal is to be voted on, except a proposal to call another meeting.

14.2. The quorum for Directors' meetings may be fixed from time to time by a decision of the Directors, but it must never be less than two, and unless otherwise fixed it is two.

15 Meetings where total number of Directors less than quorum

15.1. This Article applies where the total number of Directors for the time being is less than the quorum for Directors' meetings.

15.2. If there is only one Director, that Director may appoint sufficient Directors to make up a quorum or call a general meeting to do so but not for any other purpose.

15.3. If there is more than one Director:

(a) a Directors' meeting may take place, if it is called in accordance with the Articles and at least two Directors participate in it, with a view to appointing sufficient Directors to make up a quorum or calling a general meeting to do so; and

(b) if a Directors' meeting is called but only one Director attends at the appointed date and time to participate in it, that Director may appoint sufficient Directors to make up a quorum or call a general meeting to do so.

16 Chairing Directors' meetings

16.1. The Directors may appoint a Director to chair their meetings.

16.2. The person so appointed for the time being is known as the Chairman.

16.3. The Directors may appoint other Directors as deputy or assistant chairmen to chair Directors' meetings in the Chairman's absence.

16.4. The Directors may terminate the appointment of the Chairman, deputy or assistant Chairman at any time.

16.5. If neither the Chairman nor any Director appointed generally to chair Directors' meetings in the Chairman's absence is participating in a meeting within ten minutes of the time at which it was to start, the participating Directors must appoint one of themselves to chair it.

17 Voting at Directors' meetings: general rules

17.1. Subject to the Articles, a decision is taken at a Directors' meeting by a majority of the votes of the participating Directors.

17.2. Subject to the Articles, each Director participating in a Directors' meeting has one vote.

18 Chairman's casting vote at Directors' meetings

18.1. If the numbers of votes for and against a proposal are equal, the Chairman or other Director chairing the meeting has a casting vote.

18.2. But 18.1 above does not apply if, in accordance with the Articles, the Chairman or other Director is not to be counted as participating in the decision-making process for quorum or voting purposes.

19 Transactions with the Company

19.1. Provided that a Director has declared at a Directors' meeting or in such other manner as the Directors may resolve to the other Directors the nature and extent of any interest of his, a Director notwithstanding his office may be a party to, or otherwise directly or indirectly interested in, any proposed or existing transaction or arrangement with the Company.

19.2. Except as provided by the terms of any authorisation of a Relevant Situation (as defined in Article 20.3) or if Article 19.3 applies, a Director will not count in the quorum or be entitled to vote:

(a) on a proposal under consideration concerning his appointment to an office or employment with the Company; or

(b) on any undertaking or proposal in which the Director (or a person connected with the Director) is interested.

19.3. This Article 19.3 applies when:

(a) the Director's interest arises solely through an interest in shares, debentures or other securities of or otherwise in or through the Company;

(b) the Company by Ordinary Resolution applies the provision of these Articles which would otherwise prevent a Director from being counted as participating in, or voting at, a meeting of the Board;

(c) the Director's interest cannot reasonably be regarded as likely to give rise to a material conflict of interest; or

(d) the Director's conflict of interest arises from a permitted cause as set out in Article 19.4.

19.4. For the purposes of Article 19.3, the following are permitted causes:

(a) a guarantee, security or indemnity given, or to be given, by or to a Director in respect of an obligation incurred by or on behalf of the Company or any of its Subsidiaries;

(b) subscription, or an agreement to subscribe, for shares or other securities of the Company or any of its Subsidiaries, or to underwrite, sub-underwrite, or guarantee an offer of any such shares or securities by the Company or any of its Subsidiaries for subscription, purchase or exchange;

(c) arrangements pursuant to which benefits are made available to employees and Directors or former employees and Directors of the Company or any of its Subsidiaries which do not provide special benefits for Directors or former Directors;

(d) the purchase or maintenance of insurance which the Company is empowered to purchase or maintain for any person who is a Director or other officer of the Company under which he may benefit;

(e) the giving to a Director of an indemnity against liabilities incurred or to be incurred by that Director in the execution and discharge of his duties;

(f) the provision to a Director of funds to meet expenditure incurred or to be incurred by that Director in defending criminal or civil proceedings against him or in connection with any application under any of the provisions mentioned in section 205(5) of the Companies Act 2006 or otherwise enabling him to avoid incurring that expenditure; or

(g) proposals concerning another company in which he is interested directly or indirectly (whether as officer, shareholder or otherwise), if he and any other persons connected with him do not to his knowledge hold an interest in shares (as that term is used in sections 820 to 825 of the Companies Act 2006) representing one per cent or more of the issued shares of any class of the equity share capital of that company (or of any third company through which his or their interest is derived) or of the voting rights available to members of the relevant company (and that interest is deemed for the purposes of this Article to be a material interest).

19.5. Where proposals under Article 19.2(a) are under consideration concerning the appointment of two or more Directors to any such offices or employments the proposals may be divided and considered in relation to each Director separately and (provided he is not for another reason precluded from voting) each of the Directors concerned will be entitled to participate in the decision-making process and count in the quorum and vote in respect of each decision except that concerning his own appointment.

19.6. Subject to the immediately preceding Article 19.5 and provided that he has declared to the other Directors the nature and extent of any interest of his and provided that a majority of the other Directors consent, a Director may participate in the decision-making process and count in the quorum and vote if a proposed decision of the Directors is concerned with an actual or proposed transaction or arrangement with the Company in which the Director is interested.

20 Conflicts of interest

20.1. A Director may be a director or other officer of, or employed by, or otherwise interested in, any company in the Group, any undertaking promoted by or advised by or managed by a company in the Group and any undertaking in which a company in the Group is otherwise interested (each, an "**Associated Undertaking**"), or be a party to, or otherwise interested in, any contract, transaction or arrangement in which an Associated Undertaking is interested, provided that the Director declares to the other Directors the nature and extent of his interest as soon as practicable after such interest arises.

20.2. A Director may make full disclosure of any information relating to the Company to another company in the Group (or anyone acting on behalf of any such company in the Group, including its advisers).

20.3. If a situation (a "**Relevant Situation**") arises in which a Director has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company (other than a situation that cannot reasonably be regarded as likely to give rise to a conflict of interest or a conflict of interest arising in relation to a transaction or arrangement with the Company), the Directors may authorise in accordance with the Companies Act a Relevant Situation in respect of any Director and the continuing performance by the relevant Director of his duties as a Director of the Company on such terms as they may determine. Such terms may permit the interested Director to continue to participate in the decision-making process and vote and count in the quorum at a meeting of the Directors or of a committee of the Directors in respect of resolutions relating to the subject matter of the Relevant Situation. Authorisation of a Relevant Situation may be withdrawn, and the terms of authorisation may be varied or subsequently imposed, at any time. Any resolution of the Directors for the purposes of providing, varying the terms of or withdrawing such authorisation will not be effective unless:

(a) the requirement as to the quorum at the meeting at which the resolution is proposed is met without counting the interested Director or any other interested Director (and for these purposes any other provisions of these Articles that would require the interested Director or any other interested Director to be present during such part of the meeting for the quorum requirement to be met will not apply); and

(b) the resolution is passed without the interested Director or any other interested Director voting or would have been passed if their votes had not been counted.

20.4. Notwithstanding the foregoing, if a Relevant Situation arises and the matter has not previously been duly authorised, a Director may elect to deal with the Relevant Situation in the following manner:

(a) he will declare to the other Directors the nature and extent of his interest in the Relevant Situation (except as set forth in paragraph (d) below);

(b) he will not vote (and will not be counted in the quorum at a meeting of the Directors or of a committee of the Directors) in respect of a resolution of the Directors relating to the subject matter of the Relevant Situation; and/or

(c) he may elect to be excluded from all information and discussion by the Company relating to the subject matter of the Relevant Situation; and

(d) if he obtains (other than through his position as a Director of the Company) information that is confidential to a third party, or in respect of which he owes a duty of confidentiality to a third party, or the disclosure of which would amount to a breach of applicable law or regulation, he may elect not to disclose it to the Company or to use it in relation to the Company's affairs in circumstances where to do so would amount to a breach of that confidence or a breach of applicable law or regulation, and the provisions of the Articles that would require him to be present for the quorum requirement for meetings of the Directors to be met will not apply.

20.5. If a Relevant Situation has been duly authorised by the Directors or the Company (or is otherwise permitted or dealt with in accordance with the Articles, as described above) and its nature and extent has been disclosed to the other Directors, a Director may participate in the decision making process and count in the quorum and vote if a proposed decision of the Directors is concerned with such situation (subject to any restrictions imposed under the terms on which it was authorised).

21 Directors permitted to retain benefits

21.1. A Director is not required, by reason of being a Director (or because of the fiduciary relationship established by reason of being a Director), to account to the Company for any remuneration or other benefit which he derives from or in connection with a relationship involving a conflict of interest or possible conflict of interest which has been authorised by the Directors (whether pursuant to Article 20.3 or otherwise) or by the Company in a general meeting (subject in each case to any terms, limits or conditions attaching to that authorisation).

21.2. If he has disclosed to the Board the nature and extent of his interest to the extent required by the Companies Act 2006, a Director is not required, by reason of being a Director (or because of the fiduciary relationship established by reason of being a Director), to account to the Company for any remuneration or other benefit which he derives from or in connection with:

(a) being a party to, or otherwise interested in, any transaction or arrangement with:

(i) the Company or in which the Company is interested; or

(ii) a body corporate in which the Company is interested;

(b) acting (otherwise than as auditor) alone or through his organisation in a professional capacity for the Company (and he or that organisation is entitled to remuneration for professional services as if he were not a Director); or

(c) being a director or other officer of, or employed by, or otherwise interested in the Company's Subsidiaries or any other body corporate in which the Company is interested.

21.3. A Director's receipt of any remuneration or other benefit referred to in Article 21.1 or 21.2 does not constitute an infringement of his duty under section l76 of the Companies Act 2006; and

21.4. A transaction or arrangement referred to in Article 21.1 or 21.2 is not liable to be avoided on the ground of any remuneration, benefit or interest referred to in that Article.

22 Board's ruling is final

22.1. If a question arises at any meeting of the Board or committee or sub-committee of the Board as to the materiality of a Director's interest or as to the entitlement of a Director to vote or count in the quorum and the question is not resolved by his voluntarily agreeing to abstain from voting, the question shall be decided by a resolution of the Board or such committee (such Director being excluded from voting on the resolution), and such decision shall be final and conclusive except in a case where the nature or extent of the interests of such Director have not been fairly disclosed.

23 Proposing Directors' written resolutions

23.1. Any Director may propose a Directors' written resolution.

23.2. The Company secretary must propose a Directors' written resolution if a Director so requests.

23.3. A Directors' written resolution is proposed by giving notice of the proposed resolution to the Directors.

23.4. Notice of a proposed Directors' written resolution must indicate:

(a) the proposed resolution; and

(b) the time by which it is proposed that the Directors should adopt it.

23.5. Notice of a proposed Directors' written resolution must be given in Writing to each Director.

23.6. Any decision which a person giving notice of a proposed Directors' written resolution takes regarding the process of adopting that resolution must be taken reasonably in good faith.

24 Adoption of Directors' written resolutions

24.1. A proposed Directors' written resolution is adopted when all the Directors who would have been entitled to vote on the resolution at a Directors' meeting have signed one or more copies of it, provided that those Directors would have formed a quorum at such a meeting.

24.2. It is immaterial whether any Director signs the resolution before or after the time by which the notice proposed that it should be adopted.

24.3. Once a Directors' written resolution has been adopted, it must be treated as if it had been a decision taken at a Directors' meeting in accordance with the Articles.

24.4. The Company secretary must ensure that the Company keeps a record, in Writing, of all Directors' written resolutions for at least ten years from the date of their adoption.

25 Directors' discretion to make further rules

25.1. Subject to the Articles, the Directors may make any rule which they think fit about how they take decisions, and about how such rules are to be recorded or communicated to Directors.

26 Directors' power relating to other companies

26.1. The Board may exercise the voting power conferred by the shares in any company held or owned by the Company in any way that it decides (including voting in favour of any resolution appointing any of them directors of that company, or voting or providing for the payment of remuneration to the directors of that company).

APPOINTMENT OF DIRECTORS

27 Number of Directors

Unless otherwise determined by Ordinary Resolution the Directors of the Company shall number no less than two and not more than nine.

28 Methods of appointing Directors

28.1. Any person who is willing to act as a Director, and is permitted by law to do so, may be appointed to be a Director either to fill a casual vacancy or as an addition to the existing Board:

(a) by Ordinary Resolution; or

(b) by a decision of the Directors,

but the total number of Directors shall not exceed the maximum number fixed in accordance with Article 27.

28.2. No person shall be elected as a Director unless such person is recommended by the Board or the Company has received from such person confirmation in Writing of that person's willingness to be elected as a Director, no later than seven days before the general meeting at which the relevant resolution is proposed.

29 Retiring Directors

29.1. At each annual general meeting of the Company any Director then in office:

(a) who has been appointed by the Board since the previous annual general meeting in accordance with Article 28.1; or

(b) for whom it is the third annual general meeting following the annual general meeting at which he was elected or last re-elected;

shall retire from office but shall be eligible for re-appointment.

30 Deemed re-appointment

30.1. A Director who retires at an annual general meeting shall (unless he is removed from office or his office is vacated in accordance with these Articles) retain office until the close of the meeting at which he retires or (if earlier) when a resolution is passed at that meeting not to fill the vacancy or to elect another person in his place or the resolution to re-appoint him is put to the meeting and lost.

30.2. If the Company, at any meeting at which a Director retires in accordance with these Articles does not fill the office vacated by such Director, the retiring Director, if willing to act, shall be deemed to be re-appointed unless at that meeting a resolution is passed not to fill the vacancy or elect another person in his place or unless the resolution to re-appoint him is put to the meeting and lost.

31 Procedure if insufficient Directors appointed

31.1. If:

(a) at the annual general meeting in any year any resolution or resolutions for the appointment or re-appointment of the persons eligible for appointment or re-appointment as Directors are put to the meeting and lost; and

(b) at the end of that meeting the number of Directors is fewer than any minimum number of Directors required under Article 27,

all retiring Directors who stood for re-appointment at that meeting ("**Retiring Directors"**) shall be deemed to have been re-appointed as Directors and shall remain in office but the Retiring Directors may only act for the purpose of filling vacancies, convening general meetings of the Company and performing such duties as are essential to maintain the Company as a going concern, and not for any other purpose.

31.2. The Retiring Directors shall convene a general meeting as soon as reasonably practicable following the meeting referred to in Article 31.1 and they shall retire from office at that meeting. If at the end of any meeting convened under this Article the number of Directors is fewer than any minimum number of Directors required under Article 27, the provisions of this Article shall also apply to that meeting.

32 Removal of Directors

In addition to any power of removal conferred by the Companies Acts, the Company may by Special Resolution, or by Ordinary Resolution of which special notice has been given in accordance with section 312 of the Companies Act 2006, remove a Director before the expiry of his period of office (without prejudice to a claim for damages for breach of contract or otherwise) and may (subject to these Articles) by Ordinary Resolution appoint another person who is willing to act to be a Director in his place.

33 Termination of Director's appointment

33.1. A person ceases to be a Director as soon as:

(a) that person ceases to be a Director by virtue of any provision of the Companies Act 2006 or is prohibited from being a Director by law or (if applicable) the Nasdaq Rules;

(b) a Bankruptcy order is made against that person;

(c) a composition is made with that person's creditors generally in satisfaction of that person's debts or any analogous event occurs in the United Kingdom or another country;

(d) a registered medical practitioner who is treating that person gives a written opinion to the Company stating that that person has become physically or mentally incapable of acting as a Director and may remain so for more than three months;

(e) by reason of that person's mental health, a court makes an order which wholly or partly prevents that person from personally exercising any powers or rights which that person would otherwise have;

(f) he is absent from meetings of the Directors for six successive months without the permission of the Directors and the Directors resolve that his office is vacated;

(g) he is removed from office by notice in Writing served upon him signed by all his co-Directors (without prejudice to any claims for damages which he may have for breach of any contract between him and the Company); or

(h) notification is received by the Company from the Director that the Director is resigning from office as Director, and such resignation has taken effect in accordance with its terms.

34 Directors' remuneration

34.1. Directors may undertake any services for the Company that the Directors decide.

34.2. Directors are entitled to such remuneration as the Directors determine:

(a) for their services to the Company as Directors; and

(b) for any other service which they undertake for the Company.

34.3. A Director's remuneration may:

(a) take any form; and

(b) include any arrangements in connection with the payment of a pension, allowance or gratuity, or any death, sickness or disability benefits, to or in respect of that Director.

34.4. Unless the Directors decide otherwise, Directors' remuneration accrues from day to day.

34.5. Unless the Directors decide otherwise, Directors are not accountable to the Company for any remuneration which they receive as Directors or other officers or employees of the Company's Subsidiaries or of any other body corporate in which the Company is interested.

35 Directors' expenses

The Company may pay any reasonable expenses which the Directors properly incur in connection with their attendance at:

(a) meetings of Directors or committees of Directors;

(b) general meetings; or

(c) separate meetings of the Holders of any class of Shares or of debentures of the Company,

(d) or otherwise in connection with the exercise of their powers and the discharge of their responsibilities in relation to the Company.

36 Authentication of Documents

Any Director or the company secretary or any person appointed by the Directors for the purpose shall have power to authenticate any Documents affecting the constitution of the Company and any resolutions passed by the Company or the Directors or any committee of the Directors and any books, records, Documents and accounts relating to the business of the Company and to certify copies of them or extracts from them as true copies or extracts, and where any books, records, Documents or accounts are elsewhere than at the Office the local manager or other officer of the Company having the custody of them shall be deemed to be a person appointed by the Directors for the above purposes. A Document purporting to be a copy of a resolution or an extract from the minutes of a meeting of the Company or of the Directors or any committee, which is certified as described in this Article, shall be conclusive evidence in favour of all persons dealing with the Company upon the faith of such resolution or extract of minutes, that such resolution has been duly passed or, as the case may be, that such minutes or extract is a true and accurate record of proceedings at a duly constituted meeting.

SECRETARY

37 Appointment, remuneration and removal

37.1. Subject to the Companies Acts and any other provisions of law, the company secretary shall be appointed by the Directors for such term, at such remuneration and upon such conditions as they may think fit, and any company secretary so appointed may be removed from office by the Directors but at any time without prejudice to any claim for damages for breach of any contract of service between the company secretary and the Company. If thought fit, two or more persons may be appointed as joint company secretaries and the Directors may also appoint from time to time on such terms as they think fit one or more assistant or deputy company secretaries.

37.2. Any provision of the Companies Acts or these Articles requiring or authorising a thing to be done by or to a Director and a company secretary shall not be satisfied by it being done by or to the same person acting both as Director and as, or in the place of, the company secretary.

PART 3

DECISION-MAKING BY MEMBERS
ORGANISATION OF GENERAL MEETINGS

38 Frequency of meetings and quorum

38.1. An annual general meeting shall be held in accordance with the applicable statutory provisions or on the requisition of shareholders in accordance with the Companies Act. An annual general meeting shall be called by not less than such minimum notice period as is permitted by the applicable statutory provisions.

38.2. The requisite quorum for general meetings of the Company shall be two qualifying persons, as determined in accordance with the Companies Act 2006.

39 Calling general meetings

39.1. Two or more Members holding 5% or more of the voting share capital of the Company may require the Directors to call a general meeting (or instruct the Company secretary to do so).

39.2. The Directors may call a general meeting.

40 Attendance and speaking at general meetings

40.1. A person is able to exercise the right to speak at a general meeting when that person is in a position to communicate to all those attending the meeting, during the meeting, any information or opinions which that person has on the business of the meeting.

40.2. A person is able to exercise the right to vote at a general meeting when:

(a) that person is able to vote, during the meeting, on resolutions put to the vote at the meeting; and

(b) that person’s vote can be taken into account in determining whether or not such resolutions are passed at the same time as the votes of all the other persons attending the meeting.

40.3. The Directors may make whatever arrangements they consider appropriate to enable those attending a general meeting to exercise their rights to speak or vote at it.

40.4. In determining attendance at a general meeting, it is immaterial whether any two or more Members attending it are in the same place as each other.

40.5. Two or more persons who are not in the same place as each other attend a general meeting if their circumstances are such that if they have (or were to have) rights to speak and vote at that meeting, they are (or would be) able to exercise them.

40.6. The Directors may direct that any person wishing to attend a general meeting should provide evidence of identity and submit to such searches or other security arrangements or restrictions as the Directors shall consider appropriate in the circumstances and shall be entitled in its absolute discretion to refuse entry to any meeting to any person who fails to provide such evidence of identity or to submit to such searches or to otherwise comply with such security arrangements or restrictions. The Chairman of the Meeting shall take such action or give direction as he thinks fit to promote the orderly conduct of the business of the meeting as laid down in the notice of general meeting and to ensure the security of the meeting and the safety of the people attending the meeting. The Chairman of the Meeting's decision on matters of procedure or arising incidentally from the business of the meeting shall be final as shall be his determination as to whether any matter is of such a nature.

41 Quorum for general meetings

No business other than the appointment of the Chairman of the Meeting is to be transacted at a general meeting if the persons attending it do not constitute a quorum.

42 Chairing general meetings

42.1. If the Directors have appointed a Chairman, the Chairman shall chair general meetings if present and willing to do so.

42.2. If the Directors have not appointed a Chairman, or if the Chairman is unwilling to chair the meeting or is not present within ten minutes of the time at which a meeting was due to start:

(a) the Directors present; or

(b) (if no Directors are present), the meeting,

must appoint a Director or Member to chair the meeting, and the appointment of the Chairman of the Meeting must be the first business of the meeting.

42.3. The person chairing a meeting in accordance with this Article is referred to as the "**Chairman of the Meeting**".

43 Attendance and speaking by Directors and non-Members

43.1. Directors may attend and speak at general meetings, whether or not they are Members.

43.2. The Chairman of the Meeting may permit other persons who are not:

(a) Members of the Company; or

(b) otherwise entitled to exercise the rights of Members in relation to general meetings,

to attend and speak at a general meeting.

44 Adjournment

44.1. If the persons attending a general meeting within half an hour of the time at which the meeting was due to start do not constitute a quorum, or if during a meeting a quorum ceases to be present, the Chairman of the Meeting must adjourn it.

44.2. The Chairman of the Meeting may adjourn a general meeting at which a quorum is present if:

(a) the meeting consents to an adjournment; or

(b) it appears to the Chairman of the Meeting that an adjournment is necessary to protect the safety of any person attending the meeting or ensure that the business of the meeting is conducted in an orderly manner.

44.3. The Chairman of the Meeting must adjourn a general meeting if directed to do so by the meeting.

44.4. When adjourning a general meeting, the Chairman of the Meeting must:

(a) either specify the time and place to which it is adjourned or state that it is to continue at a time and place to be fixed by the Directors; and

(b) have regard to any directions as to the time and place of any adjournment which have been given by the meeting.

44.5. If the continuation of an adjourned meeting is to take place more than fourteen (14) days after it was adjourned, the Company must give at least seven (7) clear days' notice of it (that is, excluding the day of the adjourned meeting and the day on which the notice is given):

(a) to the same persons to whom notice of the Company's general meetings is required to be given; and

(b) containing the same information which such notice is required to contain.

44.6. No business may be transacted at an adjourned general meeting which could not properly have been transacted at the meeting if the adjournment had not taken place.

45 Procedure where meetings held at more than one place

45.1. The provisions of this Article shall apply if any general meeting is held at or adjourned to more than one place.

45.2. The notice of such a Meeting or adjourned meeting shall specify the place at which the Chairman of the Meeting shall preside (for the purposes of this Article 45 the "**Specified Place**") and the Directors shall make arrangements for simultaneous attendance and participation at the Specified Place and at other places by Members, provided that persons attending at any particular place shall be able to see and hear and be seen and heard by means of audio visual links by persons attending the Specified Place and at the other places at which the meeting is held.

45.3. The Directors may from time to time make such arrangements for the purpose of controlling the level of attendance at any such place (whether involving the issue of tickets or the imposition of some geographical or regional means of selection or otherwise) as they shall in their absolute discretion consider appropriate, and may from time to time vary any such arrangements or make new arrangements in place of them, provided that a Member who is not entitled to attend, in person or by proxy, at any particular place shall be entitled so to attend at one of the other places, and the entitlement of any Member so to attend the meeting or adjourned meeting at such place shall be subject to any such arrangements as may from time to time be in force and by the notice of meeting or adjourned meeting stated to apply to the meeting.

45.4. For the purposes of all other provisions of these Articles, any such meeting shall be treated as being held at the Specified Place.

45.5. If a meeting is adjourned to more than one place, not less than seven days' notice of the adjourned meeting shall be given despite any other provision of these Articles.

VOTING AT GENERAL MEETINGS

46 Voting: general

46.1. A resolution put to the vote of a general meeting must be decided on a show of hands unless a poll is duly demanded in accordance with the Articles.

46.2. Notwithstanding Article 46.1, on a poll, any Shares held by WEIF, Invesco Fund, Invesco UK Strategic and Novartis will each have one vote per Share, provided that if at any time:

(a) WEIF's Shares constitute more than 19.5% of the total voting share capital of the Company, WEIF's Shares shall be limited in aggregate to 19.5% of the total number of votes, such votes to be split equally on a fractional basis amongst WEIF's Shares;

(b) Invesco Fund's Shares constitute more than 19.5% of the total voting share capital of the Company, Invesco Fund's Shares shall be limited in aggregate to 19.5% of the total number of votes, such votes to be split equally on a fractional basis amongst Invesco Fund's Shares; and

(c) Invesco UK Strategic's Shares constitute more than 19.5% of the total voting share capital of the Company, Invesco UK Strategic's Shares shall be limited in aggregate to 19.5% of the total number of votes, such votes to be split equally on a fractional basis amongst Invesco UK Strategic's Shares,

provided further that any votes which would, but for the operation of this Article 46.2, be exercisable by WEIF, Invesco Fund or Invesco UK Strategic shall be deemed to be held and exercisable by the Holders of Shares, other than WEIF, WPCT, Invesco Fund, Invesco UK Strategic and Novartis, pro rata in proportion to the number of Shares held by them.

46.3. A Special Resolution shall be effective for any purpose for which an Ordinary Resolution is expressed to be required under any provision of the Articles.

47 Errors and disputes

47.1. No objection may be raised to the qualification of any person voting at a general meeting except at the meeting or adjourned meeting at which the vote objected to is tendered, and every vote not disallowed at the meeting is valid.

47.2. Any such objection must be referred to the Chairman of the Meeting whose decision is final.

48 Demanding a poll

48.1. A poll on a resolution may be demanded:

(a) in advance of the general meeting where it is to be put to the vote; or

(b) at a general meeting, either before a show of hands on that resolution or immediately after the result of a show of hands on that resolution is declared.

48.2. A poll may be demanded by:

(a) the Chairman of the Meeting;

(b) the Directors;

(c) two or more persons having the right to vote on the resolution; or

(d) a person or persons representing not less than one tenth of the total voting rights of all the Members having the right to vote on the resolution.

48.3. A demand for a poll may be withdrawn if:

(a) the poll has not yet been taken; and

(b) the Chairman of the Meeting consents to the withdrawal.

49 Procedure on a poll

49.1. Subject to the Articles, polls at general meetings must be taken when, where and in such manner as the Chairman of the Meeting directs.

49.2. The Chairman of the Meeting may appoint scrutineers (who need not be Members) and decide how and when the result of the poll is to be declared.

49.3. The result of a poll shall be the decision of the meeting in respect of the resolution on which the poll was demanded.

49.4. A poll on:

(a) the election of the Chairman of the Meeting; or

(b) a question of adjournment,

must be taken immediately.

49.5. Other polls must be taken within thirty (30) days of their being demanded.

49.6. A demand for a poll does not prevent a general meeting from continuing, except as regards the question on which the poll was demanded.

49.7. No notice need be given of a poll not taken immediately if the time and place at which it is to be taken are announced at the meeting at which it is demanded.

49.8. In any other case, at least seven (7) days' notice must be given specifying the time and place at which the poll is to be taken.

50 Votes of Members

50.1. Subject to any other provision of these Articles and without prejudice to any special rights, privileges or restrictions as to voting attached to any Shares for the time being forming part of the capital of the Company:

(a) on a show of hands:

(i) each Member present in person has one vote;

(ii) except as otherwise provided in these Articles, each proxy present in person who has been duly appointed by one or more Members entitled to vote on a resolution has one vote;

(iii) each proxy present in person has one vote for and one vote against a resolution if the proxy has been duly appointed by more than one Member entitled to vote on the resolution and the proxy has been instructed by one or more of those Members to vote for the resolution and by one or more other of those Members to vote against it;

(iv) each proxy present in person has one vote for and one vote against a resolution if the proxy has been duly appointed by more than one Member entitled to vote on the resolution and either:

(A) the proxy has been instructed by one or more of those Members to vote for the resolution and has been given any discretion by one or more other of those Members to vote and the proxy exercises that discretion to vote against it; or

(B) the proxy has been instructed by one or more of those Members to vote against the resolution and has been given any discretion by one or more other of those Members to vote and the proxy exercises that discretion to vote for it; and

(v) each duly authorised representative present in person of a Member that is a corporation has one vote; and

(b) subject always to the provisions of Article 46.2, on a poll each Member present in person or by proxy or (being a corporation) by a duly authorised representative has one vote for each Share held by the Member.

50.2. For the avoidance of doubt, the Company itself is prohibited (to the extent specified by the Companies Acts or other provisions of law) from exercising any rights to attend or vote at meetings in respect of any Shares held by it as treasury shares.

51 Votes on a show of hands or on a poll

On a show of hands or on a poll, votes may be given either personally or by proxy or (in the case of a corporate Member) by a duly authorised representative and on a poll a person entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.

52 Votes of joint holders

In the case of joint holders of a Share only the vote of the senior holder who votes, whether in person or by proxy, may be counted by the Company and for this purpose the senior holder is determined by the order in which the names of the joint holders appear in the register in respect of the Share.

53 Voting on behalf of incapable Member

A Member in respect of whom an order has been made by any court having jurisdiction (whether in the United Kingdom or elsewhere) in matters concerning mental disorder may vote, whether on a show of hands or on a poll, by any person authorised in that behalf by that court, and any such person may vote by proxy. Evidence to the satisfaction of the Directors of the authority of the person claiming to exercise the right to vote shall be deposited at or delivered to the registered office of the Company (or such other place or address as is specified in accordance with these Articles for the deposit or delivery of appointments of proxy) not later than the last time at which an appointment of a proxy should have been deposited or delivered in order to be valid for use at that meeting or on the holding of that poll.

54 No right to vote where sums overdue on Shares

No Member (whether in person or by proxy or in the case of a corporate Member, by a duly authorised representative) shall (unless the Directors otherwise determine) be entitled to vote or to exercise any other right of membership at any general meeting or at any separate meeting of the holders of any class of Shares in the Company in respect of any Share held by him unless all Calls or other sums presently payable by him in respect of that Share in the Company have been Paid.

55 A proxy's obligations to vote

The Company is entitled to assume without enquiry that a proxy has complied with any obligation to vote in accordance with instructions given by the Member by whom the proxy is appointed. The validity of anything done at a meeting is not affected by any failure by a proxy to comply with such an obligation.

56 Appointment of proxies

56.1. A Member is entitled to appoint a proxy to exercise all or any of such Member's rights to attend and to speak and vote at a general meeting.

56.2. A proxy need not be a Member of the Company.

57 Multiple Proxies

A Member may appoint more than one proxy in relation to a meeting provided that each proxy is appointed to exercise the rights attached to a different Share or Shares held by such Member.

58 Content of Proxy Notices

58.1. Proxies may only validly be appointed by a notice in Writing (a "**Proxy Notice**") which:

(a) states the name and address of the Member appointing the proxy;

(b) identifies the person appointed to be that Member's proxy and the general meeting in relation to which that person is appointed;

(c) is signed by or on behalf of the Member appointing the proxy, or is authenticated in such manner as the Directors may determine; and

(d) is delivered to the Company in accordance with the Articles and any instructions contained in the notice of the general meeting to which they relate.

58.2. The Company may require Proxy Notices to be delivered in a particular form, and may specify different forms for different purposes.

58.3. Proxy Notices may specify how the proxy appointed under them is to vote (or that the proxy is to abstain from voting) on one or more resolutions. The Company is entitled to assume without enquiry that a proxy has complied with any obligation to vote in accordance with instructions given by the Member by whom the proxy is appointed. The validity of anything done at a meeting is not affected by any failure by a proxy to comply with such an obligation.

58.4. Unless a Proxy Notice indicates otherwise, it must be treated as:

(a) allowing the person appointed under it as a proxy discretion as to how to vote on any ancillary or procedural resolutions put to the meeting; and

(b) appointing that person as a proxy in relation to any adjournment of the general meeting to which it relates as well as the meeting itself.

58.5. No appointment of a proxy shall be valid after the expiration of 12 months from the date stated in it as its date of execution except at an adjourned meeting or on a poll demanded at a meeting or an adjourned meeting where the meeting was originally held within 12 months from such date.

59 Delivery of Proxy Notices

59.1. Any notice of a general meeting must specify the address or addresses ("**Proxy Notification Address**") at which the Company or its agents will receive Proxy Notices relating to that meeting, or any adjournment of it, delivered in Hard Copy Form or Electronic Form.

59.2. A person who is entitled to attend, speak or vote (either on a show of hands or on a poll) at a general meeting remains so entitled in respect of that meeting or any adjournment of it, even though a valid Proxy Notice has been delivered to the Company by or on behalf of that person.

59.3. Subject to Articles 59.4 and 59.5, a Proxy Notice must be delivered to a Proxy Notification Address not less than 48 hours before the general meeting or adjourned meeting to which it relates.

59.4. In the case of a poll taken more than 48 hours after it is demanded, the notice must be delivered to a Proxy Notification Address not less than 24 hours before the time appointed for the taking of the poll.

59.5. In the case of a poll not taken during the meeting but taken not more than 48 hours after it was demanded, the Proxy Notice must be delivered:

(a) in accordance with Article 59.3; or

(b) at the meeting at which the poll was demanded to the Chairman, secretary or any Director.

59.6. An appointment under a Proxy Notice may only be revoked by delivering a notice in Writing given by or on behalf of the person by whom or on whose behalf the Proxy Notice was given to a Proxy Notification Address.

59.7. A notice revoking a proxy appointment only takes effect if it is delivered before:

(a) the start of the meeting or adjourned meeting to which it relates (and the termination of the authority of a person to act as proxy does not affect whether that person counts in deciding whether there is a quorum at a meeting or adjourned meeting, the validity of anything that person does as Chairman of a Meeting or adjourned meeting or the validity of a poll demanded by that person at a meeting or adjourned meeting unless the Company receives notice of termination before the commencement of the meeting or adjourned meeting, as applicable); or

(b) (in the case of a poll not taken on the same day as the meeting or adjourned meeting) the time appointed for taking the poll to which it relates (and the termination of the authority of a person to act as proxy does not affect the validity of a vote given by that person unless the Company receives the notice of termination before the time appointed for taking the poll).

60 Proxy and Uncertificated Shares

60.1. The Directors may allow a proxy for a Holder of any Uncertificated Shares to be appointed by electronic means or by means of a website in the form of an uncertificated proxy instruction. The Directors may also allow any supplement to the uncertificated proxy instruction or any amendment or revocation of any uncertificated proxy instruction to be made by a further uncertificated proxy instruction.

60.2. The Directors may decide what method should be used to determine at what time the instruction or notification is treated as being received by the Company. The Directors may treat any notification purporting to or expressed to be sent on behalf of a Holder of an Uncertificated Share as sufficient evidence of the authority of the person sending the instruction to send it on behalf of that Holder.

60.3. For the purposes of this Article 60, an uncertificated proxy instruction is a properly authenticated dematerialised instruction and/or other instruction or notification, sent through a Relevant System to a participant in that system chosen by the Directors to act for the Company. The uncertificated proxy instruction may be in any form and subject to any terms and conditions that the Directors deem appropriate, but always subject to the facilities and requirements of the Relevant System.

61 Corporations acting by representatives

A corporation which is a Member of the Company may by resolution of its directors or other governing body authorise a person or persons to act as its representative or representatives at any meeting of the Company or at any separate general meeting of the Holders of any class of Shares. Such a corporation is for the purposes of these Articles deemed to be present in person at any meeting if a person or persons so authorised is or are present at it.

62 Amendments to resolutions

62.1. An Ordinary Resolution to be proposed at a general meeting may be amended by Ordinary Resolution if:

(a) notice of the proposed amendment is given to the Company secretary in Writing by a person entitled to vote at the general meeting at which it is to be proposed not less than 48 hours before the meeting is to take place (or such later time as the Chairman of the Meeting may determine); and

(b) the proposed amendment does not, in the reasonable opinion of the Chairman of the Meeting, materially alter the scope of the resolution.

62.2. A Special Resolution to be proposed at a general meeting may be amended by Ordinary Resolution, if:

(a) the Chairman of the Meeting proposes the amendment at the general meeting at which the resolution is to be proposed; and

(b) the amendment does not go beyond what is necessary to correct a grammatical or other non-substantive error in the resolution.

62.3. If the Chairman of the Meeting, acting in good faith, wrongly decides that an amendment to a resolution is out of order, the Chairman's error does not invalidate the vote on that resolution.

RESTRICTIONS ON MEMBERS' RIGHTS

63 No voting of Shares on which money owed to Company

No voting rights attached to a Share may be exercised at any general meeting, at any adjournment of it, or on any poll called at or in relation to it, unless all amounts payable to the Company in respect of that Share have been Paid.

APPLICATION OF RULES TO CLASS MEETINGS

64 Class meetings

The provisions of the Articles relating to general meetings apply, with any necessary modifications, to meetings of the Holders of any class of Shares.

PART 4

SHARES AND DISTRIBUTIONS
ISSUE OF SHARES

65 Powers to issue different classes of Share

65.1. Subject to the Articles, but without prejudice to the rights attached to any existing Share, the Company may issue Shares with the rights and restrictions set out in the Articles and any other Shares with such rights or restrictions as may be determined by Ordinary Resolution (or failing such determination, as the Directors may determine).

65.2. The Company may issue Shares which are to be redeemed, or are liable to be redeemed at the option of the Company or the Holder, and the Directors may determine the terms, conditions and manner of redemption of any such Shares and must do so before the Shares are allotted.

65.3. Subject to the Articles and to any direction given by the Company in a general meeting, the Directors may allot, grant options over, or otherwise dispose of Shares to such persons (including the Directors themselves) at such times and on such terms as the Directors may think proper.

66 Payment of commissions on subscription for Shares

66.1. The Company may pay any person a commission in consideration for that person:

(a) subscribing, or agreeing to subscribe, for Shares;

(b) procuring, or agreeing to procure, subscriptions for Shares;

(c) purchasing, or agreeing to purchase, treasury shares for cash; or

(d) procuring, or agreeing to procure, purchases of treasury shares for cash.

66.2. Any such commission may be Paid:

(a) in cash, or in Fully Paid or Partly Paid Shares or other securities, or partly in one way and partly in the other; and

(b) in respect of a conditional or an absolute subscription.

INTERESTS IN SHARES

67 Company not bound by less than absolute interests

Except as required by law, no person is to be recognised by the Company as holding any Share upon any trust, and except as otherwise required by law or the Articles, the Company is not in any way to be bound by or recognise any interest in a Share other than the Holder's absolute ownership of it and all the rights attaching to it.

68 Renunciation

The Directors may at any time after the allotment of any Share but before any person has been entered into the register as the Holder recognise a renunciation of such allotment by the allottee in favour of some other person and may accord to any allottee of a Share a right to effect such renunciation upon and subject to such terms and conditions as the Directors may think fit to impose.

69 Rights attaching to Shares

69.1. Each Share is entitled to one vote per Share at a meeting of the Members of the Company.

VARIATION OF RIGHTS

70 Variation of rights

Whenever the capital of the Company is divided into different classes of Shares, the rights or privileges attached to any class may (unless otherwise provided by the terms of issue of the Shares of that class) be varied or abrogated, either whilst the Company is a going concern or during or in contemplation of a winding-up, either with the consent in Writing of the Holders of 75% in nominal value of the issued Shares of the class (excluding any Shares of that class held as treasury shares), or with the sanction of a Special Resolution passed at a separate general meeting of such Holders (but not otherwise).

SHARE CERTIFICATES

71 Certificates to be issued except in certain cases

71.1. The Company must issue each Member with one or more Certificates in respect of the Shares which that Member holds.

71.2. This Article does not apply to:

(a) Uncertificated Shares;

(b) Shares in respect of which a Share warrant has been issued;

(c) Shares in respect of which the Company is not required by law to issue a Certificate; or

71.3. Except as otherwise specified in the Articles, all Certificates must be issued free of charge.

71.4. No Certificate may be issued in respect of Shares of more than one class.

71.5. If more than one person holds a Share, only one Certificate may be issued in respect of it.

72 Contents and execution of Share Certificates

72.1. Every Certificate must specify:

(a) in respect of how many Shares, of what class, it is issued;

(b) the nominal value of those Shares;

(c) the amount Paid up on them; and

(d) any distinguishing numbers assigned to them.

72.2. Certificates must: be executed in accordance with the Companies Acts.

73 Consolidated Share Certificates

73.1. When a Member's holding of Shares of a particular class increases, the Company may issue that Member with:

(a) a single, consolidated Certificate in respect of all the Shares of a particular class which that Member holds; or

(b) a separate Certificate in respect of only those Shares by which that Member's holding has increased.

73.2. When a Member's holding of Shares of a particular class is reduced, the Company must ensure that the Member is issued with one or more Certificates in respect of the number of Shares held by the Member after that reduction. But the Company need not (in the absence of a request from the Member) issue any new Certificate if:

(a) all the Shares which the Member no longer holds as a result of the reduction; and

(b) none of the Shares which the Member retains following the reduction,

were, immediately before the reduction, represented by the same Certificate.

73.3. A Member may request the Company, in Writing, to replace:

(a) the Member's separate Certificates with a consolidated Certificate; or

(b) the Member's consolidated Certificate with two or more separate Certificates representing such proportion of the Shares as the Member may specify.

73.4. When the Company complies with such a request it may charge such reasonable fee as the Directors may decide for doing so.

73.5. A consolidated Certificate must not be issued unless any Certificates which it is to replace have first been returned to the company secretary for cancellation.

74 Replacement Share Certificates

74.1. If a Certificate issued in respect of a Member's Shares is:

(a) damaged or defaced; or

(b) said to be lost, stolen or destroyed,

that Member is entitled to be issued with a replacement Certificate in respect of the same Shares.

74.2. A Member exercising the right to be issued with such a replacement Certificate:

(a) may at the same time exercise the right to be issued with a single Certificate or separate Certificates;

(b) must return the Certificate which is to be replaced to the Company if it is damaged or defaced; and

(c) must comply with such conditions as to evidence, indemnity and the payment of a reasonable fee as the Directors decide.

SHARES NOT HELD IN CERTIFIED FORM

75 Uncertificated Shares

75.1. In this Article, the "**Relevant Rules**" means:

(a) any applicable provision of the Companies Acts about the holding, evidencing of title to, or transfer of Shares other than in Certificated form; and

(b) any applicable legislation, rules or other arrangements made under or by virtue of such provision.

75.2. The provisions of this Article have effect subject to the Relevant Rules.

75.3. Any provision of the Articles which is inconsistent with the Relevant Rules must be disregarded, to the extent that it is inconsistent, whenever the Relevant Rules apply.

75.4. Any Share or class of Shares of the Company may be issued or held on such terms, or in such a way, that:

(a) title to it or them is not, or must not be, evidenced by a Certificate; or

(b) it or they may or must be transferred wholly or partly without a Certificate.

75.5. The Directors have power to take such steps as they think fit in relation to:

(a) the evidencing of and transfer of title to Uncertificated Shares (including in connection with the issue of such Shares);

(b) any records relating to the holding of Uncertificated Shares;

(c) the conversion of Certificated Shares into Uncertificated Shares; or

(d) the conversion of Uncertificated Shares into Certificated Shares.

75.6. The Company may by notice to the Holder of a Share require that Share:

(a) if it is Uncertificated, to be converted into Certificated form; and

(b) if it is Certificated, to be converted into Uncertificated form,

to enable it to be dealt with in accordance with the Articles.

75.7. If:

(a) the Articles give the Directors power to take action, or require other persons to take action, in order to sell, transfer or otherwise dispose of Shares; and

(b) Uncertificated Shares are subject to that power, but the power is expressed in terms which assume the use of a Certificate or other written Instrument,

the Directors may take such action as is necessary or expedient to achieve the same results when exercising that power in relation to Uncertificated Shares.

75.8. In particular, the Directors may take such action as they consider appropriate to achieve the sale, transfer, disposal, forfeiture, re-allotment or surrender of an Uncertificated Share or otherwise to enforce a lien in respect of it.

75.9. Unless the Directors otherwise determine, Shares which a Member holds in Uncertificated form must be treated as separate holdings from any Shares which that Member holds in Certificated form.

75.10. A class of Shares must not be treated as two classes simply because some Shares of that class are held in Certificated form and others are held in Uncertificated form.

76 Share warrants

76.1. The Directors may issue a Share warrant in respect of any Fully Paid Share.

76.2. Share warrants must be:

(a) issued in such form; and

(b) executed in such manner,

as the Directors decide.

76.3. A Share represented by a Share warrant may be transferred by delivery of the warrant representing it.

76.4. The Directors may make provision for the payment of dividends in respect of any Share represented by a Share warrant.

76.5. Subject to the Articles, the Directors may decide the conditions on which any Share warrant is issued. In particular, they may:

(a) decide the conditions on which new warrants are to be issued in place of warrants which are damaged or defaced, or said to have been lost, stolen or destroyed;

(b) decide the conditions on which bearers of warrants are entitled to attend and vote at general meetings;

(c) decide the conditions subject to which bearers of warrants may surrender their warrant so as to hold their Shares in Certificated or Uncertificated form instead; and

(d) vary the conditions of issue of any warrant from time to time,

and the bearer of a warrant is subject to the conditions and procedures in force in relation to it, whether or not they were decided or specified before the warrant was issued.

76.6. Subject to the conditions on which the warrants are issued from time to time, bearers of Share warrants have the same rights and privileges as they would if their names had been included in the register as Holders of the Shares represented by their warrants.

76.7. The Company must not in any way be bound by or recognise any interest in a Share represented by a Share warrant other than the absolute right of the bearer of that warrant to that warrant.

PARTLY PAID SHARES

77 Company's Lien over Partly Paid Shares

77.1. The Company has a lien (the "**Company's Lien**") over every Share which is Partly Paid for any part of:

(a) that Share's nominal value; and

(b) any premium at which it was issued,

which has not been Paid to the Company, and which is payable immediately or at some time in the future, whether or not a Call Notice has been sent in respect of it.

77.2. The Company's Lien over a Share:

(a) takes priority over any third party's interest in that Share; and

(b) extends to any dividend or other money payable by the Company in respect of that Share and (if the lien is enforced and the Share is sold by the Company) the proceeds of sale of that Share.

77.3. The Directors may at any time decide that a Share which is or would otherwise be subject to the Company's Lien shall not be subject to it, either wholly or in part.

78 Enforcement of the Company's Lien

78.1. Subject to the provisions of this Article, if:

(a) a Lien Enforcement Notice has been given in respect of a Share; and

(b) the person to whom the notice was given has failed to comply with it,

the Company may sell that Share in such manner as the Directors decide.

78.2. A "**Lien Enforcement Notice**":

(a) may only be given in respect of a Share which is subject to the Company's Lien, in respect of which a sum is payable and the due date for payment of that sum has passed;

(b) must specify the Share concerned;

(c) must require payment of the sum payable within fourteen (14) days of the notice;

(d) must be addressed either to the Holder of the Share or to a person entitled to it by reason of the Holder's death, Bankruptcy or otherwise; and

(e) must state the Company's intention to sell the Share if the notice is not complied with.

78.3. Where Shares are sold under this Article:

(a) the Directors may authorise any person to execute an Instrument of transfer of the Shares to the purchaser or a person nominated by the purchaser; and

(b) the transferee is not bound to see to the application of the consideration, and the transferee's title is not affected by any irregularity in or invalidity of the process leading to the sale.

78.4. The net proceeds of any such sale (after payment of the costs of sale and any other costs of enforcing the lien) must be applied:

(a) *first*, in payment of so much of the sum for which the lien exists as was payable at the date of the Lien Enforcement Notice; and

(b) *second*, to the Holder of the Shares at the time of the sale, but only after the Certificate for the Shares sold has been surrendered to the Company for cancellation or a suitable indemnity has been given for any lost Certificates, and subject to a lien equivalent to the Company's Lien over the Shares before the sale for any money payable in respect of the Shares after the date of the Lien Enforcement Notice.

78.5. A statutory declaration by a Director or the Company secretary that the declarant is a Director or the Company secretary and that a Share has been sold to satisfy the Company's Lien on a specified date:

(a) is conclusive evidence of the facts stated in it as against all persons claiming to be entitled to the Share; and

(b) subject to compliance with any other formalities of transfer required by the Articles or by law, constitutes a good title to the Share.

79 Call Notices

79.1. Subject to the Articles and the terms on which Shares are allotted, the Directors may send a notice (a "**Call Notice**") to a Member requiring the Member to pay the Company a specified sum of money (a "**Call**") which is payable in respect of Shares (whether on account of the nominal value of the Shares or by way of premium) which that Member holds at the date when the Directors decide to send the Call Notice.

79.2. A Call Notice:

(a) may not require a Member to pay a Call which exceeds the total sum unpaid on that Member's Shares (whether as to the Share's nominal value or any amount payable to the Company by way of premium);

(b) must state when and how any Call to which it relates it is to be Paid; and

(c) may permit or require the Call to be Paid by instalments.

79.3. A Member must comply with the requirements of a Call Notice, but no Member is obliged to pay any Call before 14 days have passed since the notice was sent.

79.4. Before the Company has received any Call due under a Call Notice the Directors may:

(a) revoke it wholly or in part; or

(b) specify a later time for payment than is specified in the notice,

by a further notice in Writing to the Member in respect of whose Shares the Call is made.

80 Liability to pay Calls

80.1. Liability to pay a Call is not extinguished or transferred by transferring the Shares in respect of which it is required to be Paid.

80.2. Joint Holders of a Share are jointly and severally liable to pay all Calls in respect of that Share.

80.3. Subject to the terms on which Shares are allotted, the Directors may, when issuing Shares, provide that Call Notices sent to the Holders of those Shares may require them:

(a) to pay Calls which are not the same; or

(b) to pay Calls at different times.

81 When Call Notice need not be issued

81.1. A Call Notice need not be issued in respect of sums which are specified, in the terms on which a Share is issued, as being payable to the Company in respect of that Share (whether in respect of nominal value or premium):

(a) on allotment;

(b) on the occurrence of a particular event; or

(c) on a date fixed by or in accordance with the terms of issue.

81.2. But if the due date for payment of such a sum has passed and it has not been Paid, the Holder of the Share concerned is treated in all respects as having failed to comply with a Call Notice in respect of that sum, and is liable to the same consequences as regards the payment of interest and forfeiture.

82 Failure to comply with Call Notice: automatic consequences

82.1. If a person is liable to pay a Call and fails to do so by the Call payment date:

(a) the Directors may issue a notice of intended forfeiture to that person; and

(b) until the Call is Paid, that person must pay the Company interest on the Call from the Call payment date at the Relevant Rate together with all expenses that may have been incurred by the Company by reason of such non-payment.

82.2. For the purposes of this Article:

(a) the "**Call Payment Date**" is the time when the Call Notice states that a Call is payable, unless the Directors give a notice specifying a later date, in which case the Call Payment Date is that later date; and

(b) the "**Relevant Rate**" is:

(i) the rate fixed by the terms on which the Share in respect of which the Call is due was allotted;

(ii) such other rate as was fixed in the Call Notice which required payment of the Call, or has otherwise been determined by the Directors; or

(iii) if no rate is fixed in either of these ways, five (5) per cent. per annum.

82.3. The Relevant Rate must not exceed by more than five (5) percentage points the base lending rate most recently set by the Monetary Policy Committee of the Bank of England in connection with its responsibilities under Part 2 of the Bank of England Act 1998.

82.4. The Directors may waive any obligation to pay interest on or expenses in respect of a Call wholly or in part.

83 Notice of intended forfeiture

A notice of intended forfeiture:

(a) may be sent in respect of any Share in respect of which a Call has not been Paid as required by a Call Notice;

(b) must be sent to the Holder of that Share or to a person entitled to it by reason of the Holder's death, Bankruptcy or otherwise;

(c) must require payment of the Call and any accrued interest by a date which is not less than fourteen (14) days after the date of the notice;

(d) must state how the payment is to be made; and

(e) must state that if the notice is not complied with, the Shares in respect of which the Call is payable will be liable to be forfeited.

84 Directors' power to forfeit Shares

If a notice of intended forfeiture is not complied with before the date by which payment of the Call is required in the notice of intended forfeiture, the Directors may decide that any Share in respect of which it was given is forfeited, and the forfeiture is to include all dividends or other moneys payable in respect of the forfeited Shares and not Paid before the forfeiture.

85 Effect of forfeiture

85.1. Subject to the Articles, the forfeiture of a Share extinguishes:

(a) all interests in that Share, and all claims and demands against the Company in respect of it; and

(b) all other rights and liabilities incidental to the Share as between the person whose Share it was prior to the forfeiture and the Company.

85.2. Any Share which is forfeited in accordance with the Articles:

(a) is deemed to have been forfeited when the Directors decide that it is forfeited;

(b) is deemed to be the property of the Company; and

(c) may be sold, re-allotted or otherwise disposed of upon such terms and in such manner as the Board shall decide either to the person who was before the forfeiture the holder of the Share or to any other person and whether with or without all or any part of the amount previously Paid up on the Share being credited as so Paid up,

provided that any Share not disposed of in accordance with this Article 85.2 within a period of 3 years from the date of forfeiture shall, at the expiry of that period, be cancelled in accordance with the provisions of the Companies Acts and any other applicable laws.

85.3. If a person's Shares have been forfeited:

(a) the Company must send that person notice that forfeiture has occurred and record it in the register of Members;

(b) that person ceases to be a Member in respect of those Shares;

(c) that person must surrender the Certificate for the Shares forfeited to the Company for cancellation;

(d) that person remains liable to the Company for all sums payable by that person under the Articles at the date of forfeiture in respect of those Shares, including any interest and expenses (whether accrued before or after the date of forfeiture) and that person shall remain liable to satisfy all (if any) of the claims and demands which the Company might have enforced in respect of the time of the forfeiture without any reduction or allowance for the value of the Shares at the time of forfeiture or for any consideration received on this disposal, but that person's liability shall cease if and when the Company shall have received payment in full of all such moneys in respect of the Shares; and

(e) the Directors may waive payment of such sums wholly or in part or enforce payment without any allowance for the value of the Shares at the time of forfeiture or for any consideration received on their disposal.

85.4. At any time before the Company disposes of a forfeited Share, the Directors may decide to cancel the forfeiture on payment of all Calls and interest due in respect of it and on such other terms as they think fit.

86 Procedure following forfeiture

86.1. If a forfeited Share is to be disposed of by being transferred, the Company may receive the consideration for the transfer and the Directors may authorise any person to execute the Instrument of transfer.

86.2. A statutory declaration by a Director or the Company secretary that the declarant is a Director or the Company secretary and that a Share has been forfeited on a specified date:

(a) is conclusive evidence of the facts stated in it as against all persons claiming to be entitled to the Share, and

(b) subject to compliance with any other formalities of transfer required by the Articles or by law, constitutes a good title to the Share.

86.3. A person to whom a forfeited Share is transferred is not bound to see to the application of the consideration (if any) nor is that person's title to the Share affected by any irregularity in or invalidity of the process leading to the forfeiture or transfer of the Share.

86.4. If the Company sells a forfeited Share, the person who held it prior to its forfeiture is entitled to receive from the Company the proceeds of such sale, net of any commission, and excluding any amount which:

(a) was, or would have become, payable; and

(b) had not, when that Share was forfeited, been Paid by that person in respect of that Share,

but no interest is payable to such a person in respect of such proceeds and the Company is not required to account for any money earned on them.

86.5. The forfeiture of a Share shall involve the extinction at the time of the forfeiture or surrender of all interest in and all claims and demands against the Company in respect of the Share and all other rights and liabilities incidental to the Share as between the holder whose Share is forfeited or surrendered and the Company, except only such of those rights and liabilities as are by the Articles expressly saved, or as are by the Companies Act and any other applicable laws given or imposed in the case of past Members.

87 Surrender of Shares

87.1. A Member may surrender any Share:

(a) in respect of which the Directors may issue a notice of intended forfeiture;

(b) which the Directors may forfeit; or

(c) which has been forfeited.

87.2. The Directors may accept the surrender of any such Share.

87.3. The effect of surrender on a Share is the same as the effect of forfeiture on that Share.

87.4. A Share which has been surrendered may be dealt with in the same way as a Share which has been forfeited.

88 Power to sell Shares of untraced Members

88.1. The Company shall be entitled to sell at the best price reasonably obtainable any Share of a Member or any Share to which a person is entitled by transmission if and provided that:

(a) during a period of 12 years (provided that in that period at least three dividends, whether interim or final, shall have been declared and paid) no cheque or warrant sent by the Company to the Member or person entitled by transmission in the manner authorised by these Articles has been cashed and no communication has been received by the Company from the Member or person entitled by transmission;

(b) the Company has at the expiration of that period given notice by advertisement in both a national newspaper and a newspaper circulating in the area in which the last known address of the Member or the address at which service of notices may be effected in the manner authorised by these Articles is located of its mention to sell such Share; and

(c) the Company has not during the further period of three months after the date of the advertisement (or, if published on different dates, the later of the two advertisements) and prior to the date of sale received any communication from the Member or person entitled by transmission.

88.2. To give effect to the sale of any Share pursuant to Article 88.1, the Company may appoint any person to execute as transferor any necessary Instrument of transfer of such Share and such Instrument of transfer shall be as effective as if it had been executed by the holder or person entitled by transmission to the Share. The transferee shall not be bound to see to the application of the purchase moneys nor shall his title to the Shares be affected by any irregularity or invalidity in the proceedings relating to the sale. The net proceeds of sale shall belong to the Company and on receipt the Company shall be indebted to the Member or other person entitled to such Share for an amount equal to the

net proceeds of such sale but no trust shall be created and no interest shall be payable in respect of the proceeds of sale which may either be employed in the business of the Company or invested in such investment (other than Shares of the Company or its holding company, if any) as the Directors may from time to time think fit.

TRANSFER AND TRANSMISSION OF SHARES

89 Transfers of Shares

89.1. Shares may be transferred by means of an Instrument of transfer in any usual form or any other form approved by the Directors or the Articles, which is executed by or on behalf of:

(a) the transferor; and

(b) (if any of the Shares is Partly Paid) the transferee.

89.2. No fee may be charged for registering any Instrument of transfer or other Document relating to or affecting the title to any Share.

89.3. The Company may retain any Instrument of transfer which is registered.

89.4. The transferor remains the Holder of a Share until the transferee's name is entered in the register of Members as Holder of it.

89.5. The Directors may refuse to register the transfer of a Share if:

(a) the Share is not Fully Paid;

(b) the transfer is not lodged at the Company's registered office or such other place as the Directors have appointed;

(c) the transfer is not accompanied by the Certificate for the Shares to which it relates, or such other evidence as the Directors may reasonably require to show the transferor's right to make the transfer, or evidence of the right of someone other than the transferor to make the transfer on the transferor's behalf;

(d) the transfer is in respect of more than one class of Share; or

(e) the transfer is in favour of more than four transferees.

89.6. If the Directors refuse to register the transfer of a Share, the Instrument of transfer must be returned to the transferee with the notice of refusal unless they suspect that the proposed transfer may be fraudulent.

90 Transfer of Uncertificated Shares

90.1. A transfer of an Uncertificated Share must not be registered if it is in favour of more than four transferees.

91 Transmission of Shares

91.1. If title to a Share passes to a Transmittee, the Company may only recognise the Transmittee as having any title to that Share.

91.2. Nothing in these Articles releases the estate of a deceased Member from any liability in respect of a Share solely or jointly held by that Member.

92 Transmittees' rights

92.1. A Transmittee who produces such evidence of entitlement to Shares as the Directors may properly require:

(a) may, subject to the Articles, choose either to become the Holder of those Shares or to have them transferred to another person; and

(b) subject to the Articles, and pending any transfer of the Shares to another person, has the same rights as the Holder had.

92.2. But Transmittees do not have the right to attend or vote at a general meeting in respect of Shares to which they are entitled, by reason of the Holder's death or Bankruptcy or otherwise, unless they become the Holders of those Shares.

93 Exercise of Transmittees' rights

93.1. Transmittees who wish to become the Holders of Shares to which they have become entitled must notify the Company in Writing of that wish.

93.2. If the Share is a Certificated Share and a Transmittee wishes to have it transferred to another person, the Transmittee must execute an Instrument of transfer in respect of it.

93.3. If the Share is an Uncertificated Share and the Transmittee wishes to have it transferred to another person, the Transmittee must:

(a) procure that all appropriate instructions are given to effect the transfer; or

(b) procure that the Uncertificated Share is changed into Certificated form and then execute an Instrument of transfer in respect of it.

93.4. Any transfer made or executed under this Article is to be treated as if it were made or executed by the person from whom the Transmittee has derived rights in respect of the Share, and as if the event which gave rise to the transmission had not occurred.

94 Transmittees bound by prior notices

If a notice is given to a Member in respect of Shares and a Transmittee is entitled to those Shares, the Transmittee is bound by the notice if it was given to the Member before the Transmittee's name has been entered in the register of Members.

95 Suspension of rights where non-disclosure of interests

95.1. If any Member, or any other person appearing to be interested in Shares held by such Member, has been duly served with a notice under section 793 of the Companies Act 2006 and is in default for the prescribed period in supplying to the Company the information thereby required, then at any time after that the Directors may in their absolute discretion by notice to such Member or such other person direct:

(a) that in respect of the Default Shares, the Member shall not be entitled to vote either personally or by proxy at a general meeting of the Company or a meeting of the holders of any class of Shares of the Company or to exercise any other right conferred by membership in relation to general meetings of the Company or meetings of the holders of any class of Shares of the Company; and/or

(b) where the Default Shares represent at least 0.25 per cent of the issued Shares of any class of Shares of the Company (excluding any Shares of that class held as treasury shares), that:

(i) any dividend or other money which would otherwise be payable in respect of the Default Shares shall (in whole or any part thereof) be retained by the Company without any liability to pay interest thereon when such money is finally paid to the Member and, in circumstances where an option to elect to receive Ordinary Shares instead of cash in respect of any dividend shall be or has been given to Members, any notice of election made under such an option in respect of the Default Shares shall not be effective; and/or

(ii) no transfer, other than an approved transfer, of any of the Shares held by such Member shall be registered unless (A) the Member is not himself in default as regards supplying the information required, and (B) the transfer is of part only of the Member's holding and, when presented for registration, is accompanied by a certificate from the Member, in a form satisfactory to the Directors, to the effect that after due and careful enquiry the Member is satisfied that none of the Shares the subject of the transfer are Default Shares; and/or

(iii) any Shares held by such Member in Uncertificated form shall forthwith be converted in a Certificated form (and the Directors shall be entitled to direct the operator of any Relevant System applicable to those Shares to effect that conversion immediately) and that Member shall not after that be entitled to convert all or any Shares held by him in Uncertificated form (except with the authority of the Directors) unless (A) the Member is not himself in default as regards supplying the information required, and (B) the Shares which the Member wishes to convert are part only of his holding and he has issued a certificate, in a form satisfactory to the Directors, to the effect that after due and careful enquiry the Member is satisfied that none of the Shares he is proposing to convert into Uncertificated form are Default Shares.

95.2. The Company shall send to each other person appearing to be interested in the Shares the subject of any Direction Notice a copy of the notice, but the failure or omission by the Company to do so shall not invalidate such notice. Neither the Company nor the Directors shall in any event be liable to any person as a result of the Directors having imposed any restrictions pursuant to Article 95.1 if the Directors have acted in good faith.

95.3. Any Direction Notice shall have effect in accordance with its terms until seven days (or such shorter period as the Directors may resolve) after the earlier of the date on which:

(a) the Company is satisfied that the default in respect of which the Direction Notice was issued has been rectified; and

(b) notification shall be received by the Company that the Default Shares shall have been transferred to a third party by means of an approved transfer.

95.4. The Directors may at any time give notice cancelling a Direction Notice, in whole or in part, or suspending, in whole or in part, the imposition of any restrictions contained in the Direction Notice for a given period. If dividends or other moneys payable in respect of any Default Shares shall be withheld as a result of any restrictions imposed by a Direction Notice, such dividends or other money shall accrue and shall be payable (without interest) upon the relevant restrictions ceasing to apply.

95.5. For the purposes of this Article 95:

(a) "**Default Shares**" means Shares in relation to which a default has occurred entitling the Company to issue a Direction Notice and any further Shares which are issued in respect of those Shares;

(b) a "**Direction Notice**" means a notice issued by the Company pursuant to Article 95.1;

(c) a person shall be treated as appearing to be interested in any Shares if the Member holding such Shares or any other person has given to the Company information under section 793 of the Companies Act 2006 which either names such person as being so interested, or fails to establish the identities of those interested in the Shares and (after taking into account the said information and any other information given under section 793 of the Companies Act 2006) the Company knows or has reasonable cause to believe that the person in question is or may be interested in the Shares;

(d) "**interested**" shall be construed as it is for the purpose of section 793 of the Companies Act 2006;

(e) the prescribed period is fourteen days from the date of service of the notice under section 793 of the Companies Act 2006;

(f) a transfer of Shares is an approved transfer if and only if:

(i) it is a transfer of Shares to an offeror by way or in pursuance of acceptance of a takeover offer for the Company;

(ii) the Directors are satisfied that the transfer is made pursuant to a bona fide sale of the whole of the beneficial ownership of the Shares to a party unconnected with the Member or with other persons appearing to be interested in such Shares; or

(iii) the transfer results from a sale made through a recognised investment exchange as defined in the Financial Services and Markets Act 2000 or any other stock exchange outside the United Kingdom on which the Company's Shares are normally traded; and

(g) reference to a person being in default in supplying to the Company the information required by a notice under the said section 793 of the Companies Act 2006 includes:

(i) reference to his having failed or refused to give all or any part of it; and

(ii) reference to his having given information which he knows to be false in a material particular or having recklessly given information which is false in a material particular.

95.6. Nothing in this Article 95 shall limit the powers of the Company under section 794 of the Companies Act 2006 or any other powers whatsoever.

CONSOLIDATION AND SUBDIVISION OF SHARES

96 Procedure for disposing of fractions of Shares

96.1. This Article applies where:

(a) there has been a consolidation or division of Shares, and

(b) as a result, Members are entitled to fractions of Shares.

96.2. The Directors may deal with such fractions as they think fit and in particular (but without prejudice to the foregoing):

(a) sell the Shares representing the fractions to any person including the Company for the best price reasonably obtainable;

(b) in the case of a Certificated Share, authorise any person to execute an Instrument of transfer of the Shares to the purchaser or a person nominated by the purchaser; and

(c) distribute the net proceeds of sale in due proportion among the Holders of the Shares.

96.3. Where any Holder's entitlement to a portion of the proceeds of sale amounts to less than a minimum figure determined by the Directors, that Member's portion may be distributed to an organisation which is a charity for the purposes of the law of England and Wales, Scotland or Northern Ireland.

96.4. The person to whom the Shares are transferred is not obliged to ensure that any purchase money is received by the person entitled to the relevant fractions.

96.5. The transferee's title to the Shares is not affected by any irregularity in or invalidity of the process leading to their sale.

96.6. The Directors may, without prejudice to Article 96.2 and subject to the Companies Acts and any other applicable laws, in each case where the number of Shares held by the Holder is not an exact multiple of the number of Shares to be consolidated into a single Share, issue to such Holder credited as Fully Paid by way of capitalisation the minimum number of Shares required to round up his holdings to a multiple (such issue being deemed to have been effected immediately prior to consolidation) and the amount required to pay up such Shares shall be appropriated at its discretion from any sums standing to the credit of any of the Company's reserve accounts (including, subject to the Companies Act 2006, share premium account and capital redemption reserve) or to the credit of the profit and loss account and capitalised by applying the same in paying up such Shares.

DISTRIBUTIONS

97 Procedure for declaring dividends

97.1. The Company may by Ordinary Resolution declare dividends and may fix the time for payment of such dividend, and the Directors may decide to pay interim dividends as appear to the Board to be justified by the financial position of the Company. For the avoidance of doubt, no dividend shall be payable to the Company itself in respect of any Shares held by it as treasury shares (except to the extent permitted by the Companies Acts or any other provision of law).

97.2. A dividend must not be declared unless the Directors have made a recommendation as to its amount. Such a dividend must not exceed the amount recommended by the Directors.

97.3. No dividend may be declared or Paid unless it is in accordance with Members' respective rights.

97.4. If the Company's Share capital is divided into different classes, no interim dividend may be Paid on Shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrears.

97.5. The Directors may pay at intervals any dividend payable at a fixed rate if it appears to them that the profits available for distribution justify the payment.

97.6. If the Directors act in good faith, they do not incur any liability to the Holders of Shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on Shares with deferred or non-preferred rights.

98 Currency of dividends

Dividends may be declared or paid in any currency and the Directors may decide the rate of exchange for any currency conversions that may be required, and how any costs involved are to be met, in relation to the currency of any dividend.

99 Calculation of dividends

99.1. Except as otherwise provided by the Articles, by Members' resolution, the Directors' decision to pay a dividend, the rights attached to, or the terms of issue of any Shares, all dividends must be apportioned and Paid proportionately to the amounts Paid up on the Shares in respect of which the dividend is paid during any portion or portions of the period in respect of which the dividend is Paid.

99.2. If any Share is issued on terms providing that it ranks for dividend as from a particular date, that Share ranks for dividend accordingly.

99.3. For the purposes of calculating dividends, no account is to be taken of any amount which has been Paid up on a Share in advance of the due date for payment of that amount.

100 Payment of dividends and other distributions

100.1. Where a dividend or other sum which is a distribution is payable in respect of a Share, it must be Paid by one or more of the following means:

(a) transfer to a bank or building society account specified by the Distribution Recipient either in Writing or as the Directors may otherwise decide;

(b) sending a cheque made payable to the Distribution Recipient by post to the Distribution Recipient at the Distribution Recipient's registered address (if the Distribution Recipient is a Holder of the Share), or (in any other case) to an address specified by the Distribution Recipient either in Writing or as the Directors may otherwise decide;

(c) sending a cheque made payable to such person by post to such person at such address as the Distribution Recipient has specified either in Writing or as the Directors may otherwise decide;

(d) in relation to any dividend or other sum payable in respect of Shares held in Uncertificated form, by means of a Relevant System; or

(e) any other means of payment as the Directors agree with the Distribution Recipient either in Writing or by such other means as the Directors decide,

and subject always, in the case of Shares held in Uncertificated form, to the facilities and requirements of the Relevant System concerned where payment is to be made by means of such system.

100.2. In the Articles, the "**Distribution Recipient**" means, in respect of a Share in respect of which a dividend or other sum is payable:

(a) the Holder of the Share;

(b) if the Share has two or more joint Holders, whichever of them is named first in the register of Members; or

(c) if the Holder is no longer entitled to the Share by reason of death or Bankruptcy, or otherwise by operation of law, the Transmittee.

101 Uncashed dividends and other distributions

The Company may cease to send any cheque or warrant through the post or may stop the transfer of any sum by any bank or other funds transfer system or may stop any other means of payment, as the case may be, for any dividend payable on any Shares which is normally paid in that manner on those Shares if either in respect of at least two consecutive dividends payable on those Shares the cheques or warrants have been returned undelivered or remain uncashed or the transfer of other means of payment has failed or in respect of one dividend payable on those Shares the cheques or warrants have been returned undelivered or remain uncashed or the transfer or other means of payment has failed and reasonably enquiries made by the Company have failed to establish any new address of the Holder of those Shares but, subject to the provisions of these Articles, the Company shall recommence sending cheques or warrants or transferring funds or using the other means of payment, as the case may be, in respect of dividends payable on those Shares if the Holder or person entitled by transmission claims the arrears of the dividend in which event the Company shall resume payment of dividend (and arrears) as notified by the claimant or, in the absence of such notification, in the same manner in which payment was effected prior to the suspension of the payment of dividend. If any such cheque, warrant or order has or is alleged to have been lost, stolen or destroyed, the Directors may, on request of the person entitled to it, issue a replacement cheque, warrant or order subject to compliance with such conditions as to evidence and indemnity and the payment of out of pocket expenses of the Company in connection with the request as the Directors may think fit.

102 Deductions from distributions in respect of sums owed to the Company

102.1. If:

(a) a Share is subject to the Company's Lien; and

(b) the Directors are entitled to issue a Lien Enforcement Notice in respect of it,

they may, instead of issuing a Lien Enforcement Notice, deduct from any dividend or other sum payable in respect of the Share any sum of money which is payable to the Company in respect of that Share to the extent that they are entitled to require payment under a Lien Enforcement Notice.

102.2. Money so deducted must be used to pay any of the sums payable in respect of that Share.

102.3. The Company must notify the Distribution Recipient in Writing of:

(a) the fact and amount of any such deduction;

(b) any non-payment of a dividend or other sum payable in respect of a Share resulting from any such deduction; and

(c) how the money deducted has been applied.

103 No interest on distributions

103.1. The Company may not pay interest on any dividend or other sum payable in respect of a Share unless otherwise provided by:

(a) the rights attached to the Share; or

(b) the provisions of another agreement between the Holder of that Share and the Company.

104 Unclaimed distributions

104.1. All dividends or other sums which are:

(a) payable in respect of Shares; and

(b) unclaimed after having been declared or become payable,

may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed.

104.2. The payment of any such dividend or other sum into a separate account does not make the Company a trustee in respect of it.

104.3. If:

(a) twelve (12) years have passed from the date on which a dividend or other sum became due for payment; and

(b) the Distribution Recipient has not claimed it,

the Distribution Recipient is no longer entitled to that dividend or other sum and it ceases to remain owing by the Company.

105 Non-cash distributions

105.1. Subject to the terms of issue of the Share in question, the Company may, by Ordinary Resolution on the recommendation of the Directors, decide to pay all or part of a dividend or other distribution payable in respect of a Share by transferring non-cash assets of equivalent value (including, without limitation, Shares or other securities in any company).

105.2. If the Shares in respect of which such a non-cash distribution is Paid are Uncertificated, any Shares in the Company which are issued as a non-cash distribution in respect of them must be Uncertificated.

105.3. For the purposes of paying a non-cash distribution, the Directors may make whatever arrangements they think fit, including, where any difficulty arises regarding the distribution:

(a) fixing the value of any assets;

(b) paying cash to any Distribution Recipient on the basis of that value in order to adjust the rights of recipients; and

(c) vesting any assets in trustees.

106 Waiver of distributions

106.1. Distribution Recipients may waive their entitlement to a dividend or other distribution payable in respect of a Share by giving the Company notice in Writing to that effect, but if:

(a) the Share has more than one Holder; or

(b) more than one person is entitled to the Share, whether by reason of the death or Bankruptcy of one or more joint Holders, or otherwise,

the notice is not effective unless it is expressed to be given, and signed, by all the Holders or persons otherwise entitled to the Share.

107 Record dates

107.1. All dividends and interest shall belong and be paid (subject to any Company's Lien) to those Members whose names shall be on the register at the Record Date despite any subsequent transfer or transmission of Shares.

107.2. Subject to any provision of the Companies Acts or any other provision of law, the "**Record Date**" is such date specified by the Company or the Directors by resolution as the date at the close of business (or such other time as the Directors may determine) on which persons registered as the Holders of Shares shall be entitled to receipt of any dividend, distribution, allotment, issue, notice, information, Document or circular and such record date may be on or before the date the same is made, paid or despatched or (in the case of any dividend, interest, allotment or issue) after the date on which the same is recommended, resolved, declared or announced but without prejudice to the rights inter se in respect of the same of the transferors and transferees of any such Shares.

108 Return of capital

108.1. If the Company is in liquidation, the liquidator may, if they are so authorised by a Special Resolution of the Members of the Company and any other authority required by any applicable statutory provision:

(a) divide among the Holder(s) of the Shares (excluding the Company itself to the extent that it is a Member by virtue only of its holding any Shares as treasury Shares) in specie or in kind the whole or any part of the assets of the Company whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds and may for such purpose set such value as the liquidator deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the Members or different classes of Members; or

(b) vest the whole or any part of the assets in trustees upon such trusts for the benefit of the Holder(s) of the Shares as the liquidator determines, and the liquidation of the Company may be closed and the Company dissolved, provided that no Member shall be compelled to accept any assets upon which there is any liability.

109 Distribution of Shares or other consideration on a transfer or sale

A Special Resolution sanctioning a transfer or sale to another company duly passed pursuant to section 110 of the Insolvency Act 1986 may authorise the distribution of any Shares or other consideration receivable by the liquidator among the Members (whether or not in accordance with the existing rights of Members) and any such distribution shall be binding on all Members subject to the right of dissent and consequential rights conferred by section 111 of the Insolvency Act 1986.

110 Scrip dividends

With the prior approval of an Ordinary Resolution of the Company passed at any general meeting, the Directors may, in respect of any dividend specified by the Ordinary Resolution, offer any Holders of Ordinary Shares (excluding, for the avoidance of doubt, the Company itself to the extent that it is such a Holder by virtue only of its holding any Shares as treasury shares) the right to elect to receive in lieu of that dividend (or part of any of that dividend) an allotment of Ordinary Shares credited as Fully Paid. In any such case, the following provisions shall apply:

(a) the Ordinary Resolution may authorise the Directors to make such offer in respect of a particular dividend (whether or not already declared or recommended) and/or in respect of all or any dividends declared, proposed to be paid or made within a period specified by that Ordinary Resolution;

(b) the basis of allotment shall be determined by the Directors so that the value (calculated at the Relevant Price) of the additional Ordinary Shares each holder of Ordinary Shares who elects to receive the same shall be allotted in lieu of any amount of dividend shall equal as nearly as possible the net cash amount of the dividend that such holder elects to forgo and may (with the sanction of a Special Resolution) exceed such amount. For the purposes of this Article 110, the "**Relevant Price**" of an Ordinary Share shall be equal to the average middle market quotation for the Ordinary Shares as derived from the Daily Official List of London Stock Exchange, or the middle-market quotation of American Depositary Shares in Nasdaq (adjusted as the Directors shall determine to reflect the number of Ordinary Shares represented by each American Depositary Share), on such five consecutive dealing days as the Directors shall determine, provided the first of such days shall be on or after the day on which such Ordinary Shares are first quoted "ex" the relevant dividend, or shall be calculated in such other manner as the Directors may determine and is set out in the announcement of the availability of the election in respect of the relevant dividend. A certificate or report by the auditors of the Company as to the amount of the Relevant Price in respect of any dividend shall be conclusive evidence of that amount and in giving such a certificate or report, the auditors of the Company may rely on advice or information from brokers or other sources of information as they think fit;

(c) if the Directors determine to allow such right of election on any occasion, they shall give notice in Writing to the holders of Ordinary Shares of the right of election offered to them and shall specify the procedure to be followed (which, for the avoidance of doubt, may include an election by means of a Relevant System). The Directors may also establish or vary a procedure for election mandates under which shareholders may elect to receive Ordinary Shares instead of cash both in respect of the relevant dividend and (until they notify the Company that such mandate is revoked) in respect of future dividends not yet declared or resolved (and, accordingly, in respect of which the basis of allotment shall not have been determined) and the Directors may include in the procedure the right to make and revoke such election by means of a Relevant System;

(d) the dividend (or that part of the dividend in respect of which a right of election has been offered) shall not be payable in cash on Ordinary Shares in respect of which the share election has been duly exercised (for the purposes of this Article 110, the "**Elected Ordinary Shares**"), and in the place of that dividend, additional Shares (subject to paragraph (e)) shall be allotted to the holders of the Elected Ordinary Shares on the basis of allotment determined as already described. For this purpose, the Directors shall capitalise, out of such of the sums standing to the credit of any reserve (including any share premium account or capital redemption reserve and/or profit and loss account) as the Directors may

determine, whether or not the same is available for distribution, a sum equal to the aggregate nominal amount of additional Ordinary Shares to be allotted on such basis and shall apply the same in paying up in full the appropriate number of Ordinary Shares for allotment and distribution to and amongst the holders of the Elected Ordinary Shares on such basis;

(e) no fraction of any Share shall be allotted. The Directors may make provisions as they think fit for any fractional entitlements including provisions whereby, in whole or in part, the benefit of any fractions accrues to the Company and/or under which fractional entitlements are accrued and/or retained and in each case accumulated on behalf of any shareholder and such accruals or retentions are applied to the allotment by way of bonus to or cash subscription on behalf of such shareholder of Fully Paid Shares and/or provisions whereby cash payments may be made to Members in respect of their fractional entitlements;

(f) the additional Ordinary Shares so allotted shall rank pari passu in all respects with the Fully Paid Ordinary Shares then in issue, save only as regards participation in the relevant dividend;

(g) Article 111 shall apply (mutatis mutandis) to any capitalisation made pursuant to this Article;

(h) the Directors may on any occasion determine that rights of election shall not be made available in respect of Ordinary Shares represented by depositary receipts or to any holders of Ordinary Shares with registered addresses in any territory where in the absence of a registration statement or other special formalities the circulation of an offer of rights of election would or might be unlawful, undesirable or impracticable and in such event the provisions of this Article shall be read and construed subject to such determination;

(i) in relation to any particular proposed dividend, the Directors may in their absolute discretion amend, suspend or withdraw the offer previously made to holders of Ordinary Shares to elect to receive additional Ordinary Shares in lieu of the cash dividend (or any part of it) at any time prior to the allotment of the additional Ordinary Shares; and

(j) unless the Directors otherwise determine, or unless the Regulations and/or the rules of the Relevant System concerned otherwise require, the new Ordinary Share(s) which a shareholder has elected to receive instead of cash in respect of the whole (or some part) of the specified dividend declared in respect of his Elected Ordinary Shares shall be Uncertificated (in respect of the shareholder's Elected Ordinary Shares which were in Uncertificated form on the date of his election) and Certificated (in respect of the shareholder's Elected Ordinary Shares which were Certificated on the date of his election).

CAPITALISATION OF PROFITS

111 Authority to capitalise and appropriation of Capitalised Sums

111.1. Subject to the Articles, the Directors may, if they are so authorised by an Ordinary Resolution:

(a) decide to capitalise any profits of the Company (whether or not they are available for distribution) which are not required for paying a preferential dividend, or any sum standing to the credit of the Company's Share premium account or capital redemption reserve; and

(b) appropriate any sum which they so decide to capitalise (a "**Capitalised Sum**") to the persons who would have been entitled to it if it were distributed by way of dividend (the "**Persons Entitled**") and in the same proportions.

111.2. Capitalised Sums must be applied:

(a) on behalf of the Persons Entitled; and

(b) in the same proportions as a dividend would have been distributed to them.

111.3. Any Capitalised Sum may be applied in paying up new Shares of a nominal amount equal to the Capitalised Sum which are then allotted credited as Fully Paid to the Persons Entitled or as they may direct.

111.4. A Capitalised Sum may be applied:

(a) in or towards paying up any amounts unpaid on existing Shares held by the Persons Entitled; or

(b) in paying up new debentures of the Company which are then allotted credited as Fully Paid to the Persons Entitled or as they may direct.

111.5. Subject to the Articles the Directors may:

(a) apply Capitalised Sums in accordance with Articles 111.3 and 111.4 partly in one way and partly in another;

(b) make such arrangements as they think fit to deal with Shares or debentures becoming distributable in fractions under this Article (including the issuing of fractional Certificates or the making of cash payments); and

(c) authorise any person to enter into an agreement with the Company on behalf of all the Persons Entitled which is binding on them in respect of the allotment of Shares and debentures to them under this Article.

PART 5

MISCELLANEOUS PROVISIONS
COMMUNICATIONS

112 Means of communication to be used

112.1. Subject to the Articles, anything sent or supplied by or to the Company under the Articles may be sent or supplied in any way in which the Companies Act 2006 provides for Documents, information or notices which are authorised or required by any provision of that Act to be sent or supplied by or to the Company.

112.2. Subject to the Articles, any notice or Document to be sent or supplied to a Director in connection with the taking of decisions by Directors may also be sent or supplied by the means by which that Director has asked to be sent or supplied with such notices or Documents for the time being.

112.3. Subject to the Articles, a Director may agree with the Company that notices or Documents sent to that Director in a particular way are to be deemed to have been received within a specified time of their being sent, and for the specified time to be less than 48 hours.

113 Hard Copy Form

Any Document, information or notice is validly sent or supplied by the Company in Hard Copy Form if it is handed to the intended recipient or sent or supplied by hand or through the post in a prepaid envelope:

(a) to an address specified for the purpose by the intended recipient;

(b) if the intended recipient is a company, to its registered office;

(c) to the address shown in the Company's register of Members;

(d) to any address to which any provision of the Companies Acts authorises it to be sent or supplied; or

(e) if the Company is unable to obtain an address falling within paragraphs (a) to (d), to the last address known to the Company of the intended recipient.

114 Electronic form

Any Document, information or notice is validly sent or supplied by the Company in Electronic Form:

(a) to a person if that person has agreed (generally or specifically) that the Document, information or notice may be sent or supplied in that form and has not revoked that agreement; or

(b) to a company that is deemed to have so agreed by the Companies Acts.

115 Electronic means

Any Document, information or notice is validly sent or supplied by the Company by electronic means if it is sent or supplied:

(a) to an address specified for the purpose by the intended recipient (generally or specifically); or

(b) where the intended recipient is a company, to an address deemed by the Companies Acts to have been so specified.

116 Website

Any Document, information or notice is validly sent or supplied by the Company to a person by being made available on a website if:

(a) the person has agreed (generally or specifically) that the Document, information or notice may be sent or supplied to him in that manner, or he is taken to have so agreed under Schedule 5 of the Companies Act 2006, and in either case he has not revoked that agreement;

(b) the Company has notified the intended recipient of:

(i) the presence of the Document, information or notice on the website,

(ii) the address of the website;

(iii) the place on the website where it may be accessed;

(iv) how to access the Document, information or notice; and

(v) any other information prescribed by the Companies Acts or any other provisions of law including, when the Document, information or notice is a notice of meeting, that fact, the place, date and time of the meeting and whether the meeting is an annual general meeting; and

(c) the Document, information or notice is available on the website throughout the period specified by any applicable provision of the Companies Acts or, if no such period is specified, the period of 28 days starting on the date on which the notification referred to in paragraph (b) above is sent to the relevant person.

117 Sending or supplying any Document, information or notice by any other means

Any Document, information or notice that is sent or supplied otherwise than in hard copy or Electronic Form or by means of a website is validly sent or supplied if it is sent or supplied in a form or manner that has been agreed by the intended recipient.

118 Joint holders

In respect of joint holdings all Documents, notices and information shall be sent or supplied to the joint holder whose name stands first in the register in respect of such joint holding, and notice so sent or supplied shall be sufficient notice to all the joint holders. A joint holder whose name stands first in the register but who has no specified or registered address in the United Kingdom for the service of notices shall be disregarded for this purpose except to the extent that the Company intends to send or supply a notice by electronic means and the joint holder whose name stands first in the register has agreed (generally or specifically) to the sending or supply of that Document, information or notice by electronic means and has not revoked that agreement and he has notified the Company of an address for that purpose. Anything to be agreed or specified in respect of a joint holding may be agreed or specified by the joint holder whose name stands first in the register. Paragraphs 16(2) and 16(3) of Schedule 5 of the Companies Acts shall not apply.

119 Members resident abroad

A Member who (having no registered address within the United Kingdom) has not supplied to the Company an address within the United Kingdom for the service of notices shall not be entitled to receive any Document, information or notice from the Company except to the extent that the Directors decide to send a Document, information or a notice to that Member by electronic means and that Member has consented (or is deemed to have consented) to the sending of that Document, information or notice by electronic means and he has, where necessary, notified the Company of an address for that purpose.

120 Presence at meeting evidence in itself of receipt of notice

A Member present either in person or by proxy, or in the case of a corporate Member by a duly authorised representative, at any meeting of the Company or of the Holders of any class of Shares shall be deemed to have received notice of the meeting and, where required, of the purposes for which it was called.

121 Document, information or notice given by advertisement in certain circumstances

Unless the Companies Acts or any other provisions of law require a notice, Document or information to be sent or supplied in a different way, any notice, information or Document shall be sufficiently sent or supplied if published by advertisement inserted once in at least one national newspaper published in the United Kingdom.

122 When Document, information or notice is deemed served

122.1. Where a Document, information or a notice is sent by post it shall be deemed to have been received by the intended recipient 48 hours after it was posted. In proving such service, it shall be sufficient to prove that the letter containing the notice or Document was properly addressed, prepaid and posted.

122.2. A notice given by advertisement shall be deemed to have been given or served on the day on which the advertisement appears.

122.3. Where a Document, information or notice is sent or supplied by electronic means it shall be deemed to have been received by the intended recipient on the day on which the Document, information or notice was sent or supplied by or on behalf of the Company. In proving such service, it shall be sufficient to prove that the Document, information or notice was properly addressed.

122.4. Where a Document, information or notice is sent or supplied by means of a website, it is deemed to have been received by the recipient when the material was first made available on the website or, if later, when the recipient received (or is deemed to have received) notice of the fact that the material was available on the website.

122.5. In calculating a period of hours for the purposes of this Article, it is immaterial whether a day is a working day (as defined in the Companies Act 2006) or not.

122.6. Where a Document, information or a notice to be given or sent by electronic means has failed to be transmitted after three attempts, then that notice or other Document shall nevertheless be deemed to have been sent for the purposes of Article 122.3 and, without prejudice to Article 124, that failure shall not invalidate any meeting or other proceeding to which the notice or Document relates.

123 Manner of giving notice of general meetings

Notice of every general meeting shall, subject to the provisions of these Articles, be given in any manner authorised in these Articles to:

(a) every Member entitled to notice under Articles 118, 119 or otherwise;

(b) all Persons Entitled to a Share in consequence of death or Bankruptcy of a Member, if the Company has been notified in accordance with Article 125;

(c) the auditors for the time being of the Company; and

(d) the Directors of the Company.

No other person shall be entitled to receive notices of general meetings.

124 Omission or non-receipt of Document, notice or information.

Without prejudice to any other Articles, the accidental failure to send any Document, notice or information to or the non-receipt of any Document, notice or information by any person entitled to any Document, notice or information relating to any meeting or other proceeding shall not invalidate the relevant meeting or other proceeding.

125 Service of Document, notice or information on person entitled by transmission

A person entitled to a Share in consequence of the death or Bankruptcy of a Member upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the Share, and upon supplying also an address within the United Kingdom for the sending or supply of Documents, notices or information (or, in relation to any Document, notice or information which that person agrees (generally or specifically) to receive and which the Company intends to send or supply using electronic means, an address for that purpose), shall be entitled to have sent or supplied to him at such address any Document, notice or information to which the Member (but for his death or Bankruptcy) would have been entitled, and that sending or supply shall for all purposes be deemed a sufficient sending or supply of that Document, notice or information on all persons interested (whether jointly with or as claiming through or under him) in the Share. Except as already provided, any Document, information or notice sent by post to, left at, or sent or supplied using electronic means to the address of any Member in pursuance of these Articles shall, even if the Member is then dead or bankrupt, and whether or not the Company has notice of his death or Bankruptcy, be deemed to have been duly sent or supplied in respect of any Share registered in the name of such Member as sole or first-named joint holder.

126 Notice when post not available

If at any time by reason of the suspension or curtailment of postal services within the United Kingdom the Company desires to but is unable effectively to convene a general meeting by notices sent through the post then, despite the availability of any other method of sending or supplying notices under Articles 114, 115, 116 and 117, a general meeting may be convened by a notice advertised on the same date in at least one national newspaper published in the United Kingdom and such notice shall be deemed to have been duly sent or supplied to all Members entitled to it to whom the Company would otherwise have sent the relevant notice by post at noon on the day on which the advertisement appears. In any such case the Company shall send confirmatory copies of the notice by post to all Members to whom it would otherwise have sent the original notice by post if at least seven days prior to the meeting the posting of notices to addresses throughout the United Kingdom again becomes practicable.

127 Failure to notify contact details

127.1. If:

(a) the Company sends two consecutive Documents to a Member over a period of at least twelve (12) months; and

(b) each of those Documents is returned undelivered, or the Company receives notification that it has not been delivered,

that Member ceases to be entitled to receive notices from the Company.

127.2. A Member who has ceased to be entitled to receive notices from the Company becomes entitled to receive such notices again by sending the Company:

(a) a new address to be recorded in the register of Members; or

(b) if the Member has agreed that the Company should use a means of communication other than sending things to such an address, the information that the Company needs to use that means of communication effectively.

128 Reference to Documents being served etc.

The provisions of Article 112 through to 127 apply to any notice, Document or information to be sent or supplied under these Articles whether the Articles require the notice, Document or information to be "sent" or "supplied" or any other word such as "given", "delivered" or "served".

ADMINISTRATIVE ARRANGEMENTS

129 Destruction of Documents

129.1. The Company is entitled to destroy:

(a) all Instruments of transfer of Shares which have been registered, and all other Documents on the basis of which any entries are made in the register of Members, from six (6) years after the date of registration;

(b) all dividend mandates, variations or cancellations of dividend mandates, and notifications of change of address, from two years after they have been recorded;

(c) all Share Certificates which have been cancelled from one year after the date of the cancellation;

(d) all Paid dividend warrants and cheques from one year after the date of actual payment; and

(e) all Proxy Notices from one year after the end of the meeting to which the Proxy Notice relates.

129.2. If the Company destroys a Document in good faith, in accordance with the Articles, and without notice of any claim to which that Document may be relevant, it is conclusively presumed in favour of the Company that:

(a) entries in the register purporting to have been made on the basis of an Instrument of transfer or other Document so destroyed were duly and properly made;

(b) any Instrument of transfer so destroyed was a valid and effective Instrument duly and properly registered;

(c) any Share Certificate so destroyed was a valid and effective Certificate duly and properly cancelled; and

(d) any other Document so destroyed was a valid and effective Document in accordance with its recorded particulars in the books or records of the Company.

129.3. This Article does not impose on the Company any liability which it would not otherwise have if it destroys any Document before the time at which this Article permits it to do so.

129.4. In this Article, references to the destruction of any Document include a reference to its being disposed of in any manner.

130 No right to inspect accounts and other records

130.1. Except as provided by law or authorised by the Directors or an Ordinary Resolution of the Company, no person is entitled to inspect any of the Company's accounting or other records or Documents merely by virtue of being a Member.

131 Provision for employees on cessation of business

The Directors may decide to make provision for the benefit of persons employed or formerly employed by the Company or any of its Subsidiaries (other than a Director or former Director or shadow Director) in connection with the cessation or transfer to any person of the whole or part of the undertaking of the Company or that Subsidiary.

DIRECTORS' INDEMNITY AND INSURANCE

132 Indemnity

132.1. Subject to Article 132.3, a Relevant Director of the Company or an associated company may be indemnified out of the Company's assets against:

(a) any liability incurred by that Director in connection with any negligence, default, breach of duty or breach of trust in relation to the Company or an associated company;

(b) any liability incurred by that Director in connection with the activities of the Company or an associated company in its capacity as a trustee of an occupational pension scheme (as defined in section 235(6) of the Companies Act 2006); and

(c) any other liability incurred by that Director in the actual or purported execution or discharge of his duties, the exercise or purported exercise of his powers or otherwise in relation to his duties or powers as an officer of the Company or an associated company.

132.2. Where a Relevant Director is indemnified against a liability in accordance with this Article, the indemnity extends to each cost, charge, loss, expense and liability incurred by him in relation to that liability.

132.3. This Article does not authorise any indemnity which would be prohibited or rendered void by any provision of the Companies Acts or by any other provision of law.

132.4. In this Article and Article 133:

(a) companies are associated if one is a Subsidiary of the other or both are subsidiaries of the same body corporate, and

(b) a "**Relevant Director**" means any Director or former Director, or other officer or former officer, of the Company or an associated company.

133 Insurance

133.1. Subject to and so far as may be permitted by the Companies Acts and any other provision of law, the Directors may decide to purchase and maintain insurance, at the expense of the Company, for the benefit of any Relevant Director in respect of any Relevant Loss.

133.2. In this Article:

(a) a "**Relevant Loss**" means any loss or liability which has been or may be incurred by a Relevant Director in connection with that Relevant Director's actual or purported execution and/or discharge of his duties or powers in relation to the Company, any associated company or any pension fund or employees' Share scheme of the Company or associated company; and

(b) companies are associated if one is a Subsidiary of the other or both are subsidiaries of the same body corporate.

134 Defence expenditure

134.1. Subject to and so far as may be permitted by the provisions of the Companies Acts and any other provision of law, the Company may:

(a) provide a Director or other officer of the Company or of its associated companies with funds to meet expenditure incurred or to be incurred by him:

(i) in defending any criminal or civil proceedings in connection with any alleged negligence, default, breach of duty or breach of trust by him in relation to the Company or an associated company or in connection with any application for relief under any of the provisions referred to in section 205(5) of the Companies Acts; and

(ii) in defending himself in an investigation by a regulatory authority or against action proposed to be taken by a regulatory authority in connection with any alleged negligence, default, breach of duty or breach of trust by him in relation to the Company or an associated company; and

(b) do anything to enable such a Director or other officer to avoid incurring such expenditure.

135 Maintenance of register by Approved Depositary

An Approved Depositary shall maintain a register or system(s) (the "**Proxy Register**") in which shall be recorded the aggregate number of Ordinary Shares which for the time being are registered in the name of the Approved Depositary or its nominee (the "**Depositary Shares**") as well as the name and address of each person who is for the time being appointed as an Appointed Proxy pursuant to Article 136 below and, against his name and address, the number of Depositary Shares in respect of which that Appointed Proxy's appointment for the time being subsists (his "**Appointed Number**"). The Proxy Register shall be open to inspection by any person authorised by the Company during usual business hours and the Approved Depositary shall furnish to the Company or its agents upon demand all such information as to the contents of the Proxy Register, or any part of it, as may be requested.

136 Appointment of Approved Proxies

Without prejudice to the right of an Approved Depositary or its nominee to exercise any rights conferred in these Articles, an Approved Depositary or its nominee may appoint as its proxy or proxies such person or persons as it thinks fit (each such person being an "**Appointed Proxy**") and may determine the method by which and the terms upon which, such appointments are made, save that each such appointment shall specify the Appointed Number in respect of which that appointment is made and the aggregate Appointed Numbers of all the Appointed Proxies subsisting at any one time shall not exceed the aggregate number of Depositary Shares.

137 Rights of Appointed Proxies

Subject to the Companies Acts and any other provisions of law and subject to the provisions of this Article 137, and so long as the Depositary Shares shall be of a sufficient number so as to include his Appointed Number, an Appointed Proxy:

(a) shall upon production to the Company at a general meeting of written evidence of his appointment (which shall be in such form as the Company and the Approved Depositary shall determine from time to time) be entitled to the same rights, and subject to the same restrictions, in relation to his Appointed Number as though the Ordinary Shares represented by the Appointed Number were registered in the name of the Approved Depositary (or its nominee) and the Appointed Proxy was a person validly appointed as proxy by the Approved Depositary (or its nominee) in accordance with Article 56 to Article 60 (inclusive); and

(b) shall himself be entitled, by an Instrument of proxy duly signed by him and deposited with the Company in accordance with Article 59, to appoint another person as his proxy in relation to his Appointed Number so that the provisions of these paragraphs shall apply (mutatis mutandis) in relation to such an appointment as though the Ordinary Shares represented by the Appointed Number were registered in the name of the Appointed Proxy and the appointment by the Appointed Proxy was made in accordance with Articles 56 through to Article 60.

138 Notices to Appointed Proxies

The Company may send an Appointed Proxy at his address as is shown in the Proxy Register all notices and other Documents which are sent to the Holders of Ordinary Shares.

139 Payment of dividends to Appointed Proxies

The Company may pay to an Appointed Proxy at his address as shown in the Proxy Register all dividends payable on the Ordinary Shares in respect of which he has been appointed as Appointed Proxy, and payment of any such dividend shall be a good discharge to the Company of its obligation to make payment to the Approved Depositary or its nominee in respect of the Ordinary Shares concerned.

140 Determination of entitlement of Appointed Proxies

140.1. For the purposes of determining which persons are entitled as Appointed Proxies:

(a) to exercise the rights conferred by Article 137;

(b) to receive notices and other Documents sent pursuant to Article 138; and

(c) to be paid dividends pursuant to Article 139,

and each Appointed Proxy's Appointed Number, the Approved Depositary may determine that the Appointed Proxies who are so entitled shall be the persons entered in the Proxy Register at the close of business on a date (an "**Appointed Proxy Record Date**") determined by the Approved Depositary in consultation with the Company.

140.2. When an Appointed Proxy Record Date is determined for a particular purpose:

(a) the number of Depositary Shares in respect of which a person entered in the Proxy Register as an Appointed Proxy is to be treated as having been appointed for that purpose shall be the number appearing against his name in the Proxy Register as at the close of business on the Appointed Proxy Record Date; and

(b) changes to entities in the Proxy Register after the close of business on the Appointed Proxy Record Date shall be disregarded in determining the entitlement of any person for the purpose concerned.

141 No interest in Shares

Except as required by law, no Appointed Proxy shall be recognised by the Company as holding any interest in Shares upon any trust and subject to the recognition of the rights conferred in relation to general meetings by appointments made by Appointed Proxies pursuant to Article 137(b) the Company shall be entitled to treat any person entered in the Proxy Register as an Appointed Proxy as the only person (other than the Approved Depositary) who has any interest in the Ordinary Shares in respect of which the Appointed Proxy has been appointed.

142 Questions as to validity to vote Depositary Shares

If any question shall arise as to whether any particular person or persons has or have been validly appointed to vote (or exercise any other right) in respect of any Depositary Shares (whether by reason of the aggregate number of Shares in respect of which appointments are recorded in the Proxy Register exceeding the aggregate number of Depositary Shares or for any other reason) such question shall if arising at or in relation to a general meeting be determined by the Chairman of the Meeting (and if arising in any other circumstances shall be determined by the Directors) whose determination (which may include declining to recognise a particular appointment or appointments as valid) shall if made in good faith be conclusive and binding on all persons interested.

Exhibit 4.1

DEPOSIT AGREEMENT

by and among

MEREO BIOPHARMA GROUP PLC

and

CITIBANK, N.A.,

as Depositary,

and

ALL HOLDERS AND BENEFICIAL OWNERS OF
AMERICAN DEPOSITARY SHARES
ISSUED HEREUNDER

Dated as of [DATE], 2018

TABLE OF CONTENTS

DEPOSIT AGREEMENT

DEPOSIT AGREEMENT, dated as of [DATE], 2018, by and among (i) Mereo BioPharma Group plc, a public limited company incorporated under the laws of England and Wales and its successors (the "Company"), (ii) CITIBANK, N.A., a national banking association organized under the laws of the United States of America ("Citibank") acting in its capacity as depositary, and any successor depositary hereunder (Citibank in such capacity, the "Depositary"), and (iii) all Holders and Beneficial Owners of American Depositary Shares issued hereunder (all such capitalized terms as hereinafter defined).

W I T N E S S E T H T H A T:

WHEREAS, the Company desires to establish with the Depositary an ADR facility to provide for the deposit of the Shares (as hereinafter defined) and the creation of American Depositary Shares representing the Shares so deposited and for the execution and Delivery (as hereinafter defined) of American Depositary Receipts (as hereinafter defined) evidencing such American Depositary Shares; and

WHEREAS, the Depositary is willing to act as the Depositary for such ADR facility upon the terms set forth in the Deposit Agreement (as hereinafter defined); and

WHEREAS, any American Depositary Receipts issued pursuant to the terms of the Deposit Agreement are to be substantially in the form of Exhibit A attached hereto, with appropriate insertions, modifications and omissions, as hereinafter provided in the Deposit Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

All capitalized terms used, but not otherwise defined, herein shall have the meanings set forth below, unless otherwise clearly indicated:

Section 1.1 "ADS Record Date" shall have the meaning given to such term in Section 4.9.

Section 1.2 "Affiliate" shall have the meaning assigned to such term by the Commission (as hereinafter defined) under Regulation C promulgated under the Securities Act (as hereinafter defined), or under any successor regulation thereto.

Section 1.3 "American Depositary Receipt(s)", "ADR(s)" and "Receipt(s)" shall mean the certificate(s) issued by the Depositary to evidence the American Depositary Shares issued under the terms of the Deposit Agreement in the form of Certificated ADS(s) (as hereinafter defined), as such ADRs may be amended from time to time in accordance with the provisions of the Deposit Agreement. An ADR may evidence any number of ADSs and may, in the case of ADSs held through a central depository such as DTC, be in the form of a "Balance Certificate."

Section 1.4 "American Depositary Share(s)" and "ADS(s)" shall mean the rights and interests in the Deposited Property (as hereinafter defined) granted to the Holders and Beneficial Owners pursuant to the terms and conditions of the Deposit Agreement and, if issued as Certificated ADS(s) (as hereinafter defined), the ADR(s) issued to evidence such ADSs. ADS(s) may be issued under the terms of the Deposit Agreement in the form of (a) Certificated ADS(s) (as hereinafter defined), in which case the ADS(s) are evidenced by ADR(s), or (b) Uncertificated ADS(s) (as hereinafter defined), in which case the ADS(s) are not evidenced by ADR(s) but are reflected on the direct registration system maintained by the Depositary for such purposes under the terms of Section 2.13. Unless otherwise specified in the Deposit Agreement or in any ADR, or unless the context otherwise requires, any reference to ADS(s) shall include Certificated ADS(s) and Uncertificated ADS(s), individually or collectively, as the context may require. Each ADS shall represent the right to receive, and to exercise the beneficial ownership interests in, the number of Shares specified in the form of ADR attached hereto as Exhibit A (as amended from time to time) that are on deposit with the Depositary and/or the Custodian, subject, in each case, to the terms and conditions of the Deposit Agreement and the applicable ADR (if issued as a Certificated ADS), until there shall occur a distribution upon Deposited Securities referred to in Section 4.2 or a change in Deposited Securities referred to in Section 4.11 with respect to which additional ADSs are not issued, and thereafter each ADS shall represent the right to receive, and to exercise the beneficial ownership interests in, the applicable Deposited Property on deposit with the Depositary and the Custodian determined in accordance with the terms of such Sections, subject, in each case, to the terms and conditions of the Deposit Agreement and the applicable ADR (if issued as a Certificated ADS). In addition, the ADS(s)-to-Share(s) ratio is subject to amendment as provided in Articles IV and VI of the Deposit Agreement (which may give rise to Depositary fees).

Section 1.5 "Applicant" shall have the meaning given to such term in Section 5.10.

Section 1.6 "Articles of Association" shall mean the Articles of Association of the Company, as amended and restated from time to time.

Section 1.7 "Beneficial Owner" shall mean, as to any ADS, any person or entity having a beneficial interest deriving from the ownership of such ADS. Notwithstanding anything else contained in the Deposit Agreement, any ADR(s) or any other instruments or agreements relating to the ADSs and the corresponding Deposited Property, the Depositary, the Custodian and their respective nominees are intended to be, and shall at all times during the term of the Deposit Agreement be, the record holders only of the Deposited Property represented by the ADSs for the benefit of the Holders and Beneficial Owners of the corresponding ADSs. The Depositary, on its own behalf and on behalf of the Custodian and their respective nominees, disclaims any beneficial ownership interest in the Deposited Property held on behalf of the Holders and Beneficial Owners of ADSs. The beneficial ownership interests in the Deposited Property are intended to be, and shall at all times during the term of the Deposit Agreement continue to be, vested in the Beneficial Owners of the ADSs representing the Deposited Property. The beneficial ownership interests in the Deposited Property shall, unless otherwise agreed by the Depositary, be exercisable by the Beneficial Owners of the ADSs only through the Holders of such ADSs, by the Holders of the ADSs (on behalf of the applicable Beneficial Owners) only through the Depositary, and by the Depositary (on behalf of the Holders and Beneficial Owners of the corresponding ADSs) directly, or indirectly through the Custodian or their respective nominees, in each case upon the terms of the Deposit Agreement and, if applicable, the terms of the ADR(s) evidencing the ADSs. A Beneficial Owner of ADSs may or may not be the Holder of such ADSs. A Beneficial Owner shall be able to exercise any right or receive any benefit hereunder solely through the person who is the Holder of the ADSs owned by such Beneficial Owner. Unless otherwise identified to the Depositary, a Holder shall be deemed to be the Beneficial Owner of all the ADSs registered in his/her/its name. The manner in which a Beneficial Owner holds ADSs (e.g., in a brokerage account vs. as registered holder) may affect the rights and obligations of, the manner in which, and the extent to which, services are made available to, Beneficial Owners pursuant to the terms of the Deposit Agreement.

Section 1.8 "Certificated ADS(s)" shall have the meaning set forth in Section 2.13.

Section 1.9 "Citibank" shall mean Citibank, N.A., a national banking association organized under the laws of the United States of America, and its successors.

Section 1.10 "Commission" shall mean the Securities and Exchange Commission of the United States or any successor governmental agency thereto in the United States.

Section 1.11 "Company" shall mean Mereo BioPharma Group plc, a public limited company incorporated under the laws of England and Wales, and its successors.

Section 1.12 "CREST" shall mean the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear UK & Ireland Limited in accordance with the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended from time to time, or any successor thereto.

Section 1.13 "Custodian" shall mean (i) as of the date hereof, Citibank N.A., London Branch, having its principal office at 25 Canada Square, Canary Wharf, London, E14 5LB, United Kingdom, as the custodian of Deposited Property for the purposes of the Deposit Agreement, (ii) Citibank, N.A., acting as custodian of Deposited Property pursuant to the Deposit Agreement, and (iii) any other entity that may be appointed by the Depositary pursuant to the terms of Section 5.5 as successor, substitute or additional custodian hereunder. The term "Custodian" shall mean any Custodian individually or all Custodians collectively, as the context requires.

Section 1.14 "Deliver" and "Delivery" shall mean (x) *when used in respect of Shares and other Deposited Securities*, either (i) the physical delivery of the certificate(s) representing such securities, or (ii) the book-entry transfer and recordation of such securities on the books of the Share Registrar (as hereinafter defined) or in the book-entry settlement of CREST, and (y) *when used in respect of ADSs*, either (i) the physical delivery of ADR(s) evidencing the ADSs, or (ii) the book-entry transfer and recordation of ADSs on the books of the Depositary or any book-entry settlement system in which the ADSs are settlement-eligible.

Section 1.15 "Deposit Agreement" shall mean this Deposit Agreement and all exhibits hereto, as the same may from time to time be amended and supplemented from time to time in accordance with the terms of the Deposit Agreement.

Section 1.16 "Depositary" shall mean Citibank, N.A., a national banking association organized under the laws of the United States, in its capacity as depositary under the terms of the Deposit Agreement, and any successor depositary hereunder.

Section 1.17 "Deposited Property" shall mean the Deposited Securities and any cash and other property held on deposit by the Depositary and the Custodian in respect of the ADSs under the terms of the Deposit Agreement, subject, in the case of cash, to the provisions of Section 4.8. All Deposited Property shall be held by the Custodian, the Depositary and their respective nominees for the benefit of the Holders and Beneficial Owners of the ADSs representing the Deposited Property. The Deposited Property is not intended to, and shall not, constitute proprietary assets of the Depositary, the Custodian or their nominees. Beneficial ownership in the Deposited Property is intended to be, and shall at all times during the term of the Deposit Agreement continue to be, vested in the Beneficial Owners of the ADSs representing the Deposited Property. Notwithstanding the foregoing, the collateral delivered in connection with Pre-Release Transactions described in Section 5.10 shall not constitute Deposited Property.

Section 1.18 "Deposited Securities" shall mean the Shares and any other securities held on deposit by the Custodian from time to time in respect of the ADSs under the Deposit Agreement and constituting Deposited Property.

Section 1.19 "Dollars" and "$" shall refer to the lawful currency of the United States.

Section 1.20 "DTC" shall mean The Depository Trust Company, a national clearinghouse and the central book-entry settlement system for securities traded in the United States and, as such, the custodian for the securities of DTC Participants (as hereinafter defined) maintained in DTC, and any successor thereto.

Section 1.21 "DTC Participant" shall mean any financial institution (or any nominee of such institution) having one or more participant accounts with DTC for receiving, holding and delivering the securities and cash held in DTC. A DTC Participant may or may not be a Beneficial Owner. If a DTC Participant is not the Beneficial Owner of the ADSs credited to its account at DTC, or of the ADSs in respect of which the DTC Participant is otherwise acting, such DTC Participant shall be deemed, for all purposes hereunder, to have all requisite authority to act on behalf of the Beneficial Owner(s) of the ADSs credited to its account at DTC or in respect of which the DTC Participant is so acting. A DTC Participant, upon acceptance in any one of its DTC accounts of any ADSs (or any interest therein) issued in accordance with the terms and conditions of the Deposit Agreement, shall (notwithstanding any explicit or implicit disclosure that it may be acting on behalf of another party) be deemed for all purposes to be a party to, and bound by, the terms of the Deposit Agreement and the applicable ADR(s) to the same extent as, and as if the DTC Participant were, the Holder of such ADSs.

Section 1.22 "Exchange Act" shall mean the United States Securities Exchange Act of 1934, as amended from time to time.

Section 1.23 "Foreign Currency" shall mean any currency other than Dollars.

Section 1.24 "Full Entitlement ADR(s)", "Full Entitlement ADS(s)" and "Full Entitlement Share(s)" shall have the respective meanings set forth in Section 2.12.

Section 1.25 "Holder(s)" shall mean the person(s) in whose name the ADSs are registered on the books of the Depositary (or the Registrar, if any) maintained for such purpose. A Holder may or may not be a Beneficial Owner. If a Holder is not the Beneficial Owner of the ADS(s) registered in its name, such person shall be deemed, for all purposes hereunder, to have all requisite authority to act on behalf of the Beneficial Owners of the ADSs registered in its name. The manner in which a Holder holds ADSs (e.g., in certificated vs. uncertificated form) may affect the rights and obligations of, and the manner in which the services are made available to, Holders pursuant to the terms of the Deposit Agreement.

Section 1.26 "Partial Entitlement ADR(s)", "Partial Entitlement ADS(s)" and "Partial Entitlement Share(s)" shall have the respective meanings set forth in Section 2.12.

Section 1.27 "Pounds", "Pence" and "£" shall refer to the lawful currency of England.

Section 1.28 "Pre-Release Transaction" shall have the meaning set forth in Section 5.10.

Section 1.29 "Principal Office" shall mean, when used with respect to the Depositary, the principal office of the Depositary at which at any particular time its depositary receipts business shall be administered, which, at the date of the Deposit Agreement, is located at 388 Greenwich Street, New York, New York 10013, U.S.A.

Section 1.30 "Registrar" shall mean the Depositary or any bank or trust company having an office in the Borough of Manhattan, The City of New York, which shall be appointed by the Depositary to register issuances, transfers and cancellations of ADSs as herein provided, and shall include any co-registrar appointed by the Depositary for such purposes. Registrars (other than the Depositary) may be removed and substitutes appointed by the Depositary. Each Registrar (other than the Depositary) appointed pursuant to the Deposit Agreement shall be required to give notice in writing to the Depositary accepting such appointment and agreeing to be bound by the applicable terms of the Deposit Agreement.

Section 1.31 "Restricted Securities" shall mean Shares, Deposited Securities or ADSs which (i) have been acquired directly or indirectly from the Company or any of its Affiliates in a transaction or chain of transactions not involving any public offering and are subject to resale limitations under the Securities Act or the rules issued thereunder, or (ii) are held by an executive officer or director (or persons performing similar functions) or other Affiliate of the Company, or (iii) are subject to other restrictions on sale or deposit under the laws of the United States, England and Wales, or under a shareholder agreement or the Articles of Association of the Company or under the regulations of an applicable securities exchange unless, in each case, such Shares, Deposited Securities or ADSs are being transferred or sold to persons other than an Affiliate of the Company in a transaction (a) covered by an effective resale registration statement, or (b) exempt from the registration requirements of the Securities Act (as hereinafter defined), and the Shares, Deposited Securities or ADSs are not, when held by such person(s), Restricted Securities.

Section 1.32 "Restricted ADR(s)", "Restricted ADS(s)" and "Restricted Shares" shall have the respective meanings set forth in Section 2.14.

Section 1.33 "Securities Act" shall mean the United States Securities Act of 1933, as amended from time to time.

Section 1.34 "Share Registrar" shall mean Link Asset Services (UK) Limited, a company registered in England and Wales under company number 03376447 and whose registered office is at 6th Floor, 65 Gresham Street, London, United Kingdom, EC2V 7NQ or any other institution organized under the laws of England and Wales appointed by the Company from time to time to carry out the duties of registrar for the Shares, and any successor thereto.

Section 1.35 "Shares" shall mean the Company's ordinary shares, nominal value £0.003 per share, validly issued and outstanding and fully paid and may, if the Depositary so agrees after consultation with the Company, include evidence of the right to receive Shares; provided that in no event shall Shares include evidence of the right to receive Shares with respect to which the full purchase price has not been paid or Shares as to which preemptive rights have theretofore not been validly waived, disapplied or exercised; provided further, however, that, if there shall occur any change in nominal value, split-up, consolidation, reclassification, exchange, conversion or any other event described in Section 4.11 in respect of the Shares of the Company, the term "Shares" shall thereafter, to the maximum extent permitted by law, represent the successor securities resulting from such event.

Section 1.36 "Uncertificated ADS(s)" shall have the meaning set forth in Section 2.13.

Section 1.37 "United States" and "U.S." shall have the meaning assigned to it in Regulation S as promulgated by the Commission under the Securities Act.

ARTICLE II

APPOINTMENT OF DEPOSITARY; FORM OF RECEIPTS; DEPOSIT OF SHARES; EXECUTION AND DELIVERY, TRANSFER AND SURRENDER OF RECEIPTS

Section 2.1 Appointment of Depositary. The Company hereby appoints the Depositary as depositary for the Deposited Property and hereby authorizes and directs the Depositary to act in accordance with the terms and conditions set forth in the Deposit Agreement and the applicable ADRs. Each Holder and each Beneficial Owner, upon acceptance of any ADSs (or any interest therein) issued in accordance with the terms and conditions of the Deposit Agreement shall be deemed for all purposes to (a) be a party to and bound by the terms of the Deposit Agreement and the applicable ADR(s), and (b) appoint the Depositary its attorney-in-fact, with full power to delegate, to act on its behalf and to take any and all actions contemplated in the Deposit Agreement and the applicable ADR(s), to adopt any and all procedures necessary to comply with applicable law and to take such action as the Depositary in its sole discretion may deem necessary or appropriate to carry out the purposes of the Deposit Agreement and the applicable ADR(s), the taking of such actions to be the conclusive determinant of the necessity and appropriateness thereof.

Section 2.2 Form and Transferability of ADSs.

(a) Form. Certificated ADSs shall be evidenced by definitive ADRs which shall be engraved, printed, lithographed or produced in such other manner as may be agreed upon by the Company and the Depositary. ADRs may be issued under the Deposit Agreement in denominations of any whole number of ADSs. The ADRs shall be substantially in the form set forth in Exhibit A to the Deposit Agreement, with any appropriate insertions, modifications and omissions, in each case as otherwise contemplated in the Deposit Agreement or required by law. ADRs shall be (i) dated, (ii) signed by the manual or facsimile signature of a duly authorized signatory of the Depositary, (iii) countersigned by the manual or facsimile signature of a duly authorized signatory of the Registrar, and (iv) registered in the books maintained by the Registrar for the registration of issuances and transfers of ADSs. No ADR and no Certificated ADS evidenced thereby shall be entitled to any benefits under the Deposit Agreement or be valid or enforceable for any purpose against the Depositary or the Company, unless such ADR shall have been so dated, signed, countersigned and registered. ADRs bearing the facsimile signature of a duly-authorized signatory of the Depositary or the Registrar, who at the time of signature was a duly-authorized signatory of the Depositary or the Registrar, as the case may be, shall bind the Depositary, notwithstanding the fact that such signatory has ceased to be so authorized prior to the Delivery of such ADR by the Depositary. The ADRs shall bear a CUSIP number that is different from any CUSIP number that was, is or may be assigned to any depositary receipts previously or subsequently issued pursuant to any other arrangement between the Depositary (or any other depositary) and the Company and which are not ADRs outstanding hereunder.

(b) Legends. The ADRs may be endorsed with, or have incorporated in the text thereof, such legends or recitals not inconsistent with the provisions of the Deposit Agreement as may be (i) necessary to enable the Depositary and the Company to perform their respective obligations hereunder, (ii) required to comply with any applicable laws or regulations, or with the rules and regulations of any securities exchange or market upon which ADSs may be traded, listed or quoted, or to conform with any usage with respect thereto, (iii) necessary to indicate any special limitations or restrictions to which any particular ADRs or ADSs are subject by reason of the date of issuance of the Deposited Securities or otherwise, or (iv) required by any book-entry system in which the ADSs are held. Holders and Beneficial Owners shall be deemed, for all purposes, to have notice of, and to be bound by, the terms and conditions of the legends set forth, in the case of Holders, on the ADR registered in the name of the applicable Holders or, in the case of Beneficial Owners, on the ADR representing the ADSs owned by such Beneficial Owners.

(c) Title. Subject to the limitations contained herein and in the ADR, title to an ADR (and to each Certificated ADS evidenced thereby) shall be transferable upon the same terms as a certificated security under the laws of the State of New York, provided that, in the case of Certificated ADSs, such ADR has been properly endorsed or is accompanied by proper instruments of transfer. Notwithstanding any notice to the contrary, the Depositary and the Company may deem and treat the Holder of an ADS (that is, the person in whose name an ADS is registered on the books of the Depositary) as the absolute owner thereof for all purposes. Neither the Depositary nor the Company shall have any obligation nor be subject to any liability under the Deposit Agreement or any ADR to any holder or any Beneficial Owner unless, in the case of a holder of ADSs, such holder is the Holder registered on the books of the Depositary or, in the case of a Beneficial Owner, such Beneficial Owner, or the Beneficial Owner's representative, is the Holder registered on the books of the Depositary.

(d) Book-Entry Systems. The Depositary shall make arrangements for the acceptance of the ADSs into DTC. All ADSs held through DTC will be registered in the name of the nominee for DTC (currently "Cede & Co."). As such, the nominee for DTC will be the only "Holder" of all ADSs held through DTC. Unless issued by the Depositary as Uncertificated ADSs, the ADSs registered in the name of Cede & Co. will be evidenced by one or more ADR(s) in the form of a "Balance Certificate," which will provide that it represents the aggregate number of ADSs from time to time indicated in the records of the Depositary as being issued hereunder and that the aggregate number of ADSs represented thereby may from time to time be increased or decreased by making adjustments on such records of the Depositary and of DTC or its nominee as hereinafter provided. Citibank, N.A. (or such other entity as is appointed by DTC or its nominee) may hold the "Balance Certificate" as custodian for DTC. Each Beneficial Owner of ADSs held through DTC must rely upon the procedures of DTC and the DTC Participants to exercise or be entitled to any rights attributable to such ADSs. The DTC Participants shall for all purposes be deemed to have all requisite power and authority to act on behalf of the Beneficial Owners of the ADSs held in the DTC Participants' respective accounts in DTC and the Depositary shall for all purposes be authorized to rely upon any instructions and information given to it by DTC Participants. So long as ADSs are held through DTC or unless otherwise required by law, ownership of beneficial interests in the ADSs registered in the name of the nominee for DTC will be shown on, and transfers of such ownership will be effected only through, records maintained by (i) DTC or its nominee (with respect to the interests of DTC Participants), or (ii) DTC Participants or their nominees (with respect to the interests of clients of DTC Participants). Any distributions made, and any notices given, by the Depositary to DTC under the terms of the Deposit Agreement shall (unless otherwise specified by the Depositary) satisfy the Depositary's obligations under the Deposit Agreement to make such distributions, and give such notices, in respect of the ADSs held in DTC (including, for avoidance of doubt, to the DTC Participants holding the ADSs in their DTC accounts and to the Beneficial Owners of such ADSs).

Section 2.3 Deposit of Shares. Subject to the terms and conditions of the Deposit Agreement and applicable law, Shares or evidence of rights to receive Shares (other than Restricted Securities) may be deposited by any person (including the Depositary in its individual capacity but subject, however, in the case of the Company or any Affiliate of the Company, to Section 5.7) at any time, whether or not the transfer books of the Company or the Share Registrar, if any, are closed, by Delivery of the Shares to the Custodian. Every deposit of Shares shall be accompanied by the following: (A) (i) *in the case of Shares represented by certificates issued in registered form*, appropriate instruments of transfer or endorsement, in a form satisfactory to the Custodian, (ii) i*n the case of Shares represented by certificates in bearer form*, the requisite coupons and talons pertaining thereto, and (iii) *in the case of Shares delivered by book-entry transfer and recordation*, confirmation of such book-entry transfer and recordation in the books of the Share Registrar or of CREST, as applicable, to the Custodian or that irrevocable instructions have been given to cause such Shares to be so transferred and recorded, (B) such certifications and payments (including, without limitation, the Depositary's fees and related charges) and evidence of such payments (including, without limitation, stamping or otherwise marking such Shares by way of receipt) as may be required by the Depositary or the Custodian in accordance with the provisions of the Deposit Agreement and applicable law, (C) if the Depositary so requires, a written order directing the Depositary to issue and deliver to, or upon the written order of, the person(s) stated in such order the number of ADSs representing the Shares so deposited, (D) evidence satisfactory to the Depositary (which may be an opinion of counsel) that all necessary approvals have been granted by, or there has been compliance with the rules and regulations of, any applicable governmental agency in England and Wales, and (E) if the Depositary so requires, (i) an agreement, assignment or instrument satisfactory to the Depositary or the Custodian which provides for the prompt transfer by any person in whose name the Shares are or have been recorded to the Custodian of any distribution, or right to subscribe for additional Shares or to receive other property in respect of any such deposited Shares or, in lieu thereof, such indemnity or other agreement as shall be satisfactory to the Depositary or the Custodian and (ii) if the Shares are registered in the name of the person on whose behalf they are presented for deposit, a proxy or proxies entitling the Custodian to exercise voting rights in respect of the Shares for any and all purposes until the Shares so deposited are registered in the name of the Depositary, the Custodian or any nominee.

Without limiting any other provision of the Deposit Agreement, the Depositary shall instruct the Custodian not to, and the Depositary shall not knowingly, accept for deposit (a) any Restricted Securities, except as contemplated by Section 2.14 nor (b) any fractional Shares or fractional Deposited Securities nor (c) a number of Shares or Deposited Securities which upon application of the ADS to Shares ratio would give rise to fractional ADSs. No Shares shall be accepted for deposit unless accompanied by evidence, if any is required by the Depositary, that is reasonably satisfactory to the Depositary or the Custodian that all conditions to such deposit have been satisfied by the person depositing such Shares under the laws and regulations of England and Wales and any necessary approval has been granted by any applicable governmental body in England and Wales, if any. The Depositary may issue ADSs against evidence of rights to receive Shares from the Company, any agent of the Company or any custodian, registrar, transfer agent, clearing agency or other entity involved in ownership or transaction records in respect of the Shares. Such evidence of rights shall consist of written blanket or specific guarantees of ownership of Shares furnished by the Company or any such custodian, registrar, transfer agent, clearing agency or other entity involved in ownership or transaction records in respect of the Shares.

Without limitation of the foregoing, the Depositary shall not knowingly accept for deposit under the Deposit Agreement (A) any Shares or other securities required to be registered under the provisions of the Securities Act, unless (i) a registration statement is in effect as to such Shares or other securities or (ii) the deposit is made upon terms contemplated in Section 2.14, or (B) any Shares or other securities the deposit of which would violate any provisions of the Articles of Association of the Company. For purposes of the foregoing sentence, the Depositary shall be entitled to rely upon representations and warranties made or deemed made pursuant to the Deposit Agreement and shall not be required to make any further investigation. The Depositary will comply with written instructions of the Company (received by the Depositary reasonably in advance) not to accept for deposit hereunder any Shares identified in such instructions at such times and under such circumstances as may reasonably be specified in such instructions in order to facilitate the Company's compliance with the securities laws of the United States.

Section 2.4 Registration and Safekeeping of Deposited Securities. The Depositary shall instruct the Custodian upon each Delivery of registered Shares being deposited hereunder with the Custodian (or other Deposited Securities pursuant to Article IV hereof), together with the other documents above specified, to present such Shares, together with the appropriate instrument(s) of transfer or endorsement, duly stamped, to the Share Registrar for transfer and registration of the Shares (as soon as transfer and registration can be accomplished and at the expense of the person for whom the deposit is made) in the name of the Depositary, the Custodian or a nominee of either. Deposited Securities shall be held by the Depositary, or by a Custodian for the account and to the order of the Depositary or a nominee of the Depositary, in each case, on behalf of the Holders and Beneficial Owners, at such place(s) as the Depositary or the Custodian shall determine. Notwithstanding anything else contained in the Deposit Agreement, any ADR(s), or any other instruments or agreements relating to the ADSs and the corresponding Deposited Property, the registration of the Deposited Securities in the name of the Depositary, the Custodian or any of their respective nominees, shall, to the maximum extent permitted by applicable law, vest in the Depositary, the Custodian or the applicable nominee the record ownership in the applicable Deposited Securities with the beneficial ownership rights and interests in such Deposited Securities being at all times vested with the Beneficial Owners of the ADSs representing the Deposited Securities. Notwithstanding the foregoing, the Depositary, the Custodian and the applicable nominee shall at all times be entitled to exercise the beneficial ownership rights in all Deposited Property, in each case only on behalf of the Holders and Beneficial Owners of the ADSs representing the Deposited Property, upon the terms set forth in the Deposit Agreement and, if applicable, the ADR(s) representing the ADSs. The Depositary, the Custodian and their respective nominees shall for all purposes be deemed to have all requisite power and authority to act in respect of Deposited Property on behalf of the Holders and Beneficial Owners of ADSs representing the Deposited Property, and upon making payments to, or acting upon instructions from, or information provided by, the Depositary, the Custodian or their respective nominees all persons shall be authorized to rely upon such power and authority.

Section 2.5 Issuance of ADSs. The Depositary has made arrangements with the Custodian for the Custodian to confirm to the Depositary upon receipt of a deposit of Shares (i) that a deposit of Shares has been made pursuant to Section 2.3, (ii) that such Deposited Securities have been recorded in the name of the Depositary, the Custodian or a nominee of either on the shareholders' register maintained by or on behalf of the Company by the Share Registrar on the books of CREST, (iii) that all required documents have been received, and (iv) the person(s) to whom or upon whose order ADSs are deliverable in respect thereof and the number of ADSs to be so delivered. Such notification may be made by letter, cable, telex, SWIFT message or, at the risk and expense of the person making the deposit, by facsimile or other means of electronic transmission. Upon receiving such notice from the Custodian, the Depositary, subject to the terms and conditions of the Deposit Agreement and applicable law, shall issue the ADSs representing the Shares so deposited to or upon the order of the person(s) named in the notice delivered to the Depositary and, if applicable, shall execute and deliver at its Principal Office Receipt(s) registered in the name(s) requested by such person(s) and evidencing the aggregate number of ADSs to which such person(s) are entitled, but, in each case, only upon payment to the Depositary of the charges of the Depositary for accepting a deposit of Shares and issuing ADSs (as set forth in Section 5.9 and Exhibit B hereto) and all taxes and governmental charges and fees payable in connection with such deposit and the transfer of the Shares and the issuance of the ADS(s). The Depositary shall only issue ADSs in whole numbers and deliver, if applicable, ADR(s) evidencing whole numbers of ADSs. Nothing herein shall prohibit any Pre-Release Transaction upon the terms set forth in the Deposit Agreement.

Section 2.6 Transfer, Combination and Split-up of ADRs.

(a) Transfer. The Registrar shall register the transfer of ADRs (and of the ADSs represented thereby) on the books maintained for such purpose and the Depositary shall (x) cancel such ADRs and execute new ADRs evidencing the same aggregate number of ADSs as those evidenced by the ADRs canceled by the Depositary, (y) cause the Registrar to countersign such new ADRs and (z) Deliver such new ADRs to or upon the order of the person entitled thereto, if each of the following conditions has been satisfied: (i) the ADRs have been duly Delivered by the Holder (or by a duly authorized attorney of the Holder) to the Depositary at its Principal Office for the purpose of effecting a transfer thereof, (ii) the surrendered ADRs have been properly endorsed or are accompanied by proper instruments of transfer (including signature guarantees in accordance with standard securities industry practice), (iii) the surrendered ADRs have been duly stamped (if required by the laws of the State of New York or of the United States), and (iv) all applicable fees and charges of, and expenses incurred by, the Depositary and all applicable taxes and governmental charges (as are set forth in Section 5.9 and Exhibit B hereto) have been paid, *subject, however, in each case*, to the terms and conditions of the applicable ADRs, of the Deposit Agreement and of applicable law, in each case as in effect at the time thereof.

(b) Combination & Split-Up. The Registrar shall register the split-up or combination of ADRs (and of the ADSs represented thereby) on the books maintained for such purpose and the Depositary shall (x) cancel such ADRs and execute new ADRs for the number of ADSs requested, but in the aggregate not exceeding the number of ADSs evidenced by the ADRs canceled by the Depositary, (y) cause the Registrar to countersign such new ADRs and (z) Deliver such new ADRs to or upon the order of the Holder thereof, if each of the following conditions has been satisfied: (i) the ADRs have been duly Delivered by the Holder (or by a duly authorized attorney of the Holder) to the Depositary at its Principal Office for the purpose of effecting a split-up or combination thereof, and (ii) all applicable fees and charges of, and expenses incurred by, the Depositary and all applicable taxes and governmental charges (as are set forth in Section 5.9 and Exhibit B hereto) have been paid, *subject, however, in each case*, to the terms and conditions of the applicable ADRs, of the Deposit Agreement and of applicable law, in each case as in effect at the time thereof.

Section 2.7 Surrender of ADSs and Withdrawal of Deposited Securities.

The Holder of ADSs shall be entitled to Delivery (at the Custodian's designated office) of the Deposited Securities at the time represented by the ADSs upon satisfaction of each of the following conditions: (i) the Holder (or a duly-authorized attorney of the Holder) has duly Delivered ADSs to the Depositary at its Principal Office (and if applicable, the ADRs evidencing such ADSs) for the purpose of withdrawal of the Deposited Securities represented thereby, (ii) if applicable and so required by the Depositary, the ADRs Delivered to the Depositary for such purpose have been properly endorsed in blank or are accompanied by proper instruments of transfer in blank (including signature guarantees in accordance with standard securities industry practice), (iii) if so required by the Depositary, the Holder of the ADSs has executed and delivered to the Depositary a written order directing the Depositary to cause the Deposited Securities being withdrawn to be Delivered to or upon the written order of the person(s) designated in such order, and (iv) all applicable fees and charges of, and expenses incurred by, the Depositary and all applicable taxes and governmental charges (as are set forth in Section 5.9 and Exhibit B) have been paid, *subject, however, in each case*, to the terms and conditions of the ADRs evidencing the surrendered ADSs, of the Deposit Agreement, of the Company's Articles of Association and of any applicable laws and the rules of CREST, and to any provisions of or governing the Deposited Securities, in each case as in effect at the time thereof. Upon satisfaction of each of the conditions specified above, the Depositary (i) shall cancel the ADSs Delivered to it (and, if applicable, the ADR(s) evidencing the ADSs so Delivered), (ii) shall direct the Registrar to record the cancellation of the ADSs so Delivered on the books maintained for such purpose, and (iii) shall direct the Custodian to Deliver, or cause the Delivery of, in each case, without unreasonable delay, the Deposited Securities represented by the ADSs so canceled together with any certificate or other document of title for the Deposited Securities, or evidence of the electronic transfer thereof (if available), as the case may be, to or upon the written order of the person(s) designated in the order delivered to the Depositary for such purpose, *subject however*, *in each case*, to the terms and conditions of the Deposit Agreement, of the ADRs evidencing the ADSs so canceled, of the Articles of Association of the Company, of any applicable laws and of the rules of CREST, and to the terms and conditions of or governing the Deposited Securities, in each case as in effect at the time thereof. The Depositary shall not accept for surrender ADSs representing less than one (1) Share. In the case of Delivery to it of ADSs representing a number other than a whole number of Shares, the Depositary shall cause ownership of the appropriate whole number of Shares to be Delivered in accordance with the terms hereof, and shall, at the discretion of the Depositary, either (i) return to the person surrendering such ADSs the number of ADSs representing any remaining fractional Share, or (ii) sell or cause to be sold the fractional Share represented by the ADSs so surrendered and remit the proceeds of such sale (net of (a) applicable fees and charges of, and expenses incurred by, the Depositary and (b) applicable taxes withheld) to the person surrendering the ADSs.

Notwithstanding anything else contained in any ADR or the Deposit Agreement, the Depositary may make delivery at the Principal Office of the Depositary of Deposited Property consisting of (i) any cash dividends or cash distributions, or (ii) any proceeds from the sale of any non-cash distributions, which are at the time held by the Depositary in respect of the Deposited Securities represented by the ADSs surrendered for cancellation and withdrawal. At the request, risk and expense of any Holder so surrendering ADSs, and for the account of such Holder, the Depositary shall direct the Custodian to forward (to the extent permitted by law) any Deposited Property (other than Deposited Securities) held by the Custodian in respect of such ADSs to the Depositary for delivery at the Principal Office of the Depositary. Such direction shall be given by letter or, at the request, risk and expense of such Holder, by cable, telex or facsimile transmission.

Section 2.8 Limitations on Execution and Delivery, Transfer, etc. of ADSs; Suspension of Delivery, Transfer, etc.

(a) Additional Requirements. As a condition precedent to the execution and Delivery, the registration of issuance, transfer, split-up, combination or surrender, of any ADS, the delivery of any distribution thereon, or the withdrawal of any Deposited Property, the Depositary or the Custodian may require (i) payment from the depositor of Shares or presenter of ADSs or of an ADR of a sum sufficient to reimburse it for any tax or other governmental charge and any stock transfer or registration fee with respect thereto (including any such tax or charge and fee with respect to Shares being deposited or withdrawn) and payment of any applicable fees and charges of the Depositary as provided in Section 5.9 and Exhibit B, (ii) the production of proof satisfactory to it as to the identity and genuineness of any signature or any other matter contemplated by Section 3.1, and (iii) compliance with (A) any laws or governmental regulations relating to the execution and Delivery of ADRs or ADSs or to the withdrawal of Deposited Securities and (B) such reasonable regulations as the Depositary and the Company may establish consistent with the provisions of the representative ADR, if applicable, the Deposit Agreement and applicable law.

(b) Additional Limitations. The issuance of ADSs against deposits of Shares generally or against deposits of particular Shares may be suspended, or the deposit of particular Shares may be refused, or the registration of transfer of ADSs in particular instances may be refused, or the registration of transfers of ADSs generally may be suspended, during any period when the transfer books of the Company, the Depositary, a Registrar or the Share Registrar are closed or if any such action is deemed necessary or advisable by the Depositary or the Company, in good faith, at any time or from time to time because of any requirement of law or regulation, any government or governmental body or commission or any securities exchange on which the ADSs or Shares are listed, or under any provision of the Deposit Agreement or the representative ADR(s), if applicable, or under any provision of, or governing, the Deposited Securities, or because of a meeting of shareholders of the Company or for any other reason, subject, in all cases, to Section 7.8.

(c) Regulatory Restrictions. Notwithstanding any provision of the Deposit Agreement or any ADR(s) to the contrary, Holders are entitled to surrender outstanding ADSs to withdraw the Deposited Securities associated herewith at any time subject only to (i) temporary delays caused by closing the transfer books of the Depositary or the Company or the deposit of Shares in connection with voting at a shareholders' meeting or the payment of dividends, (ii) the payment of fees, taxes and similar charges, (iii) compliance with any U.S. or foreign laws or governmental regulations relating to the ADSs or to the withdrawal of the Deposited Securities, and (iv) other circumstances specifically contemplated by Instruction I.A.(l) of the General Instructions to Form F-6 (as such General Instructions may be amended from time to time).

Section 2.9 Lost ADRs, etc. In case any ADR shall be mutilated, destroyed, lost, or stolen, the Depositary shall execute and deliver a new ADR of like tenor at the expense of the Holder (a) *in the case of a mutilated ADR*, in exchange of and substitution for such mutilated ADR upon cancellation thereof, or (b) *in the case of a destroyed, lost or stolen ADR*, in lieu of and in substitution for such destroyed, lost, or stolen ADR, after the Holder thereof (i) has submitted to the Depositary a written request for such exchange and substitution before the Depositary has notice that the ADR has been acquired by a bona fide purchaser, (ii) has provided such security or indemnity (including an indemnity bond) as may be required by the Depositary to save it and any of its agents harmless, and (iii) has satisfied any other reasonable requirements imposed by the Depositary, including, without limitation, evidence satisfactory to the Depositary of such destruction, loss or theft of such ADR, the authenticity thereof and the Holder's ownership thereof.

Section 2.10 Cancellation and Destruction of Surrendered ADRs; Maintenance of Records. All ADRs surrendered to the Depositary shall be canceled by the Depositary. Canceled ADRs shall not be entitled to any benefits under the Deposit Agreement or be valid or enforceable against the Depositary for any purpose. The Depositary is authorized to destroy ADRs so canceled, provided the Depositary maintains a record of all destroyed ADRs. Any ADSs held in book-entry form (e.g., through accounts at DTC) shall be deemed canceled when the Depositary causes the number of ADSs evidenced by the Balance Certificate to be reduced by the number of ADSs surrendered (without the need to physically destroy the Balance Certificate).

Section 2.11 Escheatment.

In the event any unclaimed property relating to the ADSs, for any reason, is in the possession of Depositary and has not been claimed by the Holder thereof or cannot be delivered to the Holder thereof through usual channels, the Depositary shall, upon expiration of any applicable statutory period relating to abandoned property laws, escheat such unclaimed property to the relevant authorities in accordance with the laws of each of the relevant States of the United States.

Section 2.12 Partial Entitlement ADSs. In the event any Shares are deposited which (i) entitle the holders thereof to receive a per-share distribution or other entitlement in an amount different from the Shares then on deposit or (ii) are not fully fungible (including, without limitation, as to settlement or trading) with the Shares then on deposit (the Shares then on deposit collectively, "Full Entitlement Shares" and the Shares with different entitlement, "Partial Entitlement Shares"), the Depositary shall (i) cause the Custodian to hold Partial Entitlement Shares separate and distinct from Full Entitlement Shares, and (ii) subject to the terms of the Deposit Agreement, issue ADSs representing Partial Entitlement Shares which are separate and distinct from the ADSs representing Full Entitlement Shares, by means of separate CUSIP numbering and legending (if necessary) and, if applicable, by issuing ADRs evidencing such ADSs with applicable notations thereon ("Partial Entitlement ADSs/ADRs" and "Full Entitlement ADSs/ADRs", respectively). If and when Partial Entitlement Shares become Full Entitlement Shares, the Depositary shall (a) give notice thereof to Holders of Partial Entitlement ADSs and give Holders of Partial Entitlement ADRs the opportunity to exchange such Partial Entitlement ADRs for Full Entitlement ADRs, (b) cause the Custodian to transfer the Partial Entitlement Shares into the account of the Full Entitlement Shares, and (c) take such actions as are necessary to remove the distinctions between (i) the Partial Entitlement ADRs and ADSs, on the one hand, and (ii) the Full Entitlement ADRs and ADSs on the other. Holders and Beneficial Owners of Partial Entitlement ADSs shall only be entitled to the entitlements of Partial Entitlement Shares. Holders and Beneficial Owners of Full Entitlement ADSs shall be entitled only to the entitlements of Full Entitlement Shares. All provisions and conditions of the Deposit Agreement shall apply to Partial Entitlement ADRs and ADSs to the same extent as Full Entitlement ADRs and ADSs, except as contemplated by this Section 2.12. The Depositary is authorized to take any and all other actions as may be necessary (including, without limitation, making the necessary notations on ADRs) to give effect to the terms of this Section 2.12. The Company agrees to give timely written notice to the Depositary if any Shares issued or to be issued are Partial Entitlement Shares and shall assist the Depositary with the establishment of procedures enabling the identification of Partial Entitlement Shares upon Delivery to the Custodian.

Section 2.13 Certificated/Uncertificated ADSs. Notwithstanding any other provision of the Deposit Agreement, the Depositary may, at any time and from time to time, issue ADSs that are not evidenced by ADRs (such ADSs, the "Uncertificated ADS(s)" and the ADS(s) evidenced by ADR(s), the "Certificated ADS(s)"). When issuing and maintaining Uncertificated ADS(s) under the Deposit Agreement, the Depositary shall at all times be subject to (i) the standards applicable to registrars and transfer agents maintaining direct registration systems for equity securities in New York and issuing uncertificated securities under New York law, and (ii) the terms of New York law applicable to uncertificated equity securities. Uncertificated ADSs shall not be represented by any instruments but shall be evidenced by registration in the books of the Depositary maintained for such purpose. Holders of Uncertificated ADSs, that are not subject to any registered pledges, liens, restrictions or adverse claims of which the Depositary has notice at such time, shall at all times have the right to exchange the Uncertificated ADS(s) for Certificated ADS(s) of the same type and class, subject in each case to (x) applicable laws and any rules and regulations the Depositary may have established in respect of the Uncertificated ADSs, and (y) the continued availability of Certificated ADSs in the U.S. Holders of Certificated ADSs shall, if the Depositary maintains a direct registration system for the ADSs, have the right to exchange the Certificated ADSs for Uncertificated ADSs upon (i) the due surrender of the Certificated ADS(s) to the Depositary for such purpose and (ii) the presentation of a written request to that effect to the Depositary, subject in each case to (a) all liens and restrictions noted on the ADR evidencing the Certificated ADS(s) and all adverse claims of which the Depositary then has notice, (b) the terms of the Deposit Agreement and the rules and regulations that the Depositary may establish for such purposes hereunder, (c) applicable law, and (d) payment of the Depositary fees and expenses applicable to such exchange of Certificated ADS(s) for Uncertificated ADS(s). Uncertificated ADSs shall in all material respects be identical to Certificated ADS(s) of the same type and class, except that (i) no ADR(s) shall be, or shall need to be, issued to evidence Uncertificated ADS(s), (ii) Uncertificated ADS(s) shall, subject to the terms of the Deposit Agreement, be transferable upon the same terms and conditions as uncertificated securities under New York law, (iii) the ownership of Uncertificated ADS(s) shall be recorded on the books of the Depositary maintained for such purpose and evidence of such ownership shall be reflected in periodic statements provided by the Depositary to the Holder(s) in accordance with applicable New York law, (iv) the Depositary may from time to time, upon notice to the Holders of Uncertificated ADSs affected thereby, establish rules and regulations, and amend or supplement existing rules and regulations, as may be deemed reasonably necessary to maintain Uncertificated ADS(s) on behalf of Holders, provided that (a) such rules and regulations do not conflict with the terms of the Deposit Agreement and applicable law, and (b) the terms of such rules and regulations are readily available to Holders upon request, (v) the Uncertificated ADS(s) shall not be entitled to any benefits under the Deposit Agreement or be valid or enforceable for any purpose against the Depositary or the Company unless such Uncertificated ADS(s) is/are registered on the books of the Depositary maintained for such purpose, (vi) the Depositary may, in connection with any deposit of Shares resulting in the issuance of Uncertificated ADSs and with any transfer, pledge, release and cancellation of Uncertificated ADSs, require the prior receipt of such documentation as the Depositary may deem reasonably appropriate, and (vii) upon termination of the Deposit Agreement, the Depositary shall not require Holders of Uncertificated ADSs to affirmatively instruct the Depositary before remitting proceeds from the sale of the Deposited Property represented by such Holders' Uncertificated ADSs under the terms of Section 6.2 of the Deposit Agreement. When issuing ADSs under the terms of the Deposit Agreement, including, without limitation, issuances pursuant to Sections 2.5, 4.2, 4.3, 4.4, 4.5 and 4.11, the Depositary may in its discretion determine to issue Uncertificated ADSs rather than Certificated ADSs, unless otherwise specifically instructed by the applicable Holder to issue Certificated ADSs. All provisions and conditions of the Deposit Agreement shall apply to Uncertificated ADSs to the same extent as to Certificated ADSs, except as contemplated by this Section 2.13. The Depositary is authorized and directed to take any and all actions and establish any and all procedures deemed reasonably necessary to give effect to the terms of this Section 2.13. Any references in the Deposit Agreement or any ADR(s) to the terms "American Depositary Share(s)" or "ADS(s)" shall, unless the context otherwise requires, include Certificated ADS(s) and Uncertificated ADS(s). Except as set forth in this Section 2.13 and except as required by applicable law, the Uncertificated ADSs shall be treated as ADSs issued and outstanding under the terms of the Deposit Agreement. In the event that, in determining the rights and obligations of parties hereto with respect to any Uncertificated ADSs, any conflict arises between (a) the terms of the Deposit Agreement (other than this Section 2.13) and (b) the terms of this Section 2.13, the terms and conditions set forth in this Section 2.13 shall be controlling and shall govern the rights and obligations of the parties to the Deposit Agreement pertaining to the Uncertificated ADSs.

Section 2.14 Restricted ADSs. The Depositary shall, at the request and expense of the Company, establish procedures enabling the deposit hereunder of Shares that are Restricted Securities in order to enable the holder of such Shares to hold its ownership interests in such Restricted Securities in the form of ADSs issued under the terms hereof (such Shares, "Restricted Shares"). Upon receipt of a written request from the Company to accept Restricted Shares for deposit hereunder, the Depositary agrees to establish procedures permitting the deposit of such Restricted Shares and the issuance of ADSs representing the right to receive, subject to the terms of the Deposit Agreement and the applicable ADR (if issued as a Certificated ADS), such deposited Restricted Shares (such ADSs, the "Restricted ADSs," and the ADRs evidencing such Restricted ADSs, the "Restricted ADRs"). Notwithstanding anything contained in this Section 2.14, the Depositary and the Company may, to the extent not prohibited by law, agree to issue the Restricted ADSs in uncertificated form ("Uncertificated Restricted ADSs") upon such terms and conditions as the Company and the Depositary may deem necessary and appropriate. The Company shall assist the Depositary in the establishment of such procedures and agrees that it shall take all steps necessary and satisfactory to the Depositary to ensure that the establishment of such procedures does not violate the provisions of the Securities Act or any other applicable laws. The depositors of such Restricted Shares and the Holders of the Restricted ADSs may be required prior to the deposit of such Restricted Shares, the transfer of the Restricted ADRs and Restricted ADSs or the withdrawal of the Restricted Shares represented by Restricted ADSs to provide such written certifications or agreements as the Depositary or the Company may require. The Company shall provide to the Depositary in writing the legend(s) to be affixed to the Restricted ADRs (if the Restricted ADSs are to be issued as Certificated ADSs), or to be included in the statements issued from time to time to Holders of Uncertificated ADSs (if issued as Uncertificated Restricted ADSs), which legends shall (i) be in a form reasonably satisfactory to the Depositary and (ii) contain the specific circumstances under which the Restricted ADSs, and, if applicable, the Restricted ADRs evidencing the Restricted ADSs, may be transferred or the Restricted Shares withdrawn. The Restricted ADSs issued upon the deposit of Restricted Shares shall be separately identified on the books of the Depositary and the Restricted Shares so deposited shall, to the extent required by law, be held separate and distinct from the other Deposited Securities held hereunder. The Restricted Shares and the Restricted ADSs shall not be eligible for Pre-Release Transactions. The Restricted ADSs shall not be eligible for inclusion in any book-entry settlement system, including, without limitation, DTC, and shall not in any way be fungible with the ADSs issued under the terms hereof that are not Restricted ADSs. The Restricted ADSs, and, if applicable, the Restricted ADRs evidencing the Restricted ADSs, shall be transferable only by the Holder thereof upon delivery to the Depositary of (i) all documentation otherwise contemplated by the Deposit Agreement and (ii) an opinion of counsel satisfactory to the Depositary setting forth, *inter alia*, the conditions upon which the Restricted ADSs presented, and, if applicable, the Restricted ADRs evidencing the Restricted ADSs, are transferable by the Holder thereof under applicable securities laws and the transfer restrictions contained in the legend applicable to the Restricted ADSs presented for transfer. Except as set forth in this Section 2.14 and except as required by applicable law, the Restricted ADSs and the Restricted ADRs evidencing Restricted ADSs shall be treated as ADSs and ADRs issued and outstanding under the terms of the Deposit Agreement. In the event that, in determining the rights and obligations of parties hereto with respect to any Restricted ADSs, any conflict arises between (a) the terms of the Deposit Agreement (other than this Section 2.14) and (b) the terms of (i) this Section 2.14 or (ii) the applicable Restricted ADR, the terms and conditions set forth in this Section 2.14 and of the Restricted ADR shall be controlling and shall govern the rights and obligations of the parties to the Deposit Agreement pertaining to the deposited Restricted Shares, the Restricted ADSs and Restricted ADRs.

If the Restricted ADRs, the Restricted ADSs and the Restricted Shares cease to be Restricted Securities, the Depositary, upon receipt of (x) an opinion of counsel satisfactory to the Depositary setting forth, *inter alia*, that the Restricted ADRs, the Restricted ADSs and the Restricted Shares are not as of such time Restricted Securities, and (y) instructions from the Company to remove the restrictions applicable to the Restricted ADRs, the Restricted ADSs and the Restricted Shares, shall (i) eliminate the distinctions and separations that may have been established between the applicable Restricted Shares held on deposit under this Section 2.14 and the other Shares held on deposit under the terms of the Deposit Agreement that are not Restricted Shares, (ii) treat the newly unrestricted ADRs and ADSs on the same terms as, and fully fungible with, the other ADRs and ADSs issued and outstanding under the terms of the Deposit Agreement that are not Restricted ADRs or Restricted ADSs, and (iii) take all actions necessary to remove any distinctions, limitations and restrictions previously existing under this Section 2.14 between the applicable Restricted ADRs and Restricted ADSs, respectively, on the one hand, and the other ADRs and ADSs that are not Restricted ADRs or Restricted ADSs, respectively, on the other hand, including, without limitation, by making the newly-unrestricted ADSs eligible for Pre-Release Transactions and for inclusion in the applicable book-entry settlement systems.

ARTICLE III

CERTAIN OBLIGATIONS OF HOLDERS AND BENEFICIAL OWNERS OF ADSs

Section 3.1 Proofs, Certificates and Other Information. Any person presenting Shares for deposit, any Holder and any Beneficial Owner may be required, and every Holder and Beneficial Owner agrees, from time to time to provide to the Depositary and the Custodian such proof of citizenship or residence, taxpayer status, payment of all applicable taxes or other governmental charges, exchange control approval, legal or beneficial ownership of ADSs and Deposited Property, compliance with applicable laws, the terms of the Deposit Agreement or the ADR(s) evidencing the ADSs and the provisions of, or governing, the Deposited Property, to execute such certifications and to make such representations and warranties, and to provide such other information and documentation (or, in the case of Shares in registered form presented for deposit, such information relating to the registration on the books of the Company or of the Share Registrar) as the Depositary or the Custodian may deem necessary or proper or as the Company may reasonably require by written request to the Depositary consistent with its obligations under the Deposit Agreement and the applicable ADR(s). The Depositary and the Registrar, as applicable, may withhold the execution or delivery or registration of transfer of any ADR or ADS or the distribution or sale of any dividend or distribution of rights or of the proceeds thereof or, to the extent not limited by the terms of Section 7.8, the delivery of any Deposited Property until such proof or other information is filed or such certifications are executed, or such representations and warranties are made, or such other documentation or information provided, in each case to the Depositary's, the Registrar's and the Company's satisfaction. The Depositary shall provide the Company, in a timely manner, with copies or originals if necessary and appropriate of (i) any such proofs of citizenship or residence, taxpayer status, or exchange control approval or copies of written representations and warranties which it receives from Holders and Beneficial Owners, and (ii) any other information or documents which the Company may reasonably request and which the Depositary shall request and receive from any Holder or Beneficial Owner or any person presenting Shares for deposit or ADSs for cancellation, transfer or withdrawal. Nothing herein shall obligate the Depositary to (i) obtain any information for the Company if not provided by the Holders or Beneficial Owners, or (ii) verify or vouch for the accuracy of the information so provided by the Holders or Beneficial Owners.

Section 3.2 Liability for Taxes and Other Charges. Any tax or other governmental charge payable by the Custodian or by the Depositary with respect to any Deposited Property, ADSs or ADRs shall be payable by the Holders and Beneficial Owners to the Depositary. The Company, the Custodian and/or the Depositary may withhold or deduct from any distributions made in respect of Deposited Property, and may sell for the account of a Holder and/or Beneficial Owner any or all of the Deposited Property and apply such distributions and sale proceeds in payment of, any taxes (including applicable interest and penalties) or charges that are or may be payable by Holders or Beneficial Owners in respect of the ADSs, Deposited Property and ADRs, the Holder and the Beneficial Owner remaining liable for any deficiency. The Custodian may refuse the deposit of Shares and the Depositary may refuse to issue ADSs, to deliver ADRs, register the transfer of ADSs, register the split-up or combination of ADRs and (subject to Section 7.8) the withdrawal of Deposited Property until payment in full of such tax, charge, penalty or interest is received. Every Holder and Beneficial Owner agrees to indemnify the Depositary, the Company, the Custodian, and any of their agents, officers, employees and Affiliates for, and to hold each of them harmless from, any claims with respect to taxes (including applicable interest and penalties thereon) arising from any tax benefit obtained for such Holder and/or Beneficial Owner. The obligations of Holders and Beneficial Owners under this Section 3.2 shall survive any transfer of ADSs, any cancellation of ADSs and withdrawal of Deposited Securities, and the termination of the Deposit Agreement.

Section 3.3 Representations and Warranties on Deposit of Shares. Each person depositing Shares under the Deposit Agreement shall be deemed thereby to represent and warrant that (i) such Shares and the certificates therefor are duly authorized, validly allotted and issued, fully paid, not subject to any call for the payment of further capital and legally obtained by such person, (ii) all preemptive (and similar) rights, if any, with respect to such Shares have been validly waived, disapplied or exercised, (iii) the person making such deposit is duly authorized so to do, (iv) the Shares presented for deposit are free and clear of any lien, encumbrance, security interest, charge, mortgage or adverse claim, (v) the Shares presented for deposit are not, and the ADSs issuable upon such deposit will not be, Restricted Securities (except as contemplated in Section 2.14), and (vi) the Shares presented for deposit have not been stripped of any rights or entitlements. Such representations and warranties shall survive the deposit and withdrawal of Shares, the issuance and cancellation of ADSs in respect thereof and the transfer of such ADSs. If any such representations or warranties are false in any way, the Company and the Depositary shall be authorized, at the cost and expense of the person depositing Shares, to take any and all actions necessary to correct the consequences thereof.

Section 3.4 Compliance with Information Requests. Notwithstanding any other provision of the Deposit Agreement or any ADR(s), each Holder and Beneficial Owner agrees to comply with requests from the Company pursuant to applicable law, the rules and requirements of The NASDAQ Global Market and any other stock exchange on which the Shares or ADSs are, or will be, registered, traded or listed or the Articles of Association of the Company, which are made to provide information, *inter alia*, as to the capacity in which such Holder or Beneficial Owner owns ADSs (and Shares as the case may be) and regarding the identity of any other person(s) interested in such ADSs and the nature of such interest and various other matters, whether or not they are Holders and/or Beneficial Owners at the time of such request. The Depositary agrees to use its reasonable efforts to forward, upon the request of the Company and at the Company's expense, any such request from the Company to the Holders and to forward to the Company any such responses to such requests received by the Depositary.

Section 3.5 Ownership Restrictions. Notwithstanding any other provision in the Deposit Agreement or any ADR, the Company may restrict transfers of the Shares where such transfer might result in ownership of Shares exceeding limits imposed by applicable law or the Articles of Association of the Company. The Company may also restrict, in such manner as it deems appropriate, transfers of the ADSs where such transfer may result in the total number of Shares represented by the ADSs owned by a single Holder or Beneficial Owner to exceed any such limits. The Company may, in its sole discretion but subject to applicable law, instruct the Depositary to take action with respect to the ownership interest of any Holder or Beneficial Owner in excess of the limits set forth in the preceding sentence, including, but not limited to, the imposition of restrictions on the transfer of ADSs, the removal or limitation of voting rights or mandatory sale or disposition on behalf of a Holder or Beneficial Owner of the Shares represented by the ADSs held by such Holder or Beneficial Owner in excess of such limitations, if and to the extent such disposition is permitted by applicable law and the Articles of Association of the Company. Nothing herein shall be interpreted as obligating the Depositary or the Company to ensure compliance with the ownership restrictions described in this Section 3.5.

Section 3.6 Reporting Obligations and Regulatory Approvals. Applicable laws and regulations may require holders and beneficial owners of Shares, including the Holders and Beneficial Owners of ADSs, to satisfy reporting requirements and obtain regulatory approvals in certain circumstances. Holders and Beneficial Owners of ADSs are solely responsible for determining and complying with such reporting requirements and obtaining such approvals. Each Holder and each Beneficial Owner hereby agrees to make such determination, file such reports, and obtain such approvals to the extent and in the form required by applicable laws and regulations as in effect from time to time. Neither the Depositary, the Custodian, the Company or any of their respective agents or affiliates shall be required to take any actions whatsoever on behalf of Holders or Beneficial Owners to determine or satisfy such reporting requirements or obtain such regulatory approvals under applicable laws and regulations.

ARTICLE IV

THE DEPOSITED SECURITIES

Section 4.1 Cash Distributions. Whenever the Company intends to make a distribution of a cash dividend or other cash distribution in respect of any Deposited Securities, the Company shall give notice thereof to the Depositary at least twenty (20) days (or such other number of days as mutually agreed to in writing by the Depositary and the Company) prior to the proposed distribution specifying, *inter alia*, the record date applicable for determining the holders of Deposited Securities entitled to receive such distribution. Upon the timely receipt of such notice, the Depositary shall establish the ADS Record Date upon the terms described in Section 4.9. Upon receipt of confirmation of the receipt of (x) any cash dividend or other cash distribution on any Deposited Securities, or (y) proceeds from the sale of any Deposited Property held in respect of the ADSs under the terms hereof, the Depositary will (i) if at the time of receipt thereof any amounts received in a Foreign Currency can, in the judgment of the Depositary (pursuant to Section 4.8), be converted on a practicable basis into Dollars transferable to the United States, promptly convert or cause to be converted such cash dividend, distribution or proceeds into Dollars (on the terms described in Section 4.8), (ii) if applicable and unless previously established, establish the ADS Record Date upon the terms described in Section 4.9, and (iii) distribute promptly the amount thus received (net of (a) the applicable fees and charges of, and expenses incurred by, the Depositary and (b) applicable taxes withheld) to the Holders entitled thereto as of the ADS Record Date in proportion to the number of ADSs held as of the ADS Record Date. The Depositary shall distribute only such amount, however, as can be distributed without attributing to any Holder a fraction of one cent, and any balance not so distributed shall be held by the Depositary (without liability for interest thereon) and shall be added to and become part of the next sum received by the Depositary for distribution to Holders of ADSs outstanding at the time of the next distribution. If the Company, the Custodian or the Depositary is required to withhold and does withhold from any cash dividend or other cash distribution in respect of any Deposited Securities, or from any cash proceeds from the sales of Deposited Property, an amount on account of taxes, duties or other governmental charges, the amount distributed to Holders on the ADSs shall be reduced accordingly. Such withheld amounts shall be forwarded by the Company, the Custodian or the Depositary to the relevant governmental authority. Evidence of payment thereof by the Company shall be forwarded by the Company to the Depositary upon request. The Depositary will hold any cash amounts it is unable to distribute in a non-interest bearing account for the benefit of the applicable Holders and Beneficial Owners of ADSs until the distribution can be effected or the funds that the Depositary holds must be escheated as unclaimed property in accordance with the laws of the relevant states of the United States. Notwithstanding anything contained in the Deposit Agreement to the contrary, in the event the Company fails to give the Depositary timely notice of the proposed distribution provided for in this Section 4.1, the Depositary agrees to use commercially reasonable efforts to perform the actions contemplated in this Section 4.1, and the Company, the Holders and the Beneficial Owners acknowledge that the Depositary shall have no liability for the Depositary's failure to perform the actions contemplated in this Section 4.1 where such notice has not been so timely given, other than its failure to use commercially reasonable efforts, as provided herein.

Section 4.2 Distribution in Shares. Whenever the Company intends to make a distribution that consists of a dividend in, or free distribution of, Shares, the Company shall give notice thereof to the Depositary at least twenty (20) days (or such other number of days as mutually agreed to in writing by the Depositary and the Company) prior to the proposed distribution, specifying, *inter alia*, the record date applicable to holders of Deposited Securities entitled to receive such distribution. Upon the timely receipt of such notice from the Company, the Depositary shall establish the ADS Record Date upon the terms described in Section 4.9. Upon receipt of confirmation from the Custodian of the receipt of the Shares so distributed by the Company, the Depositary shall either (i) subject to Section 5.9, distribute to the Holders as of the ADS Record Date in proportion to the number of ADSs held as of the ADS Record Date, additional ADSs, which represent in the aggregate the number of Shares received as such dividend, or free distribution, subject to the other terms of the Deposit Agreement (including, without limitation, (a) the applicable fees and charges of, and expenses incurred by, the Depositary and (b) applicable taxes), or (ii) if additional ADSs are not so distributed, take all actions necessary so that each ADS issued and outstanding after the ADS Record Date shall, to the extent permissible by law, thenceforth also represent rights and interests in the additional integral number of Shares distributed upon the Deposited Securities represented thereby (net of (a) the applicable fees and charges of, and expenses incurred by, the Depositary and (b) applicable taxes). In lieu of delivering fractional ADSs, the Depositary shall sell the number of Shares or ADSs, as the case may be, represented by the aggregate of such fractions and distribute the net proceeds upon the terms described in Section 4.1. In the event that the Depositary determines that any distribution in property (including Shares) is subject to any tax or other governmental charges which the Depositary is obligated to withhold, or, if the Company in the fulfillment of its obligation under Section 5.7, has furnished an opinion of U.S. counsel determining that Shares must be registered under the Securities Act or other laws in order to be distributed to Holders (and no such registration statement has been declared effective), the Depositary may dispose of all or a portion of such property (including Shares and rights to subscribe therefor) in such amounts and in such manner, including by public or private sale, as the Depositary deems necessary and practicable, and the Depositary shall distribute the net proceeds of any such sale (after deduction of (a) applicable taxes and (b) fees and charges of, and expenses incurred by, the Depositary) to Holders entitled thereto upon the terms described in Section 4.1. The Depositary shall hold and/or distribute any unsold balance of such property in accordance with the provisions of the Deposit Agreement. Notwithstanding anything contained in the Deposit Agreement to the contrary, in the event the Company fails to give the Depositary timely notice of the proposed distribution provided for in this Section 4.2, the Depositary agrees to use commercially reasonable efforts to perform the actions contemplated in this Section 4.2, and the Company, the Holders and the Beneficial Owners acknowledge that the Depositary shall have no liability for the Depositary's failure to perform the actions contemplated in this Section 4.2 where such notice has not been so timely given, other than its failure to use commercially reasonable efforts, as provided herein.

Section 4.3 Elective Distributions in Cash or Shares. Whenever the Company intends to make a distribution payable at the election of the holders of Deposited Securities in cash or in additional Shares, the Company shall give notice thereof to the Depositary at least sixty (60) days (or such other number of days as mutually agreed to in writing by the Depositary and the Company) prior to the proposed distribution specifying, *inter alia*, the record date applicable to holders of Deposited Securities entitled to receive such elective distribution and whether or not it wishes such elective distribution to be made available to Holders of ADSs. Upon the timely receipt of a notice indicating that the Company wishes such elective distribution to be made available to Holders of ADSs, the Depositary shall consult with the Company to determine, and the Company shall assist the Depositary in its determination, whether it is lawful and reasonably practicable to make such elective distribution available to the Holders of ADSs. The Depositary shall make such elective distribution available to Holders only if (i) the Company shall have timely requested that the elective distribution be made available to Holders, (ii) the Depositary shall have determined that such distribution is reasonably practicable and (iii) the Depositary shall have received satisfactory documentation within the terms of Section 5.7. If the above conditions are not satisfied or if the Company requests such elective distribution not to be made available to Holders of ADSs, the Depositary shall establish the ADS Record Date on the terms described in Section 4.9 and, to the extent permitted by law, distribute to the Holders, on the basis of the same determination as is made in England and Wales in respect of the Shares for which no election is made, either (X) cash upon the terms described in Section 4.1 or (Y) additional ADSs representing such additional Shares upon the terms described in Section 4.2. If the above conditions are satisfied, the Depositary shall establish an ADS Record Date on the terms described in Section 4.9 and establish procedures to enable Holders to elect the receipt of the proposed distribution in cash or in additional ADSs. The Company shall assist the Depositary in establishing such procedures to the extent necessary. If a Holder elects to receive the proposed distribution (X) in cash, the distribution shall be made upon the terms described in Section 4.1, or (Y) in ADSs, the distribution shall be made upon the terms described in Section 4.2. Nothing herein shall obligate the Depositary to make available to Holders a method to receive the elective distribution in Shares (rather than ADSs). There can be no assurance that Holders generally, or any Holder in particular, will be given the opportunity to receive elective distributions on the same terms and conditions as the holders of Shares. Notwithstanding anything contained in the Deposit Agreement to the contrary, in the event the Company fails to give the Depositary timely notice of the proposed distribution provided for in this Section 4.3, the Depositary agrees to use commercially reasonable efforts to perform the actions contemplated in this Section 4.3, and the Company, the Holders and the Beneficial Owners acknowledge that the Depositary shall have no liability for the Depositary's failure to perform the actions contemplated in this Section 4.3 where such notice has not been so timely given, other than its failure to use commercially reasonable efforts, as provided herein.

Section 4.4 Distribution of Rights to Purchase Additional ADSs.

(a) Distribution to ADS Holders. Whenever the Company intends to distribute to the holders of the Deposited Securities rights to subscribe for additional Shares, the Company shall give notice thereof to the Depositary at least sixty (60) days (or such other number of days as mutually agreed to in writing by the Depositary and the Company) prior to the proposed distribution specifying, *inter alia*, the record date applicable to holders of Deposited Securities entitled to receive such distribution and whether or not it wishes such rights to be made available to Holders of ADSs. Upon the timely receipt of a notice indicating that the Company wishes such rights to be made available to Holders of ADSs, the Depositary shall consult with the Company to determine, and the Company shall assist the Depositary in its determination, whether it is lawful and reasonably practicable to make such rights available to the Holders. The Depositary shall make such rights available to Holders only if (i) the Company shall have timely requested that such rights be made available to Holders, (ii) the Depositary shall have received satisfactory documentation within the terms of Section 5.7, and (iii) the Depositary shall have determined that such distribution of rights is reasonably practicable. In the event any of the conditions set forth above are not satisfied or if the Company requests that the rights not be made available to Holders of ADSs, the Depositary shall proceed with the sale of the rights as contemplated in Section 4.4(b) below. In the event all conditions set forth above are satisfied, the Depositary shall establish the ADS Record Date (upon the terms described in Section 4.9) and establish procedures to (x) distribute rights to purchase additional ADSs (by means of warrants or otherwise), (y) enable the Holders to exercise such rights (upon payment of the subscription price and of the applicable (a) fees and charges of, and expenses incurred by, the Depositary and (b) taxes), and (z) deliver ADSs upon the valid exercise of such rights. The Company shall assist the Depositary to the extent necessary in establishing such procedures. Nothing herein shall obligate the Depositary to make available to the Holders a method to exercise rights to subscribe for Shares (rather than ADSs).

(b) Sale of Rights. If (i) the Company does not timely request the Depositary to make the rights available to Holders or requests that the rights not be made available to Holders, (ii) the Depositary fails to receive satisfactory documentation within the terms of Section 5.7, or determines it is not reasonably practicable to make the rights available to Holders, or (iii) any rights made available are not exercised and appear to be about to lapse, the Depositary shall determine whether it is lawful and reasonably practicable to sell such rights, in a riskless principal capacity, at such place and upon such terms (including public or private sale) as it may deem practicable. The Company shall assist the Depositary to the extent necessary to determine such legality and practicability. The Depositary shall, upon such sale, convert and distribute proceeds of such sale (net of applicable (a) fees and charges of, and expenses incurred by, the Depositary and (b) taxes) upon the terms set forth in Section 4.1.

(c) Lapse of Rights. If the Depositary is unable to make any rights available to Holders upon the terms described in Section 4.4(a) or to arrange for the sale of the rights upon the terms described in Section 4.4(b), the Depositary shall allow such rights to lapse.

The Depositary shall not be liable for (i) any failure to accurately determine whether it may be lawful or practicable to make such rights available to Holders in general or any Holders in particular, (ii) any foreign exchange exposure or loss incurred in connection with such sale, or exercise, or (iii) the content of any materials forwarded to the Holders on behalf of the Company in connection with the rights distribution.

Notwithstanding anything to the contrary in this Section 4.4, if registration (under the Securities Act or any other applicable law) of the rights or the securities to which any rights relate may be required in order for the Company to offer such rights or such securities to Holders and to sell the securities represented by such rights, the Depositary will not distribute such rights to the Holders (i) unless and until a registration statement under the Securities Act (or other applicable law) covering such offering is in effect or (ii) unless the Company furnishes the Depositary opinion(s) of counsel for the Company in the United States and counsel to the Company in any other applicable country in which rights would be distributed, in each case satisfactory to the Depositary, to the effect that the offering and sale of such securities to Holders and Beneficial Owners are exempt from, or do not require registration under, the provisions of the Securities Act or any other applicable laws.

In the event that the Company, the Depositary or the Custodian shall be required to withhold and does withhold from any distribution of Deposited Property (including rights) an amount on account of taxes or other governmental charges, the amount distributed to the Holders of ADSs shall be reduced accordingly. In the event that the Depositary determines that any distribution of Deposited Property (including Shares and rights to subscribe therefor) is subject to any tax or other governmental charges which the Depositary is obligated to withhold, the Depositary may dispose of all or a portion of such Deposited Property (including Shares and rights to subscribe therefor) in such amounts and in such manner, including by public or private sale, as the Depositary deems necessary and practicable to pay any such taxes or charges.

There can be no assurance that Holders generally, or any Holder in particular, will be given the opportunity to receive or exercise rights on the same terms and conditions as the holders of Shares or be able to exercise such rights. Nothing herein shall obligate the Company to file any registration statement in respect of any rights or Shares or other securities to be acquired upon the exercise of such rights.

Section 4.5 Distributions Other Than Cash, Shares or Rights to Purchase Shares.

(a) Whenever the Company intends to distribute to the holders of Deposited Securities property other than cash, Shares or rights to purchase additional Shares, the Company shall give timely notice thereof to the Depositary and shall indicate whether or not it wishes such distribution to be made to Holders of ADSs. Upon receipt of a notice indicating that the Company wishes such distribution to be made to Holders of ADSs, the Depositary shall consult with the Company, and the Company shall assist the Depositary, to determine whether such distribution to Holders is lawful and reasonably practicable. The Depositary shall not make such distribution unless (i) the Company shall have requested the Depositary to make such distribution to Holders, (ii) the Depositary shall have received satisfactory documentation within the terms of Section 5.7, and (iii) the Depositary shall have determined that such distribution is reasonably practicable.

(b) Upon receipt of satisfactory documentation and the request of the Company to distribute property to Holders of ADSs and after making the requisite determinations set forth in (a) above, the Depositary shall distribute the property so received to the Holders of record, as of the ADS Record Date, in proportion to the number of ADSs held by them respectively and in such manner as the Depositary may deem practicable for accomplishing such distribution (i) upon receipt of payment or net of the applicable fees and charges of, and expenses incurred by, the Depositary, and (ii) net of any applicable taxes withheld. The Depositary may dispose of all or a portion of the property so distributed and deposited, in such amounts and in such manner (including public or private sale) as the Depositary may deem practicable or necessary to satisfy any taxes (including applicable interest and penalties) or other governmental charges applicable to the distribution.

(c) If (i) the Company does not request the Depositary to make such distribution to Holders or requests the Depositary not to make such distribution to Holders, (ii) the Depositary does not receive satisfactory documentation within the terms of Section 5.7, or (iii) the Depositary determines that all or a portion of such distribution is not reasonably practicable, the Depositary shall sell or cause such property to be sold in a public or private sale, at such place or places and upon such terms as it may deem practicable and shall (i) cause the proceeds of such sale, if any, to be converted into Dollars and (ii) distribute the proceeds of such conversion received by the Depositary (net of applicable (a) fees and charges of, and expenses incurred by, the Depositary and (b) taxes) to the Holders as of the ADS Record Date upon the terms of Section 4.1. If the Depositary is unable to sell such property, the Depositary may dispose of such property for the account of the Holders in any way it deems reasonably practicable under the circumstances.

(d) Neither the Depositary nor the Company shall be liable for (i) any failure to accurately determine whether it is lawful or practicable to make the property described in this Section 4.5 available to Holders in general or any Holders in particular, nor (ii) any loss incurred in connection with the sale or disposal of such property.

Section 4.6 Distributions with Respect to Deposited Securities in Bearer Form. Subject to the terms of this Article IV, distributions in respect of Deposited Securities that are held by the Depositary or the Custodian in bearer form shall be made to the Depositary for the account of the respective Holders of ADS(s) with respect to which any such distribution is made upon due presentation by the Depositary or the Custodian to the Company of any relevant coupons, talons, or certificates. The Company shall promptly notify the Depositary of such distributions. The Depositary or the Custodian shall promptly present such coupons, talons or certificates, as the case may be, in connection with any such distribution.

Section 4.7 Redemption. If the Company intends to exercise any right of redemption in respect of any of the Deposited Securities, the Company shall give notice thereof to the Depositary at least sixty (60) days (or such other number of days as mutually agreed to in writing by the Depositary and the Company) prior to the intended date of redemption which notice shall set forth the particulars of the proposed redemption. Upon timely receipt of (i) such notice and (ii) satisfactory documentation given by the Company to the Depositary within the terms of Section 5.7, and only if the Depositary shall have determined that such proposed redemption is practicable, the Depositary shall provide to each Holder a notice setting forth the intended exercise by the Company of the redemption rights and any other particulars set forth in the Company's notice to the Depositary. The Depositary shall instruct the Custodian to present to the Company the Deposited Securities in respect of which redemption rights are being exercised against payment of the applicable redemption price. Upon receipt of confirmation from the Custodian that the redemption has taken place and that funds representing the redemption price have been received, the Depositary shall convert, transfer, and distribute the proceeds (net of applicable (a) fees and charges of, and the expenses incurred by, the Depositary, and (b) taxes), retire ADSs and cancel ADRs, if applicable, upon delivery of such ADSs by Holders thereof and the terms set forth in Sections 4.1 and 6.2. If less than all outstanding Deposited Securities are redeemed, the ADSs to be retired will be selected by lot or on a pro rata basis, as may be determined by the Depositary. The redemption price per ADS shall be the dollar equivalent of the per share amount received by the Depositary (adjusted to reflect the ADS(s)-to-Share(s) ratio) upon the redemption of the Deposited Securities represented by ADSs (subject to the terms of Section 4.8 and the applicable fees and charges of, and expenses incurred by, the Depositary, and applicable taxes) multiplied by the number of Deposited Securities represented by each ADS redeemed.

Notwithstanding anything contained in the Deposit Agreement to the contrary, in the event the Company fails to give the Depositary timely notice of the proposed redemption provided for in this Section 4.7, the Depositary agrees to use commercially reasonable efforts to perform the actions contemplated in this Section 4.7, and the Company, the Holders and the Beneficial Owners acknowledge that the Depositary shall have no liability for the Depositary's failure to perform the actions contemplated in this Section 4.7 where such notice has not been so timely given, other than its failure to use commercially reasonable efforts, as provided herein.

Section 4.8 Conversion of Foreign Currency. Whenever the Depositary or the Custodian shall receive Foreign Currency, by way of dividends or other distributions or the net proceeds from the sale of Deposited Property, which in the judgment of the Depositary can at such time be converted on a practicable basis, by sale or in any other manner that it may determine in accordance with applicable law, into Dollars transferable to the United States and distributable to the Holders entitled thereto, the Depositary shall convert or cause to be converted, by sale or in any other manner that it may determine, such Foreign Currency into Dollars, and shall distribute such Dollars (net of any applicable fees, any reasonable and customary expenses incurred in such conversion and any expenses incurred on behalf of the Holders in complying with currency exchange control or other governmental requirements) in accordance with the terms of the applicable sections of the Deposit Agreement. If the Depositary shall have distributed warrants or other instruments that entitle the holders thereof to such Dollars, the Depositary shall distribute such Dollars to the holders of such warrants and/or instruments upon surrender thereof for cancellation, in either case without liability for interest thereon. Such distribution may be made upon an averaged or other practicable basis without regard to any distinctions among Holders on account of any application of exchange restrictions or otherwise.

If such conversion or distribution generally or with regard to a particular Holder can be effected only with the approval or license of any government or agency thereof, the Depositary shall have authority to file such application for approval or license, if any, as it may deem desirable. In no event, however, shall the Depositary be obligated to make such a filing.

If at any time the Depositary shall determine that in its judgment the conversion of any Foreign Currency and the transfer and distribution of proceeds of such conversion received by the Depositary is not practicable or lawful, or if any approval or license of any governmental authority or agency thereof that is required for such conversion, transfer and distribution is denied or, in the opinion of the Depositary, not obtainable at a reasonable cost or within a reasonable period, the Depositary may, in its discretion, (i) make such conversion and distribution in Dollars to the Holders for whom such conversion, transfer and distribution is lawful and practicable, (ii) distribute the Foreign Currency (or an appropriate document evidencing the right to receive such Foreign Currency) to Holders for whom this is lawful and practicable, or (iii) hold (or cause the Custodian to hold) such Foreign Currency (without liability for interest thereon) for the respective accounts of the Holders entitled to receive the same.

Section 4.9 Fixing of ADS Record Date. Whenever the Depositary shall receive notice of the fixing of a record date by the Company for the determination of holders of Deposited Securities entitled to receive any distribution (whether in cash, Shares, rights, or other distribution), or whenever for any reason the Depositary causes a change in the number of Shares that are represented by each ADS, or whenever the Depositary shall receive notice of any meeting of, or solicitation of consents or proxies of, holders of Shares or other Deposited Securities, or whenever the Depositary shall find it necessary or convenient in connection with the giving of any notice, solicitation of any consent or any other matter, the Depositary shall fix the record date (the "ADS Record Date") for the determination of the Holders of ADS(s) who shall be entitled to receive such distribution, to give instructions for the exercise of voting rights at any such meeting, to give or withhold such consent, to receive such notice or solicitation or to otherwise take action, or to exercise the rights of Holders with respect to such changed number of Shares represented by each ADS. The Depositary shall make reasonable efforts to establish the ADS Record Date as closely as practicable to the applicable record date for the Deposited Securities (if any) set by the Company in England and Wales and shall not announce the establishment of any ADS Record Date prior to the relevant corporate action having been made public by the Company (if such corporate action affects the Deposited Securities). Subject to applicable law and the provisions of Section 4.1 through 4.8 and to the other terms and conditions of the Deposit Agreement, only the Holders of ADSs at the close of business in New York on such ADS Record Date shall be entitled to receive such distribution, to give such voting instructions, to receive such notice or solicitation, or otherwise take action.

Section 4.10 Voting of Deposited Securities. As soon as practicable after receipt of notice of any meeting at which the holders of Deposited Securities are entitled to vote, or of solicitation of consents or proxies from holders of Deposited Securities, the Depositary shall fix the ADS Record Date in respect of such meeting or solicitation of consent or proxy in accordance with Section 4.9. The Depositary shall, if requested by the Company in writing in a timely manner (the Depositary having no obligation to take any further action if the request shall not have been received by the Depositary at least thirty (30) days prior to the date of such vote or meeting), at the Company's expense and provided no U.S. legal prohibitions exist, distribute to Holders as of the ADS Record Date: (a) such notice of meeting or solicitation of consent or proxy, (b) a statement that the Holders at the close of business on the ADS Record Date will be entitled, subject to any applicable law, the provisions of the Deposit Agreement, the Articles of Association of the Company and the provisions of or governing the Deposited Securities (which provisions, if any, shall be summarized in pertinent part by the Company), to instruct the Depositary as to the exercise of the voting rights, if any, pertaining to the Deposited Securities represented by such Holder's ADSs, and (c) a brief statement as to the manner in which such voting instructions may be given to the Depositary or in which voting instructions may be deemed to have been given in accordance with this Section 4.10 if no instructions are received prior to the deadline set for such purposes to the Depositary to give a discretionary proxy to a person designated by the Company.

Notwithstanding anything contained in the Deposit Agreement or any ADR, with the Company's prior consent, the Depositary may, to the extent not prohibited by law or regulations, or by the requirements of the stock exchange on which the ADSs are listed, in lieu of distribution of the materials provided to the Depositary in connection with any meeting of, or solicitation of consents or proxies from, holders of Deposited Securities, distribute to the Holders a notice that provides Holders with, or otherwise publicizes to Holders, instructions on how to retrieve such materials or receive such materials upon request (e.g., by reference to a website containing the materials for retrieval or a contact for requesting copies of the materials).

The Depositary has been advised by the Company that under the Articles of Association of the Company as in effect on the date of the Deposit Agreement, voting at any meeting of shareholders of the Company is by show of hands unless a poll is demanded in accordance with the Articles of Association. The Depositary will not join in demanding a poll, whether or not requested to do so by Holders of ADSs. Under the Articles of Association of the Company as in effect on the date of the Deposit Agreement, a poll may be demanded by (a) the chairman of the Company's board of directors, (b) a majority of the directors of the Company, (c) two or more shareholders present and having the right to vote on the resolution, or (d) any shareholder(s) representing not less than 10% of the total voting rights of all the shareholders having the right to vote on the resolution (excluding any Shares held in treasury).

Voting instructions may be given only in respect of a number of ADSs representing an integral number of Deposited Securities. Upon the timely receipt from a Holder of ADSs as of the ADS Record Date of voting instructions in the manner specified by the Depositary, the Depositary shall endeavor, insofar as practicable and permitted under applicable law, the provisions of the Deposit Agreement, Articles of Association of the Company and the provisions of the Deposited Securities, to vote, or cause the Custodian to vote, the Deposited Securities (in person or by proxy) represented by such Holder's ADSs as follows: (a) in the event voting takes place at a shareholders' meeting by a show of hands, the Depositary will instruct the Custodian to vote all Deposited Securities in accordance with the voting instructions timely received from a majority of Holders of ADSs who provided voting instructions, and (b) in the event voting takes place at a shareholders' meeting by poll, the Depositary will instruct the Custodian to vote the Deposited Securities in accordance with the voting instructions timely received from the Holders of ADSs. If voting is by poll and the Depositary does not receive voting instructions from a Holder as of the ADS Record Date on or before the date established by the Depositary for such purpose, such Holder shall be deemed, and the Depositary shall deem such Holder, to have instructed the Depositary to give a discretionary proxy to a person designated by the Company to vote the Deposited Securities; provided, however, that no such discretionary proxy shall be given by the Depositary with respect to any matter to be voted upon as to which the Company informs the Depositary that (a) the Company does not wish such proxy to be given, (b) substantial opposition exists, or (c) the rights of holders of Deposited Securities may be adversely affected.

Neither the Depositary nor the Custodian shall under any circumstances exercise any discretion as to voting and neither the Depositary nor the Custodian shall vote, attempt to exercise the right to vote, or in any way make use of, for purposes of establishing a quorum or otherwise, the Deposited Securities represented by ADSs, except pursuant to and in accordance with the voting instructions timely received from Holders or as otherwise contemplated herein. If the Depositary timely receives voting instructions from a Holder which fail to specify the manner in which the Depositary is to vote the Deposited Securities represented by such Holder's ADSs, the Depositary will deem such Holder (unless otherwise specified in the notice distributed to Holders) to have instructed the Depositary to vote in favor of the items set forth in such voting instructions. Deposited Securities represented by ADSs for which no timely voting instructions are received by the Depositary from the Holder shall not be voted (except (a) in the case voting is by show of hands, in which case the Depositary will instruct the Custodian to vote all Deposited Securities in accordance with the voting instructions received from a majority of Holders of ADSs who timely provided voting instructions, and (b) as contemplated in this Section 4.10). Notwithstanding anything else contained herein, the Depositary shall, if so requested in writing by the Company, represent all Deposited Securities (whether or not voting instructions have been received in respect of such Deposited Securities from Holders as of the ADS Record Date) for the sole purpose of establishing quorum at a meeting of shareholders.

Notwithstanding anything else contained in the Deposit Agreement or any ADR, the Depositary shall not have any obligation to take any action with respect to any meeting, or solicitation of consents or proxies, of holders of Deposited Securities if the taking of such action would violate U.S. laws. The Company agrees to take any and all actions reasonably necessary and as permitted by the laws of England and Wales to enable Holders and Beneficial Owners to exercise the voting rights accruing to the Deposited Securities and to deliver to the Depositary an opinion of U.S. counsel addressing any actions requested to be taken if so requested by the Depositary.

There can be no assurance that Holders generally or any Holder in particular will receive the notice described above with sufficient time to enable the Holder to return voting instructions to the Depositary in a timely manner.

Section 4.11 Changes Affecting Deposited Securities. Upon any change in nominal or par value, split-up, cancellation, consolidation or any other reclassification of Deposited Securities, or upon any recapitalization, reorganization, merger, consolidation or sale of assets affecting the Company or to which it is a party, any property which shall be received by the Depositary or the Custodian in exchange for, or in conversion of, or replacement of, or otherwise in respect of, such Deposited Securities shall, to the extent permitted by law, be treated as new Deposited Property under the Deposit Agreement, and the ADSs shall, subject to the provisions of the Deposit Agreement, any ADR(s) evidencing such ADSs and applicable law, represent the right to receive such additional or replacement Deposited Property. In giving effect to such change, split-up, cancellation, consolidation or other reclassification of Deposited Securities, recapitalization, reorganization, merger, consolidation or sale of assets, the Depositary may, with the Company's approval, and shall, if the Company shall so request, subject to the terms of the Deposit Agreement (including, without limitation, (a) the applicable fees and charges of, and expenses incurred by, the Depositary, and (b) applicable taxes) and receipt of an opinion of counsel to the Company satisfactory to the Depositary that such actions are not in violation of any applicable laws or regulations, (i) issue and deliver additional ADSs as in the case of a stock dividend on the Shares, (ii) amend the Deposit Agreement and the applicable ADRs, (iii) amend the applicable Registration Statement(s) on Form F-6 as filed with the Commission in respect of the ADSs, (iv) call for the surrender of outstanding ADRs to be exchanged for new ADRs, and (v) take such other actions as are appropriate to reflect the transaction with respect to the ADSs. The Company agrees to, jointly with the Depositary, amend the Registration Statement on Form F-6 as filed with the Commission to permit the issuance of such new form of ADRs. Notwithstanding the foregoing, in the event that any Deposited Property so received may not be lawfully distributed to some or all Holders, the Depositary may, with the Company's approval, and shall, if the Company requests, subject to receipt of an opinion of Company's counsel satisfactory to the Depositary that such action is not in violation of any applicable laws or regulations, sell such Deposited Property at public or private sale, at such place or places and upon such terms as it may deem proper and may allocate the net proceeds of such sales (net of applicable (a) fees and charges of, and expenses incurred by, the Depositary and (b) taxes) for the account of the Holders otherwise entitled to such Deposited Property upon an averaged or other practicable basis without regard to any distinctions among such Holders and distribute the net proceeds so allocated to the extent practicable as in the case of a distribution received in cash pursuant to Section 4.1. The Depositary shall not be responsible for (i) any failure to determine that it may be lawful or practicable to make such Deposited Property available to Holders in general or to any Holder in particular, (ii) any foreign exchange exposure or loss incurred in connection with such sale, or (iii) any liability to the purchaser of such Deposited Property.

Section 4.12 Available Information. The Company is subject to the periodic reporting requirements of the Exchange Act and, accordingly, is required to file or furnish certain reports with the Commission. These reports can be retrieved from the Commission's website (www.sec.gov) and can be inspected and copied at the public reference facilities maintained by the Commission located (as of the date of the Deposit Agreement) at 100 F Street, N.E., Washington D.C. 20549.

Section 4.13 Reports. The Depositary shall make available for inspection by Holders at its Principal Office any reports and communications, including any proxy soliciting materials, received from the Company which are both (a) received by the Depositary, the Custodian, or the nominee of either of them as the holder of the Deposited Property and (b) made generally available to the holders of such Deposited Property by the Company. The Depositary shall also provide or make available to Holders copies of such reports when furnished by the Company pursuant to Section 5.6.

Section 4.14 List of Holders. Promptly upon written request by the Company, the Depositary shall furnish to it a list, as of a recent date, of the names, addresses and holdings of ADSs of all Holders.

Section 4.15 Taxation. The Depositary will, and will instruct the Custodian to, forward to the Company or its agents such information from its records as the Company may reasonably request to enable the Company or its agents to file the necessary tax reports with governmental authorities or agencies. The Depositary, the Custodian or the Company and its agents may file such reports as are necessary to reduce or eliminate applicable taxes on dividends and on other distributions in respect of Deposited Property under applicable tax treaties or laws for the Holders and Beneficial Owners. In accordance with instructions from the Company and to the extent practicable, the Depositary or the Custodian will take reasonable administrative actions to obtain tax refunds, reduced withholding of tax at source on dividends and other benefits under applicable tax treaties or laws with respect to dividends and other distributions on the Deposited Property. As a condition to receiving such benefits, Holders and Beneficial Owners of ADSs may be required from time to time, and in a timely manner, to file such proof of taxpayer status, residence and beneficial ownership (as applicable), to execute such certificates and to make such representations and warranties, or to provide any other information or documents, as the Depositary or the Custodian may deem necessary or proper to fulfill the Depositary's or the Custodian's obligations under applicable law. The Depositary and the Company shall have no obligation or liability to any person if any Holder or Beneficial Owner fails to provide such information or if such information does not reach the relevant tax authorities in time for any Holder or Beneficial Owner to obtain the benefits of any tax treatment. The Holders and Beneficial Owners shall indemnify the Depositary, the Company, the Custodian and any of their respective directors, employees, agents and Affiliates against, and hold each of them harmless from, any claims by any governmental authority with respect to taxes, additions to tax, penalties or interest arising out of any refund of taxes, reduced rate of withholding at source or other tax benefit obtained.

If the Company (or any of its agents) withholds from any distribution any amount on account of taxes or governmental charges, or pays any other tax in respect of such distribution (e.g., stamp duty tax, capital gains or other similar tax), the Company shall (and shall cause such agent to) remit promptly to the Depositary information about such taxes or governmental charges withheld or paid, and, if so requested, the tax receipt (or other proof of payment to the applicable governmental authority) therefor, in each case, in a form satisfactory to the Depositary. The Depositary shall, to the extent required by U.S. law, report to Holders any taxes withheld by it or the Custodian, and, if such information is provided to it by the Company, any taxes withheld by the Company. The Depositary and the Custodian shall not be required to provide the Holders with any evidence of the remittance by the Company (or its agents) of any taxes withheld, or of the payment of taxes by the Company, except to the extent the evidence is provided by the Company to the Depositary or the Custodian, as applicable. Neither the Depositary nor the Custodian shall be liable for the failure by any Holder or Beneficial Owner to obtain the benefits of credits on the basis of non-U.S. tax paid against such Holder's or Beneficial Owner's income tax liability.

The Depositary is under no obligation to provide the Holders and Beneficial Owners with any information about the tax status of the Company. The Depositary shall not incur any liability for any tax consequences that may be incurred by Holders and Beneficial Owners on account of their ownership of the ADSs, including without limitation, tax consequences resulting from the Company (or any of its subsidiaries) being treated as a "Passive Foreign Investment Company" (in each case as defined in the U.S. Internal Revenue Code and the regulations issued thereunder) or otherwise.

ARTICLE V

THE DEPOSITARY, THE CUSTODIAN AND THE COMPANY

Section 5.1 Maintenance of Office and Transfer Books by the Registrar. Until termination of the Deposit Agreement in accordance with its terms, the Registrar shall maintain in the Borough of Manhattan, the City of New York, an office and facilities for the issuance and delivery of ADSs, the acceptance for surrender of ADS(s) for the purpose of withdrawal of Deposited Securities, the registration of issuances, cancellations, transfers, combinations and split-ups of ADS(s) and, if applicable, to countersign ADRs evidencing the ADSs so issued, transferred, combined or split-up, in each case in accordance with the provisions of the Deposit Agreement.

The Registrar shall keep books for the registration of ADSs which at all reasonable times shall be open for inspection by the Company and by the Holders of such ADSs, provided that such inspection shall not be, to the Registrar's knowledge, for the purpose of communicating with Holders of such ADSs in the interest of a business or object other than the business of the Company or other than a matter related to the Deposit Agreement or the ADSs.

The Registrar may close the transfer books with respect to the ADSs, at any time or from time to time, when deemed necessary or advisable by it in good faith in connection with the performance of its duties hereunder, or at the reasonable written request of the Company subject, in all cases, to Section 7.8.

If any ADSs are listed on one or more stock exchanges or automated quotation systems in the United States, the Depositary shall act as Registrar or appoint a Registrar or one or more co-registrars for registration of issuances, cancellations, transfers, combinations and split-ups of ADSs and, if applicable, to countersign ADRs evidencing the ADSs so issued, transferred, combined or split-up, in accordance with any requirements of such exchanges or systems. Such Registrar or co-registrars may be removed and a substitute or substitutes appointed by the Depositary.

Section 5.2 Exoneration. Notwithstanding anything contained in the Deposit Agreement or any ADR, neither the Depositary nor the Company shall be obligated to do or perform any act which is inconsistent with the provisions of the Deposit Agreement or incur any liability (i) if the Depositary or the Company shall be prevented or forbidden from, or delayed in, doing or performing any act or thing required by the terms of the Deposit Agreement, by reason of any provision of any present or future law or regulation of the United States, England and Wales or any other country, or of any other governmental authority or regulatory authority or stock exchange, or on account of potential criminal or civil penalties or restraint, or by reason of any provision, present or future, of the Articles of Association of the Company or any provision of or governing any Deposited Securities, or by reason of any act of God or war or other circumstances beyond its control (including, without limitation, nationalization, expropriation, currency restrictions, work stoppage, strikes, civil unrest, acts of terrorism, revolutions, rebellions, explosions and computer failure), (ii) by reason of any exercise of, or failure to exercise, any discretion provided for in the Deposit Agreement or in the Articles of Association of the Company or provisions of or governing Deposited Securities, (iii) for any action or inaction in reliance upon the advice of or information from legal counsel, accountants, any person presenting Shares for deposit, any Holder, any Beneficial Owner or authorized representative thereof, or any other person believed by it in good faith to be competent to give such advice or information, (iv) for the inability by a Holder or Beneficial Owner to benefit from any distribution, offering, right or other benefit which is made available to holders of Deposited Securities but is not, under the terms of the Deposit Agreement, made available to Holders of ADSs, or (v) for any consequential or punitive damages (including lost profits) for any breach of the terms of the Deposit Agreement.

The Depositary, its controlling persons, its agents, any Custodian and the Company, its controlling persons and its agents may rely and shall be protected in acting upon any written notice, request or other document believed by it to be genuine and to have been signed or presented by the proper party or parties.

No disclaimer of liability under the Securities Act is intended by any provision of the Deposit Agreement.

Section 5.3 Standard of Care. The Company and the Depositary assume no obligation and shall not be subject to any liability under the Deposit Agreement or any ADRs to any Holder(s) or Beneficial Owner(s), except that the Company and the Depositary agree to perform their respective obligations specifically set forth in the Deposit Agreement or the applicable ADRs without negligence or bad faith.

Without limitation of the foregoing, neither the Depositary, nor the Company, nor any of their respective controlling persons, or agents, shall be under any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any Deposited Property or in respect of the ADSs, which in its opinion may involve it in expense or liability, unless indemnity satisfactory to it against all expense (including fees and disbursements of counsel) and liability be furnished as often as may be required (and no Custodian shall be under any obligation whatsoever with respect to such proceedings, the responsibility of the Custodian being solely to the Depositary).

The Depositary and its agents shall not be liable for any failure to carry out any instructions to vote any of the Deposited Securities, or for the manner in which any vote is cast or the effect of any vote, provided that any such action or omission is in good faith and without negligence and in accordance with the terms of the Deposit Agreement. The Depositary shall not incur any liability for any failure to accurately determine that any distribution or action may be lawful or reasonably practicable, for the content of any information submitted to it by the Company for distribution to the Holders or for any inaccuracy of any translation thereof, for any investment risk associated with acquiring an interest in the Deposited Property, for the validity or worth of the Deposited Property or for any tax consequences that may result from the ownership of ADSs, Shares or other Deposited Property, for the credit-worthiness of any third party, for allowing any rights to lapse upon the terms of the Deposit Agreement, for the failure or timeliness of any notice from the Company, or for any action of or failure to act by, or any information provided or not provided by, DTC or any DTC Participant.

The Depositary shall not be liable for any acts or omissions made by a successor depositary whether in connection with a previous act or omission of the Depositary or in connection with any matter arising wholly after the removal or resignation of the Depositary, provided that in connection with the issue out of which such potential liability arises the Depositary performed its obligations without negligence or bad faith while it acted as Depositary.

The Depositary shall not be liable for any acts or omissions made by a predecessor depositary whether in connection with an act or omission of the Depositary or in connection with any matter arising wholly prior to the appointment of the Depositary or after the removal or resignation of the Depositary, provided that in connection with the issue out of which such potential liability arises the Depositary performed its obligations without negligence or bad faith while it acted as Depositary.

Section 5.4 Resignation and Removal of the Depositary; Appointment of Successor Depositary. The Depositary may at any time resign as Depositary hereunder by written notice of resignation delivered to the Company, such resignation to be effective on the earlier of (i) the 90th day after delivery thereof to the Company (whereupon the Depositary shall be entitled to take the actions contemplated in Section 6.2), or (ii) the appointment by the Company of a successor depositary and its acceptance of such appointment as hereinafter provided.

The Depositary may at any time be removed by the Company by written notice of such removal, which removal shall be effective on the later of (i) the 90th day after delivery thereof to the Depositary (whereupon the Depositary shall be entitled to take the actions contemplated in Section 6.2), or (ii) upon the appointment by the Company of a successor depositary and its acceptance of such appointment as hereinafter provided.

In case at any time the Depositary acting hereunder shall resign or be removed, the Company shall use its best efforts to appoint a successor depositary, which shall be a bank or trust company having an office in the Borough of Manhattan, the City of New York. Every successor depositary shall be required by the Company to execute and deliver to its predecessor and to the Company an instrument in writing accepting its appointment hereunder, and thereupon such successor depositary, without any further act or deed (except as required by applicable law), shall become fully vested with all the rights, powers, duties and obligations of its predecessor (other than as contemplated in Sections 5.8 and 5.9). The predecessor depositary, upon payment of all sums due it and on the written request of the Company, shall, (i) execute and deliver an instrument transferring to such successor all rights and powers of such predecessor hereunder (other than as contemplated in Sections 5.8 and 5.9), (ii) duly assign, transfer and deliver all of the Depositary's right, title and interest to the Deposited Property to such successor, and (iii) deliver to such successor a list of the Holders of all outstanding ADSs and such other information relating to ADSs and Holders thereof as the successor may reasonably request. Any such successor depositary shall promptly provide notice of its appointment to such Holders.

Any entity into or with which the Depositary may be merged or consolidated shall be the successor of the Depositary without the execution or filing of any document or any further act.

Section 5.5 The Custodian. The Depositary has initially appointed Citibank N.A., London Branch, as Custodian for the purpose of the Deposit Agreement. The Custodian or its successors in acting hereunder shall be subject at all times and in all respects to the direction of the Depositary for the Deposited Property for which the Custodian acts as custodian and shall be responsible solely to it. If any Custodian resigns or is discharged from its duties hereunder with respect to any Deposited Property and no other Custodian has previously been appointed hereunder, the Depositary shall promptly appoint a substitute custodian. The Depositary shall require such resigning or discharged Custodian to Deliver, or cause the Delivery of, the Deposited Property held by it, together with all such records maintained by it as Custodian with respect to such Deposited Property as the Depositary may request, to the Custodian designated by the Depositary. Whenever the Depositary determines, in its discretion, that it is appropriate to do so, it may appoint an additional custodian with respect to any Deposited Property, or discharge the Custodian with respect to any Deposited Property and appoint a substitute custodian, which shall thereafter be Custodian hereunder with respect to the Deposited Property. Immediately upon any such change, the Depositary shall give notice thereof in writing to all Holders of ADSs, each other Custodian and the Company.

Citibank, N.A. may at any time act as Custodian of the Deposited Property pursuant to the Deposit Agreement, in which case any reference to Custodian shall mean Citibank, N.A. solely in its capacity as Custodian pursuant to the Deposit Agreement. Notwithstanding anything contained in the Deposit Agreement or any ADR, the Depositary shall not be obligated to give notice to the Company, any Holders of ADSs or any other Custodian of its acting as Custodian pursuant to the Deposit Agreement.

Upon the appointment of any successor depositary, any Custodian then acting hereunder shall, unless otherwise instructed by the Depositary, continue to be the Custodian of the Deposited Property without any further act or writing, and shall be subject to the direction of the successor depositary. The successor depositary so appointed shall, nevertheless, on the written request of any Custodian, execute and deliver to such Custodian all such instruments as may be proper to give to such Custodian full and complete power and authority to act on the direction of such successor depositary.

Section 5.6 Notices and Reports. On or before the first date on which the Company gives notice, by publication or otherwise, of any meeting of holders of Shares or other Deposited Securities, or of any adjourned meeting of such holders, or of the taking of any action by such holders other than at a meeting, or of the taking of any action in respect of any cash or other distributions or the offering of any rights in respect of Deposited Securities, the Company shall transmit to the Depositary and the Custodian a copy of the notice thereof in the English language but otherwise in the form given or to be given to holders of Shares or other Deposited Securities. The Company shall also furnish to the Custodian and the Depositary a summary, in English, of any applicable provisions or proposed provisions of the Articles of Association of the Company that may be relevant or pertain to such notice of meeting or be the subject of a vote thereat.

The Company will also transmit to the Depositary (a) an English language version of the other notices, reports and communications which are made generally available by the Company to holders of its Shares or other Deposited Securities and (b) the English-language versions of the Company's annual and semi-annual reports prepared in accordance with the applicable requirements of the Commission. The Depositary shall arrange, at the request of the Company and at the Company's expense, to provide copies thereof to all Holders or make such notices, reports and other communications available to all Holders on a basis similar to that for holders of Shares or other Deposited Securities or on such other basis as the Company may advise the Depositary or as may be required by any applicable law, regulation or stock exchange requirement. The Company has delivered to the Depositary and the Custodian a copy of the Company's Articles of Association along with the provisions of or governing the Shares and any other Deposited Securities issued by the Company in connection with such Shares, and promptly upon any amendment thereto or change therein, the Company shall deliver to the Depositary and the Custodian a copy of such amendment thereto or change therein. The Depositary may rely upon such copy for all purposes of the Deposit Agreement.

The Depositary will, at the expense of the Company, make available a copy of any such notices, reports or communications issued by the Company and delivered to the Depositary for inspection by the Holders of the ADSs at the Depositary's Principal Office, at the office of the Custodian and at any other designated transfer office.

Section 5.7 Issuance of Additional Shares, ADSs etc. The Company agrees that in the event it or any of its Affiliates proposes (i) an issuance, sale or distribution of additional Shares, (ii) an offering of rights to subscribe for Shares or other Deposited Securities, (iii) an issuance or assumption of securities convertible into or exchangeable for Shares, (iv) an issuance of rights to subscribe for securities convertible into or exchangeable for Shares, (v) an elective dividend of cash or Shares, (vi) a redemption of Deposited Securities, (vii) a meeting of holders of Deposited Securities, or solicitation of consents or proxies, relating to any reclassification of securities, merger or consolidation or transfer of assets, (viii) any assumption, reclassification, recapitalization, reorganization, merger, consolidation or sale of assets which affects the Deposited Securities, or (ix) a distribution of securities other than Shares, it will obtain U.S. legal advice and take all steps necessary to ensure that the application of the proposed transaction to Holders and Beneficial Owners does not violate the registration provisions of the Securities Act, or any other applicable laws (including, without limitation, the Investment Company Act of 1940, as amended, the Exchange Act and the securities laws of the states of the U.S.). In support of the foregoing, the Company will furnish to the Depositary (a) a written opinion of U.S. counsel (reasonably satisfactory to the Depositary) stating whether such transaction (1) requires a registration statement under the Securities Act to be in effect or (2) is exempt from the registration requirements of the Securities Act and (b) an opinion of English counsel stating that (1) making the transaction available to Holders and Beneficial Owners does not violate the laws or regulations of England and Wales and (2) all requisite regulatory consents and approvals have been obtained in England and Wales. If the filing of a registration statement is required, the Depositary shall not have any obligation to proceed with the transaction unless it shall have received evidence reasonably satisfactory to it that such registration statement has been declared effective. If, being advised by counsel, the Company determines that a transaction is required to be registered under the Securities Act, the Company will either (i) register such transaction to the extent necessary, (ii) alter the terms of the transaction to avoid the registration requirements of the Securities Act or (iii) direct the Depositary to take specific measures, in each case as contemplated in the Deposit Agreement, to prevent such transaction from violating the registration requirements of the Securities Act. The Company agrees with the Depositary that neither the Company nor any of its Affiliates will at any time (i) deposit any Shares or other Deposited Securities, either upon original issuance or upon a sale of Shares or other Deposited Securities previously issued and reacquired by the Company or by any such Affiliate, or (ii) issue additional Shares, rights to subscribe for such Shares, securities convertible into or exchangeable for Shares or rights to subscribe for such securities or distribute securities other than Shares, unless such transaction and the securities issuable in such transaction do not violate the registration provisions of the Securities Act, or any other applicable laws (including, without limitation, the Investment Company Act of 1940, as amended, the Exchange Act and the securities laws of the states of the U.S.).

Notwithstanding anything else contained in the Deposit Agreement, nothing in the Deposit Agreement shall be deemed to obligate the Company to file any registration statement in respect of any proposed transaction.

Section 5.8 Indemnification. The Depositary agrees to indemnify the Company and its directors, officers, employees, agents and Affiliates against, and hold each of them harmless from, any direct loss, liability, tax, charge or expense of any kind whatsoever (including, but not limited to, the reasonable fees and expenses of counsel) which may arise out of acts performed or omitted by the Depositary under the terms hereof due to the negligence or bad faith of the Depositary.

The Company agrees to indemnify the Depositary, the Custodian and any of their respective directors, officers, employees, agents and Affiliates against, and hold each of them harmless from, any direct loss, liability, tax, charge or expense of any kind whatsoever (including, but not limited to, the reasonable fees and expenses of counsel) that may arise (a) out of, or in connection with, any offer, issuance, sale, resale, transfer, deposit or withdrawal of ADRs, ADSs, the Shares, or other Deposited Securities, as the case may be, (b) out of, or as a result of, any offering documents in respect thereof or (c) out of acts performed or omitted, including, but not limited to, any delivery by the Depositary on behalf of the Company of information regarding the Company, in connection with the Deposit Agreement, any ancillary or supplemental agreement entered into between the Company and the Depositary, the ADRs, the ADSs, the Shares, or any Deposited Property, in any such case (i) by the Depositary, the Custodian or any of their respective directors, officers, employees, agents and Affiliates, except to the extent such loss, liability, tax, charge or expense is due to the negligence or bad faith of any of them, or (ii) by the Company or any of its directors, officers, employees, agents and Affiliates. The Company shall not indemnify the Depositary or the Custodian (for so long as the Custodian is a branch of Citibank, N.A.) against (x) any liability or expense arising out of information relating to the Depositary or such Custodian, as the case may be, furnished in a signed writing to the Company, executed by the Depositary expressly for use in any registration statement, prospectus or preliminary prospectus relating to any Deposited Securities represented by the ADSs, (y) any fees, charges or expenses payable by third party Holders or Beneficial Owners under this Deposit Agreement, or (z) any Pre-Release Transaction (as defined in Section 5.10) other than a Pre-Release Transaction entered into at the request of the Company.

The obligations set forth in this Section shall survive the termination of the Deposit Agreement and the succession or substitution of any party hereto.

Any person seeking indemnification hereunder (an "indemnified person") shall notify the person from whom it is seeking indemnification (the "indemnifying person") of the commencement of any indemnifiable action or claim promptly after such indemnified person becomes aware of such commencement (provided that the failure to make such notification shall not affect such indemnified person's rights to seek indemnification except to the extent the indemnifying person is materially prejudiced by such failure) and shall consult in good faith with the indemnifying person as to the conduct of the defense of such action or claim that may give rise to an indemnity hereunder, which defense shall be reasonable in the circumstances. No indemnified person shall compromise or settle any action or claim that may give rise to an indemnity hereunder without the consent of the indemnifying person, which consent shall not be unreasonably withheld.

Section 5.9 ADS Fees and Charges. The Company, the Holders, the Beneficial Owners, persons depositing Shares or withdrawing Deposited Securities in connection with the issuance and cancellation of ADSs, and persons receiving ADSs upon issuance or whose ADSs are being cancelled shall be required to pay the ADS fees and charges identified as payable by them respectively in the ADS fee schedule attached hereto as Exhibit B. All ADS fees and charges so payable may be deducted from distributions or must be remitted to the Depositary, or its designee, may be waived by the Depositary in full or in part with respect to some or all ADSs upon such terms, and subject to such conditions, as the Depositary and Company may determine in its sole discretion, and may, at any time and from time to time, be changed by agreement between the Depositary and the Company, but, in the case of ADS fees and charges payable by Holders and Beneficial Owners, any such change (excluding any changes to the waiver by the Depositary of fees and charges contemplated herein) may be made only in the manner contemplated in Section 6.1. The Depositary shall provide, without charge, a copy of its latest ADS fee schedule to anyone upon request.

ADS fees and charges for (i) the issuance of ADSs and (ii) the cancellation of ADSs will be payable by the person for whom the ADSs are so issued by the Depositary (in the case of ADS issuances) and by the person for whom ADSs are being cancelled (in the case of ADS cancellations). In the case of ADSs issued by the Depositary into DTC or presented to the Depositary via DTC, the ADS issuance and cancellation fees and charges will be payable by the DTC Participant(s) receiving the ADSs from the Depositary or the DTC Participant(s) holding the ADSs being cancelled, as the case may be, on behalf of the Beneficial Owner(s) and will be charged by the DTC Participant(s) to the account(s) of the applicable Beneficial Owner(s) in accordance with the procedures and practices of the DTC Participant(s) as in effect at the time. ADS fees and charges in respect of distributions and the ADS service fee are payable by Holders as of the applicable ADS Record Date established by the Depositary. In the case of distributions of cash, the amount of the applicable ADS fees and charges is deducted from the funds being distributed. In the case of (i) distributions other than cash and (ii) the ADS service fee, the applicable Holders as of the ADS Record Date established by the Depositary will be invoiced for the amount of the ADS fees and charges and such ADS fees may be deducted from distributions made to Holders. For ADSs held through DTC, the ADS fees and charges for distributions other than cash and the ADS service fee may be deducted from distributions made through DTC, and may be charged to the DTC Participants in accordance with the procedures and practices prescribed by DTC from time to time and the DTC Participants in turn charge the amount of such ADS fees and charges to the Beneficial Owners for whom they hold ADSs.

The Depositary may reimburse the Company for certain expenses incurred by the Company in respect of the ADR program established pursuant to the Deposit Agreement, by making available a portion of the ADS fees charged in respect of the ADR program or otherwise, upon such terms and conditions as the Company and the Depositary agree from time to time. The Company shall pay to the Depositary such fees and charges, and reimburse the Depositary for such out-of-pocket expenses, as the Depositary and the Company may agree from time to time. Responsibility for payment of such fees, charges and reimbursements may from time to time be changed by agreement between the Company and the Depositary. Unless otherwise agreed, the Depositary shall present its statement for such fees, charges and reimbursements to the Company once every three months. The charges and expenses of the Custodian are for the sole account of the Depositary.

The obligations of Holders and Beneficial Owners to pay ADS fees and charges shall survive the termination of the Deposit Agreement. As to any Depositary, upon the resignation or removal of such Depositary as described in Section 5.4, the right to collect ADS fees and charges shall extend for those ADS fees and charges incurred prior to the effectiveness of such resignation or removal.

Section 5.10 Pre-Release Transactions. Subject to the further terms and provisions of this Section 5.10, the Depositary, its Affiliates and their agents, on their own behalf, may own and deal in any class of securities of the Company and its Affiliates and in ADSs. In its capacity as Depositary, the Depositary shall not lend Shares or ADSs; provided, however, that the Depositary may (i) issue ADSs prior to the receipt of Shares pursuant to Section 2.3 and (ii) deliver Shares prior to the receipt of ADSs for withdrawal of Deposited Securities pursuant to Section 2.7, including ADSs which were issued under (i) above but for which Shares may not have been received (each such transaction a "Pre-Release Transaction"). The Depositary may receive ADSs in lieu of Shares under (i) above and receive Shares in lieu of ADSs under (ii) above. Each such Pre-Release Transaction will be (a) subject to a written agreement whereby the person or entity (the "Applicant") to whom ADSs or Shares are to be delivered (w) represents that at the time of the Pre-Release Transaction the Applicant or its customer owns the Shares or ADSs that are to be delivered by the Applicant under such Pre-Release Transaction, (x) agrees to indicate the Depositary as owner of such Shares or ADSs in its records and to hold such Shares or ADSs in trust for the Depositary until such Shares or ADSs are delivered to the Depositary or the Custodian, (y) unconditionally guarantees to deliver to the Depositary or the Custodian, as applicable, such Shares or ADSs, and (z) agrees to any additional restrictions or requirements that the Depositary deems appropriate, (b) at all times fully collateralized with cash, U.S. government securities or such other collateral as the Depositary deems appropriate, (c) terminable by the Depositary on not more than five (5) business days' notice and (d) subject to such further indemnities and credit regulations as the Depositary deems appropriate. The Depositary will normally limit the number of ADSs and Shares involved in such Pre-Release Transactions at any one time to thirty percent (30%) of the ADSs outstanding (without giving effect to ADSs outstanding under (i) above), provided, however, that the Depositary reserves the right to change or disregard such limit from time to time as it deems appropriate.

The Depositary may also set limits with respect to the number of ADSs and Shares involved in Pre-Release Transactions with any one person on a case-by-case basis as it deems appropriate. The Depositary may retain for its own account any compensation received by it in conjunction with the foregoing. Collateral provided pursuant to (b) above, but not the earnings thereon, shall be held for the benefit of the Holders (other than the Applicant).

Section 5.11 Restricted Securities Owners. The Company agrees to advise in writing each of the persons or entities who, to the knowledge of the Company, holds Restricted Securities that such Restricted Securities are ineligible for deposit hereunder (except under the circumstances contemplated in Section 2.14) and, to the extent practicable, shall require each of such persons to represent in writing that such person will not deposit Restricted Securities hereunder (except under the circumstances contemplated in Section 2.14).

ARTICLE VI

AMENDMENT AND TERMINATION

Section 6.1 Amendment/Supplement. Subject to the terms and conditions of this Section 6.1 and applicable law, the ADRs outstanding at any time, the provisions of the Deposit Agreement and the form of ADR attached hereto and to be issued under the terms hereof may at any time and from time to time be amended or supplemented by written agreement between the Company and the Depositary in any respect which they may deem necessary or desirable without the prior written consent of the Holders or Beneficial Owners. Any amendment or supplement which shall impose or increase any fees or charges (other than charges in connection with foreign exchange control regulations, and taxes and other governmental charges, delivery and other such expenses), or which shall otherwise materially prejudice any substantial existing right of Holders or Beneficial Owners, shall not, however, become effective as to outstanding ADSs until the expiration of thirty (30) days after notice of such amendment or supplement shall have been given to the Holders of outstanding ADSs. Notice of any amendment to the Deposit Agreement or any ADR shall not need to describe in detail the specific amendments effectuated thereby, and failure to describe the specific amendments in any such notice shall not render such notice invalid, provided, however, that, in each such case, the notice given to the Holders identifies a means for Holders and Beneficial Owners to retrieve or receive the text of such amendment (e.g., upon retrieval from the Commission's, the Depositary's or the Company's website or upon request from the Depositary). The parties hereto agree that any amendments or supplements which (i) are reasonably necessary (as agreed by the Company and the Depositary) in order for (a) the ADSs to be registered on Form F-6 under the Securities Act or (b) the ADSs to be settled solely in electronic book-entry form and (ii) do not in either such case impose or increase any fees or charges to be borne by Holders, shall be deemed not to materially prejudice any substantial rights of Holders or Beneficial Owners. Every Holder and Beneficial Owner at the time any amendment or supplement so becomes effective shall be deemed, by continuing to hold such ADSs, to consent and agree to such amendment or supplement and to be bound by the Deposit Agreement and the ADR, if applicable, as amended or supplemented thereby. In no event shall any amendment or supplement impair the right of the Holder to surrender such ADS and receive therefor the Deposited Securities represented thereby, except in order to comply with mandatory provisions of applicable law. Notwithstanding the foregoing, if any governmental body should adopt new laws, rules or regulations which would require an amendment of, or supplement to, the Deposit Agreement to ensure compliance therewith, the Company and the Depositary may amend or supplement the Deposit Agreement and any ADRs at any time in accordance with such changed laws, rules or regulations. Such amendment or supplement to the Deposit Agreement and any ADRs in such circumstances may become effective before a notice of such amendment or supplement is given to Holders or within any other period of time as required for compliance with such laws, rules or regulations.

Section 6.2 Termination. The Depositary shall, at any time at the written direction of the Company, terminate the Deposit Agreement by distributing notice of such termination to the Holders of all ADSs then outstanding at least thirty (30) days prior to the date fixed in such notice for such termination. If ninety (90) days shall have expired after (i) the Depositary shall have delivered to the Company a written notice of its election to resign, or (ii) the Company shall have delivered to the Depositary a written notice of the removal of the Depositary, and, in either case, a successor depositary shall not have been appointed and accepted its appointment as provided in Section 5.4 of the Deposit Agreement, the Depositary may terminate the Deposit Agreement by distributing notice of such termination to the Holders of all ADSs then outstanding at least thirty (30) days prior to the date fixed in such notice for such termination. The date so fixed for termination of the Deposit Agreement in any termination notice so distributed by the Depositary to the Holders of ADSs is referred to as the "Termination Date". Until the Termination Date, the Depositary shall continue to perform all of its obligations under the Deposit Agreement, and the Holders and Beneficial Owners will be entitled to all of their rights under the Deposit Agreement.

If any ADSs shall remain outstanding after the Termination Date, the Registrar and the Depositary shall not, after the Termination Date, have any obligation to perform any further acts under the Deposit Agreement, except that the Depositary shall, subject, in each case, to the terms and conditions of the Deposit Agreement, continue to (i) collect dividends and other distributions pertaining to Deposited Securities, (ii) sell Deposited Property received in respect of Deposited Securities, (iii) deliver Deposited Securities, together with any dividends or other distributions received with respect thereto and the net proceeds of the sale of any other Deposited Property, in exchange for ADSs surrendered to the Depositary (after deducting, or charging, as the case may be, in each case, the fees and charges of, and expenses incurred by, the Depositary, and all applicable taxes or governmental charges for the account of the Holders and Beneficial Owners, in each case upon the terms set forth in Section 5.9 of the Deposit Agreement), and (iv) take such actions as may be required under applicable law in connection with its role as Depositary under the Deposit Agreement.

At any time after the Termination Date, the Depositary may sell the Deposited Property then held under the Deposit Agreement and shall after such sale hold un-invested the net proceeds of such sale, together with any other cash then held by it under the Deposit Agreement, in an un-segregated account and without liability for interest, for the pro rata benefit of the Holders whose ADSs have not theretofore been surrendered. After making such sale, the Depositary shall be discharged from all obligations under the Deposit Agreement except (i) to account for such net proceeds and other cash (after deducting, or charging, as the case may be, in each case, the fees and charges of, and expenses incurred by, the Depositary, and all applicable taxes or governmental charges for the account of the Holders and Beneficial Owners, in each case upon the terms set forth in Section 5.9 of the Deposit Agreement), and (ii) as may be required at law in connection with the termination of the Deposit Agreement. After the Termination Date, the Company shall be discharged from all obligations under the Deposit Agreement, except for its obligations to the Depositary under Sections 5.8, 5.9 and 7.6 of the Deposit Agreement. The obligations under the terms of the Deposit Agreement of Holders and Beneficial Owners of ADSs outstanding as of the Termination Date shall survive the Termination Date and shall be discharged only when the applicable ADSs are presented by their Holders to the Depositary for cancellation under the terms of the Deposit Agreement (except as specifically provided in the Deposit Agreement).

Notwithstanding anything contained in the Deposit Agreement or any ADR, in connection with the termination of the Deposit Agreement, the Depositary may, independently and without the need for any action by the Company, make available to Holders of ADSs a means to withdraw the Deposited Securities represented by their ADSs and to direct the deposit of such Deposited Securities into an unsponsored American depositary shares program established by the Depositary, upon such terms and conditions as the Depositary may deem reasonably appropriate, subject however, in each case, to satisfaction of the applicable registration requirements by the unsponsored American depositary shares program under the Securities Act, and to receipt by the Depositary of payment of the applicable fees and charges of, and reimbursement of the applicable expenses incurred by, the Depositary.

ARTICLE VII

MISCELLANEOUS

Section 7.1 Counterparts. The Deposit Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of such counterparts together shall constitute one and the same agreement. Copies of the Deposit Agreement shall be maintained with the Depositary and shall be open to inspection by any Holder during business hours.

Section 7.2 No Third-Party Beneficiaries. The Deposit Agreement is for the exclusive benefit of the parties hereto (and their successors) and shall not be deemed to give any legal or equitable right, remedy or claim whatsoever to any other person, except to the extent specifically set forth in the Deposit Agreement. Nothing in the Deposit Agreement shall be deemed to give rise to a partnership or joint venture among the parties nor establish a fiduciary or similar relationship among the parties. The parties hereto acknowledge and agree that (i) Citibank and its Affiliates may at any time have multiple banking relationships with the Company, the Holders, the Beneficial Owners, and their respective Affiliates, (ii) Citibank and its Affiliates may be engaged at any time in transactions in which parties adverse to the Company, the Holders, the Beneficial Owners or their respective Affiliates may have interests, (iii) the Depositary and its Affiliates may from time to time have in their possession non-public information about the Company, the Holders, the Beneficial Owners, and their respective Affiliates, (iv) nothing contained in the Deposit Agreement shall (a) preclude Citibank or any of its Affiliates from engaging in such transactions or establishing or maintaining such relationships, (b) obligate Citibank or any of its Affiliates to disclose such information, transactions or relationships, or to account for any profit made or payment received in such transactions or relationships, and (v) the Depositary shall not be deemed to have knowledge of any information any other division of Citibank or any of its Affiliates may have about the Company, the Holders, the Beneficial Owners, or any of their respective Affiliates.

Section 7.3 Severability. In case any one or more of the provisions contained in the Deposit Agreement or in the ADRs should be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein or therein shall in no way be affected, prejudiced or disturbed thereby.

Section 7.4 Holders and Beneficial Owners as Parties; Binding Effect. The Holders and Beneficial Owners from time to time of ADSs issued hereunder shall be parties to the Deposit Agreement and shall be bound by all of the terms and conditions hereof and of any ADR evidencing their ADSs by acceptance thereof or any beneficial interest therein.

Section 7.5 Notices. Any and all notices to be given to the Company shall be deemed to have been duly given if personally delivered or sent by mail, air courier or cable, telex or facsimile transmission, confirmed by letter personally delivered or sent by mail or air courier, addressed to Mereo BioPharma Group plc, Fourth Floor, One Cavendish Place, London W1G 0QF, United Kingdom, Attention: General Counsel, or to any other address which the Company may specify in writing to the Depositary.

Any and all notices to be given to the Depositary shall be deemed to have been duly given if personally delivered or sent by mail, air courier or cable, telex or facsimile transmission, confirmed by letter personally delivered or sent by mail or air courier, addressed to Citibank, N.A., 388 Greenwich Street, New York, New York 10013, U.S.A., Attention: Depositary Receipts Department, or to any other address which the Depositary may specify in writing to the Company.

Any and all notices to be given to any Holder shall be deemed to have been duly given (a) if personally delivered or sent by mail or cable, telex or facsimile transmission, confirmed by letter, addressed to such Holder at the address of such Holder as it appears on the books of the Depositary or, if such Holder shall have filed with the Depositary a request that notices intended for such Holder be mailed to some other address, at the address specified in such request, or (b) if a Holder shall have designated such means of notification as an acceptable means of notification under the terms of the Deposit Agreement, by means of electronic messaging addressed for delivery to the e-mail address designated by the Holder for such purpose. Notice to Holders shall be deemed to be notice to Beneficial Owners for all purposes of the Deposit Agreement. Failure to notify a Holder or any defect in the notification to a Holder shall not affect the sufficiency of notification to other Holders or to the Beneficial Owners of ADSs held by such other Holders. Any notices given to DTC under the terms of the Deposit Agreement shall (unless otherwise specified by the Depositary) constitute notice to the DTC Participants who hold as the ADSs in their DTC accounts and to the Beneficial Owners of such ADSs.

Delivery of a notice sent by mail, air courier or cable, telex or facsimile transmission shall be deemed to be effective at the time when a duly addressed letter containing the same (or a confirmation thereof in the case of a cable, telex or facsimile transmission) is deposited, postage prepaid, in a post-office letter box or delivered to an air courier service, without regard for the actual receipt or time of actual receipt thereof by a Holder. The Depositary or the Company may, however, act upon any cable, telex or facsimile transmission received by it from any Holder, the Custodian, the Depositary, or the Company, notwithstanding that such cable, telex or facsimile transmission shall not be subsequently confirmed by letter.

Delivery of a notice by means of electronic messaging shall be deemed to be effective at the time of the initiation of the transmission by the sender (as shown on the sender's records), notwithstanding that the intended recipient retrieves the message at a later date, fails to retrieve such message, or fails to receive such notice on account of its failure to maintain the designated e-mail address, its failure to designate a substitute e-mail address or for any other reason.

Section 7.6 Governing Law and Jurisdiction. The Deposit Agreement and the ADRs shall be interpreted in accordance with, and all rights hereunder and thereunder and provisions hereof and thereof shall be governed by, the laws of the State of New York applicable to contracts made and to be wholly performed in that State. Notwithstanding anything contained in the Deposit Agreement, any ADR or any present or future provisions of the laws of the State of New York, the rights of holders of Shares and of any other Deposited Securities and the obligations and duties of the Company in respect of the holders of Shares and other Deposited Securities, as such, shall be governed by the laws of England and Wales (or, if applicable, such other laws as may govern the Deposited Securities).

Except as set forth in the following paragraph of this Section 7.6, the Company and the Depositary agree that the federal or state courts in the City of New York shall have jurisdiction to hear and determine any suit, action or proceeding and to settle any dispute between them that may arise out of or in connection with the Deposit Agreement and, for such purposes, each irrevocably submits to the non-exclusive jurisdiction of such courts. The Company hereby irrevocably designates, appoints and empowers Cogency Global Inc. (the "Agent") now at 10 East 40th Street, 10th Floor, New York, New York 10016, as its authorized agent to receive and accept for and on its behalf, and on behalf of its properties, assets and revenues, service by mail of any and all legal process, summons, notices and documents that may be served in any suit, action or proceeding brought against the Company in any federal or state court as described in the preceding sentence or in the next paragraph of this Section 7.6. If for any reason the Agent shall cease to be available to act as such, the Company agrees to designate a new agent in New York on the terms and for the purposes of this Section 7.6 reasonably satisfactory to the Depositary. The Company further hereby irrevocably consents and agrees to the service of any and all legal process, summons, notices and documents in any suit, action or proceeding against the Company, by service by mail of a copy thereof upon the Agent (whether or not the appointment of such Agent shall for any reason prove to be ineffective or such Agent shall fail to accept or acknowledge such service), with a copy mailed to the Company by registered or certified air mail, postage prepaid, to its address provided in Section 7.5. The Company agrees that the failure of the Agent to give any notice of such service to it shall not impair or affect in any way the validity of such service or any judgment rendered in any action or proceeding based thereon.

Notwithstanding the foregoing, the Depositary and the Company unconditionally agree that in the event that a Holder or Beneficial Owner brings a suit, action or proceeding against (a) the Company, (b) the Depositary in its capacity as Depositary under the Deposit Agreement or (c) against both the Company and the Depositary, in any such case, in any state or federal court of the United States, and the Depositary or the Company have any claim, for indemnification or otherwise, against each other arising out of the subject matter of such suit, action or proceeding, then the Company and the Depositary may pursue such claim against each other in the state or federal court in the United States in which such suit, action, or proceeding is pending and, for such purposes, the Company and the Depositary irrevocably submit to the non-exclusive jurisdiction of such courts. The Company agrees that service of process upon the Agent in the manner set forth in the preceding paragraph shall be effective service upon it for any suit, action or proceeding brought against it as described in this paragraph.

The Company irrevocably and unconditionally waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of venue of any actions, suits or proceedings brought in any court as provided in this Section 7.6, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

The Company irrevocably and unconditionally waives, to the fullest extent permitted by law, and agrees not to plead or claim, any right of immunity from legal action, suit or proceeding, from setoff or counterclaim, from the jurisdiction of any court, from service of process, from attachment upon or prior to judgment, from attachment in aid of execution or judgment, from execution of judgment, or from any other legal process or proceeding for the giving of any relief or for the enforcement of any judgment, and consents to such relief and enforcement against it, its assets and its revenues in any jurisdiction, in each case with respect to any matter arising out of, or in connection with, the Deposit Agreement, any ADR or the Deposited Property.

EACH OF THE PARTIES TO THE DEPOSIT AGREEMENT (INCLUDING, WITHOUT LIMITATION, EACH HOLDER AND BENEFICIAL OWNER) IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING AGAINST THE COMPANY AND/OR THE DEPOSITARY ARISING OUT OF, OR RELATING TO, THE DEPOSIT AGREEMENT, ANY ADR AND ANY TRANSACTIONS CONTEMPLATED THEREIN (WHETHER BASED ON CONTRACT, TORT, COMMON LAW OR OTHERWISE).

No disclaimer of liability under the Securities Act is intended by any provision of the Deposit Agreement. The provisions of this Section 7.6 shall survive any termination of the Deposit Agreement, in whole or in part.

Section 7.7 Assignment. Subject to the provisions of Section 5.4, the Deposit Agreement may not be assigned by either the Company or the Depositary.

Section 7.8 Compliance with U.S. Securities Laws. Notwithstanding anything in the Deposit Agreement to the contrary, the withdrawal or delivery of Deposited Securities will not be suspended by the Company or the Depositary except as would be permitted by Instruction I.A.(1) of the General Instructions to Form F-6 Registration Statement, as amended from time to time, under the Securities Act.

Section 7.9 England and Wales Law References. Any summary of the laws and regulations of England and Wales and of the terms of the Company's Articles of Association set forth in the Deposit Agreement have been provided by the Company solely for the convenience of Holders, Beneficial Owners and the Depositary. While such summaries are believed by the Company to be accurate as of the date of the Deposit Agreement, (i) they are summaries and as such may not include all aspects of the materials summarized applicable to a Holder or Beneficial Owner, and (ii) these laws and regulations and the Company's Articles of Association may change after the date of the Deposit Agreement. Neither the Depositary nor the Company has any obligation under the terms of the Deposit Agreement to update any such summaries.

Section 7.10 Titles and References.

(a) Deposit Agreement. All references in the Deposit Agreement to exhibits, articles, sections, subsections, and other subdivisions refer to the exhibits, articles, sections, subsections and other subdivisions of the Deposit Agreement unless expressly provided otherwise. The words "the Deposit Agreement", "herein", "hereof", "hereby", "hereunder", and words of similar import refer to the Deposit Agreement as a whole as in effect at the relevant time between the Company, the Depositary and the Holders and Beneficial Owners of ADSs and not to any particular subdivision unless expressly so limited. Pronouns in masculine, feminine and neuter gender shall be construed to include any other gender, and words in the singular form shall be construed to include the plural and *vice versa* unless the context otherwise requires. Titles to sections of the Deposit Agreement are included for convenience only and shall be disregarded in construing the language contained in the Deposit Agreement. References to "applicable laws and regulations" shall refer to laws and regulations applicable to ADRs, ADSs or Deposited Property as in effect at the relevant time of determination, unless otherwise required by law or regulation.

(b) ADRs. All references in any ADR(s) to paragraphs, exhibits, articles, sections, subsections, and other subdivisions refer to the paragraphs, exhibits, articles, sections, subsections and other subdivisions of the ADR(s) in question unless expressly provided otherwise. The words "the Receipt", "the ADR", "herein", "hereof", "hereby", "hereunder", and words of similar import used in any ADR refer to the ADR as a whole and as in effect at the relevant time, and not to any particular subdivision unless expressly so limited. Pronouns in masculine, feminine and neuter gender in any ADR shall be construed to include any other gender, and words in the singular form shall be construed to include the plural and *vice versa* unless the context otherwise requires. Titles to paragraphs of any ADR are included for convenience only and shall be disregarded in construing the language contained in the ADR. References to "applicable laws and regulations" shall refer to laws and regulations applicable to ADRs, ADSs or Deposited Property as in effect at the relevant time of determination, unless otherwise required by law or regulation.

IN WITNESS WHEREOF, MEREO BIOPHARMA GROUP PLC and CITIBANK, N.A. have duly executed the Deposit Agreement as of the day and year first above set forth and all Holders and Beneficial Owners shall become parties hereto upon acceptance by them of ADSs issued in accordance with the terms hereof, or upon acquisition of any beneficial interest therein.

MEREO BIOPHARMA GROUP PLC

By: _____
Name:
Title:

CITIBANK, N.A.

By: _____
Name:
Title:

EXHIBIT A

[FORM OF ADR]

Number

_____

CUSIP NUMBER: _____

American Depositary Shares (each American Depositary Share representing the right to receive _____ fully paid ordinary shares)

AMERICAN DEPOSITARY RECEIPT

for

AMERICAN DEPOSITARY SHARES

representing

DEPOSITED ORDINARY SHARES

of

MEREO BIOPHARMA GROUP PLC

(Incorporated under the laws of England and Wales)

CITIBANK, N.A., a national banking association organized and existing under the laws of the United States of America, as depositary (the "Depositary"), hereby certifies that _____ is the owner of _____ American Depositary Shares (hereinafter "ADS") representing deposited ordinary shares, including evidence of rights to receive such ordinary shares (the "Shares"), of Mereo BioPharma Group plc, a public limited company incorporated under the laws of England and Wales (the "Company"). As of the date of issuance of this ADR, each ADS represents the right to receive _____ Shares deposited under the Deposit Agreement (as hereinafter defined) with the Custodian, which at the date of execution of the Deposit Agreement is Citibank, N.A. London Branch (the "Custodian"). The ADS(s)-to-Share(s) ratio is subject to amendment as provided in Articles IV and VI of the Deposit Agreement. The Depositary's Principal Office is located at 388 Greenwich Street, New York, New York 10013, U.S.A.

(1) The Deposit Agreement. This American Depositary Receipt is one of an issue of American Depositary Receipts ("ADRs"), all issued and to be issued upon the terms and conditions set forth in the Deposit Agreement, dated as of [ ], 2018 (as amended and supplemented from time to time, the "Deposit Agreement"), by and among the Company, the Depositary, and all Holders and Beneficial Owners from time to time of ADSs issued thereunder. The Deposit Agreement sets forth the rights and obligations of Holders and Beneficial Owners of ADSs and the rights and duties of the Depositary in respect of the Shares deposited thereunder and any and all other Deposited Property (as defined in the Deposit Agreement) from time to time received and held on deposit in respect of the ADSs. Copies of the Deposit Agreement are on file at the Principal Office of the Depositary and with the Custodian. Each Holder and each Beneficial Owner, upon acceptance of any ADSs (or any interest therein) issued in accordance with the terms and conditions of the Deposit Agreement, shall be deemed for all purposes to (a) be a party to and bound by the terms of the Deposit Agreement and the applicable ADR(s), and (b) appoint the Depositary its attorney-in-fact, with full power to delegate, to act on its behalf and to take any and all actions contemplated in the Deposit Agreement and the applicable ADR(s), to adopt any and all procedures necessary to comply with applicable law and to take such action as the Depositary in its sole discretion may deem necessary or appropriate to carry out the purposes of the Deposit Agreement and the applicable ADR(s), the taking of such actions to be the conclusive determinant of the necessity and appropriateness thereof.

The statements made on the face and reverse of this ADR are summaries of certain provisions of the Deposit Agreement and the Articles of Association of the Company (as in effect on the date of the signing of the Deposit Agreement) and are qualified by and subject to the detailed provisions of the Deposit Agreement and the Articles of Association, to which reference is hereby made.

All capitalized terms not defined herein shall have the meanings ascribed thereto in the Deposit Agreement.

The Depositary makes no representation or warranty as to the validity or worth of the Deposited Property. The Depositary has made arrangements for the acceptance of the ADSs into DTC. Each Beneficial Owner of ADSs held through DTC must rely on the procedures of DTC and the DTC Participants to exercise and be entitled to any rights attributable to such ADSs. The Depositary may issue Uncertificated ADSs subject, however, to the terms and conditions of Section 2.13 of the Deposit Agreement.

(2) Surrender of ADSs and Withdrawal of Deposited Securities. The Holder of this ADR (and of the ADSs evidenced hereby) shall be entitled to Delivery (at the Custodian's designated office) of the Deposited Securities at the time represented by the ADSs evidenced hereby upon satisfaction of each of the following conditions: (i) the Holder (or a duly-authorized attorney of the Holder) has duly Delivered ADSs to the Depositary at its Principal Office the ADSs evidenced hereby (and if applicable, this ADR evidencing such ADSs) for the purpose of withdrawal of the Deposited Securities represented thereby, (ii) if applicable and so required by the Depositary, this ADR Delivered to the Depositary for such purpose has been properly endorsed in blank or is accompanied by proper instruments of transfer in blank (including signature guarantees in accordance with standard securities industry practice), (iii) if so required by the Depositary, the Holder of the ADSs has executed and delivered to the Depositary a written order directing the Depositary to cause the Deposited Securities being withdrawn to be Delivered to or upon the written order of the person(s) designated in such order, and (iv) all applicable fees and charges of, and expenses incurred by, the Depositary and all applicable taxes and governmental charges (as are set forth in Section 5.9 of, and Exhibit B to, the Deposit Agreement) have been paid, *subject, however, in each case*, to the terms and conditions of this ADR evidencing the surrendered ADSs, of the Deposit Agreement, of the Company's Articles of Association and of any applicable laws and the rules of CREST, and to any provisions of or governing the Deposited Securities, in each case as in effect at the time thereof.

Upon satisfaction of each of the conditions specified above, the Depositary (i) shall cancel the ADSs Delivered to it (and, if applicable, the ADR(s) evidencing the ADSs so Delivered), (ii) shall direct the Registrar to record the cancellation of the ADSs so Delivered on the books maintained for such purpose, and (iii) shall direct the Custodian to Deliver, or cause the Delivery of, in each case, without unreasonable delay, the Deposited Securities represented by the ADSs so canceled together with any certificate or other document of title for the Deposited Securities, or evidence of the electronic transfer thereof (if available), as the case may be, to or upon the written order of the person(s) designated in the order delivered to the Depositary for such purpose, *subject however, in each case*, to the terms and conditions of the Deposit Agreement, of this ADR evidencing the ADSs so canceled, of the Articles of Association of the Company, of any applicable laws and of the rules of CREST, and to the terms and conditions of or governing the Deposited Securities, in each case as in effect at the time thereof.

The Depositary shall not accept for surrender ADSs representing less than one (1) Share. In the case of Delivery to it of ADSs representing a number other than a whole number of Shares, the Depositary shall cause ownership of the appropriate whole number of Shares to be Delivered in accordance with the terms hereof, and shall, at the discretion of the Depositary, either (i) return to the person surrendering such ADSs the number of ADSs representing any remaining fractional Share, or (ii) sell or cause to be sold the fractional Share represented by the ADSs so surrendered and remit the proceeds of such sale (net of (a) applicable fees and charges of, and expenses incurred by, the Depositary and (b) applicable taxes withheld) to the person surrendering the ADSs.

Notwithstanding anything else contained in this ADR or the Deposit Agreement, the Depositary may make delivery at the Principal Office of the Depositary of Deposited Property consisting of (i) any cash dividends or cash distributions, or (ii) any proceeds from the sale of any non-cash distributions, which are at the time held by the Depositary in respect of the Deposited Securities represented by the ADSs surrendered for cancellation and withdrawal. At the request, risk and expense of any Holder so surrendering ADSs represented by this ADR, and for the account of such Holder, the Depositary shall direct the Custodian to forward (to the extent permitted by law) any Deposited Property (other than Deposited Securities) held by the Custodian in respect of such ADSs to the Depositary for delivery at the Principal Office of the Depositary. Such direction shall be given by letter or, at the request, risk and expense of such Holder, by cable, telex or facsimile transmission.

(3) Transfer, Combination and Split-up of ADRs. The Registrar shall register the transfer of this ADR (and of the ADSs represented hereby) on the books maintained for such purpose and the Depositary shall (x) cancel this ADR and execute new ADRs evidencing the same aggregate number of ADSs as those evidenced by this ADR when canceled by the Depositary, (y) cause the Registrar to countersign such new ADRs and (z) Deliver such new ADRs to or upon the order of the person entitled thereto, if each of the following conditions has been satisfied: (i) this ADR has been duly Delivered by the Holder (or by a duly authorized attorney of the Holder) to the Depositary at its Principal Office for the purpose of effecting a transfer thereof, (ii) this surrendered ADR has been properly endorsed or is accompanied by proper instruments of transfer (including signature guarantees in accordance with standard securities industry practice), (iii) this surrendered ADR has been duly stamped (if required by the laws of the State of New York or of the United States), and (iv) all applicable fees and charges of, and expenses incurred by, the Depositary and all applicable taxes and governmental charges (as are set forth in Section 5.9 of, and Exhibit B to, the Deposit Agreement) have been paid, *subject, however, in each case*, to the terms and conditions of this ADR, of the Deposit Agreement and of applicable law, in each case as in effect at the time thereof.

The Registrar shall register the split-up or combination of this ADR (and of the ADSs represented hereby) on the books maintained for such purpose and the Depositary shall (x) cancel this ADR and execute new ADRs for the number of ADSs requested, but in the aggregate not exceeding the number of ADSs evidenced by this ADR canceled by the Depositary, (y) cause the Registrar to countersign such new ADRs and (z) Deliver such new ADRs to or upon the order of the Holder thereof, if each of the following conditions has been satisfied: (i) this ADR has been duly Delivered by the Holder (or by a duly authorized attorney of the Holder) to the Depositary at its Principal Office for the purpose of effecting a split-up or combination thereof, and (ii) all applicable fees and charges of, and expenses incurred by, the Depositary and all applicable taxes and governmental charges (as are set forth in Section 5.9 of, and Exhibit B to, the Deposit Agreement) have been paid, *subject, however, in each case*, to the terms and conditions of this ADR, of the Deposit Agreement and of applicable law, in each case as in effect at the time thereof.

(4) Pre-Conditions to Registration, Transfer, Etc. As a condition precedent to the execution and Delivery, the registration of issuance, transfer, split-up, combination or surrender, of any ADS, the delivery of any distribution thereon, or the withdrawal of any Deposited Property, the Depositary or the Custodian may require (i) payment from the depositor of Shares or presenter of ADSs or of this ADR of a sum sufficient to reimburse it for any tax or other governmental charge and any stock transfer or registration fee with respect thereto (including any such tax or charge and fee with respect to Shares being deposited or withdrawn) and payment of any applicable fees and charges of the Depositary as provided in Section 5.9 and Exhibit B to the Deposit Agreement and in this ADR, (ii) the production of proof satisfactory to it as to the identity and genuineness of any signature or any other matter contemplated by Section 3.1 of the Deposit Agreement, and (iii) compliance with (A) any laws or governmental regulations relating to the execution and Delivery of this ADR or ADSs or to the withdrawal of Deposited Securities and (B) such reasonable regulations as the Depositary and the Company may establish consistent with the provisions of this ADR, if applicable, the Deposit Agreement and applicable law.

The issuance of ADSs against deposits of Shares generally or against deposits of particular Shares may be suspended, or the deposit of particular Shares may be refused, or the registration of transfer of ADSs in particular instances may be refused, or the registration of transfers of ADSs generally may be suspended, during any period when the transfer books of the Company, the Depositary, a Registrar or the Share Registrar are closed or if any such action is deemed necessary or advisable by the Depositary or the Company, in good faith, at any time or from time to time because of any requirement of law or regulation, any government or governmental body or commission or any securities exchange on which the ADSs or Shares are listed, or under any provision of the Deposit Agreement or this ADR, if applicable, or under any provision of, or governing, the Deposited Securities, or because of a meeting of shareholders of the Company or for any other reason, subject, in all cases, to paragraph (25) of this ADR and Section 7.8 of the Deposit Agreement. Notwithstanding any provision of the Deposit Agreement or this ADR to the contrary, Holders are entitled to surrender outstanding ADSs to withdraw the Deposited Securities associated herewith at any time subject only to (i) temporary delays caused by closing the transfer books of the Depositary or the Company or the deposit of Shares in connection with voting at a shareholders' meeting or the payment of dividends, (ii) the payment of fees, taxes and similar charges, (iii) compliance with any U.S. or foreign laws or governmental regulations relating to the ADSs or to the withdrawal of the Deposited Securities, and (iv) other circumstances specifically contemplated by Instruction I.A.(l) of the General Instructions to Form F-6 (as such General Instructions may be amended from time to time).

(5) Compliance with Information Requests. Notwithstanding any other provision of the Deposit Agreement or this ADR, each Holder and Beneficial Owner of the ADSs represented hereby agrees to comply with requests from the Company pursuant to applicable law, the rules and requirements of The NASDAQ Global Market and any other stock exchange on which the Shares or ADSs are, or will be, registered, traded or listed or the Articles of Association of the Company, which are made to provide information, *inter alia*, as to the capacity in which such Holder or Beneficial Owner owns ADSs (and the Shares represented by such ADSs, as the case may be) and regarding the identity of any other person(s) interested in such ADSs (and the Shares represented by such ADSs, as the case may be) and the nature of such interest and various other matters, whether or not they are Holders and/or Beneficial Owners at the time of such request. The Depositary agrees to use its reasonable efforts to forward, upon the request of the Company and at the Company's expense, any such request from the Company to the Holders and to forward to the Company any such responses to such requests received by the Depositary.

(6) Ownership Restrictions. Notwithstanding any other provision of this ADR or of the Deposit Agreement or any ADR, the Company may restrict transfers of the Shares where such transfer might result in ownership of Shares exceeding limits imposed by applicable law or the Articles of Association of the Company. The Company may also restrict, in such manner as it deems appropriate, transfers of the ADSs where such transfer may result in the total number of Shares represented by the ADSs owned by a single Holder or Beneficial Owner to exceed any such limits. The Company may, in its sole discretion but subject to applicable law, instruct the Depositary to take action with respect to the ownership interest of any Holder or Beneficial Owner in excess of the limits set forth in the preceding sentence, including, but not limited to, the imposition of restrictions on the transfer of ADSs, the removal or limitation of voting rights or mandatory sale or disposition on behalf of a Holder or Beneficial Owner of the Shares represented by the ADSs held by such Holder or Beneficial Owner in excess of such limitations, if and to the extent such disposition is permitted by applicable law and the Articles of Association of the Company. Nothing herein or in the Deposit Agreement shall be interpreted as obligating the Depositary or the Company to ensure compliance with the ownership restrictions described herein or in Section 3.5 of the Deposit Agreement.

(7) Reporting Obligations and Regulatory Approvals. Applicable laws and regulations may require holders and beneficial owners of Shares, including the Holders and Beneficial Owners of ADSs, to satisfy reporting requirements and obtain regulatory approvals in certain circumstances. Holders and Beneficial Owners of ADSs are solely responsible for determining and complying with such reporting requirements and obtaining such approvals. Each Holder and each Beneficial Owner hereby agrees to make such determination, file such reports, and obtain such approvals to the extent and in the form required by applicable laws and regulations as in effect from time to time. Neither the Depositary, the Custodian, the Company or any of their respective agents or affiliates shall be required to take any actions whatsoever on behalf of Holders or Beneficial Owners to determine or satisfy such reporting requirements or obtain such regulatory approvals under applicable laws and regulations.

(8) Liability for Taxes and Other Charges. Any tax or other governmental charge payable by the Custodian or by the Depositary with respect to any Deposited Property, ADSs or this ADR shall be payable by the Holders and Beneficial Owners to the Depositary. The Company, the Custodian and/or the Depositary may withhold or deduct from any distributions made in respect of Deposited Property, and may sell for the account of a Holder and/or Beneficial Owner any or all of the Deposited Property and apply such distributions and sale proceeds in payment of, any taxes (including applicable interest and penalties) or charges that are or may be payable by Holders or Beneficial Owners in respect of the ADSs, Deposited Property and this ADR, the Holder and the Beneficial Owner hereof remaining liable for any deficiency. The Custodian may refuse the deposit of Shares and the Depositary may refuse to issue ADSs, to deliver ADRs, register the transfer of ADSs, register the split-up or combination of ADRs and (subject to paragraph (25) of this ADR and Section 7.8 of the Deposit Agreement) the withdrawal of Deposited Property until payment in full of such tax, charge, penalty or interest is received. Every Holder and Beneficial Owner agrees to indemnify the Depositary, the Company, the Custodian, and any of their agents, officers, employees and Affiliates for, and to hold each of them harmless from, any claims with respect to taxes (including applicable interest and penalties thereon) arising from any tax benefit obtained for such Holder and/or Beneficial Owner. The obligations of Holders and Beneficial Owners under Section 3.2 of the Deposit Agreement shall survive any transfer of ADSs, any cancellation of ADSs and withdrawal of Deposited Securities, and the termination of the Deposit Agreement.

(9) Representations and Warranties on Deposit of Shares. Each person depositing Shares under the Deposit Agreement shall be deemed thereby to represent and warrant that (i) such Shares and the certificates therefor are duly authorized, validly allotted and issued, fully paid, not subject to any call for the payment of further capital and legally obtained by such person, (ii) all preemptive (and similar) rights, if any, with respect to such Shares have been validly waived, disapplied or exercised, (iii) the person making such deposit is duly authorized so to do, (iv) the Shares presented for deposit are free and clear of any lien, encumbrance, security interest, charge, mortgage or adverse claim, (v) the Shares presented for deposit are not, and the ADSs issuable upon such deposit will not be, Restricted Securities (except as contemplated in Section 2.14 of the Deposit Agreement), and (vi) the Shares presented for deposit have not been stripped of any rights or entitlements. Such representations and warranties shall survive the deposit and withdrawal of Shares, the issuance and cancellation of ADSs in respect thereof and the transfer of such ADSs. If any such representations or warranties are false in any way, the Company and the Depositary shall be authorized, at the cost and expense of the person depositing Shares, to take any and all actions necessary to correct the consequences thereof.

(10) Proofs, Certificates and Other Information. Any person presenting Shares for deposit, any Holder and any Beneficial Owner may be required, and every Holder and Beneficial Owner agrees, from time to time to provide to the Depositary and the Custodian such proof of citizenship or residence, taxpayer status, payment of all applicable taxes or other governmental charges, exchange control approval, legal or beneficial ownership of ADSs and Deposited Property, compliance with applicable laws, the terms of the Deposit Agreement or this ADR evidencing the ADSs and the provisions of, or governing, the Deposited Property, to execute such certifications and to make such representations and warranties, and to provide such other information and documentation (or, in the case of Shares in registered form presented for deposit, such information relating to the registration on the books of the Company or of the Share Registrar) as the Depositary or the Custodian may deem necessary or proper or as the Company may reasonably require by written request to the Depositary consistent with its obligations under the Deposit Agreement and this ADR. The Depositary and the Registrar, as applicable, may withhold the execution or delivery or registration of transfer of any ADR or ADS or the distribution or sale of any dividend or distribution of rights or of the proceeds thereof or, to the extent not limited by paragraph (25) and the terms of Section 7.8 of the Deposit Agreement, the delivery of any Deposited Property until such proof or other information is filed or such certifications are executed, or such representations and warranties are made, or such other documentation or information provided, in each case to the Depositary's, the Registrar's and the Company's satisfaction. The Depositary shall provide the Company, in a timely manner, with copies or originals if necessary and appropriate of (i) any such proofs of citizenship or residence, taxpayer status, or exchange control approval or copies of written representations and warranties which it receives from Holders and Beneficial Owners, and (ii) any other information or documents which the Company may reasonably request and which the Depositary shall request and receive from any Holder or Beneficial Owner or any person presenting Shares for deposit or ADSs for cancellation, transfer or withdrawal. Nothing herein shall obligate the Depositary to (i) obtain any information for the Company if not provided by the Holders or Beneficial Owners, or (ii) verify or vouch for the accuracy of the information so provided by the Holders or Beneficial Owners.

(11) ADS Fees and Charges. The following ADS fees are payable under the terms of the Deposit Agreement:

(i) ADS Issuance Fee: by any person to whom the ADSs are issued (e.g., an issuance of ADSs upon a deposit of Shares, upon a change in the ADS(s)-to-Share(s) ratio, or for any other reason), excluding ADS issuances as a result of distributions described in paragraph (iv) below, a fee not in excess of U.S. $5.00 per 100 ADSs (or fraction thereof) issued under the terms of the Deposit Agreement;

(ii) ADS Cancellation Fee: by any person whose ADSs are being cancelled (e.g., a cancellation of ADSs for delivery of Deposited Shares, upon a change in the ADS(s)-to-Share(s) ratio, or for any other reason), a fee not in excess of U.S. $5.00 per 100 ADSs (or fraction thereof) cancelled;

(iii) Cash Distribution Fee: by any Holder of ADSs, a fee not in excess of U.S. $5.00 per 100 ADSs (or fraction thereof) held for the distribution of cash dividends or other cash distributions (e.g., upon sale of rights and other entitlements);

(iv) Stock Distribution /Rights Exercise Fee: by any Holder of ADS(s), a fee not in excess of U.S. $5.00 per 100 ADSs (or fraction thereof) held for (a) the distribution of stock dividends or other free stock distributions or (b) the exercise of rights to purchase additional ADSs;

(v) Other Distribution Fee: by any Holder of ADS(s), a fee not in excess of U.S. $5.00 per 100 ADSs (or fraction thereof) held for the distribution of securities other than ADSs or rights to purchase additional ADSs (*e.g.*, spin-off shares); and

(vi) Depositary Services Fee: by any Holder of ADS(s), a fee not in excess of U.S. $5.00 per 100 ADSs (or fraction thereof) held on the applicable record date(s) established by the Depositary.

The Company, Holders, Beneficial Owners, persons depositing Shares or withdrawing Deposited Securities in connection with the issuance and cancellation of ADSs, persons receiving ADSs upon issuance, and persons whose ADSs are being cancelled shall be responsible for the following ADS charges under the terms of the Deposit Agreement:

(a) taxes (including applicable interest and penalties) and other governmental charges;

(b) such registration fees as may from time to time be in effect for the registration of Shares or other Deposited Securities on the share register and applicable to transfers of Shares or other Deposited Securities to or from the name of the Custodian, the Depositary or any nominees upon the making of deposits and withdrawals, respectively;

(c) such cable, telex and facsimile transmission and delivery expenses as are expressly provided in the Deposit Agreement to be at the expense of the person depositing Shares or withdrawing Deposited Securities or of the Holders and Beneficial Owners of ADSs;

(d) the expenses and charges incurred by the Depositary in the conversion of foreign currency;

(e) such fees and expenses as are incurred by the Depositary in connection with compliance with exchange control regulations and other regulatory requirements applicable to Shares, Deposited Securities, ADSs and ADRs; and

(f) the fees and expenses incurred by the Depositary, the Custodian, or any nominee in connection with the delivery or servicing of Deposited Property.

All ADS fees and charges so payable may be deducted from distributions or must be remitted to the Depositary, or its designee, may be waived by the Depositary in full or in part with respect to some or all ADSs upon such terms, and subject to such conditions, as the Depositary and Company may determine in its sole discretion and may, at any time and from time to time, be changed by agreement between the Depositary and the Company, but, in the case of ADS fees and charges payable by Holders and Beneficial Owners, any such change (excluding any changes to the waiver by the Depositary of fees and charges contemplated herein) may be made only in the manner contemplated by paragraph (23) of this ADR and as contemplated in Section 6.1 of the Deposit Agreement. The Depositary shall provide, without charge, a copy of its latest ADS fee schedule to anyone upon request.

ADS fees and charges for (i) the issuance of ADSs and (ii) the cancellation of ADSs will be payable by the person for whom the ADSs are so issued by the Depositary (in the case of ADS issuances) and by the person for whom ADSs are being cancelled (in the case of ADS cancellations). In the case of ADSs issued by the Depositary into DTC or presented to the Depositary via DTC, the ADS issuance and cancellation fees and charges will be payable by the DTC Participant(s) receiving the ADSs from the Depositary or the DTC Participant(s) holding the ADSs being cancelled, as the case may be, on behalf of the Beneficial Owner(s) and will be charged by the DTC Participant(s) to the account(s) of the applicable Beneficial Owner(s) in accordance with the procedures and practices of the DTC Participant(s) as in effect at the time. ADS fees and charges in respect of distributions and the ADS service fee are payable by Holders as of the applicable ADS Record Date established by the Depositary. In the case of distributions of cash, the amount of the applicable ADS fees and charges is deducted from the funds being distributed. In the case of (i) distributions other than cash and (ii) the ADS service fee, the applicable Holders as of the ADS Record Date established by the Depositary will be invoiced for the amount of the ADS fees and charges and such ADS fees may be deducted from distributions made to Holders. For ADSs held through DTC, the ADS fees and charges for distributions other than cash and the ADS service fee may be deducted from distributions made through DTC, and may be charged to the DTC Participants in accordance with the procedures and practices prescribed by DTC from time to time and the DTC Participants in turn charge the amount of such ADS fees and charges to the Beneficial Owners for whom they hold ADSs.

The Depositary may reimburse the Company for certain expenses incurred by the Company in respect of the ADR program established pursuant to the Deposit Agreement, by making available a portion of the ADS fees charged in respect of the ADR program or otherwise, upon such terms and conditions as the Company and the Depositary agree from time to time. The Company shall pay to the Depositary such fees and charges, and reimburse the Depositary for such out-of-pocket expenses, as the Depositary and the Company may agree from time to time. Responsibility for payment of such fees, charges and reimbursements may from time to time be changed by agreement between the Company and the Depositary. Unless otherwise agreed, the Depositary shall present its statement for such fees, charges and reimbursements to the Company once every three months. The charges and expenses of the Custodian are for the sole account of the Depositary.

The obligations of Holders and Beneficial Owners to pay ADS fees and charges shall survive the termination of the Deposit Agreement. As to any Depositary, upon the resignation or removal of such Depositary as described in Section 5.4 of the Deposit Agreement, the right to collect ADS fees and charges shall extend for those ADS fees and charges incurred prior to the effectiveness of such resignation or removal.

(12) Title to ADRs. Subject to the limitations contained in the Deposit Agreement and in this ADR, it is a condition of this ADR, and every successive Holder of this ADR by accepting or holding the same consents and agrees, that title to this ADR (and to each Certificated ADS evidenced hereby) shall be transferable upon the same terms as a certificated security under the laws of the State of New York, provided that, in the case of Certificated ADSs, this ADR has been properly endorsed or is accompanied by proper instruments of transfer. Notwithstanding any notice to the contrary, the Depositary and the Company may deem and treat the Holder of this ADR (that is, the person in whose name this ADR is registered on the books of the Depositary) as the absolute owner thereof for all purposes. Neither the Depositary nor the Company shall have any obligation nor be subject to any liability under the Deposit Agreement or this ADR to any holder of this ADR or any Beneficial Owner unless, in the case of a holder of ADSs, such holder is the Holder of this ADR registered on the books of the Depositary or, in the case of a Beneficial Owner, such Beneficial Owner, or the Beneficial Owner's representative, is the Holder registered on the books of the Depositary.

(13) Validity of ADR. The Holder(s) of this ADR (and the ADSs represented hereby) shall not be entitled to any benefits under the Deposit Agreement or be valid or enforceable for any purpose against the Depositary or the Company unless this ADR has been (i) dated, (ii) signed by the manual or facsimile signature of a duly-authorized signatory of the Depositary, (iii) countersigned by the manual or facsimile signature of a duly-authorized signatory of the Registrar, and (iv) registered in the books maintained by the Registrar for the registration of issuances and transfers of ADRs. An ADR bearing the facsimile signature of a duly-authorized signatory of the Depositary or the Registrar, who at the time of signature was a duly authorized signatory of the Depositary or the Registrar, as the case may be, shall bind the Depositary, notwithstanding the fact that such signatory has ceased to be so authorized prior to the delivery of such ADR by the Depositary.

(14) Available Information; Reports; Inspection of Transfer Books. The Company is subject to the periodic reporting requirements of the Exchange Act and, accordingly, is required to file or furnish certain reports with the Commission. These reports can be retrieved from the Commission's website (www.sec.gov) and can be inspected and copied at the public reference facilities maintained by the Commission located (as of the date of the Deposit Agreement) at 100 F Street, N.E., Washington D.C. 20549.

The Depositary shall make available for inspection by Holders at its Principal Office any reports and communications, including any proxy soliciting materials, received from the Company which are both (a) received by the Depositary, the Custodian, or the nominee of either of them as the holder of the Deposited Property and (b) made generally available to the holders of such Deposited Property by the Company. The Depositary shall also provide or make available to Holders copies of such reports when furnished by the Company pursuant to Section 5.6 of the Deposit Agreement.

Until termination of the Deposit Agreement in accordance with its terms, the Registrar shall maintain in the Borough of Manhattan, the City of New York, an office and facilities for the issuance and delivery of ADSs, the acceptance for surrender of ADS(s) for the purpose of withdrawal of Deposited Securities, the registration of issuances, cancellations, transfers, combinations and split-ups of ADS(s) and, if applicable, to countersign ADRs evidencing the ADSs so issued, transferred, combined or split-up, in each case in accordance with the provisions of the Deposit Agreement.

The Registrar shall keep books for the registration of ADSs which at all reasonable times shall be open for inspection by the Company and by the Holders of such ADSs, provided that such inspection shall not be, to the Registrar's knowledge, for the purpose of communicating with Holders of such ADSs in the interest of a business or object other than the business of the Company or other than a matter related to the Deposit Agreement or the ADSs.

The Registrar may close the transfer books with respect to the ADSs, at any time or from time to time, when deemed necessary or advisable by it in good faith in connection with the performance of its duties hereunder, or at the reasonable written request of the Company subject, in all cases, to Section 7.8 of the Deposit Agreement.

Dated:

CITIBANK, N.A.
Transfer Agent and Registrar

By: _____
Authorized Signatory

CITIBANK, N.A.
as Depositary

By: _____
Authorized Signatory

The address of the Principal Office of the Depositary is 388 Greenwich Street, New York, New York 10013, U.S.A.

[FORM OF REVERSE OF ADR]

SUMMARY OF CERTAIN ADDITIONAL PROVISIONS

OF THE DEPOSIT AGREEMENT

(15) Dividends and Distributions in Cash, Shares, etc. (a) ***Cash Distributions***: Whenever the Company intends to make a distribution of a cash dividend or other cash distribution in respect of any Deposited Securities, the Company shall give notice thereof to the Depositary at least twenty (20) days (or such other number of days as mutually agreed to in writing by the Depositary and the Company) prior to the proposed distribution specifying, *inter alia*, the record date applicable for determining the holders of Deposited Securities entitled to receive such distribution. Upon the timely receipt of such notice, the Depositary shall establish the ADS Record Date upon the terms described in Section 4.9 of the Deposit Agreement. Upon receipt of confirmation of the receipt of (x) any cash dividend or other cash distribution on any Deposited Securities, or (y) proceeds from the sale of any Deposited Property held in respect of the ADSs under the terms of the Deposit Agreement, the Depositary will (i) if at the time of receipt thereof any amounts received in a Foreign Currency can, in the judgment of the Depositary (pursuant to Section 4.8 of the Deposit Agreement), be converted on a practicable basis into Dollars transferable to the United States, promptly convert or cause to be converted such cash dividend, distribution or proceeds into Dollars (on the terms described in Section 4.8 of the Deposit Agreement), (ii) if applicable and unless previously established, establish the ADS Record Date upon the terms described in Section 4.9 of the Deposit Agreement, and (iii) distribute promptly the amount thus received (net of (a) the applicable fees and charges of, and expenses incurred by, the Depositary and (b) applicable taxes withheld) to the Holders entitled thereto as of the ADS Record Date in proportion to the number of ADSs held as of the ADS Record Date. The Depositary shall distribute only such amount, however, as can be distributed without attributing to any Holder a fraction of one cent, and any balance not so distributed shall be held by the Depositary (without liability for interest thereon) and shall be added to and become part of the next sum received by the Depositary for distribution to Holders of ADSs outstanding at the time of the next distribution. If the Company, the Custodian or the Depositary is required to withhold and does withhold from any cash dividend or other cash distribution in respect of any Deposited Securities, or from any cash proceeds from the sales of Deposited Property, an amount on account of taxes, duties or other governmental charges, the amount distributed to Holders on the ADSs shall be reduced accordingly. Such withheld amounts shall be forwarded by the Company, the Custodian or the Depositary to the relevant governmental authority. Evidence of payment thereof by the Company shall be forwarded by the Company to the Depositary upon request. The Depositary will hold any cash amounts it is unable to distribute in a non-interest bearing account for the benefit of the applicable Holders and Beneficial Owners of ADSs until the distribution can be effected or the funds that the Depositary holds must be escheated as unclaimed property in accordance with the laws of the relevant states of the United States. Notwithstanding anything contained in the Deposit Agreement to the contrary, in the event the Company fails to give the Depositary timely notice of the proposed distribution provided for in Section 4.1 of the Deposit Agreement, the Depositary agrees to use commercially reasonable efforts to perform the actions contemplated in Section 4.1 of the Deposit Agreement, and the Company, the Holders and the Beneficial Owners acknowledge that the Depositary shall have no liability for the Depositary's failure to perform the actions contemplated in Section 4.1 of the Deposit Agreement where such notice has not been so timely given, other than its failure to use commercially reasonable efforts, as provided herein.

(b) ***Share Distributions***: Whenever the Company intends to make a distribution that consists of a dividend in, or free distribution of, Shares, the Company shall give notice thereof to the Depositary at least twenty (20) days (or such other number of days as mutually agreed to in writing by the Depositary and the Company) prior to the proposed distribution, specifying, *inter alia*, the record date applicable to holders of Deposited Securities entitled to receive such distribution. Upon the timely receipt of such notice from the Company, the Depositary shall establish the ADS Record Date upon the terms described in Section 4.9 of the Deposit Agreement. Upon receipt of confirmation from the Custodian of the receipt of the Shares so distributed by the Company, the Depositary shall either (i) subject to Section 5.9 of the Deposit Agreement, distribute to the Holders as of the ADS Record Date in proportion to the number of ADSs held as of the ADS Record Date, additional ADSs, which represent in the aggregate the number of Shares received as such dividend, or free distribution, subject to the other terms of the Deposit Agreement (including, without limitation, (a) the applicable fees and charges of, and expenses incurred by, the Depositary and (b) applicable taxes), or (ii) if additional ADSs are not so distributed, take all actions necessary so that each ADS issued and outstanding after the ADS Record Date shall, to the extent permissible by law, thenceforth also represent rights and interests in the additional integral number of Shares distributed upon the Deposited Securities represented thereby (net of (a) the applicable fees and charges of, and expenses incurred by, the Depositary and (b) applicable taxes). In lieu of delivering fractional ADSs, the Depositary shall sell the number of Shares or ADSs, as the case may be, represented by the aggregate of such fractions and distribute the net proceeds upon the terms described in Section 4.1 of the Deposit Agreement. In the event that the Depositary determines that any distribution in property (including Shares) is subject to any tax or other governmental charges which the Depositary is obligated to withhold, or, if the Company in the fulfillment of its obligation under Section 5.7 of the Deposit Agreement, has furnished an opinion of U.S. counsel determining that Shares must be registered under the Securities Act or other laws in order to be distributed to Holders (and no such registration statement has been declared effective), the Depositary may dispose of all or a portion of such property (including Shares and rights to subscribe therefor) in such amounts and in such manner, including by public or private sale, as the Depositary deems necessary and practicable, and the Depositary shall distribute the net proceeds of any such sale (after deduction of (a) applicable taxes and (b) fees and charges of, and expenses incurred by, the Depositary) to Holders entitled thereto upon the terms described in Section 4.1 of the Deposit Agreement. The Depositary shall hold and/or distribute any unsold balance of such property in accordance with the provisions of the Deposit Agreement. Notwithstanding anything contained in the Deposit Agreement to the contrary, in the event the Company fails to give the Depositary timely notice of the proposed distribution provided for above, the Depositary agrees to use commercially reasonable efforts to perform the actions contemplated in Section 4.2 of the Deposit Agreement, and the Company, the Holders and the Beneficial Owners acknowledge that the Depositary shall have no liability for the Depositary's failure to perform the actions contemplated in Section 4.2 of the Deposit Agreement where such notice has not been so timely given, other than its failure to use commercially reasonable efforts, as provided herein.

(c) ***Elective Distributions in Cash or Shares:*** Whenever the Company intends to make a distribution payable at the election of the holders of Deposited Securities in cash or in additional Shares, the Company shall give notice thereof to the Depositary at least sixty (60) days (or such other number of days as mutually agreed to in writing by the Depositary and the Company) prior to the proposed distribution specifying, *inter alia*, the record date applicable to holders of Deposited Securities entitled to receive such elective distribution and whether or not it wishes such elective distribution to be made available to Holders of ADSs. Upon the timely receipt of a notice indicating that the Company wishes such elective distribution to be made available to Holders of ADSs, the Depositary shall consult with the Company to determine, and the Company shall assist the Depositary in its determination, whether it is lawful and reasonably practicable to make such elective distribution available to the Holders of ADSs. The Depositary shall make such elective distribution available to Holders only if (i) the Company shall have timely requested that the elective distribution be made available to Holders, (ii) the Depositary shall have determined that such distribution is reasonably practicable and (iii) the Depositary shall have received satisfactory documentation within the terms of Section 5.7 of the Deposit Agreement. If the above conditions are not satisfied or if the Company requests such elective distribution not to be made available to Holders of ADSs, the Depositary shall establish the ADS Record Date on the terms described in Section 4.9 of the Deposit Agreement and, to the extent permitted by law, distribute to the Holders, on the basis of the same determination as is made in England and Wales in respect of the Shares for which no election is made, either (X) cash upon the terms described in Section 4.1 of the Deposit Agreement or (Y) additional ADSs representing such additional Shares upon the terms described in Section 4.2 of the Deposit Agreement. If the above conditions are satisfied, the Depositary shall establish an ADS Record Date on the terms described in Section 4.9 of the Deposit Agreement and establish procedures to enable Holders to elect the receipt of the proposed distribution in cash or in additional ADSs. The Company shall assist the Depositary in establishing such procedures to the extent necessary. If a Holder elects to receive the proposed distribution (X) in cash, the distribution shall be made upon the terms described in Section 4.1 of the Deposit Agreement, or (Y) in ADSs, the distribution shall be made upon the terms described in Section 4.2 of the Deposit Agreement. Nothing herein shall obligate the Depositary to make available to Holders a method to receive the elective distribution in Shares (rather than ADSs). There can be no assurance that Holders generally, or any Holder in particular, will be given the opportunity to receive elective distributions on the same terms and conditions as the holders of Shares. Notwithstanding anything contained in the Deposit Agreement to the contrary, in the event the Company fails to give the Depositary timely notice of the proposed distribution provided for in Section 4.3 of the Deposit Agreement, the Depositary agrees to use commercially reasonable efforts to perform the actions contemplated in Section 4.3 of the Deposit Agreement, and the Company, the Holders and the Beneficial Owners acknowledge that the Depositary shall have no liability for the Depositary's failure to perform the actions contemplated in Section 4.3 of the Deposit Agreement where such notice has not been so timely given, other than its failure to use commercially reasonable efforts, as provided herein.

(d) ***Distribution of Rights to Purchase Additional ADSs:*** Whenever the Company intends to distribute to the holders of the Deposited Securities rights to subscribe for additional Shares, the Company shall give notice thereof to the Depositary at least sixty (60) days (or such other number of days as mutually agreed to in writing by the Depositary and the Company) prior to the proposed distribution specifying, *inter alia*, the record date applicable to holders of Deposited Securities entitled to receive such distribution and whether or not it wishes such rights to be made available to Holders of ADSs. Upon the timely receipt of a notice indicating that the Company wishes such rights to be made available to Holders of ADSs, the Depositary shall consult with the Company to determine, and the Company shall assist the Depositary in its determination, whether it is lawful and reasonably practicable to make such rights available to the Holders. The Depositary shall make such rights available to Holders only if (i) the Company shall have timely requested that such rights be made available to Holders, (ii) the Depositary shall have received satisfactory documentation within the terms of Section 5.7 of the Deposit Agreement, and (iii) the Depositary shall have determined that such distribution of rights is reasonably practicable. In the event any of the conditions set forth above are not satisfied or if the Company requests that the rights not be made available to Holders of ADSs, the Depositary shall proceed with the sale of the rights as contemplated in Section 4.4(b) of the Deposit Agreement. In the event all conditions set forth above are satisfied, the Depositary shall establish the ADS Record Date (upon the terms described in Section 4.9 of the Deposit Agreement) and establish procedures to (x) distribute rights to purchase additional ADSs (by means of warrants or otherwise), (y) enable the Holders to exercise such rights (upon payment of the subscription price and of the applicable (a) fees and charges of, and expenses incurred by, the Depositary and (b) taxes), and (z) deliver ADSs upon the valid exercise of such rights. The Company shall assist the Depositary to the extent necessary in establishing such procedures. Nothing herein shall obligate the Depositary to make available to the Holders a method to exercise rights to subscribe for Shares (rather than ADSs).

If (i) the Company does not timely request the Depositary to make the rights available to Holders or requests that the rights not be made available to Holders, (ii) the Depositary fails to receive satisfactory documentation within the terms of Section 5.7 of the Deposit Agreement, or determines it is not reasonably practicable to make the rights available to Holders, or (iii) any rights made available are not exercised and appear to be about to lapse, the Depositary shall determine whether it is lawful and reasonably practicable to sell such rights, in a riskless principal capacity, at such place and upon such terms (including public or private sale) as it may deem practicable. The Company shall assist the Depositary to the extent necessary to determine such legality and practicability. The Depositary shall, upon such sale, convert and distribute proceeds of such sale (net of applicable (a) fees and charges of, and expenses incurred by, the Depositary and (b) taxes) upon the terms set forth in Section 4.1 of the Deposit Agreement.

If the Depositary is unable to make any rights available to Holders upon the terms described in Section 4.4(a) of the Deposit Agreement or to arrange for the sale of the rights upon the terms described in Section 4.4(b) of the Deposit Agreement, the Depositary shall allow such rights to lapse.

The Depositary shall not be liable for (i) any failure to accurately determine whether it may be lawful or practicable to make such rights available to Holders in general or any Holders in particular, (ii) any foreign exchange exposure or loss incurred in connection with such sale, or exercise, or (iii) the content of any materials forwarded to the Holders on behalf of the Company in connection with the rights distribution.

Notwithstanding anything to the contrary in Section 4.4 of the Deposit Agreement, if registration (under the Securities Act or any other applicable law) of the rights or the securities to which any rights relate may be required in order for the Company to offer such rights or such securities to Holders and to sell the securities represented by such rights, the Depositary will not distribute such rights to the Holders (i) unless and until a registration statement under the Securities Act (or other applicable law) covering such offering is in effect or (ii) unless the Company furnishes the Depositary opinion(s) of counsel for the Company in the United States and counsel to the Company in any other applicable country in which rights would be distributed, in each case satisfactory to the Depositary, to the effect that the offering and sale of such securities to Holders and Beneficial Owners are exempt from, or do not require registration under, the provisions of the Securities Act or any other applicable laws.

In the event that the Company, the Depositary or the Custodian shall be required to withhold and does withhold from any distribution of Deposited Property (including rights) an amount on account of taxes or other governmental charges, the amount distributed to the Holders of ADSs shall be reduced accordingly. In the event that the Depositary determines that any distribution of Deposited Property (including Shares and rights to subscribe therefor) is subject to any tax or other governmental charges which the Depositary is obligated to withhold, the Depositary may dispose of all or a portion of such Deposited Property (including Shares and rights to subscribe therefor) in such amounts and in such manner, including by public or private sale, as the Depositary deems necessary and practicable to pay any such taxes or charges.

There can be no assurance that Holders generally, or any Holder in particular, will be given the opportunity to receive or exercise rights on the same terms and conditions as the holders of Shares or be able to exercise such rights. Nothing herein shall obligate the Company to file any registration statement in respect of any rights or Shares or other securities to be acquired upon the exercise of such rights.

(e) ***Distributions Other Than Cash, Shares or Rights to Purchase Shares:*** Whenever the Company intends to distribute to the holders of Deposited Securities property other than cash, Shares or rights to purchase additional Shares, the Company shall give timely notice thereof to the Depositary and shall indicate whether or not it wishes such distribution to be made to Holders of ADSs. Upon receipt of a notice indicating that the Company wishes such distribution to be made to Holders of ADSs, the Depositary shall consult with the Company, and the Company shall assist the Depositary, to determine whether such distribution to Holders is lawful and reasonably practicable. The Depositary shall not make such distribution unless (i) the Company shall have requested the Depositary to make such distribution to Holders, (ii) the Depositary shall have received satisfactory documentation within the terms of Section 5.7 of the Deposit Agreement, and (iii) the Depositary shall have determined that such distribution is reasonably practicable.

Upon receipt of satisfactory documentation and the request of the Company to distribute property to Holders of ADSs and after making the requisite determinations set forth in (a) above, the Depositary shall distribute the property so received to the Holders of record, as of the ADS Record Date, in proportion to the number of ADSs held by them respectively and in such manner as the Depositary may deem practicable for accomplishing such distribution (i) upon receipt of payment or net of the applicable fees and charges of, and expenses incurred by, the Depositary, and (ii) net of any applicable taxes withheld. The Depositary may dispose of all or a portion of the property so distributed and deposited, in such amounts and in such manner (including public or private sale) as the Depositary may deem practicable or necessary to satisfy any taxes (including applicable interest and penalties) or other governmental charges applicable to the distribution.

If (i) the Company does not request the Depositary to make such distribution to Holders or requests the Depositary not to make such distribution to Holders, (ii) the Depositary does not receive satisfactory documentation within the terms of Section 5.7 of the Deposit Agreement, or (iii) the Depositary determines that all or a portion of such distribution is not reasonably practicable, the Depositary shall sell or cause such property to be sold in a public or private sale, at such place or places and upon such terms as it may deem practicable and shall (i) cause the proceeds of such sale, if any, to be converted into Dollars and (ii) distribute the proceeds of such conversion received by the Depositary (net of applicable (a) fees and charges of, and expenses incurred by, the Depositary and (b) taxes) to the Holders as of the ADS Record Date upon the terms of Section 4.1 of the Deposit Agreement. If the Depositary is unable to sell such property, the Depositary may dispose of such property for the account of the Holders in any way it deems reasonably practicable under the circumstances.

Neither the Depositary nor the Company shall be liable for (i) any failure to accurately determine whether it is lawful or practicable to make the property described in Section 4.5 of the Deposit Agreement available to Holders in general or any Holders in particular, nor (ii) any loss incurred in connection with the sale or disposal of such property.

(16) Redemption. If the Company intends to exercise any right of redemption in respect of any of the Deposited Securities, the Company shall give notice thereof to the Depositary at least sixty (60) days (or such other number of days as mutually agreed to in writing by the Depositary and the Company) prior to the intended date of redemption which notice shall set forth the particulars of the proposed redemption. Upon timely receipt of (i) such notice and (ii) satisfactory documentation given by the Company to the Depositary within the terms of Section 5.7 of the Deposit Agreement, and only if the Depositary shall have determined that such proposed redemption is practicable, the Depositary shall provide to each Holder a notice setting forth the intended exercise by the Company of the redemption rights and any other particulars set forth in the Company's notice to the Depositary. The Depositary shall instruct the Custodian to present to the Company the Deposited Securities in respect of which redemption rights are being exercised against payment of the applicable redemption price. Upon receipt of confirmation from the Custodian that the redemption has taken place and that funds representing the redemption price have been received, the Depositary shall convert, transfer, and distribute the proceeds (net of applicable (a) fees and charges of, and the expenses incurred by, the Depositary, and (b) taxes), retire ADSs and cancel ADRs, if applicable, upon delivery of such ADSs by Holders thereof and the terms set forth in Sections 4.1 and 6.2 of the Deposit Agreement. If less than all outstanding Deposited Securities are redeemed, the ADSs to be retired will be selected by lot or on a pro rata basis, as may be determined by the Depositary. The redemption price per ADS shall be the dollar equivalent of the per share amount received by the Depositary (adjusted to reflect the ADS(s)-to-Share(s) ratio) upon the redemption of the Deposited Securities represented by ADSs (subject to the terms of Section 4.8 of the Deposit Agreement and the applicable fees and charges of, and expenses incurred by, the Depositary, and applicable taxes) multiplied by the number of Deposited Securities represented by each ADS redeemed.

Notwithstanding anything contained in the Deposit Agreement to the contrary, in the event the Company fails to give the Depositary timely notice of the proposed redemption provided for in Section 4.7 of the Deposit Agreement, the Depositary agrees to use commercially reasonable efforts to perform the actions contemplated in Section 4.7 of the Deposit Agreement, and the Company, the Holders and the Beneficial Owners acknowledge that the Depositary shall have no liability for the Depositary's failure to perform the actions contemplated in Section 4.7 of the Deposit Agreement where such notice has not been so timely given, other than its failure to use commercially reasonable efforts, as provided herein.

(17) Fixing of ADS Record Date. Whenever the Depositary shall receive notice of the fixing of a record date by the Company for the determination of holders of Deposited Securities entitled to receive any distribution (whether in cash, Shares, rights, or other distribution), or whenever for any reason the Depositary causes a change in the number of Shares that are represented by each ADS, or whenever the Depositary shall receive notice of any meeting of, or solicitation of consents or proxies of, holders of Shares or other Deposited Securities, or whenever the Depositary shall find it necessary or convenient in connection with the giving of any notice, solicitation of any consent or any other matter, the Depositary shall fix the record date (the "ADS Record Date") for the determination of the Holders of ADS(s) who shall be entitled to receive such distribution, to give instructions for the exercise of voting rights at any such meeting, to give or withhold such consent, to receive such notice or solicitation or to otherwise take action, or to exercise the rights of Holders with respect to such changed number of Shares represented by each ADS. The Depositary shall make reasonable efforts to establish the ADS Record Date as closely as practicable to the applicable record date for the Deposited Securities (if any) set by the Company in England and Wales and shall not announce the establishment of any ADS Record Date prior to the relevant corporate action having been made public by the Company (if such corporate action affects the Deposited Securities). Subject to applicable law and the provisions of Section 4.1 through 4.8 of the Deposit Agreement and to the other terms and conditions of the Deposit Agreement, only the Holders of ADSs at the close of business in New York on such ADS Record Date shall be entitled to receive such distribution, to give such voting instructions, to receive such notice or solicitation, or otherwise take action.

(18) Voting of Deposited Securities. As soon as practicable after receipt of notice of any meeting at which the holders of Deposited Securities are entitled to vote, or of solicitation of consents or proxies from holders of Deposited Securities, the Depositary shall fix the ADS Record Date in respect of such meeting or solicitation of consent or proxy in accordance with Section 4.9 of the Deposit Agreement. The Depositary shall, if requested by the Company in writing in a timely manner (the Depositary having no obligation to take any further action if the request shall not have been received by the Depositary at least thirty (30) days prior to the date of such vote or meeting), at the Company's expense and provided no U.S. legal prohibitions exist, distribute to Holders as of the ADS Record Date: (a) such notice of meeting or solicitation of consent or proxy, (b) a statement that the Holders at the close of business on the ADS Record Date will be entitled, subject to any applicable law, the provisions of the Deposit Agreement, the Articles of Association of the Company and the provisions of or governing the Deposited Securities (which provisions, if any, shall be summarized in pertinent part by the Company), to instruct the Depositary as to the exercise of the voting rights, if any, pertaining to the Deposited Securities represented by such Holder's ADSs, and (c) a brief statement as to the manner in which such voting instructions may be given to the Depositary or in which voting instructions may be deemed to have been given in accordance with Section 4.10 if no instructions are received prior to the deadline set for such purposes to the Depositary to give a discretionary proxy to a person designated by the Company.

Notwithstanding anything contained in the Deposit Agreement or any ADR, with the Company's prior written consent, the Depositary may, to the extent not prohibited by law or regulations, or by the requirements of the stock exchange on which the ADSs are listed, in lieu of distribution of the materials provided to the Depositary in connection with any meeting of, or solicitation of consents or proxies from, holders of Deposited Securities, distribute to the Holders a notice that provides Holders with, or otherwise publicizes to Holders, instructions on how to retrieve such materials or receive such materials upon request (e.g., by reference to a website containing the materials for retrieval or a contact for requesting copies of the materials).

The Depositary has been advised by the Company that under the Articles of Association of the Company as in effect on the date of the Deposit Agreement, voting at any meeting of shareholders of the Company is by show of hands unless a poll is demanded in accordance with the Articles of Association. The Depositary will not join in demanding a poll, whether or not requested to do so by Holders of ADSs. Under the Articles of Association of the Company as in effect on the date of the Deposit Agreement, a poll may be demanded by (a) the chairman of the Company's board of directors, (b) a majority of the directors of the Company, (c) two or more shareholders present and having the right to vote on the resolution, or (d) any shareholder(s) representing not less than 10% of the total voting rights of all the shareholders having the right to vote on the resolution (excluding any Shares held in treasury).

Voting instructions may be given only in respect of a number of ADSs representing an integral number of Deposited Securities. Upon the timely receipt from a Holder of ADSs as of the ADS Record Date of voting instructions in the manner specified by the Depositary, the Depositary shall endeavor, insofar as practicable and permitted under applicable law, the provisions of the Deposit Agreement, Articles of Association of the Company and the provisions of the Deposited Securities, to vote, or cause the Custodian to vote, the Deposited Securities (in person or by proxy) represented by such Holder's ADSs as follows: (a) in the event voting takes place at a shareholders' meeting by a show of hands, the Depositary will instruct the Custodian to vote all Deposited Securities in accordance with the voting instructions timely received from a majority of Holders of ADSs who provided voting instructions, and (b) in the event voting takes place at a shareholders' meeting by poll, the Depositary will instruct the Custodian to vote the Deposited Securities in accordance with the voting instructions timely received from the Holders of ADSs. If voting is by poll and the Depositary does not receive voting instructions from a Holder as of the ADS Record Date on or before the date established by the Depositary for such purpose, such Holder shall be deemed, and the Depositary shall deem such Holder, to have instructed the Depositary to give a discretionary proxy to a person designated by the Company to vote the Deposited Securities; provided, however, that no such discretionary proxy shall be given by the Depositary with respect to any matter to be voted upon as to which the Company informs the Depositary that (a) the Company does not wish such proxy to be given, (b) substantial opposition exists, or (c) the rights of holders of Deposited Securities may be adversely affected.

Neither the Depositary nor the Custodian shall under any circumstances exercise any discretion as to voting and neither the Depositary nor the Custodian shall vote, attempt to exercise the right to vote, or in any way make use of, for purposes of establishing a quorum or otherwise, the Deposited Securities represented by ADSs, except pursuant to and in accordance with the voting instructions timely received from Holders or as otherwise contemplated in the Deposit Agreement. If the Depositary timely receives voting instructions from a Holder which fail to specify the manner in which the Depositary is to vote the Deposited Securities represented by such Holder's ADSs, the Depositary will deem such Holder (unless otherwise specified in the notice distributed to Holders) to have instructed the Depositary to vote in favor of the items set forth in such voting instructions. Deposited Securities represented by ADSs for which no timely voting instructions are received by the Depositary from the Holder shall not be voted (except (a) in the case voting is by show of hands, in which case the Depositary will instruct the Custodian to vote all Deposited Securities in accordance with the voting instructions received from a majority of Holders of ADSs who timely provided voting instructions, and (b) as contemplated in Section 4.10 of the Deposit Agreement). Notwithstanding anything else contained herein, the Depositary shall, if so requested in writing by the Company, represent all Deposited Securities (whether or not voting instructions have been received in respect of such Deposited Securities from Holders as of the ADS Record Date) for the sole purpose of establishing quorum at a meeting of shareholders.

Notwithstanding anything else contained in the Deposit Agreement or any ADR, the Depositary shall not have any obligation to take any action with respect to any meeting, or solicitation of consents or proxies, of holders of Deposited Securities if the taking of such action would violate U.S. laws. The Company agrees to take any and all actions reasonably necessary and as permitted by the laws of England and Wales to enable Holders and Beneficial Owners to exercise the voting rights accruing to the Deposited Securities and to deliver to the Depositary an opinion of U.S. counsel addressing any actions requested to be taken if so requested by the Depositary.

There can be no assurance that Holders generally or any Holder in particular will receive the notice described above with sufficient time to enable the Holder to return voting instructions to the Depositary in a timely manner.

(19) Changes Affecting Deposited Securities. Upon any change in nominal or par value, split-up, cancellation, consolidation or any other reclassification of Deposited Securities, or upon any recapitalization, reorganization, merger, consolidation or sale of assets affecting the Company or to which it is a party, any property which shall be received by the Depositary or the Custodian in exchange for, or in conversion of, or replacement of, or otherwise in respect of, such Deposited Securities shall, to the extent permitted by law, be treated as new Deposited Property under the Deposit Agreement, and the ADSs shall, subject to the provisions of the Deposit Agreement, any ADR(s) evidencing such ADSs and applicable law, represent the right to receive such additional or replacement Deposited Property. In giving effect to such change, split-up, cancellation, consolidation or other reclassification of Deposited Securities, recapitalization, reorganization, merger, consolidation or sale of assets, the Depositary may, with the Company's approval, and shall, if the Company shall so request, subject to the terms of the Deposit Agreement (including, without limitation, (a) the applicable fees and charges of, and expenses incurred by, the Depositary, and (b) applicable taxes) and receipt of an opinion of counsel to the Company satisfactory to the Depositary that such actions are not in violation of any applicable laws or regulations, (i) issue and deliver additional ADSs as in the case of a stock dividend on the Shares, (ii) amend the Deposit Agreement and the applicable ADRs, (iii) amend the applicable Registration Statement(s) on Form F-6 as filed with the Commission in respect of the ADSs, (iv) call for the surrender of outstanding ADRs to be exchanged for new ADRs, and (v) take such other actions as are appropriate to reflect the transaction with respect to the ADSs. The Company agrees to, jointly with the Depositary, amend the Registration Statement on Form F-6 as filed with the Commission to permit the issuance of such new form of ADRs. Notwithstanding the foregoing, in the event that any Deposited Property so received may not be lawfully distributed to some or all Holders, the Depositary may, with the Company's approval, and shall, if the Company requests, subject to receipt of an opinion of Company's counsel satisfactory to the Depositary that such action is not in violation of any applicable laws or regulations, sell such Deposited Property at public or private sale, at such place or places and upon such terms as it may deem proper and may allocate the net proceeds of such sales (net of applicable (a) fees and charges of, and expenses incurred by, the Depositary and (b) taxes) for the account of the Holders otherwise entitled to such Deposited Property upon an averaged or other practicable basis without regard to any distinctions among such Holders and distribute the net proceeds so allocated to the extent practicable as in the case of a distribution received in cash pursuant to Section 4.1 of the Deposit Agreement. The Depositary shall not be responsible for (i) any failure to determine that it may be lawful or practicable to make such Deposited Property available to Holders in general or to any Holder in particular, (ii) any foreign exchange exposure or loss incurred in connection with such sale, or (iii) any liability to the purchaser of such Deposited Property.

(20) Exoneration. Notwithstanding anything contained in the Deposit Agreement or any ADR, neither the Depositary nor the Company shall be obligated to do or perform any act which is inconsistent with the provisions of the Deposit Agreement or incur any liability (i) if the Depositary or the Company shall be prevented or forbidden from, or delayed in, doing or performing any act or thing required by the terms of the Deposit Agreement, by reason of any provision of any present or future law or regulation of the United States, England and Wales or any other country, or of any other governmental authority or regulatory authority or stock exchange, or on account of potential criminal or civil penalties or restraint, or by reason of any provision, present or future, of the Articles of Association of the Company or any provision of or governing any Deposited Securities, or by reason of any act of God or war or other circumstances beyond its control (including, without limitation, nationalization, expropriation, currency restrictions, work stoppage, strikes, civil unrest, acts of terrorism, revolutions, rebellions, explosions and computer failure), (ii) by reason of any exercise of, or failure to exercise, any discretion provided for in the Deposit Agreement or in the Articles of Association of the Company or provisions of or governing Deposited Securities, (iii) for any action or inaction in reliance upon the advice of or information from legal counsel, accountants, any person presenting Shares for deposit, any Holder, any Beneficial Owner or authorized representative thereof, or any other person believed by it in good faith to be competent to give such advice or information, (iv) for the inability by a Holder or Beneficial Owner to benefit from any distribution, offering, right or other benefit which is made available to holders of Deposited Securities but is not, under the terms of the Deposit Agreement, made available to Holders of ADSs, or (v) for any consequential or punitive damages (including lost profits) for any breach of the terms of the Deposit Agreement.

The Depositary, its controlling persons, its agents, any Custodian and the Company, its controlling persons and its agents may rely and shall be protected in acting upon any written notice, request or other document believed by it to be genuine and to have been signed or presented by the proper party or parties.

No disclaimer of liability under the Securities Act is intended by any provision of the Deposit Agreement.

(21) Standard of Care. The Company and the Depositary assume no obligation and shall not be subject to any liability under the Deposit Agreement or any ADRs to any Holder(s) or Beneficial Owner(s), except that the Company and the Depositary agree to perform their respective obligations specifically set forth in the Deposit Agreement or the applicable ADRs without negligence or bad faith.

Without limitation of the foregoing, neither the Depositary, nor the Company, nor any of their respective controlling persons, or agents, shall be under any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any Deposited Property or in respect of the ADSs, which in its opinion may involve it in expense or liability, unless indemnity satisfactory to it against all expense (including fees and disbursements of counsel) and liability be furnished as often as may be required (and no Custodian shall be under any obligation whatsoever with respect to such proceedings, the responsibility of the Custodian being solely to the Depositary).

The Depositary and its agents shall not be liable for any failure to carry out any instructions to vote any of the Deposited Securities, or for the manner in which any vote is cast or the effect of any vote, provided that any such action or omission is in good faith and without negligence and in accordance with the terms of the Deposit Agreement. The Depositary shall not incur any liability for any failure to accurately determine that any distribution or action may be lawful or reasonably practicable, for the content of any information submitted to it by the Company for distribution to the Holders or for any inaccuracy of any translation thereof, for any investment risk associated with acquiring an interest in the Deposited Property, for the validity or worth of the Deposited Property or for any tax consequences that may result from the ownership of ADSs, Shares or other Deposited Property, for the credit-worthiness of any third party, for allowing any rights to lapse upon the terms of the Deposit Agreement, for the failure or timeliness of any notice from the Company, or for any action of or failure to act by, or any information provided or not provided by, DTC or any DTC Participant.

The Depositary shall not be liable for any acts or omissions made by a successor depositary whether in connection with a previous act or omission of the Depositary or in connection with any matter arising wholly after the removal or resignation of the Depositary, provided that in connection with the issue out of which such potential liability arises the Depositary performed its obligations without negligence or bad faith while it acted as Depositary.

The Depositary shall not be liable for any acts or omissions made by a predecessor depositary whether in connection with an act or omission of the Depositary or in connection with any matter arising wholly prior to the appointment of the Depositary or after the removal or resignation of the Depositary, provided that in connection with the issue out of which such potential liability arises the Depositary performed its obligations without negligence or bad faith while it acted as Depositary.

(22) Resignation and Removal of the Depositary; Appointment of Successor Depositary. The Depositary may at any time resign as Depositary hereunder by written notice of resignation delivered to the Company, such resignation to be effective on the earlier of (i) the 90th day after delivery thereof to the Company (whereupon the Depositary shall be entitled to take the actions contemplated in Section 6.2 of the Deposit Agreement), or (ii) the appointment by the Company of a successor depositary and its acceptance of such appointment as hereinafter provided.

The Depositary may at any time be removed by the Company by written notice of such removal, which removal shall be effective on the later of (i) the 90th day after delivery thereof to the Depositary (whereupon the Depositary shall be entitled to take the actions contemplated in Section 6.2 of the Deposit Agreement), or (ii) upon the appointment by the Company of a successor depositary and its acceptance of such appointment as hereinafter provided.

In case at any time the Depositary acting hereunder shall resign or be removed, the Company shall use its best efforts to appoint a successor depositary, which shall be a bank or trust company having an office in the Borough of Manhattan, the City of New York. Every successor depositary shall be required by the Company to execute and deliver to its predecessor and to the Company an instrument in writing accepting its appointment hereunder, and thereupon such successor depositary, without any further act or deed (except as required by applicable law), shall become fully vested with all the rights, powers, duties and obligations of its predecessor (other than as contemplated in Sections 5.8 and 5.9 of the Deposit Agreement). The predecessor depositary, upon payment of all sums due it and on the written request of the Company, shall, (i) execute and deliver an instrument transferring to such successor all rights and powers of such predecessor hereunder (other than as contemplated in Sections 5.8 and 5.9 of the Deposit Agreement), (ii) duly assign, transfer and deliver all of the Depositary's right, title and interest to the Deposited Property to such successor, and (iii) deliver to such successor a list of the Holders of all outstanding ADSs and such other information relating to ADSs and Holders thereof as the successor may reasonably request. Any such successor depositary shall promptly provide notice of its appointment to such Holders.

Any entity into or with which the Depositary may be merged or consolidated shall be the successor of the Depositary without the execution or filing of any document or any further act.

(23) Amendment/Supplement. Subject to the terms and conditions of Section 6.1 of the Deposit Agreement and applicable law, the ADRs outstanding at any time, the provisions of the Deposit Agreement and the form of ADR attached hereto and to be issued under the terms hereof may at any time and from time to time be amended or supplemented by written agreement between the Company and the Depositary in any respect which they may deem necessary or desirable without the prior written consent of the Holders or Beneficial Owners. Any amendment or supplement which shall impose or increase any fees or charges (other than charges in connection with foreign exchange control regulations, and taxes and other governmental charges, delivery and other such expenses), or which shall otherwise materially prejudice any substantial existing right of Holders or Beneficial Owners, shall not, however, become effective as to outstanding ADSs until the expiration of thirty (30) days after notice of such amendment or supplement shall have been given to the Holders of outstanding ADSs. Notice of any amendment to the Deposit Agreement or any ADR shall not need to describe in detail the specific amendments effectuated thereby, and failure to describe the specific amendments in any such notice shall not render such notice invalid, provided, however, that, in each such case, the notice given to the Holders identifies a means for Holders and Beneficial Owners to retrieve or receive the text of such amendment (e.g., upon retrieval from the Commission's, the Depositary's or the Company's website or upon request from the Depositary). The parties hereto agree that any amendments or supplements which (i) are reasonably necessary (as agreed by the Company and the Depositary) in order for (a) the ADSs to be registered on Form F-6 under the Securities Act or (b) the ADSs to be settled solely in electronic book-entry form and (ii) do not in either such case impose or increase any fees or charges to be borne by Holders, shall be deemed not to materially prejudice any substantial rights of Holders or Beneficial Owners. Every Holder and Beneficial Owner at the time any amendment or supplement so becomes effective shall be deemed, by continuing to hold such ADSs, to consent and agree to such amendment or supplement and to be bound by the Deposit Agreement and the ADR, if applicable, as amended or supplemented thereby. In no event shall any amendment or supplement impair the right of the Holder to surrender such ADS and receive therefor the Deposited Securities represented thereby, except in order to comply with mandatory provisions of applicable law. Notwithstanding the foregoing, if any governmental body should adopt new laws, rules or regulations which would require an amendment of, or supplement to, the Deposit Agreement to ensure compliance therewith, the Company and the Depositary may amend or supplement the Deposit Agreement and any ADRs at any time in accordance with such changed laws, rules or regulations. Such amendment or supplement to the Deposit Agreement and any ADRs in such circumstances may become effective before a notice of such amendment or supplement is given to Holders or within any other period of time as required for compliance with such laws, rules or regulations.

(24) Termination. The Depositary shall, at any time at the written direction of the Company, terminate the Deposit Agreement by distributing notice of such termination to the Holders of all ADSs then outstanding at least thirty (30) days prior to the date fixed in such notice for such termination. If ninety (90) days shall have expired after (i) the Depositary shall have delivered to the Company a written notice of its election to resign, or (ii) the Company shall have delivered to the Depositary a written notice of the removal of the Depositary, and, in either case, a successor depositary shall not have been appointed and accepted its appointment as provided in Section 5.4 of the Deposit Agreement of the Deposit Agreement, the Depositary may terminate the Deposit Agreement by distributing notice of such termination to the Holders of all ADSs then outstanding at least thirty (30) days prior to the date fixed in such notice for such termination. The date so fixed for termination of the Deposit Agreement in any termination notice so distributed by the Depositary to the Holders of ADSs is referred to as the "Termination Date". Until the Termination Date, the Depositary shall continue to perform all of its obligations under the Deposit Agreement, and the Holders and Beneficial Owners will be entitled to all of their rights under the Deposit Agreement.

If any ADSs shall remain outstanding after the Termination Date, the Registrar and the Depositary shall not, after the Termination Date, have any obligation to perform any further acts under the Deposit Agreement, except that the Depositary shall, subject, in each case, to the terms and conditions of the Deposit Agreement, continue to (i) collect dividends and other distributions pertaining to Deposited Securities, (ii) sell Deposited Property received in respect of Deposited Securities, (iii) deliver Deposited Securities, together with any dividends or other distributions received with respect thereto and the net proceeds of the sale of any other Deposited Property, in exchange for ADSs surrendered to the Depositary (after deducting, or charging, as the case may be, in each case, the fees and charges of, and expenses incurred by, the Depositary, and all applicable taxes or governmental charges for the account of the Holders and Beneficial Owners, in each case upon the terms set forth in Section 5.9 of the Deposit Agreement), and (iv) take such actions as may be required under applicable law in connection with its role as Depositary under the Deposit Agreement.

At any time after the Termination Date, the Depositary may sell the Deposited Property then held under the Deposit Agreement and shall after such sale hold un-invested the net proceeds of such sale, together with any other cash then held by it under the Deposit Agreement, in an un-segregated account and without liability for interest, for the pro rata benefit of the Holders whose ADSs have not theretofore been surrendered. After making such sale, the Depositary shall be discharged from all obligations under the Deposit Agreement except (i) to account for such net proceeds and other cash (after deducting, or charging, as the case may be, in each case, the fees and charges of, and expenses incurred by, the Depositary, and all applicable taxes or governmental charges for the account of the Holders and Beneficial Owners, in each case upon the terms set forth in Section 5.9 of the Deposit Agreement), and (ii) as may be required at law in connection with the termination of the Deposit Agreement. After the Termination Date, the Company shall be discharged from all obligations under the Deposit Agreement, except for its obligations to the Depositary under Sections 5.8, 5.9 and 7.6 of the Deposit Agreement. The obligations under the terms of the Deposit Agreement of Holders and Beneficial Owners of ADSs outstanding as of the Termination Date shall survive the Termination Date and shall be discharged only when the applicable ADSs are presented by their Holders to the Depositary for cancellation under the terms of the Deposit Agreement (except as specifically provided in the Deposit Agreement).

Notwithstanding anything contained in the Deposit Agreement or in this ADR, in connection with the termination of the Deposit Agreement, the Depositary may, independently and without the need for any action by the Company, make available to Holders of ADSs a means to withdraw the Deposited Securities represented by their ADSs and to direct the deposit of such Deposited Securities into an unsponsored American depositary shares program established by the Depositary, upon such terms and conditions as the Depositary may deem reasonably appropriate, subject however, in each case, to satisfaction of the applicable registration requirements by the unsponsored American depositary shares program under the Securities Act, and to receipt by the Depositary of payment of the applicable fees and charges of, and reimbursement of the applicable expenses incurred by, the Depositary.

(25) Compliance with U.S. Securities Laws. Notwithstanding anything in the Deposit Agreement to the contrary, the withdrawal or delivery of Deposited Securities will not be suspended by the Company or the Depositary except as would be permitted by Instruction I.A.(1) of the General Instructions to Form F-6 Registration Statement, as amended from time to time, under the Securities Act.

(26) Pre-Release Transactions. Subject to the further terms and provisions of Section 5.10 of the Deposit Agreement, the Depositary, its Affiliates and their agents, on their own behalf, may own and deal in any class of securities of the Company and its Affiliates and in ADSs. In its capacity as Depositary, the Depositary shall not lend Shares or ADSs; provided, however, that the Depositary may (i) issue ADSs prior to the receipt of Shares pursuant to Section 2.3 of the Deposit Agreement and (ii) deliver Shares prior to the receipt of ADSs for withdrawal of Deposited Securities pursuant to Section 2.7 of the Deposit Agreement, including ADSs which were issued under (i) above but for which Shares may not have been received (each such transaction a "Pre-Release Transaction"). The Depositary may receive ADSs in lieu of Shares under (i) above and receive Shares in lieu of ADSs under (ii) above. Each such Pre-Release Transaction will be (a) subject to a written agreement whereby the person or entity (the "Applicant") to whom ADSs or Shares are to be delivered (w) represents that at the time of the Pre-Release Transaction the Applicant or its customer owns the Shares or ADSs that are to be delivered by the Applicant under such Pre-Release Transaction, (x) agrees to indicate the Depositary as owner of such Shares or ADSs in its records and to hold such Shares or ADSs in trust for the Depositary until such Shares or ADSs are delivered to the Depositary or the Custodian, (y) unconditionally guarantees to deliver to the Depositary or the Custodian, as applicable, such Shares or ADSs, and (z) agrees to any additional restrictions or requirements that the Depositary deems appropriate, (b) at all times fully collateralized with cash, U.S. government securities or such other collateral as the Depositary deems appropriate, (c) terminable by the Depositary on not more than five (5) business days' notice and (d) subject to such further indemnities and credit regulations as the Depositary deems appropriate. The Depositary will normally limit the number of ADSs and Shares involved in such Pre-Release Transactions at any one time to thirty percent (30%) of the ADSs outstanding (without giving effect to ADSs outstanding under (i) above), provided, however, that the Depositary reserves the right to change or disregard such limit from time to time as it deems appropriate.

The Depositary may also set limits with respect to the number of ADSs and Shares involved in Pre-Release Transactions with any one person on a case-by-case basis as it deems appropriate. The Depositary may retain for its own account any compensation received by it in conjunction with the foregoing. Collateral provided pursuant to (b) above, but not the earnings thereon, shall be held for the benefit of the Holders (other than the Applicant).

(27) Governing Law and Jurisdiction. The Deposit Agreement and the ADRs shall be interpreted in accordance with, and all rights hereunder and thereunder and provisions hereof and thereof shall be governed by, the laws of the State of New York applicable to contracts made and to be wholly performed in that State. Notwithstanding anything contained in the Deposit Agreement, any ADR or any present or future provisions of the laws of the State of New York, the rights of holders of Shares and of any other Deposited Securities and the obligations and duties of the Company in respect of the holders of Shares and other Deposited Securities, as such, shall be governed by the laws of England and Wales (or, if applicable, such other laws as may govern the Deposited Securities).

EACH OF THE PARTIES TO THE DEPOSIT AGREEMENT (INCLUDING, WITHOUT LIMITATION, EACH HOLDER AND BENEFICIAL OWNER) IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING AGAINST THE COMPANY AND/OR THE DEPOSITARY ARISING OUT OF, OR RELATING TO, THE DEPOSIT AGREEMENT, ANY ADR AND ANY TRANSACTIONS CONTEMPLATED THEREIN (WHETHER BASED ON CONTRACT, TORT, COMMON LAW OR OTHERWISE).

(ASSIGNMENT AND TRANSFER SIGNATURE LINES)

FOR VALUE RECEIVED, the undersigned Holder hereby sell(s), assign(s) and transfer(s) unto _____ whose taxpayer identification number is _____ and whose address including postal zip code is _____, the within ADR and all rights thereunder, hereby irrevocably constituting and appointing _____ attorney-in-fact to transfer said ADR on the books of the Depositary with full power of substitution in the premises.

Dated:

Name: _____

By:

Title:

NOTICE: The signature of the Holder to this assignment must correspond with the name as written upon the face of the within instrument in every particular, without alteration or enlargement or any change whatsoever.

If the endorsement be executed by an attorney, executor, administrator, trustee or guardian, the person executing the endorsement must give his/her full title in such capacity and proper evidence of authority to act in such capacity, if not on file with the Depositary, must be forwarded with this ADR.

_____

SIGNATURE GUARANTEED

All endorsements or assignments of ADRs must be guaranteed by a member of a Medallion Signature Program approved by the Securities Transfer Association, Inc.

Legends

[The ADRs issued in respect of Partial Entitlement American Depositary Shares shall bear the following legend on the face of the ADR: “This ADR evidences ADSs representing ‘partial entitlement’ Shares of Verona Pharma plc and as such do not entitle the holders thereof to the same per-share entitlement as other Shares (which are ‘full entitlement’ Shares) issued and outstanding at such time. The ADSs represented by this ADR shall entitle holders to distributions and entitlements identical to other ADSs when the Shares represented by such ADSs become ‘full entitlement’ Shares.”]

EXHIBIT B

FEE SCHEDULE

ADS FEES AND RELATED CHARGES

All capitalized terms used but not otherwise defined herein shall have the meaning given to such terms in the Deposit Agreement.

I. ADS Fees

The following ADS fees are payable under the terms of the Deposit Agreement:

Service	Rate	By Whom Paid
(1) Issuance of ADSs (*e.g.*, an issuance upon a deposit of Shares, upon a change in the ADS (s)-to-Share(s) ratio, or for any other reason), excluding issuances as a result of distributions described in paragraph (4) below.	Up to U.S. $5.00 per 100 ADSs (or fraction thereof) issued.	Person for whom ADSs are issued.
(2) Cancellation of ADSs (*e.g.*, a cancellation of ADSs for Delivery of deposited Shares, upon a change in the ADS(s)-to-Share(s) ratio, or for any other reason).	Up to U.S. $5.00 per 100 ADSs (or fraction thereof) cancelled.	Person for whom ADSs are being cancelled.
(3) Distribution of cash dividends or other cash distributions (*e.g.*, upon a sale of rights and other entitlements).	Up to U.S. $5.00 per 100 ADSs (or fraction thereof) held.	Person to whom the distribution is made.
(4) Distribution of ADSs pursuant to (i) stock dividends or other free stock distributions, or (ii) an exercise of rights to purchase additional ADSs.	Up to U.S. $5.00 per 100 ADSs (or fraction thereof) held.	Person to whom the distribution is made.
(5) Distribution of securities other than ADSs or rights to purchase additional ADSs (*e.g.*, spin-off shares).	Up to U.S. $5.00 per 100 ADSs (or fraction thereof) held.	Person to whom the distribution is made.
(6) ADS Services.	Up to U.S. $5.00 per 100 ADSs (or fraction thereof) held on the applicable record date(s) established by the Depositary.	Person holding ADSs on the applicable record date(s) established by the Depositary.

II. Charges

The Company, Holders, Beneficial Owners, persons depositing Shares or withdrawing Deposited Securities in connection with ADS issuances and cancellations, and persons for whom ADSs are issued or cancelled shall be responsible for the following ADS charges under the terms of the Deposit Agreement:

(i) taxes (including applicable interest and penalties) and other governmental charges;

(ii) such registration fees as may from time to time be in effect for the registration of Shares or other Deposited Securities on the share register and applicable to transfers of Shares or other Deposited Securities to or from the name of the Custodian, the Depositary or any nominees upon the making of deposits and withdrawals, respectively;

(iii) such cable, telex and facsimile transmission and delivery expenses as are expressly provided in the Deposit Agreement to be at the expense of the person depositing Shares or withdrawing Deposited Securities or of the Holders and Beneficial Owners of ADSs;

(iv) the expenses and charges incurred by the Depositary in the conversion of foreign currency;

(v) such fees and expenses as are incurred by the Depositary in connection with compliance with exchange control regulations and other regulatory requirements applicable to Shares, Deposited Securities, ADSs and ADRs; and

(vi) the fees and expenses incurred by the Depositary, the Custodian, or any nominee in connection with the servicing or delivery of Deposited Property.

[AGREED FORM]

DATED 2017

MEREO BIOPHARMA GROUP PLC

WARRANT INSTRUMENT
relating to the issue of warrants entitling the holders to
subscribe for Warrant Shares in the capital of
MEREO BIOPHARMA GROUP PLC

---

5 Fleet Place London EC4M 7RD
Tel: +44 (0)20 7203 5000 • **Fax:** +44 (0)20 7203 0200 • **DX:** 19 London/Chancery Lane
www.charlesrussellspeechlys.com

CONTENTS

THIS WARRANT INSTRUMENT is made on 2017

BY:

(1) **MEREO BIOPHARMA GROUP PLC,** a company incorporated in England and Wales with number 09481161 whose registered office is at 4th Floor, 1 Cavendish Place, London, England, W1G 0QF ("**Company**").

BACKGROUND:

(A) The Company, by resolution of its directors, has agreed to issue Warrants to subscribe for Warrant Shares in the capital of the Company on the terms set out in this instrument, subject to adjustment as set out in this instrument.

(B) Either all of the registered holders of shares in the Company have irrevocably waived all pre-emption rights conferred on them (whether by the Companies Act, the Articles or otherwise) or such pre-emption rights have been validly disapplied in relation to the number of Warrants and shares in the Company issued pursuant to this instrument.

(C) This instrument has been executed by the Company as a deed in favour of the Warrantholder.

IT IS AGREED:

1 DEFINITIONS AND INTERPRETATION

1.1 In this instrument the following words and expressions shall (unless the context requires otherwise) have the following meanings:

Adjustment means any or all of the following, at any time, after issue of the relevant Warrant, or by reference to any record date, while the Warrants remain exercisable:

(a) any allotment or issue of Equity Securities by the Company by way of capitalisation of profits or reserves;

(b) any cancellation, purchase or redemption of Equity Securities, or any reduction or repayment of Equity Securities, by the Company;

(c) any sub-division or consolidation of Equity Securities by the Company; and

(d) any issue of securities or other instruments convertible into shares in, or Equity Securities of, the Company or any grant of options, warrants or other rights to subscribe for, or call for the allotment or issue of, shares in, or Equity Securities of, the Company,

	but excluding any issue of Equity Securities of the Company pursuant to (i) the exercise of any options granted to employees, consultants or directors of the Company, or (ii) the loan notes in the Company currently held by Novartis Pharma AG pursuant to a convertible loan note instrument dated 3 June 2016, as amended;
AIM	the AIM market operated by the London Stock Exchange;
AIM Rules	the AIM Rules for Companies published by the London Stock Exchange;
Articles	the articles of association of the Company for the time being;
Auditors	the Company's auditors;
Business	means the research, development, production, trading and licensing of rights, intellectual property and/or products within the life sciences industry (or any of the foregoing or any activities connected thereto);
Business Day	a day (which for these purposes ends at 5.30 pm) on which banks are open for commercial business in the City of London other than a Saturday or Sunday;
Companies Act	the Companies Act 2006;
Competitor	means any entity (other than a reputable financial institution) whose business directly competes with the Business carried out by a Group Company;
Conditions	the terms and conditions set out in Schedule 2 (subject to any alterations made in accordance with the provisions of this instrument);
Consent	either: (a) a resolution passed at a meeting of the Warrantholders duly convened and held and carried by a majority consisting of not less than 75 per cent. of the votes cast upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than 75 per cent of the votes cast on a poll; or (b) the consent in writing of Warrantholders entitled to the right to subscribe for at least 75 per cent of the Warrant Shares in respect of which Subscription Rights are granted pursuant to this instrument;

CREST	the system of paperless settlement of trades and the holding of uncertificated shares administered by Euroclear UK & Ireland Limited or any other relevant paperless settlement system used in relation to the holding of uncertificated shares in the Company;
Directors	the board of directors of the Company (and/or, where relevant, a Group Company) for the time being;
Equity Securities	has the meaning given in section 560(1) of the Companies Act;
Exercise Date	the date of delivery to the registered office of the Company of the items specified in clause 6.2 (and the date of such delivery shall be the date on which such items are received at the Company's registered office);
Fair Market Value	either: (a) if the Ordinary Shares are then traded on a Recognised Investment Exchange the fair market value of a Warrant Share shall be the volume weighted average price of one (1) Ordinary Share during the ten (10) consecutive trading day period immediately preceding the Exercise Date; or (b) if the Ordinary Shares are not traded on a Recognised Investment Exchange, the fair market value a Warrant Share shall be the Fair Price;
Fair Price	unless otherwise agreed by the board of Directors and the Warrantholder(s) prior to service of the Notice of Subscription, the price per Warrant Share which the Auditors (acting as an expert (the **Expert**)) shall certify to be in its opinion a fair price for the Warrant Shares. In arriving at his opinion the Expert will value the Warrant Shares as at the date the Notice of Subscription is to be given on the basis that the Company operates as a going concern, as between a willing seller and a willing buyer, subject always to the provisions of the Articles. The decision of the Expert as to the fair price for the Warrant Shares shall be final and binding and his costs shall be borne by the Company;

Final Date	subject to clause 5, 10 years from the date of this instrument;
London Stock Exchange	London Stock Exchange plc;
Group	(i) the Company and its subsidiaries (if any), (ii) any holding company of the Company, and (iii) any subsidiaries of such holding companies from time to time and **Group Company** means any member of the Group;
Loan Agreement	the loan agreement dated on or around the same date as this instrument between, amongst others, the Company, Kreos Capital V (UK) Limited and Silicon Valley Bank;
Market Abuse Regulation	Market Abuse Regulation (Regulation 596/2014/EU);
Marketable Securities	means securities in the acquiring entity traded on a Recognised Investment Exchange where the Warrantolder(s) (were it to receive such securities on completion of an Offer having exercised this Warrant) would not be subject to any restrictions on re-sale of such securities;
Member of the same Fund Group	is if the Warrantholder is a fund, partnership, company, syndicate or other entity whose business is managed by a Fund Manager (an "**Investment Fund**") or a nominee of that person: (a) any participant or partner in or member of any such Investment Fund or the holders of any unit trust which is a participant or partner in or member of any Investment Fund but only in connection with the dissolution of Investment Fund or any distribution of assets of the Investment Fund pursuant to the operation of the Investment Fund in the ordinary course of business, (b) any Investment Fund managed or exclusively advised by that Fund Manager, (c) a parent undertaking or subsidiary undertaking of that Investment Fund or Fund Manager, or any subsidiary undertaking of any parent undertaking of that Investment Fund or Fund Manager, or (d) any trustee, nominee or custodian of such Investment Fund and vice versa;

Notice of Subscription	the notice addressed to the Company by a Warrantholder exercising its Subscription Rights in the form, or substantially in the form, set out in the schedule to the Warrant Certificate;
Ordinary Shares	ordinary shares in the capital of the Company and having the rights and privileges set out in the Articles;
Permitted Transferee	are: (a) a nominee of the Warrantholders; (b) a regulated, reputable financial institution; (c) a member of the SVB Financial Group of companies; and/or (d) a Member of the same Fund Group;
Recognised Investment Exchange	a recognised investment exchange or overseas investment exchange (within the meaning thereof given for the purposes of section 285 of the Financial Services and Markets Act 2000, and shall include, without limitation, AIM or NASDAQ;

Register	the register of persons for the time being entitled to the benefit of the Warrants to be maintained pursuant to the Conditions;
Registrars	the registrars of the Company for the time being;
Subscription Price	the subscription price per Warrant Share: (a) in respect of the Warrants to be issued on the First Issue Date, such price being equal to **£**_____[1]; and (b) in respect of the Warrants to be issued on the Further Issue Dates, such price being equal to the volume weighted average price of one Ordinary Share during the ten (10) consecutive trading day period prior to the relevant Issue Date;
Subscription Rights	the rights of the Warrantholder(s) to subscribe for Warrant Shares under clause 6;
Takeover Code	the UK City Code on Takeovers and Mergers (as amended from time to time);
UKLA	the United Kingdom Listing Authority;
Warrant Amount	**£1,100,000;**
Warrant Certificate	a certificate evidencing a Warrantholder's entitlement to Warrants in the form set out in Schedule 1;
Warrant Shares	Ordinary Shares to be issued pursuant to the terms of the Warrants;
Warrantholder	in relation to a Warrant, the person whose name appears in the Register as the holder of the Warrant; and
Warrants	the warrants of the Company constituted by this instrument and all rights conferred by it (including the Subscription Rights).

1.2 In this instrument, unless the context otherwise requires:

1.2.1 words and expressions defined in the Companies Act or the Articles shall have the same meanings in this instrument (unless otherwise expressly defined in this instrument);

1.2.2 headings are used for convenience only and shall be ignored in interpreting this instrument;

---

[1] CRS: This is the volume weighted average price (VWAP) of one Ordinary Share during the ten (10) consecutive trading day period.

1.2.3 reference to a clause or schedule is a reference to a clause of, or schedule to, this instrument;

1.2.4 reference to (or to any specific provision of) this instrument or any other document or instrument shall be construed as a reference to this instrument, that provision or that document or instrument as in force for the time being and as amended from time to time in accordance with its terms and the prior sanction of a Consent (where consent is required by the terms of this instrument as a condition to such amendment being made);

1.2.5 reference to any gender includes all genders, references to the singular includes the plural (and vice versa) and reference to persons includes bodies corporate, unincorporated associations and partnerships (whether or not any of the same have a separate legal personality);

1.2.6 reference to a statutory provision includes reference to:

(a) the statute or statutory provision as modified or re-enacted from time to time; and

(b) any subordinate legislation made under the statutory provision (as modified or re-enacted as set out in clause 1.2.6(a) above);

1.2.7 any words following the terms ‘including’, ‘include’, ‘in particular’, ‘for example’ or any other similar expression shall be construed as illustrative and shall not limit the sense of the words, description, phrase or term preceding those words; and

1.2.8 references to statutory obligations include obligations arising under articles of the Treaty establishing the European Community, and regulations, directives and decisions of the European Union as well as United Kingdom Acts of Parliament and subordinate legislation.

1.3 Unless otherwise specifically provided, where any notice, resolution or document is required by this instrument to be signed by any person, the reproduction of the signature of such person by fax or email shall suffice, provided that confirmation by first class letter is despatched by close of business on the next following Business Day, in which case the effective notice, resolution or document shall be that sent by fax or email (served in accordance with paragraphs 11 and 12 of Schedule 2), not the confirmatory letter.

1.4 This instrument incorporates the schedules to it.

2 CONSTITUTION AND FORM OF WARRANTS

2.1 This instrument constitutes the Warrants, which in aggregate give the Warrantholder(s) the right, upon the terms and subject to the conditions set out in this instrument, to subscribe in cash (subject to clause 6.3.2) at a price per share equal to the Subscription Price for such number of Warrant Shares calculated in accordance with clause 3.

2.2 Subject to clause 6.3.2, each Warrantholder shall be entitled to subscribe in cash at the Subscription Price for that number of Warrant Shares in respect of which it is entitled to be recorded as the holder in the Register on the terms set out in this instrument.

2.3 The Warrants shall be in registered form.

2.4 The Warrants are issued subject to the Articles and otherwise on the terms of this instrument (including the Conditions).

2.5 The Company agrees with the Warrantholder(s) and, in consideration of being issued a Warrant Certificate, each Warrantholder agrees with the Company that the Articles (insofar as they relate to the Warrants) and the terms of this instrument shall be binding upon the Company and each Warrantholder and all persons claiming through or under either of them.

2.6 No application will be made for the Warrants to be listed or dealt on any Recognised Investment Exchange (as that term is defined in the Financial Services and Markets Act 2000 (as amended)).

3 CALCULATION OF NUMBER OF WARRANT SHARES

3.1 The number of Warrant Shares over which Warrants will be issued is as follows:

3.1.1 At the date of this instrument (the **First Issue Date**), the Company shall issue Warrants over _____ Warrant Shares, such Warrants to be issued to Silicon Valley Bank and Kreos Capital V (Expert Fund) LP in equal proportions; and

3.1.2 In addition to the Warrants issued pursuant to clause 3.1.1 above, on each draw down pursuant to the Loan Agreement, the Company shall issue within five (5) Business Days of the date of each such drawdown further Warrants over such number of Warrant Shares as is equal to 11% of the amount of each such drawdown divided by the Subscription Price such Warrants to be issued to Silicon Valley Bank and Kreos Capital V (Expert Fund) LP in equal proportions (the **Further Issue Date(s)** together with the **First Issue Date,** the **Issue Dates**).

4 CERTIFICATES

4.1 The Company shall issue to each Warrantholder a Warrant Certificate in respect of that number of Warrants to which it is entitled as soon as reasonably practicable following a Warrantholder becoming entitled to such Warrants in accordance with clause 3.1.1 and/or 3.1.2.

4.2 If a Warrant Certificate is mutilated, defaced, lost, stolen or destroyed, the Company will replace it on such terms as to evidence and indemnity as the Company may reasonably require and subject to the Warrantholder who is seeking the replacement paying the Company's reasonable costs (if any) in connection with the issue of the replacement.

4.3 Mutilated or defaced Warrant Certificates must be surrendered before replacements will be issued.

5 TIMING FOR EXERCISE OF SUBSCRIPTION RIGHTS

5.1 The Subscription Rights may be exercised at any time from the date of this instrument until 17:00 GMT on the Final Date and shall be exercised in accordance with clause 6.

5.2 Subject to clause 7, a failure by any Warrantholder to exercise its Subscription Rights ahead of such time on the Final Date shall mean that such Warrantholder's outstanding Warrants shall immediately lapse and be cancelled and such Warrantholder shall have no further rights under this instrument.

5.3 Without prejudice to clauses 12, 13 and 14, if the Final Date is likely to occur before the last date for approval of or acceptance of a liquidation, share buyback, takeover or reorganisation event (that is in each case subject to an existing proposal) such as described in the said clauses, the Final Date shall be extended until such last date for approval or acceptance of such event as aforesaid.

6 EXERCISE OF SUBSCRIPTION RIGHTS

6.1 The Subscription Rights may be exercised in whole or in part. If exercised in part, the Subscription Rights must be exercised in tranches of 50,000 Warrants, or in respect of the last tranche of Warrants attached to the outstanding Subscription Rights held by the Warrantholder concerned, such lesser balancing number of Warrants as may be outstanding.

6.2 In order to exercise its Subscription Rights validly, a Warrantholder must deliver the following items to the registered office of the Company:

6.2.1 the Warrant Certificate for the Warrants in respect of which Subscription Rights are being exercised, together with the Notice of Subscription duly completed;

6.2.2 if required pursuant to clause 6.3.1, a remittance by banker's draft, drawn on a UK clearing bank, (or such other mode of payment as the Company and the Warrantholder shall agree); and

6.2.3 the name and address of the Warrantholder to which the Warrant Shares arising on exercise of Subscription Rights are to be issued.

6.3 The Subscription Price for each of the Warrant Shares shall, at the absolute discretion of the Warrantholder, be satisfied by any of the following:

6.3.1 the payment by banker's draft for each of the Warrant Shares at the Subscription Price; or

6.3.2 in lieu of cash payment in respect of the aggregate Subscription Price for the Warrant Shares, the Warrantholder may elect to receive a reduced number of Warrant Shares (as calculated below) (**Reduced Warrant Shares**) than the number to which it would be entitled on exercise of the Subscription Right in full, payment for such Reduced Warrant Shares being satisfied by waiver by the Warrantholder of the right to receive the balance of Warrant Shares to which the Warrantholder is entitled over and above the Reduced Warrant Shares (**Balance Warrant Shares**). In doing so, the Company agrees and acknowledges that, subject to the payment of the par value of the Reduced Warrant Shares pursuant to this clause 6.3.2, the Reduced Warrant Shares to be issued to the Warrantholder shall be issued as fully paid up at the Subscription Price and the Warrantholder agrees and acknowledges that it waives its Subscription Rights to the Balance Warrant Shares used as consideration for the payment of the aggregate Subscription Price. The number of Reduced Warrant Shares the Warrantholder will receive shall be determined as follows:

$$X = Y\,(A - B)/A$$

where:

X = the number of Reduced Warrant Shares to be issued to the Warrantholder.

Y = the number of Warrant Shares with respect to which the Warrant is being exercised by the Warrantholder (without application of the reduction).

A = the Fair Market Value of one Warrant Share

B = the Subscription Price.

Provided always that the Warrantholder shall nevertheless be required to subscribe in cash for the par value of the Reduced Warrant Shares to the extent that if it did not do so the Reduced Warrant Shares would be issued at a discount to the Warrantholder. It being understood that if Warrant Shares are issued pursuant to this clause 6.3.2, notwithstanding that such Warrant Shares are issued at nominal value, the Warrantholder shall be deemed to have paid the relevant Subscription Price per Warrant Share for the purposes of calculating any distribution or share of sale proceeds in each case attributable to the Warrant Shares and to other issued shares of the class for the purposes of the Articles and for all other purposes.

6.4 Delivery of the items specified in clause 6.2 to the Company shall, unless the Company expressly consents otherwise, be an irrevocable election by the Warrantholder to exercise the relevant Subscription Rights.

7 AUTOMATIC EXERCISE OF SUBSCRIPTION RIGHTS

7.1 If, on the Final Date, the Fair Market Value of one Warrant Share is greater than the Subscription Price on such date, the Warrantholder shall be deemed to have automatically exercised its Subscription Rights, on a conditional basis, in respect of all unexercised Warrants on such date on a net issuance basis as set out in clause 6.3.2. In such circumstances, the Company shall (subject at all times to the Company's obligations under the Takeover Code, the AIM Rules, and all applicable law and any other regulations including the Market Abuse Regulation), send a notice to the Warrantholder(s) within ten (10) Business Days of the Final Date (such notice being the "**Automatic Exercise Notice**" for the purposes of this clause 7) requiring them to pay up a cash amount equal to the aggregate nominal value of the Warrant Shares (such payment being the "**Nominal Value Payment**") to be issued pursuant to clause 6.3.2 and this clause 7.1.

7.2 The Warrantholder shall, within ten (10) Business Days of receipt of the Automatic Exercise Notice (the "**Nominal Value Payment Period**"), provide the Company with the Nominal Value Payment, to an account notified by the Company to the Warrantholder. Upon receipt of such the Nominal Value Payment, the Warrant Shares to be issued to the Warrantholder on a net issuance basis pursuant to clause 6.3.2 shall be allotted and issued to the Warrantholder credited as fully paid up in accordance with clause 6.3.2 and clause 8.3.1. Any failure by a Warrantholder to pay the Nominal Value Payment within the Nominal Value Payment Period shall result in the automatic lapse of any Warrants over Warrant Shares for which the Nominal Value Payment was not made.

8 COMPLETION

8.1 Following a valid exercise of Subscription Rights by a Warrantholder or an automatic exercise of Subscription Rights pursuant to clause 7 or clause 13.2.2, the Company shall in accordance with clause 8.3:

8.1.1 allot and issue credited as fully paid to the Warrantholder (or to its nominee or trustee as notified to the Company in the Notice of Subscription) the Warrant Shares to which the Warrantholder is entitled by exercising the Subscription Rights ("**Allotted Shares**");

8.1.2 immediately following allotment and issue in accordance with clause 8.1.1, enter, or procure that the Company's Registrars enter the Warrantholder's name (or its nominee's or trustee's name, as appropriate) in the register of members of the Company as the holder of the Allotted Shares;

8.1.3 immediately following registration in accordance with clause 8.1.2, either send to the person identified by the Warrantholder pursuant to clause 8.1.1, free of charge, share certificate(s) in respect of the Allotted Shares or credit such aggregate number of Allotted Shares to the Warrantholder's (or its nominee's or trustee's) CREST stock account; and

8.1.4 apply for the admission of the Warrant Shares to trading on (i) AIM, insofar as the Warrant Shares are listed on AIM or, (ii) on any other recognised investment exchange on which the Warrant Shares are listed, and shall use its reasonable endeavours to secure such admission to trading no later than ten (10) Business Days after such application.

8.2 The obligations of the Company under clause 8.1 shall be fulfilled within ten (10) days after the Notice of Subscription is lodged at the registered office of the Company.

8.3 The Allotted Shares shall:

8.3.1 be allotted and issued fully paid;

8.3.2 rank pari passu with the relevant class of fully paid Warrant Shares then in issue;

8.3.3 rank for any dividend or other distribution which has previously been announced or declared if the date by which the holder of Warrant Shares must be registered to participate in such dividend or other distribution is after the Exercise Date pursuant to which the Subscription Rights have been exercised; and

8.3.4 be free from all claims, liens, charges, encumbrances, equities and third party rights.

8.4 If following allotment of shares pursuant to the exercise of some of the Subscription Rights, some Subscription Rights remain, the Company shall issue a Warrant Certificate to the Warrantholder within 15 Business Days for the balance of the Warrantholder's Subscription Rights.

9 TRANSFER OF WARRANTS

9.1 Subject to clause 9.2, the Warrants may be transferred in whole or in part by any Warrantholder to any person, provided that the Company has given its prior written consent to such transfer.

9.2 A Warrantholder has the right, with prior written notice, but without the consent of the Borrower, to transfer the Warrants in whole or in part to a Permitted Transferee, subject to compliance with the provisions of Schedule 2 hereto.

9.3 Notwithstanding any other provisions of this instrument, no transfer shall be made to any person which is a Competitor of the Company or any other Group Company.

9.4 The provisions of Schedule 2 to this instrument shall regulate any transfer of a Warrant.

10 MODIFICATION AND CESSATION OF RIGHTS

10.1 This instrument may be modified only with the prior sanction of Consent.

10.2 This instrument ceases to have effect on the earlier of:

10.2.1 the date upon which all Subscription Rights have been exercised in full; and

10.2.2 the Final Date.

11 ADJUSTMENT OF WARRANT

11.1 Upon the occurrence of an Adjustment after the date of this Instrument but prior to the Final Date, the number and/or nominal value of Warrant Shares to be, or capable of being subscribed on any subsequent exercise of the Subscription Rights conferred by each issued Warrant and/or the Subscription Price will be adjusted in such manner as the Auditors shall certify to be fair and reasonable so that the Warrants shall, after such adjustment, entitle the Warrantholder(s) on exercise to receive the same percentage of the share capital of the Company in issue or capable of being issued following the implementation of the Adjustment, carrying the same proportion of votes exercisable at a general meeting of shareholders, for the same price, in each case as nearly as practicable, as would have been the case if no Adjustment had occurred, provided that the Subscription Price shall not in any event be reduced so that, upon exercise of the Subscription Rights, Warrant Shares would fall to be issued at a discount to their nominal value.

11.2 Within ten (10) days after an Adjustment, notice of such adjustments will be given to the Warrantholder(s) detailing the number of Warrant Shares for which the Warrantholder(s) are entitled to subscribe in consequence of any such adjustment. Replacement Warrant Certificates shall be issued accordingly.

12 LIQUIDATION

12.1 If an order is made or an effective resolution is passed for the winding-up or dissolution of the Company or if any other dissolution of the Company by operation of law is to be effected whilst any Subscription Rights remain exercisable, then the provisions of clause 12.2 or, as the case may be, clause 12.3 shall apply.

12.2 If the winding-up or dissolution is for the purpose of a reconstruction, amalgamation or merger the Warrantholder shall be entitled to be granted by the reconstructed, amalgamated or merged company a substituted warrant of the value of the Warrant immediately prior to such reconstruction, amalgamation or merger.

12.3 If clause 12.2 does not apply, the Company shall immediately notify the Warrantholder(s) in writing that such an order has been made or resolution has been passed or other dissolution is to be effected. The Warrantholder(s) shall be entitled at any time within three (3) months after the date such notice is given to elect by notice in writing to the Company to be treated as if they had, immediately before the date of the making of the order or passing of the resolution or other dissolution, exercised the Subscription Rights and they shall be entitled to receive out of the assets which would otherwise be available in the liquidation to the holders of Warrant Shares, such a sum, if any, as they would have received had they been the holders of and paid for the Warrant Shares to which they would have become entitled by virtue of such exercise, after deducting from such sum the amount which would have been payable by them in respect of the Warrant Shares if they had exercised the Subscription Rights. Nothing contained in this clause 12.3 shall have the effect of requiring the Warrantholder(s) to make any actual payment to the Company.

13 TAKEOVERS

13.1 Subject to clause 13.6, if at any time an offer or invitation is made by the Company to the holders of the Ordinary Shares for the purchase by the Company of any of its Ordinary Shares, the Company shall promptly and without delay give notice thereof to each Warrantholder who shall be entitled, at any time whilst such offer or invitation is open for acceptance, to exercise its Subscription Rights to the extent that such rights have not been exercised or lapsed prior to the record date of such offer or invitation so as to take effect, in so far as is reasonably practicable, as if it had exercised its rights immediately prior to the record date of such offer or invitation.

13.2 Subject to clause 13.6, if at any time an offer is made to all holders of Ordinary Shares (or all holders of Ordinary Shares other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) to acquire the whole or any part of the issued share capital of the Company and the Company becomes aware that as a result of such offer the right to cast a majority of the votes which may ordinarily be cast on a poll at a general meeting of the Company may, if such offer becomes unconditional in all respects, become vested in the offeror and/or such persons or companies (the "**Buyer**") as aforesaid (the "**Offer**"):

13.2.1 The Company shall, subject to compliance with the Takeover Code, give notice to each Warrantholder within ten (10) Business Days of its becoming so aware, and each Warrantholder shall be entitled to exercise its Subscription Rights, conditional upon the Offer being declared unconditional in all respects, within thirty (30) days of such notice having been given by the Company (to the extent that such rights have not lapsed or been exercised prior to the record date of such Offer), and to accept or otherwise participate in such Offer on the same terms as made to all holders of Ordinary Shares.

13.2.2 If the Company fails to give notice as required by clause 13.2.1 (subject at all times to the Company's obligations under the Takeover Code, the AIM Rules, and all applicable law and any other regulations including the Market Abuse Regulation) then, provided that immediately prior to the date that the Offer is made the offer price under the Offer is greater than the Subscription Price on such date and conditional upon the Offer being declared unconditional in all respects, the Warrantholder shall be deemed to have automatically exercised its Subscription Rights in respect of all unexercised Warrants on such date at the Subscription Price on a net issuance basis as set out in clause 6.3.2. In such circumstances, the Company shall send a notice to the Warrantholder(s) promptly and without delay (such notice being the "**Exercise Notice**" for the purposes of this clause 13.2.2) upon either a Warrantholder notifying the Company of its failure to give notice as required by clause 13.2.1 or the Company or the Buyer becoming aware of the Company's failure to give such notice requiring the Warrantholder(s) to pay the Nominal Value Payment. The Warrantholder shall, within ten (10) Business Days of receipt of the Exercise Notice, provide the Company with the Nominal Value Payment, to an account notified by the Company to the Warrantholder. Upon receipt of such the Nominal Value Payment, subject to clause 13.3 the Warrant Shares to be issued to the Warrantholder on a net issuance basis pursuant to clause 6.3.2 shall be allotted and issued to the Warrantholder credited as fully paid up in accordance with clause 6.3.2 and clause 8.3.1.

13.2.3 Nothing in this clause 13.2 shall oblige the Warrantholder(s) to accept any Offer made hereunder, save to the extent that such Offer, whether by court order or otherwise, shall have become binding on all shareholders and the offer price under such Offer is greater than the Subscription Price, in which case the Warrantholder(s) shall be deemed to have accepted it on the terms set out herein.

13.3 The Company undertakes to the Warrantholders that in the event of an exercise of Subscription Rights during the course of an Offer (or before the date of an Offer if the Directors of the Company have reason to believe that a bona fide offer might be

imminent) it will consult with the Panel on Takeover and Mergers without delay to get confirmation that the issue of shares represents the exercise of the Subscription Rights pursuant to a pre-existing contractual obligation. In the event that the Panel of Takeover and Mergers does not give such confirmation, the Company will undertake without delay to call a general meeting of the Company to approve the issue of shares pursuant to the Subscription Rights.

13.4 The Company shall use reasonable endeavours to procure that any Buyer extends the Offer to the Warrantholders in accordance with Rule 15 and Practice Statement 24 of the Takeover Code.

13.5 For the avoidance of doubt, publication of a compromise or scheme of arrangement under the Companies Act providing for the acquisition by any person of the whole or any part of the issued share capital of the Company shall be deemed to be the making of an Offer for the purposes of this clause 13.

13.6 If, for whatever reason, a Warrantholder fails, refuses or declines to exercise its Subscription Rights within sixty (60) days of an Offer having become unconditional in all respects, the Warrants held by such Warrantor shall automatically lapse and no Warrant Shares shall be issued to the Warrantholder thereunder.

14 COMPANY REORGANISATIONS – EXCHANGE OF WARRANTS

14.1 A company reorganisation occurs if the Company merges with or transfers all or substantially all of its assets and undertaking to a new company ("**Newco**") and the shareholders of Newco are substantially the same as the shareholders of the Company immediately before the Company reorganisation, with shares having the same rights as those of the Company.

14.2 If there is a company reorganisation, the Company shall, save to the extent proposed by the Company and sanctioned by a Consent, use reasonable endeavours to procure that new warrants over the share capital of the Newco are granted with equivalent rights and on terms applying in this instrument mutatis mutandis and on such grant the existing Warrants shall lapse.

15 INFORMATION AND RIGHTS OF WARRANTHOLDER(S)

15.1 The Company shall:

15.1.1 send to each Warrantholder a copy of its annual reports and audited accounts together with all documents required by law to be annexed to that report at the same time they are provided to the holders of the Ordinary Shares;

15.1.2 send to each Warrantholder copies of any statements, notices or circulars sent to the holders of the Ordinary Shares; and

15.1.3 give to each Warrantholder not less than 30 days' prior written notice of its intention to declare or pay a dividend or other distribution on the Ordinary Shares.

15.2 The Warrantholder(s) may attend all general meetings of members of the Company and meetings of the holders of Ordinary Shares but may not vote at those meetings by virtue of or in respect of their holdings of Warrants.

15.3 Each Warrantholder shall keep confidential any information received by it in its capacity as a Warrantholder which is of a confidential nature except:

15.3.1 as required by law or any applicable regulations;

15.3.2 to the extent the information is in the public domain through no default of the Warrantholder; and

15.3.3 each Warrantholder will be entitled to divulge such information to any other Warrantholder and any proposed transferee of Warrants on the same terms as to confidentiality.

16 RESTRICTIONS ON AND UNDERTAKINGS OF THE COMPANY

16.1 For so long as the Warrants are outstanding, the Company will:

16.1.1 to the extent that the Company has a limit on its authorised share capital, keep available for issue and free from pre-emptive rights, out of its authorised but unissued share capital, such number of Warrant Shares as will enable the Subscription Rights of the Warrantholder(s) to be satisfied in full;

16.1.2 ensure that the Directors have all necessary authorisations and disapplications of pre-emption (including under the Companies Act) to allot such number of Warrant Shares as will enable the Subscription Rights of the Warrantholder(s) to be satisfied in full at any time;

16.1.3 maintain the admission to trading of the Ordinary Shares on AIM, or any other Recognised Investment Exchange on which the Ordinary Shares are traded from time to time;

16.1.4 not make any issue, grant or distribution or take any other action the effect of which would be that on exercise of any of the Subscription Rights it would be required to issue Warrant Shares at a discount to their nominal value; and

16.1.5 not buy any Warrants unless it offers to buy Warrants from all Warrantholders in proportion to their respective holdings of Warrants.

17 WARRANTIES

17.1 The Company warrants to the Warrantholder(s) that:

17.1.1 it has the power to execute and to perform its obligations under this instrument;

17.1.2 it has taken all action necessary to authorise the execution of, and the performance of its obligations under this instrument;

17.1.3 all Warrant Shares which may be issued upon the exercise of the rights represented by this Warrant will be, upon issuance, be duly authorised, validly issued and fully paid and free of any liens and encumbrances;

17.1.4 it and the Directors have, and have obtained all necessary shareholder and third party consents (which consents are subsisting and remain sufficient and have not been revoked at the Issue Dates), to grant the Warrant to the Warrantholder(s) on the Issue Dates on the terms of this Warrant; and

17.1.5 the Ordinary Shares are duly admitted to trading on AIM or on another Recognised Investment Exchange and no circumstances exist which may cause the suspension or cancellation of such admission.

18 NOTICES

Any notice to the Warrantholder(s) required for the purposes of any provision of this instrument shall be given in accordance with the provisions of paragraphs 10 to 13 (inclusive) of Schedule 2.

19 COSTS AND EXPENSES

19.1 The Borrower shall promptly pay to the Warrantholder(s) on the Warrantholder's demand, the reasonable legal expenses plus applicable VAT and disbursements incurred by the Warrantholder in connection with:

19.1.1 any amendment or supplement to this instrument, or any proposal for such an amendment to be made, provided such amendment or supplement has been requested or necessitated by the Company; and

19.1.2 any consent or waiver by the Warrantholder(s) concerned under or in connection with this instrument or any request for such a consent or waiver, provided that such consent or waiver has been requested or necessitated by the Company; and

19.1.3 any step taken reasonably and properly by the Warrantholder with a view to the protection, exercise or enforcement of any right or interest created by this instrument.

20 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

A person who is not a party to this instrument shall have no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this instrument. This clause does not affect any right or remedy of any person which exists or is available otherwise than pursuant to that Act.

21 FURTHER ASSURANCE

The Company shall, at its own cost and expense, execute all such deeds and documents and do all such acts and things as may reasonably be required in order to give effect to this instrument, including vesting on issue the full legal and beneficial title to the Warrant Shares in the Warrantholder.

22 SEVERABILITY

Each of the provisions of this instrument is distinct and severable from the others and if at any time one or more of such provisions is or becomes valid, unlawful or unenforceable (whether wholly or to any extent), the validity, lawfulness and enforceability of the remaining provisions (or the same provision to any other extent) of this instrument shall not in any way be affected or impaired.

23 GOVERNING LAW

The provisions of this instrument and the Conditions and any dispute or claim arising out of or in connection with them (including any dispute or claim relating to non- contractual obligations) shall be subject to and governed by English law and the Company and the Warrantholder(s) submit to the exclusive jurisdiction of the English Courts in relation to any such dispute or claim.

The Company intends this instrument to be a deed poll and accordingly it or its duly authorised representatives execute and deliver it as such.

SCHEDULE 1
Form Of Warrant Certificate

MEREO BIOPHARMA GROUP PLC ("COMPANY")
A company registered in England and Wales
under Company number 09481161

WARRANT CERTIFICATE

This certificate is issued pursuant to the warrant instrument issued by the Company on 2017 ("**Warrant Instrument**"). Words and expressions used in this certificate which are defined in the Warrant Instrument have the meanings given to them in the Warrant Instrument.

Certificate number:	[●]
Date of issue:	_____ 2017
Name and address of Warrantholder:	[**Silicon Valley Bank** of 3003 Tasman Drive, Santa Clara, California 95054 US (UK branch at Alphabeta 14-18 Finsbury Square, London EC2A 1BR)]
	[**Kreos Capital V (Expert Fund) LP** of 47 Esplanade, St. Helier, Jersey JE1 0BD]

Number of Warrant Shares for which the Warrantholder may subscribe such number as is calculated by dividing [●] ***[NB: In respect of the First Issue Date, £550,000 for each of SVB and Kreos; in respect of the Further Issue Date(s), each of SVB and Kreos will receive an equal share of the aggregate amount of the Warrants issued pursuant to clause 3.1.2.]*** (being the relevant proportion of the Warrant Amount held by the Warrantholder) by the Subscription Price, as adjusted in accordance with terms of the Warrant Instrument, if appropriate.

This is to certify that the Warrantholder named above is the registered holder of the right to subscribe in cash for Warrant Shares at the subscription price set out above subject to the Articles and otherwise on the terms and conditions set out in the Warrant Instrument (a copy of which is available for inspection at the registered office of the Company).

EXECUTED as a deed, but not delivered until)
the date specified on this certificate, by)
MEREO BIOPHARMA GROUP PLC)
by_____a director in the) presence of a witness:

_____
Director

Witness Signature: _____

_____

Witness Name (block capitals): _____

Witness Address: _____

_____

Witness Occupation: _____

Schedule to the Warrant Certificate
Notice of Subscription

To: The Directors

MEREO BIOPHARMA GROUP PLC ("Company")

This notice is issued pursuant to the warrant instrument issued by the Company on 2017 ("**Warrant Instrument**"). Words and expressions used in this notice which are defined in the Warrant Instrument have the meanings given to them in the Warrant Instrument.

By this notice we exercise the Subscription Rights appertaining to [all] [*number*] of the Warrants evidenced by this certificate.

We wish to satisfy the aggregate Subscription Price for the Warrant Shares in respect of the Subscription Rights we are exercising as follows [*delete options as necessary*]:

1 [by payment by banker's draft, we attach a banker's draft to this notice];

2 [by satisfying the aggregate Subscription Price by electing to receive a reduced number of Warrant Shares, in accordance with clause 6.3.2].

[We direct the Company to allot conditional only on the above the [*number*] of Ordinary Shares to be issued pursuant to this exercise in the following numbers to the following proposed allottees, each of which is either a Warrantholder, a nominee or trustee of a Warrantholder, or a transferee of one of those persons approved in accordance with clause 9.1 of the Warrant Instrument.]

Number/percent age of shares	Name of proposed allottee	Address of proposed allottee	CREST Details
1			Participant ID: [●] Member account ID: [●] INSP Custodian Client Ref: [●] Custodian Name: [●]

Number/percent age of shares	Name of proposed allottee	Address of proposed allottee	CREST Details
2			Participant ID: [●] Member account ID: [●] INSP Custodian Client Ref: [●] Custodian Name: [●]

We request that certificate(s) for such Ordinary Shares be sent by post at our risk to us at the first address shown above or to the agent lodging this certificate as mentioned below.

OR

We hereby request that you register our Warrant Shares in uncertificated form to the CREST account detailed [below][above]:

CREST Details	Participant ID
	Member Account ID
	INSP Custodian Client Ref:
	Custodian Name

We agree that such shares are issued and accepted subject to the memorandum and articles of association of the Company.

Signature of Warrantholder: _____

Full name: _____

Address: _____

Lodged by: (agent to whom certificate(s) should be sent)

Name of agent: _____

Address: _____

SCHEDULE 2
Conditions

1 An accurate Register will be kept and maintained at all times by the Company at its registered office and there shall be entered in the Register:

1.1 the names and addresses of the persons for the time being entitled to be registered as the holders of the Warrants;

1.2 the number of Warrants held for the time being by every registered holder; and

1.3 the date on which the name of every registered holder is entered in the Register in respect of the Warrants in its name.

2 Any change in the name or address of any Warrantholder shall promptly be notified to the Company which shall cause the Register to be altered accordingly. The Warrantholders or any of them and any person authorised by any Warrantholder shall be at liberty at all reasonable times during office hours to inspect the Register and to take copies of or extracts from it or any part of it.

3 The Company shall be entitled to treat each Warrantholder as the absolute owner of a Warrant and accordingly shall not, except as ordered by a court of competent jurisdiction or as required by law, be bound to recognise any equitable or other claim to or interest in a Warrant on the part of any other person, whether or not it shall have express or other notice of such a claim.

4 Each Warrantholder will be recognised by the Company as entitled to the Warrants free from any equity, set-off or cross-claim on the part of the Company against the original or any intermediate holder of the Warrants.

5 Each transfer of a Warrant shall be made by an instrument of transfer in the usual or common form or in any other form which may be approved for the time being by the Directors.

6 The instrument of transfer of a Warrant shall be executed by or on behalf of the transferor but need not be executed by or on behalf of the transferee. The transferor shall be deemed to remain the holder of the Warrant until the name of the transferee is entered in the Register in respect of the Warrant being transferred.

7 The Directors may decline to recognise any instrument of transfer of a Warrant unless the instrument is deposited at the registered office of the Company accompanied by the Warrant Certificate for the Warrant to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer. The Directors may waive production of any Warrant Certificate upon production to them of satisfactory evidence of the loss or destruction of the Warrant Certificate together with such indemnity as they may require.

8 No fee shall be charged for any registration of a transfer of a Warrant or for the registration of any other documents which in the opinion of the Directors require registration.

9 The registration of a transfer shall be conclusive evidence of the approval by the Directors of such a transfer.

10 Each Warrantholder shall register with the Company an address in the United Kingdom to which notices can be sent. If any Warrantholder fails to register an address with the Company, notice may be given to that Warrantholder by sending it by any of the methods referred to in paragraph 11 of this Schedule 2 to that Warrantholder's last known place of business or residence or, if none, by exhibiting it for three days at the registered office for the time being of the Company.

11 Notices and other communications to Warrantholders may be given by personal delivery, prepaid letter by first class post or, subject to clause 1.3 of this instrument, fax or email. In proving service of any notice or other communication sent by post, it shall be sufficient to prove that the envelope containing the notice or other communication was properly addressed and stamped and was deposited in a post box or at the post office.

12 A notice or other communication given pursuant to the provisions of paragraph 11 of this Schedule 2 shall be deemed to have been served:

12.1 at the time of delivery, if delivered personally to the registered address;

12.2 on the second Business Day following its posting, if sent by prepaid letter by first class post to an address in the United Kingdom; and

12.3 at 09:00 hours on the Business Day following the despatch of the fax, if sent by fax.

13 All notices and other communications with respect to Warrants standing in the names of joint registered holders shall be given to whichever of such persons is named first in the Register and such notice so given shall be sufficient notice to all the registered holders of such Warrants.

14 Any person who, whether by operation of law, transfer or other means whatsoever, shall become entitled to any Warrant, shall be bound by every notice in respect of such Warrant which, prior to its name and address being entered on the Register, shall have been duly given to the person from which it derives its title to such Warrant.

15 When a given number of days' notice or notice extending over any other period is required to be given, the day of service shall be included but the day upon which such notice will expire shall not be included in such number of days or other period. The signature to any notice to be given by the Company may be written or printed.

16 Meetings of Warrantholders shall be convened and conducted in the same way as meeting of shareholders of the Company are convened and conducted. Accordingly, the provisions of Articles shall apply to meetings of the Warrantholders mutatis mutandis.

SIGNATURE PAGE

EXECUTED as a deed, but not delivered until)
the date specified on this instrument, by)
MEREO BIOPHARMA GROUP PLC)
by_____a director in the presence of a witness:

_____
Director

Witness Signature: _____

Witness Name (block capitals): _____

Witness Address: _____

_____

Witness Occupation: _____

Exhibit 5.1

99 Bishopsgate
London EC2M 3XF
United Kingdom
Tel: +44(0)20.7710.1000 Fax: +44(0)20.7374.4460
www.lw.com

23 March 2018

Mereo BioPharma Group plc
4th Floor
One Cavendish Place
London W1G 0QF
United Kingdom

Re: Mereo BioPharma Group plc – Registration Statement on Form F-1 Exhibit 5.1

Ladies and Gentlemen:

We have acted as English legal advisers to Mereo BioPharma Group plc, a public limited company incorporated in England and Wales (the "**Company**") in connection with the proposed offering of American Depositary Shares (the "**ADSs**") representing ordinary shares of £0.003 each in the capital of the Company (the "**Ordinary Shares**") and the concurrent private placement of Ordinary Shares (together, the "**Offering**" and the Ordinary Shares allotted and issued in connection therewith, including those being issued to Citibank, N.A. as the Custodian and represented by ADSs, being the "**Shares**").

1. INTRODUCTION

1.1 Purpose

In connection with the preparation and filing of the registration statement on Form F-1 to which this letter is attached as an exhibit (such registration statement, as amended, including the documents incorporated by reference therein, the "**Registration Statement**") with the United States Securities and Exchange Commission (the "**SEC**") pursuant to the United States Securities Act of 1933, as amended (the "**Securities Act**"), we have been asked to provide an opinion on certain matters, as set out below. We have taken instruction in this regard solely from the Company.

1.2 **Defined terms and headings**

In this letter:

(a) capitalised terms used without definition in this letter or the schedules hereto have the meanings assigned to them in the Registration Statement unless a contrary indication appears;

(b) headings are for ease of reference only and shall not affect interpretation; and

(c) the term "**Shares**" shall include any additional Ordinary Shares registered by the Company pursuant to Rule 462(b) under the Securities Act in connection with the offering contemplated by the Registration Statement.

1.3 **Legal review**

For the purpose of issuing this letter, we have examined such matters of fact and questions of law as we have considered appropriate. We have reviewed, amongst other things, the following documents and conducted the following enquiries and searches:

(a) an online search at Companies House in respect of information available for inspection about the Company conducted on 23 March 2018;

(b) an enquiry by telephone at the Central Index of Winding Up Petitions, London on 23 March 2018 at 11:24 a.m. (London time) ((a) and (b) together, the "**Searches**");

(c) a PDF executed copy of the written resolutions of the shareholders of the Company dated 2 June 2016 (the "**Authorities Resolutions**");

(d) a PDF executed copy of the minutes of a meeting of the board of directors of the Company held on 20 March 2018 at which it was resolved, *inter alia*, to appoint a committee of the board of directors of the Company (the "**Committee**");

(e) draft minutes of a meeting of the Committee to be held to resolve, *inter alia*, to allot the Shares (the "**Allotment Resolutions**");

(f) a PDF copy of each of the certificate of incorporation of the Company dated 10 March 2015 and the certificate of incorporation on re-registration of a private company as a public company of the Company dated 3 June 2016;

(g) a PDF copy of each of the current articles of association which were adopted on 2 June 2016 (the "**Current Articles**") and the new articles of association (the "**New Articles**") proposed to be adopted at the general meeting of the Company to be held on 6 April 2018 (the "**General Meeting**"); and

(h) a PDF copy of the Registration Statement initially filed with the SEC on 23 March 2018.

1.4 **Applicable law**

This letter, the opinions given in it, and any non-contractual obligations arising out of or in connection with this letter and/or the opinions given in it, are governed by, and to be construed in accordance with, English law and relate only to English law as applied by the English courts as at today's date. In particular:

(a) we have not investigated the laws of any country other than England and we assume that no foreign law affects any of the opinions stated below; and

(b) we express no opinion in this letter on the laws of any jurisdiction other than England.

1.5 **Assumptions and reservations**

The opinions given in this letter are given on the basis of each of the assumptions set out in Schedule 1 (*Assumptions*) and are subject to each of the reservations set out in Schedule 2 (*Reservations*) to this letter. The opinions given in this letter are strictly limited to the matters stated in paragraph 2 (*Opinions*) below and do not extend, and should not be read as extending, by implication or otherwise, to any other matters.

2. **OPINION**

Subject to paragraph 1 (*Introduction*) and the other matters set out in this letter and its Schedules, and subject further to the following:

(a) the Registration Statement, as finally amended, having become effective under the Securities Act;

(b) the number of Shares to be allotted and issued not being greater than the amount authorised under the Authorities Resolutions (after subtracting all shares previously allotted and issued by the Company pursuant to the Authorities Resolutions) and such Shares being allotted and issued by 31 December 2018;

(c) the Allotment Resolutions having been passed at a duly convened and quorate meeting of the Committee;

(d) the receipt in full of payment for the Shares in an amount of "cash consideration" (as defined in section 583(3) of the Companies Act 2006) of not less than the aggregate nominal value for such Shares; and

(e) valid entries having been made in relation to the allotment and issue of the Shares in the books and registers of the Company,

it is our opinion that, as at today's date, the Shares, if and when allotted and issued, registered in the name of the recipient in the register of members of the Company and delivered as described in the Registration Statement, will be duly and validly authorised and issued, fully paid or credited as fully paid (subject to the receipt of valid consideration by the Company for the issue thereof in connection with the Offering) and will not be subject to any call for payment of further capital.

3. **EXTENT OF OPINIONS**

We express no opinion as to any agreement, instrument or other document other than as specified in this letter or as to any liability to tax which may arise or be suffered as a result of or in connection with the Offering or the transactions contemplated thereby.

This letter only applies to those facts and circumstances which exist as at today's date and we assume no obligation or responsibility to update or supplement this letter to reflect any facts or circumstances which may subsequently come to our attention, any changes in laws which may occur after today, or to inform the addressee of any change in circumstances happening after the date of this letter which would alter our opinion.

4. **DISCLOSURE AND RELIANCE**

This letter is addressed to you solely for your benefit in connection with the Registration Statement. We consent to the filing of this letter as an exhibit to the Registration Statement. We further consent to the incorporation by reference of this letter and consent into any registration statement filed pursuant to Rule 462(b) under the Securities Act with respect to the Shares. In giving such consent, we do not thereby admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations thereunder.

This letter may not be relied upon by you for any other purpose and, other than as set out above, may not be furnished to, or assigned to, or relied upon by, any other person, firm or entity for any purpose, without our prior written consent, which may be granted or withheld in our discretion.

Yours faithfully

/s/ LATHAM & WATKINS

SCHEDULE 1

ASSUMPTIONS

The opinions in this letter have been given on the basis of the following assumptions:

(a) the genuineness of all signatures, stamps and seals on all documents, the authenticity and completeness of all documents submitted to us as originals, and the conformity to original documents of all documents submitted to us as copies;

(b) that, where a document has been examined by us in draft or specimen form, it will be or has been duly executed in the form of that draft or specimen;

(c) that the New Articles in the form examined by us are adopted by special resolution without amendment prior to each date of allotment and issue of the Shares (an "**Allotment Date**") and that the New Articles remain in full force and effect, and no alteration will be made to such articles of association, in each case prior to each Allotment Date;

(d) that all documents, forms and notices which should have been delivered to the Companies Registration Office in respect of the Company have been so delivered, that information revealed by the Searches was complete and accurate in all respects and has not, since the time of the Searches, been altered and that the results of the Searches will remain complete and accurate as at each Allotment Date;

(e) that the minutes of the meetings of the board of directors of the Company provided to us in connection with the giving of this opinion are a true record of the proceedings described in them in duly convened, constituted and quorate meetings in which all constitutional, statutory and other formalities were duly observed, and the resolutions set out in the minutes were validly passed and have not been and will not be revoked or varied and remain in full force and effect and will remain so as at each Allotment Date;

(f) that the resolutions set out in the Authorities Resolutions provided to us in connection with the giving of this opinion were duly passed as written resolutions of the shareholders of the Company and all constitutional, statutory and other formalities were duly observed in connection with the passing of such resolutions, and such resolutions have not been revoked or varied and remain in full force and effect and will not be revoked or varied and will remain in full force and effect as at each Allotment Date;

(g) that the General Meeting has been duly convened and will be a duly constituted and quorate meeting in which all constitutional, statutory and other formalities will be duly observed and the resolution set out in the notice of General Meeting will be validly passed and will not be revoked or varied and will remain in full force and effect as at each Allotment Date;

(h) that in relation to the allotment and issue of the Shares, the directors of the Company have acted and will act in the manner required by section 172 of the Companies Act 2006 (*Duty to promote the success of the Company*), and there

has not been and will not be any bad faith, breach of trust, fraud, coercion, duress or undue influence on the part of any of the directors of the Company; and

(i) that no Shares or rights to subscribe for Shares have been or shall be offered to the public in the United Kingdom in breach of the Financial Services and Markets Act 2000 ("**FSMA**") or of any other United Kingdom laws or regulations concerning offers of securities to the public, and no communication has been or shall be made in relation to the Shares in breach of section 21 of FSMA or any other United Kingdom laws or regulations relating to offers or invitations to subscribe for, or to acquire rights to subscribe for or otherwise acquire, shares or other securities.

SCHEDULE 2

RESERVATIONS

The opinions in this letter are subject to the following reservations:

(a) the Searches are not capable of revealing conclusively whether or not a winding-up or administration petition or order has been presented or made, a receiver appointed, a company voluntary arrangement proposed or approved or any other insolvency proceeding commenced. We have not made enquiries of any District Registry or County Court;

(b) the opinions set out in this letter are subject to (i) any limitations arising from applicable laws relating to insolvency, bankruptcy, administration, reorganisation, liquidation, moratoria, schemes or analogous circumstances; and (ii) an English court exercising its discretion under section 426 of the Insolvency Act 1986 (*co-operation between courts exercising jurisdiction in relation to insolvency*) to assist the courts having the corresponding jurisdiction in any part of the United Kingdom or any relevant country or territory;

(c) we express no opinion as to matters of fact; and

(d) it should be understood that we have not been responsible for investigating or verifying the accuracy of the facts, including statements of foreign law, or the reasonableness of any statements of opinion, contained in the Registration Statement, or that no material facts have been omitted from it.

Dated 17 August 2015

(1) O&H (CAVENDISH PLACE) LIMITED

- and -

(2) MEREO BIOPHARMA GROUP LIMITED

UNDERLEASE OF FOURTH FLOOR ONE CAVENDISH PLACE LONDON W1

Mishcon de Reya
Summit House
12 Red Lion Square
London WC1R 4QD
Tel: 020 7440 7000
Fax: 020 7404 5982
Ref: EHP.16795.490
E-mail: edward.hughes-power@mishcon.com

TABLE OF CONTENTS

THIS UNDERLEASE is made on the 17 day of August 2015

BETWEEN:

LR1. **Date of lease**	:	
LR2. **Title number(s)**	:	**LR2.1 Landlord's title number(s)**
		314084
	:	**LR2.2 Other title numbers**
		None
LR3. **Parties to this lease**	:	**Landlord**
		O & H (Cavendish Place) Limited (company reg. no. 06291120) whose registered office is at 25-28 Old Burlington Street, London W1S 3AN
	:	**Tenant**
		Mereo Biopharma Group Limited (company reg. no. 09481161) whose registered office is at Green Park House, 15 Stratton Street, London W1J 8LQ
LR4. **Property**	:	**In the case of a conflict between this clause and the remainder of this lease then, for the purposes of registration, this clause shall prevail.**
		Those parts of the fourth floor of the building known as One Cavendish Place London W1G 0QF as are shown edged red on the attached plan as more particularly described in the definition of "Property" at clause 1.3
LR5. **Prescribed statements etc**	:	**LR5.1 Statements prescribed under rules 179 (dispositions in favour of a charity), 180 (dispositions by a charity) or 196 (leases under the Leasehold Reform, Housing and Urban Development Act 1993) of the Land Registration Rules 2003**
		None
		LR5.2 This lease is made under, or by reference to, provisions of:
		None

LR6. **Term for which the Property is leased**	:	From and including 17 August 2015 to and including 16 August 2025
LR7. **Premium**	:	None
LR8. **Prohibitions or restrictions on disposing of this lease**	:	This lease contains a provision that prohibits or restricts dispositions.
LR9. **Rights of acquisition etc.**	:	**LR9.1 Tenant's contractual rights to renew this lease, to acquire the reversion or another lease of the Property, or to acquire an interest in other land**
		None
	:	**LR9.2 Tenant's covenant to (or offer to) surrender this lease**
		None
	:	**LR9.3 Landlord's contractual rights to acquire this lease**
		None
LR10. **Restrictive covenants given in this Lease by the Landlord in respect of land other than the Property**	:	None
LR11. Easements	:	**LR11.1 Easements granted by this lease for the benefit of the Property**
		See clause 3.2 and Schedule 1
	:	**LR11.2 Easements granted or reserved by this lease over the Property for the benefit of other property**
		See clauses 3.3 and 3.4 and Schedule 2
LR12. Estate rentcharge burdening the Property	:	None
LR13. Application for standard form of restriction	:	None

LR14. Declaration of trust where there is more than one person comprising the Tenant	:	Not applicable
A. Principal Rent	:	For the period from and including the Rent Commencement Date and expiring on and including 16 December 2016 £162,960 per annum (exclusive of Value Added Tax) And then for the period from and including 17 December 2016 £325,920 per annum (exclusive of Value Added Tax) and subject to upwards review in accordance with this Lease
B. Rent Commencement Date	:	17 August 2015
C. Permitted Use	:	Use as high class offices within Class B1(a) of the Schedule to the Town and Country Planning (Use Classes) Order 1987 as it applies at the date of this Lease and purposes ancillary to such use
D. Building	:	the land and building known as One Cavendish Place, London WI and being the whole of the land in title number 314084 and each and every part of it including all landlord's fixtures and fittings, plant, machinery, apparatus and equipment now or after the date of this Lease in or upon the same and any additions, alterations and improvements
E. Rent Review Date(s)	:	17 August 2020
F. Tenant's Break Date	:	16 August 2020

1. **DEFINITIONS**

1.1 The expressions "Landlord", "Tenant", "Property" and "Term" have the meanings given to them in clauses LR3, LR4 and LR6.

1.2 The expressions "Principal Rent", "Rent Commencement Date", "Permitted Use", "Building", "Rent Review Date(s)" and "Tenant's Break Date" have the meanings given to them in clauses A to F.

1.3 These further definitions apply:

"Additional Rent" means all sums referred to in clause 5, and all sums which are recoverable as rent in arrear or stated in this Lease to be due to the Landlord;

"Adjoining Property" means any land and/or buildings adjoining or neighbouring the Property;

"Base Rate" means the base rate for the time being of Barclays Bank PLC or some other London clearing bank nominated from time to time by the Landlord or, in the event of base rate being abolished, such other comparable rate of interest as the Landlord shall reasonably specify;

"Business Hours" means the hours between 7 am and 7 pm on weekdays;

"Common Parts" means any entrance halls, lavatories, cleaning cupboards, risers, corridors, passages, lobbies, landings, staircases, lifts, pedestrian ways, courtyards, forecourts, and service areas and loading bays if any and any other amenities in, or forming part of, the Building which are or may from time to time be provided or designated by the Landlord for common use by the tenants and occupiers of the Building and all persons expressly or by implication authorised by them but excluding the Lettable Areas;

"Conduits" means all drains, pipes, gullies, gutters, sewers, ducts, mains, channels, subways, wires, cables, conduits, flues and any other conducting media of whatsoever nature;

Contribution Works means the works to the Property being the installation of floor boxes of flush type comprising three compartments each accommodating a double or twin accessory plate with one box every 10 square metres;

"Development" means development as defined in section 55 of the Town and Country Planning Act 1990;

"Enactment" means any Statute, Statutory Instrument, Order or Byelaw issued by any competent authority for the time being and from time to time in force and any rule, regulation, scheme, plan or direction issued under or deriving authority from any of them;

"Fair Proportion" means a fair and reasonable proportion appropriate to the Property or its use to be determined from time to time by the Surveyor (acting reasonably);

"Group Company" means a company that is from time to time a member of the same group within the meaning of Section 42 (as unamended) of the Landlord and Tenant Act 1954;

"Guarantor" means the party (if any) named as **"Guarantor"** in this Lease and includes the person from time to time guaranteeing the obligations of the Tenant under this Lease and, in the case of an individual, includes his personal representatives provided that in the context of clause 28.2 it shall exclude a guarantor pursuant to an authorised guarantee agreement;

"Insurance Rent" means:

(a) a Fair Proportion of the sums which the Landlord pays from time to time for insuring the Building against the Insured Risks pursuant to clause 27.1.1 and the other items referred to in clause 27.1.3; and

(b) all sums which the Landlord pays from time to time for insuring against the loss of the Principal Rent and the Service Charge pursuant to clause 27.1.2;

"Insured Risks" means (to the extent that any of the same are insurable in the London insurance market at reasonable cost and on reasonable terms) fire, storm, tempest, flood, earthquake, lightning, explosion, terrorism, impact, aircraft (other than hostile aircraft) and other aerial devices and articles dropped from them, riot, civil commotion and malicious damage, bursting or overflowing of water tanks, apparatus or pipes, and such other risks as the Landlord may, in its discretion (acting reasonably) from time to time, determine;

"Landlord" means the person for the time being entitled to the reversion immediately expectant on the determination of the Term;

"this Lease" means this underlease and any document which is supplemental to it, whether or not it is expressly stated to be so;

"Lettable Areas" means those parts of the Building leased, intended to be leased or capable of being leased to occupational tenants;

"Open Market Rent" means the annual rent that might reasonably be expected to be paid for the Property if it were let on the Rent Review Date as a whole in the open market without a premium with vacant possession by a willing lessor to a willing lessee on a lease for a term commencing on the Rent Review Date equal in duration to ten years with a tenant's right to determine at the fifth anniversary of the term in substantially the same form (mutatis mutandis) as clause 44 and on the same terms and conditions (except for the amount of rent but including the provisions for rent review at the expiry of each period of five years throughout the term) as in this Lease and with the benefit of any licence approval or consent granted by the Landlord at the request of the Tenant and assuming:

(a) that the rent will be payable as from the expiry of a rent free period of such length (commencing on the Rent Review Date) as the willing lessee would negotiate in the open market for (but only for) fitting out the Property;

(b) that all the covenants contained in this Lease on the part of the Tenant have been fully observed and performed at all times;

(c) that on the Rent Review Date the Property is capable of immediate occupation and use and fully fitted out and that nothing has been done to the Property by the Tenant or any subtenant which has diminished the rental value of the Property;

(d) that in the event that the Property has been destroyed or damaged by an Insured Risk it has been fully restored by the Rent Review Date;

(e) that no works have been carried out to the Property during the Term which would diminish the rental value of the Property;

(f) the Contribution Works have been carried out and completed at the cost of the Landlord;

but disregarding:

(i) any effect on rent of the fact that the Tenant or any permitted subtenant may have been in occupation of the Property;

(ii) any goodwill attached to the Property by reason of its use by the Tenant or any permitted subtenant;

(iii) any effect on rent of any alteration, addition or improvement to the Property made by the Tenant or a permitted subtenant at its own expense with the written consent of the Landlord (where required) otherwise than under any obligation to the Landlord or for which the Landlord has made a financial contribution.

"Plan" means the plan annexed to this Lease;

"Planning Acts" means the Town and Country Planning Act 1990, the Planning (Listed Buildings and Conservation Areas) Act 1990, the Planning (Hazardous Substances) Act 1990, the Planning (Consequential Provisions) Act 1990, and the Planning and Compensation Act 1991 and any other town and country planning or related legislation;

"Property" means the part of the fourth floor of the Building shown edged red on the Plan including:-

(a) the internal plaster surfaces and finishes of any structural or load bearing walls and columns in or which enclose it, but not any other part of such walls and columns;

(b) the entirety of any non-structural or non-load bearing walls and columns wholly within the Property;

(c) the inner half (severed medially) of any internal non-load bearing walls which divide it from any other part of the Building;

(d) the floor (including raised floors and the cavity below them) but the lower limit of the Property shall not extend to anything below the upper surface of the floor slabs;

(e) the ceiling finishes, including suspended ceilings and suspended plaster ceiling (if any) and light fittings but the upper limit of the Property shall not extend to anything above the ceiling finishes other than the cavity above any suspended ceilings which shall be included (but the floor slabs above shall be excluded);

(f) all glass in the external windows;

(g) all sanitary and hot and cold water apparatus and equipment and any radiators within the Property and all fire fighting equipment and hoses within the Property;

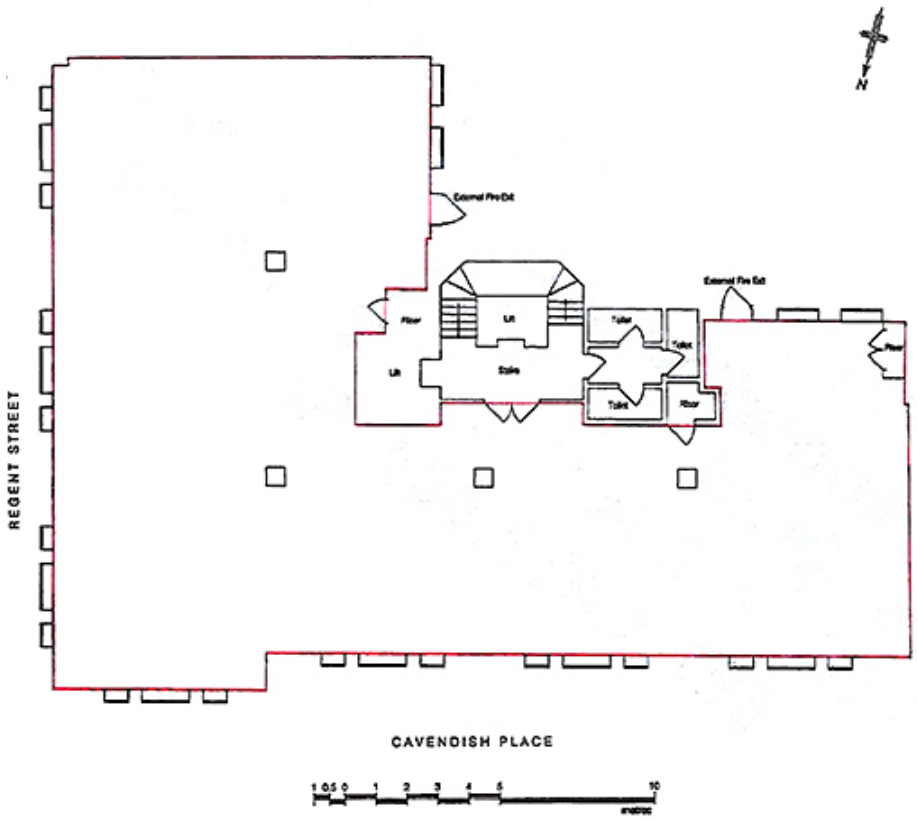
(h) all Conduits within and exclusively serving the Property, except those of any utility company;

(i) all landlord's fixtures, fittings, plant, machinery, apparatus and equipment at any time in or on the Property (but not any air conditioning units, sprinklers and ducting and ancillary plant, machinery, apparatus or equipment); and

(j) any additions, alterations and improvements made by the Tenant or any sub-tenant during the term;

both excluding the Retained Parts.

"Prescribed Rate" means four per cent (4%) per annum above the Base Rate;



Lease Plan

1 CAVENDISH PLACE

LONDON, W1

Fourth Floor

Lease Demise

Notes:

Due to the inherent instability of paper materials, drawings plotted on paper may be stretched and distorted. Dimensions scaled from paper plots should therefore be treated with caution.

This drawing is issued for lease registration purposes only and further copies should be printed under the appropriate licence.

Revisions:

A - Original Issue (November 2008)

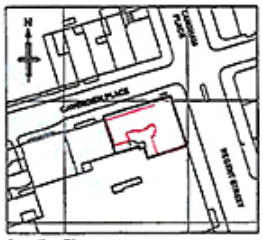
B - Tenants Fit-out and Partitions Removed (February 2009)

C:

D:

E:

F:



Location Plan

Scale 1:1250

Drawing No. 20954-LP4

Issue B November 2008

Presentation Scale 1:100 @ A3

Plowman Craven PCA

+44(0)1582 765555 info@plowmancraven.co.uk

+44(0)1582 765370 www.plowmancraven.co.uk

"Present Tenant" means (in Schedule 4) the Tenant at the time the covenants on the part of the Guarantor are entered into and (in Schedule 7) the Tenant at the time the covenants on the part of the Present Tenant therein referred to are entered into;

"President" means the President for the time being of, the Royal Institution of Chartered Surveyors (or in the event that such Institution ceases to exist such other independent body as the Landlord may reasonably nominate) and includes the duly appointed deputy of the President or any person authorised by the President or by the Institution or nominated body to make appointments on his or its behalf;

"Rents" means the sums payable by the Tenant under clause 4;

"Retained Parts" means all parts of the Building which do not comprise Lettable Areas, including:-

(a) the Common Parts;

(b) any parts of the Building reserved by the Landlord for the housing of plant, machinery or equipment, or otherwise in connection with, or required for, the provision of services (which for the avoidance of doubt includes the air conditioning apparatus and risers);

(c) all Conduits in, on, over or under, or exclusively serving the Building, except any that form part of the Lettable Areas;

(d) the main structure of the Building, including the roof and its structural parts, the foundations, all external walls, any internal structural or load bearing walls and columns, the structural slabs of the ceilings and floors, any party structures, boundary walls, railings and fences, and all exterior parts of the Building and any pavements, pavement lights, roads and car parking areas (if any) which form part of the Building;

"Reviewed Rent" means in respect of the period commencing on the Rent Review Date the reviewed rent at the Rent Review Date determined in accordance with the terms of clause 4.8;

"Service Charge" has the meaning given to that expression in clause 30;

"Superior Landlord" means the person for the time being entitled to any estate in the Building which is reversionary (whether immediate or mediate) upon the Landlord's estate;

"Superior Lease" means the lease of the Building dated 2 November 1925 and made between The Right Honourable Thomas Evelyn Baron Howard de Walden and Seaford (1) and James Rossdale (2) for the term of 999 years from 6 January 1914 together with any documents supplemental or collateral thereto;

"Surveyor" means any third party professional organisation with appropriate professional qualifications appointed by the Landlord to perform the function of a surveyor or an accountant for any purpose of this Lease and any professionally qualified organisation appointed by the Landlord to collect the rents or to manage the Building;

"Tenant" means the party named as 'Tenant' in this Lease and includes the Tenant's successors in title and assigns and, in the case of an individual, his personal representatives;

"Tenant's Plant" means:

(a) any supplemental air conditioning and heating plant and equipment and all pipes, cables and other conduits necessary to connect the air conditioning and heating plant and equipment to the Property,

(b) a domestic sized satellite dish or aerial (or other telecommunications equipment) for receiving and transmitting telecommunications signals and all cables necessary to connect the telecommunications equipment to the Property;

"Tenant's Plant Area" means those parts of the roof of the Building as the Landlord determines from time to time;

"Uninsured Risk" means any risk against which insurance cover is obtainable on normal commercial terms in the London Insurance market today but which in the future ceases to be so obtainable but an Insured Risk does not become an Uninsured Risk for the purposes of this Lease by reason only of:

(a) normal exclusion provisions in relation to a level of excess liability;

(b) rejection by the insurer of liability, or some part of it, due to any act or default by the Tenant.

"Utilities" means water, soil, steam, air, electricity, radio, television, telegraphic, telephone, telecommunications and other services and supplies of whatsoever nature;

"Value Added Tax" means value added tax as defined in the Value Added Tax Act 1994 and any tax of a similar nature substituted for, or levied in addition to, such value added tax;

"Working Day" means any day, other than a Saturday or Sunday, on which clearing banks in the United Kingdom are open to the public for the transaction of business.

2. **INTERPRETATION**

Unless there is something in the subject or context inconsistent with the same:-

2.1 every covenant by a party comprising more than one person shall be deemed to be made by such party jointly and severally;

2.2 words importing persons shall include firms, companies and corporations and vice versa;

2.3 any covenant by the Tenant not to do any act or thing shall include an obligation not to knowingly permit or suffer such act or thing to be done;

2.4 any reference to the right of the Landlord to have access to, or to enter, the Property shall be construed as extending to the Superior Landlord and to any mortgagee of the Landlord or the Superior Landlord and to all persons authorised by them, including agents, professional advisers, contractors, workmen and others;

2.5 any requirement that the Tenant must obtain the approval or consent of the Landlord in respect of any matter mentioned in this Lease includes a requirement that, where necessary under the Superior Lease, the approval or consent of the Superior Landlord must also be obtained in respect of that matter;

2.6 any reference to a statute (whether specifically named or not) shall include any amendment or re-enactment of it for the time being in force, and all instruments, orders, notices, regulations, directions, bye-laws, permissions and plans for the time being made, issued or given under it, or deriving validity from it;

2.7 all agreements and obligations by any party contained in this Lease (whether or not expressed to be covenants) shall be deemed to be, and shall be construed as, covenants by such party;

2.8 any covenant by the Tenant (other than any relating to payment of any of the Rents hereby reserved) shall be construed as being not only with the Landlord but also with the Superior Landlord;

2.9 the word “assignment” includes equitable assignment and the words “assign” and “assignee” shall be construed accordingly;

2.10 the words “including” and “include” shall be deemed to be followed by the words “without limitation”;

2.11 the titles or headings appearing in this Lease are for reference only and shall not affect its construction;

2.12 any reference to a clause or schedule shall mean a clause or schedule of this Lease.

3. GRANT, RIGHTS AND OTHER MATTERS

3.1 Demise and Term

In consideration of the rents, covenants and agreements reserved by, and contained in, this Lease to be paid and performed by the Tenant, the Landlord with full title guarantee leases the Property to the Tenant for the Term paying the Rents to the Landlord in accordance with clause 4.

3.2 Rights and Easements

There are granted the rights and easements set out in Schedule 1.

3.3 Exceptions and reservations

There are excepted and reserved out of this Lease the rights and easements set out in Schedule 2.

3.4 Third party rights

This Lease is granted subject to any rights, easements, reservations, privileges, covenants, restrictions, stipulations and other matters affecting the Property which would be disclosed by any searches and enquiries which a prudent prospective tenant would have made before entering into this Lease including any exceptions or reservations and other matters contained or referred to in the Superior Lease and any matters contained or referred to in the deeds and documents listed in Schedule 6 so far as any of them relate to the Property and are still subsisting and capable of taking effect.

3.5 **No implied easements**

Nothing contained in this Lease shall confer on, or grant to, the Tenant any easement, right or privilege, other than those expressly granted by this Lease.

3.6 **Covenants affecting reversion**

The Tenant shall perform and observe the agreements, covenants, restrictions and stipulations contained or referred to in the deeds and documents listed in Schedule 6 and the Superior Lease (other than provisions for the payment of rent or other sums) so far as any of them relate to the Property and are still subsisting and capable of taking effect.

3.7 **Encroachments and easements**

The Tenant shall not stop up or obstruct any of the windows or lights belonging to the Property and shall not permit any new window, light, opening, doorway, passage, Conduit or other encroachment or easement to be made or acquired into, on or over the Property or any part of them. If any person shall attempt to make or acquire any encroachment or easement whatsoever, the Tenant shall give written notice of that fact to the Landlord promptly after it shall come to the notice of the Tenant and, at the request and cost of the Landlord, adopt such means as may be reasonably required by the Landlord for preventing any encroachment or the acquisition of any easement.

3.8 **Covenants relating to other property**

Nothing contained in, or implied by, this Lease shall give the Tenant the benefit of, or the right to enforce or prevent the release or modification of, any covenant or agreement entered into by any tenant of the Landlord in respect of any property not comprised in this Lease.

3.9 **Rights of entry by Landlord**

The Tenant shall permit the Landlord or its surveyor/employees with all necessary materials and appliances to enter and remain for so long as is reasonably necessary on the Property:-

3.9.1 to examine the condition of the Property and to take details of the landlord’s fixtures in them;

3.9.2 to exercise any of the rights excepted and reserved by this Lease;

3.9.3 for any purpose that, in the reasonable opinion of the Landlord, is necessary to enable it to comply with any covenant on its part contained in the Superior Lease even though the obligation to comply with such covenant may be imposed on the Tenant by this Lease;

3.9.4 for any other reasonable purpose connected with the interest of the Landlord in the Property or the Building, including valuing or disposing of the Landlord’s interest in them;

3.9.5 to carry out inspection, repairs, renewals (when necessary) and maintenance of the air conditioning units and apparatus within the Property.

3.10 **Terms of entry by Landlord**

In exercising any of the rights mentioned in clause 3.9, the Landlord or the person exercising the right shall:

3.10.1 give to the Tenant reasonable prior notice that the right is to be exercised (and insofar as reasonably practicable not less than 48 hours' prior notice in the case of exercising rights (other than carrying out works) under clauses 3.9.1, 3.9.2, 3.9.3 and 3.9.4 and not less than five working days' notice for the purposes of carrying out any works under clauses 3.9.1, 3.9.2, 3.9.3, 3.9.4 and 3.9.5) and shall only exercise it at reasonable times (except in an emergency, when no notice need be given and when it can be exercised at any time);

3.10.2 cause as little inconvenience as practicable to the Tenant or any other permitted occupier of any part of the Property; and

3.10.3 make good, as soon as practicable and to the reasonable satisfaction of the Tenant, any physical damage caused to the Property and indemnify the Tenant for any other physical damage caused to the Tenant's fixtures, fittings and contents.

4. **RENTS**

4.1 **Tenant's obligation to pay**

The Tenant covenants to pay to the Landlord at all times during the Term:-

4.1.1 yearly, and proportionately for any fraction of a year, the Principal Rent;

4.1.2 the Insurance Rent;

4.1.3 the Service Charge; and

4.1.4 any Value Added Tax which may be chargeable in respect of the Principal Rent, the Insurance Rent and the Service Charge.

4.2 **Dates of payment of Principal Rent**

The Principal Rent and any Value Added Tax chargeable on it shall be paid in four (4) equal instalments in advance on each 25th March, 24th June, 29th September and 25th December in every year. The first payment is payable as from the Rent Commencement Date and the first payment is to be made on that date or a proportion (calculated on a daily basis) in respect of the period from the Rent Commencement Date to the day before the next quarter day.

4.3 **Method of payment of Principal Rent**

The Principal Rent and any Value Added Tax chargeable on it shall be paid by standing order or direct debit from the Tenant's bankers so that the Landlord shall receive full value in cleared funds on the date when payment is due.

4.4 **Rent Review**

The amount of the Principal Rent will increase on the Rent Review Date to the Open Market Rent (ascertained in accordance with clause 4.8) of the Property on that date if that is more than the Principal Rent payable before that date, but the amount of the Principal Rent will not decrease.

4.5 **Dates of payment of Insurance Rent and Additional Rent**

The Insurance Rent and the Additional Rent and any Value Added Tax chargeable on either of them shall be paid within ten (10) Working Days of written demand, the first payment of the Insurance Rent having been made on the date of this Lease.

4.6 **Dates of payment of Service Charge**

The Service Charge and any Value Added Tax chargeable on it shall be paid in accordance with clause 30.

4.7 **No right of set-off**

Subject to any contrary statutory right, the Tenant shall not exercise any legal or equitable rights of set-off, deduction, abatement or counterclaim which it may have to reduce its liability for Rents.

4.8 **Rent Review**

4.8.1 The Landlord and the Tenant may agree the Open Market Rent at any time. If the Open Market Rent has not been agreed by the date three months before the Rent Review Date then until it has been agreed either of them may, by giving notice in writing to the other, require the matter to be decided by an independent surveyor ("the valuer") of not less than ten years qualification and having practical experience in and knowledge of commercial lettings of property similar to the Property and situated in the area in which the Property is situated.

4.8.2 The valuer shall act as an arbitrator and not as an expert and the Arbitration Act 1996 shall apply to his determination.

4.8.3 The valuer shall be appointed (in the event of the Landlord and the Tenant failing to agree on the appointee) by or on behalf of the President for the time being of the Royal Institution of Chartered Surveyors ("RICS") on the application of either party.

4.8.4 The Landlord and the Tenant may agree in writing the Reviewed Rent at any time and if they do so after a referral to the valuer then:-

(a) the valuer's appointment shall (subject only to resolution of the issue of costs) be determined upon such agreement;

(b) the valuer's costs to the date of such agreement and relating to any award as to costs shall be in the determination of the valuer as part of the reference to it insofar as not agreed between the Landlord and the Tenant.

4.8.5 If the valuer shall die delay or become unwilling, unfit or incapable of acting or if for any other reason the President for the time being of the Royal Institution of Chartered Surveyors or the person acting on its behalf shall in its absolute discretion think fit he may on the application of either party by writing discharge the valuer and appoint another in its place.

4.8.6 The valuer's determination shall be dated with the date on which it is actually despatched to the Landlord and the Tenant and not any earlier date.

4.8.7 Where the Rent Review Date is a quarter day and the Reviewed Rent payable on and from that Rent Review Date has been ascertained by that day, the Principal Rent payable on that day shall be calculated at the rate of the Reviewed Rent.

4.8.8 Where the Rent Review Date is not a quarter day:

(a) if the Reviewed Rent payable on and from the Rent Review Date has been ascertained by the immediately preceding quarter day, the Principal Rent payable on that quarter day shall comprise rent at the then current rate of Principal Rent ("**the Previous Rent**") for the period to immediately before the Rent Review Date together with rent at the rate of the Reviewed Rent for the remainder of the quarter;

(b) if the Reviewed Rent is ascertained after the quarter day immediately preceding the Rent Review Date but before the Rent Review Date, then on that quarter day the Tenant shall pay on account of the Principal Rent a full quarterly rent at the rate of the Previous Rent, and on the Rent Review Date the Tenant shall pay to the Landlord additional rent for the remainder of that quarter at the rate by which the Reviewed Rent exceeds the Previous Rent.

4.8.9 Where the Reviewed Rent payable on and from the Rent Review Date is ascertained after the Rent Review Date, then:

(a) on the quarter day falling before the ascertainment of the Reviewed Rent the Tenant shall pay on account rent at the rate of the Previous Rent, and

(b) on the quarter day following ascertainment of the Reviewed Rent the Tenant shall pay to the Landlord (a) rent for the ensuing quarter at the rate of the Reviewed Rent and (b) a sum equal to the shortfall by which the Reviewed Rent calculated from the Rent Review Date down to immediately before that quarter day exceeds the rent paid on account and (c) interest at the Base Rate on that shortfall calculated from day to day on each part of the shortfall for the period from the date on which it would have been payable if the Reviewed Rent had been ascertained by the Rent Review Date.

4.8.10 For the purposes of this clause, the Reviewed Rent is "ascertained" when it is agreed in writing between the Landlord and the Tenant or if determined by the valuer in accordance with the provisions of clause 4.8.6.

4.8.11 If either the Landlord or the Tenant shall fail to pay the appropriate amount of the fees and expenses of the valuer as determined by it within fourteen days of the same being demanded by the valuer, the other shall be entitled to pay the same and the amount so paid shall be repaid on demand with interest at the Prescribed Rate by the party chargeable on demand.

4.8.12 If at the Rent Review Date there shall be in force any Enactment which shall restrict curtail or modify the effect or operation of the provisions of this clause 4.8 then the Landlord shall in addition to the review herein provided for on the occasion such Enactment or any part thereof is removed relaxed or modified be entitled on giving not less than one month's notice in writing expiring after such removal relaxation or modification to introduce a special review date which shall be the date of expiration of such notice and the rent from such special review date if any shall be determined in accordance with the provisions of this clause 4.8 mutatis mutandis.

4.8.13 Immediately after agreement (as distinct from determination) of the Reviewed Rent a memorandum as to its amount shall be signed by the Landlord and the Tenant.

5. INTEREST

5.1 Interest on late payments

Without prejudice to any other right, remedy or power contained in this Lease or otherwise available to the Landlord, if any of the Rents (whether formally demanded or not in case of the Principal Rent) or any other sum of money payable to the Landlord by the Tenant under this Lease shall not be paid so that the Landlord receives full value in cleared funds on the date being 10 Working Days after the due payment date under the terms of this Lease the Tenant shall pay interest on such Rents and/or sums at the Prescribed Rate from and including the date when payment was due in respect of the Principal Rent and from demand in respect of all other payments to the date of payment to the Landlord (both before and after any judgment).

5.2 Interest on refused payments

Without prejudice to any other right, remedy or power contained in this Lease or otherwise available to the Landlord, if the Landlord shall with good reason decline to accept any of the Rents so as not to waive any existing breach, the Tenant shall pay interest on such Rent at the Prescribed Rate from and including the date when payment was due (or, where applicable, would have been due if demanded on the earliest date on which it could have been demanded) to the date when payment is accepted by the Landlord.

6. OUTGOINGS

6.1 Tenant’s obligation to pay

The Tenant shall pay, or indemnify the Landlord against, all existing and future rates, taxes, duties, charges, assessments, impositions and other outgoings whatsoever (whether parliamentary, parochial, local or of any other description and whether or not of a capital or non-recurring nature or of a wholly novel character) which are now or may at any time during the Term be charged, levied, assessed or imposed upon, or payable in respect of, the Property or upon the owner or occupier of them (excluding any tax payable by the Landlord occasioned by any disposition of, or dealing with, the reversion of this Lease) and, in the absence of a direct assessment on the Property, shall pay to the Landlord a fair proportion (to be reasonably determined by the Landlord) of any such outgoings.

6.2 Costs of utilities etc.

The Tenant shall:-

6.2.1 pay all charges for electricity, gas and water consumed in the Property, including any connection and hiring charges and meter rents; and

6.2.2 perform and observe all present and future regulations and requirements of the electricity, gas and water supply companies or boards in respect of the supply and consumption of electricity, gas and water on the Property.

7. **VALUE ADDED TAX**

7.1 **Sums exclusive of VAT**

All sums payable under this Lease by the Tenant to the Landlord shall be deemed to be exclusive of Value Added Tax.

7.2 **Tenant to pay VAT**

Where pursuant to the terms of this Lease the Landlord makes a supply to the Tenant (other than a supply made in consideration for the payment of the Rents) and Value Added Tax is payable in respect of such supply, the Tenant shall pay to the Landlord on the date of such supply a sum equal to the amount of Value Added Tax so payable and any penalty or interest incurred by the Landlord for any late payment of such Value Added Tax and the Landlord shall supply to the Tenant a Value Added Tax invoice in respect of the same.

7.3 **VAT incurred by Landlord**

Where the Tenant is required by the terms of this Lease to reimburse the Landlord for the costs or expenses of any supplies made to the Landlord, the Tenant shall also at the same time pay or, as the case may be, indemnify the Landlord against all Value Added Tax input tax incurred by the Landlord in respect of those supplies save to the extent that the Landlord is entitled to repayment or credit in respect of such Value Added Tax input tax.

8. **LANDLORD'S COSTS**

Within ten (10) Working Days of written demand, the Tenant shall pay, or indemnify the Landlord and the Superior Landlord against, all reasonable and proper costs, fees, charges, disbursements and expenses properly incurred by them, including those payable to solicitors, counsel, surveyors, architects and bailiffs:-

8.1 in relation to the preparation and service of a notice under section 146 of the Law of Property Act 1925 or any proceedings under section 146 or section 147 of that Act (whether or not any right of re-entry or forfeiture has been waived by the Landlord or a notice served under section 146 is complied with by the Tenant or the Tenant has been relieved under the provisions of that Act and even though forfeiture may be avoided otherwise than by relief granted by the court);

8.2 in relation to the preparation and service of all notices and schedules relating to any wants of repair, whether served during or within three (3) months after the expiration of the Term (but relating in all cases only to such wants of repair which accrued not later than the expiration or earlier determination of the Term);

8.3 in connection with the recovery or attempted recovery of arrears of rent or other sums due from the Tenant, or in procuring the remedying of the breach of any covenant by the Tenant;

8.4 in relation to any application for consent required or made necessary by this Lease (such costs to include reasonable management fees and expenses) whether or not it is granted (except in cases where the Landlord is obliged not to withhold its consent unreasonably and the withholding of its consent is held to be unreasonable), or the application is withdrawn.

9. REPAIRS, DECORATION ETC.

9.1 Repairs

Subject to clause 9.2, the Tenant shall:

9.1.1 repair and keep in good and substantial repair and condition the Property; and

9.1.2 as and when reasonably necessary, replace any of the landlord's fixtures and fittings (excluding all air conditioning units, sprinklers and ducting and ancillary plant, machinery, apparatus or equipment situated in the Property) which become beyond repair with new ones which are similar in type and quality.

9.2 Damage by the Insured/Uninsured Risks

There shall be excepted from the obligations contained in clause 9.1:

9.2.1 any damage caused by the Insured Risks (to the extent to which the Landlord covenants to insure the same under Clause 27.1) save to the extent that payment of the insurance monies shall be withheld by reason of any act, neglect or default of the Tenant, any undertenant or occupier or any of their respective agents, licensees, visitors or contractors or any person under the control of any of them unless the Tenant shall have complied with the provisions of clause 27.7;

9.2.2 any damage caused by an Uninsured Risk

9.3 Decorations

The Tenant shall in the fifth year of the Term and in the last three (3) months of the Term (whether determined by passage of time or otherwise) in a good and workmanlike manner prepare and decorate with at least two coats of good quality paint or otherwise treat, as appropriate, all parts of the Property, such decorations and treatment in the last year of the Term to be executed in such colours and materials as the Landlord may reasonably require;

9.4 Cleaning

The Tenant shall:

9.4.1 keep the Property in a clean and tidy condition;

9.4.2 as often as reasonably necessary properly clean the inside of the windows or window frames and all other glass in the Property unless the Landlord, in its discretion, arranges for the cleaning of the windows or window frames of the Property itself.

9.5 Tenant's Plant

The Tenant shall keep in good and substantial repair and condition any Tenant's Plant.

10. **YIELD UP**

10.1 **Reinstatement of Property**

Immediately prior to the expiration or earlier determination of the Term the Tenant shall at its cost:-

10.1.1 replace any of the landlord's fixtures and fittings which shall be missing, damaged or destroyed, with new ones of similar kind and quality or (at the option of the Landlord) pay to the Landlord the reasonable cost of replacing any of them;

10.1.2 remove from the Property any sign, writing or painting of the name or business of the Tenant or any occupier of them and all tenant's fixtures, fittings, furniture and effects and make good, to the reasonable satisfaction of the Landlord, all damage caused by such removal;

10.1.3 unless directed not to do so by the Landlord before the end of the Term, remove and make good any alterations or additions made to the Property during the Term and well and substantially reinstate the Property to an open plan layout and to the Landlord's reasonable satisfaction.

10.2 **Yielding up in repair**

At the expiration or earlier determination of the Term, the Tenant shall quietly yield up the Property to the Landlord in the standard of repair and condition required by the covenants by the Tenant contained in this Lease.

11. **COMPLIANCE WITH NOTICES**

11.1 **Tenant to remedy breaches of covenant**

Whenever the Landlord shall give written notice to the Tenant of any defects, wants of repair or breaches of covenant, the Tenant shall, within forty (40) days of such notice, or sooner if requisite, make good such defects or wants of repair and remedy the breach of covenant to the reasonable satisfaction of the Landlord.

11.2 **Failure of Tenant to repair**

If the Tenant shall fail within fifteen (15) Working Days of such notice, or as soon as reasonably possible in the case of emergency, to commence and then diligently and expeditiously to continue to comply with such notice, the Landlord may enter the Property and carry out, or cause to be carried out, any of the works referred to in such notice and all reasonable and proper costs and expenses properly incurred as a result shall be paid by the Tenant to the Landlord within ten (10) days of written demand and, in default of payment, shall be recoverable as a debt.

12. **ALTERATIONS**

12.1 **No structural or external alterations**

The Tenant shall not alter, cut into or remove any of the principal or load-bearing walls, floors, beams or columns in or enclosing the Property and shall not make any alterations which affect the external appearance of the Property and/or Building.

12.2 **No alterations to landlord's fixtures**

The Tenant shall not make any alteration or addition to any of the landlord's fixtures which for the avoidance of doubt includes the door and glass screens at the entrance to the Property or to any of the Conduits in the Property.

12.3 **Non-structural alterations**

The Tenant may make non-structural internal alterations to the Property with the prior written consent of the Landlord (such consent not to be unreasonably withheld or delayed) but the Tenant may, without the Landlord's consent, install, alter or remove internal non-structural partitioning and associated works (including cabling works within the Property and associated mechanical and electrical modifications) subject to:

12.3.1 the Tenant otherwise complying with the provisions of this Lease regarding such works;

12.3.2 such works not adversely affecting or interfering with any heating, cooling or other services and Conduits in the Building;

12.3.3 the Tenant providing the Landlord with details of such works promptly upon their completion and in any event within 20 Working Days of completion of the works.

12.4 **Covenants by Tenant**

The Tenant shall enter into such covenants as the Landlord may reasonably require regarding the execution of any works to which the Landlord consents under this clause, but will include an obligation to reinstate the Property at the end or earlier determination of the Term provided they are consistent with clause 10.1.3.

13. **USE OF PROPERTY**

13.1 **Permitted use**

The Tenant shall not use the Property or any part of them except for the Permitted Use.

13.2 **Tenant not to leave Property unoccupied**

The Tenant shall not leave the Property continuously unoccupied for more than thirty (30) days without notifying the Landlord.

13.3 **Details of keyholders**

The Tenant shall ensure that, at all times, the Landlord has particulars of the name, home address and home telephone number of at least two keyholders of the Property.

13.4 **Keys to be given to the Landlord**

The Tenant shall provide the Landlord with a set of keys to the Property to enable the Landlord or its agents and others authorised by the Landlord to enter the Property for security purposes or in cases of emergency.

14. **USE RESTRICTIONS**

The Tenant shall perform and observe the obligations set out in Schedule 3.

15. **LANDLORD'S REGULATIONS**

The Tenant shall comply with all reasonable regulations made by the Landlord from time to time and notified to the Tenant in writing for the general management and security of the Building, the Common Parts and other areas used or to be used in common with others save that if any such regulations are inconsistent with this Lease, this Lease prevails.

16. **USE OF PROPERTY OUTSIDE BUSINESS HOURS**

If the Tenant wants to use the Property outside Business Hours the Tenant shall be entitled to use the Property and to have access to them at any time of the day or night on any day of the year on the following terms:

16.1 the Tenant shall pay to the Landlord within ten (10) Working Days of written demand the whole of the reasonable and proper expenses attributable to the provision of any such staff, services and security required and as requested by the Tenant outside Business Hours or if such staff, services and security are used in conjunction with other tenants in the Building a fair and reasonable proportion of such costs according to use; and

16.2 the Landlord shall not be obliged to provide any services to the Building in general or to the Property in particular if the Landlord, in its reasonable discretion, considers it impractical to do so.

17. **EXCLUSION OF WARRANTY AS TO USER**

17.1 **No warranty by Landlord**

Nothing contained in this Lease, or in any consent or approval granted by the Landlord under this Lease, shall imply or warrant that the Property may be used under the Planning Acts for the purpose permitted by this Lease or any purpose subsequently permitted.

17.2 **Tenant's acknowledgement**

The Tenant acknowledges that neither the Landlord nor any person acting on behalf of the Landlord has at any time made any representation or given any warranty that any use permitted by this Lease is, will be, or will remain, a use authorised under the Planning Acts.

17.3 **Tenant to remain bound**

Even though any such use may not be a use authorised under the Planning Acts, the Tenant shall remain fully liable to the Landlord in respect of the obligations undertaken by the Tenant in this Lease without being entitled to any compensation, recompense or relief of any kind.

18. **GENERAL RESTRICTIONS**

18.1 **Alienation generally**

The Tenant shall not assign, charge, underlet or part with possession or share the occupation of, or permit any person to occupy, or create any trust in respect of the Tenant's interest in, the whole or any part of the Property, except as may be expressly permitted by this clause and clauses 19 and 20.

18.2 **Sharing with a Group Company**

Nothing in this clause or clauses 19 and 20 shall prevent the Tenant from sharing occupation of the whole or any part of the Property with any company which is, for the time being, a Group Company of the Tenant subject to (a) the Tenant giving to the Landlord prior written notice of the sharing of occupation and the name of the Group Company (b) the Tenant and that Group Company remaining in the same relationship whilst the sharing lasts and (c) the sharing not creating the relationship of landlord and tenant between the Tenant and that Group Company.

18.3 **Charging**

The Tenant may charge the whole of the Property with the Landlord's consent (such consent not to be unreasonably withheld or delayed) but no consent is required for the creation of a floating charge over the whole or substantially the whole of the Tenant's assets as part of its normal business.

19. **ASSIGNMENT**

19.1 **No Assignment of Part**

The Tenant shall not assign any part or parts (as distinct from the whole) of the Property.

19.2 **Circumstances in which consent to Assignment may be withheld**

For the purposes of Section 19(1A) of the Landlord and Tenant Act 1927 it is agreed that the Landlord may withhold its consent to an assignment of the whole of the Property in the following circumstances:-

19.2.1 Where the proposed assignee is not resident in a jurisdiction where reciprocal enforcement of judgements exists or in the reasonable opinion of the Landlord does not have sufficient assets within the jurisdiction of England and Wales to satisfy the Tenant's financial covenants and obligations under this Lease.

19.2.2 Where the proposed assignee is any person or entity who has the right to claim sovereign or diplomatic immunity or exemption from liability from the covenants on the part of the Tenant contained in this Lease.

19.2.3 If there are any outstanding material subsisting breaches of the Tenant's obligations under this Lease.

19.2.4 Where the proposed assignee is a Group Company.

19.3 **Conditions for Landlord's Consent**

For the purposes of Section 19(1A) of the Landlord and Tenant Act 1927 it is further agreed that any consent of the Landlord to an assignment of the whole of the Property may be subject:

19.3.1 If reasonably required by the Landlord a condition requiring the proposed assignee upon completion of the proposed assignment either;

(a) to deposit in such account such sum as may be reasonably required by the Landlord and to deliver to the Landlord a duly executed rent deposit deed in such form as the Landlord may reasonably require; or

(b) to provide an acceptable guarantor for any proposed assignee and such guarantor shall execute and deliver to the Landlord a deed containing covenants by that guarantor (or, if more than one, joint and several covenants) with the Landlord, as a primary obligation, in the terms contained in Schedule 4 (with any necessary changes).

19.3.2 A condition that the Tenant shall, prior to the proposed assignment being completed, execute and deliver to the Landlord a deed which shall be prepared by the Landlord's solicitors containing covenants on the part of the Tenant in the form of those contained in Schedule 7 (therein defined as the "Present Tenant") or in such other terms as the Landlord may reasonably require.

19.3.3 A condition that any guarantor of the Tenant shall, prior to the proposed assignment being completed, execute and deliver to the Landlord a deed which shall be prepared by the Landlord's solicitors which provides for the guarantor to guarantee the Tenant's observance and performance of the covenants contained in the deed referred to in clause 19.3.2 in such form as the Landlord shall reasonably require.

19.4 **Assignment of the whole**

Without prejudice to the provisions of Clauses 18 to 19.3 inclusive the Tenant shall not assign the whole of the Property without the prior written consent of the Landlord and except in relation to the circumstances mentioned in Clause 19.2 and the conditions mentioned in Clause 19.3 such consent shall not be unreasonably withheld or delayed. The parties agree that in considering whether or not the Landlord is reasonably withholding such consent due and proper regard shall be had to the provisions and effect of the Landlord and Tenant (Covenants) Act 1995.

20. **UNDERLETTING**

20.1 **Underletting**

20.1.1 The Tenant shall not underlet the whole or part of the Property other than on condition that:-

(a) if the Landlord shall reasonably so require, the undertenant obtains an acceptable guarantor for any proposed undertenant and such guarantor shall execute and deliver to the Landlord a deed containing covenants by that guarantor (or, if more than one, joint and several covenants) with the Landlord, as a primary obligation, in the terms contained in Schedule 4 (with any necessary changes); and

(b) the tenancy created by the underlease is validly excluded from sections 24 to 28 of the Landlord and Tenant Act 1954.

20.1.2 No subletting of part shall result in the division of the Property into more than two occupancies (one of which must be occupied by the Tenant) and each underletting of part shall only be of a part approved by the Landlord (such approval not to be unreasonably withheld or delayed) that is capable of being occupied and used as a self-contained unit with all necessary and proper services and any areas created as common parts (and approved by the Landlord) between such divided space shall not be considered as occupied by a party but shall be retained by the Tenant for use by the Tenant and the sub-tenant.

20.2 **Underletting rent**

The Tenant shall not underlet the whole or part of the Property at a fine or premium or at a rent less than the open market rent of the Property (or the part underlet (as applicable)).

20.3 **Direct covenants from undertenant**

Prior to any permitted underlease, the Tenant shall procure that the undertenant enters into the following direct covenants with the Landlord:-

20.3.1 an unqualified covenant by the undertenant not to assign or charge any part (as opposed to the whole) of the Property to be underlet;

20.3.2 an unqualified covenant by the undertenant not to underlet the whole or any part of the Property to be underlet nor (save by way of an assignment of the whole of the Property to be underlet or sharing with a Group Company pursuant to the terms of clause 18.2) part with possession or share the occupation of the whole or any part of the Property to be underlet or permit any person to occupy them;

20.3.3 a covenant by the undertenant not to assign or charge the whole of the Property to be underlet without the prior written consent of the Landlord, such consent not to be unreasonably withheld or delayed;

20.3.4 a covenant by the undertenant to perform and observe all the tenant's covenants contained in (a) this Lease (other than the payment of the Rents) so far as the same are applicable to the property to be underlet and (b) the permitted underlease.

20.4 **Contents of underlease**

Every permitted underlease (a final copy of which shall be supplied to, and approved by, the Landlord prior to its grant, such approval not to be unreasonably withheld or delayed) shall contain:-

20.4.1 a covenant by the undertenant (which the Tenant covenants to use reasonable endeavours to enforce) prohibiting the undertenant from doing or suffering any act or thing on, or in relation to, the property underlet inconsistent with, or in breach of, this Lease;

20.4.2 a condition for re-entry on breach of any covenant by the undertenant;

20.4.3 the same restrictions as to assignment, charging and parting with or sharing the possession or occupation of the Property underlet, and the same provisions for direct covenants and registration, as are in this Lease (with any necessary changes);

20.4.4 an absolute prohibition on any further sub underletting; and

20.4.5 (if the term of the underlease extends beyond the Rent Review Date under this Lease) subject to review on the same dates and on the same basis as under this Lease.

20.5 **Tenant to obtain Landlord's consent**

Without prejudice to the other provisions of this clause, the Tenant shall not underlet the whole or part of the Property without the prior written consent of the Landlord, such consent not to be unreasonably withheld or delayed.

20.6 **Tenant to enforce obligations**

The Tenant shall use reasonable endeavours to enforce the performance and observance of the covenants by the undertenant contained in any permitted underlease and shall not, at any time, either expressly or by implication, waive any breach of them.

20.7 **No variation of terms**

The Tenant shall not vary the terms of any permitted underlease, without the prior written consent of the Landlord, such consent not to be unreasonably withheld or delayed.

20.8 **No reduction in rent**

The Tenant shall procure that the rent payable under any permitted underlease is not commuted or made payable more than one quarter in advance and shall not permit any reduction of that rent (but this will not prevent the grant of a rent free period of such length as is usual on a new letting of similar premises at that time).

20.9 **Rent review**

The Tenant shall not agree a revised rent under any permitted underlease pursuant to any rent review provisions contained therein without the prior written consent of the Landlord, such consent not to be unreasonably withheld or delayed.

21. **REGISTRATION OF DISPOSITIONS**

Within twenty (20) Working Days of every assignment, transfer, assent, underlease, assignment of underlease, mortgage, charge or any other disposition, whether mediate or immediate, of or relating to the Property, the Tenant shall provide the Landlord or its solicitors with a copy (certified as true) of the deed, instrument or other document evidencing or effecting such disposition and, on each occasion, shall pay to the Landlord or its solicitors a fee of fifty pounds (£50.00).

22. **STATUTORY REQUIREMENTS**

22.1 **Tenant to comply with statutes**

The Tenant shall, at its expense, comply in all respects with every statute now in force or which may, after the date of this Lease, be in force and any other obligation imposed by law and all regulations laws or directives made or issued by or with the authority of The European Commission and/or The Council of Ministers relating to the Property or their use, including (but without limitation) the Defective Property Act 1972, the Health and Safety at Work etc. Act 1974, the Environmental Protection Act 1990, the Water Resources Act 1991, the Environment Act 1995 and the Disability Discrimination Act 1995 but only insofar such statute or other such obligations relate to and affect the Tenant’s use and occupation of the Property.

22.2 **Tenant to execute necessary works**

The Tenant shall execute all works and provide and maintain all arrangements on or in respect of the Property or their use which are required by any statute now in force or which may after the date of this Lease be in force or by any government department, local, public or other competent authority or court of competent jurisdiction acting under or in pursuance of any statute, whether any of the same are required to be carried out by the landlord, tenant or occupier, and shall indemnify the Landlord against all reasonable and proper costs, charges, fees and expenses of, or incidental to, the execution of any works or the provision or maintenance of any arrangements so required but only insofar such statute or other such obligations relate to and affect the Tenant’s use and occupation of the Property.

22.3 **Tenant to refrain from certain acts**

The Tenant shall not do, or omit to be done, in the Property, any act or thing by reason of which the Landlord may, under any statute, incur or have imposed upon it, or become liable to pay, any damages, compensation, costs, charges, expenses or penalty.

23. **PLANNING ACTS**

23.1 **Tenant's obligation to comply**

The Tenant shall comply with the Planning Acts relating to, or affecting, the Property, and indemnify the Landlord against all actions, proceedings, claims, demands, losses, costs, expenses, damages and liability whatsoever in respect of any non-compliance.

23.2 **No application for planning permission without consent**

The Tenant shall not make any application for planning permission or for other consents required under the Planning Acts in respect of the Property without the prior written consent of the Landlord, such consent not to be unreasonably withheld or delayed.

23.3 **Tenant to obtain all permissions**

The Tenant shall, at its expense, obtain and, if appropriate, renew any planning permission and any other consent and serve all necessary notices required for the carrying out by the Tenant of any operations or the commencement or continuance of any use on the Property.

23.4 **Tenant to pay planning charges**

The Tenant shall pay and satisfy any charge or levy imposed under the Planning Acts in respect of any Development by the Tenant on the Property.

23.5 **No implementation of permission without approval**

The Tenant shall not implement any planning permission or consent required under the Planning Acts before it has been produced to, and approved in writing by, the Landlord, such approval not to be unreasonably withheld or delayed but the Landlord may refuse to approve such planning permission or consent on the grounds that any condition contained in it, or anything omitted from it, or the period referred to in it, would, in the reasonable opinion of the Landlord, be or be likely to be prejudicial to the Landlord's interest in the Property or the Building or in any Adjoining Property, whether during or following the expiration or earlier determination of the Term.

23.6 **Tenant to carry out works before end of Term**

Unless the Landlord shall otherwise direct in writing, the Tenant shall carry out and complete before the expiration or earlier determination of the Term:-

23.6.1 any works required to be carried out to the Property as a condition of any planning permission granted during the Term and implemented by the Tenant whether or not the date by which the planning permission requires such works to be carried out is within the Term; and

23.6.2 any Development begun upon the Property in respect of which the Landlord may be or become liable for any charge or levy under the Planning Acts.

23.7 **Plans etc. to be produced**

The Tenant shall produce to the Landlord as soon as reasonably practicable following written demand all plans, documents and other evidence as the Landlord may reasonably require in order to satisfy itself that this clause has been complied with.

24. **STATUTORY NOTICES**

24.1 **Notices Generally**

The Tenant shall:-

24.1.1 within ten (10) Working Days (or sooner if necessary having regard to the requirements of the notice or order in question or the time limits stated in it) of receipt of any notice or order or proposal for a notice or order given to the Tenant and relevant to the Property or any occupier of them by any government department, local, public or other competent authority or court of competent jurisdiction, provide the Landlord with a true copy of it;

24.1.2 without delay, take all necessary steps to comply with the notice or order so far as the same is the responsibility of the Tenant but only insofar such statute or other such obligations relate to and affect the Tenant's use and occupation of the Property; and

24.1.3 at the request and cost of the Landlord join with the Landlord in making such objection, complaint, representation or appeal against or in respect of any such notice, order or proposal as the Landlord shall reasonably deem expedient.

24.2 **Party Wall etc. Act 1996**

The Tenant shall:-

24.2.1 Forthwith after receipt by the Tenant of any notice served on the Tenant under the Party Wall etc Act 1996 provide the Landlord with a true copy of it;

24.2.2 At the request and cost of the Landlord join with the Landlord in making such objection complaint representation and in serving such counter notice against or in respect of any such notice as the Landlord shall reasonably deem expedient;

24.2.3 At the request and cost of the Landlord join with the Landlord in serving any such notice on any adjoining owner under the Party Wall etc. Act 1996 as the Landlord may from time to time reasonably require.

25. FIRE PRECAUTIONS AND EQUIPMENT

25.1 Compliance with requirements

The Tenant shall comply with the requirements and recommendations of the fire authority and the insurers of the Building and notified to the Tenant by the Landlord and the reasonable requirements of the Landlord in relation to fire precautions affecting the Property.

25.2 Fire fighting appliances to be supplied

The Tenant shall keep the Property equipped with such fire fighting appliances as shall be required by any statute, the fire authority or the insurers of the Building, or as shall be reasonably required by the Landlord (or, at the Landlord's option, the Tenant shall pay to the Landlord within twenty (20) Working Days of written demand the reasonable cost of the Landlord providing and installing any such appliances) and the Tenant shall keep such appliances open to inspection and maintained to the reasonable satisfaction of the Landlord.

25.3 Access to be kept clear

The Tenant shall not obstruct the access to, or means of working, any fire fighting appliances or the means of escape from the Property or the Building in case of fire or other emergency.

26. DEFECTIVE PROPERTY

As soon as reasonably practicable after becoming aware of the same the Tenant shall give written notice to the Landlord of any defect in the Property which might give rise to an obligation on the Landlord to do, or refrain from doing, any act or thing so as to comply with any duty of care imposed on the Landlord under the Defective Property Act 1972, and shall display and maintain in the Property all notices which the Landlord may, from time to time, reasonably require to be displayed in relation to any such matters.

27. INSURANCE PROVISIONS

27.1 Landlord to insure

The Landlord shall insure and keep insured with some publicly quoted insurance company (or a subsidiary of a publicly quoted company) or with Lloyd's underwriters and through such agency of repute as the Landlord may from time to time, reasonably determine, subject to such exclusions, excesses, limitations, terms and conditions as may be contained in any policy taken out by the Landlord and as are usual in the marketplace:-

27.1.1 the Building (including plate glass) in its Full Reinstatement Cost against loss or damage by the Insured Risks;

27.1.2 the loss of the Principal Rent and the Service Charge from time to time payable, or reasonably estimated to be payable, under this Lease for three (3) years;

27.1.3 explosion of any engineering and electrical plant and machinery in the Building to the extent that the same is not covered by clause 27.1.1;

27.1.4 property owner's liability and such other insurances in respect of the Building as the Landlord may acting reasonably, from time to time, deem necessary to effect.

27.2 **Full Reinstatement Cost**

In this clause, "Full Reinstatement Cost" means the full cost of reinstating the Building at the time when such reinstatement is likely to take place, having regard to any possible increases in building costs, and including the cost of demolition, shoring up, site clearance, ancillary expenses and architects', surveyors' and other professional fees and any necessary Value Added Tax.

27.3 **Landlord to produce evidence of insurance**

At the request of the Tenant, the Landlord shall produce to the Tenant reasonable evidence from the insurers of the terms of the insurance policy and the fact that the policy is subsisting and in effect.

27.4 **Damage to the Building**

If the Building or any part of it shall be damaged or destroyed by any of the Insured Risks then:-

27.4.1 unless payment of the insurance monies shall be refused wholly or partly by reason of any act or default of the Tenant, any undertenant or occupier of any part of the Property or any of their respective agents, licensees, visitors or contractors or any person under the control of any of them and the Tenant has not complied with its obligations under clause 27.7; and

27.4.2 subject to the Landlord being able to obtain any necessary planning permission and all other necessary licences, approvals and consents, which the Landlord shall use reasonable endeavours to obtain but shall not be obliged to institute any appeals; and

27.4.3 subject to any necessary labour and materials being and remaining available, which the Landlord shall use all reasonable endeavours to obtain as soon practicable

the Landlord shall lay out the net proceeds of such insurance received by the Landlord in respect of such damage, (other than any in respect of loss of rent and service charge), in the reinstatement and rebuilding of the part of the Building so damaged or destroyed substantially as it was prior to any such damage or destruction (but not so as to provide accommodation identical in layout if it would not be reasonably practical to do so).

27.5 **Uninsured Damage**

27.5.1 In the event that the Building or any part of it is damaged or destroyed by an Uninsured Risk so that the Property or any part of it is unfit for occupation and/or inaccessible and/or use then the Landlord shall within six months from the date of such damage or destruction (the "Election Period") elect and notify the Tenant in writing whether or not the Landlord intends to reinstate the Property

27.5.2 If the Landlord serves notice in accordance with clause 27.5.1 that it intends to reinstate the Property then the provisions of this Lease shall apply in all respects as if the damage and destruction had been caused by an Insured Risk.

27.5.3 If:

(a) The Landlord elects not to reinstate the Property then this lease will be deemed to have been immediately determined upon receipt of such notice by the Tenant;

(b) By the end of the Election Period the Landlord has failed to notify the Tenant of its election either party may at any time after the end of the Election Period serve immediate notice on the other party to determine this Lease and this Lease shall immediately determine

(but in either case without prejudice to the accrued rights or remedies of either party).

27.5.4 If the Landlord serves notice in accordance with clause 27.5.1 that it intends to reinstate the Property, then:

(a) the Landlord immediately loses its entitlement to elect not to reinstate the Property;

(b) the Landlord will reinstate the Building at its own cost but otherwise subject to the terms of clause 27.4; and

(c) if, after the expiry of a period of two years and nine months from and including the date on which the damage or destruction by an Uninsured Risk occurs, reinstatement has not been completed so that the Property remains unfit for occupation or use or inaccessible, then the Tenant may determine this lease on three months' notice unless the Landlord will before the expiry of such notice have so completed such reinstatement.

27.5.5 The rent suspension provisions in clause 27.8 shall apply from the date of damage or destruction caused by an Uninsured Risk as if the damage and destruction has been caused by an Insured Risk.

27.6 **Where reinstatement is prevented**

27.6.1 If the Landlord is prevented from reinstating or rebuilding the Property or the Building, due to a lack of all planning permissions, approvals and consents necessary for such purpose having used all reasonable endeavours to obtain them, and the Landlord continues to be prevented from reinstating or rebuilding for a period of three (3) years after the date of the damage or destruction due to a continuing lack of all such permissions, approvals and consents, the Landlord shall thereupon be released from such obligation and shall be solely entitled to all the insurance monies. Unless this Lease has been terminated by frustration in the meantime, the Landlord or the Tenant may, at any time after the expiry of such period but only in circumstances where the Landlord has not reinstated such damage to the Building so as to render the Property fit for use and occupation and accessible, determine this Lease by giving written notice to the other but such determination shall be without prejudice to any claim which either party may have against the other for any previous breach of covenant or sum previously accrued due.

27.7 **Payment of insurance money refused**

If payment of any insurance money is refused as a result of some act or default of the Tenant, any undertenant or occupier of any part of the Property or any of their respective agents, licensees, visitors or contractors or any person under the control of any of them, the Tenant shall pay to the Landlord, within ten (10) Working Days of written demand, the amount so refused.

27.8 **Suspension of rent payments**

If the Property or the Building or any part of them shall be damaged or destroyed by any of the Insured Risks so as to render the Property unfit for use and/or occupation and/or inaccessible, the Principal Rent and the Service Charge, or a fair proportion of them according to the nature and extent of the damage sustained, shall not be payable until the Property or the part damaged or destroyed shall be again rendered fit for use and occupation by the Tenant and accessible or until the expiration of (in the case of the Principal Rent) the loss of rent insurance or (in the case of the Service Charge) the loss of service charge insurance (whichever is the earlier). Such suspension of rent shall be conditional upon the insurance not having been vitiated or payment of the policy monies refused wholly or partly as a result of some act or default of the Tenant, any undertenant or occupier of any part of the Property or any of their respective agents, licensees, visitors or contractors or any person under the control of any of them unless the Tenant has complied with its obligations under clause 27.8. Any dispute regarding the suspension of payment of the Principal Rent or the Service Charge shall be referred to a single arbitrator to be appointed, in default of agreement, upon the application of either party, by the President in accordance with the Arbitration Act 1996.

27.9 **Insurance becoming void**

The Tenant shall not do, or omit to do:-

27.9.1 anything which could cause any policy of insurance covering the Property or the Building or any Adjoining Property owned by the Landlord (but only in circumstances where the Landlord has provided the Tenant with details of the insurance policies which relate to the Building or any such Adjoining Property) to become wholly or partly void or voidable; or

27.9.2 anything whereby any abnormal or loaded premium may become payable in respect of the policy, unless the Tenant has previously notified the Landlord and agreed to pay the increased premium and, in any event, the Tenant shall pay to the Landlord within ten (10) Working Days of written demand any additional premium incurred by the Landlord.

27.10 **Requirements of insurers**

The Tenant shall, at all times, comply with any requirements and reasonable recommendations of the insurers of the Building so far as the same are known by the Tenant.

27.11 **Notice by Tenant**

The Tenant shall give notice to the Landlord as soon as practicable upon becoming aware of the happening of any event or thing which might affect any insurance policy relating to the Property or the Building.

28. **DEFAULT OF TENANT**

28.1 **Re-entry**

Without prejudice to any other right, remedy or power contained in this Lease or otherwise available to the Landlord, on or at any time after the happening of any of the events mentioned in clause 28.2, the Landlord may re-enter the Property or any part of

them in the name of the whole, and the Term shall then end, but without prejudice to any claim which either party may have against the other or against any Guarantor for any previous breach of covenant or sum previously accrued due.

28.2 **Events of default**

The events referred to in clause 28.1 are the following:-

28.2.1 if the Rents or any part of them shall be unpaid for 15 Working Days after becoming payable (in the case of Principal Rent whether formally demanded or not); or

28.2.2 if any of the covenants by the Tenant contained in this Lease shall not be performed and observed; or

28.2.3 if the Tenant, for the time being, and/or the Guarantor (if any) (being a body corporate):-

(a) submits to any of its creditors a proposal under Part 1 of the Insolvency Act 1986; or enters into any arrangement, scheme, compromise, moratorium or composition with any of its creditors (whether under Part 1 of the Insolvency Act 1986 or otherwise); or

(b) has an administrative receiver or a receiver or a receiver and manager appointed in respect of the Tenant's or the Guarantor's property or assets or any part; or

(c) resolves or the directors or shareholders resolve to present a petition for an administration order in respect of the Tenant or the Guarantor (as the case may be); or an administrator is appointed; or

(d) passes a winding-up resolution (other than a voluntary winding-up while solvent for the purposes of amalgamation or reconstruction); or calls a meeting of its creditors for the purposes of considering a resolution that it be wound-up voluntarily; or resolves to present its own winding-up petition; or an administrator is appointed or is wound-up (whether in England or elsewhere); or has a liquidator or provisional liquidator appointed; or

(e) shall cease for any reason to maintain its corporate existence; or is struck off the register of companies; or otherwise ceases to exist; or

28.2.4 if the Tenant, for the time being, and/or the Guarantor (if any) (being an individual, or if more than one individual, then any one of them) is adjudged bankrupt (whether in England or elsewhere); or has a receiver appointed in respect of the Tenant's or the Guarantor's property or assets or any part; or

28.2.5 if analogous proceedings or events to those referred to in this clause shall be instituted or occur in relation to the Tenant, for the time being, and/or the Guarantor (if any) elsewhere than in the United Kingdom; or

28.2.6 if the Tenant, for the time being, and/or the Guarantor (if any) suffers any distress or execution to be levied on the Property which is not discharged in full within twenty one (21) days after the levy has been made; or becomes unable to pay its debts as and when they fall due.

29. **LANDLORD'S SERVICES**

29.1 **Provision of Services**

The Landlord covenants with the Tenant that it shall use reasonable endeavours to provide the following services in accordance with the principles of good estate management:-

29.1.1 Repairs

So far as may be necessary for the reasonable use and enjoyment by the Tenant of the Property and the Building, to keep the Retained Parts in good and substantial repair and condition;

29.1.2 Common Parts

To keep clean and maintained in a proper manner the Common Parts, including windows, and any lavatories of which the Tenant has the use, and, where appropriate, to keep them adequately lighted;

29.1.3 Lift

To provide a lift service by the operation of the lifts now installed in the Building or by such substituted lifts as the Landlord may, in its reasonable discretion, from time to time install;

29.1.4 Hot and cold water

To provide an adequate supply of hot water and cold water to the sinks and wash basins in any , kitchen or lavatory of which the Tenant has the use;

29.1.5 Heating

To provide to the Property and the Common Parts heating to such temperature as the Landlord may from time to time reasonably consider adequate and for such periods of the year as the Landlord may reasonably consider desirable having regard to the comfort of those persons occupying the Property;

29.1.6 Air Conditioning

To provide air conditioning to the Property to such reasonable standard as the air conditioning system was designed to achieve and having regard to the comfort of those persons occupying the Property;

29.1.7 Staff

To employ such staff as the Landlord may, reasonably, deem necessary to enable it to provide any of the services in the Building and for its general management and security;

29.1.8 Name Boards

To provide name boards of such size and design as the Landlord may, in its reasonable discretion, determine in the main entrance to the Building and at such other locations as the Landlord may reasonably consider desirable;

29.1.9 Open Areas

To repair and maintain those parts of the Building which are not built on, and keep them clear of all rubbish and free from weeds, and, at the Landlord's reasonable discretion, to maintain such plants, shrubs, trees or garden or grassed areas as may be appropriate, and to keep them planted, free from weeds and the grass cut;

29.2 **Appointment of agents**

In performing its obligations under this clause, the Landlord shall be entitled to employ such properly professionally qualified agents, contractors or other persons as it may reasonably think fit, and to delegate its duties and powers to them and their reasonable and proper fees and expenses shall form part of the Expenditure (as defined in clause 30).

29.3 **Variation of services**

The Landlord may, at its discretion, add to, extend, vary or withhold from time to time any of the services referred to in this clause if the Landlord shall reasonably consider it desirable to do so for the more efficient management, operation or security of the Building, or for the comfort of the tenants in the Building and such changes shall be in the interests of good estate management.

29.4 **Failure by Landlord to provide services**

The Landlord shall not be liable to the Tenant in respect of any failure by the Landlord to perform any of the services referred to in this clause unless the Tenant has given to the Landlord written notice of the failure in question and the Landlord has failed within a reasonable time to remedy it, and then the Landlord shall be liable to compensate the Tenant only for any loss or damage sustained by the Tenant after that reasonable time has elapsed.

29.5 **Exclusion of Landlord's liability**

The Landlord shall not incur any liability for any failure or interruption in any of the services to be provided by the Landlord or for any inconvenience or injury to person or property arising from that failure or interruption, in either case due to any maintenance, servicing, repair, replacement, mechanical breakdown, failure, malfunction, shortages, labour disputes or any cause or circumstance beyond the control of the Landlord, but the Landlord shall use reasonable endeavours to cause the service in question to be reinstated with the minimum of delay.

30. **SERVICE CHARGE**

30.1 **Definitions**

In this Lease:-

30.1.1 "Advance Payment" means the Fair Proportion of the Estimated Expenditure;

30.1.2 "Estimated Expenditure" means, for any Financial Year during the Term, such sum as the Landlord may, from time to time, specify as being a fair and reasonable estimate of the Expenditure for the current Financial Year based on a budget prepared by the Landlord and submitted to the Tenant, and includes, for the Financial Year in question, any revised budget of the Landlord's estimate of the Expenditure for that Financial Year such that the Landlord shall only be permitted to revise its budget twice in any Financial Year;

30.1.3 "Expenditure" means:

(a) the aggregate of all costs, expenses and outgoings whatsoever properly incurred by the Landlord in complying with its covenants under clause 29 and in respect of the items set out in Schedule 5, whether the Landlord is obliged by this Lease to incur them or not; and

(b) such sums or provision as the Landlord may, in its reasonable discretion, reasonably consider desirable to set aside from time to time for the purpose of providing for periodically recurring items of expenditure, whether recurring at regular or irregular intervals or for anticipated expenditure in respect of any of the services to be provided by the Landlord or any of the items set out in Schedule 5;

30.1.4 "Financial Year" means the period from 1 January in every year to 31 December of that year, or such other period as the Landlord may, in its reasonable discretion, from time to time reasonably determine but shall always be a period of 12 months;

30.1.5 "Index" means the "All Items" index figure of the Index of Retail Prices published by the Office for National Statistics or any successor ministry or department.

30.1.6 "Service Charge" means the Fair Proportion of the Expenditure;

30.1.7 "Service Charge Commencement Date" means the date hereof.

The Landlord shall, as soon as practical after the end of each Financial Year (and in any event within three months thereof), prepare an account showing the Expenditure for that Financial Year and containing a fair summary of the various items comprising the Expenditure, and on such account being certified by the Surveyor and a copy of it supplied to the Tenant, it shall be conclusive evidence save in the event of manifest error or mistake, for the purposes of this Lease, of all matters of fact referred to in the account. Within one month following receipt of the account, the Tenant may inspect the accounts and supporting invoices and receipts by prior appointment with the Landlord.

30.2 **Service Charge Cap**

30.2.1 In this clause 302.

(a) "Index-Linked Cap" has the meaning set out in clause 30.2.3;

(b) "Initial Maximum Sum" means £61,110; and

(c) "Relevant Year" means each of the first five years of the Term.

30.2.2 The Tenant shall pay the Service Charge to the Landlord as additional rent.

30.2.3 The Service Charge in each Relevant Year shall not exceed the Index-Linked Cap or that year, calculated as follows:

(a) For the first Relevant Year, the Index-Linked Cap shall be the Initial Maximum Sum.

(b) For each subsequent Relevant Year throughout the Term, the Index-Linked Cap shall be the greater of:

(i) the Index-Linked Cap for the previous Relevant Year; and

(ii) the amount ascertained by applying the following formula:-

$$\frac{K \times L}{M}$$

where:-

K – is the Initial Maximum Sum;

L - is the last index figure of the Index published immediately before the start of the Relevant Year; and

M - is the index figure of the Index published immediately before the date of this Lease.

(c) If the final Relevant Year is less than a full year, then the Index-Linked Cap for that year shall be apportioned on a daily basis for the period from the start of that Relevant Year until the end of the Term.

(d) If there is any material change after the date of this Lease in the reference base used to compile the Index, the figure taken to be shown in the Index after such change shall be the figure which would have been shown in the Index if the reference base current at the date of this Lease had been retained.

(e) If it becomes impossible by reason of any change after the date of this Lease in the methods used to compile the Index or for any other reason whatsoever to calculate the revised Service Charge by reference to the Index, or if any dispute or question whatsoever arises between the Landlord and the Tenant with respect to the amount of the Service Charge or with respect to the construction or effect of this clause 30.2, then the determination of the Service Charge or other matter at issue shall be determined by a single arbitrator to be appointed, in default of agreement, upon the application of either party, by the President in accordance with the Arbitration Act 1996 who shall have full power to determine on such dates as he shall deem apposite what would have been the change in the Index had it continued on the basis current at the date of this Lease and given the information assumed to be available for the operation of this clause or (if that determination shall also be impossible) shall determine a reasonable revised Service Charge having regard to the purposes and intent of the provisions in the Lease for the capping of the Service Charge.

30.3 **Advance Payment**

The Tenant shall pay to the Landlord on account of the Service Charge:-

30.3.1 for the period beginning on the Service Charge Commencement Date to the end of the Financial Year current at the date of this Lease a pro-rated amount of the Advance Payment for that Financial Year; and

30.3.2 for each Financial Year following that current at the date of this Lease the Advance Payment for the Financial Year in question,

all such payments to be made by equal quarterly payments in advance on the same dates as the Principal Rent is payable and to be subject to adjustment if the Estimated Expenditure is revised as contemplated by its definition, the first instalment, being a proportion of the quarterly Advance Payment for the period beginning on the Service Charge Commencement Date and ending on the day before the quarter day following the Service Charge Commencement Date, to be made on the date of this Lease and the last instalment being a proportion of the quarterly Advance Payment for the period beginning on the last quarter day occurring during the Term and ending on the last day of the Term.

30.4 **Balancing payment**

If the Service Charge for any Financial Year:-

30.4.1 shall exceed the Advance Payment for that Financial Year, the excess shall be paid by the Tenant to the Landlord within ten (10) Working Days of written demand; or

30.4.2 shall be less than the Advance Payment for that Financial Year, the overpayment shall be credited to the Tenant against the next quarterly payment of the Service Charge, or, if there is none, refunded to the Tenant within ten (10) Working Days of the reconciliation of the service charge at the end of the Financial Year.

30.5 **Omissions**

Any omission by the Landlord to include in the account of the Expenditure in any Financial Year a sum expended or a liability incurred in that Financial Year shall not preclude the Landlord from including that sum or the amount of that liability in the next (but not any later) Financial Year.

30.6 **Continuing application of provisions**

This clause 30 shall continue to apply notwithstanding the expiration or earlier determination of the Term but only in respect of the period down to such expiration or earlier determination, the Service Charge for that Financial Year for that period being apportioned on a daily basis.

30.7 **Exclusions from Service Charge**

The Expenditure for the purposes of the calculation of the Service Charge shall not include:

30.7.1 any liability or expenditure which the other tenants or occupiers of the Building shall individually be responsible for under the terms of the tenancy or other arrangement by which they use or occupy the Building;

30.7.2 expenses relating to the collection of rents the review of rents and the letting and re-letting of Lettable Areas and any consents required under any leases of any other Lettable Areas and any proceedings against any of the tenants of the Building;

30.7.3 any costs incurred in connection with the making good of any damage to or the destruction of the Building or any part thereof caused by an Uninsured Risk or an Insured Risk (except to the extent that the policy of insurance has been vitiated or the payment of the policy monies refused in whole or in part by reason of any act or omission or default of the Tenant or any undertenant or anyone else claiming an interest under any of them);

30.7.4 any costs incurred in respect of any Lettable Area that is unlet and the Landlord shall for the avoidance of doubt bear the proportion of the Expenditure attributable to any unlet Lettable Area;

30.7.5 any cost associated with promoting or marketing the Building (including any inducements offered or paid in connection with any letting);

30.7.6 expenses incurred by the Landlord or any predecessor in title in relation to the original design and construction of the Property and/or the Building;

30.7.7 expenses relating to any expenditure necessitated by the wrongful act or default of the Landlord its servants or agents.

30.8 **Costs of replacement and renewal**

The costs of replacement and renewal may only be included as items comprising the Expenditure if:

30.8.1 the relevant items are beyond, or are shortly to become beyond, economic repair,

30.8.2 the relevant items are beyond, or are shortly to become beyond, efficient or economic operation, or are coming to the end of their projected useful life, or

30.8.3 replacement or renewal can be effected at a relatively low cost compared with the much greater cost that would probably be occasioned by postponement.

31. **OBLIGATIONS AND CONSENTS UNDER SUPERIOR LEASE**

31.1 **Obligations by Tenant**

The Tenant shall perform and observe the tenant’s covenants in the Superior Lease (other than the covenant to pay rents) so far as any of them relate to the Property but not any tenant’s covenant which is expressly assumed by the Landlord under this Lease.

31.2 **Obligations by Landlord**

The Landlord shall pay the rents reserved by the Superior Lease and, by way of indemnity only, perform and observe the tenant’s covenants contained in the Superior Lease to the

extent that the Superior Landlord requires any such covenant to be performed but excluding any tenant's covenants which are to be performed and observed by the Tenant under this Lease.

31.3 **Obligations by Superior Landlord**

The Landlord shall use reasonable endeavours to enforce the performance and observance of any covenant by the Superior Landlord in the Superior Lease so far as it relates to the Property.

31.4 **Consents under Superior Lease**

Where the Tenant applies to the Landlord for any consent in respect of any matter mentioned in this Lease and, under the Superior Lease, the consent of the Superior Landlord is also required in respect of that matter then, at the written request and at the cost of the Tenant, the Landlord shall use reasonable endeavours to obtain that consent of the Superior Landlord but only in those cases where the Landlord is willing to give its consent or where the Landlord's consent is not to be unreasonably withheld or delayed.

32. **QUIET ENJOYMENT**

The Landlord covenants with the Tenant that the Tenant shall and may peaceably hold and enjoy the Property during the Term without any interruption by the Landlord or any person lawfully claiming through, under, or in trust for it or by title paramount.

33. **EXCLUSION OF IMPLIED COVENANTS BY LANDLORD**

Any covenants on the part of the Landlord which would otherwise be implied by law are hereby expressly excluded.

34. **RELETTING NOTICES**

The Tenant shall permit all persons with the written authority of the Landlord to view the Property at all reasonable hours in the daytime, upon prior appointment having been made not less than 24 hours prior to the viewing and otherwise subject to the provisions of clause 3.10.

35. **DISCLOSURE OF INFORMATION**

Upon making any application or request in connection with the Property or this Lease, or upon written request by the Landlord from time to time, the Tenant shall disclose to the Landlord such information as the Landlord may reasonably require and, whenever the Landlord shall reasonably request, the Tenant shall supply full particulars of all occupations and derivative interests in the Property, however remote or inferior.

36. **INDEMNITY**

The Tenant shall keep the Landlord fully indemnified from and against all actions, proceedings, claims, demands, losses, costs, expenses, damages and liability arising in any way directly out of:-

36.1 any act, omission, neglect or default of the Tenant or any persons in the Property expressly or impliedly with the Tenant's authority; or

36.2 any breach of any covenant by the Tenant contained in this Lease.

And the Landlord shall use all reasonable endeavours to mitigate its loss.

37. REPRESENTATIONS

The Tenant acknowledges that this Lease has not been entered into in reliance, wholly or partly, on any statement or representation save as is expressly set out in this Lease, or in the Landlord's (or its solicitors) provision of written replies to standard enquiries or in written replies to the Tenant's (or its solicitors) specific enquiries (any such enquiries and their associated replies may be given in email format).

38. EFFECT OF WAIVER

Each covenant by the Tenant shall remain in full force even though the Landlord may have waived or released it temporarily or waived or released (temporarily or permanently, revocably or irrevocably) a similar covenant affecting other property belonging to the Landlord.

39. NOTICES

39.1 Notices to Tenant or Guarantor

39.1.1 Any demand or notice required to be made, given to, or served on, the Tenant or the Guarantor (if any) under this Lease shall be duly and validly made, given or served if addressed to the Tenant or the Guarantor respectively (and, if there shall be more than one of them, then any one of them) and delivered personally, or sent by pre-paid registered or recorded delivery mail to its registered office.

39.1.2 A notice given by fax or email shall not be validly served for the purposes of this Lease.

39.2 Notices to Landlord

39.2.1 Any notice required to be given to, or served on, the Landlord shall be duly and validly given or served if delivered personally or sent by pre-paid registered or recorded delivery mail to the Landlord at its registered office.

39.2.2 A notice given by fax or email shall not be validly served for the purposes of this Lease.

40. NEW TENANCY

This Lease constitutes a new tenancy for the purposes of the Landlord and Tenant (Covenants) Act 1995.

41. INVALIDITY OF CERTAIN PROVISIONS

If any term of this Lease or the application thereof to any person or circumstances shall to any extent be invalid or unenforceable the same shall be severable and the remainder of this Lease or the application of such term to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby and each term and provision of this Lease shall be valid and be enforced to the fullest extent permitted by law.

42. **THIRD PARTY RIGHTS**

Subject to clause 3, a person who is not a party to this Lease has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Lease but this does not affect any right or remedy of a third party which exists or is available apart from that Act.

43. **EXCLUSION OF SECURITY OF TENURE**

43.1 The Parties confirm that:

43.1.1 The Landlord served a notice on the Tenant as required by Section 38(A)(3)(a) of the Landlord and Tenant Act 1954 ("the 1954 Act") and which applies to the tenancy created by this Lease before this Lease was entered into; and

43.1.2 RACHEL EDWARDS who was duly authorised by the Tenant to do so made a statutory declaration dated 14 August 2015 in accordance with the requirements of Section 38(A)(3)(b) of the 1954 Act.

43.2 The parties to this Lease agree that the provisions of Sections 24 to 28 of the 1954 Act are excluded in relation to the tenancy created by this Lease.

44. **TENANT'S BREAK CLAUSE**

44.1 If the Tenant wishes to determine this Lease on the Tenant's Break Date and the Tenant gives to the Landlord notice in writing to that effect such notice to be received by the Landlord not later than six months before the Tenant's Break Date (as to which time shall be of the essence) and on the Tenant's Break Date:-

44.1.1 the Tenant has paid all Principal Rent which has been demanded in writing not less than 10 Working Days prior to the Tenant's Break Date;

44.1.2 the Tenant returns the Property to the Landlord free of the Tenant's own occupation and that of any third party or the right to occupation of any third party whatsoever and leaves behind no continuing subleases; and

44.1.3 the Tenant has paid the Landlord £27,160 (exclusive of Value Added Tax, if any);

then this Lease shall determine and the Term shall end on the Tenant's Break Date but without prejudice to the rights and remedies of either party in respect of any antecedent breach non-observance or non-performance of any of the covenants or the conditions contained in this Lease by the other party.

The conditions in this clause 44 are for the benefit of the Landlord. If such notice is given but any such condition is not satisfied the Landlord may in its absolute discretion elect that such notice shall nevertheless have effect (without prejudice to any other rights of the Landlord).

44.2 Within 15 Working Days of the determination of this Lease on the Tenant's Break Date the Landlord shall refund the Tenant:

44.2.1 the proportion of the Principal Rent paid in advance by the Tenant for the period from (but not including) the Tenant's Break Date up to but excluding the next quarter day (if any), calculated on a daily basis (less any sums which are properly due to the Landlord under this Lease and remain unpaid);

44.2.2 the proportion of the Insurance Rent paid in advance by the Tenant for the period from (but not including) the Tenant's Break Date up to but excluding the date for renewal of the relevant insurance policy or policies (if any) calculated on a daily basis.

44.3 Within 40 Working Days after the date of termination of this Lease pursuant to this clause 44 the Landlord will carry out a reconciliation in respect of the Service Charge and notify the Tenant of any underpayment or overpayment. Credit will be given for all amounts of Service Charge already paid by the Tenant. Any underpayment by the Tenant will be paid by the Tenant to the Landlord within 10 Working Days of such reconciliation and any overpayment by the Tenant will be refunded to the Tenant within 10 Working Days of such reconciliation.

44.4 If the Tenant does not lawfully exercise the right to determine this Lease under clause 44.1, the Principal Rent for the period from and including 16 August 2020 to and including 15 April 2021 shall be 50 percent of the Principal Rent.

45. CONTRIBUTION WORKS

45.1 Upon receipt of a valid Value Added Tax invoice, the Landlord shall pay to the Tenant £2,835 plus Value Added Tax (if applicable) following completion of the Contribution Works to the Landlord's reasonable satisfaction.

IN WITNESS whereof this Deed has been executed by the parties and is intended to be and is hereby delivered on the date first written above.

SCHEDULE 1
RIGHTS AND EASEMENTS GRANTED

1. Subject to any existing or future regulations made by the Landlord in accordance with the terms of this Lease and to any temporary interruption for repairs, alterations or replacements, the right for the Tenant and all persons expressly or by implication authorised by the Tenant (in common with the Landlord and all persons having a similar right):-

1.1 to use such of the Common Parts as shall be reasonably designated from time to time for use by the Tenant for all proper purposes in connection with the use and enjoyment of the Property;

1.2 to use such of the passenger lifts in the Building as shall be reasonably designated from time to time for use by the Tenant for the purpose only of obtaining access to and egress from the Property;

1.3 to use such of the lavatories and the kitchens in the Building as shall be reasonably designated from time to time for use by the Tenant;

2. Subject to any temporary interruption for repairs, alterations or replacements, the right to the passage of any of the Utilities to and from the Property through any relevant Conduits which are now or at any time in future may be in, under, or over any other part of the Building, in each case so far as any of the same are necessary for the reasonable use and enjoyment of the Property;

3. The right of support and protection from all other parts of the Building as is now enjoyed by the Property;

4. The right for the Tenant and any other permitted occupier of any part of the Property to have displayed on the name board provided by the Landlord in the main entrance to the Building the name and location within the Building of the offices of the Tenant and that occupier in such style as the Landlord in its reasonable discretion permits;

5. The right for the Tenant and any permitted occupier to display a sign conforming with its corporate identity of a size and design to be approved by the Landlord (such approval not to be unreasonably withheld or delayed) on the tenant's directory board in the ground floor reception and the lift lobby area on the fourth floor of the Building.

6. The right to install such Tenant's Plant as the Landlord approves (such approval not to be unreasonably withheld) in such part of the Tenant's Plant Area as the Landlord approves (such approval not to be unreasonably withheld) subject to:-

6.1 the Tenant obtaining all necessary licences, approvals, permissions and consents from all government departments, local authorities and other competent authorities and the insurers;

6.2 there being sufficient space within the Tenant's Plant Area for such installation;

6.3 any conduits serving the Tenant's Plant being installed through a route approved by the Landlord (such approval not to be unreasonably withheld);

6.4 the Tenant's Plant being affixed and used in a manner which does not interfere with the Landlord's or other occupiers' fixtures, plant and/or any other equipment in the Building;

6.5 the Tenant's Plant not damaging or penetrating the roof coverings and not overloading the structure of the Building;

6.6 the Tenant's Plant being used solely in connection with the Tenant's own business and as ancillary to the Permitted Use;

6.7 the Tenant removing any Tenant's Plant which becomes redundant; and

6.8 the right for the Landlord to require the Tenant at the Landlord's cost to move any Tenant's Plant to another location on the roof of the Building (such other location in relation to any satellite dish or aerial to be such as allows the satellite dish or aerial to operate not materially less efficiently than before such move).

SCHEDULE 2
EXCEPTIONS AND RESERVATIONS

1. There are excepted and reserved to the Landlord and the tenants and occupiers of the Building and all other persons authorised by the Landlord or having similar rights:-

1.1 the right to the passage and running of the Utilities through any relevant Conduits which are now, or may at any time be in, under, or over the Property;

1.2 the right (insofar as there is no reasonable alternative available to the Landlord)on reasonable prior notice and otherwise in compliance within the provisions of clause 3.10 to enter the Property in order to:

1.2.1 inspect, clean, maintain, repair, renew, relay, replace, alter or execute any works whatsoever to, or in connection with the air conditioning situated in the Property and any of the Conduits or any other services;

1.2.2 execute repairs, decorations, alterations or any other works, and to make installations to, the Property, the Building or to any Adjoining Property;

1.2.3 access any plant/machinery contained in the Building including risers; or

1.2.4 do anything which the Landlord may do under this Lease;

1.3 the right for as short a period as is reasonably practicable to erect scaffolding for the purpose of repairing or cleaning the Building or any building now, or after the date of this Lease, erected on any Adjoining Property, or in connection with the exercise of any of the rights mentioned in this Schedule even though such scaffolding may temporarily restrict the access to, or enjoyment or use of, the Property;

1.4 any rights of light, air, support, protection and shelter or other easements and rights now, or after the date of this Lease, belonging to, or enjoyed by, other parts of the Building or any Adjoining Property;

1.5 full right and liberty at any time after the date of this Lease to raise the height of, or make any alterations or additions or execute any other works to, the Building or any buildings on any Adjoining Property, or to erect any new buildings of any height on any Adjoining Property in such manner as the Landlord or the person exercising the right shall think fit and even though they may obstruct, affect or interfere with the amenity of, or access to, the Property or the passage of light and air to the Property, but not so that the Tenant’s use and occupation of them is materially affected;

Provided that any interruption shall be kept to a minimum and that access to the Property shall be maintained at all times.

SCHEDULE 3
USE RESTRICTIONS

1. **Dangerous materials and use of machinery**

The Tenant shall not:

1.1 bring into the Building or keep in the Property any article or thing which is or may become combustible, dangerous, explosive, inflammable, offensive or radioactive, or which might increase the risk of fire or explosion;

1.2 keep or operate in the Property any machinery which is unduly noisy or causes vibration, or which is likely to annoy or disturb any other tenant or occupier of the Building.

2. **Overloading floors and services**

The Tenant shall not:

2.1 overload the floors of the Property or the Building nor suspend any excessive weight from any ceiling, roof, stanchion, structure or wall of the Building nor overload any Utility in or serving it;

2.2 do anything which may subject the Property or the Building to any strain beyond that which they are designed to bear (with due margin for safety);

2.3 exceed the weight limits prescribed for any lift in the Building.

3. **Discharges into Conduits**

The Tenant shall not discharge into any Conduit any oil or grease or any noxious or deleterious effluent or substance which may cause an obstruction or might be or become a source of danger, or which might damage any Conduit or the drainage system of the Building or any Adjoining Property.

4. **Disposal of refuse**

The Tenant shall not deposit in the Common Parts any refuse, rubbish or trade empties of any kind other than in proper receptacles and as may be designated by the Landlord, and shall not burn any refuse or rubbish on the Property.

5. **Obstruction of Common Parts**

The Tenant shall not do anything as a result of which the Common Parts or other area over which the Tenant may have rights of access or use may be damaged, or their fair use by others may be obstructed in any way and shall not park any vehicle on any road or open area forming part of the Building.

6. **Prohibited uses**

The Tenant shall not use the Property for any public or political meeting, or public exhibition or public entertainment, show or spectacle; or for any dangerous, noisy, noxious or offensive business, occupation or trade; or for any illegal or immoral purpose; or for residential or sleeping purposes; or for betting, gambling, gaming or wagering; or as a betting office; or as a club; or for the sale of any beer, wines or spirits; or for any auction.

7. **Nuisance**

The Tenant shall not:-

7.1 do anything in the Property or the Building which may be or become a legal nuisance, or which may in the reasonable opinion of the Landlord cause damage to the Landlord or any other tenant or occupier in the Building;

7.2 play any musical instrument, or use any loudspeaker, radio, tape recorder, record or compact disc player or similar apparatus in such a manner as to be audible outside the Property;

7.3 place outside the Property or in the Common Parts or expose from any window of the Property any articles, goods or things of any kind.

SCHEDULE 4
COVENANTS BY GUARANTOR

1. **Covenant and indemnity by Guarantor**

The Guarantor:-

1.1 covenants with the Landlord, as a primary obligation, that the Present Tenant or the Guarantor shall, at all times during the period in respect of which the Tenant is liable under the covenants in this Lease, duly perform and observe all the covenants on the part of the Tenant contained in this Lease, including the payment of the Rents and all other sums payable under this Lease in the manner and at the times specified in this Lease;

1.2 indemnifies, as a primary obligation, the Landlord against all claims, demands, losses, damages, liability, costs, fees and expenses whatsoever sustained by the Landlord by reason of or arising in any way directly out of any default by the Present Tenant in the performance and observance of any of its obligations or the payment of any rent and other sums; and

1.3 indemnifies, as a primary obligation, the Landlord against any loss sustained by the Landlord as a result of any of the obligations of the Present Tenant contained in this Lease being or becoming void, voidable, unenforceable or ineffective for any reason whatsoever and whether or not known to the Landlord, the amount of such loss being the amount which the Landlord would otherwise have been able to recover from the Present Tenant.

2. **Guarantor's liability**

The Guarantor further covenants with the Landlord, as a primary obligation, that the Guarantor shall be liable (whether before or after any disclaimer by a liquidator or trustee in bankruptcy) for the fulfilment of all the obligations of the Present Tenant under this Lease and agrees that the Landlord, in the enforcement of its rights under this Lease, may proceed against the Guarantor as if the Guarantor was named as the Tenant in this Lease.

3. **Waiver by Guarantor**

The Guarantor waives any right to require the Landlord to proceed against the Present Tenant or to pursue any other remedy whatsoever which may be available to the Landlord before proceeding against the Guarantor.

4. **Postponement of claims by Guarantor against Tenant**

The Guarantor further covenants with the Landlord that the Guarantor shall:-

4.1 not claim in any liquidation, bankruptcy, composition or arrangement of the Present Tenant in competition with the Landlord and shall remit to the Landlord the proceeds of all judgments and all distributions it may receive from any liquidator, trustee in bankruptcy or supervisor of the Present Tenant;

4.2 hold for the benefit of the Landlord all security and rights the Guarantor may have over assets of the Present Tenant whilst any liabilities of the Present Tenant or the Guarantor to the Landlord remain outstanding; and

4.3 not exercise any right or remedy in respect of any amount paid or any liability incurred by the Guarantor in performing or discharging its obligations contained in this Schedule, or claim any contribution from any other guarantor.

5. **Postponement of participation by Guarantor in security**

The Guarantor shall not be entitled to participate in any security held by the Landlord in respect of the Tenant's obligations to the Landlord under this Lease or to stand in the place of the Landlord in respect of any such security until all the obligations of the Present Tenant or the Guarantor to the Landlord under this Lease have been performed or discharged.

6. **No release of Guarantor**

None of the following, or any combination of them, shall release, determine, discharge or in any way lessen or affect the liability of the Guarantor as principal obligor under this Lease or otherwise prejudice or affect the right of the Landlord to recover from the Guarantor to the full extent of this guarantee:-

6.1 any neglect, delay or forbearance of the Landlord in endeavouring to obtain payment of the Rents or the amounts required to be paid by the Tenant or in enforcing the performance or observance of any of the obligations of the Tenant under this Lease;

6.2 any refusal by the Landlord to accept rent tendered by or on behalf of the Tenant at a time when the Landlord was entitled (or would after the service of a notice under Section 146 of the Law of Property Act 1925 have been entitled) to re-enter the Property;

6.3 any extension of time given by the Landlord to the Tenant;

6.4 (subject to Section 18 of the 1995 Act) any variation of the terms of this Lease or the transfer of the Landlord's reversion or the assignment of this Lease;

6.5 any change in the constitution, structure or powers of either the Tenant, the Guarantor or the Landlord or the liquidation, administration or bankruptcy (as the case may be) of either the Tenant or the Guarantor;

6.6 any legal limitation, or any immunity, disability or incapacity of the Tenant (whether or not known to the Landlord) or the fact that any dealings with the Landlord by the Tenant may be outside, or in excess of, the powers of the Tenant;

6.7 any other act, omission, matter or thing whatsoever as a result of which, but for this provision the Guarantor would be exonerated either wholly or partly (other than a release executed and delivered as a deed by the Landlord).

7. **Disclaimer or forfeiture of Lease**

The Guarantor further covenants with the Landlord that:-

7.1 if a liquidator or trustee in bankruptcy shall disclaim this Lease; or

7.2 if this Lease shall be forfeited; or

7.3 if the Present Tenant shall cease to exist;

the Guarantor shall, if the Landlord by notice in writing given to the Guarantor within six (6) months after such disclaimer or other event so requires accept from, and execute and deliver to, the Landlord a counterpart of a new lease of the Property for a term commencing on the date of the disclaimer or other event and continuing for the residue then remaining unexpired of the Term, such new lease to be at the reasonable and proper cost of the Guarantor and to be at the same Rents and subject to the same covenants and provisions as are contained in this Lease.

8. **Terms of new lease**

The new lease referred to above is to take effect from the date of such disclaimer or other event (the "**Relevant Event**") and is to be on the following terms:

8.1 for a term equal to the residue of the Term which would have remained had the Relevant Event not occurred;

8.2 at the rent reserved by the Lease on the date of the Relevant Event (subject to paragraph 9) and subject to review on the same terms and dates as provided by the Lease;

8.3 including, where appropriate, provisions reflecting paragraph 9;

8.4 otherwise subject to the same terms, conditions and provisions contained in the Lease and subject to the Lease if the Lease is still subsisting or the right of any person to have the Lease vested in it.

9. **Rent review in new lease**

If at the date of the Relevant Event there is a rent review pending under the Lease, then:

9.1 the relevant review date in the Lease shall also be a rent review date in the new lease;

9.2 the rent reserved by the new lease shall be the rent at the relevant review date as agreed or determined in accordance with the new lease ("**New Principal Rent**");

9.3 until the rent is agreed or determined the rent reserved by the new lease shall be payable at the rate that was payable (ignoring any suspension or abatement of rent) under the Lease immediately before the Relevant Event ("**New Initial Rent**");

9.4 the provisions in the new lease relating to the payment of any shortfall and interest following agreement or determination of a rent review shall apply in relation to any shortfall between the New Initial Rent and the New Principal Rent of the new lease in respect of the period after the date of the Relevant Event.

10. **Guarantor to pay sum equal to rents**

If the Landlord shall not require the Guarantor to take a new lease pursuant to paragraph 7, the Guarantor shall nevertheless within 10 Working Days of written demand pay to the Landlord a sum equal to the Rents and other sums that would have been payable under this Lease but for the disclaimer or other event in respect of the period from and including the date of such disclaimer or other event until the expiration of six (6) months from such date or until the Landlord shall have granted a lease of the Property to a third party (whichever shall occur first).

11. **Benefit of guarantee**

This guarantee shall enure for the benefit of the successors and assigns of the Landlord under this Lease without the necessity for any assignment.

12. **Guarantor to guarantee Authorised Guarantee Agreement**

The Guarantor covenants with the Landlord that the Present Tenant will comply with its obligations under any deed which the Present Tenant is required to execute and deliver to the Landlord pursuant to clause 19.3.2, and will indemnify the Landlord against any losses, damages, costs and expenses incurred by the Landlord if the Present Tenant fails to do so.

13. **Invalidity of certain provisions**

If any term of this guarantee or the application thereof to any person or circumstances shall to any extent be invalid or unenforceable the same shall be severable and the remainder of this guarantee or the application of such term to persons or circumstances other than those as to which it is held invalid or unenforceable shad not be affected thereby and each term and provision of this guarantee shall be valid and be enforced to the fullest extent permitted by law.

SCHEDULE 5
ITEMS OF EXPENDITURE AS REFERRED TO IN CLAUSE 30

1. **Repairs and maintenance**

1.1 Repairing, maintaining, decorating and (where appropriate) cleaning, lighting, heating, servicing and (as and when necessary) altering, reinstating, renewing (by way of repair) or rebuilding each part of the Retained Parts;

1.2 Carpeting, furnishing and equipping the Retained Parts as the Landlord may reasonably determine, including providing floral decorations, desks, tables, chairs and other fixtures and fittings in the main entrance halls and lift lobby areas.

2. **Plant and machinery**

Providing, maintaining, repairing, operating, inspecting, servicing, cleaning, lighting and (as and when necessary) renewing (by way of repair) or replacing (where beyond economic repair) any plant, machinery, apparatus and equipment in the Retained Parts, including any boiler and items relating to the ventilation, heating, air conditioning and hot and cold water systems, any lift, lift shaft and lift motor room, any fuel and electricity for them and any necessary maintenance contracts and insurance in respect of them.

3. **Security and emergency systems**

Providing, maintaining, repairing, operating, inspecting, servicing, cleaning and (as and when necessary) renewing (by way of repair) or replacing (where beyond economic repair) any security or emergency systems for the Building, including alarm systems, internal telephone systems, closed circuit television systems, generators, emergency lighting, fire detection or prevention systems, sprinkler systems, any fire escapes for the Building and fire fighting and fire prevention equipment and appliances (other than those for which a tenant is responsible).

4. **Staff**

Providing staff (including such direct or indirect labour as the Landlord reasonably considers appropriate) for the day-to-day running of the installations and plant in, and the provision of other services to, the Building and for its general management, operation and security and all other incidental expenditure, including:-

4.1 insurance, health, pension, welfare, severance and other payments, contributions and premiums;

4.2 providing uniforms, working clothes, tools, appliances, materials and equipment (including telephones) for the proper performance of the duties of any such staff;

5. **Signs etc.**

Providing, maintaining and renewing name boards and signs in the main entrance halls, lift lobby areas and any other parts of the Building, and any directional signs and fire regulation notices and any flags, flag poles, television and radio aerials and satellite dishes.

6. **Refuse**

Providing and (when necessary) renewing (by way of repair) or replacing (where beyond economic repair) any paladins, compactors or other receptacles for refuse for the Building and the cost of collecting, storing and disposing of refuse.

7. **Landscaping**

Maintaining floodlighting and any plants, shrubs, trees or garden or grassed areas in the Retained Parts.

8. **Miscellaneous items**

8.1 Leasing or hiring any of the items referred to in this Schedule.

8.2 Interest, commission and fees at usual standard rates in respect of any monies borrowed to finance the provision of services and any of the items referred to in this Schedule.

8.3 Enforcing for the general benefit of the tenants of the Building (as reasonably determined by the Landlord) the covenants in any of the other leases of the Building (but not the enforcement of any covenant to pay the Rents).

9. **Insurance**

9.1 Periodic valuations of the Building for insurance purposes but not more than once in each calendar year.

9.2 Works required to the Building in order to satisfy the requirements of any insurer of the Building.

9.3 Property owner’s liability, third party liability and employer’s liability and such other insurances as the Landlord may, from time to time, reasonably determine.

9.4 Any amount which may be deducted or disallowed by any insurer of the Building under any excess provision in the insurance policy and which is normal in the market and reasonable in the circumstances on settlement of any claim by the Landlord.

10. **Common facilities**

Making, laying, repairing, maintaining, rebuilding, decorating, cleaning and lighting (as the case may require), any roads, ways, forecourts, passages, pavements, party walls or fences, party structures, Conduits or other conveniences and easements whatsoever which may belong to, or be capable of being used or enjoyed by, the Building in common with any Adjoining Property.

11. **Outgoings**

All existing or future rates (including water rates) taxes, duties, charges, assessments, impositions and outgoings whatsoever (whether parliamentary, parochial, local or of any other description and whether or not of a capital or non-recurring nature or of a wholly novel character) payable by the Landlord in respect of the Retained Parts or any part of them (excluding any tax payable by the Landlord occasioned by any disposition of, or dealing with, the reversion of this Lease).

12. **Statutory requirements**

Carrying out any works to the Building required to comply with any statute (other than works for which any tenant or occupier is responsible).

13. **Representations**

Taking any steps reasonably considered desirable or expedient by the Landlord and in any event proportionate for complying with, making representations against, or otherwise contesting liability under, any statute concerning town planning, public health, highways, streets, drainage and any other matters relating or alleged to relate to the Building or any part of it for which any tenant is not directly responsible.

14. **Management**

14.1 The proper and reasonable fees, costs, expenses and disbursements of the Surveyor or any other person employed or retained by the Landlord for, or in connection with, surveying and accounting functions, the performance of the services and any other duties in and about the Building or any part of it, and relating to the general management, administration, security, maintenance, protection and cleanliness of the Building.

14.2 The proper and reasonable fees and expenses of the Landlord or a Group Company of the Landlord in connection with the management of the Building and any of the functions and duties referred to in paragraph 14.1 that may be undertaken by the Landlord or that Group Company, such fees and expenses to include overheads and profits commensurate with current market practice of property companies providing management services.

Provided that all fees costs and expenses referred to in this paragraph 14 shall not exceed 10% of the other Expenditure.

15. **Reserve Fund**

Such annual provision as the Landlord may, acting reasonably, determine as being proper and reasonable and in the interest of good estate management for the establishment and maintenance of a reserve fund for the replacement of any boilers, plant, machinery, apparatus and equipment or comprising the Retained Parts.

16. **Generally**

Any other reasonable and proper costs and expenses which the Landlord reasonably and properly incurs in providing such other services and in carrying out such other works as the Landlord may, in its reasonable discretion, consider desirable or necessary for the benefit of the Building or any part of it or the tenants or occupiers of it, or for securing or enhancing any amenity of, or within, the Building, and in the interest of good estate management.

17. **Value Added Tax**

Value Added Tax in respect of any item of expenditure referred to in this Schedule to the extent that it is not otherwise recoverable by the Landlord.

SCHEDULE 6
DEEDS AND DOCUMENTS CONTAINING MATTERS TO WHICH THE PROPERTY ARE SUBJECT

All matters contained in the title registers for Title Number 314084 as at 09:29:29 on 17 April 2015.

SCHEDULE 7
AUTHORISED GUARANTEE AGREEMENT TO BE GIVEN BY TENANT PURSUANT TO CLAUSE 19.3.2

THIS DEED is made the [ ] day of [ ]

BETWEEN:

(3) [ ] whose registered office is at [ ] (Company registration number [ ]) (the "Present Tenant").

(4) [ ] whose registered office is at [ ] (Company registration number [ ]) (the "Landlord").

WHEREAS:

(A) This Agreement is made pursuant to the lease dated [ ] and made between [ ] (the "Lease") which expression shall include (where the context so admits) all deeds and documents supplemental to it (whether expressed to be so or not) relating to the Property at [ ] (the "Property").

(B) The Present Tenant holds the Property under the Lease and wishes to assign the Lease to [ ] (the "Assignee"), and pursuant to the Lease the Landlord's consent is required to such assignment (the "Assignment") and such consent is given subject to a condition that the Present Tenant is to enter into a deed in the form of this Deed.

NOW THIS DEED WITNESSES as follows:-

1. Authorised Guarantee

Pursuant to the condition referred to above, the Present Tenant covenants with the Landlord, as a primary obligation, that the Assignee or the Present Tenant shall, at all times during the period (the "Guarantee Period") from the completion of the Assignment until the Assignee shall have ceased to be bound by the tenant covenants (which in this Deed shall have the meaning attributed by section 28(l) of the Landlord and Tenant (Covenants) Act 1995 (the "1995 Act")) contained in the Lease (including the payment of the rents and all other sums payable under the Lease in the manner and at the times specified in the Lease), duly perform and observe the tenant covenants.

2. Present Tenant's Liability

2.1 The Present Tenant agrees that the Landlord, in the enforcement of its rights under this Deed, may proceed against the Present Tenant as if the Present Tenant were the sole or principal debtor in respect of the tenant covenant in question.

2.2 For the avoidance of doubt, notwithstanding the termination of the Guarantee Period the Present Tenant shall remain liable under this Deed in respect of any liabilities which may have accrued prior to such termination.

2.3 For the avoidance of doubt the Present Tenant shall be liable under this Deed for any reasonable costs and expenses properly incurred by the Landlord in enforcing the Present Tenant's obligations under this Deed.

3. Disclaimer of Lease

The Present Tenant further covenants with the Landlord that if the Crown or a liquidator or trustee in bankruptcy shall disclaim the Lease during the Guarantee Period the Present Tenant shall, if the Landlord by notice in writing given to the Present Tenant within six (6) months after such disclaimer so requires accept from, and execute and deliver to, the Landlord a counterpart of a new lease of the Property for a term commencing on the date of the disclaimer and continuing for the residue then remaining unexpired of the term of the Lease, such new lease to be at the same rents and subject to the same covenants and provisions as are contained in the Lease.

4. Supplementary provisions

By way of provision incidental or supplementary to clauses 1, 2 and 3 of this Deed:

4.1 Postponement of claims by Present Tenant

The Present Tenant further covenants with the Landlord that the Present Tenant shall:-

4.1.1 not claim in any liquidation, bankruptcy, composition or arrangement of the Assignee in competition with the Landlord and shall remit to the Landlord the proceeds of all judgments and all distributions it may receive from any liquidator, trustee in bankruptcy or supervisor of the Assignee;

4.1.2 hold for the benefit of the Landlord all security and rights the Present Tenant may have over assets of the Assignee whilst any liabilities of the Present Tenant or the Assignee to the Landlord remain outstanding; and

4.1.3 not exercise any right or remedy in respect of any amount paid or any liability incurred by the Present Tenant in performing or discharging its obligations contained in this Deed, or claim any contribution from any other guarantor.

4.2 Postponement of participation by Present Tenant in security

The Present Tenant shall not be entitled to participate in any security held by the Landlord in respect of the Assignee's obligations to the Landlord under the Lease or to stand in the place of the Landlord in respect of any such security until all the obligations of the Present Tenant or the Assignee to the Landlord under the Lease have been performed or discharged.

4.3 No release of Present Tenant

None of the following, or any combination of them, shall release, determine, discharge or in any way lessen or affect the liability of the Present Tenant as principal obligor under this Deed or otherwise prejudice or affect the right of the Landlord to recover from the Present Tenant to the full extent of this guarantee:-

4.3.1 any neglect, delay or forbearance of the Landlord in endeavouring to obtain payment of any rents or other amounts required to be paid by the Assignee or in enforcing the performance or observance of any of the obligations of the Assignee under the Lease;

4.3.2 any refusal by the Landlord to accept rent tendered by or on behalf of the Assignee at a time when the Landlord was entitled (or would after the service of a notice under Section 146 of the Law of Property Act 1925 have been entitled) to re-enter the Property;

4.3.3 any extension of time given by the Landlord to the Assignee;

4.3.4 (subject to Section 18 of the 1995 Act) any variation of the terms of the Lease or the transfer of the Landlord's reversion;

4.3.5 any change in the constitution, structure or powers of either the Present Tenant, the Assignee or the Landlord or the liquidation, administration or bankruptcy (as the case may be) of either the Present Tenant or the Assignee;

4.3.6 any legal limitation, or any immunity, disability or incapacity of the Assignee (whether or not known to the Landlord) or the fact that any dealings with the Landlord by the Assignee may be outside, or in excess of, the powers of the Assignee;

4.3.7 any other deed, act, omission, failure, matter or thing whatsoever as a result of which, but for this provision, the Present Tenant would be exonerated either wholly or partly (other than a release executed and delivered as a deed by the Landlord or a release effected by virtue of the 1995 Act).

4.4 Costs of new lease

The Landlord's reasonable costs in connection with any new lease granted pursuant to clause 3 of this Deed shall be borne by the Present Tenant and paid to the Landlord (together with Value Added Tax) upon completion of such new lease.

5. Guarantor to pay sum equal to rents

If the Landlord shall not require the Present Tenant to take a new lease pursuant to paragraph 4, the Present Tenant shall nevertheless within 10 Working Days of written demand pay to the Landlord a sum equal to the Rents and other sums that would have been payable under this Lease but for the disclaimer or other event in respect of the period from and including the date of such disclaimer or other event until the expiration of six (6) months from such date or until the Landlord shall have granted a lease of the Property to a third party (whichever shall occur first).

6. Invalidity of certain provisions

If any term of this Deed or the application thereof to any person or circumstances shall to any extent be invalid or unenforceable the same shall be severable and the remainder of this Deed or the application of such term to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby and each term and provision of this Deed shall be valid and be enforced to the fullest extent permitted by law.

IN WITNESS whereof this deed has been executed by the Present Tenant and is intended to be and is hereby delivered on the date first above written.

EXECUTED as a deed by **O & H (CAVENDISH PLACE) LIMITED** acting by a director in the presence of:-

Signature

/s/ Peter Dee-Shapland

Director

Print name

PETER DEE-SHAPLAND

Witness signature /s/ David Lyons

Name (in BLOCK CAPITALS) DAVID LYONS

Address c/o O&H PROPERTIES, 25-28 OLD
BURLINGTON STREET
LONDON W1S 3AN

Occupation CHARTERED SURVEYOR

EXECUTED as a deed by **MEREO BIOPHARMA GROUP LIMITED** acting by a director in the presence of:-

Signature

/s/ Denise Scots-Knight

Director

Print name

Denise Scots-Knight

Witness signature /s/ Jessica Doughty

Name (in BLOCK CAPITALS) JESSICA DOUGHTY

Address 39 WINTON CRESCENT
WD3 3QX

Occupation PERSONAL ASSISTANT

THIS CONTRACT OF EMPLOYMENT dated 29 July 2015 is made

BETWEEN:

(1) **MEREO BIOPHARMA GROUPLTD**, (a company incorporated in England and Wales and registered under number 9481161, whose registered office is at Green Park House, 15 Stratton Street, London W1J 8LQ (the "**Company**"); and

(2) Denise Scots-Knight, [XXXXXXXXX]

This Contract sets out the terms and conditions of your employment with the Company at the date of this Contract and supersedes all previous arrangements or agreements whether oral or in writing between you and the Company in relation to the matters dealt with in it.

1. Interpretation

1.1 The definitions and rules of interpretation in this clause 1 apply in this Contract.

1.1.1 **Appointment**: the employment of the Employee by the Company on the terms of this Contract.

1.1.2 **Associated Employer**: has the meaning given to it in the Employment Rights Act 1996.

1.1.3 **Board**: the board of directors of the Company (including any committee of the board duly appointed by it).

1.1.4 **Commencement Date** 1st July 2015

1.1.5 **Confidential Information**: all of

(a) financial information relating to the Company and any Group Company including (but not limited to) management accounts, sales forecasts, dividend forecasts, profit and loss accounts and balance sheets, draft accounts, results, order schedules, profit margins, pricing strategies and other information regarding the performance or future performance of the Company or any Group Company;

(b) client or customer lists and contact lists, details of the terms of business with, the fees and commissions charged to or by and the requirements of customers or clients, prospective customers or clients, buyers, and suppliers of the Company or any Group Company;

(c) any information relating to expansion plans, business strategy, marketing plans, and presentations, tenders, projects, joint ventures or acquisitions and developments contemplated, offered or undertaken by the Company or any Group Company;

(d) details of the employees, officers and workers of and consultants to the Company or any Group Company their job skills and capabilities and of the remuneration and other benefits paid to them;

(e) copies or details of and information relating to Know-how, research activities, inventions, creative briefs, ideas, computer programs (whether in source code or object code) secret processes, designs and formulae or other intellectual property acquired, developed, licensed, undertaken, commissioned or produced by or on behalf of the Company or any Group Company;

(f) confidential reports or research commissioned by or provided to the Company or any Group Company and any trade secrets and confidential transactions of the Company or any Group Company;

(g) key metric information such as details of website page hits, visitors, visits, orders per day, total order volumes, average order size, volumes of goods shipped or held in stock, customer acquisition costs, repeat rates and word of mouth rates;

(h) details of any marketing, development, pre-selling or other exploitation of any intellectual property or other rights of the Company or any Group Company, any proposed options or agreements to purchase, licence or otherwise exploit any intellectual property of the Company or any Group Company and any intellectual property which is under consideration for development by the Company or any Group Company,

(i) details of any advertising, marketing or promotional campaign which the Company or any Group Company is to conduct; and

(j) any information which you ought reasonably to know is confidential and any information which has been given to the Company or any Group Company in confidence by agents, buyers, clients, consultants, customers, suppliers or other persons.

1.1.6 **Documents:** documents, manuals, disks, memory, notebooks, tapes (including copies) or any other medium, whether or not eye-readable, on which information (whether confidential or otherwise) may from time to time be referred to, written or recorded.

1.1.7 **Group Company**: the Company, its Subsidiaries or Holding Companies from time to time and any Subsidiary of any Holding Company from time to time.

1.1.8 **Incapacity**: any sickness, injury or other medical disorder or condition which prevents the Employee from carrying out his duties.

1.1.9 **Key Employee:** any employee or contractor who is or was (in the Period) employed or engaged to your knowledge:

(a) at management grade; or

(b) in a senior capacity; or

(c) in a capacity in which he has access to or obtained Confidential Information and in respect of whom you exercised control or had managerial responsibility.

1.1.10 **Know-how:** information (including without limitation that comprised in formulae, specifications, designs, drawings, component lists, databases, software (or pre-cursor documents), databases, manuals, instructions and catalogues) held in whatever form relating to the creation, production or supply of any products or services by the Company or any Group Company, or by or to any of the suppliers, customers, partners or joint ventures of such company.

1.1.11 **Manager**: Chairman of the Board, Peter Fellner

1.1.12 **Period:** the period of 6 months immediately prior to the Termination Date.

1.1.13 **Permitted Interest:** an interest in any class of shares or other securities of any company which are traded on a recognised investment exchange which amount to not more than 3% of such class of issued shares or securities and an interest in any units of any authorised unit trust.

1.1.14 **Restricted Area:** England, Scotland, Wales or Northern Ireland.

1.1.15 **Restricted Business:** any business whether for profit or not-for-profit that has a significant commercial activity in pharmaceuticals which contain one or more active ingredients that are similar (in drug target specificity and function in relation to modulating that target) to pharmaceutical candidates or products researched, developed or commercialised by the Company at the date of an individual's termination of service with the Company in which the Employee has a material involvement.

1.1.16 **SSP**: statutory sick pay.

1.1.17 **Staff Handbook**: the Company's staff handbook as amended from time to time.

1.1.18 **Subsidiary and Holding Company**: in relation to a company mean "subsidiary" and "holding company" as defined in section 1159 of the Companies Act 2006 and a company shall be treated, for the purposes only of the membership requirement contained in subsections 1159(1)(b) and (c), as a member of another company even if its shares in that other company are registered in the name of (a) another person (or its nominee), whether by way of security or in connection with the taking of security, or (b) a nominee.

1.1.19 **Termination Date:** the date of termination or expiration of this Contract.

1.2 The headings in this Contract are inserted for convenience only and shall not affect its construction.

1.3 A reference to a particular law is a reference to it as it is in force for the time being taking account of any amendment, extension, or re-enactment and includes any subordinate legislation for the time being in force made under it.

1.4 Unless the context otherwise requires, a reference to one gender shall include a reference to the other genders.

1.5 Unless the context otherwise requires, words in the singular include the plural and in the plural include the singular.

1.6 The schedules to this Contract form part of (and are incorporated into) this Contract.

2. Term of Appointment

2.1 The Appointment shall commence on the Commencement Date and shall continue, subject to the remaining terms of this Contract, until terminated by either party giving the other not less than 12 months' prior notice (or the statutory minimum notice, whichever is the greater) in writing.

2.2 [This clause intentionally blank].

2.3 No employment with a previous employer counts towards the Employee's period of continuous employment with the Company.

2.4 The Employee consents to the transfer of his employment under this Contract to an Associated Employer at any time during the Appointment.

3. Employee Warranties

3.1 You represent and warrant to the Company that, by entering into this Contract or performing any of your obligations under it, you will not be in breach of any court order or any express or implied terms of any contract or other obligation binding on you.

3.2 You represent and warrant to the Company that you are not bound by or subject to any agreement, arrangement, court order, obligation or undertaking which in any way restricts or prohibits you from entering into this Contract or from performing your duties for the Company as set out in this Contract.

3.3 You warrant that you are entitled to work in the UK without any additional approvals and will notify the Company immediately if you cease to be so entitled at any time during the Appointment.

4. Job Title and Reporting

Your job title is 'Chief Executive Officer' and you will report to the Manager or such other person as may be authorised by the Company and notified to you.

5. Job Description and Duties

5.1 Your main tasks and responsibilities are set out in the written job description at Schedule I. The Company reserves the right to require you to change your job title and/or job description and/or reporting structure or to require you to perform a different job or different or additional duties consistent with your status and any such change will not constitute a change of the terms and conditions of your employment.

5.2 You must perform your job to the best of your ability and to comply with any duties implied by law.

5.3 During the Appointment you shall:

5.3.1 unless prevented by Incapacity, devote substantially the whole of your time, attention and abilities to the business of the Company and any Group Company of which you are an officer or consultant;

5.3.2 diligently exercise such powers and perform such duties as may from time to time be assigned to you by the Company together with such person or persons as the Company may appoint to act jointly with you;

5.3.3 comply with all reasonable and lawful directions given to you by the Company;

5.3.4 promptly make such reports to your Manager in connection with the affairs of any Group Company on such matters and at such times as are reasonably required;

5.3.5 report your own wrongdoing and any wrongdoing or proposed wrongdoing of any other employee or director of any Group Company to your Manager immediately on becoming aware of it;

5.3.6 use your best endeavours to promote, protect, develop and extend the business of any Group Company; and

5.3.7 consent to the Company monitoring and recording any use that you make of the Company's electronic communications systems for the purpose of ensuring that the Company's rules are being complied with and for legitimate business purposes.

5.4 You shall comply with the Company's anti-corruption and bribery policy and related procedures at all times.

5.5 You shall comply with any rules, policies and procedures set out in the Staff Handbook. The Staff Handbook does not form part of this Contract and the Company may amend it at any time. To the extent that there is any conflict between the terms of this Contract and the Staff Handbook, this Contract shall prevail.

5.6 All documents, manuals, hardware and software provided for your use by the Company, and any data or documents (including copies) produced, maintained or stored on the Company's computer systems or other electronic equipment (including mobile phones), remain the property of the Company.

6. Location

6.1 Your normal place of work is the Company's offices at Green Park House, 15 Stratton Street, London W1J 8LQ or such other place as the Company may reasonably determine for the proper performance and exercise of your duties.

6.2 The Company may require you to perform services for any Group Company wherever situated and without further fees or remuneration and to enter into any separate agreement(s) with such Group Company for such purpose and any duties that you may have under this Contract will be deemed to extend to such Group Company.

6.3 You agree to travel on any Group Company's business (both within the United Kingdom and abroad) as may be required for the proper performance of your duties under the Appointment.

7. Hours of Work

7.1 Your normal working hours are from 09:00 to 17:00 on each week day, excluding public and bank holidays of England and Wales, together with such additional hours, on week days (including public and bank holidays of England and Wales) or weekends, as may be necessary for the proper performance of your duties.

7.2 Regulation 4(1) of the Working Time Regulations 1998 (the "**WTR**") provides that a worker's average working time, including overtime, must not exceed 48 hours for each seven-day period (to be averaged over a period of 17 weeks) unless the worker agrees that this regulation will not apply to his or her employment.

You acknowledge that you hold an executive position with certain autonomous decision taking powers and therefore are not subject to regulation 4(1) of the Working Time Regulations 1998 but without prejudice to that you accept that by signing this Contract you have agreed that, insofar as it would apply to your employment with the Company, regulation 4(1) of the Working Time Regulations 1998 shall not apply.

7.3 At any time during the Appointment, you or the Company may give three months' prior written notice that the opt-out of clause 7.2 should no longer apply and it will cease to apply with effect from the expiry of the said notice.

7.4 You will comply with any requests made or measures imposed to enable the Company and/or you to monitor and record your working time.

8. Salary

8.1 Your salary is £275,000 per annum (the **"Salary"**), less statutory and voluntary deduction. The Salary shall accrue from day to day and be payable by equal monthly instalments in arrears on the last business day of each calendar month directly into your UK bank or building society account.

8.2 You will receive no additional payment for any overtime worked. Your Salary will include any director's, company secretary's and other fees and emoluments due to you as an officer of the Company or of any Group Company.

8.3 Your Salary will be reviewed by your Manager annually, the first such review taking effect from 1 January 2016 and may be increased from time to time at the Company's discretion without affecting the other terms of the Appointment. There is no obligation to award an increase. There will be no review of the Salary after notice has been given by either party to terminate the Appointment.

8.4 If you are invited to participate in any employees' share scheme (as defined in section 1166 of the Companies Act 2006) and accept, your membership shall be governed exclusively by the rules of the relevant scheme from time to time. Your rights and obligations under this Contract shall not be affected by your participation in the scheme or any right which you may have to participate in it and you shall have no claim for compensation or damages under or in connection with this Contract in consequence of the termination of the Appointment for any reason whatsoever insofar as the termination of the Appointment may end your participation or reduce the value of awards you may receive under it.

8.5 You authorise the Company to deduct from your Salary any sums which you may owe the Company including without limitation any overpayment of salary or expenses, any debt or loans or any other sum or sums which may be required to be authorised pursuant to Section 13 of the Employment Rights Act 1996.

9. Discretionary Bonus

9.1 You may be considered for a discretionary bonus in relation to each calendar year. The payment of any discretionary bonus is not guaranteed under this Contract and your eligibility for a discretionary bonus shall be assessed in accordance with and subject to the terms of the Company's performance related discretionary bonus scheme.

9.2 The terms of the discretionary bonus scheme are determined by the Company in its absolute discretion and the Company is entitled in its absolute discretion to change the terms of this scheme from year to year.

9.3 The amount of the discretionary bonus, if any, in any particular calendar year shall be determined by the Company in its sole discretion. Payment of a bonus in one calendar year does not entitle you to receive a bonus in respect of any other calendar year.

9.4 If you commence employment part way through the calendar year any sum calculated in accordance with clause 9.2 shall be pro-rated, as appropriate.

9.5 If you are working your period of notice (given by either you or the Company) at the date any bonus is payable to you, or the Appointment is terminated prior to that date, no bonus or pro-rata bonus shall be payable.

9.6 Any discretionary bonus payable in accordance with this clause 9 shall not be pensionable.

10. Expenses

10.1 The Company will reimburse (or procure the reimbursement of) all expenses properly, necessarily and reasonably incurred by you in the proper performance of your duties, provided that on request you will provide the Company with such VAT receipts, invoices or other evidence of actual payment of such expenses as the Company may reasonably require.

10.2 You shall comply with the Company's expenses policy as set out in the Staff Handbook from time to time.

10.3 Any expenses charged to a Company credit card must be documented in accordance with Company procedures and approved by the Chief Financial Officer within one month of the date that the credit card statement is received. No personal expenditure may be charged to Company credit cards.

11. Other Employment

11.1 You must devote substantially the whole of your time, attention and abilities during your normal hours of work to your duties for the Company.

11.2 Without the prior written approval of the Board, you may not, whether directly or indirectly, undertake any other job (including voluntary work) or carry on a business, of whatever kind, during your hours of work for the Company. Without the prior written approval of the Board, you may not, whether directly or indirectly, undertake any other job (including voluntary work) or carry on a business, of whatever kind, outside Company hours if in the reasonable opinion of the Company this is likely to affect your work performance for the Company and you will promptly disclose to the Company sufficient details of any such job or business in order for the Company to consider whether it is likely to affect your work performance. Nothing in this clause 11.2 will prevent you from holding a Permitted Interest (as defined below) or continuing with your non-executive directorships of;

- OncoMed Pharmaceuticals Inc
- Nabriva Therapeutics Inc
- Albireo Pharma Ltd

11.3 You may not at any time during the period of your employment by the Company without the prior written consent of the Chairman of the Board engage, whether directly or indirectly, in any business or employment which is similar to or in any way connected with the business of the Company. Nothing in this clause 11.3 will prevent you from continuing with your activities relating to Phase4 Partners Limited.

12. Holidays

12.1 In addition to the usual public and bank holidays of England and Wales, you shall be entitled to 25 days' paid holiday in each complete holiday year worked (and pro rata for any holiday year worked in part) to be taken at such time or times as shall be agreed by your Manager.

12.2 The holiday year runs from 1 January each year to the following 31 December.

12.3 Although the Company will agree to your proposed holiday dates wherever possible, it reserves the right to withhold approval where necessary to protect the interests of the business.

12.4 The Company reserves the right to require you to take holiday on certain days to be determined by the Company of up to five days in each holiday year. The Company will notify you of any such requirement prior to the commencement of each holiday year.

12.5 A maximum of five days untaken holiday entitlement may be carried forward from one holiday year subject to the prior written agreement of your Manager to the next and no money will be paid in lieu of any such untaken holiday entitlement.

12.6 On termination of the Appointment you shall be entitled to be paid in lieu of holiday accrued but untaken in the holiday year in which termination takes place. Your entitlement to holiday will be calculated on the basis that each day of paid holiday is equal to 1/260 of your salary. Alternatively, you will be required to repay to the Company pay for any holiday taken in excess of your entitlement at the same rate.

12.7 If in any year you are not employed for the complete holiday year (for example, in the years in which you join and leave the Company), your holiday entitlement will be calculated pro rata based on the number of complete months worked during the relevant holiday year.

12.8 The Company may require you to take any outstanding holiday entitlement during your notice period or during any period of garden leave as referred to in clause 20.

12.9 The holiday year is also the leave year for parental leave purposes.

13. Notification of Sickness or Other Absence

13.1 If you are absent from work for any reason and your absence has not previously been authorised by your Manager you, or someone on your behalf, must inform your Manager by 10.00 am on each day of absence.

13.2 Any unauthorised absence must be properly explained and in the case of an absence of uncertain duration you must keep the Company informed on a daily basis until you have provided the Company with a medical certificate.

13.3 If you are absent from work due to sickness or injury which continues for more than seven days (including weekends) you must provide the Company with a medical certificate on or before the eighth day of sickness or injury. Thereafter medical certificates must be provided to the Company to cover any continued absence.

13.4 Immediately following your return to work after any period of absence which has not previously been authorised by your Manager you are required to complete a Self-Certification form stating the date of and the reason for your absence, including details of sickness on non-working days as this information is required by the Company for calculating Statutory Sick Pay entitlement. Self-Certification forms will be retained in the Company’s records.

13.5 Failure to comply with the above procedures may result in disciplinary action and/or the loss of Company sick pay (referred to below) and may also disqualify you from receiving Statutory Sick Pay.

13.6 Your "qualifying days" for Statutory Sick Pay purposes are those days of the week on which you are due to work in accordance with this contract of employment.

13.7 You shall:

13.7.1 agree to consent to a medical examination (at the Company's expense) by a doctor nominated by the Company or your GP or any relevant consultant at any time should the Company so require; and

13.7.2 authorise such medical practitioner to disclose to or discuss with the Company (or its medical adviser) any matters arising from such examination.

13.8 The rights of the Company to terminate the Appointment under the terms of this Contract apply even when such termination would or might cause you to forfeit any entitlement to sick pay, payments under the medical scheme, or other benefits.

14. Sick Pay

14.1 Provided that you have complied with the Company's notification and certification procedures and general terms relating to sickness absence referred to in clause 13 above and that you have completed three months of continuous service prior to the start of the period of sickness, you will be entitled to be paid your normal basic pay for periods of sickness absence up to a maximum of 10 working days in aggregate in any calendar year. Any payments made thereafter will be at the sole discretion of the Company. Payments of sick pay include Statutory Sick Pay and will be reduced by any state sickness benefit you may be entitled to receive.

14.2 If you are absent from work due to the actionable negligence, nuisance or breach of any statutory duty on the part of a third party in respect of which damages are or may be recoverable, you shall immediately notify your Manager of that fact and of any claim, compromise, settlement or judgment made or awarded in connection with it and all relevant particulars that the Company may reasonably require. In such circumstances any Company sick pay will be paid as a loan which, if required by the Company, you must repay to the Company if you recover damages in respect of your absence from work.

14.3 The Company reserves the right to withhold payment of Company sick pay if you fail to comply with the provisions of clause 13 or if you are subject to disciplinary proceedings.

15. Other Benefits

15.1 **Pension.** You are eligible to join the Company's group personal pension scheme. Membership of and benefits under the scheme are strictly subject to the rules of the scheme as amended from time to time. The Company expressly reserves the right in its discretion to amend or terminate the pension scheme. The Company shall contribute to the Company's pension scheme an amount equal to 10% of your Salary provided that you contribute 4% or more to that scheme, subject to the

annual allowance set by HM Revenue & Customs from time to time not being exceeded. In the event that you exceed the annual allowance set by HM Revenue & Customs in any fiscal year or maximum lifetime allowance, the Company may, at your request, pay a pro-rata amount equal to 10% of your basic salary in lieu of a pension contribution to you as an allowance, subject to deduction of income tax and national insurance contributions, you certifying and, at the request of the Company, providing evidence satisfactory to the Company that you have exceeded such annual allowance for the applicable fiscal year or the maximum lifetime allowance and, if necessary, you opting out of auto enrolment. Any pension contribution or allowance shall be paid in equal monthly instalments in arrears.

15.2 The Company will comply with the employer pension duties in respect of your employment in accordance with Part I of the Pensions Act 2008.

15.3 A contracting-out certificate under the Pension Schemes Act 1993 is not in force in respect of the Appointment.

15.4 Subject to the rules and eligibility requirements of each scheme from time to time in force and to your health not being such as to prevent the Company (or the relevant Group Company) from being able to obtain cover on reasonable terms, you will be entitled to participate in the following schemes:

15.4.1 **Medical Scheme.** You and your immediate family shall be entitled to participate in the medical insurance scheme maintained from time to time by the Company for the benefit of employees.

15.4.2 **Life Assurance Scheme.** The Company shall maintain for you life assurance of four times your Salary.

15.5 Any benefits that may from time to time be provided by the Company to you or your family that are not expressly referred to in this Contract shall be provided at the entire discretion of the Company and, unless so agreed in writing, shall not form part of your terms and conditions of employment.

15.6 Participation in any insurance or assurance scheme provided for you under this Contract:

15.6.1 is absolutely subject to its terms and conditions from time to time in force;

15.6.2 is conditional on you satisfying any applicable requirements of the insurers;

15.6.3 is subject to you and any insured dependants satisfying the normal underwriting requirements of the relevant insurance provider and the relevant premium being at a rate which the Company considers reasonable; and

15.6.4 will end when you attain whichever is the greater of the age of 65 and the state pensionable age.

15.7 The Company reserves the right at any time, on three months' written notice, to withdraw any insurance or other benefits set out in this clause 15 or to amend the

terms on which they are provided. If an insurance provider refuses for any reason to provide insurance benefit to you under any insurance scheme the Company shall not be liable to provide you with any replacement benefit of the same or similar kind or to pay any compensation in lieu of such benefit.

15.8 You may be required, at the request and expense of the Company, to submit to a medical examination by a medical practitioner nominated by the Company to support applications for insurance set out in this clause 15 or any other insurance schemes required by the Company, and you hereby authorise such medical practitioner to disclose to or discuss with the Company's medical adviser and/or the relevant insurer's medical adviser any matters arising from such examination and the Company's medical adviser may notify the Board of any serious matter if, in his opinion, it might materially adversely affect your health or the proper discharge of your duties.

16. Intellectual Property

16.1 You agree and acknowledge that during the course of your employment and in pursuance of the discharge of your duties you will make, create, produce and generate intellectual property rights, including Inventions.

16.2 Inventions

16.2.1 If while employed by the Company you (whether alone or with any other person) make, produce or are responsible for any invention, discovery, process, business idea, or method of any description that relates to or could be used in any business of the Company ("**an Invention**"), you shall promptly give to a Director of the Company full written details thereof.

16.2.2 If the Invention is a patentable invention within the meaning of Section 1 of the Patents Act 1977 and, according to the provisions of Section 39 of that Act it belongs to you ("**Personal Invention**"), you shall if so requested by the Company no later than six months from disclosure to the Company pursuant to sub-clause 16.2.1 above, negotiate with the Company in good faith for the assignment or licence of your rights in that Invention to the Company for further consideration.

16.2.3 Any Invention created in the course of your employment by the Company shall belong to the Company ("**Company Inventions**"). Any and all intellectual property rights in or relating to any and all such Company Inventions shall be owned by the Company. You hereby irrevocably assign to the Company (by way of present assignment of present and future rights) with full title guarantee absolutely and free from all encumbrances all right, title and interest in and to all intellectual property rights in or relating to Company Inventions and all materials embodying such rights to the fullest extent permitted by law together with all accrued rights of action in respect of any infringement of such rights. Insofar as they do not so vest automatically by operation of law or under this Contract, you shall hold all such rights and inventions on trust for the exclusive benefit of the Company, and shall not transfer them to a third party or encumber them and shall on demand assign them to the Company without payment or other condition. You shall execute (both during and after the termination of

your employment) all documents and do all things necessary to substantiate the Company's rights in Company Inventions and to obtain registration or protection thereof in the Company's name in any country.

16.2.4 Save for the disclosure to the Company as provided above or, in the case of a Personal Invention only, as required for the purpose of obtaining patent protection for the Personal Invention, you shall keep all details of any Invention confidential to yourself and any solicitor, counsel or patent agent instructed by you and you shall not use any Company Invention for any purpose. You shall not without the Company's prior written consent apply for a patent in any country in relation to any Company Invention and shall promptly inform the Company if you apply for a patent in any country for a Personal Invention. Notwithstanding the foregoing, you shall not include any Confidential Information in any application for a patent for a Personal Invention.

16.3 Copyright and other rights

16.3.1 If while employed by the Company you, whether on your own or with any other person, create any copyright work or design (including without limitation any literary, dramatic, musical or artistic work, and any film, sound recording, cable programme, broadcast, typographical arrangement of a published edition, computer program, adaptation or design document) or any database or any other work or matter of any description (other than an Invention) capable of protection under copyright, design right, trademarks, database rights or other intellectual or industrial and commercial property laws of any country, that relates to or could be used in the business of the Company, (a "**Protected Work**"), you shall promptly disclose to the Chief Financial Officer or General Counsel full details thereof in writing and shall if requested by the Company deliver to it all copies or representations of the Protected Work in any material form but shall otherwise keep the Protected Work confidential and not use it for any purpose other than for the Company.

16.3.2 All proprietary rights in any Protected Work created by you in the course of your employment by the Company shall automatically vest in the Company.

16.3.3 To the extent that the Company is not already the owner of the copyright, design rights, trade marks, database rights and other intellectual or industrial and commercial property rights ("**the Rights**") in a Protected Work pursuant to clause 16.3.2 you shall hold the Protected Work and the Rights on trust for the Company and shall assign without payment or any other condition (and, in the case of the UK copyright, design rights, trade marks and database rights hereby assign by way of future assignment of copyright, design right, trademarks and database rights respectively), the Protected Work and all Rights therein in all countries of the world to the Company absolutely together with all accrued rights of action in respect of any infringement of the same.

16.4 You shall, without charge to but at the cost of the Company, execute all documents and do all acts, things and matters beneficial to, required or necessary (both during and after the termination of your employment) to vest rights in the Company (or its

successors), or substantiate the Company's (or its successor's) rights, in any Company Inventions, the Rights and Protected Works and to obtain protection for the Company Inventions, Rights and Protected Works in the Company's (or its successor's) name in any country.

16.5 To the extent permitted by law, you hereby irrevocably and unconditionally waive any and all moral rights conferred by Chapter IV of the Copyright Designs and Patents Act 1988 or any rights of a similar nature under laws now or in the future in force in any other jurisdiction in and to any and all Protected Work, such waiver being given in favour of the Company, its successors in title and assigns.

16.6 You hereby irrevocably appoint the Company to be your attorney to execute and do any such instrument or thing and generally to use your name for the purpose of giving the Company or its nominee the benefit of this clause 16 and acknowledge in favour of a third party that a certificate in writing signed by any Director or the Company Secretary that any instrument or act falls within the authority conferred by this clause 16 shall be conclusive evidence that such is the case.

16.7 The provisions of this clause 16 will not be affected by the termination of this Contract for whatever reason and will continue after it ends.

17. Confidentiality

17.1 You acknowledge that in the course of the Appointment you will have access to Confidential Information. You therefore agree to accept the restrictions in this clause 17.

17.2 You shall not (except in the proper course of your duties), either during the Appointment or at any time after its termination (however arising), use or disclose to any person, company or other organisation whatsoever (and shall use your best endeavours to prevent the publication or disclosure of) any Confidential Information. This shall not apply to:

17.2.1 any use or disclosure authorised by the Board in writing or required by law;

17.2.2 any information which is already in, or comes into, the public domain other than through your unauthorised disclosure; or

17.2.3 any protected disclosure within the meaning of section 43A of the Employment Rights Act 1996.

17.3 You agree that the restrictions set out in this clause 17 are without prejudice to any other duties of confidentiality owed to the Company or any Group Company whether express or implied and that they shall survive the termination of this Contract for whatever reason and will continue after it ends.

18. Termination

18.1 You or the Company may terminate the Appointment on written notice of 12 months or the statutory minimum notice, whichever is the greater.

18.2 The Company shall be entitled at its sole and absolute discretion lawfully to terminate your employment at any time and with immediate effect by written notification to you and to pay within one month following the date of such termination a payment in lieu of notice (PILON) to you. For the avoidance of doubt, the termination of your employment shall be effective on such written notification and shall not be deferred until the PILON is paid. The total PILON will be equal to the basic salary due under clause 8.1 which you would have been entitled to receive under this Contract during the notice period referred to at clause 2.2 or 18.1 (or, if notice has already been given, during the remainder of such notice period) (subject to statutory deductions)

18.3 On termination of the Appointment, for whatever reason, you shall not be entitled to any compensation for the loss of any rights or benefits under any share option, bonus, long-term incentive plan or other profit sharing scheme operated by the Company or any Group Company in which you may participate.

18.4 Upon the termination of your employment with the Company for whatever reason or after notice having been served at the request of the Company or if you shall cease for any reason to be a director or officer of the Company, you shall forthwith, if so required by the Company resign without any claim for compensation or damages from any office or appointment held by you in the Company or in any Group Company, and of all other companies of which he shall have been appointed a director or officer by the Company or Group Company by virtue of any right of nomination vested in such member. You hereby irrevocably authorise the Company to appoint such person in your place and on your behalf to do all such things and execute all such documents which you are obliged to execute and do under this Contract (including without limitation those documents which may be necessary for, or incidental to, your resignation from office).

18.5 You agree that during any period of notice given by either party, you will give to the Company or such person nominated by it all such assistance and co-operation in effecting a smooth and orderly handover of your duties as the Company may reasonably require.

18.6 The Company may at its absolute discretion during any period of notice given by either party:

18.6.1 appoint a person to perform your duties jointly with you or, during any period of garden leave pursuant to clause 20 and/or during any period of suspension pursuant to clause 24.2, to perform all or some of your duties in your place; and/or

18.6.2 suspend or cancel your access to the Company’s IT and telephone systems including, but not limited to, voicemail, email, internet and the Company’s intranet.

19. Summary Termination

19.1 The Company is entitled to terminate the Appointment by summary notice in writing and without payment in lieu of notice if you:

19.1.1 are guilty of any gross misconduct affecting the business of any Group Company;

19.1.2 commit any serious breach or repeated or continued (after warning) any material breach of your obligations under this Contract;

19.1.3 commit (by commission or omission) any act which brings or would tend to bring the Company or any Group Company into disrepute;

19.1.4 fail to perform your duties to a satisfactory standard after having received a written warning from the Company relating to the same;

19.1.5 are guilty of any dishonesty, gross misconduct or wilful neglect of duty;

19.1.6 damage Company property maliciously;

19.1.7 falsify attendance or sickness or other records;

19.1.8 falsify any data during the course of your employment;

19.1.9 conduct yourself in a manner materially adverse to the interests of the Company or any Group Company;

19.1.10 are, in the reasonable opinion of the Board, negligent and incompetent in the performance of your duties;

19.1.11 have a bankruptcy order made against you or enter into a voluntary arrangement within the meaning of section 253 Insolvency Act 1986;

19.1.12 consume or distribute narcotics on Company premises;

19.1.13 are convicted of any criminal offence (other than an offence under any road traffic legislation in the United Kingdom or elsewhere for which a fine or non-custodial penalty is imposed) whether or not in the course of your employment;

19.1.14 are, in the opinion of a medical practitioner who is treating you, physically or mentally incapable of performing your duties and may remain so for more than three months and the medical practitioner has given a medical opinion to the Board to that effect;

19.1.15 cease to be eligible to work in the United Kingdom;

19.1.16 knowingly commit any deliberate act which amounts to discrimination, victimisation or harassment on any unlawful ground;

19.1.17 are in breach of the Company’s anti-corruption and bribery policy and related procedures;

19.1.18 are guilty of a serious breach of any rules issued by the Company from time to time regarding its electronic communications systems;

19.1.19 are unable by reason of Incapacity to perform his duties under this Contract for an aggregate period of 26 weeks in any 52-week period; or

19.1.20 commit any other offence of a similar gravity to the examples under this clause 19.1, which are neither exclusive nor exhaustive.

19.2 Any delay by the Company in exercising such right of termination shall not constitute a waiver of that right.

19.3 The termination by the Company of the Appointment pursuant to this clause 19 will be without prejudice to any claim that the Company may have for damages arising from any breach of this Contract by you that gives rise to such termination.

20. Garden Leave

20.1 After notice of termination has been given by either party pursuant to clause 18 provided that the Company continues to provide you with your normal Salary and benefits under this Contract until the Appointment terminates, the Company may at its absolute discretion without breaking the terms of this contract or giving rise to any claim against the Company for all or part of your notice period place you on garden leave and:-

20.1.1 exclude you from the premises of the Company and any Group Company; and/or

20.1.2 require you to carry out specified duties other than your normal duties or to carry out no duties; and/or

20.1.3 withdraw any powers vested in you; and/or

20.1.4 instruct you not to communicate orally or in writing with suppliers, customers, employees, agents/or representatives of the Company or any Group Company until the Appointment has terminated.

20.2 During any period of garden leave you shall:

20.2.1 continue to receive your Salary and all contractual benefits in the usual way and subject to the terms of any benefit arrangement;

20.2.2 remain an employee of the Company and bound by the terms of your contract of employment with the Company;

20.2.3 not, without the prior written consent of your Manager, attend your place of work or any other premises of the Company or any Group Company;

20.2.4 not, without the prior written consent of your Manager, contact or deal with (or attempt to contact or deal with) any officer, employee, consultant, client, customer, supplier, agent, distributor, shareholder, adviser or other business contact of the Company or any Group Company;

20.2.5 (except during any periods taken as holiday in the usual way) ensure that your Manager knows where you will be and how you can be contacted during each working day and shall comply with any written requests to contact a specified employee of the Company at specified intervals.

21. Restrictions after Employment

21.1 You shall not, save in respect of a Permitted Interest or with the prior written consent of the Company, for a period of 6 months from the Termination Date carry on or be concerned or engaged or interested directly or indirectly (whether as principal, shareholder, partner, employee, officer, agent or otherwise) in any part of any trade or business carried on within the Restricted Area wholly or partly in competition with the Restricted Business.

21.2 You shall not for a period of 6 months from the Termination Date, in competition with the Company, either on your own behalf or on behalf of any person, firm or company in relation to the Restricted Business, directly or indirectly:

21.2.1 deal with or accept custom from any person, firm or company who was a client or customer of the Company or any Group Company during the Period with whom you have been actively engaged or involved or of whom you have acquired Confidential Information or trade secrets by virtue of your duties hereunder during the Period; or

21.2.2 deal with or interfere with any person, firm or company who was a supplier, agent or distributor of the Company or any Group Company during the Period and in each case with whom you have been actively engaged or involved or of whom you have acquired Confidential Information or trade secrets by virtue of your duties hereunder during the Period; or

21.2.3 deal with or interfere with any company from whom the Company or any Group Company has licensed or acquired intellectual property.

21.3 You shall not for a period of 9 months from the Termination Date, in competition with the Company, either on your own behalf or on behalf of any person, firm or company in relation to the Restricted Business, directly or indirectly:

21.3.1 solicit, approach or offer goods or services to or entice away from the Company or any Group Company any person, firm or company who was a client or customer of the Company or any Group Company during the Period with whom you have been actively engaged or involved or of whom you have acquired Confidential Information or trade secrets by virtue of your duties hereunder during the Period;

21.3.2 solicit or approach or offer goods or services to or entice away from the Company or any Group Company any person, firm or company who was a supplier, agent or distributor of the Company or any Group Company during the Period with whom you has been actively engaged or involved or of whom you have acquired Confidential Information or trade secrets by virtue of your duties hereunder during the Period; or

21.3.3 interfere or seek to interfere with the continuance, or any of the terms, of the supply of goods or services to the Company or any Group Company;

PROVIDED THAT nothing contained in clauses 21.1 to 21.3 inclusive shall prohibit you from carrying out any activities that are not in competition with any part of the business of the Company with which you were involved in the Period.

21.4 You shall not for a period of 6 months from the Termination Date either on your own behalf or on behalf of any person, firm or company directly or indirectly, approach, solicit, endeavour to entice away, employ, offer employment to or procure the employment of any person who is or was a Key Employee with whom you have had dealings during the Period whether or not such person would commit any breach of his contract of employment by reason of so leaving the service of the Company or otherwise.

21.5 You shall not, at any time after the Termination Date, either on your own behalf or on behalf of any other person, firm or company directly or indirectly:

21.5.1 represent yourself as being in any way connected with or interested in the business of the Company or any Group Company (other than as a consultant or a member if such be the case) or use any name which is identical or similar to or likely to be confused with the name of the Company or any Group Company or any product or service produced or provided by the Company or any Group Company or which might suggest a connection with the Company or any Group Company; or

21.5.2 directly or indirectly make, publish or otherwise communicate any statement whatsoever whether in writing or otherwise which may have the effect of damaging or lowering the business interests and/or the reputation of the Company or any Group Company or any of its or their former or existing agents, clients, consultants, directors, employees, officers, share-holders, suppliers or workers ("**Relevant Personnel**") and/or which may be disparaging or derogatory to any of the Company or any Group Company or any Relevant Personnel.

21.6 The period of the restrictions in clauses 21.1 to 21.4 inclusive shall be reduced by the period, if any, spent by you during which you are placed on garden leave in accordance with clause 20.

21.7 You agree to notify your new employer of the restrictions contained within clauses 21.1 to 21.4 inclusive.

21.8 You acknowledge that, in the course of your employment, you are likely to have dealings with the clients, customers, suppliers and other contacts of the Company. You agree that each of the restrictions in clauses 21.1 to 21.4 inclusive is separate and distinct, is to be construed separately from the other restrictions, and is reasonable as regards its duration, extent and application for the protection of the legitimate business interests of the Company. However, in the event that any such restriction shall be found to be void or unenforceable but would be valid or enforceable if some part or parts of it were deleted, you agree that such restriction shall apply with such deletions as may be necessary to make it valid and effective.

22. Company Property

22.1 All Documents and other property (including mobile telephones, laptop computers and other technical equipment) provided for your use by the Company, remain the property of the Company or any Group Company.

22.2 Any Documents or other property in your possession and or obtained by you in the course of your employment shall be returned to your Manager at any time on request and in any event prior to the Termination Date.

22.3 At any time upon request and in any event prior to the Termination Date you must irretrievably delete any information relating to the business of the Company or any Group Company stored on any magnetic or optical disk or memory and all matter derived from such sources which is in your possession or under your control outside the Company's premises.

23. Grievance Procedure

The purpose of the grievance procedure is to ensure that any problem, concern or grievance you have about your work, working environment or working relationships is properly dealt with. The Company's current grievance procedure, which does not form part of your terms and conditions of employment, is set out in the Company's Employee Handbook. Should you have any grievance in relation to the Appointment which you are unable to resolve on an informal basis, you should raise it in the first instance with your Manager. In the event that such grievance is against your Manager, you should raise it in the first instance with the Chief Financial Officer or General Counsel.

24. Disciplinary Procedure

24.1 The purpose of the disciplinary procedure is to ensure that the standards established by the Company's rules are maintained and that any alleged failure to observe the Company's rules is fairly dealt with. The Company's current disciplinary procedure, which does not form part of your terms and conditions of employment, is set out in the Company's Employee Handbook. If you wish to appeal against a disciplinary decision you must do in accordance with the disciplinary procedure to a Director of the Company.

24.2 The Company may at any time and from time to time in its discretion suspend you from your duties on payment of full Salary and/or exclude you from any premises of the Company and/or any Group Company whilst it carries out any investigation or disciplinary process. During any period of suspension:

24.2.1 you shall continue to receive your basic salary and all contractual benefits in the usual way and subject to the terms of any benefit arrangement;

24.2.2 you shall remain an employee of the Company and bound by the terms of this Contract;

24.3 you shall ensure that your Manager knows where you will be and how you can be contacted during each working day (except during any periods taken as holiday in the usual way);

24.4 the Company may exclude you from your place of work or any other premises of the Company or any Group Company; and

24.5 the Company may require you not to contact or deal with (or attempt to contact or deal with) any officer, employee, consultant, client, customer, supplier, agent, distributor, shareholder, adviser or other business contact of the Company or any Group Company.

25. Collective Agreements

There are no collective agreements affecting your terms and conditions of employment.

26. Work outside the United Kingdom

26.1 It is not envisaged by the Company that you will be required to travel for work purposes outside the United Kingdom for any periods longer than one month.

26.2 In the event you are required to work outside the United Kingdom for a period of more than one month, the Company will consult with you and will provide the prescribed information to you.

27. Data Protection

For the purposes of the Data Protection Act 1998 you agree that personal data (including sensitive personal data) relating to you which has been or is in the future obtained by the Company may be held and processed by the Company or any Group Company either by computer or manually for all purposes relating to the performance of your contract of employment and the Company's legitimate business needs and legal obligations including, but not limited to the following:

27.1.1 administering and maintaining the Company's personnel records;

27.1.2 paying and reviewing salary and other remuneration and benefits;

27.1.3 providing and administering benefits (including pension) and Private Medical Health Insurance;

27.1.4 undertaking performance appraisals and reviews and setting performance targets;

27.1.5 maintaining sickness and other absence records;

27.1.6 taking decisions as to your fitness for work;

27.1.7 providing references and information to future employers, and if necessary, governmental and quasi-governmental bodies for social security and other purposes, and HM Revenue and Customs;

27.1.8 providing information to future purchasers of the Company or of the business in which you work; and

27.1.9 transferring information concerning you to a country or territory outside the European Economic Area.

28. Monitoring

28.1 You shall comply with any electronic communication systems policies that the Company may issue from time to time.

28.2 To ensure regulatory compliance and for the protection of its workers, clients/customers and business, the Company reserves the right to monitor, intercept, review and access any communication facilities provided by the Company or any Group Company that you may use during the Appointment. The Company will use this right of access reasonably but it is important that you are aware that communications and activities on the equipment or premises of the Company and any Group Company cannot be presumed to be private. You consent to the Company and/or any Group Company and its or their duly authorised agents and employees using surveillance equipment.

29. Rules, Policies and Procedures

You must comply at all times with all the rules, policies and procedures introduced by the Company from time to time, including but not limited to any contained in the Company's Employee Handbook. For the avoidance of doubt such rules, policies and procedures are not incorporated by reference into this Contract and they can be changed, replaced or withdrawn at any time at the discretion of the Company. Breach of Company rules, policies or procedures may result in disciplinary action.

30. Health and Safety

All employees and workers have a duty in law to act responsibly and to take reasonable care for the health and safety at work of both themselves and their colleagues. This duty can be carried out by:

(a) working safely and efficiently;

(b) using any protective equipment provided and meeting statutory obligations;

(c) adhering to the Company procedures for securing a safe workplace.

Further provisions relating to health and safety can be found in the Employee Handbook.

31. Contracts (Rights of Third Parties) Act 1999

The Company or any Group Company may enforce the terms of this Contract and the Contracts (Rights of Third Parties) Act 1999 shall apply accordingly except that the consent of such Group Companies will not be required to vary or rescind the terms of the Contract.

32. Governing Law

This Contract shall be interpreted and construed in accordance with the laws of England and shall be subject to the jurisdiction of the English courts.

33. Jurisdiction

Each party irrevocably agrees that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with this Contract or its subject matter or formation (including non-contractual disputes or claims).

34. Changes to your Terms of Employment

The Company reserves the right to make reasonable changes to any of your terms of employment. You will be notified in writing of any change as soon as possible and in any event within one month of the change.

35. Notices

35.1 Any notice or other communication given or made under this Contract must be in writing and delivered to the relevant party (including by hand or special delivery) or sent by first class post to the address of that party specified in this Contract or such other address as may be notified by that party from time to time for this purpose, and shall be effective notwithstanding any change of address not so notified.

35.2 Unless the contrary shall be proven, each such notice or communication shall be deemed to have been given or made, if sent by first class post, 48 hours after posting and, if delivered by hand, at the time of such delivery.

36. Entire Agreement

36.1 This Contract constitutes the entire agreement between the parties and supersedes and extinguishes all previous agreements, promises, assurances, warranties, representations and understandings between them, whether written or oral, relating to its subject matter.

36.2 Each party acknowledges that in entering into this Contract it does not rely on, and shall have no remedies in respect of, any statement, representation, assurance or warranty (whether made innocently or negligently) that is not set out in this Contract.

36.3 Each party agrees that it shall have no claim for innocent or negligent misrepresentation or negligent misstatement based on any statement in this Contract.

36.4 Nothing in this clause shall limit or exclude any liability for fraud.

37. Counterparts

37.1 This Contract may be executed in any number of counterparts, each of which when executed and delivered shall constitute a duplicate original, but all the counterparts shall together constitute the one agreement.

37.2 No counterpart shall be effective until each party has executed and delivered at least one counterpart.

38. General

You hereby irrevocably and by way of security appoint each director of the Company from time to time, jointly and severally, to be your attorney in your name and on your behalf and as your act and deed to sign, execute and do all acts, things and documents which you are obliged to execute and do under the provisions of this Contract (including, but not limited to clause 16.4) and you hereby agree immediately on the request of the Company to ratify and confirm all such acts, things and documents signed, executed or done in the pursuance of this power.

This document has been executed as a deed and is delivered and takes effect on the date stated at the beginning of it.

Signed by Mereo BioPharma Group Ltd acting by: /s/ Peter Fellner

in the presence of /s/ Sharon Wilson
Signature of witness

Sharon Wilson
Name of witness
[XXXXXX]
Address of witness

Signed as a deed by /s/ Denise Scots-Knight

in the presence of /s/ Jessica Doughty
Signature of witness

Jessica Doughty
Name of witness
[XXXXXX]
Address of witness

SCHEDULE I

WRITTEN JOB DESCRIPTION

The Employee’s duties and responsibilities shall be as follows:-

[ ]

THIS CONTRACT OF EMPLOYMENT dated 29 July 2015 is made

BETWEEN:

(1) **MEREO BIOPHARMA GROUPLTD**, (a company incorporated in England and Wales and registered under number 9481161, whose registered office is at Green Park House, 15 Stratton Street, London W1J 8LQ (the "**Company**"); and

(2) Alastair Mackinnon, [XXXXXXXXX]

This Contract sets out the terms and conditions of your employment with the Company at the date of this Contract and supersedes all previous arrangements or agreements whether oral or in writing between you and the Company in relation to the matters dealt with in it.

1. Interpretation

1.1 The definitions and rules of interpretation in this clause 1 apply in this Contract.

1.1.1 **Appointment**: the employment of the Employee by the Company on the terms of this Contract.

1.1.2 **Associated Employer**: has the meaning given to it in the Employment Rights Act 1996.

1.1.3 **Board**: the board of directors of the Company (including any committee of the board duly appointed by it).

1.1.4 **Commencement Date**: 1st July 2015

1.1.5 **Confidential Information**: all of

(a) financial information relating to the Company and any Group Company including (but not limited to) management accounts, sales forecasts, dividend forecasts, profit and loss accounts and balance sheets, draft accounts, results, order schedules, profit margins, pricing strategies and other information regarding the performance or future performance of the Company or any Group Company;

(b) client or customer lists and contact lists, details of the terms of business with, the fees and commissions charged to or by and the requirements of customers or clients, prospective customers or clients, buyers, and suppliers of the Company or any Group Company;

(c) any information relating to expansion plans, business strategy, marketing plans, and presentations, tenders, projects, joint ventures or acquisitions and developments contemplated, offered or undertaken by the Company or any Group Company;

(d) details of the employees, officers and workers of and consultants to the Company or any Group Company their job skills and capabilities and of the remuneration and other benefits paid to them;

(e) copies or details of and information relating to Know-how, research activities, inventions, creative briefs, ideas, computer programs (whether in source code or object code) secret processes, designs and formulae or other intellectual property acquired, developed, licensed, undertaken, commissioned or produced by or on behalf of the Company or any Group Company;

(f) confidential reports or research commissioned by or provided to the Company or any Group Company and any trade secrets and confidential transactions of the Company or any Group Company;

(g) key metric information such as details of website page hits, visitors, visits, orders per day, total order volumes, average order size, volumes of goods shipped or held in stock, customer acquisition costs, repeat rates and word of mouth rates;

(h) details of any marketing, development, pre-selling or other exploitation of any intellectual property or other rights of the Company or any Group Company, any proposed options or agreements to purchase, licence or otherwise exploit any intellectual property of the Company or any Group Company and any intellectual property which is under consideration for development by the Company or any Group Company,

(i) details of any advertising, marketing or promotional campaign which the Company or any Group Company is to conduct; and

(j) any information which you ought reasonably to know is confidential and any information which has been given to the Company or any Group Company in confidence by agents, buyers, clients, consultants, customers, suppliers or other persons.

1.1.6 **Documents:** documents, manuals, disks, memory, notebooks, tapes (including copies) or any other medium, whether or not eye-readable, on which information (whether confidential or otherwise) may from time to time be referred to, written or recorded.

1.1.7 **Group Company**: the Company, its Subsidiaries or Holding Companies from time to time and any Subsidiary of any Holding Company from time to time.

1.1.8 **Incapacity**: any sickness, injury or other medical disorder or condition which prevents the Employee from carrying out his duties.

1.1.9 **Key Employee:** any employee or contractor who is or was (in the Period) employed or engaged to your knowledge:

(a) at management grade; or

(b) in a senior capacity; or

(c) in a capacity in which he has access to or obtained Confidential Information and in respect of whom you exercised control or had managerial responsibility.

1.1.10 **Know-how:** information (including without limitation that comprised in formulae, specifications, designs, drawings, component lists, databases, software (or pre-cursor documents), databases, manuals, instructions and catalogues) held in whatever form relating to the creation, production or supply of any products or services by the Company or any Group Company, or by or to any of the suppliers, customers, partners or joint ventures of such company.

1.1.11 **Manager**: Chief Executive Officer, Denise Scots-Knight

1.1.12 **Period:** the period of 6 months immediately prior to the Termination Date.

1.1.13 **Permitted Interest:** an interest in any class of shares or other securities of any company which are traded on a recognised investment exchange which amount to not more than 3% of such class of issued shares or securities and an interest in any units of any authorised unit trust.

1.1.14 **Restricted Area:** England, Scotland, Wales or Northern Ireland.

1.1.15 **Restricted Business:** any business whether for profit or not-for-profit that has a significant commercial activity in pharmaceuticals which contain one or more active ingredients that are similar (in drug target specificity and function in relation to modulating that target) to pharmaceutical candidates or products researched, developed or commercialised by the Company at the date of an individual's termination of service with the Company in which the Employee has a material involvement.

1.1.16 **SSP**: statutory sick pay.

1.1.17 **Staff Handbook**: the Company's staff handbook as amended from time to time.

1.1.18 **Subsidiary and Holding Company**: in relation to a company mean "subsidiary" and "holding company" as defined in section 1159 of the Companies Act 2006 and a company shall be treated, for the purposes only of the membership requirement contained in subsections 1159(1)(b) and (c), as a member of another company even if its shares in that other company are registered in the name of (a) another person (or its nominee), whether by way of security or in connection with the taking of security, or (b) a nominee.

1.1.19 **Termination Date:** the date of termination or expiration of this Contract.

1.2 The headings in this Contract are inserted for convenience only and shall not affect its construction.

1.3 A reference to a particular law is a reference to it as it is in force for the time being taking account of any amendment, extension, or re-enactment and includes any subordinate legislation for the time being in force made under it.

1.4 Unless the context otherwise requires, a reference to one gender shall include a reference to the other genders.

1.5 Unless the context otherwise requires, words in the singular include the plural and in the plural include the singular.

1.6 The schedules to this Contract form part of (and are incorporated into) this Contract.

2. Term of Appointment

2.1 The Appointment shall commence on the Commencement Date and shall continue, subject to the remaining terms of this Contract, until terminated by either party giving the other not less than 3 months' prior notice (or the statutory minimum notice, whichever is the greater) in writing.

2.2 [This clause intentionally blank].

2.3 No employment with a previous employer counts towards the Employee's period of continuous employment with the Company.

2.4 The Employee consents to the transfer of his employment under this Contract to an Associated Employer at any time during the Appointment.

3. Employee Warranties

3.1 You represent and warrant to the Company that, by entering into this Contract or performing any of your obligations under it, you will not be in breach of any court order or any express or implied terms of any contract or other obligation binding on you.

3.2 You represent and warrant to the Company that you are not bound by or subject to any agreement, arrangement, court order, obligation or undertaking which in any way restricts or prohibits you from entering into this Contract or from performing your duties for the Company as set out in this Contract.

3.3 You warrant that you are entitled to work in the UK without any additional approvals and will notify the Company immediately if you cease to be so entitled at any time during the Appointment.

4. Job Title and Reporting

Your job title is Chief Medical Officer and you will report to the Manager or such other person as may be authorised by the Company and notified to you.

5. Job Description and Duties

5.1 Your main tasks and responsibilities are set out in the written job description at Schedule I. The Company reserves the right to require you to change your job title and/or job description and/or reporting structure or to require you to perform a different job or different or additional duties consistent with your status and any such change will not constitute a change of the terms and conditions of your employment.

5.2 You must perform your job to the best of your ability and to comply with any duties implied by law.

5.3 During the Appointment you shall:

5.3.1 unless prevented by Incapacity, devote substantially the whole of your time, attention and abilities to the business of the Company and any Group Company of which you are an officer or consultant;

5.3.2 diligently exercise such powers and perform such duties as may from time to time be assigned to you by the Company together with such person or persons as the Company may appoint to act jointly with you;

5.3.3 comply with all reasonable and lawful directions given to you by the Company;

5.3.4 promptly make such reports to your Manager in connection with the affairs of any Group Company on such matters and at such times as are reasonably required;

5.3.5 report your own wrongdoing and any wrongdoing or proposed wrongdoing of any other employee or director of any Group Company to your Manager immediately on becoming aware of it;

5.3.6 use your best endeavours to promote, protect, develop and extend the business of any Group Company; and

5.3.7 consent to the Company monitoring and recording any use that you make of the Company's electronic communications systems for the purpose of ensuring that the Company's rules are being complied with and for legitimate business purposes.

5.4 You shall comply with the Company's anti-corruption and bribery policy and related procedures at all times.

5.5 You shall comply with any rules, policies and procedures set out in the Staff Handbook. The Staff Handbook does not form part of this Contract and the Company may amend it at any time. To the extent that there is any conflict between the terms of this Contract and the Staff Handbook, this Contract shall prevail.

5.6 All documents, manuals, hardware and software provided for your use by the Company, and any data or documents (including copies) produced, maintained or stored on the Company's computer systems or other electronic equipment (including mobile phones), remain the property of the Company.

6. Location

6.1 Your normal place of work is the Company's offices at Green Park House, 15 Stratton Street, London W1J 8LQ or such other place as the Company may reasonably determine for the proper performance and exercise of your duties.

6.2 The Company may require you to perform services for any Group Company wherever situated and without further fees or remuneration and to enter into any separate agreement(s) with such Group Company for such purpose and any duties that you may have under this Contract will be deemed to extend to such Group Company.

6.3 You agree to travel on any Group Company's business (both within the United Kingdom and abroad) as may be required for the proper performance of your duties under the Appointment.

7. Hours of Work

7.1 Your normal working hours are from 09:00 to 17:00 on each week day, excluding public and bank holidays of England and Wales, together with such additional hours, on week days (including public and bank holidays of England and Wales) or weekends, as may be necessary for the proper performance of your duties.

7.2 Regulation 4(1) of the Working Time Regulations 1998 (the "**WTR**") provides that a worker's average working time, including overtime, must not exceed 48 hours for each seven-day period (to be averaged over a period of 17 weeks) unless the worker agrees that this regulation will not apply to his or her employment.

You acknowledge that you hold an executive position with certain autonomous decision taking powers and therefore are not subject to regulation 4(1) of the Working Time Regulations 1998 but without prejudice to that you accept that by signing this Contract you have agreed that, insofar as it would apply to your employment with the Company, regulation 4(1) of the Working Time Regulations 1998 shall not apply.

7.3 At any time during the Appointment, you or the Company may give three months' prior written notice that the opt-out of clause 7.2 should no longer apply and it will cease to apply with effect from the expiry of the said notice.

7.4 You will comply with any requests made or measures imposed to enable the Company and/or you to monitor and record your working time.

8. Salary

8.1 Your salary is £210,000 per annum (the **"Salary"**), less statutory and voluntary deduction. The Salary shall accrue from day to day and be payable by equal monthly instalments in arrears on the last business day of each calendar month directly into your UK bank or building society account.

8.2 You will receive no additional payment for any overtime worked. Your Salary will include any director's, company secretary's and other fees and emoluments due to you as an officer of the Company or of any Group Company.

8.3 Your Salary will be reviewed by your Manager annually, the first such review taking effect from 1 January 2016 and may be increased from time to time at the Company's discretion without affecting the other terms of the Appointment. There is no obligation to award an increase. There will be no review of the Salary after notice has been given by either party to terminate the Appointment.

8.4 If you are invited to participate in any employees' share scheme (as defined in section 1166 of the Companies Act 2006) and accept, your membership shall be governed exclusively by the rules of the relevant scheme from time to time. Your rights and obligations under this Contract shall not be affected by your participation in the scheme or any right which you may have to participate in it and you shall have no claim for compensation or damages under or in connection with this Contract in consequence of the termination of the Appointment for any reason whatsoever insofar as the termination of the Appointment may end your participation or reduce the value of awards you may receive under it.

8.5 You authorise the Company to deduct from your Salary any sums which you may owe the Company including without limitation any overpayment of salary or expenses, any debt or loans or any other sum or sums which may be required to be authorised pursuant to Section 13 of the Employment Rights Act 1996.

9. Discretionary Bonus

9.1 You may be considered for a discretionary bonus in relation to each calendar year. The payment of any discretionary bonus is not guaranteed under this Contract and your eligibility for a discretionary bonus shall be assessed in accordance with and subject to the terms of the Company's performance related discretionary bonus scheme.

9.2 The terms of the discretionary bonus scheme are determined by the Company in its absolute discretion and the Company is entitled in its absolute discretion to change the terms of this scheme from year to year.

9.3 The amount of the discretionary bonus, if any, in any particular calendar year shall be determined by the Company in its sole discretion. Payment of a bonus in one calendar year does not entitle you to receive a bonus in respect of any other calendar year.

9.4 If you commence employment part way through the calendar year any sum calculated in accordance with clause 9.2 shall be pro-rated, as appropriate.

9.5 If you are working your period of notice (given by either you or the Company) at the date any bonus is payable to you, or the Appointment is terminated prior to that date, no bonus or pro-rata bonus shall be payable.

9.6 Any discretionary bonus payable in accordance with this clause 9 shall not be pensionable.

10. Expenses

10.1 The Company will reimburse (or procure the reimbursement of) all expenses properly, necessarily and reasonably incurred by you in the proper performance of your duties, provided that on request you will provide the Company with such VAT receipts, invoices or other evidence of actual payment of such expenses as the Company may reasonably require.

10.2 You shall comply with the Company's expenses policy as set out in the Staff Handbook from time to time.

10.3 Any expenses charged to a Company credit card must be documented in accordance with Company procedures and approved by the Chief Financial Officer within one month of the date that the credit card statement is received. No personal expenditure may be charged to Company credit cards.

11. Other Employment

11.1 You must devote substantially the whole of your time, attention and abilities during your normal hours of work to your duties for the Company.

11.2 Without the prior written approval of the Board, you may not, whether directly or indirectly, undertake any other job (including voluntary work) or carry on a business, of whatever kind, during your hours of work for the Company. Without the prior written approval of the Board, you may not, whether directly or indirectly, undertake any other job (including voluntary work) or carry on a business, of whatever kind, outside Company hours if in the reasonable opinion of the Company this is likely to affect your work performance for the Company and you will promptly disclose to the Company sufficient details of any such job or business in order for the Company to consider whether it is likely to affect your work performance. Nothing in this clause 11.2 will prevent you from holding a Permitted Interest (as defined below)

11.3 You may not at any time during the period of your employment by the Company without the prior written consent of the Chief Executive Officer engage, whether directly or indirectly, in any business or employment which is similar to or in any way connected with the business of the Company. Nothing in this clause 11.3 will prevent you from continuing with your activities relating to Phase4 Partners Limited.

12. Holidays

12.1 In addition to the usual public and bank holidays of England and Wales, you shall be entitled to 25 days' paid holiday in each complete holiday year worked (and pro rata for any holiday year worked in part) to be taken at such time or times as shall be agreed by your Manager.

12.2 The holiday year runs from 1 January each year to the following 31 December.

12.3 Although the Company will agree to your proposed holiday dates wherever possible, it reserves the right to withhold approval where necessary to protect the interests of the business.

12.4 The Company reserves the right to require you to take holiday on certain days to be determined by the Company of up to five days in each holiday year. The Company will notify you of any such requirement prior to the commencement of each holiday year.

12.5 A maximum of five days untaken holiday entitlement may be carried forward from one holiday year subject to the prior written agreement of your Manager to the next and no money will be paid in lieu of any such untaken holiday entitlement.

12.6 On termination of the Appointment you shall be entitled to be paid in lieu of holiday accrued but untaken in the holiday year in which termination takes place. Your entitlement to holiday will be calculated on the basis that each day of paid holiday is equal to 1/260 of your salary. Alternatively, you will be required to repay to the Company pay for any holiday taken in excess of your entitlement at the same rate.

12.7 If in any year you are not employed for the complete holiday year (for example, in the years in which you join and leave the Company), your holiday entitlement will be calculated pro rata based on the number of complete months worked during the relevant holiday year.

12.8 The Company may require you to take any outstanding holiday entitlement during your notice period or during any period of garden leave as referred to in clause 20.

12.9 The holiday year is also the leave year for parental leave purposes.

13. Notification of Sickness or Other Absence

13.1 If you are absent from work for any reason and your absence has not previously been authorised by your Manager you, or someone on your behalf, must inform your Manager by 10.00 am on each day of absence.

13.2 Any unauthorised absence must be properly explained and in the case of an absence of uncertain duration you must keep the Company informed on a daily basis until you have provided the Company with a medical certificate.

13.3 If you are absent from work due to sickness or injury which continues for more than seven days (including weekends) you must provide the Company with a medical certificate on or before the eighth day of sickness or injury. Thereafter medical certificates must be provided to the Company to cover any continued absence.

13.4 Immediately following your return to work after any period of absence which has not previously been authorised by your Manager you are required to complete a Self-Certification form stating the date of and the reason for your absence, including details of sickness on non-working days as this information is required by the Company for calculating Statutory Sick Pay entitlement. Self-Certification forms will be retained in the Company’s records.

13.5 Failure to comply with the above procedures may result in disciplinary action and/or the loss of Company sick pay (referred to below) and may also disqualify you from receiving Statutory Sick Pay.

13.6 Your “qualifying days” for Statutory Sick Pay purposes are those days of the week on which you are due to work in accordance with this contract of employment.

13.7 You shall:

13.7.1 agree to consent to a medical examination (at the Company’s expense) by a doctor nominated by the Company or your GP or any relevant consultant at any time should the Company so require; and

13.7.2 authorise such medical practitioner to disclose to or discuss with the Company (or its medical adviser) any matters arising from such examination.

13.8 The rights of the Company to terminate the Appointment under the terms of this Contract apply even when such termination would or might cause you to forfeit any entitlement to sick pay, payments under the medical scheme, or other benefits.

14. Sick Pay

14.1 Provided that you have complied with the Company’s notification and certification procedures and general terms relating to sickness absence referred to in clause 13 above and that you have completed three months of continuous service prior to the start of the period of sickness, you will be entitled to be paid your normal basic pay for periods of sickness absence up to a maximum of 10 working days in aggregate in any calendar year. Any payments made thereafter will be at the sole discretion of the Company. Payments of sick pay include Statutory Sick Pay and will be reduced by any state sickness benefit you may be entitled to receive.

14.2 If you are absent from work due to the actionable negligence, nuisance or breach of any statutory duty on the part of a third party in respect of which damages are or may be recoverable, you shall immediately notify your Manager of that fact and of any claim, compromise, settlement or judgment made or awarded in connection with it and all relevant particulars that the Company may reasonably require. In such circumstances any Company sick pay will be paid as a loan which, if required by the Company, you must repay to the Company if you recover damages in respect of your absence from work.

14.3 The Company reserves the right to withhold payment of Company sick pay if you fail to comply with the provisions of clause 13 or if you are subject to disciplinary proceedings.

15. Other Benefits

15.1 **Pension.** You are eligible to join the Company’s group personal pension scheme. Membership of and benefits under the scheme are strictly subject to the rules of the scheme as amended from time to time. The Company expressly reserves the right in its discretion to amend or terminate the pension scheme. The Company shall contribute to the Company’s pension scheme an amount equal to 10% of your Salary provided that you contribute 4% or more to that scheme, subject to the annual allowance set by HM Revenue & Customs from time to time not being exceeded. In the event that you exceed the annual allowance set by HM Revenue & Customs in any fiscal year or maximum lifetime allowance, the Company may, at

your request, pay a pro-rata amount equal to 10% of your basic salary in lieu of a pension contribution to you as an allowance, subject to deduction of income tax and national insurance contributions, you certifying and, at the request of the Company, providing evidence satisfactory to the Company that you have exceeded such annual allowance for the applicable fiscal year or the maximum lifetime allowance and, if necessary, you opting out of auto enrolment. Any pension contribution or allowance shall be paid in equal monthly instalments in arrears.

15.2 The Company will comply with the employer pension duties in respect of your employment in accordance with Part I of the Pensions Act 2008.

15.3 A contracting-out certificate under the Pension Schemes Act 1993 is not in force in respect of the Appointment.

15.4 Subject to the rules and eligibility requirements of each scheme from time to time in force and to your health not being such as to prevent the Company (or the relevant Group Company) from being able to obtain cover on reasonable terms, you will be entitled to participate in the following schemes:

15.4.1 **Medical Scheme.** You and your immediate family shall be entitled to participate in the medical insurance scheme maintained from time to time by the Company for the benefit of employees.

15.4.2 **Life Assurance Scheme.** The Company shall maintain for you life assurance of four times your Salary.

15.5 Any benefits that may from time to time be provided by the Company to you or your family that are not expressly referred to in this Contract shall be provided at the entire discretion of the Company and, unless so agreed in writing, shall not form part of your terms and conditions of employment.

15.6 Participation in any insurance or assurance scheme provided for you under this Contract:

15.6.1 is absolutely subject to its terms and conditions from time to time in force;

15.6.2 is conditional on you satisfying any applicable requirements of the insurers;

15.6.3 is subject to you and any insured dependants satisfying the normal underwriting requirements of the relevant insurance provider and the relevant premium being at a rate which the Company considers reasonable; and

15.6.4 will end when you attain whichever is the greater of the age of 65 and the state pensionable age.

15.7 The Company reserves the right at any time, on three months' written notice, to withdraw any insurance or other benefits set out in this clause 15 or to amend the terms on which they are provided. If an insurance provider refuses for any reason to provide insurance benefit to you under any insurance scheme the Company shall not be liable to provide you with any replacement benefit of the same or similar kind or to pay any compensation in lieu of such benefit.

15.8 You may be required, at the request and expense of the Company, to submit to a medical examination by a medical practitioner nominated by the Company to support applications for insurance set out in this clause 15 or any other insurance schemes required by the Company, and you hereby authorise such medical practitioner to disclose to or discuss with the Company's medical adviser and/or the relevant insurer's medical adviser any matters arising from such examination and the Company's medical adviser may notify the Board of any serious matter if, in his opinion, it might materially adversely affect your health or the proper discharge of your duties.

16. Intellectual Property

16.1 You agree and acknowledge that during the course of your employment and in pursuance of the discharge of your duties you will make, create, produce and generate intellectual property rights, including Inventions.

16.2 Inventions

16.2.1 If while employed by the Company you (whether alone or with any other person) make, produce or are responsible for any invention, discovery, process, business idea, or method of any description that relates to or could be used in any business of the Company ("**an Invention**"), you shall promptly give to a Director of the Company full written details thereof.

16.2.2 If the Invention is a patentable invention within the meaning of Section 1 of the Patents Act 1977 and, according to the provisions of Section 39 of that Act it belongs to you ("**Personal Invention**"), you shall if so requested by the Company no later than six months from disclosure to the Company pursuant to sub-clause 16.2.1 above, negotiate with the Company in good faith for the assignment or licence of your rights in that Invention to the Company for further consideration.

16.2.3 Any Invention created in the course of your employment by the Company shall belong to the Company ("**Company Inventions**"). Any and all intellectual property rights in or relating to any and all such Company Inventions shall be owned by the Company. You hereby irrevocably assign to the Company (by way of present assignment of present and future rights) with full title guarantee absolutely and free from all encumbrances all right, title and interest in and to all intellectual property rights in or relating to Company Inventions and all materials embodying such rights to the fullest extent permitted by law together with all accrued rights of action in respect of any infringement of such rights. Insofar as they do not so vest automatically by operation of law or under this Contract, you shall hold all such rights and inventions on trust for the exclusive benefit of the Company, and shall not transfer them to a third party or encumber them and shall on demand assign them to the Company without payment or other condition. You shall execute (both during and after the termination of your employment) all documents and do all things necessary to substantiate the Company's rights in Company Inventions and to obtain registration or protection thereof in the Company's name in any country.

16.2.4 Save for the disclosure to the Company as provided above or, in the case of a Personal Invention only, as required for the purpose of obtaining patent protection for the Personal Invention, you shall keep all details of any Invention confidential to yourself and any solicitor, counsel or patent agent instructed by you and you shall not use any Company Invention for any purpose. You shall not without the Company's prior written consent apply for a patent in any country in relation to any Company Invention and shall promptly inform the Company if you apply for a patent in any country for a Personal Invention. Notwithstanding the foregoing, you shall not include any Confidential Information in any application for a patent for a Personal Invention.

16.3 Copyright and other rights

16.3.1 If while employed by the Company you, whether on your own or with any other person, create any copyright work or design (including without limitation any literary, dramatic, musical or artistic work, and any film, sound recording, cable programme, broadcast, typographical arrangement of a published edition, computer program, adaptation or design document) or any database or any other work or matter of any description (other than an Invention) capable of protection under copyright, design right, trademarks, database rights or other intellectual or industrial and commercial property laws of any country, that relates to or could be used in the business of the Company, (a "**Protected Work**"), you shall promptly disclose to the Chief Financial Officer or General Counsel full details thereof in writing and shall if requested by the Company deliver to it all copies or representations of the Protected Work in any material form but shall otherwise keep the Protected Work confidential and not use it for any purpose other than for the Company.

16.3.2 All proprietary rights in any Protected Work created by you in the course of your employment by the Company shall automatically vest in the Company.

16.3.3 To the extent that the Company is not already the owner of the copyright, design rights, trade marks, database rights and other intellectual or industrial and commercial property rights ("**the Rights**") in a Protected Work pursuant to clause 16.3.2 you shall hold the Protected Work and the Rights on trust for the Company and shall assign without payment or any other condition (and, in the case of the UK copyright, design rights, trade marks and database rights hereby assign by way of future assignment of copyright, design right, trademarks and database rights respectively), the Protected Work and all Rights therein in all countries of the world to the Company absolutely together with all accrued rights of action in respect of any infringement of the same.

16.4 You shall, without charge to but at the cost of the Company, execute all documents and do all acts, things and matters beneficial to, required or necessary (both during and after the termination of your employment) to vest rights in the Company (or its successors), or substantiate the Company's (or its successor's) rights, in any

Company Inventions, the Rights and Protected Works and to obtain protection for the Company Inventions, Rights and Protected Works in the Company's (or its successor's) name in any country.

16.5 To the extent permitted by law, you hereby irrevocably and unconditionally waive any and all moral rights conferred by Chapter IV of the Copyright Designs and Patents Act 1988 or any rights of a similar nature under laws now or in the future in force in any other jurisdiction in and to any and all Protected Work, such waiver being given in favour of the Company, its successors in title and assigns.

16.6 You hereby irrevocably appoint the Company to be your attorney to execute and do any such instrument or thing and generally to use your name for the purpose of giving the Company or its nominee the benefit of this clause 16 and acknowledge in favour of a third party that a certificate in writing signed by any Director or the Company Secretary that any instrument or act falls within the authority conferred by this clause 16 shall be conclusive evidence that such is the case.

16.7 The provisions of this clause 16 will not be affected by the termination of this Contract for whatever reason and will continue after it ends.

17. Confidentiality

17.1 You acknowledge that in the course of the Appointment you will have access to Confidential Information. You therefore agree to accept the restrictions in this clause 17.

17.2 You shall not (except in the proper course of your duties), either during the Appointment or at any time after its termination (however arising), use or disclose to any person, company or other organisation whatsoever (and shall use your best endeavours to prevent the publication or disclosure of) any Confidential Information. This shall not apply to:

17.2.1 any use or disclosure authorised by the Board in writing or required by law;

17.2.2 any information which is already in, or comes into, the public domain other than through your unauthorised disclosure; or

17.2.3 any protected disclosure within the meaning of section 43A of the Employment Rights Act 1996.

17.3 You agree that the restrictions set out in this clause 17 are without prejudice to any other duties of confidentiality owed to the Company or any Group Company whether express or implied and that they shall survive the termination of this Contract for whatever reason and will continue after it ends.

18. Termination

18.1 You or the Company may terminate the Appointment on written notice of 3 months or the statutory minimum notice, whichever is the greater.

18.2 The Company shall be entitled at its sole and absolute discretion lawfully to terminate your employment at any time and with immediate effect by written

notification to you and to pay within one month following the date of such termination a payment in lieu of notice (PILON) to you. For the avoidance of doubt, the termination of your employment shall be effective on such written notification and shall not be deferred until the PILON is paid. The total PILON will be equal to the basic salary due under clause 8.1 which you would have been entitled to receive under this Contract during the notice period referred to at clause 2.2 or 18.1 (or, if notice has already been given, during the remainder of such notice period) (subject to statutory deductions)

18.3 On termination of the Appointment, for whatever reason, you shall not be entitled to any compensation for the loss of any rights or benefits under any share option, bonus, long-term incentive plan or other profit sharing scheme operated by the Company or any Group Company in which you may participate.

18.4 Upon the termination of your employment with the Company for whatever reason or after notice having been served at the request of the Company or if you shall cease for any reason to be a director or officer of the Company, you shall forthwith, if so required by the Company resign without any claim for compensation or damages from any office or appointment held by you in the Company or in any Group Company, and of all other companies of which he shall have been appointed a director or officer by the Company or Group Company by virtue of any right of nomination vested in such member. You hereby irrevocably authorise the Company to appoint such person in your place and on your behalf to do all such things and execute all such documents which you are obliged to execute and do under this Contract (including without limitation those documents which may be necessary for, or incidental to, your resignation from office).

18.5 You agree that during any period of notice given by either party, you will give to the Company or such person nominated by it all such assistance and co-operation in effecting a smooth and orderly handover of your duties as the Company may reasonably require.

18.6 The Company may at its absolute discretion during any period of notice given by either party:

18.6.1 appoint a person to perform your duties jointly with you or, during any period of garden leave pursuant to clause 20 and/or during any period of suspension pursuant to clause 24.2, to perform all or some of your duties in your place; and/or

18.6.2 suspend or cancel your access to the Company's IT and telephone systems including, but not limited to, voicemail, email, internet and the Company's intranet.

19. Summary Termination

19.1 The Company is entitled to terminate the Appointment by summary notice in writing and without payment in lieu of notice if you:

19.1.1 are guilty of any gross misconduct affecting the business of any Group Company;

19.1.2 commit any serious breach or repeated or continued (after warning) any material breach of your obligations under this Contract;

19.1.3 commit (by commission or omission) any act which brings or would tend to bring the Company or any Group Company into disrepute;

19.1.4 fail to perform your duties to a satisfactory standard after having received a written warning from the Company relating to the same;

19.1.5 are guilty of any dishonesty, gross misconduct or wilful neglect of duty;

19.1.6 damage Company property maliciously;

19.1.7 falsify attendance or sickness or other records;

19.1.8 falsify any data during the course of your employment;

19.1.9 conduct yourself in a manner materially adverse to the interests of the Company or any Group Company;

19.1.10 are, in the reasonable opinion of the Board, negligent and incompetent in the performance of your duties;

19.1.11 have a bankruptcy order made against you or enter into a voluntary arrangement within the meaning of section 253 Insolvency Act 1986;

19.1.12 consume or distribute narcotics on Company premises;

19.1.13 are convicted of any criminal offence (other than an offence under any road traffic legislation in the United Kingdom or elsewhere for which a fine or non-custodial penalty is imposed) whether or not in the course of your employment;

19.1.14 are, in the opinion of a medical practitioner who is treating you, physically or mentally incapable of performing your duties and may remain so for more than three months and the medical practitioner has given a medical opinion to the Board to that effect;

19.1.15 cease to be eligible to work in the United Kingdom;

19.1.16 knowingly commit any deliberate act which amounts to discrimination, victimisation or harassment on any unlawful ground;

19.1.17 are in breach of the Company's anti-corruption and bribery policy and related procedures;

19.1.18 are guilty of a serious breach of any rules issued by the Company from time to time regarding its electronic communications systems;

19.1.19 are unable by reason of Incapacity to perform his duties under this Contract for an aggregate period of 26 weeks in any 52-week period; or

19.1.20 commit any other offence of a similar gravity to the examples under this clause 19.1, which are neither exclusive nor exhaustive.

19.2 Any delay by the Company in exercising such right of termination shall not constitute a waiver of that right.

19.3 The termination by the Company of the Appointment pursuant to this clause 19 will be without prejudice to any claim that the Company may have for damages arising from any breach of this Contract by you that gives rise to such termination.

20. Garden Leave

20.1 After notice of termination has been given by either party pursuant to clause 18 provided that the Company continues to provide you with your normal Salary and benefits under this Contract until the Appointment terminates, the Company may at its absolute discretion without breaking the terms of this contract or giving rise to any claim against the Company for all or part of your notice period place you on garden leave and:-

20.1.1 exclude you from the premises of the Company and any Group Company; and/or

20.1.2 require you to carry out specified duties other than your normal duties or to carry out no duties; and/or

20.1.3 withdraw any powers vested in you; and/or

20.1.4 instruct you not to communicate orally or in writing with suppliers, customers, employees, agents/or representatives of the Company or any Group Company until the Appointment has terminated.

20.2 During any period of garden leave you shall:

20.2.1 continue to receive your Salary and all contractual benefits in the usual way and subject to the terms of any benefit arrangement;

20.2.2 remain an employee of the Company and bound by the terms of your contract of employment with the Company;

20.2.3 not, without the prior written consent of your Manager, attend your place of work or any other premises of the Company or any Group Company;

20.2.4 not, without the prior written consent of your Manager, contact or deal with (or attempt to contact or deal with) any officer, employee, consultant, client, customer, supplier, agent, distributor, shareholder, adviser or other business contact of the Company or any Group Company;

20.2.5 (except during any periods taken as holiday in the usual way) ensure that your Manager knows where you will be and how you can be contacted during each working day and shall comply with any written requests to contact a specified employee of the Company at specified intervals.

21. Restrictions after Employment

21.1 You shall not, save in respect of a Permitted Interest or with the prior written consent of the Company, for a period of 3 months from the Termination Date carry on or be concerned or engaged or interested directly or indirectly (whether as principal, shareholder, partner, employee, officer, agent or otherwise) in any part of any trade or business carried on within the Restricted Area wholly or partly in competition with the Restricted Business.

21.2 You shall not for a period of 3 months from the Termination Date, in competition with the Company, either on your own behalf or on behalf of any person, firm or company in relation to the Restricted Business, directly or indirectly:

21.2.1 deal with or accept custom from any person, firm or company who was a client or customer of the Company or any Group Company during the Period with whom you have been actively engaged or involved or of whom you have acquired Confidential Information or trade secrets by virtue of your duties hereunder during the Period; or

21.2.2 deal with or interfere with any person, firm or company who was a supplier, agent or distributor of the Company or any Group Company during the Period and in each case with whom you have been actively engaged or involved or of whom you have acquired Confidential Information or trade secrets by virtue of your duties hereunder during the Period; or

21.2.3 deal with or interfere with any company from whom the Company or any Group Company has licensed or acquired intellectual property.

21.3 You shall not for a period of 9 months from the Termination Date, in competition with the Company, either on your own behalf or on behalf of any person, firm or company in relation to the Restricted Business, directly or indirectly:

21.3.1 solicit, approach or offer goods or services to or entice away from the Company or any Group Company any person, firm or company who was a client or customer of the Company or any Group Company during the Period with whom you have been actively engaged or involved or of whom you have acquired Confidential Information or trade secrets by virtue of your duties hereunder during the Period;

21.3.2 solicit or approach or offer goods or services to or entice away from the Company or any Group Company any person, firm or company who was a supplier, agent or distributor of the Company or any Group Company during the Period with whom you has been actively engaged or involved or of whom you have acquired Confidential Information or trade secrets by virtue of your duties hereunder during the Period; or

21.3.3 interfere or seek to interfere with the continuance, or any of the terms, of the supply of goods or services to the Company or any Group Company;

PROVIDED THAT nothing contained in clauses 21.1 to 21.3 inclusive shall prohibit you from carrying out any activities that are not in competition with any part of the business of the Company with which you were involved in the Period.

21.4 You shall not for a period of 6 months from the Termination Date either on your own behalf or on behalf of any person, firm or company directly or indirectly, approach, solicit, endeavour to entice away, employ, offer employment to or procure the employment of any person who is or was a Key Employee with whom you have had dealings during the Period whether or not such person would commit any breach of his contract of employment by reason of so leaving the service of the Company or otherwise.

21.5 You shall not, at any time after the Termination Date, either on your own behalf or on behalf of any other person, firm or company directly or indirectly:

21.5.1 represent yourself as being in any way connected with or interested in the business of the Company or any Group Company (other than as a consultant or a member if such be the case) or use any name which is identical or similar to or likely to be confused with the name of the Company or any Group Company or any product or service produced or provided by the Company or any Group Company or which might suggest a connection with the Company or any Group Company; or

21.5.2 directly or indirectly make, publish or otherwise communicate any statement whatsoever whether in writing or otherwise which may have the effect of damaging or lowering the business interests and/or the reputation of the Company or any Group Company or any of its or their former or existing agents, clients, consultants, directors, employees, officers, share-holders, suppliers or workers ("**Relevant Personnel**") and/or which may be disparaging or derogatory to any of the Company or any Group Company or any Relevant Personnel.

21.6 The period of the restrictions in clauses 21.1 to 21.4 inclusive shall be reduced by the period, if any, spent by you during which you are placed on garden leave in accordance with clause 20.

21.7 You agree to notify your new employer of the restrictions contained within clauses 21.1 to 21.4 inclusive.

21.8 You acknowledge that, in the course of your employment, you are likely to have dealings with the clients, customers, suppliers and other contacts of the Company. You agree that each of the restrictions in clauses 21.1 to 21.4 inclusive is separate and distinct, is to be construed separately from the other restrictions, and is reasonable as regards its duration, extent and application for the protection of the legitimate business interests of the Company. However, in the event that any such restriction shall be found to be void or unenforceable but would be valid or enforceable if some part or parts of it were deleted, you agree that such restriction shall apply with such deletions as may be necessary to make it valid and effective.

22. Company Property

22.1 All Documents and other property (including mobile telephones, laptop computers and other technical equipment) provided for your use by the Company, remain the property of the Company or any Group Company.

22.2 Any Documents or other property in your possession and or obtained by you in the course of your employment shall be returned to your Manager at any time on request and in any event prior to the Termination Date.

22.3 At any time upon request and in any event prior to the Termination Date you must irretrievably delete any information relating to the business of the Company or any Group Company stored on any magnetic or optical disk or memory and all matter derived from such sources which is in your possession or under your control outside the Company's premises.

23. Grievance Procedure

The purpose of the grievance procedure is to ensure that any problem, concern or grievance you have about your work, working environment or working relationships is properly dealt with. The Company's current grievance procedure, which does not form part of your terms and conditions of employment, is set out in the Company's Employee Handbook. Should you have any grievance in relation to the Appointment which you are unable to resolve on an informal basis, you should raise it in the first instance with your Manager. In the event that such grievance is against your Manager, you should raise it in the first instance with the Chief Financial Officer or General Counsel.

24. Disciplinary Procedure

24.1 The purpose of the disciplinary procedure is to ensure that the standards established by the Company's rules are maintained and that any alleged failure to observe the Company's rules is fairly dealt with. The Company's current disciplinary procedure, which does not form part of your terms and conditions of employment, is set out in the Company's Employee Handbook. If you wish to appeal against a disciplinary decision you must do in accordance with the disciplinary procedure to a Director of the Company.

24.2 The Company may at any time and from time to time in its discretion suspend you from your duties on payment of full Salary and/or exclude you from any premises of the Company and/or any Group Company whilst it carries out any investigation or disciplinary process. During any period of suspension:

24.2.1 you shall continue to receive your basic salary and all contractual benefits in the usual way and subject to the terms of any benefit arrangement;

24.2.2 you shall remain an employee of the Company and bound by the terms of this Contract;

24.3 you shall ensure that your Manager knows where you will be and how you can be contacted during each working day (except during any periods taken as holiday in the usual way);

24.4 the Company may exclude you from your place of work or any other premises of the Company or any Group Company; and

24.5 the Company may require you not to contact or deal with (or attempt to contact or deal with) any officer, employee, consultant, client, customer, supplier, agent, distributor, shareholder, adviser or other business contact of the Company or any Group Company.

25. Collective Agreements

There are no collective agreements affecting your terms and conditions of employment.

26. Work outside the United Kingdom

26.1 It is not envisaged by the Company that you will be required to travel for work purposes outside the United Kingdom for any periods longer than one month.

26.2 In the event you are required to work outside the United Kingdom for a period of more than one month, the Company will consult with you and will provide the prescribed information to you.

27. Data Protection

For the purposes of the Data Protection Act 1998 you agree that personal data (including sensitive personal data) relating to you which has been or is in the future obtained by the Company may be held and processed by the Company or any Group Company either by computer or manually for all purposes relating to the performance of your contract of employment and the Company's legitimate business needs and legal obligations including, but not limited to the following:

27.1.1 administering and maintaining the Company's personnel records;

27.1.2 paying and reviewing salary and other remuneration and benefits;

27.1.3 providing and administering benefits (including pension) and Private Medical Health Insurance;

27.1.4 undertaking performance appraisals and reviews and setting performance targets;

27.1.5 maintaining sickness and other absence records;

27.1.6 taking decisions as to your fitness for work;

27.1.7 providing references and information to future employers, and if necessary, governmental and quasi-governmental bodies for social security and other purposes, and HM Revenue and Customs;

27.1.8 providing information to future purchasers of the Company or of the business in which you work; and

27.1.9 transferring information concerning you to a country or territory outside the European Economic Area.

28. Monitoring

28.1 You shall comply with any electronic communication systems policies that the Company may issue from time to time.

28.2 To ensure regulatory compliance and for the protection of its workers, clients/customers and business, the Company reserves the right to monitor, intercept, review and access any communication facilities provided by the Company or any Group Company that you may use during the Appointment. The Company will use this right of access reasonably but it is important that you are aware that communications and activities on the equipment or premises of the Company and any Group Company cannot be presumed to be private. You consent to the Company and/or any Group Company and its or their duly authorised agents and employees using surveillance equipment.

29. Rules, Policies and Procedures

You must comply at all times with all the rules, policies and procedures introduced by the Company from time to time, including but not limited to any contained in the Company's Employee Handbook. For the avoidance of doubt such rules, policies and procedures are not incorporated by reference into this Contract and they can be changed, replaced or withdrawn at any time at the discretion of the Company. Breach of Company rules, policies or procedures may result in disciplinary action.

30. Health and Safety

All employees and workers have a duty in law to act responsibly and to take reasonable care for the health and safety at work of both themselves and their colleagues. This duty can be carried out by:

(a) working safely and efficiently;

(b) using any protective equipment provided and meeting statutory obligations;

(c) adhering to the Company procedures for securing a safe workplace.

Further provisions relating to health and safety can be found in the Employee Handbook.

31. Contracts (Rights of Third Parties) Act 1999

The Company or any Group Company may enforce the terms of this Contract and the Contracts (Rights of Third Parties) Act 1999 shall apply accordingly except that the consent of such Group Companies will not be required to vary or rescind the terms of the Contract.

32. Governing Law

This Contract shall be interpreted and construed in accordance with the laws of England and shall be subject to the jurisdiction of the English courts.

33. Jurisdiction

Each party irrevocably agrees that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with this Contract or its subject matter or formation (including non-contractual disputes or claims).

34. Changes to your Terms of Employment

The Company reserves the right to make reasonable changes to any of your terms of employment. You will be notified in writing of any change as soon as possible and in any event within one month of the change.

35. Notices

35.1 Any notice or other communication given or made under this Contract must be in writing and delivered to the relevant party (including by hand or special delivery) or sent by first class post to the address of that party specified in this Contract or such other address as may be notified by that party from time to time for this purpose, and shall be effective notwithstanding any change of address not so notified.

35.2 Unless the contrary shall be proven, each such notice or communication shall be deemed to have been given or made, if sent by first class post, 48 hours after posting and, if delivered by hand, at the time of such delivery.

36. Entire Agreement

36.1 This Contract constitutes the entire agreement between the parties and supersedes and extinguishes all previous agreements, promises, assurances, warranties, representations and understandings between them, whether written or oral, relating to its subject matter.

36.2 Each party acknowledges that in entering into this Contract it does not rely on, and shall have no remedies in respect of, any statement, representation, assurance or warranty (whether made innocently or negligently) that is not set out in this Contract.

36.3 Each party agrees that it shall have no claim for innocent or negligent misrepresentation or negligent misstatement based on any statement in this Contract.

36.4 Nothing in this clause shall limit or exclude any liability for fraud.

37. Counterparts

37.1 This Contract may be executed in any number of counterparts, each of which when executed and delivered shall constitute a duplicate original, but all the counterparts shall together constitute the one agreement.

37.2 No counterpart shall be effective until each party has executed and delivered at least one counterpart.

38. General

You hereby irrevocably and by way of security appoint each director of the Company from time to time, jointly and severally, to be your attorney in your name and on your behalf and as your act and deed to sign, execute and do all acts, things and documents which you are obliged to execute and do under the provisions of this Contract (including, but not limited to clause 16.4) and you hereby agree immediately on the request of the Company to ratify and confirm all such acts, things and documents signed, executed or done in the pursuance of this power.

This document has been executed as a deed and is delivered and takes effect on the date stated at the beginning of it.

Signed by Mereo BioPharma Group Ltd acting by: /s/ Denise Scots-Knight

in the presence of /s/ Jessica Doughty
Signature of witness

Jessica Doughty
Name of witness
[XXXXXXXXX]
Address of witness

Signed as a deed by /s/ Alastair Mackinnon

in the presence of /s/ Jessica Doughty
Signature of witness

Jessica Doughty
Name of witness

[XXXXXXXXX]
Address of witness

SCHEDULE I

WRITTEN JOB DESCRIPTION

The Employee's duties and responsibilities shall be as follows:-

- Determine the optimal regulatory strategy for the development and registration of the Company's portfolio
- Manage the strategic relationship with ICON including leading the Company's Executive Oversight Committee (EOC) activities
- Alongside ICON, develop study synopses (including selection of clinical endpoints) that maximise the probability of success.
- Manage a team of Therapeutic Programme Managers (TPMs) with responsibility for development of the Company's development programmes.
- Monitor key performance metrics and clinical trial and regulatory risks and work alongside ICON and the TPMs to develop appropriate contingency plans
- Ensure appropriate advocacy with KOLs, patient groups etc.
- Responsibility for assessing Serious Adverse Events including follow-up actions.
- Overall responsibility for GCP including clinical SOPs.
- Delivery of appropriate publications and presentations to raise the external scientific profile of the Company's portfolio.
- Monitor and assess the competitive landscape including monitoring developments with key competing programmes.
- Co-ordinate clinical input into business development activities.

Alastair MacKinnon
[XXXXXXXXX]
[XXXXXXXXX]

24 November 2017

Dear Alastair

Increase to your notice period

I refer to your contract of employment with Mereo BioPharma Group plc (the "**Company**") dated 29 July 2015 (the "**Service Agreement**").

Further to our discussions, this Deed of Amendment formally confirms that the notice period contained in your contract of employment is increased from 3 months to 6 months with immediate effect. This means that the notice of termination that you are required to give to the Company and that the Company is required to give to you is now 6 months.

This letter amends all relevant provisions in the Service Agreement to reflect this change. In particular:

- the reference to "*3 months' prior notice*" in clause 2.1 is replaced by "*6 months' prior notice*";
- the reference to "written notice of 3 months" in clause 18.1 is now replaced by "*written notice of 6 months*".

Please would you sign where indicated below to confirm your agreement to the change to your notice period and keep one copy of this Deed of Amendment for yourself and return one copy to me.

This document has been executed as a deed and is delivered and takes effect on the date stated at the beginning of it.

Yours sincerely

/s/ Denise Scots-Knight

Signed as a deed by Denise Scots-Knight for and behalf of Mereo BioPharma Group plc in the presence of

/s/ Charles Sermon
SIGNATURE OF WITNESS

NAME AND ADDRESS OF WITNESS

Charles Sermon
1 Cavendish Place
London
W19 0QF

Signed as a deed by Alastair Mackinnon in the presence of

/s/ Alastair Mackinnon

SIGNATURE

/s/ Danielle Wilson

SIGNATURE OF WITNESS

NAME AND ADDRESS OF WITNESS

Daneille Wilson
[XXXXXX]
[XXXXXX]
[XXXXXX]

THIS CONTRACT OF EMPLOYMENT dated 29 July 2015 is made

BETWEEN:

(1) **MEREO BIOPHARMA GROUPLTD**, (a company incorporated in England and Wales and registered under number 9481161, whose registered office is at Green Park House, 15 Stratton Street, London W1J 8LQ (the "**Company**"); and

(2) Charles Sermon, [XXXXXXXXX]

This Contract sets out the terms and conditions of your employment with the Company at the date of this Contract and supersedes all previous arrangements or agreements whether oral or in writing between you and the Company in relation to the matters dealt with in it.

1. Interpretation

1.1 The definitions and rules of interpretation in this clause 1 apply in this Contract.

1.1.1 **Appointment**: the employment of the Employee by the Company on the terms of this Contract.

1.1.2 **Associated Employer**: has the meaning given to it in the Employment Rights Act 1996.

1.1.3 **Board**: the board of directors of the Company (including any committee of the board duly appointed by it).

1.1.4 **Commencement Date**: 1st July 2015

1.1.5 **Confidential Information**: all of

(a) financial information relating to the Company and any Group Company including (but not limited to) management accounts, sales forecasts, dividend forecasts, profit and loss accounts and balance sheets, draft accounts, results, order schedules, profit margins, pricing strategies and other information regarding the performance or future performance of the Company or any Group Company;

(b) client or customer lists and contact lists, details of the terms of business with, the fees and commissions charged to or by and the requirements of customers or clients, prospective customers or clients, buyers, and suppliers of the Company or any Group Company;

(c) any information relating to expansion plans, business strategy, marketing plans, and presentations, tenders, projects, joint ventures or acquisitions and developments contemplated, offered or undertaken by the Company or any Group Company;

(d) details of the employees, officers and workers of and consultants to the Company or any Group Company their job skills and capabilities and of the remuneration and other benefits paid to them;

(e) copies or details of and information relating to Know-how, research activities, inventions, creative briefs, ideas, computer programs (whether in source code or object code) secret processes, designs and formulae or other intellectual property acquired, developed, licensed, undertaken, commissioned or produced by or on behalf of the Company or any Group Company;

(f) confidential reports or research commissioned by or provided to the Company or any Group Company and any trade secrets and confidential transactions of the Company or any Group Company;

(g) key metric information such as details of website page hits, visitors, visits, orders per day, total order volumes, average order size, volumes of goods shipped or held in stock, customer acquisition costs, repeat rates and word of mouth rates;

(h) details of any marketing, development, pre-selling or other exploitation of any intellectual property or other rights of the Company or any Group Company, any proposed options or agreements to purchase, licence or otherwise exploit any intellectual property of the Company or any Group Company and any intellectual property which is under consideration for development by the Company or any Group Company,

(i) details of any advertising, marketing or promotional campaign which the Company or any Group Company is to conduct; and

(j) any information which you ought reasonably to know is confidential and any information which has been given to the Company or any Group Company in confidence by agents, buyers, clients, consultants, customers, suppliers or other persons.

1.1.6 **Documents:** documents, manuals, disks, memory, notebooks, tapes (including copies) or any other medium, whether or not eye-readable, on which information (whether confidential or otherwise) may from time to time be referred to, written or recorded.

1.1.7 **Group Company**: the Company, its Subsidiaries or Holding Companies from time to time and any Subsidiary of any Holding Company from time to time.

1.1.8 **Incapacity**: any sickness, injury or other medical disorder or condition which prevents the Employee from carrying out his duties.

1.1.9 **Key Employee:** any employee or contractor who is or was (in the Period) employed or engaged to your knowledge:

(a) at management grade; or

(b) in a senior capacity; or

(c) in a capacity in which he has access to or obtained Confidential Information and in respect of whom you exercised control or had managerial responsibility.

1.1.10 **Know-how:** information (including without limitation that comprised in formulae, specifications, designs, drawings, component lists, databases, software (or pre-cursor documents), databases, manuals, instructions and catalogues) held in whatever form relating to the creation, production or supply of any products or services by the Company or any Group Company, or by or to any of the suppliers, customers, partners or joint ventures of such company.

1.1.11 **Manager**: Chief Executive Officer, Denise Scost-Knight

1.1.12 **Period:** the period of 6 months immediately prior to the Termination Date.

1.1.13 **Permitted Interest:** an interest in any class of shares or other securities of any company which are traded on a recognised investment exchange which amount to not more than 3% of such class of issued shares or securities and an interest in any units of any authorised unit trust.

1.1.14 **Restricted Area:** England, Scotland, Wales or Northern Ireland.

1.1.15 **Restricted Business:** any business whether for profit or not-for-profit that has a significant commercial activity in pharmaceuticals which contain one or more active ingredients that are similar (in drug target specificity and function in relation to modulating that target) to pharmaceutical candidates or products researched, developed or commercialised by the Company at the date of an individual's termination of service with the Company in which the Employee has a material involvement.

1.1.16 **SSP**: statutory sick pay.

1.1.17 **Staff Handbook**: the Company's staff handbook as amended from time to time.

1.1.18 **Subsidiary and Holding Company**: in relation to a company mean "subsidiary" and "holding company" as defined in section

1159 of the Companies Act 2006 and a company shall be treated, for the purposes only of the membership requirement contained in subsections 1159(1)(b) and (c), as a member of another company even if its shares in that other company are registered in the name of (a) another person (or its nominee), whether by way of security or in connection with the taking of security, or (b) a nominee.

1.1.19 **Termination Date:** the date of termination or expiration of this Contract.

1.2 The headings in this Contract are inserted for convenience only and shall not affect its construction.

1.3 A reference to a particular law is a reference to it as it is in force for the time being taking account of any amendment, extension, or re-enactment and includes any subordinate legislation for the time being in force made under it.

1.4 Unless the context otherwise requires, a reference to one gender shall include a reference to the other genders.

1.5 Unless the context otherwise requires, words in the singular include the plural and in the plural include the singular.

1.6 The schedules to this Contract form part of (and are incorporated into) this Contract.

2. Term of Appointment

2.1 The Appointment shall commence on the Commencement Date and shall continue, subject to the remaining terms of this Contract, until terminated by either party giving the other not less than 6 months' prior notice (or the statutory minimum notice, whichever is the greater) in writing.

2.2 [This clause intentionally blank].

2.3 No employment with a previous employer counts towards the Employee's period of continuous employment with the Company.

2.4 The Employee consents to the transfer of his employment under this Contract to an Associated Employer at any time during the Appointment.

3. Employee Warranties

3.1 You represent and warrant to the Company that, by entering into this Contract or performing any of your obligations under it, you will not be in breach of any court order or any express or implied terms of any contract or other obligation binding on you.

3.2 You represent and warrant to the Company that you are not bound by or subject to any agreement, arrangement, court order, obligation or undertaking which in any way restricts or prohibits you from entering into this Contract or from performing your duties for the Company as set out in this Contract.

3.3 You warrant that you are entitled to work in the UK without any additional approvals and will notify the Company immediately if you cease to be so entitled at any time during the Appointment.

4. Job Title and Reporting

Your job title is 'General Counsel' and you will report to the Manager or such other person as may be authorised by the Company and notified to you.

5. Job Description and Duties

5.1 Your main tasks and responsibilities are set out in the written job description at Schedule I. The Company reserves the right to require you to change your job title and/or job description and/or reporting structure or to require you to perform a different job or different or additional duties consistent with your status and any such change will not constitute a change of the terms and conditions of your employment.

5.2 You must perform your job to the best of your ability and to comply with any duties implied by law.

5.3 During the Appointment you shall:

5.3.1 unless prevented by Incapacity, devote substantially the whole of your time, attention and abilities to the business of the Company and any Group Company of which you are an officer or consultant;

5.3.2 diligently exercise such powers and perform such duties as may from time to time be assigned to you by the Company together with such person or persons as the Company may appoint to act jointly with you;

5.3.3 comply with all reasonable and lawful directions given to you by the Company;

5.3.4 promptly make such reports to your Manager in connection with the affairs of any Group Company on such matters and at such times as are reasonably required;

5.3.5 report your own wrongdoing and any wrongdoing or proposed wrongdoing of any other employee or director of any Group Company to your Manager immediately on becoming aware of it;

5.3.6 use your best endeavours to promote, protect, develop and extend the business of any Group Company; and

5.3.7 consent to the Company monitoring and recording any use that you make of the Company's electronic communications systems for the purpose of ensuring that the Company's rules are being complied with and for legitimate business purposes.

5.4 You shall comply with the Company's anti-corruption and bribery policy and related procedures at all times.

5.5 You shall comply with any rules, policies and procedures set out in the Staff Handbook. The Staff Handbook does not form part of this Contract and the Company may amend it at any time. To the extent that there is any conflict between the terms of this Contract and the Staff Handbook, this Contract shall prevail.

5.6 All documents, manuals, hardware and software provided for your use by the Company, and any data or documents (including copies) produced, maintained or stored on the Company's computer systems or other electronic equipment (including mobile phones), remain the property of the Company.

6. Location

6.1 Your normal place of work is the Company's offices at Green Park House, 15 Stratton Street, London W1J 8LQ or such other place as the Company may reasonably determine for the proper performance and exercise of your duties.

6.2 The Company may require you to perform services for any Group Company wherever situated and without further fees or remuneration and to enter into any separate agreement(s) with such Group Company for such purpose and any duties that you may have under this Contract will be deemed to extend to such Group Company.

6.3 You agree to travel on any Group Company's business (both within the United Kingdom and abroad) as may be required for the proper performance of your duties under the Appointment.

7. Hours of Work

7.1 Your normal working hours are from 09:00 to 17:00 on each week day, excluding public and bank holidays of England and Wales, together with such additional hours, on week days (including public and bank holidays of England and Wales) or weekends, as may be necessary for the proper performance of your duties.

7.2 Regulation 4(1) of the Working Time Regulations 1998 (the "**WTR**") provides that a worker's average working time, including overtime, must not exceed 48 hours for each seven-day period (to be averaged over a period of 17 weeks) unless the worker agrees that this regulation will not apply to his or her employment.

You acknowledge that you hold an executive position with certain autonomous decision taking powers and therefore are not subject to regulation 4(1) of the Working Time Regulations 1998 but without prejudice to that you accept that by signing this Contract you have agreed that, insofar as it would apply to your employment with the Company, regulation 4(1) of the Working Time Regulations 1998 shall not apply.

7.3 At any time during the Appointment, you or the Company may give three months' prior written notice that the opt-out of clause 7.2 should no longer apply and it will cease to apply with effect from the expiry of the said notice.

7.4 You will comply with any requests made or measures imposed to enable the Company and/or you to monitor and record your working time.

8. Salary

8.1 Your salary is £245,000 per annum (the **"Salary"**), less statutory and voluntary deduction. The Salary shall accrue from day to day and be payable by equal monthly instalments in arrears on the last business day of each calendar month directly into your UK bank or building society account.

8.2 You will receive no additional payment for any overtime worked. Your Salary will include any director's, company secretary's and other fees and emoluments due to you as an officer of the Company or of any Group Company.

8.3 Your Salary will be reviewed by your Manager annually, the first such review taking effect from 1 January 2016 and may be increased from time to time at the Company's discretion without affecting the other terms of the Appointment. There is no obligation to award an increase. There will be no review of the Salary after notice has been given by either party to terminate the Appointment.

8.4 If you are invited to participate in any employees' share scheme (as defined in section 1166 of the Companies Act 2006) and accept, your membership shall be governed exclusively by the rules of the relevant scheme from time to time. Your rights and obligations under this Contract shall not be affected by your participation in the scheme or any right which you may have to participate in it and you shall have no claim for compensation or damages under or in connection with this Contract in consequence of the termination of the Appointment for any reason whatsoever insofar as the termination of the Appointment may end your participation or reduce the value of awards you may receive under it.

8.5 You authorise the Company to deduct from your Salary any sums which you may owe the Company including without limitation any overpayment of salary or expenses, any debt or loans or any other sum or sums which may be required to be authorised pursuant to Section 13 of the Employment Rights Act 1996.

9. Discretionary Bonus

9.1 You may be considered for a discretionary bonus in relation to each calendar year. The payment of any discretionary bonus is not guaranteed under this Contract and your eligibility for a discretionary bonus shall be assessed in accordance with and subject to the terms of the Company's performance related discretionary bonus scheme.

9.2 The terms of the discretionary bonus scheme are determined by the Company in its absolute discretion and the Company is entitled in its absolute discretion to change the terms of this scheme from year to year.

9.3 The amount of the discretionary bonus, if any, in any particular calendar year shall be determined by the Company in its sole discretion. Payment of a bonus in one calendar year does not entitle you to receive a bonus in respect of any other calendar year.

9.4 If you commence employment part way through the calendar year any sum calculated in accordance with clause 9.2 shall be pro-rated, as appropriate.

9.5 If you are working your period of notice (given by either you or the Company) at the date any bonus is payable to you, or the Appointment is terminated prior to that date, no bonus or pro-rata bonus shall be payable.

9.6 Any discretionary bonus payable in accordance with this clause 9 shall not be pensionable.

10. Expenses

10.1 The Company will reimburse (or procure the reimbursement of) all expenses properly, necessarily and reasonably incurred by you in the proper performance of your duties, provided that on request you will provide the Company with such VAT receipts, invoices or other evidence of actual payment of such expenses as the Company may reasonably require.

10.2 You shall comply with the Company's expenses policy as set out in the Staff Handbook from time to time.

10.3 Any expenses charged to a Company credit card must be documented in accordance with Company procedures and approved by the Chief Financial Officer within one month of the date that the credit card statement is received. No personal expenditure may be charged to Company credit cards.

11. Other Employment

11.1 You must devote substantially the whole of your time, attention and abilities during your normal hours of work to your duties for the Company.

11.2 Without the prior written approval of the Board, you may not, whether directly or indirectly, undertake any other job (including voluntary work) or carry on a business, of whatever kind, during your hours of work for the Company. Without the prior written approval of the Board, you may not, whether directly or indirectly, undertake any other job (including voluntary work) or carry on a business, of whatever kind, outside Company hours if in the reasonable opinion of the Company this is likely to affect your work performance for the Company and you will promptly disclose to the Company sufficient details of any such job or business in order for the Company to consider whether it is likely to affect your work performance. Nothing in this clause 11.2 will prevent you from holding a Permitted Interest (as defined below)

11.3 You may not at any time during the period of your employment by the Company without the prior written consent of the Chief Executive Officer engage, whether directly or indirectly, in any business or employment which is similar to or in any way connected with the business of the Company. Nothing in this clause 11.3 will prevent you from continuing with your activities relating to Phase4 Partners Limited.

12. Holidays

12.1 In addition to the usual public and bank holidays of England and Wales, you shall be entitled to 25 days' paid holiday in each complete holiday year worked (and pro rata for any holiday year worked in part) to be taken at such time or times as shall be agreed by your Manager.

12.2 The holiday year runs from 1 January each year to the following 31 December.

12.3 Although the Company will agree to your proposed holiday dates wherever possible, it reserves the right to withhold approval where necessary to protect the interests of the business.

12.4 The Company reserves the right to require you to take holiday on certain days to be determined by the Company of up to five days in each holiday year. The Company will notify you of any such requirement prior to the commencement of each holiday year.

12.5 A maximum of five days untaken holiday entitlement may be carried forward from one holiday year subject to the prior written agreement of your Manager to the next and no money will be paid in lieu of any such untaken holiday entitlement.

12.6 On termination of the Appointment you shall be entitled to be paid in lieu of holiday accrued but untaken in the holiday year in which termination takes place. Your entitlement to holiday will be calculated on the basis that each day of paid holiday is equal to 1/260 of your salary. Alternatively, you will be required to repay to the Company pay for any holiday taken in excess of your entitlement at the same rate.

12.7 If in any year you are not employed for the complete holiday year (for example, in the years in which you join and leave the Company), your holiday entitlement will be calculated pro rata based on the number of complete months worked during the relevant holiday year.

12.8 The Company may require you to take any outstanding holiday entitlement during your notice period or during any period of garden leave as referred to in clause 20.

12.9 The holiday year is also the leave year for parental leave purposes.

13. Notification of Sickness or Other Absence

13.1 If you are absent from work for any reason and your absence has not previously been authorised by your Manager you, or someone on your behalf, must inform your Manager by 10.00 am on each day of absence.

13.2 Any unauthorised absence must be properly explained and in the case of an absence of uncertain duration you must keep the Company informed on a daily basis until you have provided the Company with a medical certificate.

13.3 If you are absent from work due to sickness or injury which continues for more than seven days (including weekends) you must provide the Company with a medical certificate on or before the eighth day of sickness or injury. Thereafter medical certificates must be provided to the Company to cover any continued absence.

13.4 Immediately following your return to work after any period of absence which has not previously been authorised by your Manager you are required to complete a Self-Certification form stating the date of and the reason for your absence, including details of sickness on non-working days as this information is required by the Company for calculating Statutory Sick Pay entitlement. Self-Certification forms will be retained in the Company's records.

13.5 Failure to comply with the above procedures may result in disciplinary action and/or the loss of Company sick pay (referred to below) and may also disqualify you from receiving Statutory Sick Pay.

13.6 Your "qualifying days" for Statutory Sick Pay purposes are those days of the week on which you are due to work in accordance with this contract of employment.

13.7 You shall:

13.7.1 agree to consent to a medical examination (at the Company's expense) by a doctor nominated by the Company or your GP or any relevant consultant at any time should the Company so require; and

13.7.2 authorise such medical practitioner to disclose to or discuss with the Company (or its medical adviser) any matters arising from such examination.

13.8 The rights of the Company to terminate the Appointment under the terms of this Contract apply even when such termination would or might cause you to forfeit any entitlement to sick pay, payments under the medical scheme, or other benefits.

14. Sick Pay

14.1 Provided that you have complied with the Company's notification and certification procedures and general terms relating to sickness absence referred to in clause 13 above and that you have completed three months of continuous service prior to the start of the period of sickness, you will be entitled to be paid your normal basic pay for periods of sickness absence up to a maximum of 10 working days in aggregate in any calendar year. Any payments made thereafter will be at the sole discretion of the Company. Payments of sick pay include Statutory Sick Pay and will be reduced by any state sickness benefit you may be entitled to receive.

14.2 If you are absent from work due to the actionable negligence, nuisance or breach of any statutory duty on the part of a third party in respect of which damages are or may be recoverable, you shall immediately notify your Manager of that fact and of any claim, compromise, settlement or judgment made or awarded in connection with it and all relevant particulars that the Company may reasonably require. In such circumstances any Company sick pay will be paid as a loan which, if required by the Company, you must repay to the Company if you recover damages in respect of your absence from work.

14.3 The Company reserves the right to withhold payment of Company sick pay if you fail to comply with the provisions of clause 13 or if you are subject to disciplinary proceedings.

15. Other Benefits

15.1 **Pension.** You are eligible to join the Company's group personal pension scheme. Membership of and benefits under the scheme are strictly subject to the rules of the scheme as amended from time to time. The Company expressly reserves the right in its discretion to amend or terminate the pension scheme. The Company shall contribute to the Company's pension scheme an amount equal to 10% of your Salary provided that you contribute 4% or more to that scheme, subject to the annual allowance set by HM Revenue & Customs from time to time not being exceeded. In the event that you exceed the annual allowance set by HM Revenue & Customs in any fiscal year or maximum lifetime allowance, the Company may, at your request, pay a pro-rata amount equal to 10% of your basic salary in lieu of a pension contribution to you as an allowance, subject to deduction of income tax and national insurance contributions, you certifying and, at the request of the Company, providing evidence satisfactory to the Company that you have exceeded such annual allowance for the applicable fiscal year or the maximum lifetime allowance and, if necessary, you opting out of auto enrolment. Any pension contribution or allowance shall be paid in equal monthly instalments in arrears.

15.2 The Company will comply with the employer pension duties in respect of your employment in accordance with Part I of the Pensions Act 2008.

15.3 A contracting-out certificate under the Pension Schemes Act 1993 is not in force in respect of the Appointment.

15.4 Subject to the rules and eligibility requirements of each scheme from time to time in force and to your health not being such as to prevent the Company (or the relevant Group Company) from being able to obtain cover on reasonable terms, you will be entitled to participate in the following schemes:

15.4.1 **Medical Scheme.** You and your immediate family shall be entitled to participate in the medical insurance scheme maintained from time to time by the Company for the benefit of employees.

15.4.2 **Life Assurance Scheme.** The Company shall maintain for you life assurance of four times your Salary.

15.5 Any benefits that may from time to time be provided by the Company to you or your family that are not expressly referred to in this Contract shall be provided at the entire discretion of the Company and, unless so agreed in writing, shall not form part of your terms and conditions of employment.

15.6 Participation in any insurance or assurance scheme provided for you under this Contract:

15.6.1 is absolutely subject to its terms and conditions from time to time in force;

15.6.2 is conditional on you satisfying any applicable requirements of the insurers;

15.6.3 is subject to you and any insured dependants satisfying the normal underwriting requirements of the relevant insurance provider and the relevant premium being at a rate which the Company considers reasonable; and

15.6.4 will end when you attain whichever is the greater of the age of 65 and the state pensionable age.

15.7 The Company reserves the right at any time, on three months' written notice, to withdraw any insurance or other benefits set out in this clause 15 or to amend the terms on which they are provided. If an insurance provider refuses for any reason to provide insurance benefit to you under any insurance scheme the Company shall not be liable to provide you with any replacement benefit of the same or similar kind or to pay any compensation in lieu of such benefit.

15.8 You may be required, at the request and expense of the Company, to submit to a medical examination by a medical practitioner nominated by the Company to support applications for insurance set out in this clause 15 or any other insurance schemes required by the Company, and you hereby authorise such medical practitioner to disclose to or discuss with the Company's medical adviser and/or the relevant insurer's medical adviser any matters arising from such examination and the Company's medical adviser may notify the Board of any serious matter if, in his opinion, it might materially adversely affect your health or the proper discharge of your duties.

16. Intellectual Property

16.1 You agree and acknowledge that during the course of your employment and in pursuance of the discharge of your duties you will make, create, produce and generate intellectual property rights, including Inventions.

16.2 Inventions

16.2.1 If while employed by the Company you (whether alone or with any other person) make, produce or are responsible for any invention, discovery, process, business idea, or method of any description that relates to or could be used in any business of the Company ("**an Invention**"), you shall promptly give to a Director of the Company full written details thereof.

16.2.2 If the Invention is a patentable invention within the meaning of Section 1 of the Patents Act 1977 and, according to the provisions of Section 39 of that Act it belongs to you ("**Personal Invention**"), you shall if so requested by the Company no later than six months from disclosure to the Company pursuant to sub-clause 16.2.1 above, negotiate with the Company in good faith for the assignment or licence of your rights in that Invention to the Company for further consideration.

16.2.3 Any Invention created in the course of your employment by the Company shall belong to the Company ("**Company Inventions**"). Any and all

intellectual property rights in or relating to any and all such Company Inventions shall be owned by the Company. You hereby irrevocably assign to the Company (by way of present assignment of present and future rights) with full title guarantee absolutely and free from all encumbrances all right, title and interest in and to all intellectual property rights in or relating to Company Inventions and all materials embodying such rights to the fullest extent permitted by law together with all accrued rights of action in respect of any infringement of such rights. Insofar as they do not so vest automatically by operation of law or under this Contract, you shall hold all such rights and inventions on trust for the exclusive benefit of the Company, and shall not transfer them to a third party or encumber them and shall on demand assign them to the Company without payment or other condition. You shall execute (both during and after the termination of your employment) all documents and do all things necessary to substantiate the Company's rights in Company Inventions and to obtain registration or protection thereof in the Company's name in any country.

16.2.4 Save for the disclosure to the Company as provided above or, in the case of a Personal Invention only, as required for the purpose of obtaining patent protection for the Personal Invention, you shall keep all details of any Invention confidential to yourself and any solicitor, counsel or patent agent instructed by you and you shall not use any Company Invention for any purpose. You shall not without the Company's prior written consent apply for a patent in any country in relation to any Company Invention and shall promptly inform the Company if you apply for a patent in any country for a Personal Invention. Notwithstanding the foregoing, you shall not include any Confidential Information in any application for a patent for a Personal Invention.

16.3 Copyright and other rights

16.3.1 If while employed by the Company you, whether on your own or with any other person, create any copyright work or design (including without limitation any literary, dramatic, musical or artistic work, and any film, sound recording, cable programme, broadcast, typographical arrangement of a published edition, computer program, adaptation or design document) or any database or any other work or matter of any description (other than an Invention) capable of protection under copyright, design right, trademarks, database rights or other intellectual or industrial and commercial property laws of any country, that relates to or could be used in the business of the Company, (a "**Protected Work**"), you shall promptly disclose to the Chief Financial Officer or General Counsel full details thereof in writing and shall if requested by the Company deliver to it all copies or representations of the Protected Work in any material form but shall otherwise keep the Protected Work confidential and not use it for any purpose other than for the Company.

16.3.2 All proprietary rights in any Protected Work created by you in the course of your employment by the Company shall automatically vest in the Company.

16.3.3 To the extent that the Company is not already the owner of the copyright, design rights, trade marks, database rights and other intellectual or industrial and commercial property rights ("**the Rights**") in a Protected Work pursuant to clause 16.3.2 you shall hold the Protected Work and the Rights on trust for the Company and shall assign without payment or any other condition (and, in the case of the UK copyright, design rights, trade marks and database rights hereby assign by way of future assignment of copyright, design right, trademarks and database rights respectively), the Protected Work and all Rights therein in all countries of the world to the Company absolutely together with all accrued rights of action in respect of any infringement of the same.

16.4 You shall, without charge to but at the cost of the Company, execute all documents and do all acts, things and matters beneficial to, required or necessary (both during and after the termination of your employment) to vest rights in the Company (or its successors), or substantiate the Company's (or its successor's) rights, in any Company Inventions, the Rights and Protected Works and to obtain protection for the Company Inventions, Rights and Protected Works in the Company's (or its successor's) name in any country.

16.5 To the extent permitted by law, you hereby irrevocably and unconditionally waive any and all moral rights conferred by Chapter IV of the Copyright Designs and Patents Act 1988 or any rights of a similar nature under laws now or in the future in force in any other jurisdiction in and to any and all Protected Work, such waiver being given in favour of the Company, its successors in title and assigns.

16.6 You hereby irrevocably appoint the Company to be your attorney to execute and do any such instrument or thing and generally to use your name for the purpose of giving the Company or its nominee the benefit of this clause 16 and acknowledge in favour of a third party that a certificate in writing signed by any Director or the Company Secretary that any instrument or act falls within the authority conferred by this clause 16 shall be conclusive evidence that such is the case.

16.7 The provisions of this clause 16 will not be affected by the termination of this Contract for whatever reason and will continue after it ends.

17. Confidentiality

17.1 You acknowledge that in the course of the Appointment you will have access to Confidential Information. You therefore agree to accept the restrictions in this clause 17.

17.2 You shall not (except in the proper course of your duties), either during the Appointment or at any time after its termination (however arising), use or disclose to any person, company or other organisation whatsoever (and shall use your best endeavours to prevent the publication or disclosure of) any Confidential Information. This shall not apply to:

17.2.1 any use or disclosure authorised by the Board in writing or required by law;

17.2.2 any information which is already in, or comes into, the public domain other than through your unauthorised disclosure; or

17.2.3 any protected disclosure within the meaning of section 43A of the Employment Rights Act 1996.

17.3 You agree that the restrictions set out in this clause 17 are without prejudice to any other duties of confidentiality owed to the Company or any Group Company whether express or implied and that they shall survive the termination of this Contract for whatever reason and will continue after it ends.

18. Termination

18.1 You or the Company may terminate the Appointment on written notice of 6 months or the statutory minimum notice, whichever is the greater.

18.2 The Company shall be entitled at its sole and absolute discretion lawfully to terminate your employment at any time and with immediate effect by written notification to you and to pay within one month following the date of such termination a payment in lieu of notice (PILON) to you. For the avoidance of doubt, the termination of your employment shall be effective on such written notification and shall not be deferred until the PILON is paid. The total PILON will be equal to the basic salary due under clause 8.1 which you would have been entitled to receive under this Contract during the notice period referred to at clause 2.2 or 18.1 (or, if notice has already been given, during the remainder of such notice period) (subject to statutory deductions)

18.3 On termination of the Appointment, for whatever reason, you shall not be entitled to any compensation for the loss of any rights or benefits under any share option, bonus, long-term incentive plan or other profit sharing scheme operated by the Company or any Group Company in which you may participate.

18.4 Upon the termination of your employment with the Company for whatever reason or after notice having been served at the request of the Company or if you shall cease for any reason to be a director or officer of the Company, you shall forthwith, if so required by the Company resign without any claim for compensation or damages from any office or appointment held by you in the Company or in any Group Company, and of all other companies of which he shall have been appointed a director or officer by the Company or Group Company by virtue of any right of nomination vested in such member. You hereby irrevocably authorise the Company to appoint such person in your place and on your behalf to do all such things and execute all such documents which you are obliged to execute and do under this Contract (including without limitation those documents which may be necessary for, or incidental to, your resignation from office).

18.5 You agree that during any period of notice given by either party, you will give to the Company or such person nominated by it all such assistance and co-operation in effecting a smooth and orderly handover of your duties as the Company may reasonably require.

18.6 The Company may at its absolute discretion during any period of notice given by either party:

18.6.1 appoint a person to perform your duties jointly with you or, during any period of garden leave pursuant to clause 20 and/or during any period of suspension pursuant to clause 24.2, to perform all or some of your duties in your place; and/or

18.6.2 suspend or cancel your access to the Company's IT and telephone systems including, but not limited to, voicemail, email, internet and the Company's intranet.

19. Summary Termination

19.1 The Company is entitled to terminate the Appointment by summary notice in writing and without payment in lieu of notice if you:

19.1.1 are guilty of any gross misconduct affecting the business of any Group Company;

19.1.2 commit any serious breach or repeated or continued (after warning) any material breach of your obligations under this Contract;

19.1.3 commit (by commission or omission) any act which brings or would tend to bring the Company or any Group Company into disrepute;

19.1.4 fail to perform your duties to a satisfactory standard after having received a written warning from the Company relating to the same;

19.1.5 are guilty of any dishonesty, gross misconduct or wilful neglect of duty;

19.1.6 damage Company property maliciously;

19.1.7 falsify attendance or sickness or other records;

19.1.8 falsify any data during the course of your employment;

19.1.9 conduct yourself in a manner materially adverse to the interests of the Company or any Group Company;

19.1.10 are, in the reasonable opinion of the Board, negligent and incompetent in the performance of your duties;

19.1.11 have a bankruptcy order made against you or enter into a voluntary arrangement within the meaning of section 253 Insolvency Act 1986;

19.1.12 consume or distribute narcotics on Company premises;

19.1.13 are convicted of any criminal offence (other than an offence under any road traffic legislation in the United Kingdom or elsewhere for which a fine or non-custodial penalty is imposed) whether or not in the course of your employment;

19.1.14 are, in the opinion of a medical practitioner who is treating you, physically or mentally incapable of performing your duties and may remain so for more than three months and the medical practitioner has given a medical opinion to the Board to that effect;

19.1.15 cease to be eligible to work in the United Kingdom;

19.1.16 knowingly commit any deliberate act which amounts to discrimination, victimisation or harassment on any unlawful ground;

19.1.17 are in breach of the Company's anti-corruption and bribery policy and related procedures;

19.1.18 are guilty of a serious breach of any rules issued by the Company from time to time regarding its electronic communications systems;

19.1.19 are unable by reason of Incapacity to perform his duties under this Contract for an aggregate period of 26 weeks in any 52-week period; or

19.1.20 commit any other offence of a similar gravity to the examples under this clause 19.1, which are neither exclusive nor exhaustive.

19.2 Any delay by the Company in exercising such right of termination shall not constitute a waiver of that right.

19.3 The termination by the Company of the Appointment pursuant to this clause 19 will be without prejudice to any claim that the Company may have for damages arising from any breach of this Contract by you that gives rise to such termination.

20. Garden Leave

20.1 After notice of termination has been given by either party pursuant to clause 18 provided that the Company continues to provide you with your normal Salary and benefits under this Contract until the Appointment terminates, the Company may at its absolute discretion without breaking the terms of this contract or giving rise to any claim against the Company for all or part of your notice period place you on garden leave and:-

20.1.1 exclude you from the premises of the Company and any Group Company; and/or

20.1.2 require you to carry out specified duties other than your normal duties or to carry out no duties; and/or

20.1.3 withdraw any powers vested in you; and/or

20.1.4 instruct you not to communicate orally or in writing with suppliers, customers, employees, agents/or representatives of the Company or any Group Company until the Appointment has terminated.

20.2 During any period of garden leave you shall:

20.2.1 continue to receive your Salary and all contractual benefits in the usual way and subject to the terms of any benefit arrangement;

20.2.2 remain an employee of the Company and bound by the terms of your contract of employment with the Company;

20.2.3 not, without the prior written consent of your Manager, attend your place of work or any other premises of the Company or any Group Company;

20.2.4 not, without the prior written consent of your Manager, contact or deal with (or attempt to contact or deal with) any officer, employee, consultant, client, customer, supplier, agent, distributor, shareholder, adviser or other business contact of the Company or any Group Company;

20.2.5 (except during any periods taken as holiday in the usual way) ensure that your Manager knows where you will be and how you can be contacted during each working day and shall comply with any written requests to contact a specified employee of the Company at specified intervals.

21. Restrictions after Employment

21.1 You shall not, save in respect of a Permitted Interest or with the prior written consent of the Company, for a period of 6 months from the Termination Date carry on or be concerned or engaged or interested directly or indirectly (whether as principal, shareholder, partner, employee, officer, agent or otherwise) in any part of any trade or business carried on within the Restricted Area wholly or partly in competition with the Restricted Business.

21.2 You shall not for a period of 6 months from the Termination Date, in competition with the Company, either on your own behalf or on behalf of any person, firm or company in relation to the Restricted Business, directly or indirectly:

21.2.1 deal with or accept custom from any person, firm or company who was a client or customer of the Company or any Group Company during the Period with whom you have been actively engaged or involved or of whom you have acquired Confidential Information or trade secrets by virtue of your duties hereunder during the Period; or

21.2.2 deal with or interfere with any person, firm or company who was a supplier, agent or distributor of the Company or any Group Company during the Period and in each case with whom you have been actively engaged or involved or of whom you have acquired Confidential Information or trade secrets by virtue of your duties hereunder during the Period; or

21.2.3 deal with or interfere with any company from whom the Company or any Group Company has licensed or acquired intellectual property.

21.3 You shall not for a period of 9 months from the Termination Date, in competition with the Company, either on your own behalf or on behalf of any person, firm or company in relation to the Restricted Business, directly or indirectly:

21.3.1 solicit, approach or offer goods or services to or entice away from the Company or any Group Company any person, firm or company who was a

client or customer of the Company or any Group Company during the Period with whom you have been actively engaged or involved or of whom you have acquired Confidential Information or trade secrets by virtue of your duties hereunder during the Period;

21.3.2 solicit or approach or offer goods or services to or entice away from the Company or any Group Company any person, firm or company who was a supplier, agent or distributor of the Company or any Group Company during the Period with whom you has been actively engaged or involved or of whom you have acquired Confidential Information or trade secrets by virtue of your duties hereunder during the Period; or

21.3.3 interfere or seek to interfere with the continuance, or any of the terms, of the supply of goods or services to the Company or any Group Company;

PROVIDED THAT nothing contained in clauses 21.1 to 21.3 inclusive shall prohibit you from carrying out any activities that are not in competition with any part of the business of the Company with which you were involved in the Period.

21.4 You shall not for a period of 6 months from the Termination Date either on your own behalf or on behalf of any person, firm or company directly or indirectly, approach, solicit, endeavour to entice away, employ, offer employment to or procure the employment of any person who is or was a Key Employee with whom you have had dealings during the Period whether or not such person would commit any breach of his contract of employment by reason of so leaving the service of the Company or otherwise.

21.5 You shall not, at any time after the Termination Date, either on your own behalf or on behalf of any other person, firm or company directly or indirectly:

21.5.1 represent yourself as being in any way connected with or interested in the business of the Company or any Group Company (other than as a consultant or a member if such be the case) or use any name which is identical or similar to or likely to be confused with the name of the Company or any Group Company or any product or service produced or provided by the Company or any Group Company or which might suggest a connection with the Company or any Group Company; or

21.5.2 directly or indirectly make, publish or otherwise communicate any statement whatsoever whether in writing or otherwise which may have the effect of damaging or lowering the business interests and/or the reputation of the Company or any Group Company or any of its or their former or existing agents, clients, consultants, directors, employees, officers, share-holders, suppliers or workers ("**Relevant Personnel**") and/or which may be disparaging or derogatory to any of the Company or any Group Company or any Relevant Personnel.

21.6 The period of the restrictions in clauses 21.1 to 21.4 inclusive shall be reduced by the period, if any, spent by you during which you are placed on garden leave in accordance with clause 20.

21.7 You agree to notify your new employer of the restrictions contained within clauses 21.1 to 21.4 inclusive.

21.8 You acknowledge that, in the course of your employment, you are likely to have dealings with the clients, customers, suppliers and other contacts of the Company. You agree that each of the restrictions in clauses 21.1 to 21.4 inclusive is separate and distinct, is to be construed separately from the other restrictions, and is reasonable as regards its duration, extent and application for the protection of the legitimate business interests of the Company. However, in the event that any such restriction shall be found to be void or unenforceable but would be valid or enforceable if some part or parts of it were deleted, you agree that such restriction shall apply with such deletions as may be necessary to make it valid and effective.

22. Company Property

22.1 All Documents and other property (including mobile telephones, laptop computers and other technical equipment) provided for your use by the Company, remain the property of the Company or any Group Company.

22.2 Any Documents or other property in your possession and or obtained by you in the course of your employment shall be returned to your Manager at any time on request and in any event prior to the Termination Date.

22.3 At any time upon request and in any event prior to the Termination Date you must irretrievably delete any information relating to the business of the Company or any Group Company stored on any magnetic or optical disk or memory and all matter derived from such sources which is in your possession or under your control outside the Company's premises.

23. Grievance Procedure

The purpose of the grievance procedure is to ensure that any problem, concern or grievance you have about your work, working environment or working relationships is properly dealt with. The Company's current grievance procedure, which does not form part of your terms and conditions of employment, is set out in the Company's Employee Handbook. Should you have any grievance in relation to the Appointment which you are unable to resolve on an informal basis, you should raise it in the first instance with your Manager. In the event that such grievance is against your Manager, you should raise it in the first instance with the Chief Financial Officer or General Counsel.

24. Disciplinary Procedure

24.1 The purpose of the disciplinary procedure is to ensure that the standards established by the Company's rules are maintained and that any alleged failure to observe the Company's rules is fairly dealt with. The Company's current disciplinary procedure, which does not form part of your terms and conditions of employment, is set out in the Company's Employee Handbook. If you wish to appeal against a disciplinary decision you must do in accordance with the disciplinary procedure to a Director of the Company.

24.2 The Company may at any time and from time to time in its discretion suspend you from your duties on payment of full Salary and/or exclude you from any premises of the Company and/or any Group Company whilst it carries out any investigation or disciplinary process. During any period of suspension:

24.2.1 you shall continue to receive your basic salary and all contractual benefits in the usual way and subject to the terms of any benefit arrangement;

24.2.2 you shall remain an employee of the Company and bound by the terms of this Contract;

24.3 you shall ensure that your Manager knows where you will be and how you can be contacted during each working day (except during any periods taken as holiday in the usual way);

24.4 the Company may exclude you from your place of work or any other premises of the Company or any Group Company; and

24.5 the Company may require you not to contact or deal with (or attempt to contact or deal with) any officer, employee, consultant, client, customer, supplier, agent, distributor, shareholder, adviser or other business contact of the Company or any Group Company.

25. Collective Agreements

There are no collective agreements affecting your terms and conditions of employment.

26. Work outside the United Kingdom

26.1 It is not envisaged by the Company that you will be required to travel for work purposes outside the United Kingdom for any periods longer than one month.

26.2 In the event you are required to work outside the United Kingdom for a period of more than one month, the Company will consult with you and will provide the prescribed information to you.

27. Data Protection

For the purposes of the Data Protection Act 1998 you agree that personal data (including sensitive personal data) relating to you which has been or is in the future obtained by the Company may be held and processed by the Company or any Group Company either by computer or manually for all purposes relating to the performance of your contract of employment and the Company's legitimate business needs and legal obligations including, but not limited to the following:

27.1.1 administering and maintaining the Company's personnel records;

27.1.2 paying and reviewing salary and other remuneration and benefits;

27.1.3 providing and administering benefits (including pension) and Private Medical Health Insurance;

27.1.4 undertaking performance appraisals and reviews and setting performance targets;

27.1.5 maintaining sickness and other absence records;

27.1.6 taking decisions as to your fitness for work;

27.1.7 providing references and information to future employers, and if necessary, governmental and quasi-governmental bodies for social security and other purposes, and HM Revenue and Customs;

27.1.8 providing information to future purchasers of the Company or of the business in which you work; and

27.1.9 transferring information concerning you to a country or territory outside the European Economic Area.

28. Monitoring

28.1 You shall comply with any electronic communication systems policies that the Company may issue from time to time.

28.2 To ensure regulatory compliance and for the protection of its workers, clients/customers and business, the Company reserves the right to monitor, intercept, review and access any communication facilities provided by the Company or any Group Company that you may use during the Appointment. The Company will use this right of access reasonably but it is important that you are aware that communications and activities on the equipment or premises of the Company and any Group Company cannot be presumed to be private. You consent to the Company and/or any Group Company and its or their duly authorised agents and employees using surveillance equipment.

29. Rules, Policies and Procedures

You must comply at all times with all the rules, policies and procedures introduced by the Company from time to time, including but not limited to any contained in the Company's Employee Handbook. For the avoidance of doubt such rules, policies and procedures are not incorporated by reference into this Contract and they can be changed, replaced or withdrawn at any time at the discretion of the Company. Breach of Company rules, policies or procedures may result in disciplinary action.

30. Health and Safety

All employees and workers have a duty in law to act responsibly and to take reasonable care for the health and safety at work of both themselves and their colleagues. This duty can be carried out by:

(a) working safely and efficiently;

(b) using any protective equipment provided and meeting statutory obligations;

(c) adhering to the Company procedures for securing a safe workplace.

Further provisions relating to health and safety can be found in the Employee Handbook.

31. Contracts (Rights of Third Parties) Act 1999

The Company or any Group Company may enforce the terms of this Contract and the Contracts (Rights of Third Parties) Act 1999 shall apply accordingly except that the consent of such Group Companies will not be required to vary or rescind the terms of the Contract.

32. Governing Law

This Contract shall be interpreted and construed in accordance with the laws of England and shall be subject to the jurisdiction of the English courts.

33. Jurisdiction

Each party irrevocably agrees that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with this Contract or its subject matter or formation (including non-contractual disputes or claims).

34. Changes to your Terms of Employment

The Company reserves the right to make reasonable changes to any of your terms of employment. You will be notified in writing of any change as soon as possible and in any event within one month of the change.

35. Notices

35.1 Any notice or other communication given or made under this Contract must be in writing and delivered to the relevant party (including by hand or special delivery) or sent by first class post to the address of that party specified in this Contract or such other address as may be notified by that party from time to time for this purpose, and shall be effective notwithstanding any change of address not so notified.

35.2 Unless the contrary shall be proven, each such notice or communication shall be deemed to have been given or made, if sent by first class post, 48 hours after posting and, if delivered by hand, at the time of such delivery.

36. Entire Agreement

36.1 This Contract constitutes the entire agreement between the parties and supersedes and extinguishes all previous agreements, promises, assurances, warranties, representations and understandings between them, whether written or oral, relating to its subject matter.

36.2 Each party acknowledges that in entering into this Contract it does not rely on, and shall have no remedies in respect of, any statement, representation, assurance or warranty (whether made innocently or negligently) that is not set out in this Contract.

36.3 Each party agrees that it shall have no claim for innocent or negligent misrepresentation or negligent misstatement based on any statement in this Contract.

36.4 Nothing in this clause shall limit or exclude any liability for fraud.

37. Counterparts

37.1 This Contract may be executed in any number of counterparts, each of which when executed and delivered shall constitute a duplicate original, but all the counterparts shall together constitute the one agreement.

37.2 No counterpart shall be effective until each party has executed and delivered at least one counterpart.

38. General

You hereby irrevocably and by way of security appoint each director of the Company from time to time, jointly and severally, to be your attorney in your name and on your behalf and as your act and deed to sign, execute and do all acts, things and documents which you are obliged to execute and do under the provisions of this Contract (including, but not limited to clause 16.4) and you hereby agree immediately on the request of the Company to ratify and confirm all such acts, things and documents signed, executed or done in the pursuance of this power.

This document has been executed as a deed and is delivered and takes effect on the date stated at the beginning of it.

Signed by Mereo BioPharma Group Ltd acting by: /s/ Denise Scots-Knight

in the presence of /s/ Jessica Doughty
Signature of witness

Jessica Doughty
Name of witness
[XXXXXX]

Address of witness

Signed as a deed by /s/ Charles Sermon
C.E. Sermon

in the presence of /s/ Jessica Doughty
Signature of witness

Jessica Doughty
Name of witness

[XXXXXX]
Address of witness

SCHEDULE I

WRITTEN JOB DESCRIPTION

The Employee’s duties and responsibilities shall be as follows:-

[ ]

THIS CONTRACT OF EMPLOYMENT dated 7th NOVEMBER 2016 is made

BETWEEN:

(1) **MEREO BIOPHARMA GROUP PLC**, (a company incorporated in England and Wales and registered under number 9481161, whose registered office is at 4th Floor, One Cavendish Place, London W1G 0QF (the "**Company**"); and

(2) **RICHARD JONES** of [XXXXXXXXX] (the "Employee"/"you").

This Contract sets out the terms and conditions of your employment with the Company at the date of this Contract and supersedes all previous arrangements or agreements whether oral or in writing between you and the Company in relation to the matters dealt with in it.

1. Interpretation

1.1 The definitions and rules of interpretation in this clause 1 apply in this Contract.

1.1.1 **Appointment**: the employment of the Employee by the Company on the terms of this Contract.

1.1.2 **Associated Employer**: has the meaning given to it in the Employment Rights Act 1996.

1.1.3 **Board**: the board of directors of the Company (including any committee of the board duly appointed by it).

1.1.4 **Commencement Date:** 28th January 2017

1.1.5 **Confidential Information**: all of

(a) financial information relating to the Company and any Group Company including (but not limited to) management accounts, sales forecasts, dividend forecasts, profit and loss accounts and balance sheets, draft accounts, results, order schedules, profit margins, pricing strategies and other information regarding the performance or future performance of the Company or any Group Company;

(b) client or customer lists and contact lists, details of the terms of business with, the fees and commissions charged to or by and the requirements of customers or clients, prospective customers or clients, buyers, and suppliers of the Company or any Group Company;

(c) any information relating to expansion plans, business strategy, marketing plans, and presentations, tenders, projects, joint ventures or acquisitions and developments contemplated, offered or undertaken by the Company or any Group Company;

(d) details of the employees, officers and workers of and consultants to the Company or any Group Company their job skills and capabilities and of the remuneration and other benefits paid to them;

(e) copies or details of and information relating to Know-how, research activities, inventions, creative briefs, ideas, computer programs (whether in source code or object code) secret processes, designs and formulae or other intellectual property acquired, developed, licensed, undertaken, commissioned or produced by or on behalf of the Company or any Group Company;

(f) confidential reports or research commissioned by or provided to the Company or any Group Company and any trade secrets and confidential transactions of the Company or any Group Company;

(g) key metric information such as details of website page hits, visitors, visits, orders per day, total order volumes, average order size, volumes of goods shipped or held in stock, customer acquisition costs, repeat rates and word of mouth rates;

(h) details of any marketing, development, pre-selling or other exploitation of any intellectual property or other rights of the Company or any Group Company, any proposed options or agreements to purchase, licence or otherwise exploit any intellectual property of the Company or any Group Company and any intellectual property which is under consideration for development by the Company or any Group Company,

(i) details of any advertising, marketing or promotional campaign which the Company or any Group Company is to conduct; and

(j) any information which you ought reasonably to know is confidential and any information which has been given to the Company or any Group Company in confidence by agents, buyers, clients, consultants, customers, suppliers or other persons.

1.1.6 **Documents:** documents, manuals, disks, memory, notebooks, tapes (including copies) or any other medium, whether or not eye-readable, on which information (whether confidential or otherwise) may from time to time be referred to, written or recorded.

1.1.7 **Group Company**: the Company, its Subsidiaries or Holding Companies from time to time and any Subsidiary of any Holding Company from time to time.

1.1.8 **Incapacity**: any sickness, injury or other medical disorder or condition which prevents the Employee from carrying out his duties.

1.1.9 **Key Employee:** any employee or contractor who is or was (in the Period) employed or engaged to your knowledge:

(a) at management grade; or

(b) in a senior capacity; or

(c) in a capacity in which he has access to or obtained Confidential Information and in respect of whom you exercised control or had managerial responsibility.

1.1.10 **Know-how:** information (including without limitation that comprised in formulae, specifications, designs, drawings, component lists, databases, software (or pre-cursor documents), databases, manuals, instructions and catalogues) held in whatever form relating to the creation, production or supply of any products or services by the Company or any Group Company, or by or to any of the suppliers, customers, partners or joint ventures of such company.

1.1.11 **Manager**: Chief Executive Officer, Denise Scots-Knight

1.1.12 **Period:** the period of 6 months immediately prior to the Termination Date.

1.1.13 **Permitted Interest:** an interest in any class of shares or other securities of any company which are traded on a recognised investment exchange which amount to not more than 3% of such class of issued shares or securities and an interest in any units of any authorised unit trust.

1.1.14 **Restricted Area:** England, Scotland, Wales or Northern Ireland.

1.1.15 **Restricted Business:** any business whether for profit or not-for-profit that has a significant commercial activity in pharmaceuticals which contain one or more active ingredients that are similar (in drug target specificity and function in relation to modulating that target) to pharmaceutical candidates or products researched, developed or commercialised by the Company at the date of an individual's termination of service with the Company in which the Employee has a material involvement.

1.1.16 **SSP**: statutory sick pay.

1.1.17 **Staff Handbook**: the Company's staff handbook as amended from time to time.

1.1.18 **Subsidiary and Holding Company**: in relation to a company mean "subsidiary" and "holding company" as defined in section 1159 of the Companies Act 2006 and a company shall be treated, for the purposes only of the membership requirement contained in subsections 1159(1)(b) and (c), as a member of another company even if its shares in that other company are registered in the name of (a) another person (or its nominee), whether by way of security or in connection with the taking of security, or (b) a nominee.

1.1.19 **Termination Date:** the date of termination or expiration of this Contract.

1.2 The headings in this Contract are inserted for convenience only and shall not affect its construction.

1.3 A reference to a particular law is a reference to it as it is in force for the time being taking account of any amendment, extension, or re-enactment and includes any subordinate legislation for the time being in force made under it.

1.4 Unless the context otherwise requires, a reference to one gender shall include a reference to the other genders.

1.5 Unless the context otherwise requires, words in the singular include the plural and in the plural include the singular.

1.6 The schedules to this Contract form part of (and are incorporated into) this Contract.

2. Term of Appointment

2.1 The Appointment shall commence on the Commencement Date and shall continue, subject to the remaining terms of this Contract, until terminated by either party giving the other not less than 6 months' prior notice (or the statutory minimum notice, whichever is the greater) in writing.

2.2 [This clause intentionally blank].

2.3 No employment with a previous employer counts towards the Employee's period of continuous employment with the Company.

2.4 The Employee consents to the transfer of his employment under this Contract to an Associated Employer at any time during the Appointment.

3. Employee Warranties

3.1 You represent and warrant to the Company that, by entering into this Contract or performing any of your obligations under it, you will not be in breach of any court order or any express or implied terms of any contract or other obligation binding on you.

3.2 You represent and warrant to the Company that you are not bound by or subject to any agreement, arrangement, court order, obligation or undertaking which in any way restricts or prohibits you from entering into this Contract or from performing your duties for the Company as set out in this Contract.

3.3 You warrant that you are entitled to work in the UK without any additional approvals and will notify the Company immediately if you cease to be so entitled at any time during the Appointment.

4. Job Title and Reporting

Your job title is 'Chief Financial Officer' and you will report to the Manager or such other person as may be authorised by the Company and notified to you.

5. Job Description and Duties

5.1 Your main tasks and responsibilities are set out in the written job description at Schedule I. The Company reserves the right to require you to change your job title and/or job description and/or reporting structure or to require you to perform a different job or different or additional duties consistent with your status and any such change will not constitute a change of the terms and conditions of your employment.

5.2 You must perform your job to the best of your ability and to comply with any duties implied by law.

5.3 During the Appointment you shall:

5.3.1 unless prevented by Incapacity, devote substantially the whole of your time, attention and abilities to the business of the Company and any Group Company of which you are an officer or consultant;

5.3.2 diligently exercise such powers and perform such duties as may from time to time be assigned to you by the Company together with such person or persons as the Company may appoint to act jointly with you;

5.3.3 comply with all reasonable and lawful directions given to you by the Company;

5.3.4 promptly make such reports to your Manager in connection with the affairs of any Group Company on such matters and at such times as are reasonably required;

5.3.5 report your own wrongdoing and any wrongdoing or proposed wrongdoing of any other employee or director of any Group Company to your Manager immediately on becoming aware of it;

5.3.6 use your best endeavours to promote, protect, develop and extend the business of any Group Company; and

5.3.7 consent to the Company monitoring and recording any use that you make of the Company's electronic communications systems for the purpose of ensuring that the Company's rules are being complied with and for legitimate business purposes.

5.4 You shall comply with the Company's anti-corruption and bribery policy and related procedures at all times.

5.5 You shall comply with any rules, policies and procedures set out in the Staff Handbook. The Staff Handbook does not form part of this Contract and the Company may amend it at any time. To the extent that there is any conflict between the terms of this Contract and the Staff Handbook, this Contract shall prevail.

5.6 All documents, manuals, hardware and software provided for your use by the Company, and any data or documents (including copies) produced, maintained or stored on the Company's computer systems or other electronic equipment (including mobile phones), remain the property of the Company.

6. Location

6.1 Your normal place of work is the Company's offices at 4th Floor, One Cavendish Place, London W1G 0QF or such other place as the Company may reasonably determine for the proper performance and exercise of your duties.

6.2 The Company may require you to perform services for any Group Company wherever situated and without further fees or remuneration and to enter into any separate agreement(s) with such Group Company for such purpose and any duties that you may have under this Contract will be deemed to extend to such Group Company.

6.3 You agree to travel on any Group Company's business (both within the United Kingdom and abroad) as may be required for the proper performance of your duties under the Appointment.

7. Hours of Work

7.1 Your normal working hours are from 09:00 to 17:00 on each week day, excluding public and bank holidays of England and Wales, together with such additional hours, on week days (including public and bank holidays of England and Wales) or weekends, as may be necessary for the proper performance of your duties.

7.2 Regulation 4(1) of the Working Time Regulations 1998 (the "**WTR**") provides that a worker's average working time, including overtime, must not exceed 48 hours for each seven-day period (to be averaged over a period of 17 weeks) unless the worker agrees that this regulation will not apply to his or her employment.

You acknowledge that you hold an executive position with certain autonomous decision taking powers and therefore are not subject to regulation 4(1) of the Working Time Regulations 1998 but without prejudice to that you accept that by signing this Contract you have agreed that, insofar as it would apply to your employment with the Company, regulation 4(1) of the Working Time Regulations 1998 shall not apply.

7.3 At any time during the Appointment, you or the Company may give three months' prior written notice that the opt-out of clause 7.2 should no longer apply and it will cease to apply with effect from the expiry of the said notice.

7.4 You will comply with any requests made or measures imposed to enable the Company and/or you to monitor and record your working time.

8. Salary

8.1 Your salary is £250,000 per annum (the **"Salary"**), less statutory and voluntary deduction. The Salary shall accrue from day to day and be payable by equal monthly instalments in arrears on the last business day of each calendar month directly into your UK bank or building society account.

8.2 You will receive no additional payment for any overtime worked. Your Salary will include any director's, company secretary's and other fees and emoluments due to you as an officer of the Company or of any Group Company.

8.3 Your Salary will be reviewed by your Manager annually, the first such review taking effect from 1 January 2018 and may be increased from time to time at the Company's discretion without affecting the other terms of the Appointment. There is no obligation to award an increase. There will be no review of the Salary after notice has been given by either party to terminate the Appointment.

8.4 If you are invited to participate in any employees' share scheme (as defined in section 1166 of the Companies Act 2006) and accept, your membership shall be governed exclusively by the rules of the relevant scheme from time to time. Your rights and obligations under this Contract shall not be affected by your participation in the scheme or any right which you may have to participate in it and you shall have no claim for compensation or damages under or in connection with this Contract in consequence of the termination of the Appointment for any reason whatsoever insofar as the termination of the Appointment may end your participation or reduce the value of awards you may receive under it.

8.5 You authorise the Company to deduct from your Salary any sums which you may owe the Company including without limitation any overpayment of salary or expenses, any debt or loans or any other sum or sums which may be required to be authorised pursuant to Section 13 of the Employment Rights Act 1996.

9. Discretionary Bonus

9.1 You may be considered for a discretionary bonus in relation to each calendar year. The payment of any discretionary bonus is not guaranteed under this Contract and your eligibility for a discretionary bonus shall be assessed in accordance with and subject to the terms of the Company's performance related discretionary bonus scheme.

9.2 The terms of the discretionary bonus scheme are determined by the Company in its absolute discretion and the Company is entitled in its absolute discretion to change the terms of this scheme from year to year.

9.3 The amount of the discretionary bonus, if any, in any particular calendar year shall be determined by the Company in its sole discretion. Payment of a bonus in one calendar year does not entitle you to receive a bonus in respect of any other calendar year.

9.4 If you commence employment part way through the calendar year any sum calculated in accordance with clause 9.2 shall be pro-rated, as appropriate.

9.5 If you are working your period of notice (given by either you or the Company) at the date any bonus is payable to you, or the Appointment is terminated prior to that date, no bonus or pro-rata bonus shall be payable.

9.6 Any discretionary bonus payable in accordance with this clause 9 shall not be pensionable.

10. Expenses

10.1 The Company will reimburse (or procure the reimbursement of) all expenses properly, necessarily and reasonably incurred by you in the proper performance of your duties, provided that on request you will provide the Company with such VAT receipts, invoices or other evidence of actual payment of such expenses as the Company may reasonably require.

10.2 You shall comply with the Company's expenses policy as set out in the Staff Handbook from time to time.

10.3 Any expenses charged to a Company credit card must be documented in accordance with Company procedures and approved by the Chief Financial Officer within one month of the date that the credit card statement is received. No personal expenditure may be charged to Company credit cards.

11. Other Employment

11.1 You must devote substantially the whole of your time, attention and abilities during your normal hours of work to your duties for the Company.

11.2 Without the prior written approval of the Board, you may not, whether directly or indirectly, undertake any other job (including voluntary work) or carry on a business, of whatever kind, during your hours of work for the Company. Without the prior written approval of the Board, you may not, whether directly or indirectly, undertake any other job (including voluntary work) or carry on a business, of whatever kind, outside Company hours if in the reasonable opinion of the Company this is likely to affect your work performance for the Company and you will promptly disclose to the Company sufficient details of any such job or business in order for the Company to consider whether it is likely to affect your work performance. Nothing in this clause 11.2 will prevent you from holding a Permitted Interest (as defined below).

11.3 You may not at any time during the period of your employment by the Company without the prior written consent of the Chief Executive Officer engage, whether directly or indirectly, in any business or employment which is similar to or in any way connected with the business of the Company.

12. Holidays

12.1 In addition to the usual public and bank holidays of England and Wales, you shall be entitled to 25 days' paid holiday in each complete holiday year worked (and pro rata for any holiday year worked in part) to be taken at such time or times as shall be agreed by your Manager.

12.2 The holiday year runs from 1 January each year to the following 31 December.

12.3 Although the Company will agree to your proposed holiday dates wherever possible, it reserves the right to withhold approval where necessary to protect the interests of the business.

12.4 The Company reserves the right to require you to take holiday on certain days to be determined by the Company of up to five days in each holiday year. The Company will notify you of any such requirement prior to the commencement of each holiday year.

12.5 A maximum of five days untaken holiday entitlement may be carried forward from one holiday year subject to the prior written agreement of your Manager to the next and no money will be paid in lieu of any such untaken holiday entitlement.

12.6 On termination of the Appointment you shall be entitled to be paid in lieu of holiday accrued but untaken in the holiday year in which termination takes place. Your entitlement to holiday will be calculated on the basis that each day of paid holiday is equal to 1/260 of your salary. Alternatively, you will be required to repay to the Company pay for any holiday taken in excess of your entitlement at the same rate.

12.7 If in any year you are not employed for the complete holiday year (for example, in the years in which you join and leave the Company), your holiday entitlement will be calculated pro rata based on the number of complete months worked during the relevant holiday year.

12.8 The Company may require you to take any outstanding holiday entitlement during your notice period or during any period of garden leave as referred to in clause 20.

12.9 The holiday year is also the leave year for parental leave purposes.

13. Notification of Sickness or Other Absence

13.1 If you are absent from work for any reason and your absence has not previously been authorised by your Manager you, or someone on your behalf, must inform your Manager by 10.00 am on each day of absence.

13.2 Any unauthorised absence must be properly explained and in the case of an absence of uncertain duration you must keep the Company informed on a daily basis until you have provided the Company with a medical certificate.

13.3 If you are absent from work due to sickness or injury which continues for more than seven days (including weekends) you must provide the Company with a medical certificate on or before the eighth day of sickness or injury. Thereafter medical certificates must be provided to the Company to cover any continued absence.

13.4 Immediately following your return to work after any period of absence which has not previously been authorised by your Manager you are required to complete a Self-Certification form stating the date of and the reason for your absence, including details of sickness on non-working days as this information is required by the Company for calculating Statutory Sick Pay entitlement. Self-Certification forms will be retained in the Company's records.

13.5 Failure to comply with the above procedures may result in disciplinary action and/or the loss of Company sick pay (referred to below) and may also disqualify you from receiving Statutory Sick Pay.

13.6 Your "qualifying days" for Statutory Sick Pay purposes are those days of the week on which you are due to work in accordance with this contract of employment.

13.7 You shall:

13.7.1 agree to consent to a medical examination (at the Company's expense) by a doctor nominated by the Company or your GP or any relevant consultant at any time should the Company so require; and

13.7.2 authorise such medical practitioner to disclose to or discuss with the Company (or its medical adviser) any matters arising from such examination.

13.8 The rights of the Company to terminate the Appointment under the terms of this Contract apply even when such termination would or might cause you to forfeit any entitlement to sick pay, payments under the medical scheme, or other benefits.

14. Sick Pay

14.1 Provided that you have complied with the Company's notification and certification procedures and general terms relating to sickness absence referred to in clause 13 above and that you have completed three months of continuous service prior to the start of the period of sickness, you will be entitled to be paid your normal basic pay for periods of sickness absence up to a maximum of 10 working days in aggregate in any calendar year. Any payments made thereafter will be at the sole discretion of the Company. Payments of sick pay include Statutory Sick Pay and will be reduced by any state sickness benefit you may be entitled to receive.

14.2 If you are absent from work due to the actionable negligence, nuisance or breach of any statutory duty on the part of a third party in respect of which damages are or may be recoverable, you shall immediately notify your Manager of that fact and of any claim, compromise, settlement or judgment made or awarded in connection with it and all relevant particulars that the Company may reasonably require. In such circumstances any Company sick pay will be paid as a loan which, if required by the Company, you must repay to the Company if you recover damages in respect of your absence from work.

14.3 The Company reserves the right to withhold payment of Company sick pay if you fail to comply with the provisions of clause 13 or if you are subject to disciplinary proceedings.

15. Other Benefits

15.1 **Pension.** You are eligible to join the Company's group personal pension scheme. Membership of and benefits under the scheme are strictly subject to the rules of the scheme as amended from time to time. The Company expressly reserves the right in its discretion to amend or terminate the pension scheme. The Company shall contribute to the Company's pension scheme an amount equal to 10% of your Salary provided that you contribute 4% or more to that scheme, subject to the annual allowance set by HM Revenue & Customs from time to time not being exceeded. In the event that you exceed the annual allowance set by HM Revenue & Customs in any fiscal year or maximum lifetime allowance, the Company may, at your request, pay a pro-rata amount equal to 10% of your basic salary in lieu of a pension contribution to you as an allowance, subject to deduction of income tax and national insurance contributions, you certifying and, at the request of the Company, providing evidence satisfactory to the Company that you have exceeded such annual allowance for the applicable fiscal year or the maximum lifetime allowance and, if necessary, you opting out of auto enrolment. Any pension contribution or allowance shall be paid in equal monthly instalments in arrears.

15.2 The Company will comply with the employer pension duties in respect of your employment in accordance with Part I of the Pensions Act 2008.

15.3 A contracting-out certificate under the Pension Schemes Act 1993 is not in force in respect of the Appointment.

15.4 Subject to the rules and eligibility requirements of each scheme from time to time in force and to your health not being such as to prevent the Company (or the relevant Group Company) from being able to obtain cover on reasonable terms, you will be entitled to participate in the following schemes:

15.4.1 **Medical Scheme.** You and your immediate family shall be entitled to participate in the medical insurance scheme maintained from time to time by the Company for the benefit of employees.

15.4.2 **Life Assurance Scheme.** The Company shall maintain for you life assurance of four times your Salary.

15.5 Any benefits that may from time to time be provided by the Company to you or your family that are not expressly referred to in this Contract shall be provided at the entire discretion of the Company and, unless so agreed in writing, shall not form part of your terms and conditions of employment.

15.6 Participation in any insurance or assurance scheme provided for you under this Contract:

15.6.1 is absolutely subject to its terms and conditions from time to time in force;

15.6.2 is conditional on you satisfying any applicable requirements of the insurers;

15.6.3 is subject to you and any insured dependants satisfying the normal underwriting requirements of the relevant insurance provider and the relevant premium being at a rate which the Company considers reasonable; and

15.6.4 will end when you attain whichever is the greater of the age of 65 and the state pensionable age.

15.7 The Company reserves the right at any time, on three months' written notice, to withdraw any insurance or other benefits set out in this clause 15 or to amend the terms on which they are provided. If an insurance provider refuses for any reason to provide insurance benefit to you under any insurance scheme the Company shall not be liable to provide you with any replacement benefit of the same or similar kind or to pay any compensation in lieu of such benefit.

15.8 You may be required, at the request and expense of the Company, to submit to a medical examination by a medical practitioner nominated by the Company to support applications for insurance set out in this clause 15 or any other insurance schemes required by the Company, and you hereby authorise such medical practitioner to disclose to or discuss with the Company's medical adviser and/or the relevant insurer's medical adviser any matters arising from such examination and the Company's medical adviser may notify the Board of any serious matter if, in his opinion, it might materially adversely affect your health or the proper discharge of your duties.

16. Intellectual Property

16.1 You agree and acknowledge that during the course of your employment and in pursuance of the discharge of your duties you will make, create, produce and generate intellectual property rights, including Inventions.

16.2 Inventions

16.2.1 If while employed by the Company you (whether alone or with any other person) make, produce or are responsible for any invention, discovery, process, business idea, or method of any description that relates to or could be used in any business of the Company ("**an Invention**"), you shall promptly give to a Director of the Company full written details thereof.

16.2.2 If the Invention is a patentable invention within the meaning of Section 1 of the Patents Act 1977 and, according to the provisions of Section 39 of that Act it belongs to you ("**Personal Invention**"), you shall if so requested by the Company no later than six months from disclosure to the Company pursuant to sub-clause 16.2.1 above, negotiate with the Company in good faith for the assignment or licence of your rights in that Invention to the Company for further consideration.

16.2.3 Any Invention created in the course of your employment by the Company shall belong to the Company ("**Company Inventions**"). Any and all intellectual property rights in or relating to any and all such Company Inventions shall be owned by the Company. You hereby irrevocably assign to the Company (by way of present assignment of present and future rights) with full title guarantee absolutely and free from all encumbrances all right, title and interest in and to all intellectual property rights in or relating to Company Inventions and all materials embodying such rights to the fullest extent permitted by law together with all accrued rights of action in respect of any infringement of such rights. Insofar as they do not so vest automatically by operation of law or under this Contract, you shall hold all such rights and inventions on trust for the exclusive benefit of the Company, and shall not transfer them to a third party or encumber them and shall on demand assign them to the Company without payment or other condition. You shall execute (both during and after the termination of your employment) all documents and do all things necessary to substantiate the Company's rights in Company Inventions and to obtain registration or protection thereof in the Company's name in any country.

16.2.4 Save for the disclosure to the Company as provided above or, in the case of a Personal Invention only, as required for the purpose of obtaining patent protection for the Personal Invention, you shall keep all details of any Invention confidential to yourself and any solicitor, counsel or patent agent instructed by you and you shall not use any Company Invention for any purpose. You shall not without the Company's prior written consent apply for a patent in any country in relation to any Company Invention and shall promptly inform the Company if you apply for a patent in any country for a Personal Invention. Notwithstanding the foregoing, you shall not include any Confidential Information in any application for a patent for a Personal Invention.

16.3 Copyright and other rights

16.3.1 If while employed by the Company you, whether on your own or with any other person, create any copyright work or design (including without limitation any literary, dramatic, musical or artistic work, and any film, sound recording, cable programme, broadcast, typographical arrangement of a published edition, computer program, adaptation or design document) or any database or any other work or matter of any description (other than an Invention) capable of protection under copyright, design right, trademarks, database rights or other intellectual or industrial and commercial property laws of any country, that relates to or could be used in the business of the Company, (a "**Protected Work**"), you shall promptly disclose to the Chief Financial Officer or General Counsel full details thereof in writing and shall if requested by the Company deliver to it all copies or representations of the Protected Work in any material form but shall otherwise keep the Protected Work confidential and not use it for any purpose other than for the Company.

16.3.2 All proprietary rights in any Protected Work created by you in the course of your employment by the Company shall automatically vest in the Company.

16.3.3 To the extent that the Company is not already the owner of the copyright, design rights, trade marks, database rights and other intellectual or industrial and commercial property rights ("**the Rights**") in a Protected Work pursuant to clause 16.3.2 you shall hold the Protected Work and the Rights on trust for the Company and shall assign without payment or any other condition (and, in the case of the UK copyright, design rights, trade marks and database rights hereby assign by way of future assignment of copyright, design right, trademarks and database rights respectively), the Protected Work and all Rights therein in all countries of the world to the Company absolutely together with all accrued rights of action in respect of any infringement of the same.

16.4 You shall, without charge to but at the cost of the Company, execute all documents and do all acts, things and matters beneficial to, required or necessary (both during and after the termination of your employment) to vest rights in the Company (or its successors), or substantiate the Company's (or its successor's) rights, in any Company Inventions, the Rights and Protected Works and to obtain protection for the Company Inventions, Rights and Protected Works in the Company's (or its successor's) name in any country.

16.5 To the extent permitted by law, you hereby irrevocably and unconditionally waive any and all moral rights conferred by Chapter IV of the Copyright Designs and Patents Act 1988 or any rights of a similar nature under laws now or in the future in force in any other jurisdiction in and to any and all Protected Work, such waiver being given in favour of the Company, its successors in title and assigns.

16.6 You hereby irrevocably appoint the Company to be your attorney to execute and do any such instrument or thing and generally to use your name for the purpose of giving the Company or its nominee the benefit of this clause 16 and acknowledge in favour of a third party that a certificate in writing signed by any Director or the Company Secretary that any instrument or act falls within the authority conferred by this clause 16 shall be conclusive evidence that such is the case.

16.7 The provisions of this clause 16 will not be affected by the termination of this Contract for whatever reason and will continue after it ends.

17. Confidentiality

17.1 You acknowledge that in the course of the Appointment you will have access to Confidential Information. You therefore agree to accept the restrictions in this clause 17.

17.2 You shall not (except in the proper course of your duties), either during the Appointment or at any time after its termination (however arising), use or disclose to any person, company or other organisation whatsoever (and shall use your best

endeavours to prevent the publication or disclosure of) any Confidential Information. This shall not apply to:

17.2.1 any use or disclosure authorised by the Board in writing or required by law;

17.2.2 any information which is already in, or comes into, the public domain other than through your unauthorised disclosure; or

17.2.3 any protected disclosure within the meaning of section 43A of the Employment Rights Act 1996.

17.3 You agree that the restrictions set out in this clause 17 are without prejudice to any other duties of confidentiality owed to the Company or any Group Company whether express or implied and that they shall survive the termination of this Contract for whatever reason and will continue after it ends.

18. Termination

18.1 You or the Company may terminate the Appointment on written notice of 6 months or the statutory minimum notice, whichever is the greater.

18.2 The Company shall be entitled at its sole and absolute discretion lawfully to terminate your employment at any time and with immediate effect by written notification to you and to pay within one month following the date of such termination a payment in lieu of notice (PILON) to you. For the avoidance of doubt, the termination of your employment shall be effective on such written notification and shall not be deferred until the PILON is paid. The total PILON will be equal to the basic salary due under clause 8.1 which you would have been entitled to receive under this Contract during the notice period referred to at clause 2.2 or 18.1 (or, if notice has already been given, during the remainder of such notice period) (subject to statutory deductions)

18.3 On termination of the Appointment, for whatever reason, you shall not be entitled to any compensation for the loss of any rights or benefits under any share option, bonus, long-term incentive plan or other profit sharing scheme operated by the Company or any Group Company in which you may participate.

18.4 Upon the termination of your employment with the Company for whatever reason or after notice having been served at the request of the Company or if you shall cease for any reason to be a director or officer of the Company, you shall forthwith, if so required by the Company resign without any claim for compensation or damages from any office or appointment held by you in the Company or in any Group Company, and of all other companies of which he shall have been appointed a director or officer by the Company or Group Company by virtue of any right of nomination vested in such member. You hereby irrevocably authorise the Company to appoint such person in your place and on your behalf to do all such things and execute all such documents which you are obliged to execute and do under this Contract (including without limitation those documents which may be necessary for, or incidental to, your resignation from office).

18.5 You agree that during any period of notice given by either party, you will give to the Company or such person nominated by it all such assistance and co-operation in effecting a smooth and orderly handover of your duties as the Company may reasonably require.

18.6 The Company may at its absolute discretion during any period of notice given by either party:

18.6.1 appoint a person to perform your duties jointly with you or, during any period of garden leave pursuant to clause 20 and/or during any period of suspension pursuant to clause 24.2, to perform all or some of your duties in your place; and/or

18.6.2 suspend or cancel your access to the Company's IT and telephone systems including, but not limited to, voicemail, email, internet and the Company's intranet.

19. Summary Termination

19.1 The Company is entitled to terminate the Appointment by summary notice in writing and without payment in lieu of notice if you:

19.1.1 are guilty of any gross misconduct affecting the business of any Group Company;

19.1.2 commit any serious breach or repeated or continued (after warning) any material breach of your obligations under this Contract;

19.1.3 commit (by commission or omission) any act which brings or would tend to bring the Company or any Group Company into disrepute;

19.1.4 fail to perform your duties to a satisfactory standard after having received a written warning from the Company relating to the same;

19.1.5 are guilty of any dishonesty, gross misconduct or wilful neglect of duty;

19.1.6 damage Company property maliciously;

19.1.7 falsify attendance or sickness or other records;

19.1.8 falsify any data during the course of your employment;

19.1.9 conduct yourself in a manner materially adverse to the interests of the Company or any Group Company;

19.1.10 are, in the reasonable opinion of the Board, negligent and incompetent in the performance of your duties;

19.1.11 have a bankruptcy order made against you or enter into a voluntary arrangement within the meaning of section 253 Insolvency Act 1986;

19.1.12 consume or distribute narcotics on Company premises;

19.1.13 are convicted of any criminal offence (other than an offence under any road traffic legislation in the United Kingdom or elsewhere for which a fine or non-custodial penalty is imposed) whether or not in the course of your employment;

19.1.14 are, in the opinion of a medical practitioner who is treating you, physically or mentally incapable of performing your duties and may remain so for more than three months and the medical practitioner has given a medical opinion to the Board to that effect;

19.1.15 cease to be eligible to work in the United Kingdom;

19.1.16 knowingly commit any deliberate act which amounts to discrimination, victimisation or harassment on any unlawful ground;

19.1.17 are in breach of the Company's anti-corruption and bribery policy and related procedures;

19.1.18 are guilty of a serious breach of any rules issued by the Company from time to time regarding its electronic communications systems;

19.1.19 are unable by reason of Incapacity to perform his duties under this Contract for an aggregate period of 26 weeks in any 52-week period; or

19.1.20 commit any other offence of a similar gravity to the examples under this clause 19.1, which are neither exclusive nor exhaustive.

19.2 Any delay by the Company in exercising such right of termination shall not constitute a waiver of that right.

19.3 The termination by the Company of the Appointment pursuant to this clause 19 will be without prejudice to any claim that the Company may have for damages arising from any breach of this Contract by you that gives rise to such termination.

20. Garden Leave

20.1 After notice of termination has been given by either party pursuant to clause 18 provided that the Company continues to provide you with your normal Salary and benefits under this Contract until the Appointment terminates, the Company may at its absolute discretion without breaking the terms of this contract or giving rise to any claim against the Company for all or part of your notice period place you on garden leave and:-

20.1.1 exclude you from the premises of the Company and any Group Company; and/or

20.1.2 require you to carry out specified duties other than your normal duties or to carry out no duties; and/or

20.1.3 withdraw any powers vested in you; and/or

20.1.4 instruct you not to communicate orally or in writing with suppliers, customers, employees, agents/or representatives of the Company or any Group Company until the Appointment has terminated.

20.2 During any period of garden leave you shall:

20.2.1 continue to receive your Salary and all contractual benefits in the usual way and subject to the terms of any benefit arrangement;

20.2.2 remain an employee of the Company and bound by the terms of your contract of employment with the Company;

20.2.3 not, without the prior written consent of your Manager, attend your place of work or any other premises of the Company or any Group Company;

20.2.4 not, without the prior written consent of your Manager, contact or deal with (or attempt to contact or deal with) any officer, employee, consultant, client, customer, supplier, agent, distributor, shareholder, adviser or other business contact of the Company or any Group Company;

20.2.5 (except during any periods taken as holiday in the usual way) ensure that your Manager knows where you will be and how you can be contacted during each working day and shall comply with any written requests to contact a specified employee of the Company at specified intervals.

21. Restrictions after Employment

21.1 You shall not, save in respect of a Permitted Interest or with the prior written consent of the Company, for a period of 6 months from the Termination Date carry on or be concerned or engaged or interested directly or indirectly (whether as principal, shareholder, partner, employee, officer, agent or otherwise) in any part of any trade or business carried on within the Restricted Area wholly or partly in competition with the Restricted Business.

21.2 You shall not for a period of 6 months from the Termination Date, in competition with the Company, either on your own behalf or on behalf of any person, firm or company in relation to the Restricted Business, directly or indirectly:

21.2.1 deal with or accept custom from any person, firm or company who was a client or customer of the Company or any Group Company during the Period with whom you have been actively engaged or involved or of whom you have acquired Confidential Information or trade secrets by virtue of your duties hereunder during the Period; or

21.2.2 deal with or interfere with any person, firm or company who was a supplier, agent or distributor of the Company or any Group Company during the Period and in each case with whom you have been actively engaged or involved or of whom you have acquired Confidential Information or trade secrets by virtue of your duties hereunder during the Period; or

21.2.3 deal with or interfere with any company from whom the Company or any Group Company has licensed or acquired intellectual property.

21.3 You shall not for a period of 9 months from the Termination Date, in competition with the Company, either on your own behalf or on behalf of any person, firm or company in relation to the Restricted Business, directly or indirectly:

21.3.1 solicit, approach or offer goods or services to or entice away from the Company or any Group Company any person, firm or company who was a client or customer of the Company or any Group Company during the Period with whom you have been actively engaged or involved or of whom you have acquired Confidential Information or trade secrets by virtue of your duties hereunder during the Period;

21.3.2 solicit or approach or offer goods or services to or entice away from the Company or any Group Company any person, firm or company who was a supplier, agent or distributor of the Company or any Group Company during the Period with whom you has been actively engaged or involved or of whom you have acquired Confidential Information or trade secrets by virtue of your duties hereunder during the Period; or

21.3.3 interfere or seek to interfere with the continuance, or any of the terms, of the supply of goods or services to the Company or any Group Company;

PROVIDED THAT nothing contained in clauses 21.1 to 21.3 inclusive shall prohibit you from carrying out any activities that are not in competition with any part of the business of the Company with which you were involved in the Period.

21.4 You shall not for a period of 6 months from the Termination Date either on your own behalf or on behalf of any person, firm or company directly or indirectly, approach, solicit, endeavour to entice away, employ, offer employment to or procure the employment of any person who is or was a Key Employee with whom you have had dealings during the Period whether or not such person would commit any breach of his contract of employment by reason of so leaving the service of the Company or otherwise.

21.5 You shall not, at any time after the Termination Date, either on your own behalf or on behalf of any other person, firm or company directly or indirectly:

21.5.1 represent yourself as being in any way connected with or interested in the business of the Company or any Group Company (other than as a consultant or a member if such be the case) or use any name which is identical or similar to or likely to be confused with the name of the Company or any Group Company or any product or service produced or provided by the Company or any Group Company or which might suggest a connection with the Company or any Group Company; or

21.5.2 directly or indirectly make, publish or otherwise communicate any statement whatsoever whether in writing or otherwise which may have

the effect of damaging or lowering the business interests and/or the reputation of the Company or any Group Company or any of its or their former or existing agents, clients, consultants, directors, employees, officers, share-holders, suppliers or workers ("**Relevant Personnel**") and/or which may be disparaging or derogatory to any of the Company or any Group Company or any Relevant Personnel.

21.6 The period of the restrictions in clauses 21.1 to 21.4 inclusive shall be reduced by the period, if any, spent by you during which you are placed on garden leave in accordance with clause 20.

21.7 You agree to notify your new employer of the restrictions contained within clauses 21.1 to 21.4 inclusive.

21.8 You acknowledge that, in the course of your employment, you are likely to have dealings with the clients, customers, suppliers and other contacts of the Company. You agree that each of the restrictions in clauses 21.1 to 21.4 inclusive is separate and distinct, is to be construed separately from the other restrictions, and is reasonable as regards its duration, extent and application for the protection of the legitimate business interests of the Company. However, in the event that any such restriction shall be found to be void or unenforceable but would be valid or enforceable if some part or parts of it were deleted, you agree that such restriction shall apply with such deletions as may be necessary to make it valid and effective.

22. Company Property

22.1 All Documents and other property (including mobile telephones, laptop computers and other technical equipment) provided for your use by the Company, remain the property of the Company or any Group Company.

22.2 Any Documents or other property in your possession and or obtained by you in the course of your employment shall be returned to your Manager at any time on request and in any event prior to the Termination Date.

22.3 At any time upon request and in any event prior to the Termination Date you must irretrievably delete any information relating to the business of the Company or any Group Company stored on any magnetic or optical disk or memory and all matter derived from such sources which is in your possession or under your control outside the Company's premises.

23. Grievance Procedure

The purpose of the grievance procedure is to ensure that any problem, concern or grievance you have about your work, working environment or working relationships is properly dealt with. The Company's current grievance procedure, which does not form part of your terms and conditions of employment, is set out in the Company's Employee Handbook. Should you have any grievance in relation to the Appointment which you are unable to resolve on an informal basis, you should raise it in the first instance with your Manager. In the event that such grievance is against your Manager, you should raise it in the first instance with the Chief Financial Officer or General Counsel.

24. Disciplinary Procedure

24.1 The purpose of the disciplinary procedure is to ensure that the standards established by the Company's rules are maintained and that any alleged failure to observe the Company's rules is fairly dealt with. The Company's current disciplinary procedure, which does not form part of your terms and conditions of employment, is set out in the Company's Employee Handbook. If you wish to appeal against a disciplinary decision you must do in accordance with the disciplinary procedure to a Director of the Company.

24.2 The Company may at any time and from time to time in its discretion suspend you from your duties on payment of full Salary and/or exclude you from any premises of the Company and/or any Group Company whilst it carries out any investigation or disciplinary process. During any period of suspension:

24.2.1 you shall continue to receive your basic salary and all contractual benefits in the usual way and subject to the terms of any benefit arrangement;

24.2.2 you shall remain an employee of the Company and bound by the terms of this Contract;

24.3 you shall ensure that your Manager knows where you will be and how you can be contacted during each working day (except during any periods taken as holiday in the usual way);

24.4 the Company may exclude you from your place of work or any other premises of the Company or any Group Company; and

24.5 the Company may require you not to contact or deal with (or attempt to contact or deal with) any officer, employee, consultant, client, customer, supplier, agent, distributor, shareholder, adviser or other business contact of the Company or any Group Company.

25. Collective Agreements

There are no collective agreements affecting your terms and conditions of employment.

26. Work outside the United Kingdom

26.1 It is not envisaged by the Company that you will be required to travel for work purposes outside the United Kingdom for any periods longer than one month.

26.2 In the event you are required to work outside the United Kingdom for a period of more than one month, the Company will consult with you and will provide the prescribed information to you.

27. Data Protection

For the purposes of the Data Protection Act 1998 you agree that personal data (including sensitive personal data) relating to you which has been or is in the future obtained by the Company may be held and processed by the Company or any

Group Company either by computer or manually for all purposes relating to the performance of your contract of employment and the Company's legitimate business needs and legal obligations including, but not limited to the following:

27.1.1 administering and maintaining the Company's personnel records;

27.1.2 paying and reviewing salary and other remuneration and benefits;

27.1.3 providing and administering benefits (including pension) and Private Medical Health Insurance;

27.1.4 undertaking performance appraisals and reviews and setting performance targets;

27.1.5 maintaining sickness and other absence records;

27.1.6 taking decisions as to your fitness for work;

27.1.7 providing references and information to future employers, and if necessary, governmental and quasi-governmental bodies for social security and other purposes, and HM Revenue and Customs;

27.1.8 providing information to future purchasers of the Company or of the business in which you work; and

27.1.9 transferring information concerning you to a country or territory outside the European Economic Area.

28. Monitoring

28.1 You shall comply with any electronic communication systems policies that the Company may issue from time to time.

28.2 To ensure regulatory compliance and for the protection of its workers, clients/customers and business, the Company reserves the right to monitor, intercept, review and access any communication facilities provided by the Company or any Group Company that you may use during the Appointment. The Company will use this right of access reasonably but it is important that you are aware that communications and activities on the equipment or premises of the Company and any Group Company cannot be presumed to be private. You consent to the Company and/or any Group Company and its or their duly authorised agents and employees using surveillance equipment.

29. Rules, Policies and Procedures

You must comply at all times with all the rules, policies and procedures introduced by the Company from time to time, including but not limited to any contained in the Company's Employee Handbook. For the avoidance of doubt such rules, policies and procedures are not incorporated by reference into this Contract and they can be changed, replaced or withdrawn at any time at the discretion of the Company. Breach of Company rules, policies or procedures may result in disciplinary action.

30. Health and Safety

All employees and workers have a duty in law to act responsibly and to take reasonable care for the health and safety at work of both themselves and their colleagues. This duty can be carried out by:

(a) working safely and efficiently;

(b) using any protective equipment provided and meeting statutory obligations;

(c) adhering to the Company procedures for securing a safe workplace.

Further provisions relating to health and safety can be found in the Employee Handbook.

31. Contracts (Rights of Third Parties) Act 1999

The Company or any Group Company may enforce the terms of this Contract and the Contracts (Rights of Third Parties) Act 1999 shall apply accordingly except that the consent of such Group Companies will not be required to vary or rescind the terms of the Contract.

32. Governing Law

This Contract shall be interpreted and construed in accordance with the laws of England and shall be subject to the jurisdiction of the English courts.

33. Jurisdiction

Each party irrevocably agrees that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with this Contract or its subject matter or formation (including non-contractual disputes or claims).

34. Changes to your Terms of Employment

The Company reserves the right to make reasonable changes to any of your terms of employment. You will be notified in writing of any change as soon as possible and in any event within one month of the change.

35. Notices

35.1 Any notice or other communication given or made under this Contract must be in writing and delivered to the relevant party (including by hand or special delivery) or sent by first class post to the address of that party specified in this Contract or such other address as may be notified by that party from time to time for this purpose, and shall be effective notwithstanding any change of address not so notified.

35.2 Unless the contrary shall be proven, each such notice or communication shall be deemed to have been given or made, if sent by first class post, 48 hours after posting and, if delivered by hand, at the time of such delivery.

36. Entire Agreement

36.1 This Contract constitutes the entire agreement between the parties and supersedes and extinguishes all previous agreements, promises, assurances, warranties, representations and understandings between them, whether written or oral, relating to its subject matter.

36.2 Each party acknowledges that in entering into this Contract it does not rely on, and shall have no remedies in respect of, any statement, representation, assurance or warranty (whether made innocently or negligently) that is not set out in this Contract.

36.3 Each party agrees that it shall have no claim for innocent or negligent misrepresentation or negligent misstatement based on any statement in this Contract.

36.4 Nothing in this clause shall limit or exclude any liability for fraud.

37. Counterparts

37.1 This Contract may be executed in any number of counterparts, each of which when executed and delivered shall constitute a duplicate original, but all the counterparts shall together constitute the one agreement.

37.2 No counterpart shall be effective until each party has executed and delivered at least one counterpart.

38. General

You hereby irrevocably and by way of security appoint each director of the Company from time to time, jointly and severally, to be your attorney in your name and on your behalf and as your act and deed to sign, execute and do all acts, things and documents which you are obliged to execute and do under the provisions of this Contract (including, but not limited to clause 16.4) and you hereby agree immediately on the request of the Company to ratify and confirm all such acts, things and documents signed, executed or done in the pursuance of this power.

This document has been executed as a deed and is delivered and takes effect on the date stated at the beginning of it.

Signed by MEREO BIOPHARMA GROUP PLC acting by:

/s/ Denise Scots-Knight

DENISE SCOTS-KNIGHT

CEO

in the presence of

/s/ Jessica Doughty
Signature of witness

JESSICA DOUGHTY
Name of witness

[XXXXXX]
Address of witness

Signed as a deed by

/s/ Richard Jones

RICHARD JONES

in the presence of

/s/ Michael Puckering
Signature of witness

MICHAEL PUCKERING
Name of witness

[XXXXXX]
[XXXXXX]
Address of witness

SCHEDULE I

WRITTEN JOB DESCRIPTION

The Employee’s duties and responsibilities shall be as follows:-

Chief Financial Officer

- To manage all aspects of the finance function including management reporting, statutory reporting, taxation, treasury management and compliance and to report on these areas to the Board and any committees of the Board .
- To co-ordinate budget preparation and to manage expenditure against budget.
- To implement and maintain a suitable system of internal financial and non-financial controls, including business continuity procedures and insurance.
- To co-ordinate reporting to investors including annual/interim reports.
- To oversee the operations function, including IT, health and safety and buildings management.
- To co-ordinate public relations and investor relations activities.
- To manage the HR function including payroll, PAYE/NI compliance, annual returns, share option scheme, life assurance and pension arrangements.
- To provide financial support for business development activities.
- To maintain working relationships with key advisors, including brokers, bankers, auditors and PR advisors.

MEREO BIOPHARMA GROUP PLC

AND

JOHN RICHARD AND

JOHN RICHARD & ASSOCIATES, LLC

CONSULTANCY AGREEMENT

CONSULTANCY AGREEMENT

This consultancy agreement (this "Agreement") has been entered into this 1st day of February 2018 and shall replace the agreement between the Parties dated 17 January 2018.

BETWEEN

(1) **Mereo BioPharma Group plc**, a company registered in England and Wales, having its registered address at One Cavendish Place, London, W1G OQF (hereinafter referred to as the "Company"); and

(2) **John Richard & Associates, LLC,** a company organised under the laws of Georgia, having its registered address at 21 West Andrews Drive, Atlanta, GA 30305, USA (hereinafter referred to as the "Consultant").

(3) **John Richard of** 21 West Andrews Drive, Atlanta, GA 30305, USA (hereinafter referred to as the "Executive")

The Company, the Executive and the Consultant are hereinafter collectively referred to as the "Parties", or individually as "Party".

"Associates" means the Company and/or any other subsidiary, holding company or subsidiary of a holding company of the Company.

1 Background

1.1 The Company conducts pharmaceutical licensing, development, and commercialization.

1.2 The Parties have agreed to enter into this Agreement concerning consultancy services related to business development, strategic advice, and transaction management.

2 Scope of the Services

2.1 The Consultant shall provide the services of the Executive to the Company and the Consultant shall perform consultancy services (the "Services") for the Company in accordance with the terms and conditions of this Agreement and the specification set out in Appendix 1. The Consultant shall perform the Services to the extent either requested by the Company or otherwise beneficial to the Company.

2.2 The Consultant's relationship with the Company is that of an independent contractor and the Consultant will operate from its own business premises for the purposes of this Agreement.

3 Remuneration

3.1 In exchange for the Services, the Company will pay the Consultant as outlined in Appendix 2.

3.2 Payment shall be made not later than thirty (30) days following receipt of an invoice addressed to the Company or its Associates.

4 Performance

4.1 The Parties shall at all times co-operate and communicate with each other in conjunction with the performance of the Services.

4.2 The Consultant represents, warrants and undertakes to the Company and its Associates that it shall :

(a) Perform and procure the Executive perform the Services with all reasonable care and skill and in a professional manner;

(b) not engage any sub-contractors without the Company's consent;

(c) in performing the Services the Consultant and the Executive will not infringe the rights of or breach any of their respective obligations to any third party and the Consultant and the Executive will use all reasonable endeavours to comply with any relevant laws and regulations relating to the business of the Company;

(d) advise the Company as soon as it becomes aware, whether at the date of this Agreement or at any time afterwards that the provision of the Services by it could result in a conflict of interest for the Consultant and/or the Executive; and

(e) procure that the Executive shall provide the Company with such information regarding the Services as the Company may reasonably require;

5 Indemnification and Cap on Liability

5.1 The Company shall indemnify, defend and hold harmless Consultant from and against any liability, damage, loss or expense incurred by or imposed upon such Consultant in connection with any claims, suits, actions, demand or judgements arising out of performance of the Services except to the extent that such liability, damage, loss or expense occurs from any negligent act or omission, breach of contract or failure to follow applicable laws by the Consultant or the Executive.

5.2 The maximum aggregate liability of the Consultant to the Company under this Agreement shall not exceed the total amount of remuneration paid by the Company to the Consultant under this Agreement.

6 Intellectual Property Rights

6.1 All intellectual property rights—irrespective of form -, including but not limited to patents and copyrights and the result of know-how, that arise in connection with the performance of the Services shall – without additional remuneration – become and remain the property of the Company. The Company shall furthermore be entitled to freely develop or modify such intellectual property rights as well as to sublicense and transfer such intellectual property rights to a third party.

6.2 All material and results—irrespective of form—that the Consultant produces in connection with performance of the Services shall – without additional remuneration – become and remain the property of the Company.

6.3 The Consultant agrees and undertakes to execute all such deeds and documents that, in the Company's sole discretion, are necessary or desirable in order for the Company to be able to protect, register, maintain and in any other way be able to fully enjoy the Company's rights referred to under this Section 6.

6.4 During the term of the Agreement, as well as after the termination thereof, the Consultant shall not be entitled to, either directly or indirectly, utilise material, results or rights covered by sections 6.1 and 6.2 above, unless the Company has agreed thereto in writing.

6.5 The Consultant undertakes to return all material, documentation and other property of the Company at the termination of the Agreement.

6.6 Without prejudice to the generality of the remaining provisions of this clause 6, in consideration of the Company entering into this Agreement, the Consultant and the Executive assign to the Company for all purposes the copyright and (to the extent capable of assignment under this sub-clause) any and all other intellectual property rights in or relating to the materials and results that the Consultant produces in connection with performance of the Services

7 Term and termination

7.1 This Agreement shall take effect on 1 February 2018 and will remain in effect until 31 January 2019 whereupon the Agreement shall terminate automatically and without notice unless either of the Parties has terminated the Agreement prior to the end of the term of the Agreement, by providing written notice of 6 months. However, sections 6, 8, and 16 shall remain in effect following the termination of this Agreement.

7.2 The Company shall be entitled to terminate this Agreement immediately where the Consultant:

(a) has neglected its duties with respect to the Services; or

(b) has committed a material breach of the Agreement; or

(c) if the Consultant shall at any time be prevented by the Executive's illness or accident or other incapacity from providing his services under this Agreement for a period of two consecutive months or for more than 60 working days in any consecutive 12 months; or

(d) is declared bankrupt, submits an application for a company reorganisation order, enters into liquidation, suspends its payments or is otherwise deemed insolvent.

The Consultant shall be entitled to receive any outstanding remuneration payable with respect to the Services provided prior to termination of the Agreement.

7.3 The Consultant shall be entitled to terminate the Agreement forthwith if the Company:

(a) has committed a material breach of the Agreement; or

(b) is declared bankrupt, submits an application for a company reorganisation order, enters into liquidation, suspends its payments or is otherwise deemed insolvent.

The Consultant shall be entitled to receive any outstanding remuneration payable with respect to the Services provided prior to termination of the Agreement.

8 Confidentiality

8.1 Definition of Confidential Information. "Confidential Information" as used in this Agreement shall mean any and all technical and non-technical information related to the current, future and proposed products and services of the Company, its suppliers and customers, and includes, without limitation, its respective information concerning research, experimental work, development, design details and specifications, engineering, financial information, procurement requirements, purchasing manufacturing, customer lists, business forecasts, sales and merchandising and marketing plans and information.

8.2 Nondisclosure and Nonuse Obligations. Consultant and the Executive will use the Confidential Information solely to perform the Services for the benefit of the Company. Consultant agrees that Consultant and Executive shall treat all Confidential Information of the Company with the same degree of care as Consultant accords to Consultant's own Confidential Information, and Consultant represents that Consultant exercises reasonable care to protect Consultant's own Confidential Information. Consultant will immediately give notice to the Company of any unauthorized use or disclosure of the Confidential Information. Consultant agrees to assist the Company in remedying any such unauthorized use or disclosure of the Confidential Information.

8.3 Exclusions from Nondisclosure and Nonuse Obligations. Consultant's obligations under Section 8.2 with respect to any portion of Confidential Information shall not apply to any information that (a) was in the public domain at or subsequent to the time it was communicated to Consultant by the disclosing party through no fault of Consultant, (b) was rightfully in Consultant's possession at or subsequent to the time it was communicated to Consultant by the disclosing party, (c) is disclosed at any time to Consultant from a third party having the legal right to disclose it, (d) was developed by Consultant independently of and without reference to any information communicated to Consultant by the disclosing party, or (e) is being disclosed by Consultant in response to a valid order by a court or other governmental body, or otherwise as required by law, or as necessary to establish the rights of either party under this Agreement.

8.4 Upon written request by the Company ar any time and in any event upon termination of this Agreement the Consultant and the Executive shall and the Consultant shall procure that the Executive shall (subject to any applicable legal requirements) (i) immediately deliver to the Company all Confidential Information which is capable of delivery or (ii) destroy or permanently erase all Confidential Information, (iii) immediately deliver up all materials, documents, papers, records and other property of the Company or any Associate or any of their resective customers, clients, investors or suppliers in its or his possession or under its or his control and shall not retain any copies thereof.

9 Competition

The Consultant performs services for several clients as part of its consultancy business. The Consultant, however, undertakes not to and shall procure that the Executive shall not take on any new assignments that are competing with the activities of the Company without prior written consent from the Company. Should the Company not give such consent, the Consultant may not accept the assignment during the term of the Agreement.

10 Amendments and Supplements

This Agreement may only be amended or supplemented by an instrument in writing duly executed by or on behalf of the Parties.

11 Assignment of the Agreement

This Agreement shall not be assignable by either of the Parties without the prior written consent of the other Party.

12 Waiver

12.1 No failure or delay on the part of either party to exercise any right or remedy under this Agreement shall be construed or operate as a waiver thereof nor shall any single or partial exercise of any right or remedy under this Agreement preclude the exercise of any other right or remedy as the case may be. The rights and remedies provided in the Agreement are cumulative and are not exclusive of any rights or remedies provided by law.

13 Rights of Third Parties

Except as expressly stated in this Agreement, a person who is not a party to this Agreement may not enforce any of its terms under the Contracts (Rights of Third Parties) Act 1999.

14 Governing Law

This Agreement shall be governed by and construed in accordance with English law. Each of the Parties submits to the exclusive jurisdiction of the English courts for all purposes relating to this Agreement.

This Agreement has been duly executed in two (2) original counterparts.

/s/ Denise Scots-Knight

Date: 26 February 2018

MEREO BIOPHARMA

GROUP PLC

Date: 22 February 2018

John Richard & Associates, LLC

Date:

22 February 2018

John P. Richard

/s/ John P. Richard

Appendix 1 - Services

The Services consist of business development, strategic advice, and transaction management including but not limited to the following tasks:

- Advisor to the Company's management team on business development strategies.
- Preparation and attendance in face to face as well as telephone conferences with the Company's management and various companies on potential business opportunities.
- In coordination with the Company's management team, negotiation of structure and terms of business transactions involving Company products and potential in-licensing/acquisition opportunities.
- Meetings with legal and other advisors in relation to business opportunities (face to face as well as telephone conferences).
- Attendance at key conferences as agreed with the senior management of the Company

Appendix 2 – Remuneration

Retainer: The Company will pay Consultant a retainer of $25,550 per month.

The Parties also agree that upon achievement of agreed upon goals, Consultant will be eligible for a one off discretionary payment payable by the Company to the Consultant in respect of the preceding twelve month period.

The Company shall reimburse the Consultant for reasonable costs incurred, such as travel expenses arising from the Consultant's performance of the Services conducted in accordance with the Company's instructions. Any costs exceeding USD five hundred ($500) are not payable unless approved by the Company in writing in advance.

THIS CONTRACT OF EMPLOYMENT dated 26 February 2018 is made

BETWEEN:

(1) **MEREO BIOPHARMA GROUP PLC**, (a company incorporated in England and Wales and registered under number 9481161, whose registered office is at Fourth Floor, 1 Cavendish Place, London W1G 0QF (the "**Company**"); and

(2) **JOHN RICHARD,** 21 West Andrews Drive, Atlanta, GA 30305, USA

This Contract sets out the terms and conditions of your employment with the Company at the date of this Contract and supersedes all previous arrangements or agreements whether oral or in writing between you and the Company in relation to the matters dealt with in it.

1. Interpretation

1.1 The definitions and rules of interpretation in this clause 1 apply in this Contract.

1.1.1 **Appointment**: the employment of the Employee by the Company on the terms of this Contract.

1.1.2 **Associated Employer**: has the meaning given to it in the Employment Rights Act 1996.

1.1.3 **Board**: the board of directors of the Company (including any committee of the board duly appointed by it).

1.1.4 **Commencement Date:** 1 January 2018

1.1.5 **Confidential Information**: all of

(a) financial information relating to the Company and any Group Company including (but not limited to) management accounts, sales forecasts, dividend forecasts, profit and loss accounts and balance sheets, draft accounts, results, order schedules, profit margins, pricing strategies and other information regarding the performance or future performance of the Company or any Group Company;

(b) client or customer lists and contact lists, details of the terms of business with, the fees and commissions charged to or by and the requirements of customers or clients, prospective customers or clients, buyers, and suppliers of the Company or any Group Company;

(c) any information relating to expansion plans, business strategy, marketing plans, and presentations, tenders, projects, joint ventures or acquisitions and developments contemplated, offered or undertaken by the Company or any Group Company;

(d) details of the employees, officers and workers of and consultants to the Company or any Group Company their job skills and capabilities and of the remuneration and other benefits paid to them;

(e) copies or details of and information relating to Know-how, research activities, inventions, creative briefs, ideas, computer programs (whether in source code or object code) secret processes, designs and formulae or other intellectual property acquired, developed, licensed, undertaken, commissioned or produced by or on behalf of the Company or any Group Company;

(f) confidential reports or research commissioned by or provided to the Company or any Group Company and any trade secrets and confidential transactions of the Company or any Group Company;

(g) key metric information such as details of website page hits, visitors, visits, orders per day, total order volumes, average order size, volumes of goods shipped or held in stock, customer acquisition costs, repeat rates and word of mouth rates;

(h) details of any marketing, development, pre-selling or other exploitation of any intellectual property or other rights of the Company or any Group Company, any proposed options or agreements to purchase, licence or otherwise exploit any intellectual property of the Company or any Group Company and any intellectual property which is under consideration for development by the Company or any Group Company,

(i) details of any advertising, marketing or promotional campaign which the Company or any Group Company is to conduct; and

(j) any information which you ought reasonably to know is confidential and any information which has been given to the Company or any Group Company in confidence by agents, buyers, clients, consultants, customers, suppliers or other persons.

1.1.6 **Documents:** documents, manuals, disks, memory, notebooks, tapes (including copies) or any other medium, whether or not eye-readable, on which information (whether confidential or otherwise) may from time to time be referred to, written or recorded.

1.1.7 **Group Company**: the Company, its Subsidiaries or Holding Companies from time to time and any Subsidiary of any Holding Company from time to time.

1.1.8 **Incapacity**: any sickness, injury or other medical disorder or condition which prevents the Employee from carrying out his duties.

1.1.9 **Key Employee:** any employee or contractor who is or was (in the Period) employed or engaged to your knowledge:

(a) at management grade; or

(b) in a senior capacity; or

(c) in a capacity in which he has access to or obtained Confidential Information and in respect of whom you exercised control or had managerial responsibility.

1.1.10 **Know-how:** information (including without limitation that comprised in formulae, specifications, designs, drawings, component lists, databases, software (or pre-cursor documents), databases, manuals, instructions and catalogues) held in whatever form relating to the creation, production or supply of any products or services by the Company or any Group Company, or by or to any of the suppliers, customers, partners or joint ventures of such company.

1.1.11 **Manager**: Denise Scots-Knight, CEO

1.1.12 **Period:** the period of 6 months immediately prior to the Termination Date.

1.1.13 **Permitted Interest:** an interest in any class of shares or other securities of any company which are traded on a recognised investment exchange which amount to not more than 3% of such class of issued shares or securities and an interest in any units of any authorised unit trust.

1.1.14 **Restricted Area:** England, Scotland, Wales or Northern Ireland.

1.1.15 **Restricted Business:** any business whether for profit or not-for-profit that has a significant commercial activity in pharmaceuticals which contain one or more active ingredients that are similar (in drug target specificity and function in relation to modulating that target) to pharmaceutical candidates or products researched, developed or commercialised by the Company at the date of an individual's termination of service with the Company in which the Employee has a material involvement.

1.1.16 **SSP**: statutory sick pay.

1.1.17 **Staff Handbook**: the Company's staff handbook as amended from time to time.

1.1.18 **Subsidiary and Holding Company**: in relation to a company mean "subsidiary" and "holding company" as defined in section 1159 of the Companies Act 2006 and a company shall be treated, for the purposes only of the membership requirement contained in subsections 1159(1)(b) and (c), as a member of another company even if its shares in that other company are registered in the name of (a) another person (or its nominee), whether by way of security or in connection with the taking of security, or (b) a nominee.

1.1.19 **Termination Date:** the date of termination or expiration of this Contract.

1.2 The headings in this Contract are inserted for convenience only and shall not affect its construction.

1.3 A reference to a particular law is a reference to it as it is in force for the time being taking account of any amendment, extension, or re-enactment and includes any subordinate legislation for the time being in force made under it.

1.4 Unless the context otherwise requires, a reference to one gender shall include a reference to the other genders.

1.5 Unless the context otherwise requires, words in the singular include the plural and in the plural include the singular.

1.6 The schedules to this Contract form part of (and are incorporated into) this Contract.

2. Term of Appointment

2.1 The Appointment shall commence on the Commencement Date and shall continue, subject to the remaining terms of this Contract, until terminated by either party giving the other not less than 6 months' prior notice (or the statutory minimum notice, whichever is the greater) in writing.

2.2 [This clause intentionally blank].

2.3 No employment with a previous employer counts towards the Employee's period of continuous employment with the Company.

2.4 The Employee consents to the transfer of his employment under this Contract to an Associated Employer at any time during the Appointment.

3. Employee Warranties

3.1 You represent and warrant to the Company that, by entering into this Contract or performing any of your obligations under it, you will not be in breach of any court order or any express or implied terms of any contract or other obligation binding on you.

3.2 You represent and warrant to the Company that you are not bound by or subject to any agreement, arrangement, court order, obligation or undertaking which in any way restricts or prohibits you from entering into this Contract or from performing your duties for the Company as set out in this Contract.

3.3 You warrant that you are entitled to work in the UK without any additional approvals and will notify the Company immediately if you cease to be so entitled at any time during the Appointment.

4. Job Title and Reporting

Your job title is Head of Corporate Development and you will report to the Manager or such other person as may be authorised by the Company and notified to you.

5. Job Description and Duties

5.1 Your main tasks and responsibilities are set out in the written job description at Schedule I. The Company reserves the right to require you to change your job title and/or job description and/or reporting structure or to require you to perform a different job or different or additional duties consistent with your status and any such change will not constitute a change of the terms and conditions of your employment.

5.2 You must perform your job to the best of your ability and to comply with any duties implied by law.

5.3 During the Appointment you shall:

5.3.1 unless prevented by Incapacity, devote substantially the whole of your time, attention and abilities to the business of the Company and any Group Company of which you are an officer or consultant;

5.3.2 diligently exercise such powers and perform such duties as may from time to time be assigned to you by the Company together with such person or persons as the Company may appoint to act jointly with you;

5.3.3 comply with all reasonable and lawful directions given to you by the Company;

5.3.4 promptly make such reports to your Manager in connection with the affairs of any Group Company on such matters and at such times as are reasonably required;

5.3.5 report your own wrongdoing and any wrongdoing or proposed wrongdoing of any other employee or director of any Group Company to your Manager immediately on becoming aware of it;

5.3.6 use your best endeavours to promote, protect, develop and extend the business of any Group Company; and

5.3.7 consent to the Company monitoring and recording any use that you make of the Company's electronic communications systems for the purpose of ensuring that the Company's rules are being complied with and for legitimate business purposes.

5.4 You shall comply with the Company's anti-corruption and bribery policy and related procedures at all times.

5.5 You shall comply with any rules, policies and procedures set out in the Staff Handbook. The Staff Handbook does not form part of this Contract and the Company may amend it at any time. To the extent that there is any conflict between the terms of this Contract and the Staff Handbook, this Contract shall prevail.

5.6 All documents, manuals, hardware and software provided for your use by the Company, and any data or documents (including copies) produced, maintained or stored on the Company's computer systems or other electronic equipment (including mobile phones), remain the property of the Company.

6. Location

6.1 Your normal place of work is the Company's offices at 1 Cavendish Place, London W1G 0QF or such other place as the Company may reasonably determine for the proper performance and exercise of your duties.

6.2 The Company may require you to perform services for any Group Company wherever situated and without further fees or remuneration and to enter into any separate agreement(s) with such Group Company for such purpose and any duties that you may have under this Contract will be deemed to extend to such Group Company.

6.3 You agree to travel on any Group Company's business (both within the United Kingdom and abroad) as may be required for the proper performance of your duties under the Appointment.

7. Hours of Work

7.1 Your normal working hours are from 09:00 to 17:00 for a week day, excluding public and bank holidays of England and Wales, together with such additional hours, on week days (including public and bank holidays of England and Wales) or weekends, as may be necessary for the proper performance of your duties.

7.2 Regulation 4(1) of the Working Time Regulations 1998 (the "**WTR**") provides that a worker's average working time, including overtime, must not exceed 48 hours for each seven-day period (to be averaged over a period of 17 weeks) unless the worker agrees that this regulation will not apply to his or her employment.

You acknowledge that you hold an executive position with certain autonomous decision taking powers and therefore are not subject to regulation 4(1) of the Working Time Regulations 1998 but without prejudice to that you accept that by signing this Contract you have agreed that, insofar as it would apply to your employment with the Company, regulation 4(1) of the Working Time Regulations 1998 shall not apply.

7.3 At any time during the Appointment, you or the Company may give three months' prior written notice that the opt-out of clause 7.2 should no longer apply and it will cease to apply with effect from the expiry of the said notice.

7.4 You will comply with any requests made or measures imposed to enable the Company and/or you to monitor and record your working time.

8. Salary

8.1 Your salary is £3,900 per month based on working one day a week for the Company (the **"Salary"**), less statutory and voluntary deduction. The Salary shall accrue from day to day and be payable by equal monthly instalments in the equivalent amount of US Dollars in arrears on the last business day of each calendar month directly into your bank or building society account.

8.2 You will receive no additional payment for any overtime worked. Your Salary will include any director's, company secretary's and other fees and emoluments due to you as an officer of the Company or of any Group Company.

8.3 Your Salary will be reviewed by your Manager annually, the first such review taking effect from 1 January 2019 and may be increased from time to time at the Company's discretion without affecting the other terms of the Appointment. There is no obligation to award an increase. There will be no review of the Salary after notice has been given by either party to terminate the Appointment.

8.4 If you are invited to participate in any employees' share scheme (as defined in section 1166 of the Companies Act 2006) and accept, your membership shall be governed exclusively by the rules of the relevant scheme from time to time. Your rights and obligations under this Contract shall not be affected by your participation in the scheme or any right which you may have to participate in it and you shall have no claim for compensation or damages under or in connection with this Contract in consequence of the termination of the Appointment for any reason whatsoever insofar as the termination of the Appointment may end your participation or reduce the value of awards you may receive under it.

8.5 You authorise the Company to deduct from your Salary any sums which you may owe the Company including without limitation any overpayment of salary or expenses, any debt or loans or any other sum or sums which may be required to be authorised pursuant to Section 13 of the Employment Rights Act 1996.

9. Discretionary Bonus

9.1 You may be considered for a discretionary bonus in relation to each calendar year. The payment of any discretionary bonus is not guaranteed under this Contract and your eligibility for a discretionary bonus shall be assessed in accordance with and subject to the terms of the Company's performance related discretionary bonus scheme.

9.2 The terms of the discretionary bonus scheme are determined by the Company in its absolute discretion and the Company is entitled in its absolute discretion to change the terms of this scheme from year to year.

9.3 The amount of the discretionary bonus, if any, in any particular calendar year shall be determined by the Company in its sole discretion. Payment of a bonus in one calendar year does not entitle you to receive a bonus in respect of any other calendar year.

9.4 If you commence employment part way through the calendar year any sum calculated in accordance with clause 9.2 shall be pro-rated, as appropriate.

9.5 If you are working your period of notice (given by either you or the Company) at the date any bonus is payable to you, or the Appointment is terminated prior to that date, no bonus or pro-rata bonus shall be payable.

9.6 Any discretionary bonus payable in accordance with this clause 9 shall not be pensionable.

10. Expenses

10.1 The Company will reimburse (or procure the reimbursement of) all expenses properly, necessarily and reasonably incurred by you in the proper performance of your duties, provided that on request you will provide the Company with such VAT receipts, invoices or other evidence of actual payment of such expenses as the Company may reasonably require.

10.2 You shall comply with the Company's expenses policy as set out in the Staff Handbook from time to time.

10.3 Any expenses charged to a Company credit card must be documented in accordance with Company procedures and approved by the Chief Financial Officer within one month of the date that the credit card statement is received. No personal expenditure may be charged to Company credit cards.

11. Other Employment

11.1 Without the prior written approval of the Board, you may not, whether directly or indirectly, undertake any other job (including voluntary work) or carry on a business, of whatever kind, during your hours of work for the Company. Without the prior written approval of the Board, you may not, whether directly or indirectly, undertake any other job (including voluntary work) or carry on a business, of whatever kind, outside Company hours if in the reasonable opinion of the Company this is likely to affect your work performance for the Company and you will promptly disclose to the Company sufficient details of any such job or business in order for the Company to consider whether it is likely to affect your work performance. Nothing in this clause 11.1 will prevent you from holding a Permitted Interest (as defined below) or continuing with your consultancy with John Richard & Associates, LLC. or the directorships of the companies and partnerships listed in Schedule 2 ;

11.2 You may not at any time during the period of your employment by the Company without the prior written consent of the Chief Executive Officer engage, whether directly or indirectly, in any business or employment which is similar to or in any way connected with the business of the Company.

12. Holidays

12.1 In addition to the usual public and bank holidays of England and Wales, you shall be entitled to 5 days' paid holiday in each complete holiday year worked (and pro rata for any holiday year worked in part) to be taken at such time or times as shall be agreed by your Manager.

12.2 The holiday year runs from 1 January each year to the following 31 December.

12.3 Although the Company will agree to your proposed holiday dates wherever possible, it reserves the right to withhold approval where necessary to protect the interests of the business.

12.4 The Company reserves the right to require you to take holiday on certain days to be determined by the Company of up to five days in each holiday year. The Company will notify you of any such requirement prior to the commencement of each holiday year.

12.5 On termination of the Appointment you shall be entitled to be paid in lieu of holiday accrued but untaken in the holiday year in which termination takes place. Your entitlement to holiday will be calculated on the basis that each day of paid holiday is equal to 1/52 of your salary. Alternatively, you will be required to repay to the Company pay for any holiday taken in excess of your entitlement at the same rate.

12.6 If in any year you are not employed for the complete holiday year (for example, in the years in which you join and leave the Company), your holiday entitlement will be calculated pro rata based on the number of complete months worked during the relevant holiday year.

12.7 The Company may require you to take any outstanding holiday entitlement during your notice period or during any period of garden leave as referred to in clause 20.

12.8 The holiday year is also the leave year for parental leave purposes.

13. Notification of Sickness or Other Absence

13.1 If you are absent from work for any reason and your absence has not previously been authorised by your Manager you, or someone on your behalf, must inform your Manager by 10.00 am on each day of absence.

13.2 Any unauthorised absence must be properly explained and in the case of an absence of uncertain duration you must keep the Company informed on a daily basis until you have provided the Company with a medical certificate.

13.3 If you are absent from work due to sickness or injury which continues for more than seven days (including weekends) you must provide the Company with a medical certificate on or before the eighth day of sickness or injury. Thereafter medical certificates must be provided to the Company to cover any continued absence.

13.4 Immediately following your return to work after any period of absence which has not previously been authorised by your Manager you are required to complete a Self-Certification form stating the date of and the reason for your absence, including details of sickness on non-working days as this information is required by the Company for calculating Statutory Sick Pay entitlement. Self-Certification forms will be retained in the Company’s records.

13.5 Failure to comply with the above procedures may result in disciplinary action and/or the loss of Company sick pay (referred to below) and may also disqualify you from receiving Statutory Sick Pay.

13.6 Your “qualifying days” for Statutory Sick Pay purposes are those days of the week on which you are due to work in accordance with this contract of employment.

13.7 You shall:

13.7.1 agree to consent to a medical examination (at the Company’s expense) by a doctor nominated by the Company or your GP or any relevant consultant at any time should the Company so require; and

13.7.2 authorise such medical practitioner to disclose to or discuss with the Company (or its medical adviser) any matters arising from such examination.

13.8 The rights of the Company to terminate the Appointment under the terms of this Contract apply even when such termination would or might cause you to forfeit any entitlement to sick pay, payments under the medical scheme, or other benefits.

14. Sick Pay

14.1 Provided that you have complied with the Company’s notification and certification procedures and general terms relating to sickness absence referred to in clause 13 above and that you have completed three months of continuous service prior to the start of the period of sickness, you will be entitled to be paid your normal basic pay for periods of sickness absence up to a maximum of 10 working days in aggregate in any calendar year. Any payments made thereafter will be at the sole discretion of the Company. Payments of sick pay include Statutory Sick Pay and will be reduced by any state sickness benefit you may be entitled to receive.

14.2 If you are absent from work due to the actionable negligence, nuisance or breach of any statutory duty on the part of a third party in respect of which damages are or may be recoverable, you shall immediately notify your Manager of that fact and of any claim, compromise, settlement or judgment made or awarded in connection with it and all relevant particulars that the Company may reasonably require. In such circumstances any Company sick pay will be paid as a loan which, if required by the Company, you must repay to the Company if you recover damages in respect of your absence from work.

14.3 The Company reserves the right to withhold payment of Company sick pay if you fail to comply with the provisions of clause 13 or if you are subject to disciplinary proceedings.

15. Other Benefits

15.1 **Pension.** You are eligible to join the Company’s group personal pension scheme. Membership of and benefits under the scheme are strictly subject to the rules of the scheme as amended from time to time. The Company expressly reserves the right in its discretion to amend or terminate the pension scheme. The Company

shall contribute to the Company's pension scheme an amount equal to 10% of your Salary provided that you contribute 4% or more to that scheme, subject to the annual allowance set by HM Revenue & Customs from time to time not being exceeded. In the event that you exceed the annual allowance set by HM Revenue & Customs in any fiscal year or maximum lifetime allowance, the Company may, at your request, pay a pro-rata amount equal to 10% of your basic salary in lieu of a pension contribution to you as an allowance, subject to deduction of income tax and national insurance contributions, you certifying and, at the request of the Company, providing evidence satisfactory to the Company that you have exceeded such annual allowance for the applicable fiscal year or the maximum lifetime allowance and, if necessary, you opting out of auto enrolment. Any pension contribution or allowance shall be paid in equal monthly instalments in arrears.

15.2 The Company will comply with the employer pension duties in respect of your employment in accordance with Part I of the Pensions Act 2008.

15.3 Subject to the rules and eligibility requirements of each scheme from time to time in force and to your health not being such as to prevent the Company (or the relevant Group Company) from being able to obtain cover on reasonable terms, you will be entitled to participate in the following schemes:

15.3.1 **Medical Scheme.** You and your immediate family shall be entitled to participate in the medical insurance scheme maintained from time to time by the Company for the benefit of employees.

15.3.2 **Life Assurance Scheme.** The Company shall maintain for you life assurance of four times your Salary.

15.4 Any benefits that may from time to time be provided by the Company to you or your family that are not expressly referred to in this Contract shall be provided at the entire discretion of the Company and, unless so agreed in writing, shall not form part of your terms and conditions of employment.

15.5 Participation in any insurance or assurance scheme provided for you under this Contract:

15.5.1 is absolutely subject to its terms and conditions from time to time in force;

15.5.2 is conditional on you satisfying any applicable requirements of the insurers;

15.5.3 is subject to you and any insured dependants satisfying the normal underwriting requirements of the relevant insurance provider and the relevant premium being at a rate which the Company considers reasonable; and

15.5.4 will end when you attain whichever is the greater of the age of 65 and the state pensionable age.

15.6 The Company reserves the right at any time, on three months' written notice, to withdraw any insurance or other benefits set out in this clause 15 or to amend the terms on which they are provided. If an insurance provider refuses for any reason to provide insurance benefit to you under any insurance scheme the Company shall not be liable to provide you with any replacement benefit of the same or similar kind or to pay any compensation in lieu of such benefit.

15.7 You may be required, at the request and expense of the Company, to submit to a medical examination by a medical practitioner nominated by the Company to support applications for insurance set out in this clause 15 or any other insurance schemes required by the Company, and you hereby authorise such medical practitioner to disclose to or discuss with the Company's medical adviser and/or the relevant insurer's medical adviser any matters arising from such examination and the Company's medical adviser may notify the Board of any serious matter if, in his opinion, it might materially adversely affect your health or the proper discharge of your duties.

16. Intellectual Property

16.1 You agree and acknowledge that during the course of your employment and in pursuance of the discharge of your duties you will make, create, produce and generate intellectual property rights, including Inventions.

16.2 Inventions

16.2.1 If while employed by the Company you (whether alone or with any other person) make, produce or are responsible for any invention, discovery, process, business idea, or method of any description that relates to or could be used in any business of the Company ("**an Invention**"), you shall promptly give to a Director of the Company full written details thereof.

16.2.2 If the Invention is a patentable invention within the meaning of Section 1 of the Patents Act 1977 and, according to the provisions of Section 39 of that Act it belongs to you ("**Personal Invention**"), you shall if so requested by the Company no later than six months from disclosure to the Company pursuant to sub-clause 16.2.1 above, negotiate with the Company in good faith for the assignment or licence of your rights in that Invention to the Company for further consideration.

16.2.3 Any Invention created in the course of your employment by the Company shall belong to the Company ("**Company Inventions**"). Any and all intellectual property rights in or relating to any and all such Company Inventions shall be owned by the Company. You hereby irrevocably assign to the Company (by way of present assignment of present and future rights) with full title guarantee absolutely and free from all encumbrances all right, title and interest in and to all intellectual property rights in or relating to Company Inventions and all materials embodying such rights to the fullest extent permitted by law together with all accrued rights of action in respect of any infringement of such rights. Insofar as they do not so vest automatically by operation of law or under this Contract, you shall hold all such rights and inventions on trust for the exclusive benefit of the Company, and shall not transfer them to a third party or encumber them and shall on demand assign them to the

Company without payment or other condition. You shall execute (both during and after the termination of your employment) all documents and do all things necessary to substantiate the Company's rights in Company Inventions and to obtain registration or protection thereof in the Company's name in any country.

16.2.4 Save for the disclosure to the Company as provided above or, in the case of a Personal Invention only, as required for the purpose of obtaining patent protection for the Personal Invention, you shall keep all details of any Invention confidential to yourself and any solicitor, counsel or patent agent instructed by you and you shall not use any Company Invention for any purpose. You shall not without the Company's prior written consent apply for a patent in any country in relation to any Company Invention and shall promptly inform the Company if you apply for a patent in any country for a Personal Invention. Notwithstanding the foregoing, you shall not include any Confidential Information in any application for a patent for a Personal Invention.

16.3 Copyright and other rights

16.3.1 If while employed by the Company you, whether on your own or with any other person, create any copyright work or design (including without limitation any literary, dramatic, musical or artistic work, and any film, sound recording, cable programme, broadcast, typographical arrangement of a published edition, computer program, adaptation or design document) or any database or any other work or matter of any description (other than an Invention) capable of protection under copyright, design right, trademarks, database rights or other intellectual or industrial and commercial property laws of any country, that relates to or could be used in the business of the Company, (a "**Protected Work**"), you shall promptly disclose to the Chief Financial Officer or General Counsel full details thereof in writing and shall if requested by the Company deliver to it all copies or representations of the Protected Work in any material form but shall otherwise keep the Protected Work confidential and not use it for any purpose other than for the Company.

16.3.2 All proprietary rights in any Protected Work created by you in the course of your employment by the Company shall automatically vest in the Company.

16.3.3 To the extent that the Company is not already the owner of the copyright, design rights, trade marks, database rights and other intellectual or industrial and commercial property rights ("**the Rights**") in a Protected Work pursuant to clause 16.3.2 you shall hold the Protected Work and the Rights on trust for the Company and shall assign without payment or any other condition (and, in the case of the UK copyright, design rights, trade marks and database rights hereby assign by way of future assignment of copyright, design right, trademarks and database rights respectively), the Protected Work and all Rights therein in all countries of the world to the Company absolutely together with all accrued rights of action in respect of any infringement of the same.

16.4 You shall, without charge to but at the cost of the Company, execute all documents and do all acts, things and matters beneficial to, required or necessary (both during and after the termination of your employment) to vest rights in the Company (or its successors), or substantiate the Company's (or its successor's) rights, in any Company Inventions, the Rights and Protected Works and to obtain protection for the Company Inventions, Rights and Protected Works in the Company's (or its successor's) name in any country.

16.5 To the extent permitted by law, you hereby irrevocably and unconditionally waive any and all moral rights conferred by Chapter IV of the Copyright Designs and Patents Act 1988 or any rights of a similar nature under laws now or in the future in force in any other jurisdiction in and to any and all Protected Work, such waiver being given in favour of the Company, its successors in title and assigns.

16.6 You hereby irrevocably appoint the Company to be your attorney to execute and do any such instrument or thing and generally to use your name for the purpose of giving the Company or its nominee the benefit of this clause 16 and acknowledge in favour of a third party that a certificate in writing signed by any Director or the Company Secretary that any instrument or act falls within the authority conferred by this clause 16 shall be conclusive evidence that such is the case.

16.7 The provisions of this clause 16 will not be affected by the termination of this Contract for whatever reason and will continue after it ends.

17. Confidentiality

17.1 You acknowledge that in the course of the Appointment you will have access to Confidential Information. You therefore agree to accept the restrictions in this clause 17.

17.2 You shall not (except in the proper course of your duties), either during the Appointment or at any time after its termination (however arising), use or disclose to any person, company or other organisation whatsoever (and shall use your best endeavours to prevent the publication or disclosure of) any Confidential Information. This shall not apply to:

17.2.1 any use or disclosure authorised by the Board in writing or required by law;

17.2.2 any information which is already in, or comes into, the public domain other than through your unauthorised disclosure; or

17.2.3 any protected disclosure within the meaning of section 43A of the Employment Rights Act 1996.

17.3 You agree that the restrictions set out in this clause 17 are without prejudice to any other duties of confidentiality owed to the Company or any Group Company whether express or implied and that they shall survive the termination of this Contract for whatever reason and will continue after it ends.

18. Termination

18.1 You or the Company may terminate the Appointment on written notice of 6 months.

18.2 The Company shall be entitled at its sole and absolute discretion lawfully to terminate your employment at any time and with immediate effect by written notification to you and to pay within one month following the date of such termination a payment in lieu of notice (PILON) to you. For the avoidance of doubt, the termination of your employment shall be effective on such written notification and shall not be deferred until the PILON is paid. The total PILON will be equal to the basic salary due under clause 8.1 which you would have been entitled to receive under this Contract during the notice period referred to at clause 2.2 or 18.1 (or, if notice has already been given, during the remainder of such notice period) (subject to statutory deductions)

18.3 On termination of the Appointment, for whatever reason, you shall not be entitled to any compensation for the loss of any rights or benefits under any share option, bonus, long-term incentive plan or other profit sharing scheme operated by the Company or any Group Company in which you may participate.

18.4 Upon the termination of your employment with the Company for whatever reason or after notice having been served at the request of the Company or if you shall cease for any reason to be a director or officer of the Company, you shall forthwith, if so required by the Company resign without any claim for compensation or damages from any office or appointment held by you in the Company or in any Group Company, and of all other companies of which he shall have been appointed a director or officer by the Company or Group Company by virtue of any right of nomination vested in such member. You hereby irrevocably authorise the Company to appoint such person in your place and on your behalf to do all such things and execute all such documents which you are obliged to execute and do under this Contract (including without limitation those documents which may be necessary for, or incidental to, your resignation from office).

18.5 You agree that during any period of notice given by either party, you will give to the Company or such person nominated by it all such assistance and co-operation in effecting a smooth and orderly handover of your duties as the Company may reasonably require.

18.6 The Company may at its absolute discretion during any period of notice given by either party:

18.6.1 appoint a person to perform your duties jointly with you or, during any period of garden leave pursuant to clause 20 and/or during any period of suspension pursuant to clause 24.2, to perform all or some of your duties in your place; and/or

18.6.2 suspend or cancel your access to the Company’s IT and telephone systems including, but not limited to, voicemail, email, internet and the Company’s intranet.

19. Summary Termination

19.1 The Company is entitled to terminate the Appointment by summary notice in writing and without payment in lieu of notice if you:

19.1.1 are guilty of any gross misconduct affecting the business of any Group Company;

19.1.2 commit any serious breach or repeated or continued (after warning) any material breach of your obligations under this Contract;

19.1.3 commit (by commission or omission) any act which brings or would tend to bring the Company or any Group Company into disrepute;

19.1.4 fail to perform your duties to a satisfactory standard after having received a written warning from the Company relating to the same;

19.1.5 are guilty of any dishonesty, gross misconduct or wilful neglect of duty;

19.1.6 damage Company property maliciously;

19.1.7 falsify attendance or sickness or other records;

19.1.8 falsify any data during the course of your employment;

19.1.9 conduct yourself in a manner materially adverse to the interests of the Company or any Group Company;

19.1.10 are, in the reasonable opinion of the Board, negligent and incompetent in the performance of your duties;

19.1.11 have a bankruptcy order made against you or enter into a voluntary arrangement within the meaning of section 253 Insolvency Act 1986;

19.1.12 consume or distribute narcotics on Company premises;

19.1.13 are convicted of any criminal offence (other than an offence under any road traffic legislation in the United Kingdom or elsewhere for which a fine or non-custodial penalty is imposed) whether or not in the course of your employment;

19.1.14 are, in the opinion of a medical practitioner who is treating you, physically or mentally incapable of performing your duties and may remain so for more than three months and the medical practitioner has given a medical opinion to the Board to that effect;

19.1.15 cease to be eligible to work in the United Kingdom;

19.1.16 knowingly commit any deliberate act which amounts to discrimination, victimisation or harassment on any unlawful ground;

19.1.17 are in breach of the Company's anti-corruption and bribery policy and related procedures;

19.1.18 are guilty of a serious breach of any rules issued by the Company from time to time regarding its electronic communications systems;

19.1.19 are unable by reason of Incapacity to perform his duties under this Contract for an aggregate period of 26 weeks in any 52-week period; or

19.1.20 commit any other offence of a similar gravity to the examples under this clause 19.1, which are neither exclusive nor exhaustive.

19.2 Any delay by the Company in exercising such right of termination shall not constitute a waiver of that right.

19.3 The termination by the Company of the Appointment pursuant to this clause 19 will be without prejudice to any claim that the Company may have for damages arising from any breach of this Contract by you that gives rise to such termination.

20. Garden Leave

20.1 After notice of termination has been given by either party pursuant to clause 18 provided that the Company continues to provide you with your normal Salary and benefits under this Contract until the Appointment terminates, the Company may at its absolute discretion without breaking the terms of this contract or giving rise to any claim against the Company for all or part of your notice period place you on garden leave and:-

20.1.1 exclude you from the premises of the Company and any Group Company; and/or

20.1.2 require you to carry out specified duties other than your normal duties or to carry out no duties; and/or

20.1.3 withdraw any powers vested in you; and/or

20.1.4 instruct you not to communicate orally or in writing with suppliers, customers, employees, agents/or representatives of the Company or any Group Company until the Appointment has terminated.

20.2 During any period of garden leave you shall:

20.2.1 continue to receive your Salary and all contractual benefits in the usual way and subject to the terms of any benefit arrangement;

20.2.2 remain an employee of the Company and bound by the terms of your contract of employment with the Company;

20.2.3 not, without the prior written consent of your Manager, attend your place of work or any other premises of the Company or any Group Company;

20.2.4 not, without the prior written consent of your Manager, contact or deal with (or attempt to contact or deal with) any officer, employee, consultant, client, customer, supplier, agent, distributor, shareholder, adviser or other business contact of the Company or any Group Company;

20.2.5 (except during any periods taken as holiday in the usual way) ensure that your Manager knows where you will be and how you can be contacted during each working day and shall comply with any written requests to contact a specified employee of the Company at specified intervals.

21. Restrictions after Employment

21.1 You shall not, save in respect of a Permitted Interest or with the prior written consent of the Company, for a period of 6 months from the Termination Date carry on or be concerned or engaged or interested directly or indirectly (whether as principal, shareholder, partner, employee, officer, agent or otherwise) in any part of any trade or business carried on within the Restricted Area wholly or partly in competition with the Restricted Business.

21.2 You shall not for a period of 6 months from the Termination Date, in competition with the Company, either on your own behalf or on behalf of any person, firm or company in relation to the Restricted Business, directly or indirectly:

21.2.1 deal with or accept custom from any person, firm or company who was a client or customer of the Company or any Group Company during the Period with whom you have been actively engaged or involved or of whom you have acquired Confidential Information or trade secrets by virtue of your duties hereunder during the Period; or

21.2.2 deal with or interfere with any person, firm or company who was a supplier, agent or distributor of the Company or any Group Company during the Period and in each case with whom you have been actively engaged or involved or of whom you have acquired Confidential Information or trade secrets by virtue of your duties hereunder during the Period; or

21.2.3 deal with or interfere with any company from whom the Company or any Group Company has licensed or acquired intellectual property.

21.3 You shall not for a period of 9 months from the Termination Date, in competition with the Company, either on your own behalf or on behalf of any person, firm or company in relation to the Restricted Business, directly or indirectly:

21.3.1 solicit, approach or offer goods or services to or entice away from the Company or any Group Company any person, firm or company who was a client or customer of the Company or any Group Company during the Period with whom you have been actively engaged or involved or of whom you have acquired Confidential Information or trade secrets by virtue of your duties hereunder during the Period;

21.3.2 solicit or approach or offer goods or services to or entice away from the Company or any Group Company any person, firm or company who was a supplier, agent or distributor of the Company or any Group Company during the Period with whom you has been actively engaged or involved or of whom you have acquired Confidential Information or trade secrets by virtue of your duties hereunder during the Period; or

21.3.3 interfere or seek to interfere with the continuance, or any of the terms, of the supply of goods or services to the Company or any Group Company;

PROVIDED THAT nothing contained in clauses 21.1 to 21.3 inclusive shall prohibit you from carrying out any activities that are not in competition with any part of the business of the Company with which you were involved in the Period.

21.4 You shall not for a period of 6 months from the Termination Date either on your own behalf or on behalf of any person, firm or company directly or indirectly, approach, solicit, endeavour to entice away, employ, offer employment to or procure the employment of any person who is or was a Key Employee with whom you have had dealings during the Period whether or not such person would commit any breach of his contract of employment by reason of so leaving the service of the Company or otherwise.

21.5 You shall not, at any time after the Termination Date, either on your own behalf or on behalf of any other person, firm or company directly or indirectly:

21.5.1 represent yourself as being in any way connected with or interested in the business of the Company or any Group Company (other than as a consultant or a member if such be the case) or use any name which is identical or similar to or likely to be confused with the name of the Company or any Group Company or any product or service produced or provided by the Company or any Group Company or which might suggest a connection with the Company or any Group Company; or

21.5.2 directly or indirectly make, publish or otherwise communicate any statement whatsoever whether in writing or otherwise which may have the effect of damaging or lowering the business interests and/or the reputation of the Company or any Group Company or any of its or their former or existing agents, clients, consultants, directors, employees, officers, share-holders, suppliers or workers ("**Relevant Personnel**") and/or which may be disparaging or derogatory to any of the Company or any Group Company or any Relevant Personnel.

21.6 The period of the restrictions in clauses 21.1 to 21.4 inclusive shall be reduced by the period, if any, spent by you during which you are placed on garden leave in accordance with clause 20.

21.7 You agree to notify your new employer of the restrictions contained within clauses 21.1 to 21.4 inclusive.

21.8 You acknowledge that, in the course of your employment, you are likely to have dealings with the clients, customers, suppliers and other contacts of the Company.

You agree that each of the restrictions in clauses 21.1 to 21.4 inclusive is separate and distinct, is to be construed separately from the other restrictions, and is reasonable as regards its duration, extent and application for the protection of the legitimate business interests of the Company. However, in the event that any such restriction shall be found to be void or unenforceable but would be valid or enforceable if some part or parts of it were deleted, you agree that such restriction shall apply with such deletions as may be necessary to make it valid and effective.

22. Company Property

22.1 All Documents and other property (including mobile telephones, laptop computers and other technical equipment) provided for your use by the Company, remain the property of the Company or any Group Company.

22.2 Any Documents or other property in your possession and or obtained by you in the course of your employment shall be returned to your Manager at any time on request and in any event prior to the Termination Date.

22.3 At any time upon request and in any event prior to the Termination Date you must irretrievably delete any information relating to the business of the Company or any Group Company stored on any magnetic or optical disk or memory and all matter derived from such sources which is in your possession or under your control outside the Company's premises.

23. Grievance Procedure

The purpose of the grievance procedure is to ensure that any problem, concern or grievance you have about your work, working environment or working relationships is properly dealt with. The Company's current grievance procedure, which does not form part of your terms and conditions of employment, is set out in the Company's Employee Handbook. Should you have any grievance in relation to the Appointment which you are unable to resolve on an informal basis, you should raise it in the first instance with your Manager. In the event that such grievance is against your Manager, you should raise it in the first instance with the Chief Financial Officer or General Counsel.

24. Disciplinary Procedure

24.1 The purpose of the disciplinary procedure is to ensure that the standards established by the Company's rules are maintained and that any alleged failure to observe the Company's rules is fairly dealt with. The Company's current disciplinary procedure, which does not form part of your terms and conditions of employment, is set out in the Company's Employee Handbook. If you wish to appeal against a disciplinary decision you must do in accordance with the disciplinary procedure to a Director of the Company.

24.2 The Company may at any time and from time to time in its discretion suspend you from your duties on payment of full Salary and/or exclude you from any premises of the Company and/or any Group Company whilst it carries out any investigation or disciplinary process. During any period of suspension:

24.2.1 you shall continue to receive your basic salary and all contractual benefits in the usual way and subject to the terms of any benefit arrangement;

24.2.2 you shall remain an employee of the Company and bound by the terms of this Contract;

24.3 you shall ensure that your Manager knows where you will be and how you can be contacted during each working day (except during any periods taken as holiday in the usual way);

24.4 the Company may exclude you from your place of work or any other premises of the Company or any Group Company; and

24.5 the Company may require you not to contact or deal with (or attempt to contact or deal with) any officer, employee, consultant, client, customer, supplier, agent, distributor, shareholder, adviser or other business contact of the Company or any Group Company.

25. Collective Agreements

There are no collective agreements affecting your terms and conditions of employment.

26. Work outside the United Kingdom

26.1 It is not envisaged by the Company that you will be required to travel for work purposes outside the United Kingdom for any periods longer than one month.

26.2 In the event you are required to work outside the United Kingdom for a period of more than one month, the Company will consult with you and will provide the prescribed information to you.

27. Data Protection

For the purposes of the Data Protection Act 1998 you agree that personal data (including sensitive personal data) relating to you which has been or is in the future obtained by the Company may be held and processed by the Company or any Group Company either by computer or manually for all purposes relating to the performance of your contract of employment and the Company's legitimate business needs and legal obligations including, but not limited to the following:

27.1.1 administering and maintaining the Company's personnel records;

27.1.2 paying and reviewing salary and other remuneration and benefits;

27.1.3 providing and administering benefits (including pension) and Private Medical Health Insurance;

27.1.4 undertaking performance appraisals and reviews and setting performance targets;

27.1.5 maintaining sickness and other absence records;

27.1.6 taking decisions as to your fitness for work;

27.1.7 providing references and information to future employers, and if necessary, governmental and quasi-governmental bodies for social security and other purposes, and HM Revenue and Customs;

27.1.8 providing information to future purchasers of the Company or of the business in which you work; and

27.1.9 transferring information concerning you to a country or territory outside the European Economic Area.

28. Monitoring

28.1 You shall comply with any electronic communication systems policies that the Company may issue from time to time.

28.2 To ensure regulatory compliance and for the protection of its workers, clients/customers and business, the Company reserves the right to monitor, intercept, review and access any communication facilities provided by the Company or any Group Company that you may use during the Appointment. The Company will use this right of access reasonably but it is important that you are aware that communications and activities on the equipment or premises of the Company and any Group Company cannot be presumed to be private. You consent to the Company and/or any Group Company and its or their duly authorised agents and employees using surveillance equipment.

29. Rules, Policies and Procedures

You must comply at all times with all the rules, policies and procedures introduced by the Company from time to time, including but not limited to any contained in the Company's Employee Handbook. For the avoidance of doubt such rules, policies and procedures are not incorporated by reference into this Contract and they can be changed, replaced or withdrawn at any time at the discretion of the Company. Breach of Company rules, policies or procedures may result in disciplinary action.

30. Health and Safety

All employees and workers have a duty in law to act responsibly and to take reasonable care for the health and safety at work of both themselves and their colleagues. This duty can be carried out by:

(a) working safely and efficiently;

(b) using any protective equipment provided and meeting statutory obligations;

(c) adhering to the Company procedures for securing a safe workplace.

Further provisions relating to health and safety can be found in the Employee Handbook.

31. Contracts (Rights of Third Parties) Act 1999

The Company or any Group Company may enforce the terms of this Contract and the Contracts (Rights of Third Parties) Act 1999 shall apply accordingly except that the consent of such Group Companies will not be required to vary or rescind the terms of the Contract.

32. Governing Law

This Contract shall be interpreted and construed in accordance with the laws of England and shall be subject to the jurisdiction of the English courts.

33. Jurisdiction

Each party irrevocably agrees that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with this Contract or its subject matter or formation (including non-contractual disputes or claims).

34. Changes to your Terms of Employment

The Company reserves the right to make reasonable changes to any of your terms of employment. You will be notified in writing of any change as soon as possible and in any event within one month of the change.

35. Notices

35.1 Any notice or other communication given or made under this Contract must be in writing and delivered to the relevant party (including by hand or special delivery) or sent by first class post to the address of that party specified in this Contract or such other address as may be notified by that party from time to time for this purpose, and shall be effective notwithstanding any change of address not so notified.

35.2 Unless the contrary shall be proven, each such notice or communication shall be deemed to have been given or made, if sent by first class post, 48 hours after posting and, if delivered by hand, at the time of such delivery.

36. Entire Agreement

36.1 This Contract constitutes the entire agreement between the parties and supersedes and extinguishes all previous agreements, promises, assurances, warranties, representations and understandings between them, whether written or oral, relating to its subject matter.

36.2 Each party acknowledges that in entering into this Contract it does not rely on, and shall have no remedies in respect of, any statement, representation, assurance or warranty (whether made innocently or negligently) that is not set out in this Contract.

36.3 Each party agrees that it shall have no claim for innocent or negligent misrepresentation or negligent misstatement based on any statement in this Contract.

36.4 Nothing in this clause shall limit or exclude any liability for fraud.

37. Counterparts

37.1 This Contract may be executed in any number of counterparts, each of which when executed and delivered shall constitute a duplicate original, but all the counterparts shall together constitute the one agreement.

37.2 No counterpart shall be effective until each party has executed and delivered at least one counterpart.

38. General

You hereby irrevocably and by way of security appoint each director of the Company from time to time, jointly and severally, to be your attorney in your name and on your behalf and as your act and deed to sign, execute and do all acts, things and documents which you are obliged to execute and do under the provisions of this Contract (including, but not limited to clause 16.4) and you hereby agree immediately on the request of the Company to ratify and confirm all such acts, things and documents signed, executed or done in the pursuance of this power.

This document has been executed as a deed and is delivered and takes effect on the date stated at the beginning of it.

/s/ Denise Scots-Knight

Signed by Mereo BioPharma Group plc
acting by:

in the presence of

/s/ Jessica Doughty
Signature of witness

Jessica Doughty
Name of witness

14 Sheraton Mews, WD18 7PE
Address of witness

Signed as a deed by John Richard

/s/ John Richard

in the presence of

/s/ Kathryn Richard
Signature of witness

Kathryn Richard
Name of witness

21 West Andrews Dr.
Atlanta, GA 30305
U.S.A.
Address of witness

SCHEDULE I

WRITTEN JOB DESCRIPTION

The Employee’s duties and responsibilities shall be as follows:-

- Advising on the Company’s business development strategy
- Negotiating the structure and terms of business transactions involving the Company’s products including the in-licensing, out-licensing, purchase and acquisition of product candidates
- Meeting with senior management of pharmaceutical companies to discuss including the in-licensing, out-licensing, purchase and acquisition of product candidates
- Attend key conferences to discuss the in-licensing, out-licensing, purchase and acquisition of product candidates
- Manage the individuals reporting to you as Head of Corporate Development

SCHEDULE 2

Vaxart, Inc.

Catalyst Biosciences, Inc.

QUE Oncology, Inc.

Phase4 Partners Limited

Phase4 Ventures III GPLP

Phase4 Ventures III FPLP

John Richard & Associates, LLC

MEREO BIOPHARMA GROUP LIMITED
15 STRATTON STREET
LONDON
W1J 8LQ

PRIVATE AND CONFIDENTIAL
Dr Peter Fellner
[XXXXXXX]
[XXXXXXX]
[XXXXXXX]

29 July 2015

Dear Peter,

Letter of appointment

Following the recommendation of the nomination committee, the board of directors (**Board**) of Mereo BioPharma Group Limited (**Company**) is pleased to hear that you have accepted our offer to join the Board as independent non-executive chairman. Your appointment will formally commence on the date of closing of the financing the Company.

This letter sets out the main terms of your appointment. By accepting this appointment, you agree that this letter is a contract for services and is not a contract of employment and you confirm that you are not subject to any restrictions which prevent you from holding office as a director.

1. FEES AND EXPENSES

1.1 You shall be paid an annual fee of £75,000 gross, which shall be paid in equal instalments monthly in arrears through the payroll after deduction of any taxes and other amounts that are required by law. This fee covers all duties, including service on any Board committee and any Boards of the Company's subsidiaries.

1.2 The Company will reserve sufficient ordinary shares following issuance of the Company's ordinary shares (the **Option Pool**)) of which you shall be initially entitled to 580,597 shares pursuant to the terms of the Company's equity incentive plan.

1.3 The Company shall reimburse you for all reasonable and properly documented expenses that you incur in performing the duties of your office including travel and sundry expenses.

1.4 On termination of your appointment, you shall only be entitled to such fees as may have accrued to the date of termination, together with reimbursement in the normal way of any expenses properly incurred before that date. In the interim period to closing the financing Phase4 Partners will reimburse you for all reasonable travel and sundry expenses that you incur from 2 February 2015 in association with meetings with the Company's management and advisors and in generally assisting the Company.

2. ROLE AND DUTIES

2.1 The Board as a whole is collectively responsible for the success of the Company. The Board's role is to:

(a) provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enable risk to be assessed and managed;

(b) set the Company's strategic aims, ensure that the necessary financial and human resources are in place for the Company to meet its objectives, and review management performance; and

(c) set the Company's values and standards and ensure that its obligations to its shareholders and others are understood and met.

2.2 As a non-executive chairman you shall have the same general legal responsibilities to the Company as any other director. You are expected to perform your duties (whether statutory, fiduciary or common law) faithfully, diligently and to a standard commensurate with the functions of your role and your knowledge, skills and experience.

2.3 You shall exercise your powers in your role as a non-executive chairman having regard to relevant obligations under prevailing law and regulation, including the Companies Act 2006 and, where applicable, the UK Corporate Governance Code and associated guidance or the AIM Rules for Companies, the UK Listing Authority's Listing, Prospectus, and Disclosure and Transparency Rules.

2.4 You shall have particular regard to the general duties of directors in Part 10 of the Companies Act 2006, including the duty to promote the success of the Company under which all directors must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so, as a director, you must have regard (among other matters) to:

(a) the likely consequences of any decision in the long term;

(b) the interests of the Company's employees;

(c) the need to foster the Company's business relationships with suppliers, customers and others;

(d) the impact of the Company's operations on the community and the environment;

(e) the desirability of the Company maintaining a reputation for high standards of business conduct; and

(f) the need to act fairly as between the members of the Company.

2.5 If and when applicable, you shall have particular regard to the Financial Reporting Council's UK Corporate Governance Code and associated Guidance on Board Effectiveness in respect of the role of the Board and the role of the non-executive director.

2.6 In your role as chairman you should:

(a) chair the Board and general meetings of the Company and relevant committees of the Board and relevant Board and general meetings of any subsidiaries of the Company;

(b) in consultation with the Chief Executive, set the Board's agenda (primarily focused on strategy, performance, value creation and accountability) and required supporting materials and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;

(c) set clear expectations on the style and tone of Board discussions in line with the culture and behaviours set within the Company;

(d) ensure that the Board determines the nature and extent of the significant risks that the Company is willing to embrace in implementing its strategy;

(e) ensure that the Board has effective decision-making processes and applies sufficient challenge to major proposals;

(f) ensure that Board committees are properly structured with appropriate terms of reference;

(g) encourage all Board members to engage in Board and committee meetings by drawing on their skills, experience, knowledge and, where appropriate, independence;

(h) develop productive working relationships with all executive directors and the Chief Executive;

(i) provide guidance to the Chief Executive and where appropriate the Executive team for the successful development of the Company's product portfolio;

(j) provide guidance to the Chief Executive and where appropriate the Executive team on the corporate development strategy including in and out licensing and sale and acquisition of products

(k) Working with the Chief Executive and Executive team and board to ensure the Company has the requisite resources (human and financial) for implementation of the agreed corporate strategy

(l) demonstrate ethical leadership and promote the highest standards of integrity, probity and corporate governance throughout the Company but especially at Board level;

(m) working with the Chief Executive ensure that the Board receives accurate, timely and clear information;

(n) ensure effective communication with shareholders and other stakeholders and that directors are made aware of the views of those who provide the Company's capital;

(o) promote a culture of mutual respect, openness and debate by facilitating the effective contribution of non-executive directors in particular and ensuring constructive relations between executive and non-executive directors;

(p) ensure that the performance of the Board, its committees and individual directors is evaluated at least once a year and act on the results of such evaluation;

(q) working with the Chief Executive and Executive team monitor the Company's business plans and budgets ensuring appropriate risk assessment and senior management oversight and compliance with legal obligations and corporate policies; and

(r) act as a liaison from time to time with the relevant senior executives from Novartis Pharma AG and be available for meetings between the Company any other major pharmaceutical and biotechnology companies with which the Company shall seek to develop business relationships.

2.7 In your role as a non-executive director, you shall also be required to:

(a) constructively challenge and help develop proposals on strategy including the Company's corporate development activity to secure additional products, the clinical development plans for the current product portfolio and the financing and IPO strategy;

(b) monitor the performance of senior management in meeting agreed goals and objectives and monitor the reporting of performance;

(c) satisfy yourself on the integrity of financial information and that financial controls and systems of risk management are robust and defensible;

(d) be responsible for determining appropriate levels of remuneration of executive directors and have a prime role in appointing and, where necessary, removing senior management and in succession planning;

(e) uphold high standards of integrity and probity and support the executive directors in instilling the appropriate culture, values and behaviours in the boardroom and beyond;

(f) insist on receiving high-quality information sufficiently in advance of Board meetings;

(g) take into account the views of shareholders and other stakeholders where appropriate;

(h) make sufficient time available to discharge your responsibilities effectively;

(i) exercise relevant powers under, and abide by, the Articles;

(j) disclose the nature and extent of any direct or indirect interest you may have in any matter being considered at a Board or committee meeting and, except as permitted under the Articles you will not vote on any resolution of the Board, or of one of its committees, on any matter where you have any direct or indirect interest;

(k) immediately report your own wrongdoing or the wrongdoing or proposed wrongdoing of any employee or other director of the Company of which you become aware to the Chair of the Audit Committee or Senior Independent Director.;

(l) exercise your powers as a director in accordance with the Company's policies and procedures and the Bribery Act 2010; and

(m) not do anything that would cause you to be disqualified from acting as a director.

2.8 Unless the Board specifically authorises you to do so, you shall not enter into any legal or other commitment or contract on behalf of the Company.

2.9 You shall be entitled to request all relevant information about the Company's affairs as is reasonably necessary to enable you to discharge your duties.

2.10 If you are required to register yourself or your personal service company with HM Revenue and Customs as a "Trust or Company Service Provider" under the Money Laundering Regulations 2007, you will be responsible for effecting such registration and for compliance with other requirements of the Money Laundering Regulations 2007 and applicable legislation.

3. CONFIDENTIALITY

3.1 You acknowledge that all information acquired during your appointment is confidential to the Company and should not be released, communicated or disclosed to third parties or used for any reason other than in the interests of the Company, either during your appointment or following termination (by whatever means), without prior clearance from the Chief Executive. This restriction shall cease to apply to any confidential information which may (other than by reason of your breach) become available to the public generally.

3.2 You acknowledge the need to hold and retain Company information (in whatever format you may receive it) under appropriately secure conditions.

3.3 Nothing in this paragraph 3 shall prevent you from disclosing information which you are entitled to disclose under the Public Interest Disclosure Act 1998, provided that the disclosure is made in accordance with the provisions of that Act and you have complied with the Company's policy from time to time in force regarding such disclosures.

4. TIME COMMITMENT

4.1 You will be expected to devote such time as is necessary for the proper performance of your duties. Overall we anticipate that you will spend a minimum of two days a month on work for the Company. This will include attendance at six annual Board meetings, the AGM, one annual Board away day a year, meetings with the non-executive directors, meetings with shareholders, meetings forming part of the Board evaluation process and updating. In addition, you will be required to consider all relevant papers before each meeting. You will be provided with a schedule of the first six annual board meetings at the date of completion of the Company's initial financing round and for subsequent board meetings at least six months in advance of each board meeting. Unless urgent and unavoidable circumstances prevent you from doing so, it is expected that you will attend the meetings outlined in this paragraph.

4.2 The nature of the role makes it impossible to be specific about the maximum time commitment. You may be required to devote additional time to the Company in respect of preparation time and ad hoc matters which may arise and particularly when the Company is undergoing a period of increased activity. At certain times it may be necessary to convene additional Board, committee or shareholder meetings.

4.3 The overall time commitment stated in paragraph 4.1 will increase if you become a committee member or chair, or if you are given additional responsibilities, such as being appointed as chairman and non-executive director on the boards of any of the Company's subsidiaries. Details of the expected increase in time commitment will be covered in any relevant communication confirming the additional responsibility.

4.4 By accepting this appointment, you confirm that, taking into account all of your other commitments, you are able to allocate sufficient time to the Company to discharge your responsibilities effectively. You should obtain the agreement of the Chief Executive (who may determine that Board approval is required) before accepting additional commitments that might affect the time you are able to devote to your role as a non-executive chairman of the Company.

5. APPOINTMENT

5.1 Subject to the remaining provisions of this letter, your appointment shall be for an initial term of three years commencing on the date of completion of the Company's initial financing until the conclusion of the Company's annual general meeting (**AGM**) occurring approximately three years from that date unless terminated earlier by either party giving to the other three months' prior written notice.

5.2 Your appointment is subject to the Company's articles of association, as amended from time to time (**Articles**). Nothing in this letter shall be taken to exclude or vary the terms of the Articles as they apply to you as a director of the Company.

5.3 Continuation of your appointment is contingent on your continued satisfactory performance and any relevant statutory provisions relating to removal of a director. If the shareholders do not re-elect you as a director, or you are retired from office under the Articles, your appointment shall terminate automatically, with immediate effect and without compensation.

5.4 Any term renewal is subject to Board review and AGM re-election. Notwithstanding any mutual expectation, there is no right to re-nomination by the Board, either annually or after any three-year period.

5.5 You may be required to serve on one or more Board committees. You will be provided with the relevant terms of reference on your appointment to such a committee. You may be required to serve as a non-executive director on the board of any of the Company's subsidiaries and will be provided with the relevant terms of reference on your appointment to such board(s).

5.6 Notwithstanding paragraph 5.1 to paragraph 5.5, the Company may terminate your appointment with immediate effect if you have:

(a) committed a material breach of your obligations under this letter;

(b) committed any serious or repeated breach or non-observance of your obligations to the Company (which include an obligation not to breach your statutory, fiduciary or common-law duties);

(c) been guilty of any fraud or dishonesty or acted in any manner which, in the Company's opinion, brings or is likely to bring you or the Company into disrepute or is materially adverse to the Company's interests;

(d) been convicted of an arrestable criminal offence other than a road traffic offence for which a fine or non-custodial penalty is imposed;

(e) been declared bankrupt or have made an arrangement with or for the benefit of your creditors, or if you have a county court administration order made against you under the County Court Act 1984;

(f) been disqualified from acting as a director; or

(g) not complied with the Company's anti-corruption and bribery policy and procedures.

5.7 On termination of your appointment, you shall, at the Company's request, resign from your office as chairman of the Company and any offices you hold in any of the Company's group companies.

5.8 If matters arise which cause you concern about your role, you should discuss these matters with the Chief Executive. If you have any concerns which cannot be resolved, and you choose to resign for that, or any other, reason, you should provide an appropriate written statement to the Chief Executive for circulation to the Board.

6. INDEPENDENT PROFESSIONAL ADVICE

In some circumstances you may consider that you need professional advice in the furtherance of your duties as a chairman and it may be appropriate for you to seek advice from independent advisers at the Company's expense. A copy of the Board's agreed procedure under which directors may obtain such independent advice is available from the Company's General Counsel. The Company shall reimburse the reasonable cost of expenditure incurred by you in accordance with its policy.

7. OUTSIDE INTERESTS

7.1 You have already disclosed to the Board the significant commitments you have outside your role in the Company. You must inform the Chief Executive or the Nominating and Governance Committee in advance of any changes to these commitments. In certain circumstances, you may have to seek the Board's agreement before accepting further commitments which either might give rise to a conflict of interest or a conflict with any of your duties to the Company, or which might impact on the time that you are able to devote to your role at the Company.

7.2 It is accepted and acknowledged that you have business interests other than those of the Company and have declared any conflicts that are apparent at present. If you become aware of any further potential or actual conflicts of interest, these should be disclosed to the Chief Executive as soon as you become aware of them and again you may have to seek the agreement of the Board.

8. INSIDE INFORMATION AND DEALING IN THE COMPANY'S SHARES

8.1 Your attention is drawn to the requirements under both law and regulation as to the disclosure of inside information, in particular to the Disclosure and Transparency Rules of the UK Listing Authority and section 52 of the Criminal Justice Act 1993 on insider dealing. You should avoid making any statements that might risk a breach of these requirements. If in doubt, please contact the Chief Executive or General Counsel.

8.2 During your period of appointment you are required to comply with the Model Code (as annexed to the Listing Rules of the UK Listing Authority) or AIM Rules for Companies in relation to dealing in the Company's publicly traded or quoted securities, and any other code as the Company may adopt from time to time which sets out the terms for dealings by directors in the Company's securities. A copy of the current share dealing code adopted by the Company will be provided to you separately.

9. REVIEW PROCESS

The performance of individual directors and the whole Board and its committees is evaluated annually. If, in the interim, there are any matters which cause you concern about your role you should discuss them with the Chief Executive or the the Nominating and Governance Committee as soon as you can.

10. INSURANCE AND INDEMNITY

10.1 The Company has directors' and officers' liability insurance and it intends to maintain such cover for the full term of your appointment at a level customary for companies in the pharmaceutical industry of a similar size and stage of development. A copy of the policy document is available from the Company's General Counsel.

10.2 The Company shall grant you a deed of indemnity against certain liabilities that may be incurred as a result of your office to the extent permitted by section 234 of the Companies Act 2006.

11. CHANGES TO PERSONAL DETAILS

You shall advise the General Counsel promptly of any change in your address or other personal contact details.

12. RETURN OF PROPERTY

On termination of your appointment with the Company however arising, or at any time at the Board's request, you shall immediately return to the Company all documents, records, papers or other property belonging to the Company or any company in the Company's group which may be in your possession or under your control, and which relate in any way to the Company's or a group company's business affairs and you shall not retain any copies thereof.

13. MORAL RIGHTS

You hereby irrevocably waive any moral rights in all works prepared by you, in the provision of your services to the Company, to which you are now or may at any future time be entitled under Chapter IV of the Copyright Designs and Patents Act 1988 or any similar provisions of law in any jurisdiction, including (but without limitation) the right to be identified, the right of integrity and the right against false attribution, and agree not to institute, support, maintain or permit any action or claim to the effect that any treatment, exploitation or use of such works or other materials, infringes your moral rights.

14. DATA PROTECTION

14.1 By signing this letter you consent to the Company holding and processing data about you for legal, personnel, administrative and management purposes and in particular to the processing of any **sensitive personal data** (as defined in the Data Protection Act 1998) relating to you including, as appropriate:

(a) information about your physical or mental health or condition in order to monitor sick leave and take decisions as to your fitness to perform your duties; or

(b) your racial or ethnic origin or religious or similar beliefs in order to monitor compliance with equal opportunities legislation; or

(c) information relating to any criminal proceedings in which you have been involved for insurance purposes and in order to comply with legal requirements and obligations to third parties.

14.2 You consent to the Company making such information available to any of its group companies, those who provide products or services to the Company or any company in the Company's group (such as advisers and payroll administrators), regulatory authorities, potential or future employers, governmental or quasi-governmental organisations and potential purchasers of the Company or the business in which you work.

14.3 You also consent to the transfer of such information to the Company's or any group company's business contacts outside the European Economic Area in order to further their business interests even where the country or territory in question does not maintain adequate data protection standards.

14.4 You shall comply with the Company's data protection policy, a copy of which is available from the Company's General Counsel.

14.5 The Company may change its data protection policy at any time and will notify you in writing of any changes.

15. THIRD PARTY RIGHTS

No one other than you and the Company shall have any rights to enforce the terms of this letter.

16. ENTIRE AGREEMENT

16.1 This letter and any document referred to in it constitutes the entire terms and conditions of your appointment and supersedes and extinguishes all previous agreements, promises, assurances, warranties, representations and understandings between you and the Company, whether written or oral, relating to its subject matter.

16.2 You agree that you shall have no remedies in respect of any representation, , assurance or warranty (whether made innocently or negligently) that is not set out in this letter and you shall not have any claim for innocent or negligent misrepresentation based on any statement in this letter.

17. VARIATION

No variation of this letter shall be effective unless it is in writing and signed by you and the Company (or respective authorised representatives).

18. GOVERNING LAW AND JURISDICTION

Your appointment with the Company and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the law of England and Wales and you and the Company irrevocably agree that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim that arises out of or in connection with this appointment or its subject matter or formation (including non-contractual disputes or claims).

Please indicate your acceptance of these terms by signing and returning to the attached copy of this letter to Denise Pollard-Knight, Chief Executive, Mereo BioPharma Group Limited.

Yours sincerely

/s/ Denise Pollard-Knight

For and on behalf of Mereo BioPharma Group Limited

I agree to the above terms of my appointment as the non-executive chairman of Mereo BioPharma Group Limited as set out in this letter.

Signed on 29th July 2015 by Dr Peter Fellner

/s/ Peter Fellner

NON-EXECUTIVE CHAIRMAN'S SIGNATURE

MEREO BIOPHARMA GROUP LIMITED
15 STRATTON STREET
LONDONW1J 8LQ

PRIVATE AND CONFIDENTIAL

Frank Armstrong
[XXXXXX]
[XXXXXX]

29 July 2015

Dear Frank,

Letter of appointment

Following the recommendation of the nomination committee, the board of directors (**Board**) of Mereo BioPharma Group Limited (**Company**) is pleased to hear that you have accepted our offer to join the Board as a non executive director. Your appointment will formally commence on the date of closing of the financing the Company.

This letter sets out the main terms of your appointment. By accepting this appointment, you agree that this letter is a contract for services and is not a contract of employment and you confirm that you are not subject to any restrictions which prevent you from holding office as a director.

1. FEES AND EXPENSES

1.1 You shall be paid an annual fee of £35,000 gross (current at the date of this letter), which shall be paid in equal instalments monthly in arrears through PAYE after deduction of any taxes and other amounts that are required by law, which shall be subject to periodic review by the Board. This fee covers all duties, including service on any Board committee or Company subsidiary, with the exception of committee chairmanships and certain additional responsibilities, such as taking on the role of senior independent director.

1.2 The Company will reserve sufficient ordinary shares following issuance of the Company's ordinary shares (the Option Pool) of which you shall be entitled to 81,284 shares pursuant to the terms of the Company's proposed equity incentive plan.

1.3 The Company shall reimburse you for all reasonable and properly documented expenses that you incur in performing the duties of your office including travel and sundry expenses.

1.4 On termination of your appointment, you shall only be entitled to such fees as may have accrued to the date of termination, together with reimbursement in the normal way of any expenses properly incurred before that date.

2. ROLE AND DUTIES

2.1 The Board as a whole is collectively responsible for the success of the Company. The Board's role is to:

(a) provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enable risk to be assessed and managed;

(b) set the Company's strategic aims, ensure that the necessary financial and human resources are in place for the Company to meet its objectives, and review management performance; and

(c) set the Company's values and standards and ensure that its obligations to its shareholders and others are understood and met.

2.2 You shall have the same general legal responsibilities to the Company as any other director. You are expected to perform your duties (whether statutory, fiduciary or common law) faithfully, diligently and to a standard commensurate with the functions of your role and your knowledge, skills and experience.

2.3 You shall exercise your powers in your role as a non-executive director having regard to relevant obligations under prevailing law and regulation, including the Companies Act 2006 and, where applicable, the UK Corporate Governance Code and associated guidance or the AIM Rules for Companies, the UK Listing Authority's Listing, Prospectus, and Disclosure and Transparency Rules.

2.4 You shall have particular regard to the general duties of directors in Part 10 of the Companies Act 2006, including the duty to promote the success of the Company under which all directors must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so, as a director, you must have regard (among other matters) to:

(a) the likely consequences of any decision in the long term;

(b) the interests of the Company's employees;

(c) the need to foster the Company's business relationships with suppliers, customers and others;

(d) the impact of the Company's operations on the community and the environment;

(e) the desirability of the Company maintaining a reputation for high standards of business conduct; and

(f) the need to act fairly as between the members of the Company.

2.5 If and when applicable, you shall have particular regard to the Financial Reporting Council's UK Corporate Governance Code and associated Guidance on Board Effectiveness in respect of the role of the Board and the role of the non-executive director.

2.6 In your role as a non-executive director, you shall also be required to:

(a) constructively challenge and help develop proposals on strategy including, where applicable, the Company's corporate development activity to secure additional products, the clinical development plans for the current product portfolio and the financing and IPO strategy;

(b) monitor the performance of senior management in meeting agreed goals and objectives and monitor the reporting of performance;

(c) satisfy yourself on the integrity of financial information and that financial controls and systems of risk management are robust and defensible;

(d) be responsible for determining appropriate levels of remuneration of executive directors and have a prime role in appointing and, where necessary, removing senior management and in succession planning;

(e) uphold high standards of integrity and probity and support the executive directors in instilling the appropriate culture, values and behaviours in the boardroom and beyond;

(f) insist on receiving high-quality information sufficiently in advance of Board meetings;

(g) take into account the views of shareholders and other stakeholders where appropriate;

(h) make sufficient time available to discharge your responsibilities effectively;

(i) exercise relevant powers under, and abide by, the Articles;

(j) disclose the nature and extent of any direct or indirect interest you may have in any matter being considered at a Board or committee meeting and, except as permitted under the Articles you will not vote on any resolution of the Board, or of one of its committees, on any matter where you have any direct or indirect interest;

(k) immediately report your own wrongdoing or the wrongdoing or proposed wrongdoing of any employee or other director of the Company of which you become aware to the Chair of the Audit Committee.;

(l) exercise your powers as a director in accordance with the Company's policies and procedures and the Bribery Act 2010; and

(m) not do anything that would cause you to be disqualified from acting as a director.

2.7 Unless the Board specifically authorises you to do so, you shall not enter into any legal or other commitment or contract on behalf of the Company.

2.8 You shall be entitled to request all relevant information about the Company's affairs as is reasonably necessary to enable you to discharge your duties as a non-executive director.

2.9 If you are required to register yourself or your personal service company with HM Revenue and Customs as a "Trust or Company Service Provider" under the Money Laundering Regulations 2007, you will be responsible for effecting such registration and for compliance with other requirements of the Money Laundering Regulations 2007 and applicable legislation.

3. CONFIDENTIALITY

3.1 You acknowledge that all information acquired during your appointment is confidential to the Company and should not be released, communicated or disclosed to third parties or used for any reason other than in the interests of the Company, either during your appointment or following termination (by whatever means), without prior clearance from the Chief Executive. This restriction shall cease to apply to any confidential information which may (other than by reason of your breach) become available to the public generally.

3.2 You acknowledge the need to hold and retain Company information (in whatever format you may receive it) under appropriately secure conditions.

3.3 Nothing in this paragraph 3 shall prevent you from disclosing information which you are entitled to disclose under the Public Interest Disclosure Act 1998, provided that the disclosure is made in accordance with the provisions of that Act and you have complied with the Company's policy from time to time in force regarding such disclosures.

4. TIME COMMITMENT

4.1 You will be expected to devote such time as is necessary for the proper performance of your duties. Overall we anticipate that you will spend a minimum of two days a month on work for the Company. This will include attendance at six annual Board meetings, the AGM, one annual Board away day a year, meetings with the non-executive directors, meetings with shareholders, meetings forming part of the Board evaluation process and updating and training meetings. Some of these meetings may involve overseas travel. In addition, you will be required to consider all relevant papers before each meeting. You will be provided with a schedule and proposed location of the first six annual board meetings at the date of completion of the

Company's initial financing round and for subsequent board meetings at least six months in advance of each board meeting. Unless urgent and unavoidable circumstances prevent you from doing so, it is expected that you will attend the meetings outlined in this paragraph.

4.2 The nature of the role makes it impossible to be specific about the maximum time commitment. You may be required to devote additional time to the Company in respect of preparation time and ad hoc matters which may arise and particularly when the Company is undergoing a period of increased activity. At certain times it may be necessary to convene additional Board, committee or shareholder meetings.

4.3 The overall time commitment stated in paragraph 4.1 will increase if you become a committee member or chair, or if you are given additional responsibilities such as being appointed the senior independent director, or non-executive director on the boards of any of the Company's subsidiaries. Details of the expected increase in time commitment will be covered in any relevant communication confirming the additional responsibility and any proposed changes in remuneration.

4.4 By accepting this appointment, you confirm that, taking into account all of your other commitments, you are able to allocate sufficient time to the Company to discharge your responsibilities effectively. You should obtain the agreement of the Chief Executive or Chairman (who may determine that Board approval is required) before accepting additional commitments that might affect the time you are able to devote to your role as a non-executive director of the Company.

5. APPOINTMENT

5.1 Subject to the remaining provisions of this letter, your appointment shall be for an initial term of three years commencing on the date of completion of the Company's initial financing until the conclusion of the Company's annual general meeting (**AGM**) occurring approximately three years from that date unless terminated earlier by either party giving to the other three months' prior written notice.

5.2 Your appointment is subject to the Company's articles of association, as amended from time to time (**Articles**). Nothing in this letter shall be taken to exclude or vary the terms of the Articles as they apply to you as a director of the Company.

5.3 Continuation of your appointment is contingent on your continued satisfactory performance and re-election by the shareholders and any relevant statutory provisions relating to removal of a director. If the shareholders do not re-elect you as a director, or you are retired from office under the Articles, your appointment shall terminate automatically, with immediate effect and without compensation.

5.4 Non-executive directors are typically expected to serve two three-year terms but may be invited by the Board to serve for an additional period. Any term renewal is subject to Board review and AGM re-election. Notwithstanding any mutual expectation, there is no right to re-nomination by the Board, either annually or after any three-year period.

5.5 You may be required to serve on one or more Board committees. You will be provided with the relevant terms of reference on your appointment to such a committee. You may be required to serve as a non-executive director on the board of any of the Company's subsidiaries and will be provided with the relevant terms of reference on your appointment to such board(s).

5.6 Notwithstanding paragraph 5.1 to paragraph 5.5, the Company may terminate your appointment with immediate effect if you have:

(a) committed a material breach of your obligations under this letter;

(b) committed any serious or repeated breach or non-observance of your obligations to the Company (which include an obligation not to breach your statutory, fiduciary or common-law duties);

(c) been guilty of any fraud or dishonesty or acted in any manner which, in the Company's opinion, brings or is likely to bring you or the Company into disrepute or is materially adverse to the Company's interests;

(d) been convicted of an arrestable criminal offence other than a road traffic offence for which a fine or non-custodial penalty is imposed;

(e) been declared bankrupt or have made an arrangement with or for the benefit of your creditors, or if you have a county court administration order made against you under the County Court Act 1984;

(f) been disqualified from acting as a director; or

(g) not complied with the Company's anti-corruption and bribery policy and procedures.

5.7 On termination of your appointment, you shall, at the Company's request, resign from your office as non-executive director of the Company and any offices you hold in any of the Company's subsidiary companies.

5.8 If matters arise which cause you concern about your role, you should discuss these matters with the Chief Executive and Chairman. If you have any concerns which cannot be resolved, and you choose to resign for that, or any other, reason, you should provide an appropriate written statement to the Chief Executive and Chairman for circulation to the Board.

6. INDEPENDENT PROFESSIONAL ADVICE

In some circumstances you may consider that you need professional advice in the furtherance of your duties as a non-executive director and it may be appropriate for you to seek advice from independent advisers at the Company's expense. A copy of the Board's agreed procedure under which directors may obtain such independent advice is available from the Company's General Counsel. The Company shall reimburse the reasonable cost of expenditure incurred by you in accordance with its policy.

7. OUTSIDE INTERESTS

7.1 You have already disclosed to the Board the significant commitments you have outside your role in the Company. You must inform the Chairman or the Nomination Committee in advance of any changes to these commitments. In certain circumstances, you may have to seek the Board's agreement before accepting further commitments which either might give rise to a conflict of interest or a conflict with any of your duties to the Company, or which might impact on the time that you are able to devote to your role at the Company.

7.2 It is accepted and acknowledged that you have business interests other than those of the Company and have declared any conflicts that are apparent at present. If you become aware of any further potential or actual conflicts of interest, these should be disclosed to the Chairman as soon as you become aware of them and again you may have to seek the agreement of the Board.

8. INSIDE INFORMATION AND DEALING IN THE COMPANY'S SHARES

8.1 Your attention is drawn to the requirements under both law and regulation as to the disclosure of inside information, in particular to the Disclosure and Transparency Rules of the UK Listing Authority and section 52 of the Criminal Justice Act 1993 on insider dealing. You should avoid making any statements that might risk a breach of these requirements. If in doubt, please contact the Chief Executive or General Counsel.

8.2 During your period of appointment you are required to comply, where applicable, with the Model Code (as annexed to the Listing Rules of the UK Listing Authority) or AIM Rules for Companies in relation to dealing in the Company's publicly traded or quoted securities, and any other code as the Company may adopt from time to time which sets out the terms for dealings by directors in the Company's securities. A copy of the current share dealing code adopted by the Company will be provided to you separately.

9. TRAINING

On an ongoing basis, and further to the annual evaluation process, the Company will arrange for you to develop and refresh your skills and knowledge in areas which are mutually identified as being likely to be required, or of benefit to you, in carrying out your duties effectively. You should try to make yourself available for any relevant training sessions which may be organised for the Board.

10. REVIEW PROCESS

The performance of individual directors and the whole Board and its committees is evaluated annually. If, in the interim, there are any matters which cause you concern about your role you should discuss them with the Chief Executive or the Nomination Committee as soon as you can.

11. INSURANCE AND INDEMNITY

11.1 The Company has directors' and officers' liability insurance and it intends to maintain such cover for the full term of your appointment. The indemnity limit is £10 million (current at the date of this letter). A copy of the policy document is available from the Company's General Counsel.

11.2 The Company shall grant you a deed of indemnity against certain liabilities that may be incurred as a result of your office to the extent permitted by section 234 of the Companies Act 2006.

12. CHANGES TO PERSONAL DETAILS

You shall advise the General Counsel promptly of any change in your address or other personal contact details.

13. RETURN OF PROPERTY

On termination of your appointment with the Company however arising, or at any time at the Board's request, you shall immediately return to the Company any property of the Company in your possession or under your control including any electrical or electronic equipment and any security pass and keys and deliver to the Company all documents, records, papers (in electronic or hard copy form) or other property belonging to the Company or any company in the Company's group which may be in your possession or under your control, and which relate in any way to the Company's or a group company's business affairs and you shall not retain any copies thereof. If you have any information relating to the Company or work carried out for the Company which is stored on a computer that does not belong to the Company, this must be disclosed to the Company and the Company shall be entitled to download the information or work and/or supervise its deletion from the computer concerned.

14. MORAL RIGHTS

You hereby irrevocably waive any moral rights in all works prepared by you, in the provision of your services to the Company, to which you are now or may at any future time be entitled under Chapter IV of the Copyright Designs and Patents Act 1988 or any similar provisions of law in any jurisdiction, including (but without limitation) the right to be identified, the right of integrity and the right against false attribution, and agree not to institute, support, maintain or permit any action or claim to the effect that any treatment, exploitation or use of such works or other materials, infringes your moral rights.

15. DATA PROTECTION

15.1 By signing this letter you consent to the Company holding and processing data about you for legal, personnel, administrative and management purposes and in particular to the processing of any **sensitive personal data** (as defined in the Data Protection Act 1998) relating to you including, as appropriate:

(a) information about your physical or mental health or condition in order to monitor sick leave and take decisions as to your fitness to perform your duties; or

(b) your racial or ethnic origin or religious or similar beliefs in order to monitor compliance with equal opportunities legislation; or

(c) information relating to any criminal proceedings in which you have been involved for insurance purposes and in order to comply with legal requirements and obligations to third parties.

15.2 You consent to the Company making such information available to any of its group companies, those who provide products or services to the Company or any company in the Company's group (such as advisers and payroll administrators), regulatory authorities, potential or future employers, governmental or quasi-governmental organisations and potential purchasers of the Company or the business in which you work.

15.3 You also consent to the transfer of such information to the Company's or any group company's business contacts outside the European Economic Area in order to further their business interests even where the country or territory in question does not maintain adequate data protection standards.

15.4 You shall comply with the Company's data protection policy, a copy of which is available from the Company's General Counsel.

15.5 The Company may change its data protection policy at any time and will notify you in writing of any changes.

16. THIRD PARTY RIGHTS

No one other than you and the Company shall have any rights to enforce the terms of this letter.

17. ENTIRE AGREEMENT

17.1 This letter and any document referred to in it constitutes the entire terms and conditions of your appointment and supersedes and extinguishes all previous agreements, promises, assurances, warranties, representations and understandings between you and the Company, whether written or oral, relating to its subject matter.

17.2 You agree that you shall have no remedies in respect of any representation, , assurance or warranty (whether made innocently or negligently) that is not set out in this letter and you shall not have any claim for innocent or negligent misrepresentation based on any statement in this letter.

18. VARIATION

No variation of this letter shall be effective unless it is in writing and signed by you and the Company (or respective authorised representatives).

19. GOVERNING LAW AND JURISDICTION

Your appointment with the Company and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the law of England and Wales and you and the Company irrevocably agree that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim that arises out of or in connection with this appointment or its subject matter or formation (including non-contractual disputes or claims).

Please indicate your acceptance of these terms by signing and returning to the attached copy of this letter to Denise Pollard-Knight, Chief Executive, Mereo BioPharma Group Limited.

Yours sincerely

/s/ Denise Pollard-Knight

For and on behalf of Mereo BioPharma Group Limited

I agree to the above terms of my appointment as a non-executive director of Mereo BioPharma Group Limited as set out in this letter.

Signed on 23rd July 2015

/s/ Frank Armstrong
Frank Armstrong

MEREO BIOPHARMA GROUP LIMITED
15 STRATTON STREET
LONDON W1J 8LQ

PRIVATE AND CONFIDENTIAL

Peter Bains
[XXXXXX]
[XXXXXX]

29 July 2015

Dear Peter,

Letter of appointment

Following the recommendation of the nomination committee, the board of directors (**Board**) of Mereo BioPharma Group Limited (**Company**) is pleased to hear that you have accepted our offer to join the Board as a non executive director. Your appointment will formally commence on the date of closing of the financing the Company.

This letter sets out the main terms of your appointment. By accepting this appointment, you agree that this letter is a contract for services and is not a contract of employment and you confirm that you are not subject to any restrictions which prevent you from holding office as a director.

1. FEES AND EXPENSES

1.1 You shall be paid an annual fee of £35,000 gross (current at the date of this letter), which shall be paid in equal instalments monthly in arrears through PAYE after deduction of any taxes and other amounts that are required by law, which shall be subject to periodic review by the Board. This fee covers all duties, including service on any Board committee or Company subsidiary, with the exception of committee chairmanships and certain additional responsibilities, such as taking on the role of senior independent director.

1.2 The Company will reserve sufficient ordinary shares following issuance of the Company's ordinary shares (the Option Pool) of which you shall be entitled to 267,075 shares pursuant to the terms of the Company's proposed equity incentive plan.

1.3 The Company shall reimburse you for all reasonable and properly documented expenses that you incur in performing the duties of your office including travel and sundry expenses.

1.4 On termination of your appointment, you shall only be entitled to such fees as may have accrued to the date of termination, together with reimbursement in the normal way of any expenses properly incurred before that date.

2. ROLE AND DUTIES

2.1 The Board as a whole is collectively responsible for the success of the Company. The Board's role is to:

(a) provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enable risk to be assessed and managed;

(b) set the Company's strategic aims, ensure that the necessary financial and human resources are in place for the Company to meet its objectives, and review management performance; and

(c) set the Company's values and standards and ensure that its obligations to its shareholders and others are understood and met.

2.2 You shall have the same general legal responsibilities to the Company as any other director. You are expected to perform your duties (whether statutory, fiduciary or common law) faithfully, diligently and to a standard commensurate with the functions of your role and your knowledge, skills and experience.

2.3 You shall exercise your powers in your role as a non-executive director having regard to relevant obligations under prevailing law and regulation, including the Companies Act 2006 and, where applicable, the UK Corporate Governance Code and associated guidance or the AIM Rules for Companies, the UK Listing Authority's Listing, Prospectus, and Disclosure and Transparency Rules.

2.4 You shall have particular regard to the general duties of directors in Part 10 of the Companies Act 2006, including the duty to promote the success of the Company under which all directors must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so, as a director, you must have regard (among other matters) to:

(a) the likely consequences of any decision in the long term;

(b) the interests of the Company's employees;

(c) the need to foster the Company's business relationships with suppliers, customers and others;

(d) the impact of the Company's operations on the community and the environment;

(e) the desirability of the Company maintaining a reputation for high standards of business conduct; and

(f) the need to act fairly as between the members of the Company.

2.5 If and when applicable, you shall have particular regard to the Financial Reporting Council's UK Corporate Governance Code and associated Guidance on Board Effectiveness in respect of the role of the Board and the role of the non-executive director.

2.6 In your role as a non-executive director, you shall also be required to:

(a) constructively challenge and help develop proposals on strategy including, where applicable, the Company's corporate development activity to secure additional products, the clinical development plans for the current product portfolio and the financing and IPO strategy;

(b) monitor the performance of senior management in meeting agreed goals and objectives and monitor the reporting of performance;

(c) satisfy yourself on the integrity of financial information and that financial controls and systems of risk management are robust and defensible;

(d) be responsible for determining appropriate levels of remuneration of executive directors and have a prime role in appointing and, where necessary, removing senior management and in succession planning;

(e) uphold high standards of integrity and probity and support the executive directors in instilling the appropriate culture, values and behaviours in the boardroom and beyond;

(f) insist on receiving high-quality information sufficiently in advance of Board meetings;

(g) take into account the views of shareholders and other stakeholders where appropriate;

(h) make sufficient time available to discharge your responsibilities effectively;

(i) exercise relevant powers under, and abide by, the Articles;

(j) disclose the nature and extent of any direct or indirect interest you may have in any matter being considered at a Board or committee meeting and, except as permitted under the Articles you will not vote on any resolution of the Board, or of one of its committees, on any matter where you have any direct or indirect interest;

(k) immediately report your own wrongdoing or the wrongdoing or proposed wrongdoing of any employee or other director of the Company of which you become aware to the Chair of the Audit Committee.;

(l) exercise your powers as a director in accordance with the Company's policies and procedures and the Bribery Act 2010; and

(m) not do anything that would cause you to be disqualified from acting as a director.

2.7 Unless the Board specifically authorises you to do so, you shall not enter into any legal or other commitment or contract on behalf of the Company.

2.8 You shall be entitled to request all relevant information about the Company's affairs as is reasonably necessary to enable you to discharge your duties as a non-executive director.

2.9 If you are required to register yourself or your personal service company with HM Revenue and Customs as a "Trust or Company Service Provider" under the Money Laundering Regulations 2007, you will be responsible for effecting such registration and for compliance with other requirements of the Money Laundering Regulations 2007 and applicable legislation.

3. CONFIDENTIALITY

3.1 You acknowledge that all information acquired during your appointment is confidential to the Company and should not be released, communicated or disclosed to third parties or used for any reason other than in the interests of the Company, either during your appointment or following termination (by whatever means), without prior clearance from the Chief Executive. This restriction shall cease to apply to any confidential information which may (other than by reason of your breach) become available to the public generally.

3.2 You acknowledge the need to hold and retain Company information (in whatever format you may receive it) under appropriately secure conditions.

3.3 Nothing in this paragraph 3 shall prevent you from disclosing information which you are entitled to disclose under the Public Interest Disclosure Act 1998, provided that the disclosure is made in accordance with the provisions of that Act and you have complied with the Company's policy from time to time in force regarding such disclosures.

4. TIME COMMITMENT

4.1 You will be expected to devote such time as is necessary for the proper performance of your duties. Overall we anticipate that you will spend a minimum of two days a month on work for the Company. This will include attendance at six annual Board meetings, the AGM, one annual Board away day a year, meetings with the non-executive directors, meetings with shareholders, meetings forming part of the Board evaluation process and updating and training meetings. Some of these meetings may involve overseas travel. In addition, you will be required to consider all relevant papers before each meeting. You will be provided with a schedule and proposed location of the first six annual board meetings at the date of completion of the

Company's initial financing round and for subsequent board meetings at least six months in advance of each board meeting. Unless urgent and unavoidable circumstances prevent you from doing so, it is expected that you will attend the meetings outlined in this paragraph.

4.2 The nature of the role makes it impossible to be specific about the maximum time commitment. You may be required to devote additional time to the Company in respect of preparation time and ad hoc matters which may arise and particularly when the Company is undergoing a period of increased activity. At certain times it may be necessary to convene additional Board, committee or shareholder meetings.

4.3 The overall time commitment stated in paragraph 4.1 will increase if you become a committee member or chair, or if you are given additional responsibilities such as being appointed the senior independent director, or non-executive director on the boards of any of the Company's subsidiaries. Details of the expected increase in time commitment will be covered in any relevant communication confirming the additional responsibility and any proposed changes in remuneration.

4.4 By accepting this appointment, you confirm that, taking into account all of your other commitments, you are able to allocate sufficient time to the Company to discharge your responsibilities effectively. You should obtain the agreement of the Chief Executive or Chairman (who may determine that Board approval is required) before accepting additional commitments that might affect the time you are able to devote to your role as a non-executive director of the Company.

5. APPOINTMENT

5.1 Subject to the remaining provisions of this letter, your appointment shall be for an initial term of three years commencing on the date of completion of the Company's initial financing until the conclusion of the Company's annual general meeting (**AGM**) occurring approximately three years from that date unless terminated earlier by either party giving to the other three months' prior written notice.

5.2 Your appointment is subject to the Company's articles of association, as amended from time to time (**Articles**). Nothing in this letter shall be taken to exclude or vary the terms of the Articles as they apply to you as a director of the Company.

5.3 Continuation of your appointment is contingent on your continued satisfactory performance and re-election by the shareholders and any relevant statutory provisions relating to removal of a director. If the shareholders do not re-elect you as a director, or you are retired from office under the Articles, your appointment shall terminate automatically, with immediate effect and without compensation.

5.4 Non-executive directors are typically expected to serve two three-year terms but may be invited by the Board to serve for an additional period. Any term renewal is subject to Board review and AGM re-election. Notwithstanding any mutual expectation, there is no right to re-nomination by the Board, either annually or after any three-year period.

5.5 You may be required to serve on one or more Board committees. You will be provided with the relevant terms of reference on your appointment to such a committee. You may be required to serve as a non-executive director on the board of any of the Company's subsidiaries and will be provided with the relevant terms of reference on your appointment to such board(s).

5.6 Notwithstanding paragraph 5.1 to paragraph 5.5, the Company may terminate your appointment with immediate effect if you have:

(a) committed a material breach of your obligations under this letter;

(b) committed any serious or repeated breach or non-observance of your obligations to the Company (which include an obligation not to breach your statutory, fiduciary or common-law duties);

(c) been guilty of any fraud or dishonesty or acted in any manner which, in the Company's opinion, brings or is likely to bring you or the Company into disrepute or is materially adverse to the Company's interests;

(d) been convicted of an arrestable criminal offence other than a road traffic offence for which a fine or non-custodial penalty is imposed;

(e) been declared bankrupt or have made an arrangement with or for the benefit of your creditors, or if you have a county court administration order made against you under the County Court Act 1984;

(f) been disqualified from acting as a director; or

(g) not complied with the Company's anti-corruption and bribery policy and procedures.

5.7 On termination of your appointment, you shall, at the Company's request, resign from your office as non-executive director of the Company and any offices you hold in any of the Company's subsidiary companies.

5.8 If matters arise which cause you concern about your role, you should discuss these matters with the Chief Executive and Chairman. If you have any concerns which cannot be resolved, and you choose to resign for that, or any other, reason, you should provide an appropriate written statement to the Chief Executive and Chairman for circulation to the Board.

6. INDEPENDENT PROFESSIONAL ADVICE

In some circumstances you may consider that you need professional advice in the furtherance of your duties as a non-executive director and it may be appropriate for you to seek advice from independent advisers at the Company's expense. A copy of the Board's agreed procedure under which directors may obtain such independent advice is available from the Company's General Counsel. The Company shall reimburse the reasonable cost of expenditure incurred by you in accordance with its policy.

7. OUTSIDE INTERESTS

7.1 You have already disclosed to the Board the significant commitments you have outside your role in the Company. You must inform the Chairman or the Nomination Committee in advance of any changes to these commitments. In certain circumstances, you may have to seek the Board's agreement before accepting further commitments which either might give rise to a conflict of interest or a conflict with any of your duties to the Company, or which might impact on the time that you are able to devote to your role at the Company.

7.2 It is accepted and acknowledged that you have business interests other than those of the Company and have declared any conflicts that are apparent at present. If you become aware of any further potential or actual conflicts of interest, these should be disclosed to the Chairman as soon as you become aware of them and again you may have to seek the agreement of the Board.

8. INSIDE INFORMATION AND DEALING IN THE COMPANY'S SHARES

8.1 Your attention is drawn to the requirements under both law and regulation as to the disclosure of inside information, in particular to the Disclosure and Transparency Rules of the UK Listing Authority and section 52 of the Criminal Justice Act 1993 on insider dealing. You should avoid making any statements that might risk a breach of these requirements. If in doubt, please contact the Chief Executive or General Counsel.

8.2 During your period of appointment you are required to comply, where applicable, with the Model Code (as annexed to the Listing Rules of the UK Listing Authority) or AIM Rules for Companies in relation to dealing in the Company's publicly traded or quoted securities, and any other code as the Company may adopt from time to time which sets out the terms for dealings by directors in the Company's securities. A copy of the current share dealing code adopted by the Company will be provided to you separately.

9. TRAINING

On an ongoing basis, and further to the annual evaluation process, the Company will arrange for you to develop and refresh your skills and knowledge in areas which are mutually identified as being likely to be required, or of benefit to you, in carrying out your duties effectively. You should try to make yourself available for any relevant training sessions which may be organised for the Board.

10. REVIEW PROCESS

The performance of individual directors and the whole Board and its committees is evaluated annually. If, in the interim, there are any matters which cause you concern about your role you should discuss them with the Chief Executive or the Nomination Committee as soon as you can.

11. INSURANCE AND INDEMNITY

11.1 The Company has directors' and officers' liability insurance and it intends to maintain such cover for the full term of your appointment. The indemnity limit is £10 million (current at the date of this letter). A copy of the policy document is available from the Company's General Counsel.

11.2 The Company shall grant you a deed of indemnity against certain liabilities that may be incurred as a result of your office to the extent permitted by section 234 of the Companies Act 2006.

12. CHANGES TO PERSONAL DETAILS

You shall advise the General Counsel promptly of any change in your address or other personal contact details.

13. RETURN OF PROPERTY

On termination of your appointment with the Company however arising, or at any time at the Board's request, you shall immediately return to the Company any property of the Company in your possession or under your control including any electrical or electronic equipment and any security pass and keys and deliver to the Company all documents, records, papers (in electronic or hard copy form) or other property belonging to the Company or any company in the Company's group which may be in your possession or under your control, and which relate in any way to the Company's or a group company's business affairs and you shall not retain any copies thereof. If you have any information relating to the Company or work carried out for the Company which is stored on a computer that does not belong to the Company, this must be disclosed to the Company and the Company shall be entitled to download the information or work and/or supervise its deletion from the computer concerned.

14. MORAL RIGHTS

You hereby irrevocably waive any moral rights in all works prepared by you, in the provision of your services to the Company, to which you are now or may at any future time be entitled under Chapter IV of the Copyright Designs and Patents Act 1988 or any similar provisions of law in any jurisdiction, including (but without limitation) the right to be identified, the right of integrity and the right against false attribution, and agree not to institute, support, maintain or permit any action or claim to the effect that any treatment, exploitation or use of such works or other materials, infringes your moral rights.

15. DATA PROTECTION

15.1 By signing this letter you consent to the Company holding and processing data about you for legal, personnel, administrative and management purposes and in particular to the processing of any **sensitive personal data** (as defined in the Data Protection Act 1998) relating to you including, as appropriate:

(a) information about your physical or mental health or condition in order to monitor sick leave and take decisions as to your fitness to perform your duties; or

(b) your racial or ethnic origin or religious or similar beliefs in order to monitor compliance with equal opportunities legislation; or

(c) information relating to any criminal proceedings in which you have been involved for insurance purposes and in order to comply with legal requirements and obligations to third parties.

15.2 You consent to the Company making such information available to any of its group companies, those who provide products or services to the Company or any company in the Company's group (such as advisers and payroll administrators), regulatory authorities, potential or future employers, governmental or quasi-governmental organisations and potential purchasers of the Company or the business in which you work.

15.3 You also consent to the transfer of such information to the Company's or any group company's business contacts outside the European Economic Area in order to further their business interests even where the country or territory in question does not maintain adequate data protection standards.

15.4 You shall comply with the Company's data protection policy, a copy of which is available from the Company's General Counsel.

15.5 The Company may change its data protection policy at any time and will notify you in writing of any changes.

16. THIRD PARTY RIGHTS

No one other than you and the Company shall have any rights to enforce the terms of this letter.

17. ENTIRE AGREEMENT

17.1 This letter and any document referred to in it constitutes the entire terms and conditions of your appointment and supersedes and extinguishes all previous agreements, promises, assurances, warranties, representations and understandings between you and the Company, whether written or oral, relating to its subject matter.

17.2 You agree that you shall have no remedies in respect of any representation, , assurance or warranty (whether made innocently or negligently) that is not set out in this letter and you shall not have any claim for innocent or negligent misrepresentation based on any statement in this letter.

18. VARIATION

No variation of this letter shall be effective unless it is in writing and signed by you and the Company (or respective authorised representatives).

19. GOVERNING LAW AND JURISDICTION

Your appointment with the Company and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the law of England and Wales and you and the Company irrevocably agree that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim that arises out of or in connection with this appointment or its subject matter or formation (including non-contractual disputes or claims).

Please indicate your acceptance of these terms by signing and returning to the attached copy of this letter to Denise Pollard-Knight, Chief Executive, Mereo BioPharma Group Limited.

Yours sincerely

/s/ Denise Pollard-Knight

For and on behalf of Mereo BioPharma Group Limited

I agree to the above terms of my appointment as a non-executive director of Mereo BioPharma Group Limited as set out in this letter.

Signed on 29 July 2015

/s/ Peter Bains
Peter Bains

MEREO BIOPHARMA GROUP LIMITED
FOURTH FLOOR
ONE CAVENDISH PLACE
LONDON
W1G 0QF

PRIVATE AND CONFIDENTIAL

Paul Blackburn
[XXXXXX]
[XXXXXX]
[XXXXXX]

28 October 2015

Dear Paul,

Letter of appointment

Following the resolution of the board of directors (**Board**) of Mereo BioPharma Group Limited (**Company**) on 6 October 2015 we are pleased to hear that you have accepted our offer to join the Board as a non executive director. Your appointment formally commenced on 6 October 2015.

This letter sets out the main terms of your appointment. By accepting this appointment, you agree that this letter is a contract for services and is not a contract of employment and you confirm that you are not subject to any restrictions which prevent you from holding office as a director.

1. FEES AND EXPENSES

1.1 You shall be paid an annual fee of £35,000 gross (current at the date of this letter), which shall be paid in equal instalments monthly in arrears through PAYE after deduction of any taxes and other amounts that are required by law, which shall be subject to periodic review by the Board. This fee covers all duties, including service on any Board committee or Company subsidiary, with the exception of committee chairmanships and certain additional responsibilities.

1.2 The Company shall reimburse you for all reasonable and properly documented expenses that you incur in performing the duties of your office including travel and sundry expenses.

1.3 On termination of your appointment, you shall only be entitled to such fees as may have accrued to the date of termination, together with reimbursement in the normal way of any expenses properly incurred before that date.

2. ROLE AND DUTIES

2.1 The Board as a whole is collectively responsible for the success of the Company. The Board's role is to:

(a) provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enable risk to be assessed and managed;

(b) set the Company's strategic aims, ensure that the necessary financial and human resources are in place for the Company to meet its objectives, and review management performance; and

(c) set the Company's values and standards and ensure that its obligations to its shareholders and others are understood and met.

2.2 You shall have the same general legal responsibilities to the Company as any other director. You are expected to perform your duties (whether statutory, fiduciary or common law) faithfully, diligently and to a standard commensurate with the functions of your role and your knowledge, skills and experience.

2.3 You shall exercise your powers in your role as a non-executive director having regard to relevant obligations under prevailing law and regulation, including the Companies Act 2006 and, where applicable, the UK Corporate Governance Code and associated guidance or the AIM Rules for Companies, the UK Listing Authority's Listing, Prospectus, and Disclosure and Transparency Rules.

2.4 You shall have particular regard to the general duties of directors in Part 10 of the Companies Act 2006, including the duty to promote the success of the Company under which all directors must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so, as a director, you must have regard (among other matters) to:

(a) the likely consequences of any decision in the long term;

(b) the interests of the Company's employees;

(c) the need to foster the Company's business relationships with suppliers, customers and others;

(d) the impact of the Company's operations on the community and the environment;

(e) the desirability of the Company maintaining a reputation for high standards of business conduct; and

(f) the need to act fairly as between the members of the Company.

2.5 If and when applicable, you shall have particular regard to the Financial Reporting Council's UK Corporate Governance Code and associated Guidance on Board Effectiveness in respect of the role of the Board and the role of the non-executive director.

2.6 In your role as a non-executive director, you shall also be required to:

(a) constructively challenge and help develop proposals on strategy including, where applicable, the Company's corporate development activity to secure additional products, the clinical development plans for the current product portfolio and the financing and IPO strategy;

(b) monitor the performance of senior management in meeting agreed goals and objectives and monitor the reporting of performance;

(c) satisfy yourself on the integrity of financial information and that financial controls and systems of risk management are robust and defensible;

(d) be responsible for determining appropriate levels of remuneration of executive directors and have a prime role in appointing and, where necessary, removing senior management and in succession planning;

(e) uphold high standards of integrity and probity and support the executive directors in instilling the appropriate culture, values and behaviours in the boardroom and beyond;

(f) insist on receiving high-quality information sufficiently in advance of Board meetings;

(g) take into account the views of shareholders and other stakeholders where appropriate;

(h) make sufficient time available to discharge your responsibilities effectively;

(i) exercise relevant powers under, and abide by, the Articles;

(j) disclose the nature and extent of any direct or indirect interest you may have in any matter being considered at a Board or committee meeting and, except as permitted under the Articles you will not vote on any resolution of the Board, or of one of its committees, on any matter where you have any direct or indirect interest;

(k) immediately report your own wrongdoing or the wrongdoing or proposed wrongdoing of any employee or other director of the Company of which you become aware to the Chair of the Audit Committee.;

(l) exercise your powers as a director in accordance with the Company's policies and procedures and the Bribery Act 2010; and

(m) not do anything that would cause you to be disqualified from acting as a director.

2.7 Unless the Board specifically authorises you to do so, you shall not enter into any legal or other commitment or contract on behalf of the Company.

2.8 You shall be entitled to request all relevant information about the Company's affairs as is reasonably necessary to enable you to discharge your duties as a non-executive director.

2.9 If you are required to register yourself or your personal service company with HM Revenue and Customs as a "Trust or Company Service Provider" under the Money Laundering Regulations 2007, you will be responsible for effecting such registration and for compliance with other requirements of the Money Laundering Regulations 2007 and applicable legislation.

3. CONFIDENTIALITY

3.1 You acknowledge that all information acquired during your appointment is confidential to the Company and should not be released, communicated or disclosed to third parties or used for any reason other than in the interests of the Company, either during your appointment or following termination (by whatever means), without prior clearance from the Chief Executive. This restriction shall cease to apply to any confidential information which may (other than by reason of your breach) become available to the public generally.

3.2 You acknowledge the need to hold and retain Company information (in whatever format you may receive it) under appropriately secure conditions.

3.3 Nothing in this paragraph 3 shall prevent you from disclosing information which you are entitled to disclose under the Public Interest Disclosure Act 1998, provided that the disclosure is made in accordance with the provisions of that Act and you have complied with the Company's policy from time to time in force regarding such disclosures.

4. TIME COMMITMENT

4.1 You will be expected to devote such time as is necessary for the proper performance of your duties. Overall we anticipate that you will spend a minimum of two days a month on work for the Company. This will include attendance at six annual Board meetings, the AGM, one annual Board away day a year, meetings with the non-executive directors, meetings with shareholders, meetings forming part of the Board evaluation process and updating and training meetings. Some of these meetings may involve overseas travel. In addition, you will be required to consider all relevant papers before each meeting.

4.2 The nature of the role makes it impossible to be specific about the maximum time commitment. You may be required to devote additional time to the Company in respect of preparation time and ad hoc matters which may arise and particularly when the Company is undergoing a period of increased activity. At certain times it may be necessary to convene additional Board, committee or shareholder meetings.

4.3 The overall time commitment stated in paragraph 4.1 will increase as you become a committee member and chair, or if you are given additional responsibilities such as being appointed a non-executive director on the boards of any of the Company's subsidiaries. Details of the expected increase in time commitment will be covered in any relevant communication confirming the additional responsibility and any proposed changes in remuneration.

4.4 By accepting this appointment, you confirm that, taking into account all of your other commitments, you are able to allocate sufficient time to the Company to discharge your responsibilities effectively. You should obtain the agreement of the Chief Executive or Chairman (who may determine that Board approval is required) before accepting additional commitments that might affect the time you are able to devote to your role as a non-executive director of the Company.

5. APPOINTMENT

5.1 Subject to the remaining provisions of this letter, your appointment shall be for an initial term commencing on 6 October 2015 until the conclusion of the Company's annual general meeting (**AGM**) occurring approximately three years from that date unless terminated earlier by either party giving to the other three months' prior written notice.

5.2 Your appointment is subject to the Company's articles of association, as amended from time to time (**Articles**). Nothing in this letter shall be taken to exclude or vary the terms of the Articles as they apply to you as a director of the Company.

5.3 Continuation of your appointment is contingent on your continued satisfactory performance and re-election by the shareholders and any relevant statutory provisions relating to removal of a director. If the shareholders do not re-elect you as a director, or you are retired from office under the Articles, your appointment shall terminate automatically, with immediate effect and without compensation.

5.4 Non-executive directors are typically expected to serve two three-year terms but may be invited by the Board to serve for an additional period. Any term renewal is subject to Board review and AGM re-election. Notwithstanding any mutual expectation, there is no right to re-nomination by the Board, either annually or after any three-year period.

5.5 You may be required to serve on one or more Board committees. You will be provided with the relevant terms of reference on your appointment to such a committee. You may be required to serve as a non-executive director on the board of any of the Company's subsidiaries and will be provided with the relevant terms of reference on your appointment to such board(s).

5.6 Notwithstanding paragraph 5.1 to paragraph 5.5, the Company may terminate your appointment with immediate effect if you have:

(a) committed a material breach of your obligations under this letter;

(b) committed any serious or repeated breach or non-observance of your obligations to the Company (which include an obligation not to breach your statutory, fiduciary or common-law duties);

(c) been guilty of any fraud or dishonesty or acted in any manner which, in the Company's opinion, brings or is likely to bring you or the Company into disrepute or is materially adverse to the Company's interests;

(d) been convicted of an arrestable criminal offence other than a road traffic offence for which a fine or non-custodial penalty is imposed;

(e) been declared bankrupt or have made an arrangement with or for the benefit of your creditors, or if you have a county court administration order made against you under the County Court Act 1984;

(f) been disqualified from acting as a director; or

(g) not complied with the Company's anti-corruption and bribery policy and procedures.

5.7 On termination of your appointment, you shall, at the Company's request, resign from your office as non-executive director of the Company and any offices you hold in any of the Company's subsidiary companies.

5.8 If matters arise which cause you concern about your role, you should discuss these matters with the Chief Executive and Chairman. If you have any concerns which cannot be resolved, and you choose to resign for that, or any other, reason, you should provide an appropriate written statement to the Chief Executive and Chairman for circulation to the Board.

6. INDEPENDENT PROFESSIONAL ADVICE

In some circumstances you may consider that you need professional advice in the furtherance of your duties as a non-executive director and it may be appropriate for you to seek advice from independent advisers at the Company's expense. A copy of the Board's agreed procedure under which directors may obtain such independent advice is available from the Company's General Counsel. The Company shall reimburse the reasonable cost of expenditure incurred by you in accordance with its policy.

7. OUTSIDE INTERESTS

7.1 You have already disclosed to the Board the significant commitments you have outside your role in the Company. You must inform the Chairman or the Nomination Committee in advance of any changes to these commitments. In certain circumstances, you may have to seek the Board's agreement before accepting further commitments which either might give rise to a conflict of interest or a conflict with any of your duties to the Company, or which might impact on the time that you are able to devote to your role at the Company.

7.2 It is accepted and acknowledged that you have business interests other than those of the Company and have declared any conflicts that are apparent at present. If you become aware of any further potential or actual conflicts of interest, these should be disclosed to the Chairman as soon as you become aware of them and again you may have to seek the agreement of the Board.

8. INSIDE INFORMATION AND DEALING IN THE COMPANY'S SHARES

8.1 Your attention is drawn to the requirements under both law and regulation as to the disclosure of inside information, in particular to the Disclosure and Transparency Rules of the UK Listing Authority and section 52 of the Criminal Justice Act 1993 on insider dealing. You should avoid making any statements that might risk a breach of these requirements. If in doubt, please contact the Chief Executive or General Counsel.

8.2 During your period of appointment you are required to comply, where applicable, with the Model Code (as annexed to the Listing Rules of the UK Listing Authority) or AIM Rules for Companies in relation to dealing in the Company's publicly traded or quoted securities, and any other code as the Company may adopt from time to time which sets out the terms for dealings by directors in the Company's securities. A copy of the current share dealing code adopted by the Company will be provided to you separately.

9. TRAINING

On an ongoing basis, and further to the annual evaluation process, the Company will arrange for you to develop and refresh your skills and knowledge in areas which are mutually identified as being likely to be required, or of benefit to you, in carrying out your duties effectively. You should try to make yourself available for any relevant training sessions which may be organised for the Board.

10. REVIEW PROCESS

The performance of individual directors and the whole Board and its committees is evaluated annually. If, in the interim, there are any matters which cause you concern about your role you should discuss them with the Chief Executive or the Nomination Committee as soon as you can.

11. INSURANCE AND INDEMNITY

11.1 The Company has directors' and officers' liability insurance and it intends to maintain such cover for the full term of your appointment. The indemnity limit is £10 million (current at the date of this letter). A copy of the policy document is available from the Company's General Counsel.

11.2 The Company shall grant you a deed of indemnity against certain liabilities that may be incurred as a result of your office to the extent permitted by section 234 of the Companies Act 2006.

12. CHANGES TO PERSONAL DETAILS

You shall advise the General Counsel promptly of any change in your address or other personal contact details.

13. RETURN OF PROPERTY

On termination of your appointment with the Company however arising, or at any time at the Board's request, you shall immediately return to the Company any property of the Company in your possession or under your control including any electrical or electronic equipment and any security pass and keys and deliver to the Company all documents, records, papers (in electronic or hard copy form) or other property belonging to the Company or any company in the Company's group which may be in your possession or under your control, and which relate in any way to the Company's or a group company's business affairs and you shall not retain any copies thereof. If you have any information relating to the Company or work carried out for the Company which is stored on a computer that does not belong to the Company, this must be disclosed to the Company and the Company shall be entitled to download the information or work and/or supervise its deletion from the computer concerned.

14. MORAL RIGHTS

You hereby irrevocably waive any moral rights in all works prepared by you, in the provision of your services to the Company, to which you are now or may at any future time be entitled under Chapter IV of the Copyright Designs and Patents Act 1988 or any similar provisions of law in any jurisdiction, including (but without limitation) the right to be identified, the right of integrity and the right against false attribution, and agree not to institute, support, maintain or permit any action or claim to the effect that any treatment, exploitation or use of such works or other materials, infringes your moral rights.

15. DATA PROTECTION

15.1 By signing this letter you consent to the Company holding and processing data about you for legal, personnel, administrative and management purposes and in particular to the processing of any **sensitive personal data** (as defined in the Data Protection Act 1998) relating to you including, as appropriate:

(a) information about your physical or mental health or condition in order to monitor sick leave and take decisions as to your fitness to perform your duties; or

(b) your racial or ethnic origin or religious or similar beliefs in order to monitor compliance with equal opportunities legislation; or

(c) information relating to any criminal proceedings in which you have been involved for insurance purposes and in order to comply with legal requirements and obligations to third parties.

15.2 You consent to the Company making such information available to any of its group companies, those who provide products or services to the Company or any company in the Company's group (such as advisers and payroll administrators), regulatory authorities, potential or future employers, governmental or quasi-governmental organisations and potential purchasers of the Company or the business in which you work.

15.3 You also consent to the transfer of such information to the Company's or any group company's business contacts outside the European Economic Area in order to further their business interests even where the country or territory in question does not maintain adequate data protection standards.

15.4 You shall comply with the Company's data protection policy, a copy of which is available from the Company's General Counsel.

15.5 The Company may change its data protection policy at any time and will notify you in writing of any changes.

16. THIRD PARTY RIGHTS

No one other than you and the Company shall have any rights to enforce the terms of this letter.

17. ENTIRE AGREEMENT

17.1 This letter and any document referred to in it constitutes the entire terms and conditions of your appointment and supersedes and extinguishes all previous agreements, promises, assurances, warranties, representations and understandings between you and the Company, whether written or oral, relating to its subject matter.

17.2 You agree that you shall have no remedies in respect of any representation, assurance or warranty (whether made innocently or negligently) that is not set out in this letter and you shall not have any claim for innocent or negligent misrepresentation based on any statement in this letter.

18. VARIATION

No variation of this letter shall be effective unless it is in writing and signed by you and the Company (or respective authorised representatives).

19. GOVERNING LAW AND JURISDICTION

Your appointment with the Company and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the law of England and Wales and you and the Company irrevocably agree that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim that arises out of or in connection with this appointment or its subject matter or formation (including non-contractual disputes or claims).

Please indicate your acceptance of these terms by signing and returning to the attached copy of this letter to Denise Scots-Knight, Chief Executive, Mereo BioPharma Group Limited.

Yours sincerely

/s/ Denise Scots-Knight

For and on behalf of Mereo BioPharma Group Limited

I agree to the above terms of my appointment as a non-executive director of Mereo BioPharma Group Limited as set out in this letter.

Signed on 26 October 2015

/s/ Paul Blackburn
Paul Blackburn

MEREO BIOPHARMA GROUP LIMITED
15 STRATTON STREET
LONDON W1J 8LQ

PRIVATE AND CONFIDENTIAL

Anders Ekblom
[XXXXXX]
[XXXXXX]

29 July 2015

Dear Anders,

Letter of appointment

Following the recommendation of the nomination committee, the board of directors (**Board**) of Mereo BioPharma Group Limited (**Company**) is pleased to hear that you have accepted our offer to join the Board as a non executive director. Your appointment will formally commence on the date of closing of the financing the Company.

This letter sets out the main terms of your appointment. By accepting this appointment, you agree that this letter is a contract for services and is not a contract of employment and you confirm that you are not subject to any restrictions which prevent you from holding office as a director.

1. FEES AND EXPENSES

1.1 You shall be paid an annual fee of £35,000 gross (current at the date of this letter), which shall be paid in equal instalments monthly in arrears through PAYE after deduction of any taxes and other amounts that are required by law, which shall be subject to periodic review by the Board. This fee covers all duties, including service on any Board committee or Company subsidiary, with the exception of committee chairmanships and certain additional responsibilities, such as taking on the role of senior independent director.

1.2 The Company will reserve sufficient ordinary shares following issuance of the Company's ordinary shares (the Option Pool) of which you shall be entitled to 81,284 shares pursuant to the terms of the Company's proposed equity incentive plan.

1.3 The Company shall reimburse you for all reasonable and properly documented expenses that you incur in performing the duties of your office including travel and sundry expenses.

1.4 On termination of your appointment, you shall only be entitled to such fees as may have accrued to the date of termination, together with reimbursement in the normal way of any expenses properly incurred before that date.

2. ROLE AND DUTIES

2.1 The Board as a whole is collectively responsible for the success of the Company. The Board's role is to:

(a) provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enable risk to be assessed and managed;

(b) set the Company's strategic aims, ensure that the necessary financial and human resources are in place for the Company to meet its objectives, and review management performance; and

(c) set the Company's values and standards and ensure that its obligations to its shareholders and others are understood and met.

2.2 You shall have the same general legal responsibilities to the Company as any other director. You are expected to perform your duties (whether statutory, fiduciary or common law) faithfully, diligently and to a standard commensurate with the functions of your role and your knowledge, skills and experience.

2.3 You shall exercise your powers in your role as a non-executive director having regard to relevant obligations under prevailing law and regulation, including the Companies Act 2006 and, where applicable, the UK Corporate Governance Code and associated guidance or the AIM Rules for Companies, the UK Listing Authority's Listing, Prospectus, and Disclosure and Transparency Rules.

2.4 You shall have particular regard to the general duties of directors in Part 10 of the Companies Act 2006, including the duty to promote the success of the Company under which all directors must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so, as a director, you must have regard (among other matters) to:

(a) the likely consequences of any decision in the long term;

(b) the interests of the Company's employees;

(c) the need to foster the Company's business relationships with suppliers, customers and others;

(d) the impact of the Company's operations on the community and the environment;

(e) the desirability of the Company maintaining a reputation for high standards of business conduct; and

(f) the need to act fairly as between the members of the Company.

2.5 If and when applicable, you shall have particular regard to the Financial Reporting Council's UK Corporate Governance Code and associated Guidance on Board Effectiveness in respect of the role of the Board and the role of the non-executive director.

2.6 In your role as a non-executive director, you shall also be required to:

(a) constructively challenge and help develop proposals on strategy including, where applicable, the Company's corporate development activity to secure additional products, the clinical development plans for the current product portfolio and the financing and IPO strategy;

(b) monitor the performance of senior management in meeting agreed goals and objectives and monitor the reporting of performance;

(c) satisfy yourself on the integrity of financial information and that financial controls and systems of risk management are robust and defensible;

(d) be responsible for determining appropriate levels of remuneration of executive directors and have a prime role in appointing and, where necessary, removing senior management and in succession planning;

(e) uphold high standards of integrity and probity and support the executive directors in instilling the appropriate culture, values and behaviours in the boardroom and beyond;

(f) insist on receiving high-quality information sufficiently in advance of Board meetings;

(g) take into account the views of shareholders and other stakeholders where appropriate;

(h) make sufficient time available to discharge your responsibilities effectively;

(i) exercise relevant powers under, and abide by, the Articles;

(j) disclose the nature and extent of any direct or indirect interest you may have in any matter being considered at a Board or committee meeting and, except as permitted under the Articles you will not vote on any resolution of the Board, or of one of its committees, on any matter where you have any direct or indirect interest;

(k) immediately report your own wrongdoing or the wrongdoing or proposed wrongdoing of any employee or other director of the Company of which you become aware to the Chair of the Audit Committee.;

(l) exercise your powers as a director in accordance with the Company's policies and procedures and the Bribery Act 2010; and

(m) not do anything that would cause you to be disqualified from acting as a director.

2.7 Unless the Board specifically authorises you to do so, you shall not enter into any legal or other commitment or contract on behalf of the Company.

2.8 You shall be entitled to request all relevant information about the Company's affairs as is reasonably necessary to enable you to discharge your duties as a non-executive director.

2.9 If you are required to register yourself or your personal service company with HM Revenue and Customs as a "Trust or Company Service Provider" under the Money Laundering Regulations 2007, you will be responsible for effecting such registration and for compliance with other requirements of the Money Laundering Regulations 2007 and applicable legislation.

3. CONFIDENTIALITY

3.1 You acknowledge that all information acquired during your appointment is confidential to the Company and should not be released, communicated or disclosed to third parties or used for any reason other than in the interests of the Company, either during your appointment or following termination (by whatever means), without prior clearance from the Chief Executive. This restriction shall cease to apply to any confidential information which may (other than by reason of your breach) become available to the public generally.

3.2 You acknowledge the need to hold and retain Company information (in whatever format you may receive it) under appropriately secure conditions.

3.3 Nothing in this paragraph 3 shall prevent you from disclosing information which you are entitled to disclose under the Public Interest Disclosure Act 1998, provided that the disclosure is made in accordance with the provisions of that Act and you have complied with the Company's policy from time to time in force regarding such disclosures.

4. TIME COMMITMENT

4.1 You will be expected to devote such time as is necessary for the proper performance of your duties. Overall we anticipate that you will spend a minimum of two days a month on work for the Company. This will include attendance at six annual Board meetings, the AGM, one annual Board away day a year, meetings with the non-executive directors, meetings with shareholders, meetings forming part of the Board evaluation process and updating and training meetings. Some of these meetings may involve overseas travel. In addition, you will be required to consider all relevant papers before each meeting. You will be provided with a schedule and proposed location of the first six annual board meetings at the date of completion of the

Company's initial financing round and for subsequent board meetings at least six months in advance of each board meeting. Unless urgent and unavoidable circumstances prevent you from doing so, it is expected that you will attend the meetings outlined in this paragraph.

4.2 The nature of the role makes it impossible to be specific about the maximum time commitment. You may be required to devote additional time to the Company in respect of preparation time and ad hoc matters which may arise and particularly when the Company is undergoing a period of increased activity. At certain times it may be necessary to convene additional Board, committee or shareholder meetings.

4.3 The overall time commitment stated in paragraph 4.1 will increase if you become a committee member or chair, or if you are given additional responsibilities such as being appointed the senior independent director, or non-executive director on the boards of any of the Company's subsidiaries. Details of the expected increase in time commitment will be covered in any relevant communication confirming the additional responsibility and any proposed changes in remuneration.

4.4 By accepting this appointment, you confirm that, taking into account all of your other commitments, you are able to allocate sufficient time to the Company to discharge your responsibilities effectively. You should obtain the agreement of the Chief Executive or Chairman (who may determine that Board approval is required) before accepting additional commitments that might affect the time you are able to devote to your role as a non-executive director of the Company.

5. APPOINTMENT

5.1 Subject to the remaining provisions of this letter, your appointment shall be for an initial term of three years commencing on the date of completion of the Company's initial financing until the conclusion of the Company's annual general meeting (**AGM**) occurring approximately three years from that date unless terminated earlier by either party giving to the other three months' prior written notice.

5.2 Your appointment is subject to the Company's articles of association, as amended from time to time (**Articles**). Nothing in this letter shall be taken to exclude or vary the terms of the Articles as they apply to you as a director of the Company.

5.3 Continuation of your appointment is contingent on your continued satisfactory performance and re-election by the shareholders and any relevant statutory provisions relating to removal of a director. If the shareholders do not re-elect you as a director, or you are retired from office under the Articles, your appointment shall terminate automatically, with immediate effect and without compensation.

5.4 Non-executive directors are typically expected to serve two three-year terms but may be invited by the Board to serve for an additional period. Any term renewal is subject to Board review and AGM re-election. Notwithstanding any mutual expectation, there is no right to re-nomination by the Board, either annually or after any three-year period.

5.5 You may be required to serve on one or more Board committees. You will be provided with the relevant terms of reference on your appointment to such a committee. You may be required to serve as a non-executive director on the board of any of the Company's subsidiaries and will be provided with the relevant terms of reference on your appointment to such board(s).

5.6 Notwithstanding paragraph 5.1 to paragraph 5.5, the Company may terminate your appointment with immediate effect if you have:

(a) committed a material breach of your obligations under this letter;

(b) committed any serious or repeated breach or non-observance of your obligations to the Company (which include an obligation not to breach your statutory, fiduciary or common-law duties);

(c) been guilty of any fraud or dishonesty or acted in any manner which, in the Company's opinion, brings or is likely to bring you or the Company into disrepute or is materially adverse to the Company's interests;

(d) been convicted of an arrestable criminal offence other than a road traffic offence for which a fine or non-custodial penalty is imposed;

(e) been declared bankrupt or have made an arrangement with or for the benefit of your creditors, or if you have a county court administration order made against you under the County Court Act 1984;

(f) been disqualified from acting as a director; or

(g) not complied with the Company's anti-corruption and bribery policy and procedures.

5.7 On termination of your appointment, you shall, at the Company's request, resign from your office as non-executive director of the Company and any offices you hold in any of the Company's subsidiary companies.

5.8 If matters arise which cause you concern about your role, you should discuss these matters with the Chief Executive and Chairman. If you have any concerns which cannot be resolved, and you choose to resign for that, or any other, reason, you should provide an appropriate written statement to the Chief Executive and Chairman for circulation to the Board.

6. INDEPENDENT PROFESSIONAL ADVICE

In some circumstances you may consider that you need professional advice in the furtherance of your duties as a non-executive director and it may be appropriate for you to seek advice from independent advisers at the Company's expense. A copy of the Board's agreed procedure under which directors may obtain such independent advice is available from the Company's General Counsel. The Company shall reimburse the reasonable cost of expenditure incurred by you in accordance with its policy.

7. OUTSIDE INTERESTS

7.1 You have already disclosed to the Board the significant commitments you have outside your role in the Company. You must inform the Chairman or the Nomination Committee in advance of any changes to these commitments. In certain circumstances, you may have to seek the Board's agreement before accepting further commitments which either might give rise to a conflict of interest or a conflict with any of your duties to the Company, or which might impact on the time that you are able to devote to your role at the Company.

7.2 It is accepted and acknowledged that you have business interests other than those of the Company and have declared any conflicts that are apparent at present. If you become aware of any further potential or actual conflicts of interest, these should be disclosed to the Chairman as soon as you become aware of them and again you may have to seek the agreement of the Board.

8. INSIDE INFORMATION AND DEALING IN THE COMPANY'S SHARES

8.1 Your attention is drawn to the requirements under both law and regulation as to the disclosure of inside information, in particular to the Disclosure and Transparency Rules of the UK Listing Authority and section 52 of the Criminal Justice Act 1993 on insider dealing. You should avoid making any statements that might risk a breach of these requirements. If in doubt, please contact the Chief Executive or General Counsel.

8.2 During your period of appointment you are required to comply, where applicable, with the Model Code (as annexed to the Listing Rules of the UK Listing Authority) or AIM Rules for Companies in relation to dealing in the Company's publicly traded or quoted securities, and any other code as the Company may adopt from time to time which sets out the terms for dealings by directors in the Company's securities. A copy of the current share dealing code adopted by the Company will be provided to you separately.

9. TRAINING

On an ongoing basis, and further to the annual evaluation process, the Company will arrange for you to develop and refresh your skills and knowledge in areas which are mutually identified as being likely to be required, or of benefit to you, in carrying out your duties effectively. You should try to make yourself available for any relevant training sessions which may be organised for the Board.

10. REVIEW PROCESS

The performance of individual directors and the whole Board and its committees is evaluated annually. If, in the interim, there are any matters which cause you concern about your role you should discuss them with the Chief Executive or the Nomination Committee as soon as you can.

11. INSURANCE AND INDEMNITY

11.1 The Company has directors' and officers' liability insurance and it intends to maintain such cover for the full term of your appointment. The indemnity limit is £10 million (current at the date of this letter). A copy of the policy document is available from the Company's General Counsel.

11.2 The Company shall grant you a deed of indemnity against certain liabilities that may be incurred as a result of your office to the extent permitted by section 234 of the Companies Act 2006.

12. CHANGES TO PERSONAL DETAILS

You shall advise the General Counsel promptly of any change in your address or other personal contact details.

13. RETURN OF PROPERTY

On termination of your appointment with the Company however arising, or at any time at the Board's request, you shall immediately return to the Company any property of the Company in your possession or under your control including any electrical or electronic equipment and any security pass and keys and deliver to the Company all documents, records, papers (in electronic or hard copy form) or other property belonging to the Company or any company in the Company's group which may be in your possession or under your control, and which relate in any way to the Company's or a group company's business affairs and you shall not retain any copies thereof. If you have any information relating to the Company or work carried out for the Company which is stored on a computer that does not belong to the Company, this must be disclosed to the Company and the Company shall be entitled to download the information or work and/or supervise its deletion from the computer concerned.

14. MORAL RIGHTS

You hereby irrevocably waive any moral rights in all works prepared by you, in the provision of your services to the Company, to which you are now or may at any future time be entitled under Chapter IV of the Copyright Designs and Patents Act 1988 or any similar provisions of law in any jurisdiction, including (but without limitation) the right to be identified, the right of integrity and the right against false attribution, and agree not to institute, support, maintain or permit any action or claim to the effect that any treatment, exploitation or use of such works or other materials, infringes your moral rights.

15. DATA PROTECTION

15.1 By signing this letter you consent to the Company holding and processing data about you for legal, personnel, administrative and management purposes and in particular to the processing of any **sensitive personal data** (as defined in the Data Protection Act 1998) relating to you including, as appropriate:

(a) information about your physical or mental health or condition in order to monitor sick leave and take decisions as to your fitness to perform your duties; or

(b) your racial or ethnic origin or religious or similar beliefs in order to monitor compliance with equal opportunities legislation; or

(c) information relating to any criminal proceedings in which you have been involved for insurance purposes and in order to comply with legal requirements and obligations to third parties.

15.2 You consent to the Company making such information available to any of its group companies, those who provide products or services to the Company or any company in the Company's group (such as advisers and payroll administrators), regulatory authorities, potential or future employers, governmental or quasi-governmental organisations and potential purchasers of the Company or the business in which you work.

15.3 You also consent to the transfer of such information to the Company's or any group company's business contacts outside the European Economic Area in order to further their business interests even where the country or territory in question does not maintain adequate data protection standards.

15.4 You shall comply with the Company's data protection policy, a copy of which is available from the Company's General Counsel.

15.5 The Company may change its data protection policy at any time and will notify you in writing of any changes.

16. THIRD PARTY RIGHTS

No one other than you and the Company shall have any rights to enforce the terms of this letter.

17. ENTIRE AGREEMENT

17.1 This letter and any document referred to in it constitutes the entire terms and conditions of your appointment and supersedes and extinguishes all previous agreements, promises, assurances, warranties, representations and understandings between you and the Company, whether written or oral, relating to its subject matter.

17.2 You agree that you shall have no remedies in respect of any representation, , assurance or warranty (whether made innocently or negligently) that is not set out in this letter and you shall not have any claim for innocent or negligent misrepresentation based on any statement in this letter.

18. VARIATION

No variation of this letter shall be effective unless it is in writing and signed by you and the Company (or respective authorised representatives).

19. GOVERNING LAW AND JURISDICTION

Your appointment with the Company and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the law of England and Wales and you and the Company irrevocably agree that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim that arises out of or in connection with this appointment or its subject matter or formation (including non-contractual disputes or claims).

Please indicate your acceptance of these terms by signing and returning to the attached copy of this letter to Denise Pollard-Knight, Chief Executive, Mereo BioPharma Group Limited.

Yours sincerely

/s/ Denise Pollard-Knight

For and on behalf of Mereo BioPharma Group Limited

I agree to the above terms of my appointment as a non-executive director of Mereo BioPharma Group Limited as set out in this letter.

Signed on 20th July 2015

/s/ Anders Ekblom
Anders Ekblom

MEREO BIOPHARMA GROUP LIMITED
15 STRATTON STREET
LONDONW1J 8LQ

PRIVATE AND CONFIDENTIAL

Kunal Kashyap
[XXXXXX]
[XXXXXX]
[XXXXXX]

29 July 2015

Dear Kunal,

Letter of appointment

Following the recommendation of the nomination committee, the board of directors (**Board**) of Mereo BioPharma Group Limited (**Company**) is pleased to hear that you have accepted our offer to join the Board as a non executive director. Your appointment will formally commence on the date of closing of the financing the Company.

This letter sets out the main terms of your appointment. By accepting this appointment, you agree that this letter is a contract for services and is not a contract of employment and you confirm that you are not subject to any restrictions which prevent you from holding office as a director.

1. FEES AND EXPENSES

1.1 You shall be paid an annual fee of £35,000 gross (current at the date of this letter), which shall be paid in equal instalments monthly in arrears through PAYE after deduction of any taxes and other amounts that are required by law, which shall be subject to periodic review by the Board. This fee covers all duties, including service on any Board committee or Company subsidiary, with the exception of committee chairmanships and certain additional responsibilities, such as taking on the role of senior independent director.

1.2 The Company will reserve sufficient ordinary shares following issuance of the Company's ordinary shares (the Option Pool) of which you shall be entitled to 81,284 shares pursuant to the terms of the Company's proposed equity incentive plan.

1.3 The Company shall reimburse you for all reasonable and properly documented expenses that you incur in performing the duties of your office including travel and sundry expenses.

1.4 On termination of your appointment, you shall only be entitled to such fees as may have accrued to the date of termination, together with reimbursement in the normal way of any expenses properly incurred before that date.

2. ROLE AND DUTIES

2.1 The Board as a whole is collectively responsible for the success of the Company. The Board's role is to:

(a) provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enable risk to be assessed and managed;

(b) set the Company's strategic aims, ensure that the necessary financial and human resources are in place for the Company to meet its objectives, and review management performance; and

(c) set the Company's values and standards and ensure that its obligations to its shareholders and others are understood and met.

2.2 You shall have the same general legal responsibilities to the Company as any other director. You are expected to perform your duties (whether statutory, fiduciary or common law) faithfully, diligently and to a standard commensurate with the functions of your role and your knowledge, skills and experience.

2.3 You shall exercise your powers in your role as a non-executive director having regard to relevant obligations under prevailing law and regulation, including the Companies Act 2006 and, where applicable, the UK Corporate Governance Code and associated guidance or the AIM Rules for Companies, the UK Listing Authority's Listing, Prospectus, and Disclosure and Transparency Rules.

2.4 You shall have particular regard to the general duties of directors in Part 10 of the Companies Act 2006, including the duty to promote the success of the Company under which all directors must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so, as a director, you must have regard (among other matters) to:

(a) the likely consequences of any decision in the long term;

(b) the interests of the Company's employees;

(c) the need to foster the Company's business relationships with suppliers, customers and others;

(d) the impact of the Company's operations on the community and the environment;

(e) the desirability of the Company maintaining a reputation for high standards of business conduct; and

(f) the need to act fairly as between the members of the Company.

2.5 If and when applicable, you shall have particular regard to the Financial Reporting Council's UK Corporate Governance Code and associated Guidance on Board Effectiveness in respect of the role of the Board and the role of the non-executive director.

2.6 In your role as a non-executive director, you shall also be required to:

(a) constructively challenge and help develop proposals on strategy including, where applicable, the Company's corporate development activity to secure additional products, the clinical development plans for the current product portfolio and the financing and IPO strategy;

(b) monitor the performance of senior management in meeting agreed goals and objectives and monitor the reporting of performance;

(c) satisfy yourself on the integrity of financial information and that financial controls and systems of risk management are robust and defensible;

(d) be responsible for determining appropriate levels of remuneration of executive directors and have a prime role in appointing and, where necessary, removing senior management and in succession planning;

(e) uphold high standards of integrity and probity and support the executive directors in instilling the appropriate culture, values and behaviours in the boardroom and beyond;

(f) insist on receiving high-quality information sufficiently in advance of Board meetings;

(g) take into account the views of shareholders and other stakeholders where appropriate;

(h) make sufficient time available to discharge your responsibilities effectively;

(i) exercise relevant powers under, and abide by, the Articles;

(j) disclose the nature and extent of any direct or indirect interest you may have in any matter being considered at a Board or committee meeting and, except as permitted under the Articles you will not vote on any resolution of the Board, or of one of its committees, on any matter where you have any direct or indirect interest;

(k) immediately report your own wrongdoing or the wrongdoing or proposed wrongdoing of any employee or other director of the Company of which you become aware to the Chair of the Audit Committee.;

(l) exercise your powers as a director in accordance with the Company's policies and procedures and the Bribery Act 2010; and

(m) not do anything that would cause you to be disqualified from acting as a director.

2.7 Unless the Board specifically authorises you to do so, you shall not enter into any legal or other commitment or contract on behalf of the Company.

2.8 You shall be entitled to request all relevant information about the Company's affairs as is reasonably necessary to enable you to discharge your duties as a non-executive director.

2.9 If you are required to register yourself or your personal service company with HM Revenue and Customs as a "Trust or Company Service Provider" under the Money Laundering Regulations 2007, you will be responsible for effecting such registration and for compliance with other requirements of the Money Laundering Regulations 2007 and applicable legislation.

3. CONFIDENTIALITY

3.1 You acknowledge that all information acquired during your appointment is confidential to the Company and should not be released, communicated or disclosed to third parties or used for any reason other than in the interests of the Company, either during your appointment or following termination (by whatever means), without prior clearance from the Chief Executive. This restriction shall cease to apply to any confidential information which may (other than by reason of your breach) become available to the public generally.

3.2 You acknowledge the need to hold and retain Company information (in whatever format you may receive it) under appropriately secure conditions.

3.3 Nothing in this paragraph 3 shall prevent you from disclosing information which you are entitled to disclose under the Public Interest Disclosure Act 1998, provided that the disclosure is made in accordance with the provisions of that Act and you have complied with the Company's policy from time to time in force regarding such disclosures.

4. TIME COMMITMENT

4.1 You will be expected to devote such time as is necessary for the proper performance of your duties. Overall we anticipate that you will spend a minimum of two days a month on work for the Company. This will include attendance at six annual Board meetings, the AGM, one annual Board away day a year, meetings with the non-executive directors, meetings with shareholders, meetings forming part of the Board evaluation process and updating and training meetings. Some of these meetings may involve overseas travel. In addition, you will be required to consider all relevant papers before each meeting. You will be provided with a schedule and proposed location of the first six annual board meetings at the date of completion of the

Company's initial financing round and for subsequent board meetings at least six months in advance of each board meeting. Unless urgent and unavoidable circumstances prevent you from doing so, it is expected that you will attend the meetings outlined in this paragraph.

4.2 The nature of the role makes it impossible to be specific about the maximum time commitment. You may be required to devote additional time to the Company in respect of preparation time and ad hoc matters which may arise and particularly when the Company is undergoing a period of increased activity. At certain times it may be necessary to convene additional Board, committee or shareholder meetings.

4.3 The overall time commitment stated in paragraph 4.1 will increase if you become a committee member or chair, or if you are given additional responsibilities such as being appointed the senior independent director, or non-executive director on the boards of any of the Company's subsidiaries. Details of the expected increase in time commitment will be covered in any relevant communication confirming the additional responsibility and any proposed changes in remuneration.

4.4 By accepting this appointment, you confirm that, taking into account all of your other commitments, you are able to allocate sufficient time to the Company to discharge your responsibilities effectively. You should obtain the agreement of the Chief Executive or Chairman (who may determine that Board approval is required) before accepting additional commitments that might affect the time you are able to devote to your role as a non-executive director of the Company.

5. APPOINTMENT

5.1 Subject to the remaining provisions of this letter, your appointment shall be for an initial term of three years commencing on the date of completion of the Company's initial financing until the conclusion of the Company's annual general meeting (**AGM**) occurring approximately three years from that date unless terminated earlier by either party giving to the other three months' prior written notice.

5.2 Your appointment is subject to the Company's articles of association, as amended from time to time (**Articles**). Nothing in this letter shall be taken to exclude or vary the terms of the Articles as they apply to you as a director of the Company.

5.3 Continuation of your appointment is contingent on your continued satisfactory performance and re-election by the shareholders and any relevant statutory provisions relating to removal of a director. If the shareholders do not re-elect you as a director, or you are retired from office under the Articles, your appointment shall terminate automatically, with immediate effect and without compensation.

5.4 Non-executive directors are typically expected to serve two three-year terms but may be invited by the Board to serve for an additional period. Any term renewal is subject to Board review and AGM re-election. Notwithstanding any mutual expectation, there is no right to re-nomination by the Board, either annually or after any three-year period.

5.5 You may be required to serve on one or more Board committees. You will be provided with the relevant terms of reference on your appointment to such a committee. You may be required to serve as a non-executive director on the board of any of the Company's subsidiaries and will be provided with the relevant terms of reference on your appointment to such board(s).

5.6 Notwithstanding paragraph 5.1 to paragraph 5.5, the Company may terminate your appointment with immediate effect if you have:

(a) committed a material breach of your obligations under this letter;

(b) committed any serious or repeated breach or non-observance of your obligations to the Company (which include an obligation not to breach your statutory, fiduciary or common-law duties);

(c) been guilty of any fraud or dishonesty or acted in any manner which, in the Company's opinion, brings or is likely to bring you or the Company into disrepute or is materially adverse to the Company's interests;

(d) been convicted of an arrestable criminal offence other than a road traffic offence for which a fine or non-custodial penalty is imposed;

(e) been declared bankrupt or have made an arrangement with or for the benefit of your creditors, or if you have a county court administration order made against you under the County Court Act 1984;

(f) been disqualified from acting as a director; or

(g) not complied with the Company's anti-corruption and bribery policy and procedures.

5.7 On termination of your appointment, you shall, at the Company's request, resign from your office as non-executive director of the Company and any offices you hold in any of the Company's subsidiary companies.

5.8 If matters arise which cause you concern about your role, you should discuss these matters with the Chief Executive and Chairman. If you have any concerns which cannot be resolved, and you choose to resign for that, or any other, reason, you should provide an appropriate written statement to the Chief Executive and Chairman for circulation to the Board.

6. INDEPENDENT PROFESSIONAL ADVICE

In some circumstances you may consider that you need professional advice in the furtherance of your duties as a non-executive director and it may be appropriate for you to seek advice from independent advisers at the Company's expense. A copy of the Board's agreed procedure under which directors may obtain such independent advice is available from the Company's General Counsel. The Company shall reimburse the reasonable cost of expenditure incurred by you in accordance with its policy.

7. OUTSIDE INTERESTS

7.1 You have already disclosed to the Board the significant commitments you have outside your role in the Company. You must inform the Chairman or the Nomination Committee in advance of any changes to these commitments. In certain circumstances, you may have to seek the Board's agreement before accepting further commitments which either might give rise to a conflict of interest or a conflict with any of your duties to the Company, or which might impact on the time that you are able to devote to your role at the Company.

7.2 It is accepted and acknowledged that you have business interests other than those of the Company and have declared any conflicts that are apparent at present. If you become aware of any further potential or actual conflicts of interest, these should be disclosed to the Chairman as soon as you become aware of them and again you may have to seek the agreement of the Board.

8. INSIDE INFORMATION AND DEALING IN THE COMPANY'S SHARES

8.1 Your attention is drawn to the requirements under both law and regulation as to the disclosure of inside information, in particular to the Disclosure and Transparency Rules of the UK Listing Authority and section 52 of the Criminal Justice Act 1993 on insider dealing. You should avoid making any statements that might risk a breach of these requirements. If in doubt, please contact the Chief Executive or General Counsel.

8.2 During your period of appointment you are required to comply, where applicable, with the Model Code (as annexed to the Listing Rules of the UK Listing Authority) or AIM Rules for Companies in relation to dealing in the Company's publicly traded or quoted securities, and any other code as the Company may adopt from time to time which sets out the terms for dealings by directors in the Company's securities. A copy of the current share dealing code adopted by the Company will be provided to you separately.

9. TRAINING

On an ongoing basis, and further to the annual evaluation process, the Company will arrange for you to develop and refresh your skills and knowledge in areas which are mutually identified as being likely to be required, or of benefit to you, in carrying out your duties effectively. You should try to make yourself available for any relevant training sessions which may be organised for the Board.

10. REVIEW PROCESS

The performance of individual directors and the whole Board and its committees is evaluated annually. If, in the interim, there are any matters which cause you concern about your role you should discuss them with the Chief Executive or the Nomination Committee as soon as you can.

11. INSURANCE AND INDEMNITY

11.1 The Company has directors' and officers' liability insurance and it intends to maintain such cover for the full term of your appointment. The indemnity limit is £10 million (current at the date of this letter). A copy of the policy document is available from the Company's General Counsel.

11.2 The Company shall grant you a deed of indemnity against certain liabilities that may be incurred as a result of your office to the extent permitted by section 234 of the Companies Act 2006.

12. CHANGES TO PERSONAL DETAILS

You shall advise the General Counsel promptly of any change in your address or other personal contact details.

13. RETURN OF PROPERTY

On termination of your appointment with the Company however arising, or at any time at the Board's request, you shall immediately return to the Company any property of the Company in your possession or under your control including any electrical or electronic equipment and any security pass and keys and deliver to the Company all documents, records, papers (in electronic or hard copy form) or other property belonging to the Company or any company in the Company's group which may be in your possession or under your control, and which relate in any way to the Company's or a group company's business affairs and you shall not retain any copies thereof. If you have any information relating to the Company or work carried out for the Company which is stored on a computer that does not belong to the Company, this must be disclosed to the Company and the Company shall be entitled to download the information or work and/or supervise its deletion from the computer concerned.

14. MORAL RIGHTS

You hereby irrevocably waive any moral rights in all works prepared by you, in the provision of your services to the Company, to which you are now or may at any future time be entitled under Chapter IV of the Copyright Designs and Patents Act 1988 or any similar provisions of law in any jurisdiction, including (but without limitation) the right to be identified, the right of integrity and the right against false attribution, and agree not to institute, support, maintain or permit any action or claim to the effect that any treatment, exploitation or use of such works or other materials, infringes your moral rights.

15. DATA PROTECTION

15.1 By signing this letter you consent to the Company holding and processing data about you for legal, personnel, administrative and management purposes and in particular to the processing of any **sensitive personal data** (as defined in the Data Protection Act 1998) relating to you including, as appropriate:

(a) information about your physical or mental health or condition in order to monitor sick leave and take decisions as to your fitness to perform your duties; or

(b) your racial or ethnic origin or religious or similar beliefs in order to monitor compliance with equal opportunities legislation; or

(c) information relating to any criminal proceedings in which you have been involved for insurance purposes and in order to comply with legal requirements and obligations to third parties.

15.2 You consent to the Company making such information available to any of its group companies, those who provide products or services to the Company or any company in the Company's group (such as advisers and payroll administrators), regulatory authorities, potential or future employers, governmental or quasi-governmental organisations and potential purchasers of the Company or the business in which you work.

15.3 You also consent to the transfer of such information to the Company's or any group company's business contacts outside the European Economic Area in order to further their business interests even where the country or territory in question does not maintain adequate data protection standards.

15.4 You shall comply with the Company's data protection policy, a copy of which is available from the Company's General Counsel.

15.5 The Company may change its data protection policy at any time and will notify you in writing of any changes.

16. THIRD PARTY RIGHTS

No one other than you and the Company shall have any rights to enforce the terms of this letter.

17. ENTIRE AGREEMENT

17.1 This letter and any document referred to in it constitutes the entire terms and conditions of your appointment and supersedes and extinguishes all previous agreements, promises, assurances, warranties, representations and understandings between you and the Company, whether written or oral, relating to its subject matter.

17.2 You agree that you shall have no remedies in respect of any representation, , assurance or warranty (whether made innocently or negligently) that is not set out in this letter and you shall not have any claim for innocent or negligent misrepresentation based on any statement in this letter.

18. VARIATION

No variation of this letter shall be effective unless it is in writing and signed by you and the Company (or respective authorised representatives).

19. GOVERNING LAW AND JURISDICTION

Your appointment with the Company and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the law of England and Wales and you and the Company irrevocably agree that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim that arises out of or in connection with this appointment or its subject matter or formation (including non-contractual disputes or claims).

Please indicate your acceptance of these terms by signing and returning to the attached copy of this letter to Denise Pollard-Knight, Chief Executive, Mereo BioPharma Group Limited.

Yours sincerely

/s/ Denise Pollard-Knight

For and on behalf of Mereo BioPharma Group Limited

I agree to the above terms of my appointment as a non-executive director of Mereo BioPharma Group Limited as set out in this letter.

Signed on 29 July 2015

/s/ Kunal Kashyap
Kunal Kashyap

Deloitte.

Rules of the Mereo BioPharma Group plc Share Option Scheme

Adopted by the board of directors of Mereo BioPharma Group plc on 4 March 2016

Amended by the board of directors of Mereo BioPharma Group plc on 4 April 2017

Amended by the board of directors of Mereo BioPharma Group plc on 20 March 2018

Expiry date: 9 June 2026

CONTENTS

RULES OF THE MEREO BIOPHARMA GROUP PLC SHARE OPTION SCHEME

1. DEFINITIONS AND INTERPRETATION

1.1 In this Scheme, unless otherwise stated, the words and expressions below have the following meanings:

"Admission Date"	the day on which the Shares are admitted to the Official List of the UKLA and to trading on AIM;
"AIM"	the Alternative Investment Market of the London Stock Exchange;
"AIM Rules"	the rules of AIM, as amended from time to time;
"Board"	subject to rule 10.9, the board of directors of the Company or any duly authorised committee of the board;
"Company"	Mereo BioPharma Group Plc registered in England and Wales under number 9481161;
"Control"	the meaning given by section 995 of the Income Tax Act 2007;
"Dealing Day"	any day on which the London Stock Exchange is open for business;
"Dealing Restrictions"	restrictions imposed by the Company's share dealing code, the AIM Rules or any applicable laws or regulations which impose restrictions on share dealing;
"Eligible Employee"	an employee (including an executive director) of the Company or any of its Subsidiaries;
"Exercise Period"	the period during which an Option may be exercised;
"Exercise Price"	the price per Share payable to exercise an Option as determined by the Board in accordance with rule 2.5, as adjusted from time to time in accordance with the rules of the Scheme;
"Grant Date"	the date on which an Option is granted;
"Group Member"	the Company, any Subsidiary of the Company, any company which is (within the meaning of section 1159 of the Companies Act 2006) the Company's holding company or a Subsidiary of the Company's holding company or, if the Board so determines, any body corporate in relation to which the Company is able to exercise at least 20% of the equity voting rights and "**Group**" will be construed accordingly;
"HMRC"	HM Revenue & Customs;
"Internal Reorganisation"	where immediately after a change of Control of the Company, all or substantially all of the issued share capital of the acquiring company is owned directly or indirectly by the persons who were shareholders in the Company immediately before the change of Control;

"Market Value"	the market value determined by the Board on the relevant date;
"Normal Vesting Date"	the date on which the Board determines, on or prior to the Grant Date that an Option will normally Vest, or to the extent that the Option is subject to a Vesting Schedule, the date determined by the Board on or prior to the Grant Date for the relevant tranche of the Option as set out in the Vesting Schedule;
"Option"	a right to acquire Shares in accordance with the rules of the Scheme during an Exercise Period;
"Participant"	any person who holds an Option or following his death, his personal representatives;
"Performance Period"	the period over which a Performance Condition will be measured which, unless the Board determines otherwise, will be at least three years;
"Performance Condition"	a condition or conditions imposed under rule 3.1 which relates to performance;
"Scheme"	the Mereo BioPharma Group Plc Share Option Scheme in its present form or as from time to time amended;
"Share"	a fully paid ordinary share in the capital of the Company or an American Depository Share representing such a share or a number of such shares;
"Subsidiary"	the meaning given by section 1159 of the Companies Act 2006;
"Tax Liability"	any tax or social security contributions liability in connection with an Option for which the Participant is liable and for which any Group Member or former Group Member is obliged to account to any relevant authority;
"Trustee"	the trustee or trustees for the time being of any employee benefit trust, the beneficiaries of which include Eligible Employees;
"UKLA"	the United Kingdom Listing Authority or any successor body;
"Vest"	the point at which an Option becomes capable of exercise and "**Vesting**", "**Vested**" and "**Vesting Date**" will be construed accordingly; and
"Vesting Schedule"	in relation to an Option that is divided into tranches, the series of Normal Vesting Dates on which the Board determines on the Grant Date that those tranches will usually normally Vest.

1.2 References in the Scheme to:

1.2.1 any statutory provisions are to those provisions as amended or re-enacted from time to time;

1.2.2 the singular include the plural and vice versa; and

1.2.3 the masculine include the feminine and vice versa.

1.3 Headings do not form part of the Scheme.

2. GRANT OF OPTIONS

2.1 Subject to rule 2.2, the Board may grant an Option to an Eligible Employee in its discretion subject to the rules of the Scheme and upon such additional terms as the Board may determine.

2.2 The grant of an Option will be subject to obtaining any approval or consent required by AIM (or other relevant authority), any Dealing Restrictions and any other applicable laws or regulations (whether in the UK or overseas).

2.3 Options must be granted by deed and, as soon as practicable after the Grant Date, Participants must be notified of the terms of their Option, including any Performance Condition.

2.4 No Option may be granted under the Scheme after the tenth anniversary of the Admission Date.

2.5 On the grant of an Option, the Board will determine the Exercise Price which applies to that Option which may not be less than the greater of:

2.5.1 the Market Value of a Share on the Grant Date; and

2.5.2 if the Shares are to be subscribed, the nominal value of a Share.

2.6 The Exercise Price applying to an Option may be adjusted in accordance with rule 11.

3. PERFORMANCE CONDITIONS

3.1 The Board may determine that the Vesting of Options will be subject to the satisfaction of a Performance Condition. Subject to rules 9 and 10, the Performance Condition will be measured over the Performance Period.

3.2 The Board may amend or substitute any Performance Condition if one or more events occur which cause the Board to consider that a substituted or amended Performance Condition would be more appropriate and would not be materially less difficult to satisfy.

4. RESTRICTIONS ON TRANSFER AND BANKRUPTCY

4.1 Unless the Board determines otherwise, an Option must not be transferred, assigned, charged or otherwise disposed of in any way (except in the event of the Participant’s death, to his personal representatives) and will lapse immediately on any attempt to do so.

4.2 An Option will lapse immediately if the Participant is declared bankrupt, or if the Participant is outside the UK, any analogous event occurs.

5. INDIVIDUAL LIMIT

5.1 No Eligible Employee may be granted Options which would, at the time they are granted, cause the Market Value of all the Shares subject to Options granted to that Eligible Employee in respect of a particular financial year of the Company to exceed 400% of salary, and to the extent any Option exceeds this limit it will be scaled back accordingly.

6. VESTING AND EXERCISE

6.1 As soon as reasonably practicable after the end of any Performance Period relating to an Option, the Board will determine if and to what extent the Performance Condition has been met. To the extent that it has not been satisfied in full, the remainder of the Option will lapse immediately.

6.2 Subject to rules 7.2, 9 and 10, an Option will Vest:

6.2.1 on the Normal Vesting Date; or

6.2.2 if on the Normal Vesting Date (or on any other date on which an Option is due to Vest under rule 9 or 10) a Dealing Restriction applies to the Option, on the date on which such Dealing Restriction lifts; and

and an Option may then be exercised during the period ending on the tenth anniversary of the Grant Date (or such shorter period as the Board may determine on or prior to the Grant Date), after which time it will lapse.

6.3 Subject to rules 7 and 8, an Option may be exercised pursuant to this rule 6 or rules 9 and 10 in such form and manner as the Board may determine, provided that exercise of an Option will not take effect until the Company receives:

6.3.1 notice of exercise of the Option; and

6.3.2 payment of the aggregate Exercise Price (or an undertaking to pay that amount).

6.4 Subject to rules 7 and 8, where an Option has been exercised, the number of Shares in respect of which it has been exercised will be issued, transferred or paid (as applicable) to the Participant as soon as reasonably practicable thereafter.

7. TAXATION AND REGULATORY ISSUES

7.1 A Participant will be responsible for and indemnifies each relevant Group Member and the Trustee against any Tax Liability relating to his Option. Any Group Member and/or the Trustee may withhold an amount equal to such Tax Liability from any amounts due to the Participant (to the extent such withholding is lawful) and/or make any other arrangements as it considers appropriate to ensure recovery of such Tax Liability including, without limitation, the sale of sufficient Shares acquired subject to the Option to realise an amount equal to the Tax Liability.

7.2 The exercise of an Option and the issue or transfer of Shares under the Scheme will be subject to obtaining any approval or consent required by AIM (or other relevant authority), any Dealing Restrictions, or any other applicable laws or regulations (whether in the UK or overseas).

8. CASH EQUIVALENT/NET SETTLEMENT

8.1 Subject to rule 8.5, at any time prior to the date on which Shares in respect of which an Option has been exercised have been issued or transferred to a Participant, the Board may determine that, in substitution for his right to acquire some or all of the Shares to which his Option relates, the Participant will instead receive a cash sum in accordance with rule 8.2 or a reduced number of Shares in accordance with rule 8.3.

8.2 A cash sum to which a Participant becomes entitled under this rule 8.2 will be equal to the Market Value of that number of the Shares which would otherwise have been issued or transferred, less the aggregate Exercise Price payable in respect of the exercise of the Option in relation to those Shares and for these purposes:

8.2.1 Market Value will be determined on the date of exercise; and

8.2.2 the cash sum will be paid to the Participant as soon as reasonably practicable after exercise of the Option, net of any deductions (including, but not limited to, any Tax Liability or similar liabilities) as may be required by law.

8.3 The number of Shares to which a Participant becomes entitled under this rule 8.3 will be such number of Shares as have a Market Value equal to the amount by which the Market Value of that number of the Shares which would otherwise have been issued or transferred exceeds the aggregate Exercise Price and/or Tax Liability payable in respect of the exercise of the Option in relation to those Shares. For these purposes Market Value will be determined on the date of exercise.

8.4 Any Exercise Price paid by a Participant will be refunded to him to the extent an Option he has exercised is settled by a payment of cash in accordance with rule 8.2 or delivery of Shares in accordance with rule 8.3.

8.5 The Board may determine that this rule 8 will not apply to an Option, or any part of it.

9. CESSATION OF EMPLOYMENT

Bad leavers

9.1 If a Participant ceases to hold office or employment with a Group Member as a result his termination for gross misconduct, any Option that he holds (whether or not Vested) will lapse at that time.

Good leavers

9.2 If a Participant ceases to hold office or employment with a Group Member for any reason other than as a result of his termination for gross misconduct:

9.2.1 to the extent that his Option has Vested on the date of such cessation, it will be exercisable from the date of cessation in accordance with rule 9.3; and

9.2.2 to the extent that his Option has not Vested on the date of such cessation, it will become exercisable on the Normal Vesting Date (unless the Board determines that it will be exercisable on the date of cessation) in accordance with rule 9.3 to the extent determined by the Board (taking into account the extent to which any Performance Condition has been satisfied and, unless the Board determines otherwise, the period of time that has elapsed from the Grant Date to the date of cessation).

To the extent that an Option does not Vest, the remainder will lapse immediately.

9.3 An Option may, subject to rule 8, then be exercised for a period of six months or, in the case of the Participant's death, 12 months (or such other period as the Board may determine) from the date of cessation (where rule 9.2.1 applies or where the Board has determined that it will be exercisable on the date of cessation pursuant to rule 9.2.2) or the Normal Vesting Date (where rule 9.2.2 applies) after which time it will lapse.

9.4 For the purposes of the Scheme, no person will be treated as ceasing to hold office or employment with a Group Member until that person no longer holds:

9.4.1 an office or employment; or

9.4.2 a right to return to work

with any Group Member.

10. CORPORATE EVENTS

10.1 Where any of the events described in rule 10.3 occur, then subject to rules 10.6 and 10.8, all Options which have not yet Vested will Vest in accordance with rule 10.2 at the time of such event. Options (whether Vested pursuant to this rule or otherwise) will be exercisable for one month (or such longer period as the Board may determine, not exceeding six months) from the date of the relevant event, after which time all Options will lapse.

10.2 The number of Shares in respect of which an Option will Vest pursuant to rule 10.1 will be determined by the Board taking into account the extent to which any Performance Condition has been satisfied and unless the Board determines otherwise, the period of time from the Grant Date to the date of the relevant event. To the extent that an Option does not Vest or is not exchanged in accordance with rules 10.6 and 10.8, the remainder will lapse immediately.

10.3 The events referred to in rule 10.1 are:

10.3.1 General offer

If any person (either alone or together with any person acting in concert with him):

i) obtains Control of the Company as a result of making a general offer to acquire Shares; or

ii) already having Control of the Company, makes an offer to acquire all of the Shares other than those which are already owned by him

and such offer becomes wholly unconditional.

10.3.2 Scheme of arrangement

A compromise or arrangement in accordance with section 899 of the Companies Act 2006 (or any similar legislation or rules in a jurisdiction outside the United Kingdom) for the purposes of a change of Control of the Company which is sanctioned by the Court.

10.4 Winding-up

On the passing of a resolution for the voluntary winding-up or the making of an order for the compulsory winding up of the Company, the Board will determine:

10.4.1 whether and to what extent Options which have not yet Vested will Vest taking into account the extent to which any Performance Condition has been satisfied and, unless the Board determines otherwise, the period of time from the Grant Date to the date of the relevant event; and

10.4.2 the period during which a Vested Option may be exercised, after which time it will lapse.

To the extent that an Option does not Vest, it will lapse immediately.

10.5 Other events

If the Company is or may be affected by a demerger, delisting, special dividend or other event which, in the opinion of the Board, may affect the current or future value of Shares the Board may determine:

10.5.1 whether and to what extent Awards which have not yet Vested will Vest, taking into account the extent to which any Performance Condition has been satisfied and, unless the Board determines otherwise, the period of time from the Grant Date to the date of the relevant event; and

10.5.2 the period of time during which any Vested Option may be exercised, after which time it will lapse.

To the extent that an Award does not Vest it will lapse immediately.

10.6 Exchange – unvested Options

An unvested Option will not Vest under rule 10.1 but will be exchanged on the terms set out in rule 10.8 to the extent that:

10.6.1 an offer to exchange the Option is made and accepted by a Participant; or

10.6.2 there is an Internal Reorganisation.

10.7 Exchange – Vested Options

Where there is an Internal Reorganisation, unless the Board determines otherwise, a Vested Option will not lapse under rule 10.1 but will be exchanged on the terms set out in rule 10.8.

10.8 Exchange terms

If this rule 10.8 applies, the Option will be released in consideration of the grant of a new option (“New Option”) which, in the opinion of the Board, is equivalent to the Option, but relates to shares in a different company (whether the acquiring company or a different company). Unless the Board determines otherwise, the rules of this Scheme will be construed in relation to the New Option as if:

company (whether the acquiring company or a different company). Unless the Board determines otherwise, the rules of this Scheme will be construed in relation to the New Option as if:

10.8.1 the New Option were an Option granted under the Scheme at the same time as the Option;

10.8.2 references to the Company were references to the company whose shares are subject to the New Option; and

10.8.3 references to Shares were references to shares in the company whose shares are subject to the New Option.

10.9 Meaning of Board

Any reference to the Board in this rule 10 means the members of the Board immediately prior to the relevant event.

11. ADJUSTMENTS

11.1 The number of Shares subject to an Option and/or the Exercise Price may be adjusted in such manner as the Board determines, in the event of:

11.1.1 any variation of the share capital of the Company; or

11.1.2 a demerger, delisting, special dividend, rights issue or other event which may, in the Board's opinion, affect the current or future value of Shares.

The Board may also adjust any Performance Condition.

12. AMENDMENTS

12.1 Except as described in this rule 12 the Board may at any time amend the rules of the Scheme.

12.2 No amendment to the material disadvantage of existing rights of Participants (except in respect of the Performance Condition) will be made under rule 12.1 unless:

12.2.1 every Participant who may be affected by such amendment has been invited to indicate whether or not he approves the amendment; and

12.2.2 the amendment is approved by a majority of those Participants who have so indicated.

12.3 No amendment will be made under this rule 12 if it would prevent the Scheme from being an employees' share scheme in accordance with section 1166 of the Companies Act 2006.

13. LEGAL ENTITLEMENT

13.1 This rule 13 applies during a Participant's employment with any Group Member and after the termination of such employment, whether or not the termination is lawful.

13.2 Nothing in the Scheme or its operation forms part of the terms of employment of a Participant and the rights and obligations arising from a Participant's employment with any Group Member are separate from, and are not affected by, his participation in the Scheme. Participation in the Scheme does not create any right to continued employment with a Group Member for any Participant.

13.3 The grant of any Option to a Participant does not create any right for that Participant to be granted any further Options or to be granted Options on any particular terms, including the number of Shares to which Options relate.

13.4 By Participating in the Scheme, a Participant waives all rights to compensation for any loss in relation to the Scheme, including:

13.4.1 any loss or reduction of any rights or expectations under the Scheme in any circumstances or for any reason (including lawful or unlawful termination of the Participant's employment);

13.4.2 any exercise of a discretion or a decision taken in relation to an Option or to the Scheme, or any failure to exercise a discretion or take a decision; and

13.4.3 the operation, suspension, termination or amendment of the Scheme.

14. GENERAL

14.1 The Scheme will terminate upon the date stated in rule 2.4, or at any earlier time by the passing of a resolution by the Board or an ordinary resolution of the Company in general meeting. Termination of the Scheme will be without prejudice to the existing rights of Participants.

14.2 Shares issued or transferred from treasury under the Scheme will rank equally in all respects with the Shares then in issue, except that they will not rank for any voting, dividend or other rights attaching to Shares by reference to a record date preceding the date of issue or transfer from treasury.

14.3 By participating in the Scheme, Participants resident outside of the European Economic Area consent to the collection, holding, processing and transfer of his personal data by any Group Member or any third party for all purposes relating to the operation of the Scheme, including but not limited to, the administration and maintenance of Participant records, providing information to future purchasers of the Company or any business in which the Participant works and to the transfer of information about the Participant to a country or territory outside the European Economic Area or elsewhere.

14.4 The Scheme will be administered by the Board. The Board will have full authority, consistent with the Scheme, to administer the Scheme, including authority to interpret and construe any provision of the Scheme and to adopt regulations for administering the Scheme. Decisions of the Board will be final and binding on all parties.

14.5 Any notice or other communication in connection with the Scheme may be delivered personally or sent by electronic means or post, in the case of a company to its registered office (for the attention of the company secretary), and in the case of an individual to his last known address, or, where he is a director or employee of a Group Member, either to his last known address or to the address of the place of business at which he performs the whole or substantially the whole of the duties of his office or employment. Where a notice or other communication is given by post, it will be deemed to have been received 72 hours after it was put into the post properly addressed and stamped, and if by electronic means, when the sender receives electronic confirmation of delivery or if not available, 24 hours after sending the notice.

14.6 No third party will have any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Scheme (without prejudice to any right of a third party which exists other than under that Act).

14.7 These rules will be governed by and construed in accordance with the laws of England and Wales. Any person referred to in this Scheme submits to the exclusive jurisdiction of the Courts of England and Wales.

APPENDIX
APPROVED OPTIONS

This Appendix sets out the terms on which the Board may grant Approved Options.

1. INTERPRETATION

1.1 The rules of the Scheme apply to Approved Options except as modified below and references in the rules of the Scheme to an Option will be interpreted as references to an Approved Option for the purposes of this Appendix.

1.2 References in this Appendix to 'rules' are to rules of the Scheme and references to 'sections' are to the sections of this Appendix.

1.3 In the event of any conflict between the rules of the Scheme and the sections of this Appendix, this Appendix will take precedence.

2. DEFINITIONS

2.1 In this Appendix, unless otherwise stated, the words and expressions below have the following meanings

"Approved Option"	an Option granted under this Appendix;
"Associated Company"	has the meaning given to it in paragraph 35(1) of Schedule 4;
"Market Value"	the market value determined in accordance with the applicable provisions of Part VIII of the Taxation of Chargeable Gains Act 1992, and any relevant published HMRC guidance on the relevant date ;
"Restriction"	has the meaning given by paragraph 36(3) of Schedule 4;
"Schedule 4"	Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003; and
"Variation of Capital"	in relation to the equity share capital of the Company, a capitalisation issue, an offer or invitation made by way of rights, a subdivision, consolidation, reduction or any other variation in respect of which Approved Options may be adjusted in accordance with rule 11 as applied by this Approved Appendix and the requirements of Schedule 4.

3. ELIGIBILITY TO BE GRANTED AN APPROVED OPTION

3.1 An Approved Option may only be granted to an Eligible Employee who is a director of the Company or any of its Subsidiaries if he is obliged to devote not less than 25 hours a week (excluding meal breaks) to the performance of the duties of his office or employment with the Company or any Subsidiary.

3.2 An Approved Option may not be granted to an Eligible Employee who is excluded from participation by virtue of paragraph 9 of Schedule 4 (material interest in a close company).

4. GRANT OF AN APPROVED OPTION

4.1 No Approved Option may be granted unless and until this Appendix meets the requirements of Schedule 4.

4.2 Approved Options must be granted by deed and, as soon as reasonably practicable after the Grant Date, Participants must be notified of the terms of their Approved Options, including the terms set out in paragraph 21A(1) of Schedule 4.

4.3 The Board must not grant an Approved Option to an Eligible Employee which would on the Grant Date cause the aggregate Market Value of the shares which he may acquire by exercising that Approved Option, and any other option which is to be taken into account for the purposes of the limit specified in paragraph 6(1) of Schedule 4, to exceed that limit.

4.4 For the purposes of this section 4, the Market Value of a share:

4.4.1 will be determined at the time the relevant option is granted; and

4.4.2 in the case of a share subject to a Restriction, will be determined as if the Restriction did not apply.

4.5 If the Company purports to grant an Approved Option in breach of the limit in section 4.3, that Approved Option will take effect from the Grant Date over the maximum number of Shares over which it may be granted within that limit and any excess will be treated as an Option under the Scheme.

4.6 Any Performance Condition applied to an Approved Option will be objective. Any substituted or amended Performance Condition applied to an Approved Option in accordance with rule 3.2 will not be materially more or less difficult to satisfy than the original Performance Condition when originally set.

5. SHARES SUBJECT TO AN APPROVED OPTION

5.1 The Shares subject to an Approved Option must satisfy Part 4 of Schedule 4.

5.2 If the Shares subject to an Approved Option are subject to a Restriction, the details of the Restriction will be included in the notification given under rule 2.3.

6. RESTRICTIONS ON TRANSFER AND BANKRUPTCY

6.1 In its application to Approved Options, there shall be deleted from rule 4.1 the words: “Unless the Board determines otherwise,”

7. EXERCISE OF APPROVED OPTIONS

7.1 A Participant may not exercise an Approved Option while he is excluded from being granted an Approved Option under paragraph 9 of Schedule 4 (material interest in a close company).

7.2 The following rule 7.1 will apply to Approved Options in substitution for rule 7.1:

“7.1 A Participant will be responsible for and indemnifies each relevant Group Member and the Trustee against any Tax Liability arising as a result of the exercise of an Option and will reimburse the Group Member and/or the Trustee (as relevant) for the Tax Liability within thirty days of it arising. An Option may only be exercised if there are arrangements in place acceptable to the Board to provide for the reimbursement of any Tax Liability arising as a result of the exercise of the Option, which may include:

7.8.1 the Participant making a payment to the Group Member and/or the Trustee;

7.1.2 the Group Member withholding the Tax Liability from the Participant’s remuneration (to the extent permitted by law); or

7.1.3 with the Participant’s agreement, any other arrangement acceptable to the Group Member and/or the Trustee to reimburse the Tax Liability, including authorising the sale of sufficient of the Shares on the Participant’s behalf.”

7.3 Rule 8 of the Scheme will not apply to Approved Options.

8. CESSATION OF EMPLOYMENT

8.1 The following rules 9.1 – 9.3 will apply to Approved Options in substitution for rules 9.1 – 9.3:

"*Bad leavers*

9.1 If a Participant ceases to hold office or employment with a Group Member as a result his termination for gross misconduct, any Option that he holds (whether or not Vested) will lapse at that time.

Good leavers

9.2 If a Participant ceases to hold office or employment with a Group Member for any reason other than as a result of his termination for gross misconduct:

9.2.1 to the extent that his Option has Vested on the date of such cessation, it will be exercisable from the date of cessation in accordance with rule 9.3; and

9.2.2 to the extent that his Option has not Vested on the date of such cessation, it will become exercisable on the Normal Vesting Date in accordance with rule 9.3 to the extent determined by the Board (taking into account the extent to which any Performance Condition has been satisfied at the end of the Performance Period and the period of time that has elapsed from the Grant Date to the date of cessation).

To the extent that an Option does not Vest, the remainder will lapse immediately.

9.3 An Option may, subject to rule 8, then be exercised for a period of six months or, in the case of the Participant's death, 12 months from the date of cessation (where rule 9.2.1 applies) or the Normal Vesting Date (where rule 9.2.2 applies) after which time it will lapse."

9. CORPORATE EVENTS

9.1 The following rules 10.1 –10.3A will apply to Approved Options in substitution for rules 10.1 – 10.3:

"10.1. Where any of the events described in rule 10.3 occur, then subject to rules 10.7 – 10.8A, all Options which have not yet Vested will Vest in accordance with rule 10.2 at the time of such event. Vested Options will be exercisable for one month (or such longer period not exceeding six months as the Board may permit) from the date of the relevant event, after which all Options will lapse.

10.2 An Option will Vest pursuant to rule 10.1 taking into account the extent to which any Performance Condition has been satisfied and, unless the Board determines otherwise, the period of time from the Grant Date to the date of the relevant event. To the extent that an Option does not Vest or is not exchanged in accordance with rules 10.7– 10.8A, it will lapse immediately.

10.3 The events referred to in rule 10.1 are:

10.3.1 General offer

(a) If a person (including any person acting in concert with him as referred to in paragraph 25A(8) of Schedule 4) has obtained Control of the Company as a result of an offer falling within paragraph 25A(3) of Schedule 4 and any condition subject to which the offer is made has been satisfied.

(b) If any person (either alone or together with any person acting in concert with him) other than in a case falling within rule 10.3.1(i):

i. obtains Control of the Company as a result of making a general offer to acquire Shares; or

ii. already having Control of the Company, makes an offer to acquire all of the Shares other than those which are already owned by him,

and such offer becomes wholly unconditional.

9.1.2 Compromise or arrangement

(a) The sanction by the Court under section 899 of the Companies Act 2006 of a compromise or arrangement of a sort referred to in paragraph 25A(6) of Schedule 4 which is proposed for the purposes of a change of Control of the Company.

(b) A compromise or arrangement in accordance with section 899 of the Companies Act 2006 for the purposes of a change of Control of the Company not falling within rule 10.3.2(a) is sanctioned by the Court.

11.3A If a person becomes bound or entitled to acquire Shares under sections 979 to 982 or 983 to 985 of the Companies Act 2006 (takeover offers: right of offeror to buy out minority shareholder etc), any Option which has not already been exercised or lapsed may be exercised while that person remains so bound or entitled. All unexercised Options will lapse when that person ceases to be so bound or entitled."

10. CORPORATE EVENTS – EXCHANGE OF OPTIONS

10.1 The following rules 10.7 – 10.8A will apply to Approved Options in substitution for rules 10.7– 10.9:

"10.7 If another company (the "acquiring company"):

10.7.1 obtains Control of the Company as a result of making:

(i) a general offer (disregarding, if relevant, the fact that the general offer may be made to different shareholders by different means) to acquire the whole of the issued ordinary share capital of the Company (construed in accordance with paragraph 26(2A) of Schedule 4) which is made on a condition such that, if it is met, the person making the offer will have Control of the Company; or

(ii) a general offer (disregarding, if relevant, the fact that the general offer may be made to different shareholders by different means) to acquire all the shares in the Company (construed in accordance with paragraph 26(2A) of Schedule 4) which are of the same class as the shares which may be acquired by the exercise of Approved Options;

10.7.2 obtains Control of the Company as a result of a compromise or arrangement sanctioned by the court under section 899 of the Companies Act 2006; or

10.7.3 becomes bound or entitled to acquire shares in the Company under sections 979 to 982 or 983 to 985 of the Companies Act 2006,

an Option may be released in consideration of the grant to the holder of that Option of a new share option in accordance with rule 10.8.

10.8 If an 'Option (the "Old Option") is to be released in consideration of the grant of a new share option (a "New Option") in accordance with this rule 10.8:

10.8.1 that must be done with the agreement of the acquiring company and the Participant;

10.8.2 such agreement must be made in the relevant period determined in accordance with paragraph 26 of Schedule 4 and before the Old Option lapses in accordance with rule 10.1;

10.8.3 any New Option granted in consideration of the release of an Old Option in accordance with this rule 10.8 must satisfy the requirements of paragraph 27 of Schedule 4; and

10.8.4 the New Option will be treated as if it was an Option granted under the Scheme at the same time as the Old Option, except that:

(i) other than in the definition of "Board", in rule 10.2 and in rule 14.1, the defined term "Company" will mean the company whose shares are subject to the New Option; and

(ii) rule 10.10 will not apply to the New Option.

10.8A If there is an Internal Reorganisation, an unvested Approved Option will not Vest under rule 10.1 and any Vested Approved Option may not be released if the acquiring company offers to grant a new share option in consideration of the release of the Option (whether in accordance with rules 10.7 – 10.8 or otherwise). To the extent the Participant does not agree to the release of the Option in accordance with rules 10.7 – 10.8 or otherwise, the Option will lapse one month after the date of the Internal Reorganisation."

10.2 Following the grant of any New Option in accordance with rule 10.8, no Approved Options may be granted under the Scheme other than New Options granted in accordance with rule 10.8.

11. ADJUSTMENTS

11.1 The following rule 11 will apply to Approved Options in substitution for rule 11:

11.1 The number of Shares subject to an Option and/or the Exercise Price thereof may be adjusted in such manner as the Board determines in the event of a Variation of Capital.

11.2 No adjustment may be made to an Approved Option under this rule 11 that does not meet the requirements of Schedule 4.

11.3 The Board may also adjust any Performance Condition."

12. AMENDMENTS

12.1 If an amendment is made to this Appendix which will result in this Appendix ceasing to meet the requirements of Schedule 4, the amendment will not have effect unless and until the Board has determined that the amendment will take effect even if this causes this Appendix to cease to meet the requirements of Schedule 4.

13. BOARD DISCRETION

13.1 Any discretion exercisable or action or determination to be undertaken by the Board under this Appendix will be exercised or undertaken fairly and reasonably.

THE MEREO BIOPHARMA GROUP PLC SHARE OPTION SCHEME

(THE "OPTION SCHEME")

GLOBAL DEED OF GRANT

On the date of this deed ("**Grant Date**"), Mereo BioPharma Group Plc (the "**Company**") hereby grants options ("**2018 Options**") over such number of ordinary shares in the Company ("**Shares**") as specified in the Appendix, to the individuals ("**Participants**") named therein, subject to the rules of the Option Scheme and the terms of this deed.

Unless otherwise defined, capitalised terms used in this deed have the same meaning as in the rules of the Option Scheme.

TERMS OF THE 2018 OPTIONS

Subject to the rules of the Option Scheme, the following Vesting Schedule will apply to the 2018 Options (each vesting date a "**Normal Vesting Date**"):

a) one-third of the Shares subject to the 2018 Option, rounding down to the nearest whole Share will Vest on the first anniversary of the Grant Date;

b) one-third of the Shares subject to the 2018 Option, rounding down to the nearest whole Share will Vest on the second anniversary of the Grant Date; and

c) the remaining Shares subject to the 2018 Option will Vest on the third anniversary of the Grant Date.

Each tranche of the 2018 Option will normally then be exercisable from the relevant Normal Vesting Date until the tenth anniversary of the Grant Date after which, subject to the rules of the Option Scheme, the 2018 Option will lapse.

In accordance with rule 5 of the Option Scheme, the Board has determined that the Market Value of a Share used to determine the number of Shares comprised in the 2018 Option is £[•].

The 2018 Option is personal to the Participant and is not transferable except as permitted by the rules of the Option Scheme. Subject to the rules of the Option Scheme, Shares in respect of a 2018 Option which has been exercised will be delivered to the Participant as soon as reasonably practicable thereafter, subject to payment of any Tax Liability relating to the 2018 Option.

Executed as a deed on [Insert date] by

Mereo BioPharma Group Plc

acting by [Name] a director,

_____

[Name]

in the presence of:

_____

[SIGNATURE OF WITNESS]

_____

_____

_____

_____

_____

[NAME, ADDRESS AND OCCUPATION OF WITNESS]

Appendix

Name of Participant	Value of 2018 Option	Number of Shares subject to 2018 Option
[●]	£[●]	[●]
[●]	£[●]	[●]
[●]	£[●]	[●]
[●]	£[●]	[●]

MEREO BIOPHARMA GROUP PLC SHARE OPTION SCHEME (THE "OPTION SCHEME")

2018 OPTION CERTIFICATE

This is to certify that on [●] 2018 (the "**Grant Date**"), [name] (the "**Participant**") was granted an option ("**2018 Option**") under the rules of the Option Scheme over such number of ordinary shares in Mereo BioPharma Group plc ("**Shares**") as specified in the table below.

Value of 2018 Option	Number of Shares subject to 2018 Option
£[●]	[●]

Subject to the rules of the Option Scheme, the following Vesting Schedule will apply to the 2018 Option (each vesting date a "**Normal Vesting Date**"):

a) one-third of the Shares subject to the 2018 Option, rounding down to the nearest whole Share will Vest on the first anniversary of the Grant Date;

b) one-third of the Shares subject to the 2018 Option, rounding down to the nearest whole Share will Vest on the second anniversary of the Grant Date; and

c) the remaining Shares subject to the 2018 Option will Vest on the third anniversary of the Grant Date.

Each tranche of the 2018 Option will normally then be exercisable from the relevant Normal Vesting Date until the tenth anniversary of the Grant Date after which, subject to the rules of the Option Scheme, the 2018 Option will lapse.

In accordance with rule 5 of the Option Scheme, the Board has determined that the Market Value of a Share used to determine the number of Shares comprised in the 2018 Option is £[•].

The 2018 Option is personal to the Participant and is not transferable except as permitted by the rules of the Option Scheme. Subject to the rules of the Option Scheme, Shares in respect of a 2018 Option which has been exercised will be delivered to the Participant as soon as reasonably practicable thereafter, subject to payment of any Tax Liability relating to the 2018 Option.

Unless otherwise defined, capitalised terms used in this 2018 Option Certificate have the same meaning as in the rules of the Option Scheme. In the event of a conflict with this 2018 Option Certificate, the rules of the Option Scheme prevail.

PLEASE KEEP THIS CERTIFICATE IN A SAFE PLACE

MEREO BIOPHARMA GROUP LIMITED

SHARE OPTION SCHEME

SCHEME RULES

(Adopted by the Board on 8 July 2015)

RULES OF THE MEREO BIOPHARMA GROUP LIMITED

SHARE OPTION SCHEME

CONTENTS

RULES OF THE MEREO BIOPHARMA GROUP LIMITED

SHARE OPTION SCHEME

1. DEFINITIONS AND INTERPRETATION

In this Scheme, the following words and expressions shall, where the context so permits, have the following meanings:

"Admission"	The admission of the Shares to the Official List of the United Kingdom Listing Authority or the granting of permission for the Shares to be dealt in on the Alternative Investment Market or any other recognised investment exchange (as defined in Section 285 of the Financial Services and Markets Act 2000);
"the Agreement"	the agreement in writing granting an Option pursuant to this Scheme entered into by an Employee and the Grantor in such form as the Board shall from time to time determine;
"Board"	the board of directors for the time being of the Company or, if applicable, a duly authorised Committee thereof;
"City Code"	the City Code on Takeovers and Mergers;
"the Company"	Mereo BioPharma Group Limited registered in England under number 09481161;
"Connected Person"	the meaning given by Section 993 of the Income Tax Act 2007;
"Control" and cognate expressions	the meaning given by Section 995 of the Income Tax Act 2007;
"Date of Grant"	the date on which an Option is granted as evidenced by the Agreement;
"Employee"	an individual who is a bona fide employee of a Group Company
"Exercise Price"	the price determined by the Board at which each Share subject to an Option may be acquired (subject to Rule 11 - variation of share capital) and either: (a) specified at the Date of Grant; or

(b) to be determined at a later date by reference to a formula specified at the Date of Grant,

provided that if Shares are to be subscribed, it may not be less than the nominal value of a Share;

"Good Leaver" an Optionholder who ceases to be a director or Employee of a Group Company and does not continue or thereupon become a director or Employee with a Group Company where such cessation occurs for one of the following reasons:

a) injury, ill health or disability (evidenced to the satisfaction of the Board);

b) redundancy (within the meaning of Part XI of the Employment Rights Act 1996;

c) the transfer of the undertaking or part-undertaking in which the Optionholder is employed to a person other than a Group Company; or

d) the Company by which the Optionholder is employed ceasing to be a Group Company; or

e) any other reason which the Board considers justifies such cessation to be a "good leaver" reason;

"Grantor" the Company or such other person who grants an Option under this Scheme;

"Group Company" the Company or any Subsidiary of the Company;

"ITEP Act" the Income Tax (Earnings and Pensions) Act 2003;

"Option" a right to acquire Shares pursuant to this Scheme;

"Optionholder" An individual to whom an Option has been granted which has neither lapsed nor been surrendered or exercised;

"Personal Data" any personal information which could identify an Optionholder including Options held under this Scheme or options held under any other employees' share scheme operated by the Company or any other Group Company.

"Personal Representatives"	in relation to the Optionholder the legal personal representatives of the Optionholder (being either the executors of the Optionholder's will to whom a valid grant of probate has been made or if the Optionholder dies intestate the duly appointed administrator(s) of the Optionholder's estate) who have provided to the Board satisfactory evidence of their appointment as such;
"Rules"	the rules of this Scheme as amended from time to time;
"this Scheme"	the Mereo BioPharma Group Limited Share Option Scheme, as amended from time to time;
"Shares"	fully paid Ordinary Shares of £0.001 each in the capital of the Company and the expression "Share" shall be construed accordingly;
"Subsidiary"	any company which the Company Controls (on its own or together with any Connected Person);
"Takeover"	means:- a) a person obtaining Control of the Company; b) a person becoming bound or entitled to acquire Shares under Sections 979 to 985 of the Companies Act 2006; or c) a Court, under section 899 of the Companies Act 2006, sanctioning a compromise or arrangement proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, provided that, for the purposes of (a) above, a person shall be deemed to have obtained Control of the Company if he and others acting in concert with him have together obtained Control of it;
"Taxes Act"	the Income and Corporation Taxes Act 1988;
"Trade Sale"	the sale by the Company to a person, or to persons who in relation to each other are Connected Persons (other than a Subsidiary) or acting in concert within the meaning of the City Code, of assets or part of the undertaking of the Company representing 51% or more of the assets or turnover or gross profits of the Company, other than as part of a scheme of reconstruction of the Company;

"Vest"	means in relation to an Option, and subject to the satisfaction (or waiver) of any conditions imposed pursuant to Rule 3.5, the crystallisation of the Optionholder's right to exercise such Option (or part thereof) (and "Vests", "Vesting" and "Vested" shall be construed accordingly);
"Vested Option"	an Option or part thereof which has Vested;
"Vesting Schedule"	the Vesting Schedule attached to the Agreement.

The Interpretation Act 1978 shall apply hereto as it does to an Act of Parliament. Any references to any statutory provision are to that provision as amended or re-enacted from time to time. Unless the context otherwise requires, words in the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine and vice versa and the headings set out below are for guidance only and shall not be used as an aid to the construction of these provisions.

2. GRANT OF OPTIONS

2.1 Subject to Rule 2.5, the Grantor may grant an Option to an Employee, director of any Group Company or consultant to the Group at any time.

2.2 The right to exercise an Option may be subject to conditions imposed by the Grantor in accordance with Rule 3.5.

2.3 As soon as practicable after the Grantor decides to grant an Option to an Employee the Grantor and the Employee shall enter into an enforceable agreement which shall state:

(a) the Date of Grant of the Option;

(b) the number, or maximum number, of Shares that may be acquired;

(c) whether the Option is over issued or unissued shares or a combination;

(d) the Exercise Price payable for each Share subject to the Option or the method by which that price is to be determined;

(e) any conditions of exercise imposed by the Grantor pursuant to Rule 3.5; and

(f) when and how the Option may be exercised.

2.4 Subject to the right of a deceased Optionholder's Personal Representatives to exercise an Option in accordance with Rule 5.5, every Option shall be personal to the Employee to whom it is granted and shall not be capable of being transferred, assigned or charged.

2.5 An Option shall not be granted unless the Grantor is satisfied at the relevant time (if then applicable) that such grant would not be in breach of any applicable laws, codes or regulations relating to the acquisition of securities by Employees including any internal code of the Company.

3. VESTING OF OPTIONS

3.1 When granting an Option, the Grantor may, if in its discretion it thinks fit determine any date or dates prior to the day before the tenth anniversary of its Date of Grant on which the Option Vests in whole or in part, and, where on any date only part Vests, the number of Shares in respect of which it so Vests. Such date or dates being set out in a Vesting Schedule attached to the relevant Agreement.

3.2 Subject to Rules 6 (Takeovers) and 8 (Trade Sale), no Option shall Vest or Vest further (as the case may be) following the date on which the Optionholder ceases to hold any office or employment with a Group Company.

3.3 The Board may, if in its discretion it thinks fit, accelerate the Vesting of an Option under the Scheme.

3.4 Where in relation to any Option no Vesting Schedule has been imposed pursuant to Rule 3.1 that Option shall Vest in full at the Date of Grant.

3.5 In addition, the right to exercise an option may be conditional upon the satisfaction of an objective performance condition imposed by the Grantor at the Date of Grant as set out in the Option Agreement. At the discretion of the Board, any such performance condition shall cease to apply in any of the circumstances set out in Rule 5.5 (Death), Rule 5.6 (leavers), Rule 6 (Takeovers) and Rule 8 (Trade Sale).

3.6 If, after the Grantor has imposed any performance condition pursuant to Rule 3.5, events occur which cause the Board to consider that such performance condition has become unreasonable, unfair or impractical, the Grantor may in its discretion (provided that such discretion is exercised fairly and reasonably) amend, relax or waive such performance condition provided that any performance condition which is amended or relaxed will be no more difficult to satisfy than when it was originally imposed or last amended or relaxed.

3.7 The Grantor shall notify all relevant Optionholders in writing of any amendment, relaxation or waiver of any performance condition made pursuant to Rule 3.6.

4. SCHEME LIMITS

4.1 The maximum number of Shares which may be placed under Option for subscription under this Scheme, when added to the number of Shares allocated for subscription under this or any other employee share scheme adopted by the Company, shall not exceed the limit set out in the Subscription and Shareholders' Agreement relating to the Company dated 28 July 2015.

5. RIGHTS TO EXERCISE AND LAPSE OF OPTIONS

Time for exercise

5.1 No Option may be exercised unless and until it Vests and any performance condition specified in the Agreement pursuant to Rule 3.5 (as amended or relaxed or waived pursuant to Rule 3.6) has been satisfied and then, save as provided in Rule 9, only on the occurrence of any of the following:-

5.1.1. a Takeover (in accordance with Rule 6); or

5.1.2. an Admission (in accordance with Rule 7); or

5.1.3. a Trade Sale (in accordance with Rule 8).

5.2 In the event of an Admission, those Options which have not Vested at the time of the Admission shall continue to Vest in accordance with Rule 3.1 above.

5.3 The proportion of an Option which becomes exercisable in accordance with Rule 5.1 shall be exercisable in whole or in part on one or more occasions.

5.4 Save as provided in Rules 5.5, 5.6 and 9, a Vested Option may be exercised by an Optionholder only while he is an Employee.

Death of the Optionholder

5.5.1 In the event that the Optionholder ceases to hold any office or employment with a Group Company by reason of his death, the Option may be exercised by the Personal Representatives of an Optionholder to the extent that the Option has Vested at the date of death in accordance with Rule 5.1 during the period of one year from and including the date of death of the Optionholder and if not then exercised shall lapse and cease to be exercisable at the end of that period of one year.

5.5.2 In the event that the Optionholder dies having ceased to hold any office or employment with a Group Company but before the Option has lapsed, the Option may be exercised by the Personal Representatives of the Optionholder to the extent that the Option has Vested at the date of death in accordance with Rule 5.1 during the period of one year from and including the date of death of the Optionholder and if not then exercised shall lapse and cease to be exercisable at the end of that period of one year.

Cessation of Employment

5.6 If an Optionholder ceases to hold any office or employment with a Group Company and does not continue or thereupon become an employee or director with a Group Company the whole of the Option shall lapse (whether or not Vested) unless the Optionholder is a Good Leaver in which event the Option to the extent that the Option has Vested at the date of cessation may be exercised in accordance with Rule 5.1 during such period as the Board shall determine and communicate in writing to the Optionholder, following the expiration of which the Option shall lapse.

Lapse of Options

5.7 An Option (whether or not Vested) shall lapse on the occurrence of the earliest of the following:-

(a) the day before the tenth anniversary of the Date of Grant;

(b) the expiry of the period (if any) allowed for the satisfaction of any performance condition pursuant to Rule 3.5 and set out in the Agreement without such performance condition having been satisfied or the date on which it comes apparent to the Board that any such performance condition has become incapable of being satisfied;

(c) the expiry of the applicable period specified in Rules 5.5.1 and 5.5.2 (Death);

(d) the date on which the Optionholder ceases to hold any office or employment with a Group Company or, if a director, ceases to be a director of any Group Company for any reason other than his death unless the Optionholder is a Good Leaver in which event only Options that have not Vested at the date of cessation of employment shall lapse on the date of cessation of employment;

(e) the end of the period which is the shorter of 40 days immediately following the completion of a Takeover or a Trade Sale or any compulsory acquisition period;

(f) the expiry of the applicable periods specified in Rule 9 (Winding Up of the Company);

(g) the date on which a resolution is passed, or an order is made by the Court, for the compulsory winding up of the Company; and

(h) the date on which the Optionholder becomes bankrupt or does or omits to do anything as a result of which he is deprived of the legal or beneficial ownership of the Option.

Miscellaneous Provisions

5.8.1 For the purposes of this Rule 5 the Optionholder ceases to hold office or employment with a Group Company:

(a) if by reason of his resignation, on the date the Optionholder gives such notice of resignation;

(b) if by reason of dismissal for cause, on the date the Optionholder receives such notice of dismissal; or

(c) in any other case, on the date that the Optionholder no longer holds any office or employment with the Company or any Subsidiary.

5.8.2 A female Optionholder who is absent from her office or employment because of her pregnancy and who is entitled by contract or by virtue of Chapter I of Part VII of the Employment Rights Act 1996 to return to work, shall be deemed for the purposes of these Rules not to have ceased to hold office or be employed by any Group Company until such time as the female Optionholder is no longer entitled to return to work.

5.8.3 An Optionholder who is absent from their office or employment because of any entitlement to parental leave either by contract or by virtue of Chapter II of Part VIII of the Employment Rights Act 1996 to return to work shall be deemed for the purposes of these Rules not to have ceased to hold office or be employed by any Group Company until such time as the Optionholder is no longer entitled to return to work.

5.8.4 In their absolute discretion the Board may extend any period of 40 days referred to above (but not so as to exceed the day before the tenth anniversary of the Date of Grant and/or to extend the period specified in Rule 5.5 (Death)).

6. EXERCISE OF VESTED OPTIONS - TAKEOVER

6.1. In the event of a Takeover, all valid Options shall, to the extent not already Vested, immediately Vest in full and the Grantor shall give such notice, as it shall deem reasonable in the circumstances, to each Optionholder who holds unexercised Options. Each such Optionholder shall be entitled, until the end of the period of 40 days immediately following the completion of a Takeover, to exercise any such Option by notice in writing (in the form prescribed by the Grantor from time to time) given by the Optionholder (or his Personal Representatives as the case may be) to the Grantor. Any such acceleration of Vesting and the exercise of Options that have Vested shall be:

6.1.1 conditional upon the Takeover becoming unconditional in all respects (save for any condition relating to the transfer of Shares pursuant to the exercise of the Options); and

6.1.2 subject to the relevant Optionholders unconditionally accepting the terms of the Takeover on the same terms as the holders of other Shares.

6.2 Prior to the completion of the Takeover (but subject to Rules 10.1, 10.2 and 10.3) the Grantor shall allot or procure the transfer of the Shares in respect of which any Options have been validly exercised to the relevant Optionholder and the Company shall issue a definitive certificate or such other acknowledgement of shareholding as is from time to time permitted by the Company.

7. EXERCISE OF VESTED OPTIONS – ADMISSION

At any time after an Admission, any Option that has Vested may be exercised by notice in writing (in the form prescribed by the Grantor from time to time) given by the Optionholder (or his Personal Representatives as the case may be) to the Grantor. Subject to Rules 10.1, 10.2 and 10.3, within 30 days of the exercise of an Option pursuant to this Rule, the Grantor shall allot or procure the transfer of the Shares in respect of which the Option has been validly exercised and the Company shall issue a definitive certificate or such other acknowledgement of shareholding as is from time to time permitted by the Company.

8. EXERCISE OF VESTED OPTIONS – TRADE SALE

In the event of a Trade Sale, all valid Options shall, to the extent not already Vested, immediately Vest in full and the Grantor shall give such notice, as it shall deem reasonable in the circumstances, to each Optionholder who holds valid unexercised Options. Each such Optionholder shall be entitled, at the end of the period of 40 days immediately following the completion of a Trade Sale, to exercise any such Option by notice in writing (in the form prescribed by the Grantor from time to time) given by the Optionholder (or his Personal Representatives as the case may be) to the Grantor. Any such acceleration of Vesting and the exercise of Options that have Vested shall be conditional upon the Trade Sale becoming unconditional in all respects. Prior to the completion of the Trade Sale (but subject to Rules 10.1, 10.2 and 10.3), the Grantor shall allot or procure the transfer of the Shares in respect of which any Options have been validly exercised to the relevant Optionholder and the Company shall issue a definitive certificate or such other acknowledgement of shareholding as is from time to time permitted by the Company.

9. WINDING UP OF THE COMPANY

9.1 If either:

9.1.1 the Company passes a resolution for its voluntary winding up; or

9.1.2 a winding up order is made by the court in relation to the Company

the Grantor shall immediately give notice to the Optionholder, such notice to include the date the resolution was passed or the winding up order made (in either case the "Operative Date") such that the Optionholder has the opportunity to exercise any Option which has Vested;

9.2 In the event the Optionholder exercised any Option under Rule 9.1 he will be entitled to rank in the winding up of the Company to the same extent to which he would have been so entitled to rank if he had been the holder of all such Shares (ignoring fractions);

9.3 There shall be deducted from the amounts (if any) due to the Optionholder on the winding up the aggregate of the Exercise Prices payable for such Shares.

10. EXERCISE PRICE, TAXATION ETC

10.1 Unless and to the extent the Board decide otherwise, the notice of exercise of the Option shall be accompanied by a remittance in cleared funds for the aggregate of the Exercise Prices payable.

10.2 An Option may be granted subject to the condition that the Optionholder shall meet the Company's, or such Group Company's (if not the Company's), or Grantor's Secondary Class 1 National Insurance Contributions due, if any, on the exercise, cancellation or release of the Option. For this purpose, the Optionholder may be required, if requested by the Company, or the Employer Company (if not the Company) or Grantor at any time before the exercise, cancellation or release of the Option, to enter into an agreement to reimburse or an election to transfer liability for such Secondary Class I National Insurance Contributions in a form approved by HM Revenue & Customs and acceptable to the Company, Employer Company (if not the Company) or Grantor and to enter into such arrangements as may be approved by HM Revenue & Customs in order to secure that the payment of such liabilities is made on a timely basis.

10.3 If any Group Company or Grantor is liable to account for tax or social security contributions (in any jurisdiction) for which an Optionholder is liable by virtue of the exercise of the Option that or any other Group Company or the Grantor or the trustee of any trust which is intended to be an employees' share scheme pursuant to Section 1166 of the Companies Act 2006 may:

(a) withhold the appropriate amount of tax or social security from the Optionholder's remuneration; or

(b) make such other arrangements as it considers necessary (including the sale of Shares on behalf of the Optionholder) to finance the amounts in (a) above,

unless the Optionholder discharges the liability himself at the date of exercise of the Option.

10.4 Shares allotted under this Scheme shall rank pari passu in all respects with the Shares of the same class for the time being in issue save as regards any rights attaching to such Shares by reference to a record date prior to the date of allotment and in the case of a transfer of existing Shares the transferee shall not acquire any rights attaching to such Shares by reference to a record date prior to the date of such transfer.

10.5 The exercise of any Option (in whole or in part) shall not be permitted at a time when (if then applicable) such exercise would be in breach of any applicable laws, codes or regulations relating to the acquisition of securities, including any internal code of the Company.

11. VARIATION OF SHARE CAPITAL

11.1 In the event of any capitalisation, rights issue, consolidation, subdivision, reduction or other variation of the share capital of the Company:

(a) the number of Shares comprised in an Option;

(b) the Exercise Price in respect of such Shares;

(c) where an Option has been exercised pursuant to the provisions of these Rules but no Shares have been allotted or transferred in satisfaction of such exercise, the number of Shares to be so allotted or transferred and the Exercise Price in respect of such Shares,

may be varied in such manner as the Board shall determine to be in their opinion fair and reasonable, provided that, except as provided in Rules 11.2 and 11.3, no variation shall be made which would result in the Exercise Price for an allotted Share being less than its nominal value.

11.2 Any adjustment made to the Exercise Price of unissued Shares which would have the effect of reducing the Exercise Price to less than the nominal value of the Shares shall only be made if and to the extent that the Board are authorised to capitalise from the reserves of the Company a sum equal to the amount by which the nominal value of the Shares in respect of which the Option is exercisable exceeds the adjusted Exercise Price. The Board may apply such sum in paying up such amount on such Shares so that on the exercise of any Option in respect of which such a reduction shall have been made, the Board shall capitalise such sum (if any) and apply the same in paying up such amount as aforesaid.

11.3 Where an Option subsists over both issued and unissued Shares, an adjustment may only be made under Rule 11.2 if the reduction of the Exercise Price in relation to Options over both issued and unissued Shares can be made to the same extent.

11.4 The Board may take such steps as they consider necessary to notify Optionholders of any adjustment made under this Rule 11 and to call in, cancel, endorse, issue or re-issue any Agreement consequent upon such adjustment.

12. ADMINISTRATION

12.1 The Board shall have power from time to time to make and vary such regulations (not being inconsistent with this Scheme) for the implementation and administration of this Scheme and/or the Agreement as they think fit.

12.2 The decision of the Board shall be final and binding in all matters relating to this.

12.3 The costs of establishing and administering this Scheme shall be borne by the Company.

12.4 The Company may, but shall not be obliged to, provide Optionholders with copies of any notices circulars or other documents sent to shareholders of the Company.

13. AMENDMENTS

13.1 The Board may alter or add to all or any of the Rules of this Scheme in any respect with effect from a current, future or past date by a resolution of the Board provided that where any alteration would abrogate or adversely affect the subsisting rights of an Optionholder it will not be effective unless such alteration is made with the consent in writing of holders of more than 50% of the Shares which would be issued if all the Options affected by the alteration were exercised in full.

13.2 Notwithstanding Rule 13.1, the Board may alter or add to all or any of the provisions of this Scheme and/or Agreement and the terms of any Options as they consider necessary or desirable in order to:

(a) make the administration of this Scheme more effective or easier;

(b) comply with or take account of the provisions of any proposed or existing legislation;

(c) take account of any of the events mentioned in Rules 6, 7 and 8; or

(d) obtain or maintain favourable tax or regulatory treatment for the Company or any Group Company or any Optionholder,

without the need for the consent of Optionholders provided that such amendments or additions do not affect the basic principles of this Scheme and/or Agreements.

13.3 Written notice of any amendment to this Scheme shall be given to all Optionholders affected thereby.

14. GENERAL

14.1 This Scheme shall commence upon the date the Board adopt this Scheme and shall (unless previously terminated by a resolution of the Board) terminate on the expiry of the period of ten years from such date. On termination no further Options may be granted but such termination shall be without prejudice to any accrued rights in existence at the date thereof.

14.2 The Company will at all times keep available sufficient authorised and unissued Shares, or shall ensure that sufficient Shares will be available, to satisfy the exercise to the full extent still possible of all Options not lapsed pursuant to the provisions of these Rules, taking account of any other obligations of the Company to issue Shares.

14.3 Notwithstanding any other provision of this Scheme:

(a) this Scheme shall not form part of any contract of employment between any Group Company and any Employee of any such company and the rights and obligations of any individual under the terms of his office or employment with any Group Company shall not be affected by his participation in this Scheme or any right which he may have to participate in it and this Scheme shall afford such an individual no additional rights to compensation or damages in consequence of the termination of such office or employment for any reason whatsoever, including if such termination of employment was lawful or unlawful;

(b) no Optionholder shall be entitled to any compensation or damages for any loss or potential loss which he may suffer by reason of being unable to exercise an Option in consequence of the loss or termination of his office or employment with any Group Company for any reason whatsoever including if such termination of employment was lawful or unlawful;

(c) this Scheme shall not confer on any person any legal or equitable rights (other than those constituting the Options themselves) against any Group Company directly or indirectly, or give rise to any cause of action at law or in equity against any Group Company.

14.4 Save as otherwise provided in this Scheme any notice or communication to be given by the Company to any Optionholder may be personally delivered or sent by email or by ordinary post to his last known address. Where a notice or communication is sent by post it shall be deemed to have been received 48 hours after the same was put into the post properly addressed and stamped and where a notice or communication is sent by email it shall be deemed to have been received on receipt of a delivery receipt confirmation email. Share certificates and other communications sent by post will be sent at the risk of the Optionholder concerned and the Company shall have no liability whatsoever to any such person in respect of any notification, document, share certificate or other communication so given, sent or made.

14.5 Any notice to be given to the Company shall be delivered or sent by either post or email to the Company at its registered office and shall be effective upon receipt.

14.6 This Scheme and all Options granted under it shall be governed by and construed in accordance with English law.

15. DATA PROTECTION

15.1 In accepting the grant of an Option each Optionholder consents to the collection, holding, processing and transfer of his Personal Data by the Company or any Grantor for all purposes connected with the operation of this Scheme.

15.2 The purposes connected with the operation of this Scheme referred to in Rule 15.1 include, but are not limited to:

(a) holding and maintaining details of the Optionholder's Options;

(b) transferring the Optionholder's Personal Data to the trustee of an employee benefit trust, the Company's registrars or brokers or any administrators of the Scheme; and

(c) transferring the Optionholder's Personal Data to a bona fide prospective buyer of the Company or the prospective buyer's advisers, provided that the prospective buyer, and its advisers, irrevocably agree to use the Optionholder's Personal Data only in connection with the proposed transaction and in accordance with the data protection principles set out in the Data Protection Act 1998; and

(d) transferring the Optionholder's Personal Data under rule 15.2(b) or rule 15.2(c) to a person who is resident in a country or territory outside the European Economic Area that may not provide the same statutory protection for the information as countries within the European Economic Area.

Deloitte.

Rules of the Mereo BioPharma Group plc Long Term Incentive Plan

Adopted by the board of directors of Mereo BioPharma Group plc on 4 March 2016

Amended by the board of directors of Mereo BioPharma Group plc on 20 March 2018

Expiry date: 9 June 2026

Contents

THE MEREO BIOPHARMA GROUP PLC LONG TERM INCENTIVE PLAN

1 DEFINITIONS AND INTERPRETATION

1.1 In this Plan, unless otherwise stated, the words and expressions below have the following meanings:

"Admission Date"	the day on which the Shares are admitted to the Official List of the UKLA and to trading on AIM;
"AIM"	the Alternative Investment Market of the London Stock Exchange;
"AIM Rules"	the rules of AIM, as amended from time to time;
"Award"	a Conditional Award or a Nil-Cost Option (or a Cash Conditional Award or Cash Option granted under the Schedule to the Plan);
"Board"	subject to rule 12.9, the board of the Company or any duly authorised committee of the board;
"Company"	Mereo BioPharma Group Plc, registered in England and Wales under number 9481161;
"Conditional Award"	a right to acquire Shares in accordance with the rules of the Plan with no Exercise Period;
"Control"	the meaning given by section 995 of the Income Tax Act 2007;
"Dealing Day"	any day on which the London Stock Exchange is open for business;
"Dealing Restrictions"	restrictions imposed by the Company's share dealing code, the AIM Rules or any applicable laws or regulations which impose restrictions on share dealing;
"Eligible Employee"	an employee (including an executive director) of the Company or any of its Subsidiaries;
"Exercise Period"	the period during which a Nil-Cost Option may be exercised;
"Grant Date"	the date on which an Award is granted;
"Group Member"	the Company, any Subsidiary of the Company, any company which is (within the meaning of section 1159 of the Companies Act 2006) the Company's holding company or a Subsidiary of the Company's holding company or, if the Board so determines, any body corporate in relation to which the Company is able to exercise at least 20% of the equity voting rights and "**Group**" will be construed accordingly;
"Internal Reorganisation"	where immediately after a change of Control of the Company, all or substantially all of the issued share capital of the acquiring company is owned directly or indirectly by the persons who were shareholders in the Company immediately before the change of Control;
"Market Value"	the market value as determined by the Board on the relevant date;

"Nil-Cost Option"	a right to acquire Shares in accordance with the rules of the Plan during an Exercise Period;
"Normal Vesting Date"	the date on which the Board determines, on or prior to the Grant Date that an Award will normally Vest, or to the extent that the Award is subject to a Vesting Schedule, the date determined by the Board on or prior to the Grant Date for the relevant tranche of the Award as set out in the Vesting Schedule;
"Participant"	any person who holds an Award (or, in respect of rules 7.4 and 7.6, any person to whom Shares have been issued or transferred or to whom cash is paid in respect of an Award) or following his death, his personal representatives;
"Performance Condition"	a condition or conditions imposed under rule 3.1 which relates to performance;
"Performance Period"	the period over which a Performance Condition will be measured which, unless the Board determines otherwise, will be at least three years;
"Plan"	the Mereo BioPharma Group Plc Long Term Incentive Plan in its present form or as from time to time amended;
"Share"	a fully paid ordinary share in the capital of the Company;
"Subsidiary"	the meaning given by section 1159 of the Companies Act 2006;
"Tax Liability"	any tax or social security contributions liability in connection with an Award for which the Participant is liable and for which any Group Member or former Group Member is obliged to account to any relevant authority;
"Trustee"	the trustee or trustees for the time being of any employee benefit trust, the beneficiaries of which include Eligible Employees;
"UKLA"	the United Kingdom Listing Authority or any successor body;
"Vest"	i) in relation to a Conditional Award, the point at which a Participant becomes entitled to receive the Shares; and ii) in relation to a Nil-Cost Option, the point at which it becomes capable of exercise, and **"Vesting", "Vested"** and "**Vesting Date**" will be construed accordingly; and
"Vesting Schedule"	in relation to an Award that is divided into tranches, the series of Normal Vesting Dates on which the Board determines on the Grant Date that those tranches will usually normally Vest.

1.2 References in the Plan to:

1.2.1 any statutory provisions are to those provisions as amended or re-enacted from time to time;

1.2.2 the singular include the plural and vice versa; and

1.2.3 the masculine include the feminine and vice versa.

1.3 Headings do not form part of the Plan.

2 GRANT OF AWARDS

2.1 Subject to rule 2.2, the Board may grant an Award to an Eligible Employee in its discretion subject to the rules of the Plan and upon such additional terms as the Board may determine.

2.2 The grant of an Award will be subject to obtaining any approval or consent required by AIM (or other relevant authority), any Dealing Restrictions and any other applicable laws or regulations (whether in the UK or overseas).

2.3 Awards must be granted by deed and, as soon as reasonably practicable after the Grant Date, Participants must be notified of the terms of their Award, including any Performance Condition.

2.4 No Award may be granted under the Plan after the tenth anniversary of the Admission Date.

3 PERFORMANCE CONDITION

3.1 Unless the Board determines otherwise, the Vesting of Awards will be subject to the satisfaction of a Performance Condition, provided that an Award granted to an executive director of the Company must be subject to the satisfaction of a Performance Condition. Subject to rules 11 and 12, the Performance Condition will be measured over the Performance Period.

3.2 The Board may amend or substitute a Performance Condition if one or more events occur which cause the Board to consider that a substituted or amended Performance Condition would be more appropriate and would not be materially less difficult to satisfy.

4 RESTRICTIONS ON TRANSFER AND BANKRUPTCY

4.1 An Award must not be transferred, assigned, charged or otherwise disposed of in any way (except in the event of the Participant's death, to his personal representatives) and will lapse immediately on any attempt to do so.

4.2 An Award will lapse immediately if the Participant is declared bankrupt or, if the Participant is outside the UK, any analogous event occurs.

5 DIVIDEND EQUIVALENTS

5.1 The Board may decide at any time prior to the issue or transfer of the Shares in respect of which an Award Vests that the Participant will receive an amount (in cash and/or additional Shares) equal in value to any dividends that would have been paid on those Shares on such terms and over such period (ending no later than the Vesting Date) as the Board may determine. This amount may assume the reinvestment of dividends (on such basis as the Board may determine) and may exclude or include special dividends.

5.2 Any such amount will be payable as soon as reasonably practicable after Vesting or, in the case of a Nil-Cost Option, exercise, of the relevant Award.

6 INDIVIDUAL LIMIT

6.1 No Eligible Employee may be granted Awards which would, at the time they are granted, cause the Market Value of all the Shares subject to Awards granted to that Eligible Employee in respect of a particular financial year of the Company to exceed 300 per cent. of salary, and to the extent any Award exceeds this limit it will be scaled back accordingly.

7 REDUCTION OF AWARDS AND CLAWBACK

7.1 Notwithstanding any other rule of the Plan, this rule 7 applies to any Award and will continue to apply after the termination of a Participant's office or employment with a Group Member for any reason whether or not the termination is lawful.

7.2 The circumstances in which rules 7.3 and 7.4 may apply are:

7.2.1 a material misstatement of the Company's accounts;

7.2.2 an error in assessing a Performance Condition applicable to the Award or in the information or assumptions by reference to which the Award Vests, such that the Award Vested to a greater extent than it would have Vested should the circumstances not have occurred; or

7.2.3 fraudulent or material misconduct on the part of the Participant

occurring, unless rule 7.5 applies, within the period ending on the second anniversary of the last day of the Performance Period applying to an Award.

7.3 The Board may, in its discretion, determine at any time prior to the earlier of the delivery of cash or Shares comprised in an Award and unless rule 7.5 applies, the second anniversary of the last day of the Performance Period applying to an Award, to:

7.3.1 reduce (including to zero) the number of Shares to which an Award relates; and/or

7.3.2 impose further conditions on an Award.

7.4 The Board may, in its discretion, determine at any time after the delivery of cash or Shares comprised in an Award, and unless rule 7.5 applies, prior to the second anniversary of the last day of the Performance Period applying to an Award, to:

7.4.1 require a Participant to make a cash payment to the Company in respect of some or all of the Shares or cash delivered to him under the Award; and/or

7.4.2 require a Participant to transfer for nil consideration some or all of the Shares delivered to him under the Award

and the Board will have the discretion to determine the basis on which the amount of cash or Shares is calculated, including whether and if so to what extent to take account of any tax or social security liability applicable to the Award.

7.5 If the action or conduct of any Participant, Group Member or relevant business unit is under investigation prior to the second anniversary of the last day of the Performance Period applying to an Award pursuant to this rule 7 and such investigation has not yet been concluded by that date, the period referred to in rules 7.2, 7.3 and 7.4 will end on such later date as the Board considers appropriate to allow such investigation to be concluded.

7.6 The Board may decide to:

7.6.1 reduce (including to zero) the number of Shares to which an Award relates;

7.6.2 impose further conditions on an Award; and/or

7.6.3 require a Participant to transfer for nil consideration some or all of the Shares delivered to him under an Award or make a cash payment to the Company in respect of some or all of the Shares delivered to him under an Award

to effect the recovery of sums paid or Shares delivered under any provisions similar to this rule 7 which are included in any bonus plan or share plan (other than the Plan) operated by any Group Member and if the Board decides to apply rule 7.6.3, the Board will have the discretion to determine the basis on which the amount of cash or Shares is calculated, including whether and if so to what extent to take account of any tax or social security liability applicable to the Award.

7.7 For the purposes of this rule 7, references to Group Member or a relevant business unit include references to any former Group Member or former business unit.

7.8 If the Board exercises its discretion in accordance with this rule 7, it will confirm this in writing to each Participant and, if necessary, the Trustee.

8 VESTING AND EXERCISE

8.1 As soon as reasonably practicable after the end of any Performance Period relating to an Award, the Board will determine if and to what extent the Performance Condition has been satisfied. To the extent that it has not been satisfied in full, the remainder of the Award will lapse immediately.

8.2 Subject to rules 9.2, 11 and 12, an Award will Vest:

8.2.1 on the Normal Vesting Date; or

8.2.2 if on the Normal Vesting Date (or on any other date on which an Award is due to Vest under rule 11 or 12) a Dealing Restriction applies to the Award, on the date on which such Dealing Restriction lifts; and

a Nil-Cost Option may then be exercised during the period ending on the first anniversary of the date on which it Vested (or such shorter period as the Board may determine on or prior to the Grant Date) in such manner as the Board determines, after which time it will lapse.

8.3 Subject to rules 9 and 10, where a Conditional Award has Vested or a Nil-Cost Option has been exercised, the number of Shares in respect of which the Award has Vested or been exercised together with any additional Shares or cash to which a Participant becomes entitled under rule 5 will be issued, transferred or paid (as applicable) to the Participant as soon as reasonably practicable thereafter.

9 TAXATION AND REGULATORY ISSUES

9.1 A Participant will be responsible for and indemnifies each relevant Group Member and the Trustee against any Tax Liability relating to his Award. Any Group Member and/or the Trustee may withhold an amount equal to such Tax Liability from any amounts due to the Participant (to the extent such withholding is lawful) and/or make any other arrangements as it considers appropriate to ensure recovery of such Tax Liability including, without limitation, the sale of sufficient Shares acquired subject to the Award to realise an amount equal to the Tax Liability.

9.2 The Vesting of a Conditional Award, the exercise of a Nil-Cost Option and the issue or transfer of Shares under the Plan will be subject to obtaining any approval or consent required by AIM (or any other relevant authority), any Dealing Restrictions, or any other applicable laws or regulations (whether in the UK or overseas).

10 CASH EQUIVALENT

10.1 Subject to rule 10.2, at any time prior to the date on which Shares in respect of which an Award has Vested or, in the case of a Nil-Cost Option, has been exercised and, in both cases, Shares have been issued or

transferred to a Participant, the Board may determine that, in substitution for his right to acquire some or all of the Shares to which his Award relates, the Participant will instead receive a cash sum. The cash sum will be equal to the Market Value of that number of the Shares which would otherwise have been issued or transferred and for these purposes:

10.1.1 in the case of a Conditional Award, Market Value will be determined on the date of Vesting;

10.1.2 in the case of a Nil-Cost Option, Market Value will be determined on the date of exercise; and

10.1.3 in either case the cash sum will be paid to the Participant as soon as reasonably practicable after the Vesting of the Conditional Award or the exercise of the Nil-Cost Option, net of any deductions (including but not limited to any Tax Liability or similar liabilities) as may be required by law.

10.2 The Board may determine that this rule 10 will not apply to an Award or any part of it.

11 CESSATION OF EMPLOYMENT

11.1 If a Participant ceases to hold office or employment with a Group Member for a reason other than one of the reasons set out in rule 12.2, Awards (whether or not Vested) will lapse at that time.

11.2 If a Participant ceases to hold office or employment with a Group Member as a result of:

11.2.1 death;

11.2.2 ill-health, injury or disability evidenced to the satisfaction of the Board;

11.2.3 the Participant's employing company ceasing to be a Group Member or the transfer of an undertaking or part of an undertaking (in which the Participant is employed) to a person who is not a Group Member; or

11.2.4 any other reason at the Board's discretion, except where a Participant is summarily dismissed

unless the Board determines that an Award will Vest in accordance with rule 11.3, an Award which has not yet Vested as at the date of cessation will continue and, subject to rule 12 Vest, in accordance with rule 11.4 on the Normal Vesting Date.

11.3 If the Board determines that an Award which has not yet Vested at the date of cessation will Vest in accordance with this rule 11.3, it will Vest as soon as reasonably practicable following the date of cessation in accordance with rule 11.4.

11.4 The number of Shares in respect of which the Award Vests pursuant to rule 11.2 or 11.3 will be determined by the Board, taking into account:

11.4.1 the extent to which any Performance Condition has been satisfied at the end of the Performance Period (if rule 11.2 applies) or at the date of cessation of office or employment (if rule 11.3 applies); and

11.4.2 unless the Board determines otherwise, the period of time that has elapsed from the Grant Date to the date of cessation of office or employment,

and to the extent that an Award does not Vest in full, the remainder will lapse immediately. A Nil-Cost Option may, subject to rule 12, be exercised for a period of 12 months (or such other period as the Board may determine) from the date of Vesting, after which time it will lapse.

11.5 If a Participant ceases to hold office or employment with a Group Member for one of the reasons set out in rule 11.2, a Nil-Cost Option which has Vested prior to the date of cessation may, subject to rule 12, be exercised during the remainder of the original Exercise Period, after which time it will lapse.

11.6 For the purposes of the Plan, no person will be treated as ceasing to hold office or employment with a Group Member until that person no longer holds:

11.6.1 an office or employment; or

11.6.2 a right to return to work

with any Group Member.

12 CORPORATE EVENTS

12.1 Where any of the events described in rule 12.3 occur, then subject to rules 12.6 and 12.8, all Awards which have not yet Vested will Vest in accordance with rule 12.2 at the time of such event. Nil-Cost Options (whether Vested pursuant to this rule or otherwise) will be exercisable for one month (or such other period as the Board may determine) from the date of the relevant event, after which time all Nil-Cost Options will lapse.

12.2 An Award will Vest pursuant to rule 12.2 to the extent determined by the Board, taking into account the extent to which any Performance Condition has been satisfied, unless the Board determines otherwise, the period of time from the Grant Date to the date of the relevant event. To the extent that an Award does not Vest, or is not exchanged in accordance with rule 12.6, it will lapse immediately.

12.3 The events referred to in rule 12.1 are:

12.3.1 General offer

If any person (either alone or together with any person acting in concert with him):

(i) obtains Control of the Company as a result of making a general offer to acquire Shares; or

(ii) already having Control of the Company, makes an offer to acquire all of the Shares other than those which are already owned by him

and such offer becomes wholly unconditional.

12.3.2 Scheme of arrangement

A compromise or arrangement in accordance with section 899 of the Companies Act 2006 (or any similar legislation or rules in a jurisdiction outside the United Kingdom) for the purposes of a change of Control of the Company which is sanctioned by the Court.

12.4 Winding-up

On the passing of a resolution for the voluntary winding-up or the making of an order for the compulsory winding-up of the Company, the Board will determine:

12.4.1 whether and to what extent Awards which have not yet Vested will Vest, taking into account the extent to which any Performance Condition has been satisfied and, unless the Board determines otherwise, the period of time from the Grant Date to the date of the relevant event; and

12.4.2 the period of time during which any Vested Nil-Cost Option may be exercised, after which time it will lapse.

To the extent that an Award does not Vest it will lapse immediately.

12.5 Other events

If the Company is or may be affected by a demerger, delisting, special dividend or other event which in the opinion of the Board, may affect the current or future value of Shares, the Board will determine:

12.5.1 whether and to what extent Awards which have not yet Vested will Vest, taking into account the extent to which any Performance Condition has been satisfied and, unless the Board determines otherwise, the period of time from the Grant Date to the date of the relevant event; and

12.5.2 the period of time during which any Vested Nil-Cost Option may be exercised, after which time it will lapse.

To the extent that an Award does not Vest it will lapse immediately.

12.6 Exchange - unvested Awards

An unvested Award will not Vest under rule 12.1 but will be exchanged on the terms set out in rule 12.8 to the extent that:

12.6.1 an offer to exchange the Award is made and accepted by a Participant; or

12.6.2 there is an Internal Reorganisation.

12.7 Exchange - Vested Nil-Cost Options

To the extent that there is an Internal Reorganisation, a Vested Nil-Cost Option will be exchanged on the terms set out in rule 12.8.

12.8 Exchange terms

If this rule 12.8 applies, the Award will be released in consideration of the grant of a new award ("New Award") which, in the opinion of the Board, is equivalent to the Award, but relates to shares in a different company (whether the acquiring company or a different company). Unless the Board determines otherwise, the rules of this Plan will be construed in relation to the New Award as if:

12.8.1 the New Award were an Award granted under the Plan at the same time as the Award;

12.8.2 references to the Company were references to the company whose shares are subject to the New Award; and

12.8.3 references to Shares were references to shares in the company whose shares are subject to the New Award.

12.9 Meaning of Board

Any reference to the Board in this rule 12 means the members of the Board immediately prior to the relevant event.

13 ADJUSTMENTS

13.1 The number of Shares subject to an Award may be adjusted in such manner as the Board determines, in the event of:

13.1.1 any variation of the share capital of the Company; or

13.1.2 a demerger, delisting, special dividend, rights issue or other event which may, in the opinion of the Board, affect the current or future value of Shares.

13.2 The Board may also adjust any Performance Condition.

14 AMENDMENTS

14.1 Except as described in this rule 14, the Board may at any time amend the rules of the Plan or the terms of any Award.

14.2 No amendment to the material disadvantage of existing rights of Participants (except in respect of the Performance Condition) will be made under rule 14.1 unless:

14.2.1 every Participant who may be affected by such amendment has been invited to indicate whether or not he approves the amendment; and

14.2.2 the amendment is approved by a majority of those Participants who have so indicated.

14.3 No amendment will be made under this rule 14 if it would prevent the Plan from being an employees' share scheme in accordance with section 1166 of the Companies Act 2006.

15 LEGAL ENTITLEMENT

15.1 This rule 15 applies during a Participant's employment with any Group Member and after the termination of such employment, whether or not the termination is lawful.

15.2 Nothing in the Plan or its operation forms part of the terms of employment of a Participant and the rights and obligations arising from a Participant's employment with any Group Member are separate from, and are not affected by, his participation in the Plan. Participation in the Plan does not create any right to continued employment with a Group Member for any Participant.

15.3 The grant of any Award to a Participant does not create any right for that Participant to be granted any further Awards or to be granted Awards on any particular terms, including the number of Shares to which Awards relate.

15.4 By participating in the Plan, a Participant waives all rights to compensation for any loss in relation to the Plan, including:

15.4.1 any loss or reduction of any rights or expectations under the Plan in any circumstances or for any reason (including lawful or unlawful termination of the Participant's employment);

15.4.2 any exercise of a discretion or a decision taken in relation to an Award or to the Plan, or any failure to exercise a discretion or take a decision; and

15.4.3 the operation, suspension, termination or amendment of the Plan.

16 GENERAL

16.1 The Plan will terminate upon the date stated in rule 2.4, or at any earlier time by the passing of a resolution by the Board or an ordinary resolution of the Company in general meeting. Termination of the Plan will be without prejudice to the existing rights of Participants.

16.2 Shares issued or transferred from treasury under the Plan will rank equally in all respects with the Shares then in issue, except that they will not rank for any voting, dividend or other rights attaching to Shares by reference to a record date preceding the date of issue or transfer from treasury.

16.3 By participating in the Plan, Participants resident outside of the European Economic Area consent to the collection, holding, processing and transfer of his personal data by any Group Member or any third party for all purposes relating to the operation of the Plan, including but not limited to, the administration and maintenance of Participant records, providing information to future purchasers of the Company or any business in which the Participant works and to the transfer of information about the Participant to a country or territory outside the European Economic Area or elsewhere.

16.4 The Plan will be administered by the Board. The Board will have full authority, consistent with the Plan, to administer the Plan, including authority to interpret and construe any provision of the Plan and to adopt regulations for administering the Plan. Decisions of the Board will be final and binding on all parties.

16.5 Any notice or other communication in connection with the Plan may be delivered personally or sent by electronic means or post, in the case of a company to its registered office (for the attention of the company secretary), and in the case of an individual to his last known address, or, where he is a director or employee of a Group Member, either to his last known address or to the address of the place of business at which he performs the whole or substantially the whole of the duties of his office or employment. Where a notice or other communication is given by post, it will be deemed to have been received 72 hours after it was put into the post properly addressed and stamped, and if by electronic means, when the sender receives electronic confirmation of delivery or if not available, 24 hours after sending the notice.

16.6 No third party will have any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Plan (without prejudice to any right of a third party which exists other than under that Act).

16.7 The rules of the Plan will be governed by and construed in accordance with the laws of England and Wales. Any person referred to in the Plan submits to the exclusive jurisdiction of the Courts of England and Wales.

SCHEDULE

1 CASH AWARDS

The rules of the Mereo BioPharma Group Plc Long Term Incentive Plan will apply to a right to receive a cash sum granted under this Schedule as if it was either a Conditional Award (a "Cash Conditional Award") or a Nil-Cost Option (a "Cash Option"), except as set out in this Schedule. Where there is any conflict between the rules of the Plan and this Schedule, the terms of this Schedule will prevail.

1.1 Each Cash Conditional Award or Cash Option will relate to a certain number of notional Shares.

1.2 On the Vesting of a Cash Conditional Award or the exercise of a Cash Option the Participant will be entitled to receive a cash sum, calculated by reference to the value of the number of notional Shares to which the Cash Conditional Award or the Cash Option relates, on the following basis:

1.2.1 in the case of a Cash Conditional Award the cash sum will be equal to the Market Value of the notional Shares to which the Cash Conditional Award relates on the date of Vesting; and

1.2.2 in the case of a Cash Option the cash sum will be equal to the Market Value of the notional Shares to which the Cash Option relates on the date of exercise.

1.3 The cash sum payable under paragraph 1.2 above will be paid to the Participant as soon as reasonably practicable after the Vesting of the Cash Conditional Award or the exercise of the Cash Option, net of any deductions (including, but not limited to, any Tax Liability or similar liabilities) as may be required by law.

1.4 For the avoidance of doubt, a Cash Conditional Award or Cash Option will not confer any right on the holder to receive Shares or any interest in Shares.

Rules of the Mereo BioPharma Group plc Deferred Bonus Share Plan

Adopted by the board of directors of Mereo BioPharma Group plc on 4 March 2016

Amended by the board of directors of Mereo BioPharma Group plc on 20 March 2018

Expiry date: 9 June 2026

Contents

THE MEREO BIOPHARMA GROUP PLC DEFERRED BONUS SHARE PLAN

1 DEFINITIONS AND INTERPRETATION

1.1 In this Plan, unless otherwise stated, the words and expressions below have the following meanings:

"Admission Date"	the day on which the Shares are admitted to the Official List of the UKLA and to trading on AIM;
"AIM"	the Alternative Investment Market of the London Stock Exchange;
"AIM Rules"	the rules of AIM, as amended from time to time;
"Award"	a Conditional Award or a Nil-Cost Option;
"Board"	subject to rule 11.8, the board of the Company or any duly authorised committee of the board;
"Bonus"	the bonus payable (if any) to an Eligible Employee pursuant to an annual bonus plan operated by any Group Member;
"Company"	Mereo BioPharma Group Plc registered in England and Wales under number 9481161;
"Conditional Award"	a right to acquire Shares in accordance with the rules of the Plan with no Exercise Period;
"Control"	the meaning given by section 995 of the Income Tax Act 2007;
"Dealing Day"	any day on which the London Stock Exchange is open for business;
"Dealing Restrictions"	restrictions imposed by the Company's share dealing code, the AIM Rules or any applicable laws or regulations which impose restrictions on share dealing;
"Deferred Bonus"	the amount of Bonus which is to be delivered in the form of an Award under rule 2;
"Eligible Employee"	an employee (including an executive director) of the Company or any of its Subsidiaries;
"Exercise Period"	the period during which a Nil-Cost Option may be exercised;
"Financial Year"	a financial year of the Company within the meaning of section 390 of the Companies Act 2006;
"Grant Date"	the date on which an Award is granted;
"Group Member"	the Company, any Subsidiary of the Company, any company which is (within the meaning of section 1159 of the Companies Act 2006) the Company's holding company or a Subsidiary of the Company's holding company or, if the Board so determines, any body corporate in relation to which the Company is able to exercise at least 20% of the equity voting rights and "**Group**" will be construed accordingly;

"Internal Reorganisation"	where immediately after a change of Control of the Company, all or substantially all of the issued share capital of the acquiring company is owned directly or indirectly by the persons who were shareholders in the Company immediately before the change of Control;
"Nil-Cost Option"	a right to acquire Shares in accordance with the rules of the Plan during an Exercise Period;
"Normal Vesting Date"	the date on which an Award will normally Vest, which will be the third anniversary of the Grant Date (or such other date determined by the Board at the Grant Date);
"Participant"	any person who holds an Award (or, in respect of rules 6.4 and 6.6, any person to whom Shares have been issued or transferred or to whom cash is paid in respect of an Award) or following his death, his personal representatives;
"Plan"	the Mereo BioPharma Group Plc Deferred Bonus Share Plan in its present form or as from time to time amended;
"Share"	a fully paid ordinary share in the capital of the Company;
"Subsidiary"	the meaning given by section 1159 of the Companies Act 2006;
"Tax Liability"	any tax or social security contributions liability in connection with an Award for which the Participant is liable and for which any Group Member or former Group Member is obliged to account to any relevant authority;
"Trustee"	the trustee or trustees for the time being of any employee benefit trust, the beneficiaries of which include Eligible Employees;
"UKLA"	the United Kingdom Listing Authority or any successor body;
"Vest"	i) in relation to a Conditional Award, the point at which a Participant becomes entitled to receive the Shares; and ii) in relation to a Nil-Cost Option, the point at which it becomes capable of exercise, and **"Vesting", "Vested"** and "**Vesting Date**" will be construed accordingly.

1.2 References in the Plan to:

1.2.1 any statutory provisions are to those provisions as amended or re-enacted from time to time;

1.2.2 the singular include the plural and vice versa; and

1.2.3 the masculine include the feminine and vice versa.

1.3 Headings do not form part of the Plan.

2 GRANT OF AWARDS

2.1 Subject to rule 2.2 and 2.3, the Board may grant an Award to an Eligible Employee in its discretion subject to the rules of the Plan and upon such additional terms as the Board may determine.

2.2 The grant of an Award will be subject to obtaining any approval or consent required by AIM (or other relevant authority), any Dealing Restrictions and any other applicable laws or regulations (whether in the UK or overseas).

2.3 An Award may only be granted to an Eligible Employee who has earned a Bonus for the Financial Year immediately preceding the Financial Year in which the Grant Date occurs.

2.4 An Award will be granted over such number of Shares as have at the Grant Date a market value (as determined by the Board) equal to the Deferred Bonus.

2.5 To the extent any Award exceeds the limit in rule 2.4 it will be scaled back accordingly.

2.6 Awards must be granted by deed and, as soon as reasonably practicable after the Grant Date, Participants must be notified of the terms of their Award.

2.7 No Award may be granted under the Plan after the tenth anniversary of the Admission Date.

3 RESTRICTIONS ON TRANSFER AND BANKRUPTCY

3.1 An Award must not be transferred, assigned, charged or otherwise disposed of in any way (except in the event of the Participant's death, to his personal representatives) and will lapse immediately on any attempt to do so.

3.2 An Award will lapse immediately if the Participant is declared bankrupt or, if the Participant is outside the UK, any analogous event occurs.

4 DIVIDEND EQUIVALENTS

4.1 The Board may decide at any time prior to the issue or transfer of the Shares in respect of which an Award Vests that the Participant will receive an amount (in cash and/or additional Shares) equal in value to any dividends that would have been paid on those Shares on such terms and over such period (ending no later than the Vesting Date) as the Board may determine. This amount may assume the reinvestment of dividends (on such basis as the Board may determine) and may exclude or include special dividends.

4.2 Any such amount will be payable as soon as reasonably practicable after Vesting or, in the case of a Nil-Cost Option, exercise, of the relevant Award.

5 INDIVIDUAL LIMIT

5.1 No Eligible Employee may be granted Awards which would, at the time they are granted, cause the market value (as determined by the Board) of all the Shares subject to Awards granted to that Eligible Employee in respect of a particular financial year of the Company to exceed 100 per cent. of salary, and to the extent any Award exceeds this limit it will be scaled back accordingly.

6 REDUCTION OF AWARDS AND CLAWBACK

6.1 Notwithstanding any other rule of the Plan, this rule 6 applies to any Award and will continue to apply after the termination of a Participant's office or employment with a Group Member for any reason whether or not the termination is lawful.

6.2 The circumstances in which rules 6.3 and 6.4 may apply are:

6.2.1 a material misstatement of the Company's accounts; or

6.2.2 an error in assessing the information or assumptions by reference to which the Bonus was determined, such that the Bonus payable was in excess of the Bonus that would have been payable should the circumstances not have occurred; or

6.2.3 fraudulent or material misconduct on the part of the Participant

occurring, unless rule 6.5 applies, within the period ending on the third anniversary of the Grant Date applying to an Award.

6.3 The Board may, in its discretion, determine at any time prior to the earlier of the delivery of cash or shares comprised in an Award and, unless rule 6.5 applies, the third anniversary of the Grant Date applying to an Award, to:

6.3.1 reduce (including to zero) the number of Shares to which an Award relates; and/or

6.3.2 impose further conditions on an Award.

6.4 The Board may, in its discretion, determine at any time after the delivery of cash or Shares comprised in an Award, and unless, rule 6.5 applies, prior to the third anniversary of the Grant Date applying to an Award, to:

6.4.1 require a Participant to make a cash payment to the Company in respect of some or all of the Shares or cash delivered to him under the Award; and/or

6.4.2 require a Participant to transfer for nil consideration some or all of the Shares delivered to him under the Award

and the Board will have the discretion to determine the basis on which the amount of cash or Shares is calculated, including whether and if so to what extent to take account of any tax or social security liability applicable to the Award.

6.5 If the action or conduct of any Participant, Group Member or relevant business unit is under investigation prior to the third anniversary of the Grant Date applying to an Award pursuant to this rule 6 and such investigation has not yet been concluded by that date, the period referred to in rules 6.2, 6.3 and 6.4 will end on such later date as the Board considers appropriate to allow such investigation to be concluded.

6.6 The Board may decide to:

6.6.1 reduce (including to zero) the number of Shares to which an Award relates;

6.6.2 impose further conditions on an Award; and/or

6.6.3 require a Participant to transfer for nil consideration some or all of the Shares delivered to him under an Award or make a cash payment to the Company in respect of some or all of the Shares delivered to him under an Award

to effect the recovery of sums paid or Shares delivered under any provisions similar to this rule 6 which are included in any bonus plan or share plan (other than the Plan) operated by any Group Member and if the Board decides to apply rule 6.6.3, the Board will have the discretion to determine the basis on which the amount of cash or Shares is calculated, including whether and if so to what extent to take account of any tax or social security liability applicable to the Award.

6.7 For the purposes of this rule 6, references to Group Member or a relevant business unit include references to any former Group Member or former business unit.

6.8 If the Board exercises its discretion in accordance with this rule 6, it will confirm this in writing to each Participant and, if necessary, the Trustee.

7 VESTING AND EXERCISE

7.1 Subject to rules 8.2, 10 and 11, an Award will Vest:

7.1.1 on the Normal Vesting Date; or

7.1.2 if on the Normal Vesting Date (or on any other date on which an Award is due to Vest under rule 10 or 11) a Dealing Restriction applies to the Award, on the date on which such Dealing Restriction lifts; and

a Nil-Cost Option may then be exercised during the period ending on the first anniversary of the date on which it Vested (or such shorter period as the Board may determine on or prior to the Grant Date) in such manner as the Board determines, after which time it will lapse.

7.2 Subject to rules 8 and 9, where a Conditional Award has Vested or a Nil-Cost Option has been exercised, the number of Shares in respect of which the Award has Vested or been exercised together with any additional Shares or cash to which a Participant becomes entitled under rule 4 will be issued, transferred or paid (as applicable) to the Participant as soon as reasonably practicable thereafter.

8 TAXATION AND REGULATORY ISSUES

8.1 A Participant will be responsible for and indemnifies each relevant Group Member and the Trustee against any Tax Liability relating to his Award. Any Group Member and/or the Trustee may withhold an amount equal to such Tax Liability from any amounts due to the Participant (to the extent such withholding is lawful) and/or make any other arrangements as it considers appropriate to ensure recovery of such Tax Liability including, without limitation, the sale of sufficient Shares acquired subject to the Award to realise an amount equal to the Tax Liability.

8.2 The Vesting of a Conditional Award, the exercise of a Nil-Cost Option and the issue or transfer of Shares under the Plan will be subject to obtaining any approval or consent required by AIM (or any other relevant authority), any Dealing Restrictions, or any other applicable laws or regulations (whether in the UK or overseas).

9 CASH EQUIVALENT

9.1 Subject to rule 9.2, at any time prior to the date on which Shares in respect of which an Award has Vested or, in the case of a Nil-Cost Option, has been exercised and, in both cases, Shares have been issued or transferred to a Participant, the Board may determine that, in substitution for his right to acquire some or all of the Shares to which his Award relates, the Participant will instead receive a cash sum. The cash sum will be equal to the market value (as determined by the Board) of that number of the Shares which would otherwise have been issued or transferred and for these purposes:

9.1.1 in the case of a Conditional Award, market value will be determined on the date of Vesting;

9.1.2 in the case of a Nil-Cost Option, market value will be determined on the date of exercise; and

9.1.3 in either case the cash sum will be paid to the Participant as soon as practicable after the Vesting of the Conditional Award or the exercise of the Nil-Cost Option, net of any deductions (including but not limited to any Tax Liability or similar liabilities) as may be required by law.

9.2 The Board may determine that this rule 9 will not apply to an Award or any part of it.

10 CESSATION OF EMPLOYMENT

10.1 Except where a Participant is summarily dismissed and unless the Board determines that an Award will Vest in accordance with rule 10.2, an Award which has not yet Vested as at the date of cessation will continue and, subject to rule 11, Vest on the Normal Vesting Date.

10.2 If the Board determines that an Award which has not yet Vested at the date of cessation will Vest in accordance with this rule 10.2, it will Vest as soon as reasonably practicable following the date of cessation.

10.3 A Nil-Cost Option that Vests under rule 10 may, subject to rule 11, be exercised for a period of 12 months (or such other period as the Board may determine) from the date of Vesting, after which time it will lapse.

10.4 Except where a Participant is summarily dismissed, a Nil-Cost Option which has Vested prior to the date of cessation may, subject to rule 11, be exercised during the remainder of the original Exercise Period applicable to his Award, after which time it will lapse.

10.5 For the purposes of the Plan, no person will be treated as ceasing to hold office or employment with a Group Member until that person no longer holds:

10.5.1 an office or employment; or

10.5.2 a right to return to work

with any Group Member.

11 CORPORATE EVENTS

11.1 Where any of the events described in rule 11.2 occur, then subject to rules 11.5 and 11.7, all Awards which have not yet Vested will Vest at the time of such event. Nil-Cost Options (whether Vested pursuant to this rule or otherwise) will be exercisable for one month (or such other period as the Board may determine) from the date of the relevant event, after which time all Nil-Cost Options will lapse.

11.2 The events referred to in rule 11.1 are:

11.2.1 General offer

If any person (either alone or together with any person acting in concert with him):

(i) obtains Control of the Company as a result of making a general offer to acquire Shares; or

(ii) already having Control of the Company, makes an offer to acquire all of the Shares other than those which are already owned by him

and such offer becomes wholly unconditional.

11.2.2 Scheme of arrangement

A compromise or arrangement in accordance with section 899 of the Companies Act 2006 (or any similar legislation or rules in a jurisdiction outside the United Kingdom) for the purposes of a change of Control of the Company which is sanctioned by the Court.

11.3 Winding-up

On the passing of a resolution for the voluntary winding-up or the making of an order for the compulsory winding-up of the Company, the Board will determine:

11.3.1 whether and to what extent Awards which have not yet Vested will Vest, unless the Board determines otherwise, taking into account the period of time from the Grant Date to the date of the relevant event; and

11.3.2 the period of time during which any Vested Nil-Cost Option may be exercised, after which time it will lapse.

To the extent that an Award does not Vest, it will lapse immediately.

11.4 Other events

If the Company is or may be affected by a demerger, delisting, special dividend or other event which in the opinion of the Board, may affect the current or future value of Shares, the Board will determine:

11.4.1 whether and to what extent Awards which have not yet Vested will Vest, unless the Board determines otherwise, taking into account the period of time from the Grant Date to the date of the relevant event; and

11.4.2 the period of time during which any Vested Nil-Cost Option may be exercised, after which time it will lapse.

To the extent that an Award does not Vest, it will lapse immediately.

11.5 Exchange – unvested Awards

An unvested Award will not Vest under rule 11.1 but will be exchanged on the terms set out in rule 11.7 to the extent that:

11.5.1 an offer to exchange the Award is made and accepted by a Participant; or

11.5.2 there is an Internal Reorganisation.

11.6 Exchange - Vested Nil-Cost Options

To the extent that there is an Internal Reorganisation, a Vested Nil-Cost Option will be exchanged on the terms set out in rule 11.7.

11.7 Exchange terms

If this rule 11.7 applies, the Existing Award will not Vest but will be exchanged in consideration of the grant of a new award ("the **New Award**") which, in the opinion of the Board, is equivalent to the Existing Award, but relates to shares in a different company (whether the acquiring company or a different company). Unless the Board determines otherwise, the rules of this Plan will be construed in relation to the New Award as if:

11.7.1 the New Award were an Award granted under the Plan at the same time as the Award;

11.7.2 references to the Company were references to the company whose shares are subject to the New Award; and

11.7.3 references to Shares were references to shares in the company whose shares are subject to the New Award.

11.8 Meaning of Board

Any reference to the Board in this rule 11 means the members of the Board immediately prior to the relevant event.

12 ADJUSTMENTS

12.1 The number of Shares subject to an Award may be adjusted in such manner as the Board determines, in the event of:

12.1.1 any variation of the share capital of the Company; or

12.1.2 a demerger, delisting, special dividend, rights issue or other event which may, in the opinion of the Board, affect the current or future value of Shares.

13 AMENDMENTS

13.1 Except as described in this rule 13, the Board may at any time amend the rules of the Plan or the terms of any Award.

13.2 No amendment to the material disadvantage of existing rights of Participants will be made under rule 13.1 unless:

13.2.1 every Participant who may be affected by such amendment has been invited to indicate whether or not he approves the amendment; and

13.2.2 the amendment is approved by a majority of those Participants who have so indicated.

13.3 No amendment will be made under this rule 13 if it would prevent the Plan from being an employees' share scheme in accordance with section 1166 of the Companies Act 2006.

14 LEGAL ENTITLEMENT

14.1 This rule 14 applies during a Participant's employment with any Group Member and after the termination of such employment, whether or not the termination is lawful.

14.2 Nothing in the Plan or its operation forms part of the terms of employment of a Participant and the rights and obligations arising from a Participant's employment with any Group Member are separate from, and are not affected by, his participation in the Plan. Participation in the Plan does not create any right to continued employment with a Group Member for any Participant.

14.3 The grant of any Award to a Participant does not create any right for that Participant to be granted any further Awards or to be granted Awards on any particular terms, including the number of Shares to which Awards relate.

14.4 By participating in the Plan, a Participant waives all rights to compensation for any loss in relation to the Plan, including:

14.4.1 any loss or reduction of any rights or expectations under the Plan in any circumstances or for any reason (including lawful or unlawful termination of the Participant's employment);

14.4.2 any exercise of a discretion or a decision taken in relation to an Award or to the Plan, or any failure to exercise a discretion or take a decision; and

14.4.3 the operation, suspension, termination or amendment of the Plan.

15 GENERAL

15.1 The Plan will terminate upon the date stated in rule 2.7, or at any earlier time by the passing of a resolution by the Board or an ordinary resolution of the Company in general meeting. Termination of the Plan will be without prejudice to the existing rights of Participants

15.2 Shares issued or transferred from treasury under the Plan will rank equally in all respects with the Shares then in issue, except that they will not rank for any voting, dividend or other rights attaching to Shares by reference to a record date preceding the date of issue or transfer from treasury.

15.3 By participating in the Plan, Participants resident outside of the European Economic Area consent to the collection, holding, processing and transfer of his personal data by any Group Member or any third party for all purposes relating to the operation of the Plan, including but not limited to, the administration and maintenance of Participant records, providing information to future purchasers of the Company or any business in which the Participant works and to the transfer of information about the Participant to a country or territory outside the European Economic Area or elsewhere.

15.4 The Plan will be administered by the Board. The Board will have full authority, consistent with the Plan, to administer the Plan, including authority to interpret and construe any provision of the Plan and to adopt regulations for administering the Plan. Decisions of the Board will be final and binding on all parties.

15.5 Any notice or other communication in connection with the Plan may be delivered personally or sent by electronic means or post, in the case of a company to its registered office (for the attention of the company secretary), and in the case of an individual to his last known address, or, where he is a director or employee of a Group Member, either to his last known address or to the address of the place of business at which he performs the whole or substantially the whole of the duties of his office or employment. Where a notice or other communication is given by post, it will be deemed to have been received 72 hours after it was put into the post properly addressed and stamped, and if by electronic means, when the sender receives electronic confirmation of delivery or if not available, 24 hours after sending the notice.

15.6 No third party will have any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Plan (without prejudice to any right of a third party which exists other than under that Act).

15.7 The rules of the Plan will be governed by and construed in accordance with the laws of England and Wales. Any person referred to in the Plan submits to the exclusive jurisdiction of the Courts of England and Wales.

SCHEDULE

1 CASH AWARDS

The rules of the Mereo BioPharma Group Plc Deferred Bonus Share Plan will apply to a right to receive a cash sum granted under this Schedule as if it was either a Conditional Award (a "Cash Conditional Award") or a Nil-Cost Option (a "Cash Option"), except as set out in this Schedule. Where there is any conflict between the rules of the Plan and this Schedule, the terms of this Schedule will prevail.

1.1 Each Cash Conditional Award or Cash Option will relate to a certain number of notional Shares.

1.2 On the Vesting of a Cash Conditional Award or the exercise of a Cash Option the Participant will be entitled to receive a cash sum, calculated by reference to the value of the number of notional Shares to which the Cash Conditional Award or the Cash Option relates, on the following basis:

1.2.1 in the case of a Cash Conditional Award the cash sum will be equal to the market value (as determined by the Board) of the notional Shares to which the Cash Conditional Award relates on the date of Vesting; and

1.2.2 in the case of a Cash Option the cash sum will be equal to the market value (as determined by the Board) of the notional Shares to which the Cash Option relates on the date of exercise.

1.3 The cash sum payable under paragraph 1.2 above will be paid to the Participant as soon as reasonably practicable after the Vesting of the Cash Conditional Award or the exercise of the Cash Option, net of any deductions (including, but not limited to, any Tax Liability or similar liabilities) as may be required by law.

1.4 A Cash Conditional Award or Cash Option will not confer any right on the holder to receive Shares or any interest in Shares.

Deloitte.

Rules of the Mereo BioPharma Group plc Share Option Scheme for Non-Executive Directors

Approved by the board of directors of Mereo BioPharma Group plc on 20 March 2018

Expiry date: 20 March 2028

CONTENTS

THE MEREO BIOPHARMA GROUP PLC SHARE OPTION SCHEME FOR NON-EXECUTIVE DIRECTORS

1. DEFINITIONS AND INTERPRETATION

1.1 In this Scheme, unless otherwise stated, the words and expressions below have the following meanings:

"AIM"	the Alternative Investment Market of the London Stock Exchange;
"AIM Rules"	the rules of AIM, as amended from time to time;
"Board"	subject to rule 8.8, the board of directors of the Company or any duly authorised committee of the board;
"Company"	Mereo BioPharma Group plc registered in England and Wales under number 9481161;
"Control"	the meaning given by section 995 of the Income Tax Act 2007;
"Dealing Day"	any day on which the London Stock Exchange is open for business;
"Dealing Restrictions"	restrictions imposed by the Company's share dealing code, the AIM Rules or any applicable laws or regulations which impose restrictions on share dealing;
"Eligible Director"	a non-executive director of the Company;
"Exercise Period"	the period during which an Option may be exercised, which will be determined by the Board at the Grant Date, ending no later than the tenth anniversary of the Grant Date;
"Exercise Price"	the price per Share payable to exercise an Option as determined by the Board in accordance with rule 2.5, as adjusted from time to time in accordance with the rules of the Scheme;
"Grant Date"	the date on which an Option is granted;
"Group Member"	the Company, any Subsidiary of the Company, any company which is (within the meaning of section 1159 of the Companies Act 2006) the Company's holding company or a Subsidiary of the Company's holding company or, if the Board so determines, any body corporate in relation to which the Company is able to exercise at least 20% of the equity voting rights and "Group" will be construed accordingly;
"Internal Reorganisation"	where immediately after a change of Control of the Company, all or substantially all of the issued share capital of the acquiring company is owned directly or indirectly by the persons who were shareholders in the Company immediately before the change of Control;
"Market Value"	the market value as determined by the Board on the relevant date;
"Normal Vesting Date"	the date on which the Board determines, on or prior to the Grant Date that an Option will normally Vest, or to the extent that the Option is

	subject to a Vesting Schedule, the date determined by the Board on or prior to the Grant Date for the relevant tranche of the Option as set out in the Vesting Schedule;
"Option"	a right to acquire Shares in accordance with the rules of the Scheme during an Exercise Period;
"Participant"	any person who holds an Option or following his death, his personal representatives;
"Scheme"	the Mereo BioPharma Group Plc Share Option Scheme for Non-Executive Directors in its present form or as from time to time amended;
"Share"	a fully paid ordinary share in the capital of the Company or an American Depository Share representing such a share or a number of such shares;
"Subsidiary"	the meaning given by section 1159 of the Companies Act 2006;
"Tax Liability"	any tax or social security contributions liability in connection with an Option for which the Participant is liable and for which any Group Member or former Group Member is obliged to account to any relevant authority;
"Vest"	the point at which an Option becomes exerciseable, and "**Vested**" and "**Vesting**" will be construed accordingly; and
"Vesting Schedule"	in relation to an Option that is divided into tranches, the series of Normal Vesting Dates on which the Board determines on the Grant Date that those tranches will usually normally Vest.

1.2 References in the Scheme to:

1.2.1 any statutory provisions are to those provisions as amended or re-enacted from time to time;

1.2.2 the singular include the plural and vice versa; and

1.2.3 the masculine include the feminine and vice versa.

1.3 Headings do not form part of the Scheme.

2. GRANT OF OPTIONS

2.1 Subject to rule 2.2, the Board may grant an Option to an Eligible Director in its discretion subject to the rules of the Scheme and upon such additional terms as the Board may determine.

2.2 The grant of an Option will be subject to obtaining any approval or consent required by AIM (or other relevant authority), any Dealing Restrictions and any other applicable laws or regulations (whether in the UK or overseas).

2.3 Options must be granted by deed and, as soon as practicable after the Grant Date, Participants must be notified of the terms of their Option.

2.4 No Option may be granted under the Scheme after the tenth anniversary of its adoption by the Board.

2.5 On the grant of an Option, the Board will determine the Exercise Price which applies to that Option which may not be less than the greater of:

2.5.1 the Market Value of a Share on the Grant Date; and

2.5.2 if the Shares are to be subscribed, the nominal value of a Share.

2.6 The Exercise Price applying to an Option may be adjusted in accordance with rule 9.

3. RESTRICTIONS ON TRANSFER AND BANKRUPTCY

3.1 Unless the Board determines otherwise, an Option must not be transferred, assigned, charged or otherwise disposed of in any way (except in the event of the Participant's death, to his personal representatives) and will lapse immediately on any attempt to do so.

3.2 An Option will lapse immediately if the Participant is declared bankrupt, or if the Participant is outside the UK, any analogous event occurs.

4. VESTING AND EXERCISE

4.1 Subject to rules 5, 7 and 8, an Option will Vest:

4.1.1 on the Normal Vesting Date; or

4.1.2 if on the Normal Vesting Date (or on any other date on which an Option is due to Vest under rule 7 or 8) a Dealing Restriction applies to the Option, on the date on which such Dealing Restriction lifts; and

4.1.3 an Option may then be exercised during the Exercise Period, after which time it will lapse.

4.2 Subject to rules 5 and 6, an Option may be exercised pursuant to this rule 4 or rules 7 and 8 in such form and manner as the Board may determine, provided that exercise of an Option will not take effect until the Company receives:

4.2.1 notice of exercise of the Option; and

4.2.2 payment of the aggregate Exercise Price (or an undertaking to pay that amount).

4.3 Subject to rules 5 and 6, where an Option has been exercised, the number of Shares in respect of which it has been exercised will be issued (or where rule 5 applies the cash amount paid) to the Participant as soon as reasonably practicable thereafter. No Shares may be acquired in the market or transferred from treasury to satisfy Options under the Scheme

5. TAXATION AND REGULATORY ISSUES

5.1 A Participant will be responsible for and indemnifies each relevant Group Member against any Tax Liability relating to his Option. Any Group Member may withhold an amount equal to such Tax Liability from any amounts due to the Participant (to the extent such withholding is lawful) and/or make any other arrangements as it considers appropriate to ensure recovery of such Tax Liability including, without limitation, the sale of sufficient Shares acquired subject to the Option to realise an amount equal to the Tax Liability.

5.2 The exercise of an Option and the issue of Shares under the Scheme will be subject to obtaining any approval or consent required by AIM (or other relevant authority), any Dealing Restrictions, or any other applicable laws or regulations (whether in the UK or overseas).

6. CASH EQUIVALENT

6.1 Subject to rule 8.5, at any time prior to the date on which Shares in respect of which an Option has been exercised have been issued to a Participant, the Board may determine that, in substitution for his right to acquire some or all of the Shares to which his Option relates, the Participant will instead receive a cash sum in accordance with rule 6.2.

6.2 A cash sum to which a Participant becomes entitled under this rule 6.2 will be equal to the Market Value of that number of the Shares which would otherwise have been issued, less the aggregate Exercise Price payable in respect of the exercise of the Option in relation to those Shares and for these purposes:

6.2.1 Market Value will be determined on the date of exercise; and

6.2.2 the cash sum will be paid to the Participant as soon as reasonably practicable after exercise of the Option, net of any deductions (including, but not limited to, any Tax Liability or similar liabilities) as may be required by law.

6.3 Any Exercise Price paid by a Participant will be refunded to him to the extent an Option he has exercised is settled by a payment of cash in accordance with rule 6.2.

6.4 The Board may determine that this rule 6 will not apply to an Option, or any part of it.

7. CESSATION OF OFFICE

Bad leavers

7.1 If a Participant ceases to hold office with the Company as a result of the termination of his appointment for gross misconduct, any Option that he holds (whether or not Vested) will lapse at that time.

Good leavers

7.2 If a Participant ceases to hold office with the Company for any reason other than as a result of the termination of his appointment for gross misconduct:

7.2.1 to the extent that his Option has Vested on the date of such cessation, it will be exercisable from the date of cessation in accordance with rule 7.3; and

7.2.2 to the extent that his Option has not Vested on the date of such cessation, it will become exercisable on the Normal Vesting Date (unless the Board determines that it will be exercisable on the date of cessation) in accordance with rule 7.3 to the extent determined by the Board (taking into account the period of time that has elapsed from the Grant Date to the date of cessation, unless the Board determines otherwise).

To the extent that an Option does not Vest, the remainder will lapse immediately.

7.3 An Option may, subject to rule 8, then be exercised for a period of six months or, in the case of the Participant's death, 12 months (or such other period as the Board may determine) from the date of cessation (where rule 7.2.1 applies or where the Board has determined that it will be exercisable on the date of cessation pursuant to rule 7.2.2) or the Normal Vesting Date (where rule 7.2.2 applies) after which time it will lapse.

7.4 For the purposes of the Scheme, no person will be treated as ceasing to hold office with the Company, if immediately after such cessation, he is an employee or an executive director of any a Group Member, in which case he will only be treated as ceasing to hold office with the Company pursuant to this rule 7 when he no longer holds:

7.4.1 any office or employment; or

7.4.2 a right to return to work

With any Group Member.

8. CORPORATE EVENTS

8.1 Where any of the events described in rule 8.3 occur, then subject to rules 8.5 and 8.7, all Options which have not yet Vested will Vest in accordance with rule 8.2 at the time of such event. Options (whether Vested pursuant to this rule or otherwise) will be exercisable for one month (or such longer period as the Board may determine, not exceeding six months) from the date of the relevant event, after which time all Options will lapse.

8.2 The number of Shares in respect of which the Option Vests pursuant to rule 8.1 will be determined by the Board and unless the Board determines otherwise, will take into account the period of time that has elapsed from the Grant Date to the date of the relevant event. To the extent that an Option does not Vest in full or is not exchanged in accordance with rules 8.5 and 8.7, the remainder will lapse immediately.

8.3 The events referred to in rule 8.1 are:

General offer

8.3.1 If any person (either alone or together with any person acting in concert with him):

i. obtains Control of the Company as a result of making a general offer to acquire Shares; or

ii. already having Control of the Company, makes an offer to acquire all of the Shares other than those which are already owned by him

and such offer becomes wholly unconditional.

Scheme of arrangement

8.3.2 A compromise or arrangement in accordance with section 899 of the Companies Act 2006 (or any similar legislation or rules in a jurisdiction outside the United Kingdom) for the purposes of a change of Control of the Company which is sanctioned by the Court.

Winding-up

8.3.3 On the passing of a resolution for the voluntary winding-up or the making of an order for the compulsory winding up of the Company, the Board will determine:

i. whether and to what extent Options which have not yet Vested will Vest, unless the Board determines otherwise, taking into account the period of time from the Grant Date to the date of the relevant event; and

ii. the period during which a Vested Option may be exercised, after which time it will lapse.

To the extent that an Option does not Vest, it will lapse immediately.

Other events

8.4 If the Company is or may be affected by a demerger, delisting, special dividend or other event which, in the opinion of the Board, may affect the current or future value of Shares the Board may determine:

8.4.1 whether and to what extent Options which have not yet Vested will Vest, unless the Board determines otherwise, taking into account the period of time from the Grant Date to the date of the relevant event; and

8.4.2 the period of time during which any Vested Option may be exercised, after which time it will lapse.

To the extent that an Option does not Vest it will lapse immediately.

Exchange – unvested Options

8.5 An unvested Option will not Vest under rule 8.1 but will be exchanged on the terms set out in rule 8.7 to the extent that:

8.5.1 an offer to exchange the Option is made and accepted by a Participant; or

8.5.2 there is an Internal Reorganisation.

Exchange – Vested Options

8.6 Where there is an Internal Reorganisation, unless the Board determines otherwise, a Vested Option will not lapse under rule 8.1 but will be exchanged on the terms set out in rule 8.7.

Exchange terms

8.7 If this rule 8.7 applies, the Option will be released in consideration of the grant of a new option ("New Option") which, in the opinion of the Board, is equivalent to the Option, but relates to shares in a different company (whether the acquiring company or a different company). Unless the Board determines otherwise, the rules of this Scheme will be construed in relation to the New Option as if:

8.7.1 the New Option were an Option granted under the Scheme at the same time as the Option;

8.7.2 references to the Company were references to the company whose shares are subject to the New Option; and

8.7.3 references to Shares were references to shares in the company whose shares are subject to the New Option.

Meaning of Board

8.8 Any reference to the Board in this rule 8 means the members of the Board immediately prior to the relevant event.

9. ADJUSTMENTS

9.1 The number of Shares subject to an Option and/or the Exercise Price may be adjusted in such manner as the Board determines, in the event of:

9.1.1 any variation of the share capital of the Company; or

9.1.2 a demerger, delisting, special dividend, rights issue or other event which may, in the Board's opinion, affect the current or future value of Shares.

10. AMENDMENTS

10.1 Except as described in this rule 10 the Board may at any time amend the rules of the Scheme.

10.2 No amendment to the material disadvantage of existing rights of Participants will be made under rule 12.1 unless:

10.2.1 every Participant who may be affected by such amendment has been invited to indicate whether or not he approves the amendment; and

10.2.2 the amendment is approved by a majority of those Participants who have so indicated.

11. LEGAL ENTITLEMENT

11.1 Nothing in the Scheme or its operation forms part of the terms on which a Participant holds office with the Company and participation in the Scheme does not create any right for any Participant to continue to hold such office.

11.2 The grant of any Option to a Participant does not create any right for that Participant to be granted any further Options or to be granted Options on any particular terms, including the number of Shares to which Options relate.

11.3 By Participating in the Scheme, a Participant waives all rights to compensation for any loss in relation to the Scheme, including:

11.3.1 any loss or reduction of any rights or expectations under the Scheme in any circumstances or for any reason (including termination of the Participant's office);

11.3.2 any exercise of a discretion or a decision taken in relation to an Option or to the Scheme, or any failure to exercise a discretion or take a decision; and

11.3.3 the operation, suspension, termination or amendment of the Scheme.

12. GENERAL

12.1 The Scheme will terminate upon the date stated in rule 2.4, or at any earlier time by the passing of a resolution by the Board or an ordinary resolution of the Company in general meeting. Termination of the Scheme will be without prejudice to the existing rights of Participants.

12.2 Shares issued under the Scheme will rank equally in all respects with the Shares then in issue, except that they will not rank for any voting, dividend or other rights attaching to Shares by reference to a record date preceding the date of issue.

12.3 By participating in the Scheme, Participants resident outside of the European Economic Area consent to the collection, holding, processing and transfer of his personal data by any Group Member or any third party for all purposes relating to the operation of the Scheme, including but not limited to, the administration and maintenance of Participant records, providing information to future purchasers of the Company or any business in which the Participant works and to the transfer of information about the Participant to a country or territory outside the European Economic Area or elsewhere.

12.4 The Scheme will be administered by the Board. The Board will have full authority, consistent with the Scheme, to administer the Scheme, including authority to interpret and construe any provision of the Scheme and to adopt regulations for administering the Scheme. Decisions of the Board will be final and binding on all parties.

12.5 Any notice or other communication in connection with the Scheme may be delivered personally or sent by electronic means or post, in the case of a company to its registered office (for the attention of the company secretary), and in the case of an individual to his last known address, or, where he is a director of the Company, either to his last known address or to the address of the place of business at which he performs the whole or substantially the whole of the duties of his office. Where a notice or other communication is given by post, it will be deemed to have been received 72 hours after it was put into the post properly addressed and stamped, and if by electronic means, when the sender receives electronic confirmation of delivery or if not available, 24 hours after sending the notice.

12.6 No third party will have any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Scheme (without prejudice to any right of a third party which exists other than under that Act).

12.7 These rules will be governed by and construed in accordance with the laws of England and Wales. Any person referred to in this Scheme submits to the exclusive jurisdiction of the Courts of England and Wales.

["Initial NED Options"]

THE MEREO BIOPHARMA GROUP PLC SHARE OPTION SCHEME FOR NON-EXECUTIVE DIRECTORS

(THE "NED SCHEME")

GLOBAL DEED OF GRANT

On the date of this deed ("**Grant Date**"), Mereo BioPharma Group Plc (the "**Company**") hereby grants options ("**NED Options**") over such number of ordinary shares in the Company ("**Shares**") as specified in the Appendix, to the individuals ("**Participants**") named therein, subject to the rules of the NED Scheme and the terms of this deed.

Unless otherwise defined, capitalised terms used in this deed have the same meaning as in the rules of the NED Scheme.

TERMS OF THE NED OPTIONS

Subject to the rules of the NED Scheme, the following Vesting Schedule will apply to the NED Options (each vesting date a "**Normal Vesting Date**"):

a) one-third of the Shares subject to the NED Option, rounding down to the nearest whole Share will Vest on the first anniversary of the Grant Date;

b) 1/36th of the Shares subject to the NED Option, rounding down to the nearest whole Share will Vest each month following the first anniversary of the Grant Date for 23 months; and

c) the remaining Shares subject to the NED Option will Vest on the third anniversary of the Grant Date.

Each tranche of the NED Option will normally then be exercisable from the relevant Normal Vesting Date until the tenth anniversary of the Grant Date after which, subject to the rules of the NED Scheme, the NED Option will lapse.

The NED Option is personal to the Participant and is not transferable except as permitted by the rules of the NED Scheme. Subject to the rules of the NED Scheme, Shares in respect of a NED Option which has been exercised will be delivered to the Participant as soon as reasonably practicable thereafter, subject to payment of any Tax Liability relating to the NED Option.

Executed as a deed on [Insert date] by

Mereo BioPharma Group Pic

acting by [Name] a director,

_____

[Name]
in the presence of:

_____

[SIGNATURE OF WITNESS]

_____

_____

_____

_____

_____

[NAME, ADDRESS AND OCCUPATION OF WITNESS]

Appendix

Name of Participant	Number of Shares subject to NED Option
[●]	[●]
[●]	[●]
[●]	[●]
[●]	[●]

MEREO BIOPHARMA GROUP PLC SHARE OPTION SCHEME
FOR NON-EXECUTIVE DIRECTORS (THE "NED SCHEME")

NED OPTION CERTIFICATE

This is to certify that on [●] 2018 (the "**Grant Date**"), [name] (the "**Participant**") was granted an option ("**NED Option**") under the rules of the NED Scheme over [●] ordinary shares in Mereo BioPharma Group plc ("**Shares**").

Subject to the rules of the NED Scheme, the following Vesting Schedule will apply to the NED Option (each vesting date a "**Normal Vesting Date**"):

a) one-third of the Shares subject to the NED Option, rounding down to the nearest whole Share will Vest on the first anniversary of the Grant Date;

b) 1/36th of the Shares subject to the NED Option, rounding down to the nearest whole Share will Vest each month following the first anniversary of the Grant Date for 23 months; and

c) the remaining Shares subject to the NED Option will Vest on the third anniversary of the Grant Date.

Each tranche of the NED Option will normally then be exercisable from the relevant Normal Vesting Date until the tenth anniversary of the Grant Date after which, subject to the rules of the NED Scheme, the NED Option will lapse.

The NED Option is personal to the Participant and is not transferable except as permitted by the rules of the NED Scheme. Subject to the rules of the NED Scheme, Shares in respect of a NED Option which has been exercised will be delivered to the Participant as soon as reasonably practicable thereafter, subject to payment of any Tax Liability relating to the NED Option.

Unless otherwise defined, capitalised terms used in this Option Certificate have the same meaning as in the rules of the NED Scheme. In the event of a conflict with this Option Certificate, the rules of the NED Scheme prevail.

PLEASE KEEP THIS CERTIFICATE IN A SAFE PLACE

["On-going NED Options"]

THE MEREO BIOPHARMA GROUP PLC SHARE OPTION SCHEME FOR NON-EXECUTIVE DIRECTORS

(THE "NED SCHEME")

GLOBAL DEED OF GRANT

On the date of this deed ("**Grant Date**"), Mereo BioPharma Group Plc (the "**Company**") hereby grants options ("**NED Options**") over such number of ordinary shares in the Company ("**Shares**") as specified in the Appendix, to the individuals ("**Participants**") named therein, subject to the rules of the NED Scheme and the terms of this deed.

Unless otherwise defined, capitalised terms used in this deed have the same meaning as in the rules of the NED Scheme.

TERMS OF THE NED OPTIONS

Subject to the rules of the NED Scheme, the following Vesting Schedule will apply to the NED Options (each vesting date a "**Normal Vesting Date**"):

a) 1/12th of the Shares subject to the NED Option, rounding down to the nearest whole Share will Vest each month following the Grant Date for 11 months; and

b) the remaining Shares subject to the NED Option will Vest on the first anniversary of the Grant Date.

Each tranche of the NED Option will normally then be exercisable from the relevant Normal Vesting Date until the tenth anniversary of the Grant Date after which, subject to the rules of the NED Scheme, the NED Option will lapse.

The NED Option is personal to the Participant and is not transferable except as permitted by the rules of the NED Scheme. Subject to the rules of the NED Scheme, Shares in respect of a NED Option which has been exercised will be delivered to the Participant as soon as reasonably practicable thereafter, subject to payment of any Tax Liability relating to the NED Option.

Executed as a deed on [Insert date] by

Mereo BioPharma Group Plc

acting by [Name] a director,

_____

[Name]
in the presence of:

_____

[SIGNATURE OF WITNESS]

_____

_____

_____

_____

_____

[NAME, ADDRESS AND OCCUPATION OF WITNESS]

Appendix

Name of Participant	Number of Shares subject to NED Option
[●]	[●]
[●]	[●]
[●]	[●]
[●]	[●]

MEREO BIOPHARMA GROUP PLC SHARE OPTION SCHEME
FOR NON-EXECUTIVE DIRECTORS (THE "NED SCHEME")

NED OPTION CERTIFICATE

This is to certify that on [●] 2018 (the "**Grant Date**"), [name] (the "**Participant**") was granted an option ("**NED Option**") under the rules of the NED Scheme over [●] ordinary shares in Mereo BioPharma Group plc ("**Shares**").

Subject to the rules of the NED Scheme, the following Vesting Schedule will apply to the NED Option (each vesting date a "**Normal Vesting Date**"):

a) 1/12th of the Shares subject to the NED Option, rounding down to the nearest whole Share will Vest each month following the Grant Date for 11 months; and

b) the remaining Shares subject to the NED Option will Vest on the first anniversary of the Grant Date.

Each tranche of the NED Option will normally then be exercisable from the relevant Normal Vesting Date until the tenth anniversary of the Grant Date after which, subject to the rules of the NED Scheme, the NED Option will lapse.

The NED Option is personal to the Participant and is not transferable except as permitted by the rules of the NED Scheme. Subject to the rules of the NED Scheme, Shares in respect of a NED Option which has been exercised will be delivered to the Participant as soon as reasonably practicable thereafter, subject to payment of any Tax Liability relating to the NED Option.

Unless otherwise defined, capitalised terms used in this Option Certificate have the same meaning as in the rules of the NED Scheme. In the event of a conflict with this Option Certificate, the rules of the NED Scheme prevail.

PLEASE KEEP THIS CERTIFICATE IN A SAFE PLACE

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

BCT197 ASSET PURCHASE AGREEMENT

by and between

NOVARTIS PHARMA AG

and

MEREO BIOPHARMA 1 LIMITED

Dated as of July 28, 2015

TABLE OF CONTENTS

BCT197 ASSET PURCHASE AGREEMENT

This BCT197 ASSET PURCHASE AGREEMENT (this "**Agreement**") is entered into as of July 28, 2015, by and between Novartis Pharma AG, a Swiss company ("**Novartis**"), and Mereo BioPharma 1 Limited, a private limited company incorporated in England and Wales ("**Buyer**") and a wholly owned subsidiary of Mereo BioPharma Group Limited, a company incorporated in England and Wales ("**Mereo**"). Hereinafter, "**Parties**" shall mean Novartis and Buyer together, and "**Party**" shall mean either Novartis or Buyer, as the context requires.

RECITALS

WHEREAS, Novartis desires to sell, and Buyer desires to acquire, certain assets/rights of Novartis and its Affiliates related to the Compound or Products (hereinafter defined) on the terms set forth in this Agreement.

WHEREAS, in connection with this Agreement, concurrently with the execution and delivery of this Agreement, Novartis and Mereo are entering into a subscription agreement in the form attached hereto as Exhibit B (the "**Subscription Agreement**") pursuant to which Novartis will subscribe for equity in Mereo.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants and agreements contained herein, Buyer, Mereo, and, on behalf of itself and, as applicable, its Affiliates, Novartis hereby agree as follows:

ARTICLE I
TRANSFER OF PROPERTIES AND ASSETS OF SELLERS

Section 1.1 Sale and Transfer of Properties and Assets.

Upon the terms and subject to the conditions of this Agreement, Buyer shall purchase and acquire, and Novartis shall, and, as applicable, shall cause its Affiliates to, sell, transfer, convey, assign and deliver to Buyer, free and clear of all mortgages, pledges, charges, hypothecations, liens, claims, and encumbrances of any kind, nature or description (collectively, "**Liens**") (except as expressly permitted in this Agreement and except Permitted Liens), at the closing (the "**Closing**"), all right, title and interest of Novartis and its Affiliates (collectively, "**Sellers**" and each a "**Seller**") in and to the following assets and rights (collectively, the "**Purchased Assets**"):

(a) all Purchased IP, including the Patent rights listed on Schedule1.1(a);

(b) all rights of any of the Sellers under Contracts to the extent related to the Compound, including the Contracts listed on Schedule 1.1(b), as such Contracts may have been amended prior to the date hereof (the "**Assumed Contracts**");

(c) all Regulatory Filings and Approvals to the extent related to the Compound, including the Regulatory Filings and Approvals set forth on Schedule 1.1(c);

(d) all intangibles and goodwill of Sellers arising from the Purchased IP;

(e) all Inventory of the Compound or Products, including the Inventory listed on Schedule 1.1(e), that is not consumed in the ordinary course of the Business prior to the Closing Date (the "**Purchased Inventory**");

(f) [Intentionally omitted];

(g) all books, records, files, manuals, and other documentation (including clinical study reports, investigator brochures, and laboratory books), or portion thereof, in the Control of any Seller to the extent relating to the Compound or Products, including (i) all data in all databases for all clinical and pre-clinical studies for all drug trials undertaken in connection with the Compound, (ii) all Purchased IP files, file histories and other technical documents and correspondence, and (iii) all business information, tangible or intangible, to the extent relating to the Compound or Products (the "**Assigned Books and Records**"); and

(h) all claims (including claims for past infringement or misappropriation of the Purchased IP), causes of action, judgments and demands of whatever kind or description, or portion thereof (regardless of whether or not such claims and causes of action have been asserted by Seller), to the extent relating to any of the Purchased Assets.

Within [***] days after the Closing, Novartis shall deliver to Buyer, a schedule setting forth in reasonable detail the location of all tangible Purchased Assets, whether held by any of the Sellers or by Third Parties on behalf of any Sellers.

Section 1.2 Excluded Assets.

All assets, properties, rights and interests of Sellers not included in the Purchased Assets and any Assumed Contracts that may not be assigned to Buyer without the written consent of a Third Party which has not been obtained prior to the Closing are expressly excluded from the purchase and sale contemplated hereby until such time, if any, as such consent is obtained, and as such are not included in the Purchased Assets and shall remain the assets, property rights and interests of Sellers until such time, if any, as such consent is obtained (collectively, the "**Excluded Assets**"), subject to Sellers' obligation pursuant to Section 5.5(c) to use commercially reasonable efforts to obtain such consent promptly after the Closing and to cooperate, in all commercially reasonable respects, to make the benefits of such Assumed Contract available to Buyer.

Section 1.3 Assumed Obligations.

Upon the terms and subject to the conditions of this Agreement, at the Closing, Buyer shall assume and, from and after the Closing, shall pay, perform, satisfy and discharge (or cause to be paid, performed, satisfied and discharged on behalf of Buyer) when due, all obligations of Sellers to be performed under the Assumed Contracts on or after the Closing pursuant to such Assumed Contracts (the "**Assumed Obligations**"). In addition, (a) Buyer shall indemnify, defend and hold harmless Novartis and its Affiliates from, against and in respect of any and all Losses arising out of or relating to the Development, Manufacture or Commercialization of the Compound, Product or Purchased Assets following the Closing on the terms and subject to the conditions of Section 5.6(b), and (b) Novartis shall indemnify, defend and hold harmless Buyer and its Affiliates from, against and in respect of any and all Losses arising out of or relating to the Development, Manufacture or Commercialization of the Compound, Product or Purchased Assets prior to the Closing on the terms and subject to the conditions of Section 5.6(a).

Section 1.4 Excluded Obligations.

Notwithstanding anything to the contrary in this Agreement, the Assumed Obligations do not include any obligations whatsoever not expressly assumed by Buyer under Section 1.3 (collectively, the "**Excluded Obligations**").

Section 1.5 Purchase Price.

Upon the terms and subject to the conditions of this Agreement, in consideration for the sale, conveyance, assignment, transfer and delivery of the Purchased Assets, Buyer agrees to assume the Assumed Obligations at the Closing, to deliver the Loan Note, to make the Sales Related Payments, the Change of Control Transaction Payments, and the [***] Buyout Payment (collectively, the "**Purchase Price**") as follows:

(a) Sales Related Payments.

(i) During the Sales Related Payments Term, Buyer shall pay to Novartis (in U.S. dollars via wire transfer of immediately available funds to such account(s) as may be designated from time to time by Novartis in writing) [***] at the graduated rates specified in the following table with respect to the aggregate annual worldwide Net Sales of all Products during the applicable [***] (the "**Sales Related Payments**"):

Aggregate Annual Worldwide Net Sales (USD) of All Products in a Calendar Year	***Sales Related Payments Rate***
Portion of aggregate Net Sales by Buyer and its Affiliates up to and including [***]	[***]
Portion of aggregate Net Sales by Buyer and its Affiliates greater than [***] up to and including [***]	[***]
Portion of aggregate Net Sales by Buyer and its Affiliates greater than [***] up to and including [***]	[***]
Portion of aggregate Net Sales by Buyer and its Affiliates greater than [***] up to and including [***]	[***]
Portion of aggregate Net Sales by Buyer and its Affiliates greater than [***]	[***]

For illustration purposes only, if the aggregate annual worldwide Net Sales by Buyer and its Affiliates for a particular year are [***], Novartis would be entitled to receive Sales Related Payments calculated as follows: [***] x [***] (or [***]) plus [***] x [***] (or [***]) = [***]. Notwithstanding the other provisions of this Section 1.5(a)(i), for any period during the Sales Related Payments Term in which there has occurred Loss of Market Exclusivity with respect to any Product in any country, the Net Sales of Buyer and its Affiliates for such country to be included in [***] worldwide Net Sales for the purpose of the calculation of the Sales Related Payments due under this Section 1.5(a)(i) shall be reduced by [***] of such Net Sales. For purposes of illustrating the immediately preceding sentence only, if the aggregate [***] Net Sales of Buyer and its Affiliates for [***] in a country in which Loss of Market Exclusivity has occurred are [***], Novartis would be entitled to receive Sales Related Payments calculated as follows: [***] x US$[***] (or US$[***]) [***] (or [***]) = US$[***].

(ii) In the event that Buyer reasonably determines that rights to intellectual property Controlled by a Third Party ("**Third Party IP Rights**") are reasonably necessary to research, Develop, Manufacture, or Commercialize any Product, Buyer shall notify Novartis ("**Third Party IP Rights Notice**") prior to entering into an agreement with respect to a license to such Third Party IP Rights. If Novartis disagrees that such Third Party IP Rights are reasonably necessary to research, Develop, Manufacture, or Commercialize any Product, then senior management from the Parties will discuss the matter and attempt to resolve the disagreement. In the event senior management is unable to resolve the disagreement within [***] days following the date of the Third Party IP Rights Notice, then such disagreement shall be resolved by referring the disagreement for determination by [***], jointly selected by the Parties (the "[***]"). If the Parties are unable to jointly select the [***], then such [***] shall be selected, at the request of either Party, by the [***] or such [***]. The fees and expenses of the [***] shall be [***]. In the event Novartis consents to the acquisition of such Third Party IP Rights by Buyer, or the [***] that such Third Party IP Rights are reasonably necessary to research, Develop, Manufacture, or Commercialize any Product, Buyer shall have the right to deduct from the Sales Related Payments due to Novartis pursuant to Section 1.5(a)(i) [***] of the amounts paid (including upfront payments, milestone payments, royalties or other license fees) by Buyer for such Third Party IP Rights; provided, however, that in no event shall the Net Sales Payments due to Novartis from Buyer be reduced by more than [***] in [***] (such

maximum reduction, the "**Reduction Cap**"). Any amount that Buyer is entitled to deduct, but is unable to deduct in any calendar year due to the operation of the Reduction Cap shall be carried forward and Buyer may deduct such amount from subsequent Net Sales Payments due to Novartis, subject, in each [***], to the Reduction Cap, until the full amount that Buyer was entitled to deduct is deducted.

(iii) As used herein, "**Net Sales**" with respect to a Product means the gross amount invoiced by Buyer or any of its Affiliates to third party customers for the Product, less:

(A) normal and customary trade and quantity discounts and non-affiliated brokers' or agents' commissions actually allowed and taken and not already reflected in the amount invoiced;

(B) amounts repaid or credited by reason of defects, rejections, returns, recalls, allowances, or government-imposed retroactive price reductions;

(C) third party cash rebates and chargebacks related to sales of Products, to the extent allowed;

(D) government-imposed retroactive price reductions that are actually allowed or granted;

(E) tariffs, duties, excise, sales, value-added, and other consumption taxes and customs duties to the extent included in the invoice price and paid by or on behalf of Buyer;

(F) cash discounts for timely payment;

(G) delayed ship order credits;

(H) discounts pursuant to indigent patient programs and patient discount programs of any nature;

(I) a fixed charge of [***] to cover warehousing and distribution expenses;

(J) any otherwise specifically identifiable costs or charges included in the gross invoiced sales price of such Product falling within categories equivalent to those listed above, to the extent the deduction of such costs or charges are consistent with the Accounting Standards; and

(K) uncollectible amounts on previously sold Products, but not such amounts that, but for the failure to collect such amounts within [***] from the date of the respective invoice, would have been collectible; provided that:

(1) in the case of any sale or other disposal of a Product between or among Buyer and its Affiliates or licensees, for resale, Net Sales shall be calculated as above only on the value charged or invoiced on the first arm's length sale to a third party;

(2) in the case of any sale, which is not invoiced or is delivered before invoice, Net Sales shall be calculated at the time of shipment;

(3) in the case of any sale or other disposal, such as barter or counter-trade, of any Product, or part thereof, otherwise than in an arm's length transaction exclusively for money, Net Sales shall be calculated as above on the value of the consideration received or, if higher, on the fair market price of the Product in the relevant country of sale or disposal; and

(4) in the event that a Product is sold as part of a Combination Product, Net Sales of the Product, for the purpose of determining Net Sales Payments, shall be determined by multiplying Net Sales of the Combination Product by the fraction A/(A+B), where A is the weighted (by sales volume) average sales price of the Product when sold separately in finished form and B is the weighted average sale price of the other product(s) sold separately in finished form. In the event that such average sales price cannot be determined for both the Product and the other product(s) in combination, Net Sales for purposes of determining payments hereunder shall be mutually agreed by the Parties based on the relative value contributed by each component, [***].

(iv) Within [***] days after the end of each [***] following the First Commercial Sale, Buyer shall provide Novartis a report summarizing total Net Sales, on a country by country basis, during the relevant [***] and the calculation of amounts owed. After receipt of such report, Novartis shall submit an invoice to Buyer substantially in the form of Exhibit H with respect to the Sales Related Payments payableto Novartis with respect to such total Net Sales. Sales Related Payments shall be made by Buyer to the bank account designated by Novartis in writing within [***] days after the date of receipt of of the relevant original invoice issued by Novartis. Further, for so long as Buyer is required pursuant to Section 5.4(c)(i), Buyer will provide quarterly reports to Novartis within [***] days following the end of [***] (A) indicating the countries in which a First Commercial Sale has occurred, and (B) summarizing, on a country by country basis, total Net Sales during the [***], it being understood that such [***] reports are for information only and shall not be binding on Buyer with respect to the calculation of Sales Related Payments. For purposes of computing Net Sales sold in a currency other than

U.S. dollars, the US Dollar equivalent shall be calculated using Buyer's then-current standard exchange rate methodology as applied in its external reporting for the conversion of foreign currency sales into US Dollars. If at any time legal restrictions in any country of the Territory prevent the prompt remittance of any payments with respect to sales therein, Buyer shall have the right and option to make such payments by depositing the payment amount in local currency to Novartis's account in a bank or depository designated by Novartis in the relevant country.

(b) Change of Control Transaction Payment.

(i) In addition to the Sales Related Payments, in the event of a Change of Control Transaction, Buyer shall pay or cause to be paid to Novartis (in U.S. dollars via wire transfer of immediately available funds to such account(s) as may be designated from time to time by Novartis in writing) an amount (the "**Change of Control Transaction Payment**") simultaneously with the completion of such Change of Control Transaction (or if any amounts payable in respect of such Change of Control Transaction are not payable at completion, immediately following payment of such amounts) equal to [***] of the Transaction Proceeds.

(ii) As used herein:

(A) "**Change of Control Transaction**" means a transaction in which Buyer conveys, transfers, [***] on [***], assigns or [***] or [***] of [***] to any Third Party, [***] the Compound and related assets. For the avoidance of doubt, any transaction involving equity interests of Mereo, a merger or consolidation of Mereo, or a sale of any assets of Mereo shall not constitute a Change of Control Transaction.

(B) "**Transaction Proceeds**" means [***] amounts, including [***] and/or [***] or on [***] of [***] or [***] in connection with a Change of Control Transaction ("**Gross Proceeds**"), less (1) an amount equal to the costs and expenses incurred by Buyer or its equity holders for legal, financial and accounting advisory services directly related to such Change of Control Transaction in an amount not exceeding [***] of [***], and (2) payments for research and development support, patent expense reimbursement, supply purchases and other arms' length matters. Any [***] that are [***] or [***] shall [***] until such [***] by [***] or [***], as the case may be. For purposes of illustrating clause (1) of the immediately preceding sentence, if the proceeds of a Change of Control Transaction were [***], and the aggregate financial advisory, legal and accounting fees directly related to such Change of Control Transaction were $[***], then $[***] would be deducted from the Gross Proceeds, and Novartis would be entitled to receive a Change in Control Transaction Payment calculated as US$[***] = US$[***].

(c) [***] Buyout Payment. Pursuant to the terms of a certain [***] Agreement (the "[***] **Agreement**") dated [***] between Novartis and [***], Novartis has agreed, effective upon the sale and purchase contemplated by Section 1.1 hereof, to pay [***] in full satisfaction of [***] monetary obligations of Novartis to [***] in respect of the Compound pursuant to the [***] Agreement dated [***] between Novartis and [***] Within [***] days after Novartis gives Buyer notice that it has made such payment to [***], Buyer shall pay to Novartis (in U.S. dollars via wire transfer of immediately available funds to such account(s) as may be designated by Novartis in writing), the sum of One Million Five Hundred Thousand Dollars ($1,500,000.00) (the "[***] **Buyout Payment**"). The [***] Buyout Payment shall not be deducted from Net Sales or any Change of Control Transaction Payment.

Section 1.6 Withholding of Taxes.

Buyer shall be entitled to deduct and withhold from any amounts payable or otherwise deliverable pursuant to this Agreement to Novartis such amounts as may be required to be deducted or withheld therefrom under any provision of federal, state, local or foreign Tax law or under any Applicable Laws. To the extent such amounts are so deducted and withheld, such amounts shall be treated for all purposes under this Agreement as having been paid to Novartis. Each Party shall cooperate and otherwise take commercially reasonable efforts to obtain appropriate exemptions for or refunds of any such applicable Taxes and to minimize any such Taxes.

Section 1.7 Novartis Closing Deliveries.

Novartis shall deliver to Buyer at the Closing:

(a) a bill of sale, dated the Closing Date, in the form attached hereto as Exhibit C (the "**Bill of Sale**"), duly executed by Novartis;

(b) [Intentionally omitted];

(c) a patent assignment agreement, dated the Closing Date, in the form attached as Exhibit E (the "**Patent Assignment**"), duly executed by Novartis;

(d) the Subscription Agreement, duly executed by Novartis;

(e) [Intentionally omitted];

(f) the Novartis Disclosure Schedule set forth on Schedule 1.7(f);

(g) the consents or approvals set forth on Schedule 1.7(g); and

(h) such other customary instruments of transfer, assumptions, filings or documents, in form and substance reasonably satisfactory to Buyer, as may be required to give effect to this Agreement.

Notwithstanding anything herein to the contrary, subject to Sellers' compliance with Section 5.5(c), the failure by Sellers to obtain the consent of any Third Party to the assignment of any contract prior to Closing shall not be a breach of Seller's obligations under this Section 1.7.

Section 1.8 Buyer Closing Deliveries.

Buyer shall deliver to Novartis at the Closing:

(a) the Bill of Sale, duly executed by Buyer;

(b) [Intentionally omitted];

(c) the Subscription Agreement, duly executed by Mereo;

(d) [Intentionally omitted]; and

(e) a loan note, dated the Closing Date, in the form attached hereto as Exhibit F (the "**Loan Note**"), duly executed by Buyer.

Section 1.9 Closing.

(a) The Closing will take place at Novartis Campus, Basel, Switzerland at 10:00 a.m. (local time) on the first business day following the fulfillment or waiver of the conditions precedent set forth in Sections 1.9(b) and (c) or at such other time and place as the parties hereto may mutually agree. The date on which the Closing occurs is referred to as the "**Closing Date**." Subject to the fulfillment or waiver of such conditions precedent, Sellers shall make the Closing deliveries specified in Section 1.7 and Buyer shall make the Closing deliveries specified in Section 1.8, all of which shall be deemed to have occurred simultaneously and none of which shall be deemed completed unless and until all of them shall have been completed (or waived in writing by the Party entitled to performance).

(b) The obligations of Buyer to consummate the transactions contemplated by this Agreement are subject to the following conditions, except to the extent waived by Buyer in writing at the Closing:

(i) All representations and warranties of Novartis contained in this Agreement shall be accurate in all material respects as of the Closing with the same effect as if made on and as of such date.

(ii) Novartis shall have delivered to Buyer the documents set forth in Section 1.7.

(iii) There shall not have been instituted or threatened any legal proceeding (A) relating to, or seeking to prohibit or otherwise challenge this Agreement, the BPS804 Asset Purchase Agreement or the BGS649 Asset Purchase Agreement (collectively, the "**Purchase Agreements**"), the consummation of the transactions contemplated by any of the Purchase Agreements, or seeking to obtain substantial damages with respect to any of the Purchase Agreements, or (B) which would reasonably be expected to have a Material Adverse Effect.

(iv) There shall not have been any action taken, or any law, rule, regulation, order, judgment, or decree proposed, promulgated, enacted, entered, enforced, or deemed applicable to the transactions contemplated by any of the Purchase Agreements, by any federal, state, local, or other governmental authority or by any court or other tribunal, including the entry of a preliminary or permanent injunction, which would reasonably be expected to: (A) makes any of the transactions contemplated by any of the Purchase Agreements illegal or (B) imposes material limitations on the ability of any buyer under any of the Purchase Agreements to operate the Business (as defined in the respective Purchase Agreements) or to exercise full rights of ownership of the Purchased Assets (as defined in the respective Purchase Agreements).

(v) The conditions precedent to the obligations of each buyer under the Purchase Agreements to consummate the transactions contemplated by the respective Purchase Agreement shall have been satisfied or waived by such buyer in writing at the Closing.

(vi) There shall not have occurred any Material Adverse Effect (as defined in the respective Purchase Agreements).

(vii) Novartis shall have delivered to Buyer, at or prior to the Closing, such other documents as Buyer shall have reasonably requested to carry out the provisions of and the transactions contemplated by this Agreement in form and substance reasonably satisfactory to Buyer.

(viii) Mereo shall have received funds from subscribers for equity in Mereo, including Novartis pursuant to the Subscription Agreement, in an aggregate amount not less than GBP £ 20,000,000 less the Investor Counsel Fees (as defined in the Subscription Agreement).

(c) The obligations of Novartis to consummate the transactions contemplated by this Agreement are subject to the following conditions, except to the extent waived by Novartis in writing at the Closing:

(i) All representations and warranties of Buyer contained in this Agreement shall be accurate in all material respects as of the Closing with the same effect as if made on and as of such date.

(ii) Buyer shall have delivered to Novartis the documents set forth in Section 1.8.

(iii) There shall not have been instituted or threatened any legal proceeding relating to, or seeking to prohibit or otherwise challenge any of the Purchase Agreements, the consummation of the transactions contemplated by any of the Purchase Agreements, or seeking to obtain substantial damages with respect to any of the Purchase Agreements.

(iv) There shall not have been any action taken, or any law, rule, regulation, order, judgment, or decree proposed, promulgated, enacted, entered, enforced, or deemed applicable to the transactions contemplated by any of the Purchase Agreements, by any federal, state, local, or other governmental authority or by any court or other tribunal, including the entry of a preliminary or permanent injunction, which would reasonably be expected to make any of the transactions contemplated by any of the Purchase Agreements illegal.

(v) The conditions precedent to the obligations of Novartis to consummate the transactions contemplated by each of the Purchase Agreements shall have been satisfied or waived by Novartis in writing at the Closing.

(vi) Buyer shall have delivered to Novartis, at or prior to the Closing, such other documents as Novartis shall have reasonably requested to carry out the provisions of and the transactions contemplated by this Agreement in form and substance reasonably satisfactory to Novartis.

(vii) Mereo shall have received funds from subscribers for equity in Mereo, including Novartis pursuant to the Subscription Agreement, in an aggregate amount not less than GBP £ 20,000,000 less the Investor Counsel Fees (as defined in the Subscription Agreement).

Section 1.10 Tangible Purchased Assets; Assigned Books and Records.

(a) Sellers shall, without charge to Buyer, hold all tangible Purchased Assets (other than tangible Purchased Assets that are held on behalf of any Seller by any Third Party) on behalf of Buyer until such time or times that Buyer or its designees takes possession thereof; provided, however, that Buyer or its designees shall take possession of all tangible Purchased Assets no later than the date that is [***] after the Closing. With respect to tangible Purchased Assets held by any Third Parties on behalf of any Sellers, Sellers shall assist Buyer in arranging to have such Third Parties continue to hold such tangible Purchased Assets on behalf of Buyer at

Buyer's expense. Sellers shall maintain casualty insurance for the replacement value of tangible Purchased Assets in its possession and Buyer shall reimburse Sellers for the cost thereof. If requested by Buyer, Sellers shall cooperate with Buyer in arranging for Third Parties who are in possession of tangible Purchased Assets to maintain casualty insurance for the replacement value of such Purchased Assets at Buyer's expense.

(b) Subject to Section 5.1, Sellers may retain copies of any Assigned Books and Records to the extent necessary for tax, accounting, regulatory, compliance or litigation purposes, or to perform and discharge the Excluded Liabilities and their obligations under this Agreement, or if such Assigned Books and Records contain information with respect to any Excluded Asset or Excluded Obligation.

ARTICLE II
REPRESENTATIONS AND WARRANTIES OF NOVARTIS

Novartis hereby represents and warrants to Buyer and Mereo as follows, with each such representation and warranty subject only to such exceptions, if any, as are set forth on that section of the Novartis Disclosure Schedule that is numbered and captioned to correspond to, and is referenced in, such representation or warranty:

Section 2.1 Corporate Organization, Standing and Power.

Novartis is a company duly organized, validly existing and in good standing under the laws of Switzerland. Novartis has all necessary corporate power and authority to execute and deliver this Agreement and the other Transaction Documents to which it is a party and to perform its obligations hereunder and thereunder. Each Seller has all requisite corporate power and authority to carry on its business as now being conducted as relates to the Purchased Assets.

Section 2.2 Consents, Authorization and Enforceability.

(a) No consent, waiver, approval, order or authorization of, or registration, declaration or filing with, or notice to any Governmental Authority or other Third Party is required by, or with respect to, Novartis or the Purchased Assets in connection with the execution and delivery of this Agreement or the other Transaction Documents to which it is a party, the performance by Novartis of its obligations under this Agreement or the other Transaction Documents, or the consummation of the transactions contemplated hereby or thereby, except (i) as set forth on Section 2.2(a) of the Novartis Disclosure Schedule and (ii) such other consents, waivers, approvals, authorizations, registrations, declarations, filings or notices, the absence of which, would not, individually or in the aggregate, have or reasonably be expected to have a Material Adverse Effect.

(b) All requisite corporate action necessary to authorize the execution, delivery and performance by Novartis of this Agreement and the other Transaction Documents to which it is a party and the consummation of the transactions contemplated hereby and thereby has been taken. This Agreement constitutes a valid and binding obligation of Novartis, enforceable against Novartis in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium, arrangement or other similar Applicable Law or equitable principles relating to or limiting creditors' rights generally.

Section 2.3 Title to Assets; Sufficiency of Assets.

Sellers have good, valid and marketable title to all of the Purchased Assets. Sellers hold all of the Purchased Assets free and clear of all Liens except for: (a) those Liens set forth on Section 2.3 of the Novartis Disclosure Schedule, (b) mechanics', materialmen's, carriers', workmen's, warehousemen's, repairmen's, landlords' or other like Liens and security obligations incurred in the ordinary course of business for immaterial amounts, (c) statutory liens for Taxes, assessments or other statutory or governmental charges not yet due and payable, and (d) Liens that do not, individually or in the aggregate materially impair the use of the relevant Purchased Asset (collectively, "**Permitted Liens**"). To Novartis' Knowledge, the Purchased Assets are sufficient for Buyer to continue the Development of the Compound on substantially the same basis as the Development of the Product conducted by Sellers prior to the Closing.

Section 2.4 Non-Contravention.

The execution and delivery by Novartis of this Agreement and the other Transaction Documents to which it is a party, the performance by Novartis of its obligations hereunder and thereunder, and the consummation of the transactions contemplated hereby and thereby, do not and will not (a) violate any provision of the certificate of incorporation or similar governance documents that may be applicable to Novartis, (b) result in a breach (or any event which, with notice or lapse of time or both, would constitute a breach) of any term or provision of, or constitute a default under, any Contract to which Novartis is a party or by which it is bound, (c) result in the creation of any Lien on the Purchased Assets (other than a Permitted Lien) or (d) violate in any respect any Applicable Law or any judgment, decree, order, regulation or rule of any Governmental Authority by which Novartis is bound or subject.

Section 2.5 Contracts and Commitments.

Novartis has made available to Buyer true and complete copies of the Assumed Contracts and, to the Knowledge of Novartis, each such Contract is valid and binding on the Seller that is a party thereto in accordance with its terms and is in full force and effect. There is not under any Assumed Contract: (a) any existing material default by such Seller or, to Novartis's Knowledge, by any other party thereto; or (b) any event which, after notice or lapse of time or both, would constitute a material default by such Seller or, to Novartis's Knowledge, by any other party, or result in a right to accelerate or terminate or result in a loss of any rights of Seller. Except as set

forth on Schedule 1.1(b), there are no Contracts to which Novartis or any of its Affiliates is a party pursuant to which Novartis in-licenses intellectual property rights exclusively related to the Compound or any Product.

Section 2.6 Intellectual Property.

(a) Schedule 1.1(a) sets forth a complete and accurate list of all Patent rights owned or in-licensed by Sellers relating exclusively to the Compound or any Product that the manufacture, use, sale, offer for sale or importation of the Compound or any Product would infringe, specifying as applicable: (i) the title thereof, if any; (ii) the registration or application number thereof, if any; and (iii) the jurisdiction in which such item exists or is registered.

(b) All Purchased IP is exclusively owned by Sellers, and is free and clear of any (i) liens, charges, security interests, and encumbrances or licenses and (ii) claims or covenants that would give rise to any Third Party claims for payment against Buyer. Neither Novartis nor any of its Affiliates has entered into any agreement or otherwise licensed, granted, assigned, transferred, conveyed or disposed of any right, title or interest in or to any of its assets, including any intellectual property rights or the Compound or any Product, that would conflict with or impair the scope of any rights within the Purchased IP or licenses granted hereunder. None of Novartis or any of its Affiliates is a party to any license, sublicense or other agreement pursuant to which Novartis or such Affiliate has received a license or other rights relating to any Compound or Product. There are no agreements to which any Seller is a party pursuant to which any Seller has granted any Third Party any rights in and to any Purchased IP.

(c) There are no claims pending or, to Novartis's knowledge, threatened in writing against any Seller or before any Governmental Authority, challenging the validity of any Patents within the Purchased IP.

(d) The Patents listed on Schedule 1.1(a) have been duly applied for and registered in accordance with applicable Law, and the Sellers have paid all filing fees, issue fees, annuities and other fees and charges applicable to the Purchased IP, including those required for the issuance, registration, maintenance, filing and prosecution of the Purchased IP. No Purchased IP is the subject of any pending or, to Novartis's knowledge, threatened interference, opposition, cancellation, protest, litigation or other challenge or Action. The Sellers and their patent counsel have satisfied statutory requirements with respect to the filing, prosecution, and maintenance of all registered Purchased IP.

(e) Sellers have secured from all employees, consultants, contractors and other Persons who have contributed to the creation or invention of any of the Purchased IP a written agreement setting forth obligations of confidentiality and assigning to Novartis or its Affiliates all rights to such creations, inventions, and Purchased IP, and such Affiliates have assigned all such rights to Novartis or its Affiliates. None of Sellers has received any written communication challenging any Seller's ownership of or right to use the Purchased IP.

(f) To Novartis's Knowledge, no Person has infringed, misappropriated, or otherwise violated, and no Person is currently infringing, misappropriating, or otherwise violating, any claim of an issued (granted) and unexpired Patent within the Purchased IP, or has misappropriated any Know-how within the Purchased IP.

(g) No Action has been instituted by any Third Party or, to Novartis's Knowledge, is pending against any Seller or has been threatened by any Third Party in writing that (i) challenges the right of any Seller with respect to its use or ownership of the Purchased IP, or (ii) alleges that any of the issued claims included in the Patents within the Purchase IP are invalid or unenforceable, or that Development or Manufacture of the Purchased IP, Compound or any Product infringed or misappropriated, or would infringe or misappropriate, the intellectual property rights of such Third Party.

(h) Novartis has furnished or made available to Buyer all material information that is in the possession of Novartis or any of its Affiliates concerning the Purchased IP, the Compound or any Product relevant to the safety or efficacy thereof, and all material Regulatory Filings and other material correspondence with Regulatory Authorities relating to the Compound or any Product, and to Novartis's Knowledge, such information is accurate, complete and true in all material respects.

(i) The Compound is the only compound, biologic or product whose mechanism of action directly targets p38 map kinase inhibition that has been Developed or is being Developed by Novartis or its Affiliates for the therapeutic treatment of acute exacerbations of chronic obstructive pulmonary disease.

Section 2.7 Litigation.

(a) There is no action, cause of action, suit, claim, charge, demand, directive, inquiry, subpoena, proceeding, arbitration, mediation or other investigation (collectively, "**Actions**") pending or, to Novartis's Knowledge, threatened against any Seller or any predecessor in interest to any Seller (i) relating to or affecting the Purchased Assets or the Assumed Obligations, (ii) relating to or seeking to prevent Novartis's performance of this Agreement and the transactions contemplated hereby, (iii) that would reasonably be expected to adversely affect the Development, Manufacture or Commercialization of the Compound or any Product.

(b) None of the Purchased Assets is subject to any order, writ, judgment, award, injunction or decree of any Governmental Authority.

Section 2.8 Compliance with Law.

(a) Sellers have conducted, and are now conducting, their businesses as applied to or in connection with the Purchased Assets in compliance in all material respects with Applicable Laws. Neither Novartis nor any of its Affiliates has received any notice alleging any violation under any Applicable Law.

(b) No Seller has employed or used any person that has been debarred, excluded or disqualified under Section 306(a) or 306(b) of the U.S. Federal Food, Drug and Cosmetic Act in the Development of any Product.

(c) Sellers have conducted all clinical and pre-clinical studies for all drug trials undertaken in connection with the Compound or any Product in accordance with applicable Health Care Laws and no Seller has received any notice from a Governmental Authority alleging any violation under any applicable Health Care Law or requiring the termination, suspension or material modification of such clinical or pre-clinical studies.

Section 2.9 Taxes.

There are no Liens for Taxes on any of the Purchased Assets (other than Permitted Liens) and there are no Taxes of Sellers related to the Purchased Assets which could become liabilities of Buyer. None of the Purchased Assets constitutes a "United States real property interest" for federal income tax purposes.

Section 2.10 Inventory.

To Novartis' Knowledge, the Inventory listed on Schedule 1.1(e) comprises all Inventory as of June 25, 2015, and such Inventory has been stored and maintained in compliance with applicable FDA good manufacturing practices and in conformity with relevant specifications for such Inventory.

ARTICLE III
LICENSE GRANT AND ENFORCEMENT

Section 3.1 License to Purchased IP Know-How.

Buyer hereby grants to Novartis, subject to the terms and conditions of this Agreement, an irrevocable, transferable, royalty-free, fully paid, non-cancellable, non-exclusive world-wide right and license, with the right to sublicense, under the Purchased IP Know-How to research, develop, make, have made, manufacture, market, use, sell, offer for sale or import any product or service other than (a) the Compound or any Product, or (b) any other compound, biologic or product Developed, Manufactured or Commercialized for the therapeutic treatment of acute exacerbations of chronic obstructive pulmonary disease. Novartis will give Buyer notice of any exercise by Novartis of its rights to transfer or sublicense pursuant to this Section 3.1, such notice to be given no later than the time such rights are exercised.

Section 3.2 License to Intellectual Property.

Sellers hereby grant to Buyer, subject to the terms and conditions of this Agreement, and solely for use in connection with the Development, Manufacture, or Commercialization of the Compound or any Product, an irrevocable, transferable, royalty-free, fully paid, non-cancellable, world-wide right and license, with the right to sublicense, under any Intellectual Property Rights Controlled by Novartis or any of its Affiliates (other than the Purchased IP) that would be [***] to use in connection with the Development, Manufacture, or Commercialization of the Compound or any Product. Such license is exclusive, even as to Novartis, with respect to the Compound and any Product. Buyer will give Novartis notice of any exercise by Buyer of its rights to transfer or sublicense pursuant to this Section 3.2, such notice to be given no later than the time such rights are exercised.

Section 3.3 Maintenance of Purchased IP.

Buyer shall have the right and obligation to maintain and diligently prosecute the Purchased IP at Buyer's expense, except with respect to any Purchased IP Buyer plans to abandon and notifies Novartis of such plans. Novartis shall have a right to assume responsibility for any Purchased IP that Buyer plans to abandon or otherwise cause or allow to be forfeited. Buyer shall give Novartis reasonable written notice and in any event no less than [***] days prior to abandonment or other forfeiture of any patent or patent application within the Purchased IP so as to permit Novartis to exercise its rights under this Section 3.3, at its own expense. In the event Novartis exercises such right, Novartis hereby grants to Buyer an irrevocable, transferable, royalty-free, fully paid, non-cancellable, non-exclusive world-wide right and license, with the right to sublicense, under such Purchased IP to use in connection with the Development, Manufacture, and Commercialization of the Compound or any Product.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to Novartis as follows:

Section 4.1 Organization, Standing and Authority.

Buyer is a private limited company duly organized, validly existing and in good standing under the laws of England and Wales. Buyer has all necessary corporate power and authority to execute and deliver this Agreement and the other Transaction Documents to which it is a party and to perform its obligations hereunder and thereunder.

Section 4.2 Consents and Authorization.

(a) No consent, waiver, approval, order or authorization of, or registration, declaration or filing with, or notice to any Governmental Authority or other Third Party is required by, or with respect to, Buyer in connection with the execution and delivery of this Agreement or the other Transaction Documents to which it is a party or the consummation of the transactions contemplated hereby or thereby, except for any notice filings or registrations of transfer with any Governmental Authority that may be required in connection with the assignment and transfer of the Purchased Assets, and such other consents, waivers, approvals, authorizations, registrations, declarations, filings or notices, the absence of which, would not, individually or in the aggregate, have or reasonably be expected to have a materially adverse effect on the ability of Buyer to consummate the transactions contemplated hereby (a "**Buyer Material Adverse Effect**").

(b) All requisite corporate action necessary to authorize the execution, delivery and performance by Buyer of this Agreement and the other Transaction Documents to which it is a party and the consummation of the transactions contemplated hereby and thereby has been taken. This Agreement constitutes a valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium, arrangement or other similar Applicable Law or equitable principles relating to or limiting creditors' rights generally.

Section 4.3 Non-Contravention.

The execution and delivery by Buyer of this Agreement and the other Transaction Documents to which it is a party, the performance by Buyer of its obligations hereunder and thereunder, and the consummation of the transactions contemplated hereby and thereby, do not and will not (a) violate any provision of the certificate of incorporation or similar governance documents that may be applicable to Buyer, (b) result in the breach (or an event which, with notice or lapse of time or both, would constitute a breach) of any term or provision of, or constitute a default under any Contract to which Buyer is a party or by which it is bound or (c) violate in any respect any Applicable Law or any judgment, decree, order, regulation or rule of any Governmental Authority to which Buyer is bound or subject, except, with respect to the immediately preceding clauses (b) and (c), for any violations, breaches or defaults that would not, individually or in the aggregate, have a Buyer Material Adverse Effect.

Section 4.4 Litigation and Claims.

There is no Action pending, or to the Knowledge of Buyer, threatened, against Buyer before or by any Governmental Authority which seeks to prevent Buyer's performance of this Agreement and the transactions contemplated hereby or that would, individually or in the aggregate, have a Buyer Material Adverse Effect.

Section 4.5 Financing.

Buyer has a reasonable basis to believe that it will obtain financing sufficient to fund the Development and Commercialization of a Product.

ARTICLE V
COVENANTS

Section 5.1 Access to Information.

(a) For so long as a Party maintains books, records, files and other information that is subject to this Section 5.1, during normal business hours following reasonable prior notice, such Party will permit the other Party and its accountants, counsel, and other representatives, subject to the obligations set forth in Section 5.2 of this Agreement, to have reasonable access to and examine and make copies of all Assigned Books and Records and all other books and records of a Party which are reasonably requested by the other Party and are necessary or useful in connection with: (i) any Tax inquiry, audit, investigation or dispute with a Third Party; (ii) any Action by any Governmental Authority or any dispute with any Third Party reasonably requiring access to any such books and records; or (iii) with respect to Buyer, the Development, Manufacture or Commercialization of the Product, in each case relating to or arising out of transactions or events occurring prior to the Closing and that relate to the Purchased Assets. The Party requesting access to any such Assigned Books and Records or Sellers' retained books and records or other information shall bear all of the out of pocket costs and expenses (including attorneys' fees, but excluding reimbursement for salaries and employee benefits) reasonably incurred in connection with providing access to and copies of such Assigned Books and Records, Sellers' retained books and records or other information.

(b) Buyer and Sellers will direct their respective employees (without substantial disruption of employment) to render any assistance that Buyer or any Seller may [***] in examining or utilizing the Assigned Books and Records.

(c) Neither Buyer nor any Seller will destroy any books, records, files or other information or data that are subject to this Section 5.1 until the expiration of the applicable regulatory record retention period under Applicable Laws (giving effect to any and all extensions or waivers) without giving at least [***] days' prior written notice to the other Party (the "**Retaining Party**"). Upon receipt of such notice, the Retaining Party may (i) cause to be delivered to it the books and records intended to be destroyed, at its expense or (ii) notify the Party intending to destroy the books and records that it will pay the cost of storing and maintaining such books and records (including any necessary costs of moving such books and records to a location under control of the Retaining Party and the costs of reviewing and removing from such books and records any information that the Retaining Party is not entitled to receive).

(d) Buyer and Sellers will keep all information referred to in this Section 5.1 confidential in accordance with Section 5.2 of this Agreement.

Section 5.2 Obligations of Confidentiality and Non-Use.

(a) Each Party agrees that the Party receiving or otherwise possessing Confidential Information (the **"receiving Party**") from the other Party (the "**disclosing Party**"), pursuant to this Agreement shall, and shall cause its employees, directors, officers, contractors, consultants, service providers and other representatives to, keep confidential and not publish or otherwise disclose, and take all reasonable steps to prevent disclosure of, such Confidential Information and not use such Confidential Information except for the limited purposes set forth in this Agreement. No provision of this Agreement shall be construed to preclude disclosure of Confidential Information (i) to actual or potential sources of financing; provided that such sources are bound to the terms of this Section 5.2 to the same extent as if they were parties hereto; (ii) in connection with disclosure obligations that arise in connection with an initial public offering; or (iii) to the extent required to be disclosed by applicable statute, rule or regulation of any court or regulatory authority with competent jurisdiction; provided that the disclosing Party shall be notified as soon as reasonably possible and the receiving Party shall, if requested by the disclosing Party, use reasonable good faith efforts to assist in seeking a protective order (or equivalent) with respect to such disclosure or otherwise take reasonable steps to avoid making such disclosure. For the avoidance of doubt, from and after the Closing that portion of the Confidential Information included in the Purchased Assets shall be deemed to constitute Confidential Information of Buyer.

(b) Neither Party shall, directly or indirectly, issue any press release or other public statement relating to the terms of this Agreement or the transactions contemplated hereby without the prior approval of the other Party (which shall not be unreasonably delayed, conditioned or withheld), except (i) to the extent required by any Applicable Laws, (ii) as reasonably necessary to obtain any requisite consents and approvals contemplated by this Agreement, or (iii) to the extent necessary for a Party to comply with its obligations hereunder. Notwithstanding anything to the contrary in the foregoing, each Party shall be permitted to make such releases or public announcements or communications to the extent consistent with previous disclosures made in accordance with this Section 5.2(b).

(c) Novartis, hereby releases, on behalf of Novartis and its Affiliates, Buyer and its officers, directors, employees and consultants from all obligations they may have with respect to that portion of the Confidential Information included in the Purchased Assets under any confidentiality agreement with or policy of any Seller covering such Confidential Information.

Section 5.3 Technical Assistance.

(a) For a period of eighteen (18) months from and after the Closing Date, Sellers shall fully cooperate with and provide assistance to Buyer, through documentation, consultation, training and face-to-face meetings, to enable Buyer or its designee, in an efficient and timely manner, to proceed with Development and manufacturing of the Compound and Products and to make and obtain all appropriate Regulatory Filings and Approvals. For any such assistance after the [***] after the Closing Date, Buyer shall compensate Sellers at [***].

(b) Sellers shall, [***], make appropriate personnel available to assist Buyer at any time and from time to time as reasonably requested by Buyer, and shall provide the appropriate personnel of Buyer with access to the personnel and manufacturing and other operations of Sellers for such periods of time (not to exceed [***] following the Closing Date) and in such manner as is reasonable in order to familiarize the personnel of Buyer or its designee with know-how relating to the Development and Manufacture of the Compound and Products and the application of the same within such four-month period.

Section 5.4 Product Development and Commercialization; Reports.

(a) Development.

(i) Buyer shall itself, or through its Affiliates or licensees, use Commercially Reasonable Efforts to Develop at least one Product.

(ii) Buyer will (A) determine the regulatory plans and strategies for the Compound or Products, (B) (either itself or through its Affiliates or licensees) make all Regulatory Filings with respect to the Products and (C) will be responsible for making, obtaining and maintaining Regulatory Filings and Approvals in its name or that of its Affiliates or licensees, in each case, to the extent, and in a manner, consistent with [***].

(iii) Buyer shall (A) comply in all material respects with applicable Laws, and (B) not employ or use any person that has been debarred under Section 306(a) or 306(b) of the U.S. Federal Food, Drug and Cosmetic Act.

(b) Commercialization. Sellers shall have no responsibility for any aspects of Development or Commercialization of the Products, including planning and implementation, distribution, booking of sales, pricing or reimbursement.

(c) Reporting and Planning.

(i) Buyer will submit to Novartis [***] with respect to Development and Commercialization activities with respect to the Compound, until the earlier of (A) regulatory approval of a Product, or (B) cessation of Development prior to regulatory approval of a Product, consistent with Commercially Reasonable Efforts.

(ii) Following the Closing, Buyer shall develop and provide to Novartis a detailed plan for the Development of the Compound, including with respect to all Development work to be performed, clinical trials, milestones and any other key issues related to Development.

(iii) Prior to regulatory approval of a Product, the Parties and Mereo will hold [***] (during the [***] following the Closing Date) and thereafter [***] meetings, or meetings at such longer intervals as the Parties and Mereo may agree (in any case, in person or by teleconference) to review and discuss the Development work performed, clinical trials, milestones, any key issues and the overall status of Development. Buyer will consider in good faith comments or proposals made by Novartis during such meetings; provided, however, that Buyer shall have sole control over all Development activities and sole decision-making authority with respect to the Development and Commercialization of Products.

(d) Records and Audit Rights.

(i) Each Party shall keep complete, true and accurate books and records in accordance with internationally recognized accounting standards in relation to this Agreement, including, with respect to Buyer, in relation to Net Sales and Sales Related Payments. Each Party will keep such books and records for at least [***] following the [***] to which they pertain.

(ii) Novartis may, upon written notice to Buyer, appoint an internationally-recognized independent accounting firm (the "**Auditor**") to inspect the relevant reports, statements, records or books of accounts (as applicable) of Buyer or its Affiliates in connection with the calculation of any Sales Related Payments. Before beginning its audit, the Auditor shall execute an undertaking acceptable to Buyer and Novartis pursuant to which the Auditor agrees to keep confidential all information reviewed during such audit. The Auditor shall have the right to disclose to Novartis its conclusions regarding any payments owed under this Agreement.

(iii) Buyer and its Affiliates shall make their records available for inspection by such Auditor during regular business hours at such place or places where such records are customarily kept, upon receipt of reasonable advance notice from Novartis. The records shall be reviewed solely to verify the calculation of any Sales Related Payments. Such inspection right shall not be exercised more than [***] (other than any year in which a Change of Control Transaction occurs, in which year such right may be exercised [***]) and not more frequently than [***] with respect to records covering any [***]. Novartis agrees to hold in strict confidence all information received and all information learned in the course of any audit or inspection, except to the extent necessary to enforce its rights under this Agreement or if disclosure is required by Applicable Law, regulation or judicial order.

(iv) The Auditor shall provide its audit report (the "**Audit Report**") and basis for any determination to Buyer at the same time the Audit Report is provided to Novartis. Buyer shall have the right to request a further determination by the Auditor as to matters which Buyer disputes by providing Novartis and the Auditor with a reasonably detailed statement of the grounds upon which it disputes any findings in the Audit Report within [***] days following receipt of the Audit Report. The failure by Buyer to dispute the Audit Report

within such [***] day period shall constitute Buyer's acceptance of all of the items reflected in the Audit Report. If a request for further determination is timely delivered by Buyer, the Auditor shall undertake to complete such further determination within [***] days after the dispute notice is provided, which determination shall be limited to the disputed matters. Any matter that remains unresolved shall be resolved in accordance with the dispute resolution procedures contained in Article V.

(v) In the event that the Audit Report (as finally agreed upon by the Parties) reveals an undisputed underpayment or overpayment in respect of Sales Related Payments or other payments hereunder, the underpaid or overpaid amount shall be settled promptly.

(vi) Novartis shall be solely responsible for all costs and expenses relating to any and all such audits as described in this Section 5.4(d).

Section 5.5 Further Assurances; Consents.

(a) Prior to Closing, each Party shall use commercially reasonable efforts to take such action as is reasonably necessary or appropriate in order to complete the transactions contemplated hereby on the terms and subject to the conditions set forth herein.

(b) After the Closing, at the request of Buyer from time to time Sellers shall (i) use commercially reasonable efforts to obtain and deliver such Third Party consents and (ii) execute and deliver to Buyer such certificates, consents and other instruments of sale, conveyance, assignment and transfer, and take such other action, in each case, as may reasonably be requested by Buyer to more effectively sell, convey, assign and transfer to Buyer, to the extent required under this Agreement, the Purchased Assets and such other assets of Sellers, if any, as are solely related to the Compound or any Product.

(c) To the extent any Assumed Contract does not permit assignment or transfer by a Seller to Buyer pursuant to the Transaction Documents without the consent of a Third Party, and such consent is not obtained prior to Closing, Buyer shall waive the obligation to obtain such consent prior to Closing. In such case, such Seller shall (i) use commercially reasonable efforts to obtain such consent promptly after the Closing, and (ii) until the earliest of: (A) the date all such consents are obtained, (B) the date all such Assumed Contracts expire or are terminated or (C) the date which is [***] days from the Closing, such Seller and Buyer shall cooperate, in all commercially reasonable respects, to make the benefits of such Assumed Contract available to Buyer, to the extent consistent with the terms of such Assumed Contract ([***] by [***] of such [***]), and shall comply with all of its obligations under such Assumed Contract and, to the extent any Third Party is in breach of such Assumed Contract, enforce the terms and conditions of such Assumed Contract if requested by Buyer at Buyer's expense.

Section 5.6 Indemnity.

(a) Novartis shall indemnify, defend and hold harmless the Buyer and its Affiliates (the "**Buyer Indemnified Parties**") from, against, and in respect of, all losses, costs, charges, claims (including Third Party claims), damages or expenses of whatever kind (including attorneys' fees and expenses and the costs of enforcing any right to indemnification hereunder) against or incurred by them ("**Losses**") to the extent arising out of or relating to:

(i) any breach of any representation or warranty of Novartis set forth in this Agreement;

(ii) any breach of any covenant, agreement or undertaking made by Novartis in this Agreement;

(iii) any Excluded Asset or Excluded Obligation; or

(iv) the Development, Manufacture or Commercialization of the Compound, Product or Purchased Assets prior to the Closing.

(b) Buyer shall indemnify, defend and hold harmless Novartis and its Affiliates (the "**Novartis Indemnified Parties**") from, against and in respect of any and all Losses arising out of or relating to:

(i) any breach of any representation or warranty of the Buyer set forth in this Agreement;

(ii) any breach of any covenant, agreement or undertaking made by the Buyer in this Agreement;

(iii) any Assumed Obligation; or

(iv) the Development, Manufacture or Commercialization of the Compound, Product or Purchased Assets following the Closing.

(c) Notice of Claims. If any of the Persons to be indemnified under this Section 5.6 (the "Indemnified Party") has determined that any matters (other than a Third Party Claim) has given or could give rise to a right of indemnification under this Agreement, the Indemnified Party shall so notify the Party from whom indemnification is sought (the "Indemnifying Party") promptly, describing in reasonable detail, the basis for such claim. If any Indemnified Party receives written notice of the assertion of any Action (in equity or at law) instituted by a Third Party (a "Third Party Claim") with respect to which the Indemnified Party intends to claim any Loss under this Section 5.6, the Indemnified Party shall promptly notify the Indemnifying Party of such Action (the "Third Party Claim Notice"), describing in reasonable detail, the basis for such claim. A failure by the Indemnified Party to give notice of any Action

in a timely manner pursuant to this Section 5.6(c) shall not limit the obligation of the Indemnifying Party under this Section 5.6, except (i) to the extent such Indemnifying Party is actually prejudiced thereby or (b) as provided in Section 6.2.

(d) Third Party Claims.

(i) The Indemnifying Party under this Section 5.6 shall have the right, but not the obligation, exercisable by written notice to the Indemnified Party within [***] days of receipt of the Third Party Claim Notice, to assume the conduct and control, at the expense of the Indemnifying Party and through counsel of its choosing that is reasonably acceptable to the Indemnified Party, of any Third Party Claim; provided, that the Indemnified Party shall have the right to participate in, but not control, the defense of any such Third Party Claim through counsel chosen by the Indemnified Party, whose fees and expenses shall be borne by the Indemnified Party; and provided further that if and to the extent the Indemnifying Party cannot defend such Third Party Claim on behalf of the Indemnifying Party as a result of a conflict of interest between the Indemnifying Party and the Indemnified Party that cannot be waived, then the Indemnifying Party [***]. If the Indemnifying Party fails to provide written notice within [***] days of receipt of a Third Party Notice that it has elected to assume the defense of such Third Party Claim, then the Indemnified Party shall be entitled to assume the defense of such Third Party Claim at the expense of the Indemnifying Party; provided that the Indemnified Party may not compromise or settle any Third Party Claim except as provided in Section 5.6(d)(ii). For the avoidance of doubt, if the Indemnifying Party elects not to control or conduct the defense of a Third Party Claim, the Indemnifying Party nevertheless shall have the right to participate in the defense of any Third Party Claim and, at its own expense, to employ counsel of its own choosing for such purpose.

(ii) The Indemnifying Party may compromise or settle a Third Party Claim; provided, that the Indemnifying Party shall give the Indemnified Party advance written notice of any proposed compromise or settlement and shall not, without the prior written consent of the Indemnified Party (which consent shall not be unreasonably withheld, conditioned or delayed), consent to or enter into any compromise or settlement that commits the Indemnified Party to take, or to forbear to take, any action or does not provide for a full and complete written release by the applicable third party of the Indemnified Party. No Indemnified Party may compromise or settle any Third Party Claim for which it is seeking indemnification hereunder without the consent of the Indemnifying Party (which consent shall not be unreasonably withheld, conditioned or delayed). No Indemnifying Party may consent to the entry of any judgment that does not relate solely to monetary damages arising from any such Third Party Claim without the prior written consent of the Indemnified Party (which consent shall not be unreasonably withheld, conditioned or delayed).

(iii) The Parties shall cooperate in the defense of any Third Party Claim, with such cooperation to include (i) the retention and the provision to the Indemnifying Party of records and information that are reasonably relevant to such Third Party Claim and (ii) reasonable access to employees on a mutually convenient basis for providing additional information and explanation of any material provided hereunder.

Section 5.7 Supply.

(a) The Parties shall endeavor in good faith to execute within [***] days after the Closing a supply agreement, in form and substance reasonably satisfactory to the Parties and with pricing and commercial terms reflecting the terms customarily pertaining to Seller's arms' length agreements for the supply of similar products, for the clinical products that Novartis elects to supply, and that Buyer elects to purchase from Novartis.

(b) For the clinical products that Novartis elects not to supply, or that Buyer elects not to purchase from Seller, Buyer shall source such products from Third Parties, and Sellers shall, at their sole cost and expense, provide Buyer and such Third Parties with reasonable assistance in connection therewith for a period of [***] from and after the Closing Date. After such [***] period, Sellers shall provide assistance to Buyer at an agreed cost. Sellers will not supply to Buyer commercial product, commercial active pharmaceutical ingredient or commercial finished product.

Section 5.8 [Intentionally Omitted].

Section 5.9 Product Inquiries.

From and after the Closing, Sellers shall direct all Product-related inquiries to Buyer.

ARTICLE VI
MISCELLANEOUS.

Section 6.1 Definitions.

As used in this Agreement, the following terms shall have the following meanings:

"Accounting Standards" means, with respect to Buyer, International Financial Reporting Standards ("IFRS"), consistently applied. Each Party shall promptly notify the other in the event that it changes the Accounting Standards pursuant to which its records are maintained, it being understood that each Party may only use internationally recognized accounting principles (e.g. IFRS, United States generally accepted accounting principles, etc.).

"**Affiliate**" means with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with such other Person.

"**Applicable Law**" means all federal, provincial, state, local and foreign law (including United States), (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement.

"**BPS804 Asset Purchase Agreement**" means that certain BPS804 Asset Purchase Agreement dated as of July 28, 2015 between Novartis and Mereo BioPharma 3 Limited.

"**BGS649 Asset Purchase Agreement**" means that certain BGS649 Asset Purchase Agreement dated as of July 28, 2015 between Novartis and Mereo BioPharma 2 Limited.

"**Business**" means the business of Developing and Manufacturing the Compound and includes any other actions taken in furtherance of the Business.

"**Clinical Trial**" means any Phase 1 Clinical Trial, Phase 2 Clinical Trial, Pivotal Clinical Trial, Phase 4 clinical trial and/or variations or subsets of such trials (for example, Pivotal Clinical Trial/Phase 4 clinical trial or Phase 1B); "**Phase 1 Clinical Trial**" means a controlled human clinical trial that would satisfy the requirements of 21 C.F.R. 312.21(a) or foreign equivalents thereof; "**Phase 2 Clinical Trial**" means a controlled human clinical trial that would satisfy the requirements of 21 C.F.R. 312.21(b) or foreign equivalents thereof; "**Pivotal Clinical Trial**" means (i) a human clinical trial of a Product that is intended to be a pivotal trial for obtaining Regulatory Approval (e.g., in the United States such clinical trial is conducted after the end of phase 2 meeting with the FDA) and to otherwise establish safety and efficacy in patients with the disease or condition being studied and to provide an adequate basis for physician labeling, for purposes of filing a MAA for Product, and that would satisfy the requirements under 21 C.F.R. 312.21(c) or foreign equivalents thereof, or (ii) any other clinical trial that is intended to establish that a pharmaceutical product is safe and efficacious for its intended use, and to determine warnings, precautions, and adverse reactions that are associated with such pharmaceutical product in the dosage range to be prescribed, which clinical trial is a registration trial intended to be sufficient for filing an application for a Regulatory Approval for such product in the United States or another country or some or all of an extra-national territory, solely as evidenced by the acceptance for filing for a Regulatory Approval for such product after completion of such clinical trial.

"**Closing Date**" means the date on which the Closing occurs.

"**Commercialize**" means to market, promote, distribute, import, export, offer to sell or sell Products or conduct other Commercialization, and "**Commercialization**" means commercialization activities relating to Products, including activities relating to marketing, promoting, distributing, importing, exporting, offering for sale or selling Products.

"**Commercially Reasonable Efforts**" means the expenditure of those efforts and resources normally used by a comparable and similarly situated company as Buyer in the pharmaceutical industry in pursuing Development or Commercialization of similar pharmaceutical products with similar market and economic potential, within the scope of the rights granted hereunder, and at a similar stage in Development or product life, taking into account efficacy, safety, approved labeling, the competitiveness of alternative products in the marketplace, the patent and other proprietary position of the Products, the likelihood of regulatory approval given the regulatory structure involved, the profitability, and other relevant factors commonly considered in similar circumstances.

"**Combination Product**" means a Product that includes at least one additional active ingredient other than Compound. Drug delivery vehicles, adjuvants, and excipients will not be deemed to be "active ingredients", except in the case where such delivery vehicle, adjuvant, or excipient is recognized as an active ingredient in accordance with 21 C.F.R. § 210.3(b)(7) (as amended), or any foreign counterpart.

"Compound" means the active pharmaceutical ingredient identified in Exhibit G. [1]

"**Confidential Information**" means all information and data, regardless of form, including a formula, pattern, compilation, program, method, technique, process, inventory, chemical, physical material, chemical structure or activity, design, prototype, drawings, samples, source code, business plan, business opportunity, customer or personnel list, or financial statement proprietary to a Party or its Affiliate, except any portion thereof which:

(a) is known to the receiving Party prior to receipt from the disclosing Party, as established by contemporaneously created written records;

(b) is disclosed to the receiving Party by a Third Party, as evidenced by the receiving Party's contemporaneously created written records, who is under no obligation of confidentiality to the disclosing Party with respect to such information and who otherwise has a right to make such disclosure;

(c) is or becomes published, as evidenced by a written version thereof, or generally known in the trade through no fault of the receiving Party; or

(d) is independently developed by the receiving Party, without resort to the disclosing Party's Confidential Information, by persons having no access thereto, as evidenced by the receiving Party's contemporaneously created written records.

All information and data included within the Purchased Assets that immediately prior to Closing constitutes Confidential Information of Sellers (without regard to clause (a) or (b) above) shall, from and after Closing, be deemed to constitute Confidential Information of Buyer, except that Novartis and its Affiliates shall continue to have the right to use such information and data for the purposes set out in Section 5.1 or to otherwise use and disclose such Confidential Information as expressly permitted under this Agreement.

"**Contract**" means any written or oral legally binding contract, agreement, instrument, commitment, obligation, understanding, or undertaking of any nature (including leases, licenses, mortgages, notes, guarantees, sublicenses, subcontracts, covenants not to compete, covenants not to sue, confidentiality agreements, options and warranties).

[1] Note to draft: include esters, salts, derivatives, etc, to the extent relevant to the particular Compound.

"**Control**" (including any variations such as "**Controlled**" and "**Controlling**") means, with respect to any item or Patent, Know-How, or other intellectual property right, the legal authority or right (whether by ownership or license, other than by a license or sublicense granted pursuant to this Agreement) of a Party or its Affiliates to grant to the other Party the right to use such item, or a license, sublicense or access as provided herein to such item, without violating the terms of any agreement or other arrangement with any Third Party in existence as of the time such Party or its Affiliates would first be required hereunder to grant the other Party such license, access, or other right. For the avoidance of doubt, the foregoing definition of "Control" shall not apply to the definition herein of "Change of Control."

"**Develop**" or "**Development**" means drug development activities, including test method development and stability testing, assay development and audit development, toxicology, formulation, quality assurance/quality control development, statistical analysis, clinical studies, packaging development, regulatory affairs, and the preparation, filing and prosecution of NDAs and MAAs.

"**FDA**" means the United States Food and Drug Administration or any successor entity thereto.

"**First Commercial Sale**" means the first sale of a Product by Buyer or an Affiliate of Buyer to a Third Party in a country following Regulatory Approval of such Product in that country. Sales or transfers of reasonable quantities of a Product for research, proof of concept studies or other clinical trial purposes, or for compassionate or similar use, shall not be considered a First Commercial Sale.

"**Generic Equivalent**" means any (i) biosimilar of a Product or (ii) any product with the same active ingredient as a Product.

"**Governmental Authority**" means any nation or government, any provincial, state, regional, local or other political subdivision thereof, any supranational organization of sovereign states, and any entity, department, commission, bureau, agency, authority, board, court, official or officer, domestic or foreign, exercising executive, judicial, regulatory or administrative functions of or pertaining to government.

"**Health Care Law**" shall mean all applicable Laws relating to patient care and human health and safety, including any such applicable Law pertaining to: (i) the research, development, testing, production, manufacturing, marketing, transfer, distribution, pricing and sale of drugs and medical devices, including the United States Food, Drug and Cosmetics Act, as amended, and all related rules, regulations and guidelines, the United States Public Health Service Act and all related rules, regulations and guidelines, and equivalent applicable Laws of

other applicable Governmental Authorities; and (ii) the privacy and security of patient-identifying health care information, including the United States Health Insurance Portability and Accountability Act of 1996 (42 U.S.C. 1320d et seq.) and all related rules, regulations and guidelines thereof and equivalent applicable Laws of other applicable Governmental Authorities.

"**Intellectual Property Rights**" means (a) Patents, (b) Know-How, (c) industrial designs (whether or not registered), (d) all rights in all of the foregoing provided by treaties, conventions and common law, (e) all rights to sue or recover and retain damages and costs and attorneys' fees for past, present and future infringement or misappropriation of any of the foregoing, (f) any other proprietary or intellectual property rights now known or hereafter recognized in any jurisdiction, and (g) all rights in and to the master cell bank(s) and stability materials relating exclusively to the Compound or Products.

"**Inventory**" means all raw materials, finished Products and intermediates, and works in process thereof related to the Business, wherever located, whether in the possession of Sellers or Third Parties.

"**Know-How**" means any and all tangible, proprietary, confidential, research, technical and scientific information existing as of the effective date of this Agreement that is not in the public domain, including information relating to materials, discoveries, unpatented inventions, improvements, practices, methods, protocols, manufacturing techniques, operating manuals, databases, formulas, knowledge, trade secrets, technologies, processes, assays, sources, skills, experience, techniques, data and the results of experimentation and testing.

"**Knowledge**" means, with respect to Novartis, the actual knowledge after reasonable inquiry of employees of Novartis responsible for the relevant matter, and with respect to Buyer, the actual knowledge after reasonable inquiry of the founders of Buyer.

"**Liability**" means all debts, liabilities and obligations (including with respect to Taxes), whether accrued or fixed, absolute or contingent, matured or unmatured, determined, determinable or indeterminable, asserted or unasserted, known or unknown, including those arising under any Applicable Laws or Proceeding and those arising under any Contract.

"**Law**" means any federal, state, provincial, local, international or multinational law, statute, standard, ordinance, code, rule, regulation, resolution or promulgation, or any order, writ, judgment, injunction, decree, stipulation, ruling, determination or award entered by or with any Governmental Authority, or any license, franchise, permit or similar right granted under any of the foregoing, or any similar provision having the force or effect of law.

"**Loss of Market Exclusivity**" means, with respect to any Product in any country, the following has occurred: (i) the sale of such Product in such country is not covered by a Valid Claim of any Patent owned or controlled by Buyer, its assignees or their respective Affiliates, (ii) such Product is not subject to regulatory, data or marketing exclusivity (or similar period of

exclusivity granted by any Governmental Authority) under Applicable Law, and (iii) the Net Sales of such Product in that country in any calendar year are less than [***] as compared with the Net Sales of such Product in that country in the calendar year immediately preceding the marketing or sale of the first Generic Equivalent of such Product.

"**MAA**" means an application for the authorization to market any Product in any country or group of countries outside the United States, as defined in the applicable laws and regulations and filed with the Governmental Authority of a given country or group of countries.

"**Manufacture**" means activities related to the manufacture, formulation and packaging of the Compound or any Product, including related quality control and quality assurance activities.

"**Material Adverse Effect**" means any change, circumstance or effect that, individually or in the aggregate, would or would reasonably be expected to (i) have a materially adverse effect on the Purchased Assets taken as a whole, including the value thereof, or on Buyer's ability to receive and develop the Purchased Assets free and clear of any Liens (other than Permitted Liens) pursuant hereto or (ii) prevent or materially delay consummation of the transactions contemplated hereby.

"**NDA**" means a New Drug Application in the United States for authorization to market any Product, as defined in the applicable laws and regulations and filed with the FDA.

"**Patents**" means national and multinational statutory invention registrations, patents and patent applications (including provisional applications), as well as all renewals, reissues, divisions, substitutions, continuations, continuations-in-part, extensions and reexaminations and all foreign counterparts thereof, registered or applied for in the United States and all other nations throughout the world.

"**Permits**" means all permits, licenses, franchises, approvals, authorizations, registrations, certificates, variances and similar rights obtained, or required to be obtained, from Governmental Authorities.

"**Person**" means an individual, corporation, partnership, limited liability company, association, trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"**Proceeding**" means any action, suit, litigation, mediation, arbitration, proceeding (including any civil, criminal, administrative, investigative or appellate proceeding and any informal proceeding), prosecution, contest, hearing, inquiry, inquest, audit, examination or investigation commenced, brought, conducted or heard by or before, or otherwise involving, any Governmental Authority or any arbitrator or arbitration panel.

"**Product**" means any pharmaceutical product containing the Compound (alone or with other active ingredients), in all forms, presentations, formulations and dosage forms. For clarification, Product will include any Combination Product.

"**Purchased IP**" means all Patents and Know-How Controlled by any of the Sellers that are exclusively related to the Compound or any Product, including, without limitation, the Patents set forth on Schedule 1.1(a).

"**Regulatory Filings and Approvals**" means, with respect to any pharmaceutical product in any jurisdiction, any and all regulatory applications, filings, approvals, and associated correspondence required to develop, manufacture, market, sell, and import such product in, or into, any jurisdiction, and all approvals from any regulatory authority necessary for the sale of such product in a given jurisdiction in accordance with all Applicable Laws.

"**Sales Related Payments Term**" means the period of ten (10) years following the First Commercial Sale of a Product.

"**Tax**" means any federal, state, local or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, social security, unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax, including any interest, penalty or addition thereto, imposed by any Governmental Authority (a "Taxing Authority") responsible for the imposition of any such tax (domestic or foreign).

"**Third Party**" means any Person other than Buyer, Novartis or their respective Affiliates.

"**Transaction Documents**" means this Agreement, the Subscription Agreement, the Morphosys Sublicense, the Bill of Sale, the Patent Assignment and any other agreements, certificates and instruments executed and delivered in connection with the transactions contemplated by this Agreement.

"**Valid Claim**" means a claim of an issued and unexpired patent, or a pending claim of a patent application that is being prosecuted, that has not been held unpatentable, invalid or unenforceable by a court or other Governmental Authority with no further right of appeal.

Section 6.2 Survival of Representations and Warranties and Covenants.

The representations and warranties of the Parties contained in this Agreement shall survive the Closing until the date that is eighteen (18) months after the Closing Date, provided, that the representations and warranties set forth in Sections 2.1, 2.2, 2.3 and Sections 3.1 and 3.2 shall survive indefinitely. The covenants and agreements of the Parties contained in this Agreement shall survive the Closing in accordance with their terms.

Section 6.3 Notices.

All notices, requests, demands and other communications which are required or may be given under this Agreement shall be in writing and shall be deemed to have been duly given when received if personally delivered; upon receipt if transmitted by email; the day after it is sent, if sent for next day delivery to a U.S. address by recognized overnight delivery service (*e.g.*, Federal Express); and upon receipt, if sent by certified or registered mail, return receipt requested, as follows:

If to Buyer:

Mereo BioPharma 1 Limited
15 Stratton Street
London
W1J 8LQ
United Kingdom
Attention : [***]

With a copy (which shall not constitute notice) to:

Proskauer Rose LLP
Eleven Times Square
New York NY 10036
Attention: [***]

If to Seller:

Novartis Pharma AG
Lichtstrasse 35
CH-4002, Basel, Switzerland
Attention: Head – Business Development & Licensing

With a copy (which shall not constitute notice) to:

Novartis Pharma AG
Lichtstrasse 35
CH-4002, Basel, Switzerland
Attention: General Counsel

or to such other place and with such other copies as either party may designate as to itself by written notice to the others.

Section 6.4 Governing Law; Jurisdiction.

This Agreement will be governed by and construed in accordance with the laws of the State of New York, without regard to the conflict of law principles thereof. Each of the Parties irrevocably agrees that any Proceeding arising out of or relating to this Agreement brought by any other party or its successors or assigns shall be brought and determined in federal court (or, if such court does not have subject matter jurisdiction, state court) sitting in the City and County of New York, and each of the Parties hereby irrevocably submits to the exclusive jurisdiction of the aforesaid courts for itself and with respect to its property, generally and unconditionally, with regard to any such Proceeding arising out of or relating to this Agreement and the transactions contemplated hereby. Each of the Parties agrees not to commence any Action relating thereto except in the courts described above in the City and County of New York, other than Actions in any court of competent jurisdiction to enforce any judgment, decree or award rendered by any such court. Each of the Parties further agrees that notice as provided herein shall constitute sufficient service of process and the Parties further waive any argument that such service is insufficient. Each of the Parties hereby irrevocably and unconditionally waives, and agrees not to assert, by way of motion or as a defense, counterclaim or otherwise, in any action or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby, (a) any claim that it is not personally subject to the jurisdiction of the courts described herein for any reason, (b) that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise) or (c) that (i) the Action in any such court is brought in an inconvenient forum, (ii) the venue of such Action is improper or (iii) this Agreement, or the subject matter hereof, may not be enforced in or by such courts. The Parties acknowledge and agree that the transactions contemplated by this Agreement are not transactions pursuant to which Buyer shall have any obligations under the Transfer of Undertakings (Protection of Employment) Regulations 2006.

Section 6.5 Waiver of Jury Trial.

EACH OF THE PARTIES IRREVOCABLY AND UNCONDITIONALLY WAIVES THE RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT, THE TRANSACTION DOCUMENTS OR ANY OTHER AGREEMENTS CONTEMPLATED HEREBY OR THE CONTEMPLATED TRANSACTIONS AND FOR ANY COUNTERCLAIM THEREIN.

Section 6.6 Payments; Expenses.

For the avoidance of doubt, no payments shall become due and payable and neither Party will be obligated to reimburse the other Party for any costs incurred by the other Party under or in connection with this Agreement unless and until the Closing has occurred. Except as otherwise specified herein, all costs and expenses, including fees and disbursements of counsel, financial advisors and accountants, incurred in connection with this Agreement and the transactions contemplated hereby will be paid by the Party incurring such costs and expenses, whether or not the Closing will have occurred.

Section 6.7 Counterparts.

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

Section 6.8 Entire Agreement.

This Agreement, including the Schedules and Exhibits hereto and the documents referred to herein, embodies the entire agreement and understanding of the Parties hereto in respect of the subject matter contained herein. This Agreement supersedes all prior agreements and understandings (including any confidentiality agreements) between the Parties with respect to such subject matter.

Section 6.9 Amendment and Modification.

This Agreement may be amended or modified only by written agreement of the Parties hereto.

Section 6.10 Binding Effect; Benefits.

This Agreement shall inure to the benefit of and be binding upon the Parties hereto and their respective successors and assigns; nothing in this Agreement, express or implied, is intended to confer on any Person other than the Parties hereto and their respective successors and assigns any rights, remedies, obligations or liabilities under or by reason of this Agreement.

Section 6.11 Assignability.

This Agreement shall not be assignable by any Party hereto without the prior written consent of the other Party except that (i) either Party may assign its rights under this Agreement to any of such Party's Affiliates without the prior written consent of the other Party and (ii) Buyer may assign its rights under this Agreement to any Person acquiring all of the Products or Purchased Assets.

Section 6.12 Interpretation Provisions.

(a) The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement, and Article, Section, Schedule and Exhibit references are to this

Agreement unless otherwise specified. The meaning of defined terms shall be equally applicable to the singular and plural forms of the defined terms. The term "or" is inclusive and not exclusive, unless its use is preceded by the word "either" or other words of similar import. The terms "include" and "including" are not limiting and mean "including without limitation." Use of a particular gender is for convenience only and is not intended to be a part of or to affect or restrict the meaning or interpretation of this Agreement.

(b) References to agreements and other documents shall be deemed to include all subsequent amendments and other modifications thereto.

(c) References to statutes shall include all regulations promulgated thereunder and references to statutes or regulations shall be construed as including all statutory and regulatory provisions consolidating, amending or replacing the statute or regulation.

(d) The captions and headings of this Agreement are for convenience of reference only and shall not affect the construction of this Agreement.

(e) The language used in this Agreement shall be deemed to be the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any party.

(f) The Schedules and Exhibits to this Agreement are a material part hereof and shall be treated as if fully incorporated into the body of this Agreement.

Section 6.13 Severability.

Whenever possible, each provision or portion of any provision of this Agreement shall be interpreted in such manner as to be effective and valid under Applicable Law, but if any provision or portion of any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any Applicable Law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of any other provision or portion of any provision in such jurisdiction.

Section 6.14 Specific Performance.

The Parties agree that irreparable damage would occur in the event any provision hereof were not performed in accordance with the terms hereof and that the Parties will be entitled to specific performance of the terms hereof, in addition to any other remedy at law or in equity without the necessity of demonstrating the inadequacy of monetary damages and without the posting of a bond.

Section 6.15 Disclaimer.

IT IS UNDERSTOOD, ACKNOWLEDGED AND AGREED THAT, EXCEPT AS SET FORTH HEREIN NOVARTIS MAKES NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS OF ANY KIND OR CHARACTER WITH RESPECT TO THE PURCHASED ASSETS OR ANY OTHER MATTER OR THING REGARDING THE PURCHASED ASSETS. BUYER ACKNOWLEDGES AND AGREES THAT UPON CLOSING SELLERS SHALL SELL AND CONVEY TO BUYER AND BUYER SHALL ACCEPT THE PURCHASED ASSETS "AS IS, WHERE IS, WITH ALL FAULTS", EXCEPT TO THE EXTENT EXPRESSLY PROVIDED OTHERWISE IN THIS AGREEMENT. BUYER HAS NOT RELIED AND WILL NOT RELY ON, AND NOVARTIS IS NOT LIABLE FOR OR BOUND BY, ANY EXPRESS OR IMPLIED WARRANTIES, GUARANTIES, REPRESENTATIONS OR INFORMATION PERTAINING TO THE PURCHASED ASSETS MADE OR FURNISHED BY SELLER, ITS AFFILIATES OR ANY AGENT REPRESENTING OR PURPORTING TO REPRESENT SELLER, TO WHOMEVER MADE OR GIVEN, DIRECTLY OR INDIRECTLY, ORALLY OR IN WRITING, UNLESS SPECIFICALLY SET FORTH IN THIS AGREEMENT, THE NOVARTIS DISCLOSURE SCHEDULE, THE TRANSACTION DOCUMENTS OR ANY ANCILLARY AGREEMENT. WITHOUT IN ANY WAY LIMITING THE FOREGOING, NOVARTIS HEREBY DISCLAIMS ANY WARRANTY, EXPRESS OR IMPLIED, OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE AS TO ANY PORTION OF THE PURCHASED ASSETS. BUYER REPRESENTS TO NOVARTIS THAT BUYER HAS CONDUCTED, OR WILL CONDUCT PRIOR TO CLOSING, SUCH INVESTIGATIONS OF THE PURCHASED ASSETS AS BUYER DEEMS NECESSARY AND WILL RELY SOLELY UPON SAME AND NOT UPON ANY INFORMATION PROVIDED BY OR ON BEHALF OF NOVARTIS OR ITS AGENTS OR EMPLOYEES WITH RESPECT THERETO, OTHER THAN SUCH REPRESENTATIONS, WARRANTIES AND COVENANTS OF NOVARTIS AS ARE EXPRESSLY SET FORTH IN THIS AGREEMENT.

Section 6.16 Obligations of Party's Affiliates.

Each Party shall cause its controlled Affiliates that are entities to perform any obligations of such Party and its Affiliates that are entities in connection with the Purchased Assets and the consummation of the transactions contemplated by this Agreement.

[*Signature page follows*]

IN WITNESS WHEREOF, the Parties hereto have duly executed this Agreement as of the date first above written.

Seller:

NOVARTIS PHARMA AG

By:	/s/ Matt Owens
Name:	Matt Owens
Title:	Global Head Legal Strategic Partnerships & Digital Medicine

By:	/s/ Efthymis Lioulias
Name:	Efthymis Lioulias
Title:	Senior Legal Counsel

Buyer:

MEREO BIOPHARMA 1 LIMITED

By:	/s/ Denise Scots-Knight
Name:	Denise Scots-Knight
Title:	Chief Executive Officer

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SCHEDULE 1.1(a)

[***]

[See attached]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

[***]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SCHEDULE 1.1(b)

ASSUMED CONTRACTS

[***]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SCHEDULE 1.1(c)

REGULATORY FILINGS AND APPROVALS

[***]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SCHEDULE 1.1(e)

PURCHASED INVENTORY

PROJECT: BCT197

[***]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SCHEDULE 1.7(f)

NOVARTIS DISCLOSURE SCHEDULE

[***]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SCHEDULE 1.7(g)

CONSENTS

[***]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXHIBIT B

SUBSCRIPTION AGREEMENT

[See attached]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

Subscription Agreement

relating to ordinary shares to be allotted by Mereo BioPharma Group Limited

Dated July 2015

(1) Institutional Investors
(2) Mereo Founders
(3) Company

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

DATE July 2015

PARTIES

(1) THE PERSONS whose names and addresses are set out in Schedule 1 (the "Institutional Investors");

(2) THE PERSONS named in rows 1 to 9 (inclusive) of Schedule 2 (the "**Mereo** Founders") and

(3) Mereo BioPharma Group Limited a company registered in England and Wales (company number 9481161) whose registered office is at Green Park House, 15 Stratton Street, London, W1J 8LQ ("**the Company**").

INTRODUCTION

(A) The Mereo Newcos, each a wholly owned subsidiary of the Company, intend to enter into agreements to be dated on or around the date of this Agreement to acquire a portfolio of assets from Novartis Pharma AG in accordance with the terms of the Novartis Asset Sale Agreements.

(B) Each of the Investors are to subscribe for their respective Ordinary Shares in cash, save for Novartis which will receive its Ordinary Shares as consideration for the assignment to the Company of the benefit of certain loan notes issued to Novartis by the Mereo Newcos in exchange for the sale of the Novartis Assets pursuant to the Novartis Asset Sale Agreements.

(C) Immediately following Completion, the share capital of the Company shall be held as set out in column 2 of Schedule 2 of this Agreement.

OPERATIVE PROVISIONS

1. DEFINITIONS AND INTERPRETATION

1.1 In this Agreement the words and expressions set out below shall have the following meanings:

Agreement	this agreement, including the Schedules to this agreement
Authorisation	means (a) an approval, authorisation, consent, declaration, exemption, permit, licence, notarisation or waiver, however it is described, and including any condition attached to it; and

	(b) in relation to anything that could be prohibited or restricted by law if a Government Agency acts in any way within a specified period, the expiry of that period without that action being taken
Business Day	a day, except a Saturday or Sunday, on which banks in the City of London are generally open for business
Business Plan	the initial business plan which is attached to this Agreement as Annex A and as may be updated from time to time
Call Notice	As defined in clause 2.11
Call Option	as defined at clause 2.11
Call Option Price	means in respect of each Founder, the price specified in column 3 of Schedule 6, being the nominal value of such shares
Call Option Shares	means such number of the Ordinary Shares held by each Founder as is specified at column 2 of Schedule 6
Company's Solicitors	Proskauer Rose (UK) LLP of 110 Bishopsgate, London, EC2N 4AY
Completion	completion by the parties of their respective obligations in accordance with clause 5 upon satisfaction of the Conditions
Commitment	in respect of each Investor, the amount set out against its name in column 2 of Part A of Schedule 1
Conditions	as defined in clause 4

Confidential Information	all information which relates to: (a) the Group; (b) any aspect of the business of the Group operated by any of the subsidiaries of the Company; (c) the provisions and subject matter of this Agreement; and (d) the negotiations relating to this Agreement
Controlling Stake	more than 50 per cent in number of the issued shares
Dilutive Event	any action taken by the Company having the effect that, immediately following such Dilutive Event and but for the operation of clause 7.1 of this Agreement, the shares held by Novartis in the Company would represent less than 19.5% of the total economic and voting rights in the Company, including but not limited to: any issue of shares in the equity share capital of the Company or the exercise of any right to subscribe for or convert any security into, such shares, whether for cash or by way of dividend, distribution or capitalisation of profits or reserves (including share premium account and any capital redemption reserve); or any amalgamation or merger of the Company into or with another entity
Drawdown Notice	as defined in clause 2.8
Employment Agreements	the agreed form employment agreements between the Company and each of Denise Pollard-Knight, Charles Sermon, Richard Bungay and Alastair MacKinnon
Exit	any of the following: (a) the obtaining of a Listing; (b) the completion of a Sale; or

	(c) completion of a liquidation, winding up or dissolution of the Company
Fully Diluted	the aggregate, from time to time, of all shares issued in the equity share capital of the Company, and all such shares capable of being issued by the Company pursuant to all outstanding rights to subscribe for, or convert any security into, any shares in the equity share capital of the Company as if those outstanding rights had been exercised in full, but excluding the Options
Full Title Guarantee	means with the benefit of the implied covenants set out in Part 1 of the Law of Property (Miscellaneous Provisions) Act 1994 when a disposition is expressed to be made with full title guarantee
Further Subscription	a subscription for Ordinary Shares pursuant to clause 2.7
Government Agency	a government or governmental, semigovernmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity whether foreign, federal, state, territorial or local
Group	the Company and its subsidiary undertakings from time to time and "Group Company" shall be interpreted accordingly
Initial Price	£1.84 per Ordinary Share
Invesco	Invesco Asset Management Limited acting as agent for and on behalf of the Invesco Fund
Invesco Fund	the Invesco Perpetual High Income Fund and with all shares held in the name of its nominee

Invesco Permitted Transferee	means: Where the relevant Shareholder is an Investment Manager or a nominee of an Investment Manager: (a) any participant or partner in or member of any Investment Fund in respect of which the shares to be transferred are held (but only in connection with the dissolution of such Investment Fund or any distribution of assets of the Investment Fund pursuant to the operation of the Investment Fund in the ordinary course); or (b) any Investment Fund whose business is managed by the Investment Manager who is or whose nominee is the transferor; or (c) any other Investment Manager who manages the business of the Investment Fund in respect of which the shares are held; or (d) any nominee or custodian of (a) to (c); or (e) any mandate controlled by or managed by or advised by an Investment Manager. Where the relevant Shareholder is an Investment Fund or nominee of an Investment Fund to: (a) any partner in or member of the Investment Fund which is or whose nominee is the transferor (but only in connection with the dissolution of such Investment Fund or any distribution of assets of the Investment Fund pursuant to the operation of the Investment Fund in the ordinary course); or

	(b) any other Investment Fund whose business is managed by the same Investment Manager as manages the Investment Fund which is or whose nominee is the transferor or another Investment Manager in the Invesco group of companies; or (c) the Investment Manager who manages the business of the Investment Fund which is or whose nominee is the transferor; or (d) any nominee or custodian of (a) to (c); (e) any mandate controlled by or managed by or advised by an Investment Manager
Investment Fund	any person (including a company), fund, partnership, investment syndicate or other entity holding shares (including any beneficial interest in shares) in the Company for investment purposes and not being an Employee (as defined in the New Articles) or Permitted Transferee (as defined in the New Articles) of an Employee
Investment Manager	means an organisation whose principal business is to make or advise upon investments
Investors	each of (1) the Institutional Investors and (2) the Mereo Founders
Investor Counsel Fees	means an aggregate amount of £100,000 to be deducted by Invesco, Woodford and WEIF from their respective subscription fees in accordance with clause 14.2

Listing	means the admission of all or any of the shares of the Company or securities representing those shares (including without limitation depositary interests, American depositary receipts, American depositary shares and/or other instruments) on NASDAQ or on the Official List of the United Kingdom Listing Authority or on the AIM Market operated by the London Stock Exchange Plc or any other recognised investment exchange (as defined in section 285 of the Financial Services and Markets Act 2000)
Long Stop Date	10 Business Days following the date of this Agreement
Mereo Newcos	Mereo BioPharma 1 Limited (company number 0946998), Mereo BioPharma 2 Limited (company number 09647035) and Mereo BioPharma 3 Limited (company number 09647034) whose registered offices are at Green Park House, 15 Stratton Street, London, W1J 8LQ
New Articles	the articles of association to be adopted by the Company at Completion (in the agreed form) and as may be amended from time to time
Novartis	Novartis Pharma AG, Lichtstrasse 35, CH-4002, Basel, Switzerland
Novartis Assets	the intellectual property and other assets held by Novartis immediately prior to Completion which are being acquired by the Mereo Newcos pursuant to the terms of the Novartis Asset Sale Agreements
Novartis Asset Sale Agreements	the three asset sale agreements and licence agreement to be entered into between Novartis and each of the Mereo Newcos on or around the date of this Agreement in relation to the sale and licence of the Novartis Assets

Ordinary Shares	ordinary shares of £0.001 each in the capital of the Company
Options	options to acquire Ordinary Shares pursuant to an employee share option scheme
Payment Instructions Agreement	the payment instructions agreement between, amongst others, certain investors and the Company's Solicitors to be entered into on or about the date hereof, in the agreed form
Project Berkeley Data Room	the online data room providing information on the Group and the Novartis Assets and made available to the Institutional Investors
Pro Rata Portion	means in respect of Invesco, the lower of (i) the proportion which the aggregate number of Ordinary Shares held by the Invesco Fund and any Invesco Permitted Transferee bears to the total aggregate number of Ordinary Shares held by the Invesco Fund, any Invesco Permitted Transferee, Woodford and WEIF; or (ii) unless Invesco has nominated an alternative fund managed by Invesco to take up all or part of its Pro Rata Portion pursuant to clause 2.17, such number of Ordinary Shares as would result in the Invesco Fund holding, when aggregated with the Ordinary Shares already held by the Invesco Fund, not more than 19.5% of the then issued voting share capital in the Company; and in respect of Woodford, the proportion which the aggregate number of Ordinary Shares held by Woodford bears to the total aggregate number of Ordinary Shares held by the Invesco Fund, any Invesco Permitted Transferee, Woodford and WEIF; and in respect of WEIF, the proportion which the aggregate number of Ordinary Shares held by WEIF bears to the total aggregate number of Ordinary Shares held by the Invesco Fund, any Invesco Permitted Transferee, Woodford and WEIF, in each case on the date of the Call Option Notice.

Qualifying IPO	means an initial public offering of shares in the capital of the Company which results in gross proceeds to the Company of not less than £100,000,000 (excluding, for the avoidance of doubt, the Remaining Commitments) at a price per share representing an uplift to the post-Completion valuation of the Company of not less than 20%
Remaining Commitments	in respect of each Investor, the amount specified in column 5 of Part A of Schedule 1 subject to clause 2.9
Sale	(a) the disposal by the Company of all or substantially all of its undertaking and assets (where disposal may include, without limitation, the grant by the Company of an exclusive licence of intellectual property not entered into in the ordinary course of business); or (b) the sale of (or the grant of a right to acquire or to dispose of) any of the shares in the capital of the Company (in one transaction or as a series of transactions) which will result in the purchaser of those shares (or grantee of that right) and persons acting in concert with him together acquiring a Controlling Stake in the Company, except where following completion of the sale the shareholders and the proportion of shares held by each of them are the same as the shareholders and their shareholdings in the Company immediately prior to the sale
Target Group	the Company and each of the Mereo Newcos, and "**Group Company**" shall mean each of them

Transaction Agreements	this Agreement and the New Articles
Warranties	the warranties given pursuant to clause 6
WEIF	CF Woodford Equity Income Fund, acting by its agent Woodford Investment Management LLP, whose details are set out at Schedule 1
Woodford	Woodford Patient Capital Trust plc, acting by its agent Woodford Investment Management LLP, whose details are set out at Schedule 1

1.2 Words and expressions which are defined in the Companies Act 2006 shall have the meanings attributed to them in that Act when used in this Agreement unless otherwise defined.

2. CAPITAL COMMITMENTS AND SUBSCRIPTIONS FOR ORDINARY SHARES

Commitments

2.1 Each Investor may be required to contribute cash to the Company from time to time in accordance with this clause 2, up to an aggregate amount equal to that Investor's Commitment. No Investor shall be entitled to interest on its Commitment.

Loan note exchange

2.2 Novartis shall transfer to the Company on Completion the number of loan notes issued by the Mereo Newcos set opposite its name in column 2 of Part B of Schedule 1 of this Agreement (being all of the loan notes held by Novartis) in consideration of the issue by the Company to Novartis of the Ordinary Shares to be issued to Novartis pursuant to clause 2.3(b) and clause 7, below.

Subscription and issue of shares

2.3 On Completion:

(a) the Institutional Investors (as set out in Schedule 1) other than Novartis shall subscribe in cash for and shall be issued the number of Ordinary Shares set opposite their name in column 3 of Part A of Schedule 1 for the price specified in column 4 of Part A of Schedule 1; and

(b) the Company shall issue to Novartis of the number of Ordinary Shares set opposite its name in column 3 of Part B of Schedule 1.

2.4 Following Completion, the share capital of the Company shall be as set out in Schedule 2.

2.5 The parties hereby agree that full payment of the subscription monies for the respective Institutional Investors' Ordinary Shares set out in clause 2.3(a) upon Completion shall be satisfied out of the monies that are or are to be, held by the Company's Solicitors to the order of the Institutional Investors, pursuant to the Payment Instructions Agreement.

2.6 Upon entry into this Agreement the Company shall hold a board meeting at which the applications for Ordinary Shares set out in Schedule 1 to this Agreement shall be approved with such Ordinary Shares to be allotted and issued to the Institutional Investors by the Company subject only to Completion, with the relevant names to be entered into the Company's register of members upon Completion.

2.7 Simultaneously with and upon entry into this Agreement, each of the parties who are a party to the Payment Instructions Agreement shall execute and deliver the Payment Instructions Agreement.

Drawdown of Remaining Commitment

2.8 Immediately prior to a Listing, or, if earlier, on 31 March 2016 and at any time after that date but before 1 June 2016, the board of directors of the Company may cause the Company to issue a notice ("**Drawdown Notice**") to each Investor, requiring that such Investor subscribe for additional Ordinary Shares at the Initial Price per Ordinary Share, up to an amount equal to such Investor's Remaining Commitment (subject to clause 2.9 below). Each such Investor shall contribute the required amount in immediately available cash funds within five (5) Business Days after receipt of such notice. Woodford may transfer all or part of its obligation under this clause to WEIF and vice versa.

2.9 The amount that the Invesco Fund may be required to subscribe for additional Ordinary Shares pursuant to clause 2.8 shall not exceed the lower of (i) its Remaining Commitment; and (ii) such amount as would result in the Invesco Fund holding, immediately following completion of the Further Subscriptions of each Investor, not more than 19.5% of the then issued voting share capital in the Company.

2.10 The Invesco Fund's participation in any Further Subscriptions is conditional upon (i) the Company's continuing compliance with this Agreement and the New Articles; and (ii) such participation not resulting in a contravention of any applicable laws, regulations or other legal requirements of whatever nature.

Call Option

2.11 At any time on or after 31 March 2016, but prior to a Listing Woodford, WEIF and Invesco shall be entitled ("**Call Option**") to issue to all (but not some only) of the Founders a notice ("**Call Notice**") requiring such Founder to transfer to the Invesco Fund and Woodford his or her Call Option Shares in consideration of payment to him or her of the Call Option Price.

2.12 The Call Option is exercised on the date on which the Call Notice is issued, and the sale and purchase of the Call Option Shares shall take place on the date which is ten (10) Business Days after the exercise of the Call Option, on which date:

(a) each Founder shall deliver

(i) to Woodford a duly executed stock transfer form in favour of Woodford in respect of its Pro Rata Portion of the Call Option Shares;

(ii) to WEIF a duly executed stock transfer form in favour of WEIF in respect of its Pro Rata Portion of the Call Option Shares;

(iii) to Invesco (or its nominee) a duly executed stock transfer form in favour of the Invesco Fund in respect of its Pro Rata Portion of the Call Option Shares; and

(iv) to the Company share certificates evidencing his or her ownership of the Call Option Shares set out opposite his or her name at Schedule 6, for cancellation; and

(b) each of Woodford and Invesco shall pay to each of the Founders in cash or immediately available funds its Pro Rata Portion the Call Option Price.

2.13 A Call Notice may not be issued to any Founder pursuant to clause 2.11 unless the Institutional Investor issuing such Call Notice also issues a Call Notice to each of the other Founders at the same time and requires each Founder to transfer an equal percentage portion of their Call Option Shares.

2.14 The Call Option Shares shall be sold by each Founder with Full Title Guarantee and free from all Encumbrances and together with all rights attaching to them on the date of such transfer.

2.15 If Invesco, Woodford and WEIF do not issue a Call Option Notice within 30 Business Days of becoming entitled to do so, the Call Option shall automatically lapse and cease to be exercisable.

2.16 Woodford shall be entitled to specify in the Call Option Notice that some or all of its Pro Rata Portion of a Founder's Call Option Shares be transferred to WEIF, and vice versa. In such case clause 2.12(a)(i) and clause 2.12(b) shall be deemed to be amended accordingly.

2.17 Invesco shall be entitled to specify in the Call Option Notice that some or all of the Invesco Fund's Pro Rata Portion of a Founder's Call Option Shares be transferred to an alternative fund managed by Invesco that is not the Invesco Fund. In such case clause 2.12(a)(ii) and clause 2.12(b) shall be deemed to be amended accordingly.

Non-Qualifying IPO

2.18 In the event of any Listing which is not a Qualifying IPO, the parties shall discuss and agree in good faith an adjustment to the number of Ordinary Shares held by the Founders.

3. OPTIONS

3.1 The parties acknowledge and agree that an option pool representing no more than fifteen per cent. (15%) of the diluted share capital of the Company following the issues of shares contemplated by this Agreement shall be available following Completion for the purposes of incentivising current and future employees of the Company and its group of companies (the "**Option Pool**"). The Option Pool represents the only shares that may comprise an Employee Issue under the New Articles.

3.2 Following Completion, the Company intends to issue the Options as set out in column 5 of Schedule 2 of this Agreement.

4. CONDITIONS PRECEDENT

4.1 The obligations of the Company and the Institutional Investors to be performed at Completion under this Agreement are conditional upon:

(a) each of the conditions to the Novartis Asset Sale Agreements, other than the condition set out at clause 1.9(b)(viii) of each of the Novartis Asset Sale Agreements, having been duly satisfied or waived in accordance with the terms of such agreement;

(b) the Company having received subscription agreements from investors which taken together total aggregate subscriptions to be received on behalf of the Company on Completion of not less than £20,000,000 less the Investor Counsel Fees (the "**Conditions**").

5. COMPLETION

5.1 Subject to the provisions of this Agreement, Completion shall occur at the time and place specified in the Novartis Asset Sale Agreements and simultaneously with completion under the Novartis Asset Sale Agreements.

5.2 On Completion the Company shall:

(a) adopt the New Articles of the Company;

(b) enter into the Employment Agreements as agreed between the Company and the relevant employees;

(c) deliver to each of the Institutional Investors certificates for the Ordinary Shares as set out in clause 2.1; and

(d) enter each of the Institutional Investors into the Company's register of members in respect of the Ordinary Shares set opposite its name in column 3 of Part A of Schedule 1.

5.3 It is acknowledged and agreed that, immediately following Completion:

(a) the board of directors of the Company shall be comprised of Denise Pollard- Knight (chief executive officer), Peter Fellner (chairman), Frank Armstrong, Anders Ekblom, Peter Bains and Kunal Kashyap;

(b) in addition to any right to appoint a director under the New Articles, each of Invesco, Novartis and Woodford shall be entitled to nominate one person to act as an observer of board meetings in accordance with the New Articles;

(c) Charles Sermon shall be the company secretary; and

(d) each of Woodford and Invesco will be entitled to nominate one person to act as a director of the Company, in accordance with and subject to the New Articles.

6. WARRANTIES

6.1 Each Investor warrants to each other party as of the date of this Agreement that:

(a) if it is a company, it is a company limited by shares duly incorporated and validly existing under the laws of the place of its incorporation;

(b) it has full legal capacity and power to:

(i) own its property and to carry on its business; and

(ii) enter into the Transaction Agreements and to perform its obligations under the Transaction Agreements;

(c) if it is a company, it has taken all corporate action that is necessary to authorise its entry into the Transaction Agreements and the performance of its obligations under the Transaction Agreements;

(d) this Agreement constitutes, and will, when executed, constitute legal, valid and binding obligations, enforceable against it in accordance with its terms;

(e) it holds each Authorisation that is necessary to:

(i) enable it properly to execute the Transaction Agreements and to perform its obligations under the Transaction Agreements;

(ii) ensure that the Transaction Agreements are legal, valid, binding and admissible in evidence; and

(iii) enable it to carry on its business,

and it is complying in all material respects with any conditions to which any of these Authorisations is subject;

(f) neither its execution of the Transaction Agreements, nor the performance of its obligations under the Transaction Agreements, contravenes:

(i) any law to which it or any of its property is subject or any order of any Government Agency that is binding on it or any of its property;

(ii) any Authorisation;

(iii) any undertaking or instrument binding on it or any of its property; or

(iv) its constitutional documents or equivalent; and

(g) the Investors represent that they each fall within one of the following categories of person:

(i) an investment professional as defined in article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**"), namely persons authorised under the Financial Services and Markets Act 2000 ("**FSMA**"); persons whose ordinary activities involve them investing in unlisted companies; governments; local authorities or international organisations; or a director, officer or employee acting for such persons in relation to engaging in investment activity; or

(ii) a person falling within any categories of persons described in paragraphs (2)(a) to (d) of article 49(2) ("high net worth companies, unincorporated associations etc") of the Order, namely bodies corporate with called up share capital or net assets of not less than £5 million (except where the body corporate has more than 20 members in which case the share capital or net assets should be not less than £500,000); unincorporated

associations or partnerships with net assets of not less than £5 million; trustees of high value trusts; or a director, officer or employee acting for such persons in relation to engaging in investment activity.

6.2 The Company and each of the Mereo Founders warrants to the Institutional Investors that, as at the date of this Agreement:

(a) the information on the Group Companies contained in Schedule 4 to this Agreement is true, complete and accurate in all respects;

(b) the Company owns, and will immediately following Completion own, the full legal and beneficial title in the entire issued share capital of the Mereo Newcos free from all claims, liens, encumbrances, equities and third party rights;

(c) the Company has no interest in the share capital of any body corporate other than the Mereo Newcos;

(d) each Group Company is private company limited by shares and is and has since its incorporation been, resident in the United Kingdom for United Kingdom tax purposes;

(e) no Group Company has ever traded or has, or has acquired or disposed of any, any assets or liabilities (whether actual or contingent, present, future or otherwise), borrowed, made any loan or entered into any contract, or agreed to do any of the foregoing, other than:

(i) any obligations it has arising under the Novartis Asset Sale Agreements;

(ii) loan notes issued by each Mereo Newco to Novartis pursuant to the Novartis Asset Sale Agreements, which are transferred to the Company on Completion;

(iii) any liabilities arising under any employment or consultancy agreements or appointment letters entered into between the Company and any of the Mereo Founders or Richard Bungay, copies of which have been disclosed to the Institutional Investors; and

(iv) those disclosed in Schedule 3 to this Agreement or in the Project Berkeley Data Room;

(f) it has disclosed to the Institutional Investors in Schedule 2 to this Agreement details of the Ordinary Shares issued to the Mereo Founders prior to the date of this Agreement, and each of the issued shares in each Group Company have been issued in proper legal form and are fully paid or credited as fully paid and immediately prior to Completion each of the issued shares in the Company will,

save as disclosed in Schedule 2 , be legally and beneficially owned by the Mereo Founders and Peter Harper free from all claims, liens encumbrances, equities and third party rights;

(g) Ernst & Young LLP has provided the Company with a valuation in respect of the Ordinary Shares issued to the Mereo Founders prior to the date of this Agreement;

(h) save as expressly contemplated by this Agreement and under the Novartis Asset Sale Agreements, there is no debenture or loan capital or any agreement to create or issue any debenture or loan or share capital of any Group Company or any option to subscribe for or acquire or any agreement to put under option any debenture or loan or share capital of any Group Company and no person has the right (whether pursuant to conversion or otherwise) to call for the issue of any debenture or share or loan capital of any Group Company under any agreement or other arrangement presently in force;

(i) the Company has no indebtedness in the nature of borrowing or loan facilities including without limitation factoring or invoice discounting arrangements;

(j) save in respect of the loan notes issued by each of the Mereo Newcos which are to be transferred to the Company pursuant to clause 2.2 of this Agreement, no other Group Company has any indebtedness in the nature of borrowing or loan facilities including without limitation factoring or invoice discounting arrangements;

(k) no Group Company has or has ever had any or been a subsidiary or an associated company of another company, other than a Group Company or a member of a consortium for tax purposes and nor has it ever been the legal or beneficial owner of any share or loan capital of any company other than a Group Company;

(l) the register of members of each Group Company is correct and properly written up to date and there has been no notice of any proceedings to correct or rectify any such register;

(m) a true and complete copy of the articles of association of each Group Company is included in the Project Berkeley Data Room;

(n) no Group Company has any full or part time employees or workers;

(o) save as disclosed at Schedule 3 to this Agreement, no person is entitled to receive from the Company an introduction or finders brokerage or commission or similar fee in respect of the subscriptions or other transactions contemplated by this Agreement;

(p) each Group Company has materially complied with all its obligations under the Companies Act 2006 and with all other applicable laws, regulations and other legal requirements;

(q) no Group Company is a party, or has ever been a party and, so far as Company and each of the Mereo Founders is aware, no facts or circumstances exist, whereby any Group Company could become a party to any dispute or proceedings of whatever nature;

(r) no order has been made or resolution passed or petition presented for the winding up or other dissolution of the Company, no receiver or manager or administrator has been or can be appointed over any of its assets and the Company is not insolvent or unable to pay its debts. None of the Mereo Founders is aware of any facts which are likely to lead to any of the events or circumstances referred to in this paragraph; and

(s) no Group Company has declared or paid any dividends or effected any distribution (for tax purposes or otherwise) of or in respect of its assets or share capital.

6.3 Each of the Mereo Founders warrants to the Institutional Investors that as at the date of this Agreement:

(a) he is not subject to any restrictions by reason of any existing or former employment or any other capacity or agreement which could prevent his participation in the Company or the development of the activities of the Group Companies in the manner hereby contemplated;

(b) neither he nor any of his connected persons or associates or any of them has any interest, direct or indirect, in any agreement or arrangement to which any Group Company is party or in any business which has a close trading relationship with any Group Company or which competes in any way with or could reasonably be expected to become competitive in any way with the business of the Target Group;

(c) he is not party to any agreement or understanding or arrangement with any other person in connection with his investment in the Company or his liabilities hereunder or his employment or engagement by the Company or any other present or proposed member of the Group which has not been disclosed to the Institutional Investors; and

(d) he is not aware of any matter which constitutes a breach of the warranties given by Novartis under the Novartis Asset Sale Agreements.

6.4 That save for any transfer made under articles 50, 51 or 52 of the New Articles, or an Exit/IPO if earlier, the Mereo Founders undertake to the Institutional Investors not to transfer or otherwise dispose of any of their shares or any interest in such shares during the two year period immediately following Completion without the prior written consent of shareholders holding a majority of the voting rights in the Company.

6.5 Each of the Institutional Investors and the Company acknowledges that each of them has executed this Agreement and agreed to perform its obligations under this Agreement in reliance on the warranties that are made in this clause 6.

6.6 The Company will not and will procure that none of the relevant Group Companies will waive or amend any material condition to or term of any Novartis Asset Sale Agreement without the prior consent of Invesco and Woodford.

7. FURTHER NOVARTIS SHARE ISSUE

7.1 On the occurrence of any Dilutive Event after the date of this Agreement, the Company shall issue ("**Further Issue**") to Novartis, credited as fully paid such number of Ordinary Shares as is necessary to ensure that, having regard to the operation of articles 66.3 and 66.4 of the New Articles, immediately following such Further Issue, the shares held by Novartis in the Company represent no more than 19.5 % of the total economic and voting rights in the Company, subject to clause 7.3 below.

7.2 Each Investor, other than Novartis, acknowledges the Company's obligations pursuant to clause 7.1 above and:

(a) shall insofar as it is lawfully able by the exercise of its rights and powers as a shareholder of the Company, use all reasonable endeavours to procure that the Company shall take all actions reasonably necessary to comply with its obligations pursuant to clause 7.1 above;

(b) shall cause any director or officer of the Company who is, from time to time, appointed and/or maintained in office by such Investor, to use his powers as a director or officer of the Company by voting in favour of any resolution of the directors of the Company, to ensure that the Company shall comply with its obligations pursuant to clause 7.1 above, subject at all times to such director's or officer's statutory and fiduciary duties to the Company; and

(c) hereby waives any and all rights of pre-emption or other restriction in relation to any issue of shares to Novartis made pursuant to clause 7.1 above, whether arising by virtue of the Articles (as they may be amended from time to time), any agreement, law or otherwise.

7.3 The maximum aggregate number of Ordinary Shares that may be issued by the Company to Novartis on Completion and pursuant to clause 7.1 above shall in no event exceed 14,000,000 Ordinary Shares, provided only that the maximum aggregate number of Ordinary Shares (14,000,000) prescribed by this clause 7.3 shall be adjusted ("**Adjustment**") in the event of any subdivision, consolidation or reclassification of the Ordinary Shares, so that, after such Adjustment, the aggregate number of Ordinary Shares that may be issued pursuant to a Further Issue (or a series of Further Issues) carry as nearly as possible the same proportion of economic and voting rights in the Company as if the event giving rise to such Adjustment had not taken place.

8. INFORMATION RIGHTS

8.1 Each Investor who is entitled to appoint a Director under the New Articles, regardless of whether its exercises such right, shall be entitled to receive:

(a) at the same time as they are delivered to the Company's board of directors, copies of all board packs or documents and meeting agendas to be discussed or presented at any meeting of the Company's board of directors and copies of any other documents circulated to directors; and

(b) copies of minutes of meetings of the Company's board of directors as soon as practicable following the relevant meeting.

8.2 The Company covenants and undertakes to each Investor that it shall provide to each such Investor copies of all financial and other information relating to the business and affairs of the Target Group as such Investor may require, including:

(a) as soon as practicable, but in any event within forty-five (45) days after the end of each of the first three (3) quarters of each fiscal year of the Company, management accounts of the Target Group including the Group's profit and loss account and cash flow statement and performance against budget in respect of each financial quarter;

(b) the annual report and audited consolidated accounts of the Target Group in respect of each financial year;

(c) all documents sent to, and all resolutions passed by, any holders of shares or other securities in the Company, or to any of the Company's financial lenders;

(d) the final draft of any proposed public announcement;

(e) as soon as reasonably practicable following it being requested supply such information as is reasonably necessary to enable each Investor to prepare its tax or other returns and such other information as such Investor may reasonably request for the purpose of enabling it to comply with any reporting or compliance requirements imposed on such Investor by any statue rule, regulation or otherwise by any governmental agency or authority; and

(f) any information, to the extent not included in (a) to (d) above, to which a director appointed to the board of the Company would ordinarily be entitled to in the course of carrying out his duties as a director of the Company.

8.3 The Company will permit each Investor and its authorised representatives at such Investor's expense to visit and inspect the properties of the Company, including its corporate books and records, and to discuss the Company's business and finances with officers of the Company, in each case for any purpose reasonably related to such Investor's interest in the Company, during normal business hours following reasonable notice and as often as may be reasonably requested; provided that any such access provided shall not unduly interfere with the operations of the conduct of the business of the Company.

9. BUSINESS PLAN AND BUDGET

9.1 The Company and each of the Mereo Founders undertakes to each Institutional Investor to carry on, develop and expand the business of the Target Group in accordance with the Business Plan.

9.2 The Company shall provide to each Investor, not later than 30 days prior to the start of each financial year:

(a) a detailed budget and cash flow forecast for the Group in respect of that financial year; and

(b) an updated business plan for the Group, including updated medium and long term assumptions and projections.

10. ASSIGNMENT OF THIS AGREEMENT

10.1 No party shall:

(a) assign any of its rights under this Agreement;

(b) transfer any of its obligations under this Agreement;

(c) sub-contract or delegate any of its obligations under this Agreement; or

(d) charge or deal in any other manner with this Agreement or any of its rights or obligations,

provided that:

(e) Woodford may assign any of its rights under this Agreement to any person to whom it is entitled to transfer shares in the Company pursuant to article 48.1(b) of the Articles in connection with a transfer of shares in the Company to that person; and

(f) the Invesco Fund may assign any of its rights under this Agreement to any person to whom they are entitled to transfer shares in the Company pursuant to article 48.1(b) of the Articles in connection with a transfer of shares in the Company to that person and Invesco may exercise any of their respective rights under this Agreement for the benefit of any such person.

10.2 Any purported assignment, transfer, sub-contracting, delegation, charging or dealing in contravention of this clause shall be ineffective.

11. ANNOUNCEMENTS

11.1 Save as expressly provided for in the Novartis Asset Sale Agreements, the parties shall not make any public announcement or issue a press release or respond to any enquiry from the press or other media concerning or relating to the Novartis Asset Sale Agreements or this Agreement or their subject matter or any ancillary matter without the prior written approval of each of the Institutional Investors and Denise Pollard-Knight.

11.2 Notwithstanding any other provision in this Agreement, each party may, without the prior written approval of the other parties, make or permit to be made an announcement concerning or relating to this Agreement or its subject matter or any ancillary matter if and to the extent required by:

(a) law or regulation;

(b) any securities exchange on which such party's securities are listed or traded; or

(c) any regulatory or governmental or other authority with relevant powers to which a party is subject.

12. CONFIDENTIALITY

12.1 Each of the Institutional Investors and the Mereo Founders and, in respect of Confidential Information of the type referred to in paragraphs (c) and (d) of the definition of Confidential Information, the Company undertakes that it shall both for a period of three (3) years after the term of this Agreement preserve the confidentiality of the Confidential Information, and except to the extent otherwise expressly permitted by this Agreement, not directly or indirectly reveal, report, publish, disclose or transfer or use for its own or any other purposes such Confidential Information.

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

12.2 Notwithstanding any other provision in this Agreement, any party may disclose Confidential Information if and to the extent:

(a) required by law;

(b) required by any securities exchange on which such party's securities are listed or traded;

(c) required by any regulatory or governmental or other authority with relevant powers to which such party is subject;

(d) required to vest the full benefit of this Agreement in that party or to enforce any of the rights of that party in this Agreement;

(e) required by its professional advisers, officers or employees to provide their services (provided that the relevant disclosee undertakes, or is under a similar duty, to keep such Confidential Information (or other information which is to be treated as confidential) confidential);

(f) that information is in or has come into the public domain through no fault of that party; or

(g) each of the other parties have given prior written consent to the disclosure.

13. TERMINATION

13.1 Subject to clause 13.2, this Agreement shall terminate and be of no further force or effect upon:

(a) the Long Stop Date having occurred without Completion having occurred;

(b) an Exit; or

(c) the written agreement of all of the Investors.

13.2 On termination of this Agreement, clauses 11 (*Announcements*) and 12 (*Confidentiality*) shall survive and continue in full force and effect for a period of three (3) years following such date but all other rights and obligations of the parties shall cease immediately. Termination shall not affect the parties' accrued rights and obligations as at such termination.

14. COSTS AND EXPENSES

14.1 Subject to clause 13.2, each party shall bear its own costs and expenses in connection with this Agreement.

14.2 The Company shall on Completion make a contribution to the fees and expenses of each Institutional Investor up to a maximum of [***]. For the avoidance of doubt, prior to the

transfer of funds to the Company's Solicitors pursuant to clause 2.5, Woodford and WEIF shall deduct an aggregate sum of [***] from their combined subscription monies; and Invesco shall deduct the sum of [***] from its subscription monies.

15. CUMULATIVE REMEDIES

The rights, powers, privileges and remedies conferred upon any of the Investors in this Agreement are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law.

16. WAIVER

16.1 A waiver of any right, power, privilege or remedy provided by this Agreement must be in writing and may be given subject to any conditions thought fit by the grantor. For the avoidance of doubt, any omission to exercise, or delay in exercising, any right, power, privilege or remedy provided by this Agreement shall not constitute a waiver of that or any other right, power, privilege or remedy.

16.2 A waiver of any right, power, privilege or remedy provided by this Agreement shall not constitute a waiver of any other breach or default by the other party and shall not constitute a continuing waiver of the right, power, privilege or remedy waived or a waiver of any other right, power, privilege or remedy.

16.3 Any single or partial exercise of any right, power, privilege or remedy arising under this Agreement shall not preclude or impair any other or further exercise of that or any other right, power, privilege or remedy.

17. ENTIRE AGREEMENT

17.1 This Agreement and the documents referred to or incorporated in it constitute the entire agreement between the parties relating to the subject matter of this Agreement and supersedes and extinguishes any prior drafts, agreements, undertakings, representations, warranties and arrangements of any nature, whether or not in writing, between the parties in relation to the subject matter of this Agreement.

17.2 Each of the parties acknowledges and agrees that it has not entered into this Agreement in reliance on any statement or representation of any person (whether a party to this Agreement or not) other than as expressly incorporated in this Agreement.

17.3 Nothing contained in this Agreement or in any other document referred to or incorporated in it shall be read or construed as excluding any liability or remedy for fraud.

No responsibility for decision to invest

17.4 Each of the Institutional Investors agrees that:

(a) they have not relied on or been induced to acquire any Ordinary Shares or enter into this Agreement by any representation, warranty or undertaking given by the Company, the Mereo Founders or any of their connected persons; and

(b) neither the Company, the Mereo Founders nor any of their connected persons will have any liability to any of them (in equity, contract or tort (including negligence), under the Misrepresentation Act 1967 or in any other way) for a representation, warranty or undertaking,

to the extent not incorporated into any of the Transaction Agreements.

18. AMENDMENTS

No amendment, change or addition to this Agreement shall be effective or binding on any party unless in writing and executed by all the parties.

19. NO PARTNERSHIP

Nothing in this Agreement is intended to or shall be construed as establishing or implying any partnership of any kind between the parties.

20. FURTHER ASSURANCE

20.1 Each of the parties shall, at its own cost, use all reasonable endeavours from time to time on or following Completion, on being required to do so by the Company (acting reasonably), to execute any additional documents in a form satisfactory to the Company and to do or procure that any other acts or things are done to give full effect to this Agreement and secure to the Investors and the Company the full benefit of the rights, powers, privileges and remedies conferred upon the Investors and the Company in this Agreement.

20.2 Each of the parties other than the Company (and the Company in relation to votes it controls at board or general meetings of other Group Companies) shall at all times exercise the votes that it controls at general meetings and/or board meetings to give effect to this Agreement.

21. RIGHTS OF THIRD PARTIES

21.1 This Agreement does not confer any rights on any person or party (other than the parties to this Agreement) pursuant to the Contracts (Rights of Third Parties) Act 1999.

22. SEVERAL LIABILITY

The Investors shall be severally liable for all representations, warranties, undertakings, covenants, agreements and obligations made, given or entered into by them in this Agreement.

23. COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which shall constitute an original, and all the counterparts shall together constitute one and the same agreement.

24. SERVICE OF PROCESS

Novartis shall at all times maintain an agent for service of process and any other documents in proceedings in England or any other proceedings in connection with this Agreement. Such agent shall be Novartis Pharmaceuticals UK Limited, currently of 200 Frimley Business Park Frimley/Camberley, Surrey GU16 7SR, United Kingdom and any claim form, judgment or other notice of legal process shall be sufficiently served on Novartis if delivered to the agent at its address for the time being. Novartis irrevocably undertakes not to revoke the authority of this agent and if, for any reason, the Company requests Novartis to do so it shall promptly appoint another agent with an address in England and advise the Company. If, following such a request, Novartis fails to appoint another agent; the Company shall be entitled to appoint one on behalf of Novartis at Novartis' expense.

25. NOTICES

25.1 Any communication to be given in connection with this Agreement shall be in writing (which shall include text transmitted by e-mail) in English and shall either be delivered by hand or sent by first class post or e-mail:

(a) to any company or partnership which is a party, at the address set out next to its name in Schedule 2 to this Agreement (or such other address as it may notify to the other parties to this Agreement for such purpose); and

(b) to any individual who is a party, at the address of that individual shown in Schedule 2 to this Agreement (or such other address as it may notify to the other parties to this Agreement for such purpose),

or in each such case such other address as the recipient may notify to the other parties for such purpose in accordance with clause 25.2.

25.2 A communication sent according to clause 25.1 shall be deemed to have been received:

(a) if delivered by hand, at the time of delivery;

(b) if sent by pre-paid first class post, on the second day after posting; or

(c) if sent by e-mail, at the time of transmission by the sender.

If, under the preceding provisions of this clause 25.2, a communication would otherwise be deemed to have been received outside normal business hours in the place of receipt, being 9:30 a.m. to 5:30p.m. on a Business Day, it shall be deemed to have been received at 9:30a.m. on the next Business Day.

25.3 A party may notify the other parties to this Agreement of a change to its name, relevant person, address or e-mail address for the purposes of clause 25.1 provided that such notification shall only be effective on:

(a) the date specified in the notification as the date on which the change is to take place; or

(b) if no date is specified or the date specified is less than five clear Business Days after the date on which notice is deemed to have been served, the date falling five clear Business Days after notice of any such change is deemed to have been given.

25.4 The provisions of clauses 25.1 to 25.4 shall not apply in relation to the service of any claim form, application notice, order, judgment or other document relating to or in connection with any proceeding, suit or action arising out of or in connection with this Agreement.

26. SEVERANCE

26.1 If any provision of this Agreement is held to be invalid or unenforceable by any judicial or other competent authority, all other provisions of this Agreement will remain in full force and effect and will not in any way be impaired.

26.2 If any provision of this Agreement is held to be invalid or unenforceable but would be valid or enforceable if some part of the provision were deleted, the provision In question will apply with the minimum modifications necessary to make it valid and enforceable.

27. CAPACITY OF INVESTORS

27.1 Each of the parties acknowledges and agrees that:

(a) Invesco is acting at all times as agent for and on behalf of the Invesco Fund;

(b) Invesco shall have no liability to acquire the Shares allocated to the Invesco Fund under this Agreement; and

(c) Invesco shall have no liability as principal in respect of the Invesco Fund's obligations under this Agreement, including, but not limited to, the obligation to purchase the Shares from the Company.

27.2 Woodford Investment Management LLP has entered into this agreement as agent of WPCT and WEIF and as such assumes no responsibility or liability whatsoever. Any consents or actions to be made or taken or any rights to be exercised by WPCT and WEIF hereunder shall be exercised by Woodford Investment Management LLP.

27.3 WPCT shall hold its shares through its nominee and will require the share certificate to be in the name of: Nortrust Nominees Limited a/c WIZ01. The WPCT share certificate shall be sent to: Northern Trust, 50 Bank Street, London E14 5NT for the attention of Jordan Hutchinson, UK Residual Settlements.

27.4 WEIF shall hold its shares through its nominee and will require the share certificate to be in the name of: Nortrust Nominees Limited a/c WIX01. The WEIF share certificate shall be sent to: Northern Trust, 50 Bank Street, London E14 5NT for the attention of Jordan Hutchinson, UK Residual Settlements.

28. INTERPRETATION

28.1 The clause and paragraph headings and the table of contents used in this Agreement are inserted for ease of reference only and shall not affect its interpretation.

28.2 References in this Agreement and the Schedules to the parties, the Introduction, Schedules and clauses are references respectively to the parties, the Introduction and Schedules to and clauses of this Agreement.

28.3 References to persons include bodies corporate, unincorporated associations and partnerships, in each case whether or not having a separate legal personality.

28.4 References to "writing" or "written" include any other non-transitory form of visible reproduction of words.

28.5 References to times of the day are to that time in London and references to a day are to a period of 24 hours running from midnight.

28.6 Except where the context specifically requires otherwise, words importing one gender shall be treated as importing any gender, words importing individuals shall be treated as importing corporations and vice versa, words importing the singular shall be treated as importing the plural and vice versa, and words importing the whole shall be treated as including a reference to any part of it.

28.7 References to any English legal term or legal concept shall in respect of any jurisdiction other than England be deemed to include that legal term or legal concept which most approximates in that jurisdiction to such English legal term or legal concept.

29. GOVERNING LAW AND JURISDICTION

29.1 This Agreement and any dispute or claim arising out of or in connection with it or its subject matter, whether of a contractual or non-contractual nature, shall be governed by and construed in accordance with the law of England and Wales. The parties irrevocably submit to the exclusive jurisdiction of the Courts of England for the purpose of settling any dispute arising out of or in connection with this Agreement.

30. DEED

This Agreement is executed as a deed by the parties and is delivered and takes effect on the date at the beginning of this Agreement.

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SCHEDULE 1

PART A: CASH SUBSCRIPTIONS FOR ORDINARY SHARES ON COMPLETION

(1) Name	(2) Commitment £	(3) Number of Ordinary Shares Issued on Completion	(4) Price paid for Ordinary Shares Issued on Completion £	(5) Remaining Commitment £
Invesco Perpetual High Income Fund	27,600,000	3,848,913	7,082,000	20,518,000
Woodford Patient Capital Trust plc (Nortrust Nominees Limited a/c WIZ01)	20,000,000	3,218,126	5,921,351	14,078,649
CF Woodford Equity Income Fund (Nortrust Nominees Limited a/c WIX01)	28,938,345	3,802,527	6,996,649	21,941,695

PART B: NOVARTIS SUBSCRIPTIONS FOR ORDINARY SHARES

(1) Name	(2) Loan Notes	(3) Number of Ordinary Shares Issued on Completion
Novartis Lichtstrasse 35, CH-4002, Basel, Switzerland	25,812,941	3,849,000

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SCHEDULE 2

POST-COMPLETION SHARE CAPITAL OF THE COMPANY[1]

	(1) Name and Address and Contact Details	(2) Number of Ordinary Shares	(3) Price paid for Ordinary Shares £ / shares	(4) Proportion of voting capital	(5) Number of options over Ordinary Shares
1.	[***]	1,050,000	1050	5.3%	580,597
2.	[***]	708,000	708	3.6%	290,298
3.	[***]	575,000	575	2.9%	290,298
4.	[***]	337,000	337	1.7%	290,298
5.	[***]	23,000	23	0.1%	58,060
6.	[***]	337,000	337	1.7%	81,284
7.	[***]	95,000	95	0.5%	81,284
8.	[***]	1,735,000	1735	8.8%	81,284
9.	[***]	125,000	125	0.6%	267,075
10.	[***]	15,000	15	0.1%	
11.	[***]				290,298
12.	[***]				580,597
13.	Other employees/directors				566,663
14.	Novartis Pharma AG Lichtstrasse 35, CH-4002 Basel Switzerland	3,849,000	Issued in consideration for retirement of loan notes in Mereo Newcos	19.5%	

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

15.	Invesco Perpetual High Income Fund Invesco Asset Management Limited (as agent for and on behalf of its discretionary managed client) at Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire RG9 1HH Email:[***] With copy to: Address: Jones Day, 21 Tudor Street, London EC4Y 0DJ Email: [***]	3,848,913	£7,082,000	19.5%	
16.	CF Woodford Equity Income Fund (Nortrust Nominees Limited a/c W1X01, Northern Trust, 50 Bank Street, London E14 5NT)	3,802,527	£ 6,996,649	19.3%	
17.	Woodford Patient Capital Trust plc (Nortrust Nominees Limited a/c WIZ01, Northern Trust, 50 Bank Street, London E14 5NT)	3,218,126	£ 5,921,351	16.3%	
18.	WG Partners One Carey Lane, London EC2V 8AE	21,730		0.1%	
	TOTAL	**19,740,296**	**£20,005,000**	**100.0%**	**3,458,036**

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SCHEDULE 3

LIABILITIES

Please note that the following liabilities of the Company exist:

1.1 fees of £[***] are payable and will become payable in respect of an [***] engagement letter dated 1 April 2015 appointing [***] as advisers to carry out work on share valuations agreed fees comprising a fund raising cost of £[***] will become payable on Completion in respect of a [***] engagement letter with the Company dated 30 June 2015 relating to the provision of financial advisory services in connection with a private placement for the Company, with additional fees of up to [***] of the total of the Commitment set out in column 2 of Part A of Schedule 1 (payable on the draw down of such Commitment); fees of £[***] are payable in respect of advice received from [***] in respect of a review of employment contracts;

1.2 fees, costs and expenses costs incurred by [***] by or on behalf of the Company in connection with the preparation and negotiation of the Novartis Asset Sale Agreement of £[***] and the Transaction Agreements for the fund raising of £[***], and the transactions contemplated therein, are payable and will be payable by the Company; fees, costs and expenses costs incurred by the legal counsel of the Institutional Investors of £[***] for the fund raising will be payable by the Company;

1.3 certain pre-Completion expenses incurred on behalf of the Company by [***] including travel and subsistence and accommodation costs of £[***] and consultants fees for diligence activities of £[***] will become repayable;

1.4 consultancy payments of £[***] will become payable to [***], a director of the Company, relating to assistance with diligence activities and contractual advice prior to Completion;

1.5 a post transaction commitment of clinical trial start-up expenses of $[***] funded at risk by [***] prior to Completion will become repayable;

1.6 a post transaction commitment payment of $[***] will become due to Novartis representing the Company's [***]% share of a one-off payment to a third party to cancel certain future milestone and royalty obligations;

1.7 the Company has engaged [***] to provide design services for its website with an estimated cost of £[***];

1.8 the Company has engaged [***] pursuant to an engagement letter dated 23 June 2015 in respect of reviewing, negotiating and completing a new agreement for lease with an estimated cost of £[***] which shall be a post transaction commitment; and

1.9 the Company has engaged [***] pursuant to an engagement letter dated 12 March 2015 with an estimated total cost of £[***], although [***] fees in respect of the work carried out pursuant to the engagement letter have been paid to date by [***].

Total fund raising costs comprise up to £[***] and comprise [***] % of the Commitments.

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SCHEDULE 4

INFORMATION ON THE GROUP

THE COMPANY

1.	Date of incorporation:	10.03.2015
2.	Jurisdiction of incorporation:	United Kingdom
3.	Registered number:	09481161
4.	Directors:	Frank Armstrong
		Peter Bains
		Anders Ekblom
		Kunal Kashyap
		Denise Pollard-Knight
5.	Secretary:	Charles Sermon
6.	Registered office:	Green Park House, 15 Stratton Street
		London W1J 8LQ
7.	Accounting reference date:	31/12
8.	Charges outstanding:	None

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SCHEDULE 5

THE MEREO NEWCOS

A. Mereo BioPharma 1 Limited

1.	Date of incorporation:	18.06.2015
2.	Jurisdiction of incorporation:	United Kingdom
3.	Registered number:	09646998
4.	Issued Share Capital:	1 ordinary share of £1 fully paid or credited as fully paid
5.	Shareholder:	The Company
6.	Directors:	Denise Pollard-Knight
		Alastair Mackinnon
		Charles Sermon
		Richard Bungay
7.	Registered office:	Green Park House, 15 Stratton Street
		London W1J 8LQ
8.	Accounting reference date:	31/12
9.	Charges outstanding:	None

B. Mereo BioPharma 2 Limited

1.	Date of incorporation:	18.06.2015
2.	Jurisdiction of incorporation:	United Kingdom
3.	Registered number:	09647035
4.	Issued Share Capital:	1 ordinary share of £1 fully paid or credited as fully paid

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

5.	Shareholder:	The Company
6.	Directors:	Denise Pollard-Knight
		Alastair Mackinnon
		Charles Sermon
		Richard Bungay
7.	Registered office:	Green Park House, 15 Stratton Street
		London W1J 8LQ
8.	Accounting reference date:	31/12
9.	Charges outstanding:	None

C. Mereo BioPharma 3 Limited

1.	Date of incorporation:	18.06.2015
2.	Jurisdiction of incorporation:	United Kingdom
3.	Registered number:	09647034
4.	Issued Share Capital:	1 ordinary share of £1 fully paid or credited as fully paid
5.	Shareholder:	The Company
6.	Directors:	Denise Pollard-Knight
		Alastair Mackinnon
		Charles Sermon
		Richard Bungay
7.	Registered office:	Green Park House, 15 Stratton Street
		London W1J 8LQ

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

8.	Accounting reference date:	31/12
9.	Charges outstanding:	None

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SCHEDULE 6

Call option Shares

Founder	Call Option Shares	Call option Price £
[***]	617,404	617.00
[***]	550,488	550.00
[***]	447,077	447.00
[***]	262,026	262.00
[***]	17,883	18.00
[***]	262,026	262.00
[***]	73,865	74.00
[***]	51,282	51.00
[***]	711,795	712.00
[***]	6,154	6.00

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

Annex A

Company Presentation

[*attached separately*]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXECUTED as a Deed (but not delivered until dated) by **WOODFORD INVESTMENT MANAGEMENT LLP** as agent for and on behalf of **WOODFORD PATIENT CAPITAL TRUST PLC**, acting by:)
)
)
)
)

AUTHORISED SIGNATORY

Witness signature:

Witness name:

Witness address:

Witness occupation:

EXECUTED as a Deed (but not delivered until dated) by **WOODFORD INVESTMENT MANAGEMENT LLP** as agent for and on behalf of **CF WOODFORD Equity Income Fund**, a sub fund of CF Woodford Investment Fund acting by:)
)
)
)
)

AUTHORISED SIGNATORY

Witness signature:

Witness name:

Witness address:

Witness occupation:

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXECUTED as a Deed (but not delivered until dated) by **INVESCO ASSET MANAGEMENT LIMITED** acting as agent for and on behalf of its Discretionary managed client the **INVESCO PERPETUAL HIGH INCOME FUND**, acting by:)

Director

Witness

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

NOVARTIS PHARMA AG

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXECUTED as a Deed (but not delivered until dated) by **MEREO BIOPHARMA GROUP LIMITED, acting by**:	))))) Director Director

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXECUTED as a Deed (but not delivered until dated) by **DENISE POLLARD-KNIGHT**)
)
)

Denise Pollard-Knight

in the presence of:

Witness

Witness name:

Witness name:

Witness occupation:

EXECUTED as a Deed (but not delivered until dated) by **CHARLES SERMON**)
)
)

Charles Sermon

in the presence of:

Witness

Witness name:

Witness name:

Witness occupation:

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXECUTED as a Deed (but not delivered until dated) by **ALASTAIR MACKINNON**)
)
)

Alastair MacKinnon

in the presence of:

Witness

Witness name:

Witness name:

Witness occupation:

EXECUTED as a Deed (but not delivered until dated) by **JOHN RICHARD**)
)
)

John Richard

in the presence of:

Witness

Witness name:

Witness name:

Witness occupation:

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXECUTED as a Deed (but not delivered until dated) by **ENRIQUE MILLAN**)
)
)

Enrique Millan

in the presence of:

Witness

Witness name:

Witness name:

Witness occupation:

EXECUTED as a Deed (but not delivered until dated) by **FRANK ARMSTRONG**)
)
)

Frank Armstrong

in the presence of:

Witness

Witness name:

Witness name:

Witness occupation:

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXECUTED as a Deed (but not delivered until dated) on behalf of **NXT SCIENCE AB** by)
)
)
) _____
on behalf of NXT Science AB

in the presence of: _____
Witness

Witness name: _____

Witness name: _____

Witness occupation: _____

EXECUTED as a Deed (but not delivered until dated) by **KUNAL KASHYAP**)
)
) _____
Kunal Kashyap

in the presence of: _____
Witness

Witness name: _____

Witness name: _____

Witness occupation: _____

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXECUTED as a Deed (but not delivered until dated) by **PETER BAINS**)
)
)

Peter Bains

in the presence of:

Witness

Witness name:

Witness name:

Witness occupation:

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXHIBIT C

BILL OF SALE

[See attached]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

BCT197 BILL OF SALE AND ASSIGNMENT

This BCT197 BILL OF SALE AND ASSIGNMENT (this "**Bill of Sale and Assignment**"), dated July 29, 2015, by and between Mereo BioPharma 1 Limited, a private limited company incorporated in England and Wales ("**Buyer**"), and Novartis Pharma AG, a company organized under the laws of Switzerland ("**Seller**"). Capitalized terms used but not defined herein will have the meanings given to them in the BCT197 Asset Purchase Agreement, dated July 28, 2015 (the "**Agreement**"), by and between Buyer and Seller.

Section 1. Buyer and Seller are parties to the Agreement, providing for, among other things, the transfer of the Purchased Assets by Seller to Buyer. Notwithstanding the foregoing, the Purchased Assets transferred, assigned, conveyed and delivered under this Bill of Sale and Assignment shall not include the Excluded Assets.

Section 2. In consideration of the mutual obligations, releases and promises set forth in the Agreement, Seller by this Bill of Sale and Assignment does hereby convey, grant, bargain, transfer, assign, release and deliver to Buyer, and its successors and assigns, all the right, title and interest of Seller in and to the Purchased Assets free and clear of all Liens except Permitted Liens, as those terms are defined in the Agreement. Buyer assumes no liabilities or obligations of Seller involving the Purchased Assets which are related to the period prior to the date hereof, and any such liabilities or obligations shall remain the sole responsibility of Seller.

Section 3. Seller hereby appoints Buyer, and its successors and assigns, as Seller's true and lawful attorney, with full power or substitution, in Seller's name but on behalf and for the benefit of Buyer, and its successors and assigns, to demand and receive any and all of the Purchased Assets, to give receipts and releases for and in respect of the same and any part thereof, and from time to time to institute and prosecute in Seller's name or otherwise, for the benefit of Buyer, and its successors and assigns, any and all proceedings at law, in equity or otherwise, which Buyer, and its successors or assigns, may deem proper for the collection or reduction to possession of any of the Purchased Assets or for the collection and enforcement of any claim or right of any kind hereby conveyed, transferred and assigned, or intended so to be, and to do all acts relating to the Purchased Assets which Buyer, and its successors or assigns, will deem desirable. This power of attorney is coupled with an interest and is irrevocable.

Section 4. Seller hereby covenants that, from time to time after the delivery of this Bill of Sale and Assignment, at Buyer's request and without further consideration, Seller will do, execute, acknowledge and deliver, or will cause to be done, executed, acknowledged and delivered, all such further acts, deeds, conveyances, transfers, assignments, powers of attorney and assurances as reasonably may be requested by Buyer to more effectively convey, transfer to and vest in Buyer, and to put Buyer in possession of, any of the Purchased Assets.

Section 5. For the avoidance of doubt, this Bill of Sale and Assignment does hereby transfer, convey and assign to Buyer all worldwide right, title and interest in and to the Purchased IP, as defined in the Agreement, together with the goodwill symbolized thereby, including all rights to sue and recover for past infringement.

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

Section 6. Nothing in this Bill of Sale and Assignment, express or implied, is intended or shall be construed to expand or defeat, impair or limit in any way the rights, obligations, claims or remedies of the parties as set forth in the Agreement. In the event of any conflict or inconsistency between the terms of the Agreement and the terms hereof, the terms of the Asset Agreement shall govern.

Section 7. This Bill of Sale and Assignment is executed by, and will be binding upon, Seller and Buyer and their respective successors and assigns, effective immediately on the date hereof.

Section 8. This Bill of Sale and Assignment shall be governed by and construed in accordance with the Laws of the State of New York (excluding any principles of conflicts of laws that would cause the application of the laws of any other jurisdiction).

Section 9. This Bill of Sale and Assignment may be executed by facsimile or .PDF signature. This Bill of Sale and Assignment may be executed in any number of counterparts, all of which taken together shall constitute one and the same agreement and any of the parties hereto may execute this Bill of Sale and Assignment by signing any such counterpart. Any individual signing this Bill of Sale and Assignment represents and warrants that he or she has full authority to do so.

[Remainder of page intentionally left blank]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

IN WITNESS WHEREOF, this Bill of Sale and Assignment has been duly executed and delivered by the parties hereto as of the date and year first above written.

NOVARTIS PHARMA AG

By: _____
Name:
Title:

By: _____
Name:
Title:

MEREO BIOPHARMA 1 LIMITED

By: _____
Name:
Title:

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXHIBIT E

PATENT ASSIGNMENT

[See attached]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

BCT197 PATENT ASSIGNMENT

This BCT197 Patent Assignment is executed and delivered as of July 29, 2015 ("Assignment") by and between Novartis Pharma AG, a Swiss corporation with its principal place of business at Novartis Campus, CH-4056 Basel, Switzerland ("Assignor") and Mereo BioPharma 1 Limited, a limited liability company with its registered office at Green Park House, 15 Stratton Street, London, W1J8LQ, United Kingdom ("Assignee").

WHEREAS:

Assignor owns the entire right, title, and interest in and to each patent and patent application listed on Schedule 1 hereto, and the inventions described in and underlying such patents and patent applications (collectively, the "Patents");

Assignor and Assignee are parties to an agreement entitled BCT197 Asset Purchase Agreement dated July 28, 2015 ("Agreement"), pursuant to which Assignor has agreed, inter alia, to transfer certain assets; and

Pursuant to the Agreement and subject to the terms of this Assignment, the Assignor wishes to assign to the Assignee all right, title, interest in and to its rights in the Patents.

NOW IT IS HEREBY AGREED AS FOLLOWS:

1. CONSIDERATION

The good and valuable consideration given by or on behalf of the Assignee is the amount provided under the Agreement, the receipt and adequacy of which are hereby acknowledged by Assignor.

2. ASSIGNMENT

The Assignor hereby assigns, sells, conveys, transfers, and delivers to the Assignee, and the Assignee hereby purchases, accepts and acquires, all of the entire right, title and interest in and to the Patents, together with all rights, privileges, and advantages thereto, including, without limitation, the right to take, defend, or appeal proceedings and recover (and retain) damages, and obtain all other remedies in respect to past infringements thereof, and the right to file patent applications under the laws of the United States and any other country that claim priority from any patent application therein, wherever such right may be legally exercised, including the right to claim the benefits of the International Convention for such applications.

Assignor hereby authorizes and requests the United States Commissioner of Patents, and the Patent Office officials in foreign countries as are duly authorized by the respective foreign patent laws to issue patents, to issue any and all patents directed to the Patents to the Assignee as the owner thereof.

For the avoidance of doubt, the term "Patents" shall include all continuations, continuations-in-part, and divisionals of any United States patent application(s) or international patent application(s) designating the United States, any national stages of any international application(s), and any other patent application(s) claiming priority to any patent listed in Schedule 1, including further continuations, continuations-in-part, and divisionals such as, but not limited to, continuations of continuations and continuations of divisionals; all patents, utility models, or other grants that issue from any of the applications referred to herein and all rights and remedies associated therewith including the right to sue for and recover past damages and to recover under 35 U.S.C. § 154 (d) or any other law permitting remedies for infringement prior to issuance of the patent; all registrations and confirmations of, and importation certificates based upon, one or more of said patents, utility models, or other grants, and applications for such registrations, confirmations and importation certificates; and all reissues, renewals and extensions of said patents, utility models, registrations, confirmations and importation certificates, reexamination certificates issued for said patents and supplementary protection certificates based upon said patents and applications for such reissues, renewals, extensions, reexamination certificates and supplementary protection certificates, the same to be held and enjoyed by said Assignee to the full ends of the terms for which said patents, utility models, registrations, confirmations, importation certificates, reexamination certificates, supplementary protection certificates, reissues, renewals and extensions may be granted, as fully and entirely as the same would have been held and enjoyed by me/us if this sale, assignment and transfer had not been made.

3. FURTHER ASSURANCES

Assignor hereby agrees to execute all documents, assist in all proceedings and take any reasonable further steps that are reasonably necessary (at the sole cost and expense of Assignee) to effectuate the transfer of the Patents to Assignee, or the perfection, registration, or recordation of the rights of Assignee thereto, as may be reasonably appropriate. If Assignor does not, within thirty (30) days of presentment, return the requested executed documents, then Assignee is hereby granted a limited power of attorney to execute all such documents on behalf of Assignor in accordance with 37 C.F.R. § 3.73. This power of attorney is coupled with an interest and is irrevocable.

4. MISCELLANEOUS PROVISIONS

Should any provision of this Assignment be deemed invalid or unenforceable by reason of any law, statute, regulation or judgment, existing now or in the future in any jurisdiction, such provision shall be modified in such jurisdiction so as to nearly approximate the intent of the Parties. If this cannot be done, such invalid or unenforceable provision shall be divisible and be deleted in any such jurisdiction, and all other provisions shall remain in full force and effect. The modification or deletion of any provision in one jurisdiction shall have no effect on this Assignment in any other jurisdiction.

This Assignment shall be governed by the laws of the State of New York, without regard to the conflict of law principles thereof.

This Assignment may be executed in two counterparts, and each such counterpart hereof shall be deemed to be an original instrument, but both such counterparts together shall constitute but one agreement. Delivery of an executed counterpart of a signature page of this Assignment by facsimile or other electronic transmission shall be effective as delivery of a manually executed original counterpart of this Assignment.

[*Signature Page Follows*]

IN WITNESS WHEREOF, Assignor and Assignee have caused this Patent Assignment to be duly signed on their behalf.

Assignor:

NOVARTIS PHARMA AG

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Assignee:

MEREO BIOPHARMA 1 LIMITED

By: _____
Name: _____
Title: _____

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

Schedule 1

[See attached]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXHIBIT F

LOAN NOTE

[See attached]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

Dated July 2015

EXCHANGE LOAN NOTE INSTRUMENT

MEREO BIOPHARMA 1 LIMITED

constituting

up to £4,310,761unsecured fixed rate exchange loan notes

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

CONTENTS

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

THIS INSTRUMENT is made by way of deed on July 2015 by Mereo BioPharma 2 Limited, a private limited company incorporated in England and Wales with registered number 09646998, whose registered office is at Green Park House, 15 Stratton Street, London, W1J 8LQ (the "**Company**").

WHEREAS the Company has, pursuant to its articles of association and by a resolution of its board of directors passed on or about the date of this Instrument, created and authorised the issue of up to £4,310,761 unsecured fixed rate exchange loan notes to be constituted as provided below.

NOW THIS INSTRUMENT WITNESSES AND IT IS DECLARED as follows:

1. INTERPRETATION

1.1 In this Instrument:

Business Day means a day (other than a Saturday or a Sunday) on which banks are generally open in London for normal business;

Conditions means the conditions of the Notes set out in Schedule 1, as from time to time modified in accordance with this Instrument;

Directors means the board of directors for the time being of the Company or a duly authorised committee of the board;

Exit means:

(a) a Listing; or

(b) a Sale;

Extraordinary Resolution means a resolution passed at a meeting of the Noteholders duly convened and held in accordance with the provisions of this Instrument by a majority consisting of not less than three-quarters of the votes cast on the resolution;

Final Repayment Date means, in respect of a Note, the twentieth anniversary (plus one day) of the date of issue of that Note;

Group means in relation to the Company, the Company's subsidiary undertakings and parent undertakings and all the other subsidiary undertakings of each of its parent undertakings;

Interest Period means each period of three months ending on 31 March, 30 June, 30 September and 31 December in each year;

Interest Rate means a per annum rate of 2% above the official bank rate published by the Bank of England from time to time;

Listing means:

(a) the admission of any of the Parent's equity shares to trading on the London Stock Exchange's market for listed securities becoming effective in accordance with paragraph 2.1 of the London Stock Exchange's Admission and Disclosure Standards; or

(b) the grant of permission for the dealing in any of the Parent's equity shares on any other public securities market (including the Alternative Investment Market of the London Stock Exchange or any successor market) becoming effective,

whether effected by way of an offer for sale, a new issue of shares, an introduction, a placing or otherwise;

Noteholder means a person whose name is entered in the Register as the holder of a Note;

Notes means the unsecured fixed rate exchange loan notes constituted by this Instrument or the nominal amounts represented by them and for the time being outstanding, as the case requires;

Parent means Mereo BioPharma Group Limited, a private limited company incorporated in England and Wales with registered number 09481161 and whose registered office is at Green Park House, 15 Stratton Street, London, W1J 8LQ;

Register means the register of holders of the Notes kept by or on behalf of the Company;

Sale means the sale of any part of the share capital of the Parent to any person resulting in that person together with any person acting in concert (as defined in the City Code on Takeovers and Mergers) which would result in such person or persons holding more than 50 per cent of the issued share capital of the Parent;

subsidiary undertaking and parent undertaking have the meanings given in section 1162 of the Companies Act 2006;

references to **this Instrument** are to this Instrument and the Schedules and include any instrument supplemental to this Instrument; and

words denoting the singular number only include the plural number and vice versa; words denoting one gender include the other genders; and words denoting a person include a corporation and an unincorporated association of persons.

1.2 Any reference, express or implied, to an enactment includes references to:

(a) that enactment as re-enacted, amended, extended or applied by or under any other enactment (before or after the date of this Instrument);

(b) any enactment which that enactment re-enacts (with or without modification); and

(c) any subordinate legislation made (before or after the date of this Instrument) under that enactment, as re-enacted, amended, extended or applied as described in paragraph 1.2(a) above, or under any enactment referred to in paragraph 1.2(b) above,

and **enactment** includes any legislation in any jurisdiction.

1.3 Subclauses 1.1 and 1.2 above apply unless the contrary intention appears.

1.4 The headings in this Instrument do not affect its interpretation.

2. AMOUNT OF NOTES

The aggregate nominal amount of the Notes constituted by this Instrument is limited to £4,310,761. The Notes will be issued fully paid in integral multiples of £1.

3. STATUS OF NOTES

3.1 The Notes shall be known as **unsecured fixed rate exchange loan notes**. The Notes shall be issued in registered form and shall be transferable in accordance with the provisions of this Instrument.

3.2 The Notes when issued shall be direct and unsecured obligations of the Company and will rank *pari passu* for all purposes, including the payment of capital and of interest, without any discrimination or preference between them, with all other unsecured and unsubordinated obligations of the Company, except to the extent provided by law.

4. ISSUE AND FORM OF NOTES

4.1 Each Note shall be in or substantially in the form set out in Schedule 1, shall have a denoting serial number and the Conditions endorsed on it. Each Note shall be executed by or on behalf of the Company.

4.2 Every person who becomes a Noteholder shall be entitled without charge to receive a Note stating the total nominal amount of the Note held by him but in the case of a Note held jointly by several persons the joint holders will be entitled to only one Note in respect of their joint holding and delivery of the Note to one of such persons shall be sufficient delivery to all of them.

5. CONDITIONS OF ISSUE

The Conditions and other provisions contained in the Schedules shall be deemed to be incorporated in this Instrument and the Notes shall be held subject to and with the benefit of the Conditions and of those provisions, all of which shall be binding on the Company and the Noteholders and all persons claiming through or under them respectively.

6. UNDERTAKING BY COMPANY

The Company undertakes, for the benefit of each Noteholder, to perform and observe the obligations on its part contained in this Instrument, to the intent that this Instrument shall enure for the benefit of all Noteholders each of whom may enforce the provisions of this Instrument against the Company so far as his holding of Notes is concerned.

7. REGISTER OF NOTES

7.1 The Company shall cause a register to be maintained at its registered office (or such other place as the Company may, from time to time have appointed for the purpose). The Register shall show the amount of the Notes for the time being outstanding, the dates of issue and all subsequent transfers or changes of ownership of the Notes, the names and addresses of the Noteholders and the nominal amounts of the Notes held by the Noteholders respectively. In the event of a change in the location of the Register, the Company shall, where practicable, give not less than 21 days' notice to the Noteholders before such change takes effect.

7.2 The Company shall not be bound to register more than four persons as the joint holders of any Note.

7.3 Any change of name or address on the part of any Noteholder shall forthwith be notified by the Noteholder to the Company and the Company shall alter the Register accordingly.

7.4 The Register shall be open to inspection at all reasonable times during normal office hours.

8. FREEDOM FROM EQUITIES

8.1 Notwithstanding any notice the Company may have of the right, title, interest or claim of any other person, to the fullest extent permitted by law, the Company:

(a) may treat the registered holder of any Note as the absolute owner of it;

(b) shall not enter notice of any trust on the Register or otherwise be bound to take notice or see to the execution of any trust to which any Note may be subject; and

(c) may accept the receipt from the registered holder for the time being of any Note for the interest from time to time accruing due or for any other monies payable in respect of it as a good discharge to the Company.

8.2 The Company will recognise every Noteholder as entitled to his Notes free from any equity, set-off or counterclaim on the part of the Company against the original or any intermediate holder of the Notes.

9. MEETINGS OF NOTEHOLDERS

Meetingsof Noteholders may be convened and held in accordance with the provisions of Schedule 2.

10. FURTHER NOTES

The Company may from time to time, by resolution of the Directors, cancel any unissued Notes or create and issue further unsecured loan notes either ranking pari passu in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes or carrying such rights as to interest, redemption and otherwise as the Directors may think fit. Any further unsecured loan notes which are to form a single series with the Notes shall be constituted by an instrument expressed to be supplemental to this Instrument. Where the Notes already in issue are listed on a recognised stock exchange, application will be made to list any further notes on such recognised stock exchange.

11. GOVERNING LAW AND JURISDICTION

11.1 This Instrument and the Notes and any non-contractual obligations arising out of or in connection with it shall be governed by English law.

11.2 The English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with this Instrument and/or the Notes (including a dispute relating to any noncontractual obligations arising out of or in connection with this Instrument and/or the Notes) and the Company and the Noteholders submit to the exclusive jurisdiction of the English courts.

11.3 The Company and the Noteholders waive any objection to the English courts on grounds that they are an inconvenient or inappropriate forum to settle any such dispute.

IN WITNESS of which this Instrument has been executed as a deed and delivered on the date which appears first on page 1.

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SCHEDULE 1

FORM OF NOTE

Nominal Amount

£……..…

MEREO BIOPHARMA 1 LIMITED
(*incorporated in England and Wales with registered number 09646998*)
(the **Company**)

UNSECURED FIXED RATE EXCHANGE LOAN NOTES

THIS IS TO CERTIFY that the person(s) named below is/are the registered holder(s) of the nominal amount specified above of the unsecured fixed rate exchange loan notes of the Company, which Notes are constituted by an Instrument made by the Company on [ ] 2015 as amended and/or restated from time to time (the Instrument) and are issued subject to and with the benefit of the provisions of the Instrument including the Conditions endorsed on this Note.

NAME(S) OF HOLDER(S):

[*name of holder*] of [*address of holder*]

Dated: □

EXECUTED as a deed by **MEREO BIOPHARMA 1 LIMITED** acting by **)**

) _____ Director

_____ Director

Notes:

The Notes are repayable and bear interest in accordance with the Conditions endorsed on this Note.

1. The Conditions contain restrictions on the transferability of this Note.

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

2. This Note must be surrendered before any transfer, whether of the whole or any part, can be registered. The Note must be lodged together with the instrument of transfer (which must be signed by the transferor or by a person authorised to sign on behalf of the transferor) at the Company's registered office from time to time.

3. The Notes and any non-contractual obligations arising out of or in connection with the Notes shall be governed by English law.

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

NOTICE OF REPAYMENT

To: [ ]

1. We being the registered holder(s) of this Note give notice that I/we require repayment of all/£[ ] of the nominal amount of this Note in accordance with Condition 4. (note 1 below)

2. We authorise and request you to:

   (a) [make the electronic transfer to: [insert account details]/[make the cheque payable to the person whose name is set out below or, if none is set out, to us]; and

   (b) send by prepaid registered post to the person whose name and address is set out below or, if none is set out, to the registered address of the sole or first-named Noteholder (if applicable) the cheque and a Note for the balance (if any) of the nominal amount of this Note which is not repaid.

Name _____

Address _____

_____

(note 2 below)

Dated [ ]

Signature(s) of Noteholder(s) _____

(*note 3 below*) _____

_____

Notes:

1. Delete and/or complete as appropriate. If repayment is required of part only, the repayment specified must be an integral multiple of £1. If no indication is given of the nominal amount of the Note to be repaid, all of the Note will be repaid.

2. Insert in BLOCK CAPITALS the name of the person to whom you wish the cheque to be made payable and/or the address of the person to whom you wish the cheque and any balance Note to be sent (if, in either case, it is different from that of the sole or first-

named holder). If this space is left blank, the cheque will be made payable to the sole holder or all of the joint holders and it and any balance Note will be sent to the registered address of the sole or firstnamed holder.

3. In the case of joint holders ALL must sign. A body corporate should execute under its common seal or with the signature of two directors, a director and the company secretary or a director and a witness, or under the hand of some officer or agent duly authorised on behalf of the holder, in which event the Note must be accompanied by the authority under which this Notice is completed.

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

CONDITIONS

Terms defined in the Instrument have the same meaning in these Conditions.

1. Form and status

1.1 This Note is one of a series of Notes and is issued subject to and with the benefit of the provisions of the Instrument. A copy of the Instrument may be inspected during normal office hours at the registered office of the Company. The Instrument does not contain any restrictions on borrowing, or on the charging or disposal of assets, by the Company or any of its subsidiaries.

2. Repayment

2.1 The Company may on giving not less than seven days' notice to the Noteholders, repay at par all or part of the Notes.

2.2 To the extent not previously repaid, purchased by the Company or cancelled, the Notes will be repaid by the Company at par on the earlier of:

(a) an Exit; and

(b) the Final Repayment Date.

2.3 On any repayment of principal to a Noteholder under this Condition or Condition 4 the Company shall pay to him interest accrued but unpaid on the amount repaid up to (but excluding) the date of repayment, in accordance with Condition 3.

3. Interest

3.1 Until such time as the Notes are repaid, purchased or cancelled by the Company in accordance with the provisions of the Instrument or these Conditions, interest on the outstanding principal amount of the Notes shall accrue daily and shall compound on the last day of each Interest Period at a rate equal to the Interest Rate. Any interest which falls for calculation will be calculated on the basis of a 365 or 366 day year (as the case may be).

3.2 Interest which has accrued on the Notes shall be rolled up and shall be payable upon the redemption of the Notes to the persons registered as Noteholders. Any such rolled up interest shall rank in priority to, and shall be repaid prior to, the Notes.

3.3 All payments of interest in respect of the Notes will be made subject to deduction of any income tax required to be withheld or deducted. On or as soon as practicable following each date on which any interest is paid to a Noteholder the Company shall deliver to the Noteholder a certificate as to the gross amount of the relevant interest payment and the amount of tax deducted.

3.4 Interest on any Notes becoming liable to repayment shall cease to accrue as from the due date for repayment of the Notes unless, against due delivery of those Notes for repayment, payment of the principal and interest payable is not made by the Company on the due date (in which case interest will continue to accrue until, but excluding, the date of actual payment).

4. Acceleration

4.1 A Noteholder may require the Company to repay at par all or part of the Notes held by him, together with all accrued interest thereon, if any of the following events occurs:

(a) the Company fails to pay within 30 days of the due date any principal or interest payable in respect of the Notes held by that Noteholder (except for any amounts withheld under Condition 3.3);

(b) an order is made by a competent court or an effective resolution is passed for winding-up of the Company (other than a voluntary winding-up for the purposes of an amalgamation, reconstruction or merger on terms previously approved by an Extraordinary Resolution);

(c) the commencement of any insolvency proceedings in relation to the Company; or

(d) an encumbrancer takes possession of, or an administrator or administrative receiver or a manager or receiver is appointed for or over the whole (or substantially the whole) of the undertaking or property of the Company, unless the same is removed, stayed, paid out or discharged within 30 days.

4.2 The Company shall notify the Noteholders of the happening of any of the events specified in Condition 4.1 as soon as reasonably practicable after becoming aware of the same.

4.3 In order to require repayment under this Condition a Noteholder must complete and sign the Notice of Repayment printed on the Note to be repaid (or complete such other form of Notice of Repayment as the Director may from time to time prescribe) and lodge it at the registered office of the Company (or at such other place as the Company may direct by notice to the Noteholders) while the relevant event specified in Condition 4.1 is continuing and, upon that notice being given to the Company, all of the Notes held by that Noteholder (and all accrued interest accrued thereon) will become immediately repayable. A Notice of Repayment given in accordance with this Condition shall be irrevocable.

5. Surrender of Notes on repayment and prescription

5.1 Whenever any Notes are due to be repaid under any of these Conditions (in whole or in part) the Noteholder shall, not less than five days before the due date for such repayment, deliver those Notes or an indemnity (if the Note has been defaced, worn out, lost or destroyed) to the registered office for the time being of the Company (or to such other place as the Company may direct by notice to the Noteholders).

5.2 If part only of the principal amount of any Note so delivered is repaid, the Company shall cancel such Note and without charge issue to the Noteholder a new Note for the balance of the principal amount due to him.

5.3 If any Noteholder fails or refuses to deliver up any Note which is liable to be repaid in whole or in part under these Conditions at the time and place fixed for repayment, or fails or refuses to accept payment of the monies due on repayment, those monies may be set aside by the Company and paid into a separate bank account and held by the Company for that Noteholder on the following terms:

(a) the Company shall not be responsible for the safe custody of such monies or for any interest accruing on them;

(b) the Company may deduct from such interest (if any) as those monies may earn while on deposit, any expenses incurred by the Company in that connection;

(c) any such amount so paid or deposited, together with such interest (if any) accruing on it in accordance with Condition 3, will immediately be paid to the Noteholder or his successors upon delivery of the relevant Note at any time during the period of ten years from the making of the deposit; and

(d) any such amount so paid or deposited, together with such interest (if any) accruing on it in accordance with Condition 3, which remains unclaimed after a period of ten years from the making of the deposit shall revert to the Company, notwithstanding that in the intervening period the obligation to pay the same may have been provided for in the books, accounts and other records of the Company.

6. Payments

6.1 If any payment of principal or interest in respect of the Notes would otherwise fall to be made on a day which is not a Business Day, payment shall be postponed to the next day which is a Business Day and no further interest or other payment will be made as a consequence of any such postponement.

6.2 Payment of any principal or interest in respect of any Note will be made to the person shown in the Register as the holder of that Note at the close of business on the fifth Business Day before the relevant payment date (the "**Record Date**"), notwithstanding any intermediate transfer or transmission of the Note.

6.3 Payment of any principal or interest in respect of any Note shall be made by electronic transfer to the account specified for such purpose by the Noteholder (or Noteholders in the case of joint holders) in writing to the Company, failing which notification any such payment shall be made by cheque sent by registered post to the registered address of the Noteholder or, in the case of joint Noteholders, to the registered address of that one of them who is first named on the Register on the Record Date (or to such person and to such address as the Noteholder or joint Noteholders may in writing to the Company direct prior to the Record Date). Every such cheque shall be made payable to the person to whom it is sent (or to such person as the Noteholder or joint Noteholders may direct in writing to the Company prior to the Record Date) and receipt of the cheque shall be a good discharge to the Company.

6.4 Every such cheque shall be sent by registered post not later than the Business Day preceding the due date for payment. Payments will be subject in all cases to any applicable fiscal and other laws and regulations but shall otherwise be made without set-off or counterclaim.

7. Purchase

The Company may at any time purchase any Notes by tender (available to all Noteholders alike) or by private treaty at any price.

8. Cancellation

Notes purchased or repaid by the Company will be cancelled and shall not be available for reissue.

9. Modification

9.1 The provisions of the Instrument (including the Conditions) and the rights of the Noteholders may from time to time be amended, modified, abrogated or compromised or any arrangement agreed in any respect with the sanction of an Extraordinary Resolution and the written consent of the Company.

9.2 Any such amendment, modification, abrogation, compromise or arrangement effected pursuant to Condition 9.1 shall be binding on all Noteholders.

10. Transfer

10.1 The directors of the Company shall recognise any transfer which is evidenced in writing and made in accordance with these Conditions. The transferor shall remain the legal owner of the Notes to be transferred until the name of the transferee is entered in the Register in respect of those Notes.

10.2 Every instrument of transfer must be lodged for registration at the registered office of the Company accompanied by the relevant Note(s) and such other evidence as the Company may require to prove the title of the transferor or his right to transfer the Notes or the authority of the person signing the instrument.

10.3 No transfer of a Note shall be registered:

(a) if a notice requiring repayment of that Note (in whole or in part) has been given; or

(b) when the Register is closed.

10.4 If part only of the principal amount of any Note so lodged is transferred, the Company shall without charge issue to the Noteholder a new Note for the balance of the principal amount due to him. All instruments of transfer which are registered may be retained by the Company.

11. Transmission

11.1 Any person becoming entitled to a Note in consequence of the death or bankruptcy of any Noteholder or otherwise by operation of law may upon producing evidence that he sustains the character in respect of which he proposes to act under this Condition or of his title to the Note as the Directors shall reasonably require be registered himself as the Noteholder or, subject to Condition 10, may transfer the Note.

11.2 The executors or administrators of a deceased holder of a Note (not being one of several joint holders) shall be the only persons recognised by the Company as having any title to or interest in such Note.

11.3 In the case of the death of any of the joint holders of a Note the survivors or survivor will be the only persons or person recognised by the Company as having any title to or interest in such Note.

12. Substitution and exchange

12.1 The Company may at any time and from time to time, with the consent of the Noteholders by Extraordinary Resolution, be replaced and substituted by any member of the Company's Group as principal debtor or principal debtors (on one or more occasion) (in such capacity, the "**Substituted Debtor**") in respect of all or any of the Notes provided that:

(a) either the Company obtains an opinion from independent tax counsel (obtained shortly before such substitution takes place and based on full disclosure of relevant facts) to the effect that there is no significant risk that the substitution will be treated as a disposal of the Notes for the purpose of United Kingdom

taxation of chargeable gains or HM Revenue and Customs confirms in writing that the substitution will not be treated as a disposal of the Notes for the purpose of United Kingdom taxation of chargeable gains;

(b) such documents (if any) are executed by the Substituted Debtor as may be necessary to give full effect to the substitution (the "**Documents**"), including those pursuant to which the Substituted Debtor shall undertake in favour of each relevant Noteholder to be bound by the terms and conditions of the relevant Notes as fully as if the Substituted Debtor had been named in the Instrument and the Notes as the principal debtor in respect of those Notes; and

(c) the relevant Notes are guaranteed by the Company.

12.2 Upon execution of the Documents, the relevant Notes shall have effect as if the Substituted Debtor were named in the Notes as principal debtor in place of the Company and the Company shall be released from all its obligations in respect of the Notes.

12.3 Not less than 20 Business Days after execution of the Documents, the Company shall give notice of any substitution to the Noteholders.

12.4 The Company may, with the consent of the Noteholders by Extraordinary Resolution, at any time require all or any of the Noteholders to exchange the Notes for loan notes issued by the Substituted Debtor on the same terms and conditions as those applicable to the Notes provided that the Company's right to require an exchange pursuant to this Condition shall be exercisable only if:

(a) the Company has either obtained the consent of the relevant Noteholders or it has obtained the opinion of independent tax counsel that such exchange will not crystallise a charge to any of the Noteholders to United Kingdom capital gains tax or corporation tax on chargeable gains and has obtained all relevant clearances from the relevant United Kingdom taxation authority or such exchange will fall within the provisions of section 135 of the Taxation of Chargeable Gains Act 1992 and prior clearance has been received from HM Revenue and Customs under section 138 of the Taxation of Chargeable Gains Act 1992 in respect of such exchange;

(b) the loan notes issued in exchange will be issued on the same terms as the Loan Notes, save that the terms of the new loan notes will not include any further right of the issuer to require exchange or any similar right of exchange or conversion into other shares or securities; and

(c) the loan notes issued in exchange are guaranteed by the Company.

12.5 The Company shall not be entitled to exercise its power of substitution or exchange under this Condition in respect of any holding of Notes if to do so would result in the holders of such Notes receiving payments of interest under withholding or deduction in respect of tax (or an increase in the rate of any such withholding or deduction) provided that this Condition shall not prevent the Company exercising its power of substitution or its power of exchange if the Substituted Debtor is a company resident in the United Kingdom for the purposes of United Kingdom taxation notwithstanding that the substitution or exchange may result in the holders of the Notes receiving payments of interest under withholding or deduction in respect of tax (or an increase in the rate of any such withholding or deduction).

12.6 For the avoidance of doubt, in the event that the Company or any Substituted Debtor complies fully with the provisions of this Condition, neither the Company nor the Substituted Debtor shall be liable for any tax or increase in tax of a Noteholder or to make any payment in respect of any withholding or deduction in respect of tax (or an increase in the rate of any such withholding or deduction) which arises in connection with a substitution or exchange.

13. Dealings with Notes

Each Noteholder:

(a) agrees that the Company may, at any time redeem at any price (in whole or in part), exchange, substitute, convert, deferred, cancel, capitalise by way of an issue of shares of any class in the capital of the Company or otherwise deal with in any manner, provided that each holder of Notes shall be treated equally (pro rata to their holding of Notes) and provided that the economic position of each holder of Notes as against each other holder of Notes (in respect of their holding of Notes only) shall not be affected; and

(b) undertakes to exercise all powers and rights lawfully available to it to procure the amendment of this Instrument to the extent necessary to give effect to the provisions of this Condition 13.

14. Lost or destroyed Notes

If a Note is defaced, lost or destroyed it may be renewed on payment by the Noteholder of the expenses of renewal and on such terms (if any) as to evidence and indemnity as the Directors may require but so that, in the case of defacement, the defaced Note shall be surrendered before a new Note is issued. An entry as to the issue of a new Note and indemnity (if any) shall be made in the Register.

15. Notices

15.1 Any notice to be given under this Instrument must (unless expressly provided otherwise) be in writing and be delivered or sent by prepaid registered post or fax to the Noteholder to be served at its address or fax number appearing in this Instrument, or at such other address and/or fax number as it may have notified to the Company in accordance with this Condition 15.1.

15.2 In the case of joint Noteholders, a notice or document served on the Noteholder whose name stands first in the Register shall be sufficient notice to all the joint Noteholders.

15.3 Any notice shall be deemed to have been given or made:

(a) if delivered, at the time of delivery; or

(b) if sent by prepaid registered post, on the second Business Day (or if posted from outside the United Kingdom, on the fifth Business Day) after it was posted.

15.4 In proving service of a notice or document it shall be sufficient to prove that delivery was made or that the envelope containing the communication was properly addressed and posted by prepaid first class registered post or by prepaid registered airmail or that the fax message was properly addressed and transmitted, as the case may be.

16. Governing Law

16.1 The Notes and any non-contractual obligations arising out of or in connection with the Notes shall be governed by English law.

16.2 The English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Notes (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes) and the Company and the Noteholders submit to the exclusive jurisdiction of the English courts.

16.3 The Company and the Noteholders waive any objection to the English courts on grounds that they are an inconvenient or inappropriate forum to settle any such dispute.

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SCHEDULE 2

PROVISIONS FOR MEETINGS OF NOTEHOLDERS

1. Calling of meetings

1.1 The Company may at any time convene a meeting of the Noteholders. The Company shall also convene a meeting of the Noteholders if so required in writing signed by Noteholders representing not less than one-tenth in nominal amount of the Notes for the time being outstanding (excluding any in respect of which a notice requiring repayment has been given).

1.2 Every such meeting and every adjourned meeting shall be held at the registered office of the Company for the time being or such other place as the Company may specify.

2. Notice of meetings

2.1 At least 14 or, in the case of a meeting convened for the purpose of considering an Extraordinary Resolution, at least 21 clear days' notice of any meeting of Noteholders shall be given to the Noteholders.

2.2 Any such notice shall specify the place, day and time of the meeting and the general nature of the business to be transacted at the meeting but, except in the case of a resolution to be proposed as an Extraordinary Resolution, it shall not be necessary to specify the terms of any resolution to be proposed. Any such notice shall include a statement to the effect that proxies may be appointed in accordance with the provisions of this Schedule.

2.3 The accidental omission to give notice to, or the non-receipt of notice by, any of the Noteholders shall not invalidate the proceedings at any meeting.

3. Chairman

A person (who need not be a Noteholder) nominated in writing by the Company shall be entitled to take the chair at a meeting of the Noteholders but if no such nomination is made or if at any meeting the person nominated is not present within 15 minutes after the time appointed for the holding of the meeting, the Noteholders present shall choose one of their number to be chairman.

4. Quorum

At a meeting of the Noteholders two or more persons present in person or by proxy holding or representing a majority in nominal amount of the Notes for the time being outstanding shall form a quorum for the transaction of business. No business (other than the choosing of a chairman) shall be transacted at any meeting unless the requisite quorum is present at the commencement of business.

5. Absence of quorum

If within 15 minutes from the time appointed for a meeting of the Noteholders a quorum is not present, the meeting shall, if convened upon the requisition of Noteholders, be dissolved. In any other case it shall stand adjourned to such day and time (being not less than 14 nor more than 42 clear days after the time of the original meeting) and to such place as the chairman may decide. At such adjourned meeting, one or more Noteholders present in person or by proxy shall form a quorum.

6. Notice of adjourned meeting

At least 14 clear days' notice of any meeting adjourned through want of a quorum shall be given in the same manner as for an original meeting and such notice shall state the quorum required at such adjourned meeting. It shall not otherwise be necessary to give any notice of an adjourned meeting.

7. Adjournment of meeting

The chairman may with the consent of (and shall if directed by) any meeting adjourn the same from time to time (being not less than 14 nor more than 42 clear days after the time of the original meeting) and from place to place but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the original meeting.

8. Voting on a poll

8.1 Every question submitted to a meeting of Noteholders shall be decided by a poll. A poll shall be taken at the meeting without adjournment and the result of such poll shall be deemed to be the resolution of the meeting as at the date of the taking of the poll.

9. Persons entitled to attend and vote

9.1 Any persons duly authorised by the Company (including, without limitation, their respective legal and financial advisers) shall be entitled to attend and speak at any meeting of the Noteholders. No person shall otherwise be entitled to attend or vote at any meeting of the Noteholders unless he is registered as a Noteholder or is a representative of a corporation which is a Noteholder or a proxy of a person who is a Noteholder.

9.2 At any meeting of Noteholders every person who is so present shall have one vote in respect of every £1 nominal of Notes of which he is the holder or in respect of which he is a representative or proxy.

9.3 Without prejudice to the obligations of any proxies any person entitled to more than one vote need not use all his votes or cast all the votes to which he is entitled in the same way.

9.4 In the case of joint Noteholders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register.

10. Proxies

10.1 A Noteholder may appoint a proxy (who need not be a Noteholder) by instrument in writing in any usual or common form or in any other form which the Directors may approve or accept. The instrument appointing a proxy shall be signed by the appointor or his agent authorised in writing or, if the appointor is a corporation, shall either be executed under its common seal or be signed by an agent or officer authorised for that purpose. The Company may, but shall not be bound to, require evidence of the authority of any such agent or officer.

10.2 An instrument appointing a proxy shall, unless the contrary is stated in it, be valid for any adjournment of a meeting as well as for the meeting to which it relates. No instrument appointing a proxy shall be valid after the expiration of 12 months from its date of execution.

10.3 A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or of the authority under which the proxy was executed or (until registered) the transfer of the Note in respect of which the vote is given provided that no intimation in writing of such death or insanity, revocation or transfer was received by the Company at its registered office before the commencement of the meeting or adjourned meeting, or of the taking of the poll, at which the proxy is used.

11. Deposit of proxies

An instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be deposited at such place as the Company may, in the notice convening the meeting, direct or, if no such place is appointed, at the registered office of the Company not less than 48 hours before the time appointed for holding the meeting or taking the poll at which the person named in the instrument proposes to vote and in default the instrument shall not be treated as valid.

12. Corporate representatives

Any corporation which is a Noteholder may by resolution of its directors or other governing body authorise any person to act as its representative at any meeting of Noteholders and such representative shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual Noteholder present in person at the meeting.

13. Powers of meeting

A meeting of the Noteholders shall in addition to all other powers (but without prejudice to any powers conferred on other persons in the Instrument) have the following powers exercisable only by Extraordinary Resolution namely:

(a) to sanction any proposal by the Company for any amendment, modification, abrogation, variation or compromise of, or arrangement in respect of, the rights of the Noteholders against the Company whether such rights shall arise under the Conditions, the Instrument or otherwise;

(b) to sanction the exchange or substitution for the Notes of, or the conversion of the Notes into, other obligations or securities of the Company, or any other person or entity;

(c) to assent to any amendment, modification, abrogation or variation of the Conditions or other provisions of this Instrument which is proposed by the Company;

(d) to authorise any person to execute and do all such documents, deeds, acts and things as may be necessary to carry out and give effect to any Extraordinary Resolution;

(e) to give any authority or sanction which under the provisions of this Instrument is required to be given by Extraordinary Resolution; and

(f) to appoint any persons (whether Noteholders or not) as a committee or committees to represent the interests of the Noteholders and to confer upon such committee or committees any powers or discretions which the Noteholders could themselves exercise by Extraordinary Resolution.

14. Effect of Extraordinary Resolution

An Extraordinary Resolution passed at a meeting of the Noteholders duly convened and held in accordance with this Instrument shall be binding upon all the Noteholders, whether present or not at such meeting, and each of the Noteholders shall be bound to give effect to it accordingly. The passing of any such resolution shall be conclusive evidence that the circumstances of any such resolution justify its passing.

15. Minutes

Minutes of all resolutions and proceedings at every meeting of Noteholders shall be made and duly entered in books to be from time to time provided for that purpose by the Company. Any such minutes, if they purport to be signed by the chairman of the meeting at which such resolutions were passed or proceedings transacted or by the chairman of the next succeeding meeting of the Noteholders, shall be conclusive evidence of the matters contained in them. Until the contrary is proved, every meeting in respect of which minutes of the proceedings have been made and signed in accordance with this Condition shall be deemed to have been duly held and convened and all resolutions passed or proceedings transacted at such meeting to have been duly passed and transacted.

16. Resolutions in writing

A resolution in writing proposed by the Company and signed by the holders of not less than three-quarters in nominal amount of the Notes for the time being in issue shall have effect in the same manner as an Extraordinary Resolution duly passed at a meeting of Noteholders duly convened and held. Such a resolution may be contained in one document or in several documents in like form, each signed by one or more of the Noteholders.

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SIGNATORIES

EXECUTED as a deed by **MEREO BIOPHARMA 1 LIMITED**

)
)
)
) _____
) Director

in the presence of:

)
)
)
) _____
) signature of Witness
)
)
) _____
)
) name of Witness
)
) _____
)
) _____
)
) _____
)
) _____
)
) Address
)
) _____
)
) Occupation

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXHIBIT G

COMPOUND

PROJECT:	BCT197
TRADEMARK:	[***]
NON-PROPRIETARY:	[***]
MECHANISM OF ACTION:	p38 MAP kinase inhibitor
[***]	[***]
[***]	[***]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXHIBIT H

FORM OF NOVARTIS INVOICE

[See attached]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SAMPLE INVOICE

Sender's Logo

INVOICE
INVOICE DATE:

Novartis Pharma AG
Lichtstrasse 35
CH-4056
Basel, Switzerland
Phone and Fax Nr.

__ _____ 201__

INVOICE No.: XXXX

Bill To:
Mereo BioPharma 1Limited
Green Park House
15 Stratton Street
London W1J 8LQ

For:
BCT197 (Royalties X Quarter 201__)

DESCRIPTION [*Please specify the event for which the invoice is due]*	**AMOUNT (USD)**
Product X (royalties XXXX – YYYY 201_ calculated based on Mereo provided sales & royalty report	US$ 000'000.00

Novartis Contract Code

Please remit by wire transfer within 60 days to:	
Receiving Bank -	
Swift Code -	
ABA Number -	
Credit Account -	
Beneficiary -	
TOTAL	000'000,00

If you have any questions concerning this invoice, contact

_____
or e-mail to _____
VAT -Reg. No. Xxxxxxxxxx (if applicable)

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

BGS649 ASSET PURCHASE AGREEMENT

by and between

NOVARTIS PHARMA AG

and

MEREO BIOPHARMA 2 LIMITED

Dated as of July 28, 2015

TABLE OF CONTENTS

Schedules:
Schedule 1.1(a) – Purchased IP
Schedule 1.1(b) – Assumed Contracts
Schedule 1.1(c) – Regulatory Filings and Approvals
Schedule 1.1(e) – Purchased Inventory
Schedule 1.7(f) – Novartis Disclosure Schedule
Schedule 1.7(g) – Consents

Exhibits:
Exhibit A – [Intentionally Omitted]
Exhibit B – Subscription Agreement
Exhibit C – Bill of Sale
Exhibit D – [Intentionally Omitted]
Exhibit E – Patent Assignment
Exhibit F – Loan Note
Exhibit G – Compound
Exhibit H – Form of Novartis Invoice

BGS649 ASSET PURCHASE AGREEMENT

This BGS649 ASSET PURCHASE AGREEMENT (this "**Agreement**") is entered into as of July 28, 2015, by and between Novartis Pharma AG, a Swiss company ("**Novartis**"), and Mereo BioPharma 2 Limited, a private limited company incorporated in England and Wales ("**Buyer**") and a wholly owned subsidiary of Mereo BioPharma Group Limited, a company incorporated in England and Wales ("**Mereo**"). Hereinafter, "**Parties**" shall mean Novartis and Buyer together, and "**Party**" shall mean either Novartis or Buyer, as the context requires.

RECITALS

WHEREAS, Novartis desires to sell, and Buyer desires to acquire, certain assets/rights of Novartis and its Affiliates related to the Compound or Products (hereinafter defined) on the terms set forth in this Agreement.

WHEREAS, in connection with this Agreement, concurrently with the execution and delivery of this Agreement, Novartis and Mereo are entering into a subscription agreement in the form attached hereto as Exhibit B (the "**Subscription Agreement**") pursuant to which Novartis will subscribe for equity in Mereo.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants and agreements contained herein, Buyer, Mereo, and, on behalf of itself and, as applicable, its Affiliates, Novartis hereby agree as follows:

ARTICLE I
TRANSFER OF PROPERTIES AND ASSETS OF SELLERS

Section 1.1 Sale and Transfer of Properties and Assets.

Upon the terms and subject to the conditions of this Agreement, Buyer shall purchase and acquire, and Novartis shall, and, as applicable, shall cause its Affiliates to, sell, transfer, convey, assign and deliver to Buyer, free and clear of all mortgages, pledges, charges, hypothecations, liens, claims, and encumbrances of any kind, nature or description (collectively, "**Liens**") (except as expressly permitted in this Agreement and except Permitted Liens), at the closing (the "**Closing**"), all right, title and interest of Novartis and its Affiliates (collectively, "**Sellers**" and each a "**Seller**") in and to the following assets and rights (collectively, the "**Purchased Assets**"):

(a) all Purchased IP, including the Patent rights listed on Schedule1.1(a);

(b) all rights of any of the Sellers under Contracts to the extent related to the Compound, including the Contracts listed on Schedule 1.1(b), as such Contracts may have been amended prior to the date hereof (the "**Assumed Contracts**");

(c) all Regulatory Filings and Approvals to the extent related to the Compound, including the Regulatory Filings and Approvals set forth on Schedule 1.1(c);

(d) all intangibles and goodwill of Sellers arising from the Purchased IP;

(e) all Inventory of the Compound or Products, including the Inventory listed on Schedule 1.1(e), that is not consumed in the ordinary course of the Business prior to the Closing Date (the "**Purchased Inventory**");

(f) [Intentionally omitted];

(g) all books, records, files, manuals, and other documentation (including clinical study reports, investigator brochures, and laboratory books), or portion thereof, in the Control of any Seller to the extent relating to the Compound or Products, including (i) all data in all databases for all clinical and pre-clinical studies for all drug trials undertaken in connection with the Compound, (ii) all Purchased IP files, file histories and other technical documents and correspondence, and (iii) all business information, tangible or intangible, to the extent relating to the Compound or Products (the "**Assigned Books and Records**"); and

(h) all claims (including claims for past infringement or misappropriation of the Purchased IP), causes of action, judgments and demands of whatever kind or description, or portion thereof (regardless of whether or not such claims and causes of action have been asserted by Seller), to the extent relating to any of the Purchased Assets.

Within [***] days after the Closing, Novartis shall deliver to Buyer, a schedule setting forth in reasonable detail the location of all tangible Purchased Assets, whether held by any of the Sellers or by Third Parties on behalf of any Sellers.

Section 1.2 Excluded Assets.

All assets, properties, rights and interests of Sellers not included in the Purchased Assets and any Assumed Contracts that may not be assigned to Buyer without the written consent of a Third Party which has not been obtained prior to the Closing are expressly excluded from the purchase and sale contemplated hereby until such time, if any, as such consent is obtained, and as such are not included in the Purchased Assets and shall remain the assets, property rights and interests of Sellers until such time, if any, as such consent is obtained (collectively, the "**Excluded Assets**"), subject to Sellers' obligation pursuant to Section 5.5(c) to use commercially reasonable efforts to obtain such consent promptly after the Closing and to cooperate, in all commercially reasonable respects, to make the benefits of such Assumed Contract available to Buyer.

Section 1.3 Assumed Obligations.

Upon the terms and subject to the conditions of this Agreement, at the Closing, Buyer shall assume and, from and after the Closing, shall pay, perform, satisfy and discharge (or cause to be paid, performed, satisfied and discharged on behalf of Buyer) when due, all obligations of Sellers to be performed under the Assumed Contracts on or after the Closing pursuant to such Assumed Contracts (the "**Assumed Obligations**"). In addition, (a) Buyer shall indemnify, defend and hold harmless Novartis and its Affiliates from, against and in respect of any and all Losses arising out of or relating to the Development, Manufacture or Commercialization of the Compound, Product or Purchased Assets following the Closing on the terms and subject to the conditions of Section 5.6(b), and (b) Novartis shall indemnify, defend and hold harmless Buyer and its Affiliates from, against and in respect of any and all Losses arising out of or relating to the Development, Manufacture or Commercialization of the Compound, Product or Purchased Assets prior to the Closing on the terms and subject to the conditions of Section 5.6(a).

Section 1.4 Excluded Obligations.

Notwithstanding anything to the contrary in this Agreement, the Assumed Obligations do not include any obligations whatsoever not expressly assumed by Buyer under Section 1.3 (collectively, the "**Excluded Obligations**").

Section 1.5 Purchase Price.

Upon the terms and subject to the conditions of this Agreement, in consideration for the sale, conveyance, assignment, transfer and delivery of the Purchased Assets, Buyer agrees to assume the Assumed Obligations at the Closing, to deliver the Loan Note, to make the Sales Related Payments, and the Change of Control Transaction Payments (collectively, the "**Purchase Price**") as follows:

(a) Sales Related Payments.

(i) During the Sales Related Payments Term, Buyer shall pay to Novartis (in U.S. dollars via wire transfer of immediately available funds to such account(s) as may be designated from time to time by Novartis in writing) [***] at the graduated rates specified in the following table with respect to the aggregate annual worldwide Net Sales of all Products during the applicable [***] (the "**Sales Related Payments**"):

Aggregate Annual Worldwide Net Sales (USD) of All Products in a Calendar Year	***Sales Related Payments Rate***
Portion of aggregate Net Sales by Buyer and its Affiliates up to and including [***]	[***]
Portion of aggregate Net Sales by Buyer and its Affiliates greater than [***] up to and including [***]	[***]

Aggregate Annual Worldwide Net Sales (USD) of All Products in a Calendar Year	*Sales Related Payments Rate*
Portion of aggregate Net Sales by Buyer and its Affiliates greater than [***] up to and including [***]	[***]
Portion of aggregate Net Sales by Buyer and its Affiliates greater than [***] up to and including [***]	[***]
Portion of aggregate Net Sales by Buyer and its Affiliates greater than [***]	[***]

For illustration purposes only, if the aggregate annual worldwide Net Sales by Buyer and its Affiliates for a particular year are [***], Novartis would be entitled to receive Sales Related Payments calculated as follows: [***] x [***] (or [***]) plus [***] x [***] (or [***]) = [***]. Notwithstanding the other provisions of this Section 1.5(a)(i), for any period during the Sales Related Payments Term in which there has occurred Loss of Market Exclusivity with respect to any Product in any country, the Net Sales of Buyer and its Affiliates for such country to be included in [***] worldwide Net Sales for the purpose of the calculation of the Sales Related Payments due under this Section 1.5(a)(i) shall be reduced by [***] of such Net Sales. For purposes of illustrating the immediately preceding sentence only, if the aggregate [***] Net Sales of Buyer and its Affiliates for [***] in a country in which Loss of Market Exclusivity has occurred are [***], Novartis would be entitled to receive Sales Related Payments calculated as follows: [***] x US$[***] (or US$[***]) [***] (or [***]) = US$[***].

(ii) In the event that Buyer reasonably determines that rights to intellectual property Controlled by a Third Party ("**Third Party IP Rights**") are reasonably necessary to research, Develop, Manufacture, or Commercialize any Product, Buyer shall notify Novartis ("**Third Party IP Rights Notice**") prior to entering into an agreement with respect to a license to such Third Party IP Rights. If Novartis disagrees that such Third Party IP Rights are reasonably necessary to research, Develop, Manufacture, or Commercialize any Product, then senior management from the Parties will discuss the matter and attempt to resolve the disagreement. In the event senior management is unable to resolve the disagreement within [***] days following the date of the Third Party IP Rights Notice, then such disagreement shall be resolved by referring the disagreement for determination by [***], jointly selected by the Parties (the "[***]"). If the Parties are unable to jointly select the [***], then such [***] shall be selected, at the request of either Party, by the [***] or such [***]. The fees and expenses of the [***] shall be [***]. In the event Novartis consents to the acquisition of such Third Party IP Rights by Buyer, or the [***] that such Third Party IP Rights are reasonably necessary to research, Develop, Manufacture, or Commercialize any Product, Buyer shall have the right to deduct from the Sales Related Payments due to Novartis pursuant to Section 1.5(a)(i) [***] of the amounts paid (including upfront payments, milestone payments, royalties or other license fees) by Buyer for such Third Party IP Rights; provided, however, that in no event shall the Net Sales Payments due to Novartis from Buyer be reduced by more than [***] in [***] (such

maximum reduction, the "**Reduction Cap**"). Any amount that Buyer is entitled to deduct, but is unable to deduct in any calendar year due to the operation of the Reduction Cap shall be carried forward and Buyer may deduct such amount from subsequent Net Sales Payments due to Novartis, subject, in each [***], to the Reduction Cap, until the full amount that Buyer was entitled to deduct is deducted.

(iii) As used herein, "**Net Sales**" with respect to a Product means the gross amount invoiced by Buyer or any of its Affiliates to third party customers for the Product, less:

(A) normal and customary trade and quantity discounts and non-affiliated brokers' or agents' commissions actually allowed and taken and not already reflected in the amount invoiced;

(B) amounts repaid or credited by reason of defects, rejections, returns, recalls, allowances, or government-imposed retroactive price reductions;

(C) third party cash rebates and chargebacks related to sales of Products, to the extent allowed;

(D) government-imposed retroactive price reductions that are actually allowed or granted;

(E) tariffs, duties, excise, sales, value-added, and other consumption taxes and customs duties to the extent included in the invoice price and paid by or on behalf of Buyer;

(F) cash discounts for timely payment;

(G) delayed ship order credits;

(H) discounts pursuant to indigent patient programs and patient discount programs of any nature;

(I) a fixed charge of [***] to cover warehousing and distribution expenses;

(J) any otherwise specifically identifiable costs or charges included in the gross invoiced sales price of such Product falling within categories equivalent to those listed above, to the extent the deduction of such costs or charges are consistent with the Accounting Standards; and

(K) uncollectible amounts on previously sold Products, but not such amounts that, but for the failure to collect such amounts within [***] from the date of the respective invoice, would have been collectible; provided that:

(1) in the case of any sale or other disposal of a Product between or among Buyer and its Affiliates or licensees, for resale, Net Sales shall be calculated as above only on the value charged or invoiced on the first arm's length sale to a third party;

(2) in the case of any sale, which is not invoiced or is delivered before invoice, Net Sales shall be calculated at the time of shipment;

(3) in the case of any sale or other disposal, such as barter or counter-trade, of any Product, or part thereof, otherwise than in an arm's length transaction exclusively for money, Net Sales shall be calculated as above on the value of the consideration received or, if higher, on the fair market price of the Product in the relevant country of sale or disposal; and

(4) in the event that a Product is sold as part of a Combination Product, Net Sales of the Product, for the purpose of determining Net Sales Payments, shall be determined by multiplying Net Sales of the Combination Product by the fraction A/(A+B), where A is the weighted (by sales volume) average sales price of the Product when sold separately in finished form and B is the weighted average sale price of the other product(s) sold separately in finished form. In the event that such average sales price cannot be determined for both the Product and the other product(s) in combination, Net Sales for purposes of determining payments hereunder shall be mutually agreed by the Parties based on the relative value contributed by each component, [***].

(iv) Within [***] days after the end of each [***] following the First Commercial Sale, Buyer shall provide Novartis a report summarizing total Net Sales, on a country by country basis, during the relevant [***] and the calculation of amounts owed. After receipt of such report, Novartis shall submit an invoice to Buyer substantially in the form of Exhibit H with respect to the Sales Related Payments payable to Novartis with respect to such total Net Sales. Sales Related Payments shall be made by Buyer to the bank account designated by Novartis in writing within [***] days after the date of receipt of of the relevant original invoice issued by Novartis. Further, for so long as Buyer is required pursuant to Section 5.4(c)(i), Buyer will provide quarterly reports to Novartis within [***] days following the end of [***] (A) indicating the countries in which a First Commercial Sale has occurred, and (B) summarizing, on a country by country basis, total Net Sales during the [***], it being understood that such [***] reports are for information only and shall not be binding on Buyer with respect to the calculation of Sales Related Payments. For purposes of computing Net Sales sold in a currency other than

U.S. dollars, the US Dollar equivalent shall be calculated using Buyer's then-current standard exchange rate methodology as applied in its external reporting for the conversion of foreign currency sales into US Dollars. If at any time legal restrictions in any country of the Territory prevent the prompt remittance of any payments with respect to sales therein, Buyer shall have the right and option to make such payments by depositing the payment amount in local currency to Novartis's account in a bank or depository designated by Novartis in the relevant country.

(b) Change of Control Transaction Payment.

(i) In addition to the Sales Related Payments, in the event of a Change of Control Transaction, Buyer shall pay or cause to be paid to Novartis (in U.S. dollars via wire transfer of immediately available funds to such account(s) as may be designated from time to time by Novartis in writing) an amount (the "**Change of Control Transaction Payment**") simultaneously with the completion of such Change of Control Transaction (or if any amounts payable in respect of such Change of Control Transaction are not payable at completion, immediately following payment of such amounts) equal to [***] of the Transaction Proceeds.

(ii) As used herein:

(A) **"Change of Control Transaction**" means a transaction in which Buyer conveys, transfers, [***] on [***], assigns or [***] or [***] of [***] to any Third Party, [***] the Compound and related assets. For the avoidance of doubt, any transaction involving equity interests of Mereo, a merger or consolidation of Mereo, or a sale of any assets of Mereo shall not constitute a Change of Control Transaction.

(B) "**Transaction Proceeds**" means [***] amounts, including [***] and/or [***] or [***] of [***] or [***] in connection with a Change of Control Transaction ("**Gross Proceeds**"), less (1) an amount equal to the costs and expenses incurred by Buyer or its equity holders for legal, financial and accounting advisory services directly related to such Change of Control Transaction in an amount not exceeding [***] of [***], and (2) payments for research and development support, patent expense reimbursement, supply purchases and other arms' length matters. Any [***] that are [***] or [***] shall [***] until such [***] by [***] or [***], as the case may be. For purposes of illustrating clause (1) of the immediately preceding sentence, if the proceeds of a Change of Control Transaction were [***], and the aggregate financial advisory, legal and accounting fees directly related to such Change of Control Transaction were $[***], then $[***] would be deducted from the Gross Proceeds, and Novartis would be entitled to receive a Change in Control Transaction Payment calculated as US$[***] = US$[***].

Section 1.6 Withholding of Taxes.

Buyer shall be entitled to deduct and withhold from any amounts payable or otherwise deliverable pursuant to this Agreement to Novartis such amounts as may be required to be deducted or withheld therefrom under any provision of federal, state, local or foreign Tax law or under any Applicable Laws. To the extent such amounts are so deducted and withheld, such amounts shall be treated for all purposes under this Agreement as having been paid to Novartis. Each Party shall cooperate and otherwise take commercially reasonable efforts to obtain appropriate exemptions for or refunds of any such applicable Taxes and to minimize any such Taxes.

Section 1.7 Novartis Closing Deliveries.

Novartis shall deliver to Buyer at the Closing:

(a) a bill of sale, dated the Closing Date, in the form attached hereto as Exhibit C (the "**Bill of Sale**"), duly executed by Novartis;

(b) [Intentionally omitted];

(c) a patent assignment agreement, dated the Closing Date, in the form attached as Exhibit E (the "**Patent Assignment**"), duly executed by Novartis;

(d) the Subscription Agreement, duly executed by Novartis;

(e) [Intentionally omitted];

(f) the Novartis Disclosure Schedule set forth on Schedule 1.7(f);

(g) the consents or approvals set forth on Schedule 1.7(g); and

(h) such other customary instruments of transfer, assumptions, filings or documents, in form and substance reasonably satisfactory to Buyer, as may be required to give effect to this Agreement.

Notwithstanding anything herein to the contrary, subject to Sellers' compliance with Section 5.5(c), the failure by Sellers to obtain the consent of any Third Party to the assignment of any contract prior to Closing shall not be a breach of Seller's obligations under this Section 1.7.

Section 1.8 Buyer Closing Deliveries.

Buyer shall deliver to Novartis at the Closing:

(a) the Bill of Sale, duly executed by Buyer;

(b) [Intentionally omitted];

(c) the Subscription Agreement, duly executed by Mereo;

(d) [Intentionally omitted]; and

(e) a loan note, dated the Closing Date, in the form attached hereto as Exhibit F (the "**Loan Note**"), duly executed by Buyer.

Section 1.9 Closing.

(a) The Closing will take place at Novartis Campus, Basel, Switzerland at 10:00 a.m. (local time) on the first business day following the fulfillment or waiver of the conditions precedent set forth in Sections 1.9(b) and (c) or at such other time and place as the parties hereto may mutually agree. The date on which the Closing occurs is referred to as the "**Closing Date**." Subject to the fulfillment or waiver of such conditions precedent, Sellers shall make the Closing deliveries specified in Section 1.7 and Buyer shall make the Closing deliveries specified in Section 1.8, all of which shall be deemed to have occurred simultaneously and none of which shall be deemed completed unless and until all of them shall have been completed (or waived in writing by the Party entitled to performance).

(b) The obligations of Buyer to consummate the transactions contemplated by this Agreement are subject to the following conditions, except to the extent waived by Buyer in writing at the Closing:

(i) All representations and warranties of Novartis contained in this Agreement shall be accurate in all material respects as of the Closing with the same effect as if made on and as of such date.

(ii) Novartis shall have delivered to Buyer the documents set forth in Section 1.7.

(iii) There shall not have been instituted or threatened any legal proceeding (A) relating to, or seeking to prohibit or otherwise challenge this Agreement, the BPS804 Asset Purchase Agreement or the BCT197 Asset Purchase Agreement (collectively, the "**Purchase Agreements**"), the consummation of the transactions contemplated by any of the Purchase Agreements, or seeking to obtain substantial damages with respect to any of the Purchase Agreements, or (B) which would reasonably be expected to have a Material Adverse Effect.

(iv) There shall not have been any action taken, or any law, rule, regulation, order, judgment, or decree proposed, promulgated, enacted, entered, enforced, or deemed applicable to the transactions contemplated by any of the Purchase Agreements, by any

federal, state, local, or other governmental authority or by any court or other tribunal, including the entry of a preliminary or permanent injunction, which would reasonably be expected to: (A) makes any of the transactions contemplated by any of the Purchase Agreements illegal or (B) imposes material limitations on the ability of any buyer under any of the Purchase Agreements to operate the Business (as defined in the respective Purchase Agreements) or to exercise full rights of ownership of the Purchased Assets (as defined in the respective Purchase Agreements).

(v) The conditions precedent to the obligations of each buyer under the Purchase Agreements to consummate the transactions contemplated by the respective Purchase Agreement shall have been satisfied or waived by such buyer in writing at the Closing.

(vi) There shall not have occurred any Material Adverse Effect (as defined in the respective Purchase Agreements).

(vii) Novartis shall have delivered to Buyer, at or prior to the Closing, such other documents as Buyer shall have reasonably requested to carry out the provisions of and the transactions contemplated by this Agreement in form and substance reasonably satisfactory to Buyer.

(viii) Mereo shall have received funds from subscribers for equity in Mereo, including Novartis pursuant to the Subscription Agreement, in an aggregate amount not less than GBP £ 20,000,000 less the Investor Counsel Fees (as defined in the Subscription Agreement).

(c) The obligations of Novartis to consummate the transactions contemplated by this Agreement are subject to the following conditions, except to the extent waived by Novartis in writing at the Closing:

(i) All representations and warranties of Buyer contained in this Agreement shall be accurate in all material respects as of the Closing with the same effect as if made on and as of such date.

(ii) Buyer shall have delivered to Novartis the documents set forth in Section 1.8.

(iii) There shall not have been instituted or threatened any legal proceeding relating to, or seeking to prohibit or otherwise challenge any of the Purchase Agreements, the consummation of the transactions contemplated by any of the Purchase Agreements, or seeking to obtain substantial damages with respect to any of the Purchase Agreements.

(iv) There shall not have been any action taken, or any law, rule, regulation, order, judgment, or decree proposed, promulgated, enacted, entered, enforced, or deemed applicable to the transactions contemplated by any of the Purchase Agreements, by any federal, state, local, or other governmental authority or by any court or other tribunal, including the entry of a preliminary or permanent injunction, which would reasonably be expected to make any of the transactions contemplated by any of the Purchase Agreements illegal.

(v) The conditions precedent to the obligations of Novartis to consummate the transactions contemplated by each of the Purchase Agreements shall have been satisfied or waived by Novartis in writing at the Closing.

(vi) Buyer shall have delivered to Novartis, at or prior to the Closing, such other documents as Novartis shall have reasonably requested to carry out the provisions of and the transactions contemplated by this Agreement in form and substance reasonably satisfactory to Novartis.

(vii) Mereo shall have received funds from subscribers for equity in Mereo, including Novartis pursuant to the Subscription Agreement, in an aggregate amount not less than GBP £ 20,000,000 less the Investor Counsel Fees (as defined in the Subscription Agreement).

Section 1.10 Tangible Purchased Assets; Assigned Books and Records.

(a) Sellers shall, without charge to Buyer, hold all tangible Purchased Assets (other than tangible Purchased Assets that are held on behalf of any Seller by any Third Party) on behalf of Buyer until such time or times that Buyer or its designees takes possession thereof; provided, however, that Buyer or its designees shall take possession of all tangible Purchased Assets no later than the date that is [***] after the Closing. With respect to tangible Purchased Assets held by any Third Parties on behalf of any Sellers, Sellers shall assist Buyer in arranging to have such Third Parties continue to hold such tangible Purchased Assets on behalf of Buyer at Buyer's expense. Sellers shall maintain casualty insurance for the replacement value of tangible Purchased Assets in its possession and Buyer shall reimburse Sellers for the cost thereof. If requested by Buyer, Sellers shall cooperate with Buyer in arranging for Third Parties who are in possession of tangible Purchased Assets to maintain casualty insurance for the replacement value of such Purchased Assets at Buyer's expense.

(b) Subject to Section 5.1, Sellers may retain copies of any Assigned Books and Records to the extent necessary for tax, accounting, regulatory, compliance or litigation purposes, or to perform and discharge the Excluded Liabilities and their obligations under this Agreement, or if such Assigned Books and Records contain information with respect to any Excluded Asset or Excluded Obligation.

ARTICLE II
REPRESENTATIONS AND WARRANTIES OF NOVARTIS

Novartis hereby represents and warrants to Buyer and Mereo as follows, with each such representation and warranty subject only to such exceptions, if any, as are set forth on that section of the Novartis Disclosure Schedule that is numbered and captioned to correspond to, and is referenced in, such representation or warranty:

Section 2.1 Corporate Organization, Standing and Power.

Novartis is a company duly organized, validly existing and in good standing under the laws of Switzerland. Novartis has all necessary corporate power and authority to execute and deliver this Agreement and the other Transaction Documents to which it is a party and to perform its obligations hereunder and thereunder. Each Seller has all requisite corporate power and authority to carry on its business as now being conducted as relates to the Purchased Assets.

Section 2.2 Consents, Authorization and Enforceability.

(a) No consent, waiver, approval, order or authorization of, or registration, declaration or filing with, or notice to any Governmental Authority or other Third Party is required by, or with respect to, Novartis or the Purchased Assets in connection with the execution and delivery of this Agreement or the other Transaction Documents to which it is a party, the performance by Novartis of its obligations under this Agreement or the other Transaction Documents, or the consummation of the transactions contemplated hereby or thereby, except (i) as set forth on Section 2.2(a) of the Novartis Disclosure Schedule and (ii) such other consents, waivers, approvals, authorizations, registrations, declarations, filings or notices, the absence of which, would not, individually or in the aggregate, have or reasonably be expected to have a Material Adverse Effect.

(b) All requisite corporate action necessary to authorize the execution, delivery and performance by Novartis of this Agreement and the other Transaction Documents to which it is a party and the consummation of the transactions contemplated hereby and thereby has been taken. This Agreement constitutes a valid and binding obligation of Novartis, enforceable against Novartis in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium, arrangement or other similar Applicable Law or equitable principles relating to or limiting creditors' rights generally.

Section 2.3 Title to Assets; Sufficiency of Assets.

Sellers have good, valid and marketable title to all of the Purchased Assets. Sellers hold all of the Purchased Assets free and clear of all Liens except for: (a) those Liens set forth on Section 2.3 of the Novartis Disclosure Schedule, (b) mechanics', materialmen's, carriers', workmen's, warehousemen's, repairmen's, landlords' or other like Liens and security obligations

incurred in the ordinary course of business for immaterial amounts, (c) statutory liens for Taxes, assessments or other statutory or governmental charges not yet due and payable, and (d) Liens that do not, individually or in the aggregate materially impair the use of the relevant Purchased Asset (collectively, "**Permitted Liens**"). To Novartis' Knowledge, the Purchased Assets are sufficient for Buyer to continue the Development of the Compound on substantially the same basis as the Development of the Product conducted by Sellers prior to the Closing.

Section 2.4 Non-Contravention.

The execution and delivery by Novartis of this Agreement and the other Transaction Documents to which it is a party, the performance by Novartis of its obligations hereunder and thereunder, and the consummation of the transactions contemplated hereby and thereby, do not and will not (a) violate any provision of the certificate of incorporation or similar governance documents that may be applicable to Novartis, (b) result in a breach (or any event which, with notice or lapse of time or both, would constitute a breach) of any term or provision of, or constitute a default under, any Contract to which Novartis is a party or by which it is bound, (c) result in the creation of any Lien on the Purchased Assets (other than a Permitted Lien) or (d) violate in any respect any Applicable Law or any judgment, decree, order, regulation or rule of any Governmental Authority by which Novartis is bound or subject.

Section 2.5 Contracts and Commitments.

Novartis has made available to Buyer true and complete copies of the Assumed Contracts and, to the Knowledge of Novartis, each such Contract is valid and binding on the Seller that is a party thereto in accordance with its terms and is in full force and effect. There is not under any Assumed Contract: (a) any existing material default by such Seller or, to Novartis's Knowledge, by any other party thereto; or (b) any event which, after notice or lapse of time or both, would constitute a material default by such Seller or, to Novartis's Knowledge, by any other party, or result in a right to accelerate or terminate or result in a loss of any rights of Seller. Except as set forth on Schedule 1.1(b), there are no Contracts to which Novartis or any of its Affiliates is a party pursuant to which Novartis in-licenses intellectual property rights exclusively related to the Compound or any Product.

Section 2.6 Intellectual Property.

(a) Schedule 1.1(a) sets forth a complete and accurate list of all Patent rights owned or in-licensed by Sellers relating exclusively to the Compound or any Product that the manufacture, use, sale, offer for sale or importation of the Compound or any Product would infringe, specifying as applicable: (i) the title thereof, if any; (ii) the registration or application number thereof, if any; and (iii) the jurisdiction in which such item exists or is registered.

(b) All Purchased IP is exclusively owned by Sellers, and is free and clear of any (i) liens, charges, security interests, and encumbrances or licenses and (ii) claims or covenants that would give rise to any Third Party claims for payment against Buyer. Neither Novartis nor any of its Affiliates has entered into any agreement or otherwise licensed, granted, assigned, transferred, conveyed or disposed of any right, title or interest in or to any of its assets, including any intellectual property rights or the Compound or any Product, that would conflict with or impair the scope of any rights within the Purchased IP or licenses granted hereunder. None of Novartis or any of its Affiliates is a party to any license, sublicense or other agreement pursuant to which Novartis or such Affiliate has received a license or other rights relating to any Compound or Product. There are no agreements to which any Seller is a party pursuant to which any Seller has granted any Third Party any rights in and to any Purchased IP.

(c) There are no claims pending or, to Novartis's knowledge, threatened in writing against any Seller or before any Governmental Authority, challenging the validity of any Patents within the Purchased IP.

(d) The Patents listed on Schedule 1.1(a) have been duly applied for and registered in accordance with applicable Law, and the Sellers have paid all filing fees, issue fees, annuities and other fees and charges applicable to the Purchased IP, including those required for the issuance, registration, maintenance, filing and prosecution of the Purchased IP. No Purchased IP is the subject of any pending or, to Novartis's knowledge, threatened interference, opposition, cancellation, protest, litigation or other challenge or Action. The Sellers and their patent counsel have satisfied statutory requirements with respect to the filing, prosecution, and maintenance of all registered Purchased IP.

(e) Sellers have secured from all employees, consultants, contractors and other Persons who have contributed to the creation or invention of any of the Purchased IP a written agreement setting forth obligations of confidentiality and assigning to Novartis or its Affiliates all rights to such creations, inventions, and Purchased IP, and such Affiliates have assigned all such rights to Novartis or its Affiliates. None of Sellers has received any written communication challenging any Seller's ownership of or right to use the Purchased IP.

(f) To Novartis's Knowledge, no Person has infringed, misappropriated, or otherwise violated, and no Person is currently infringing, misappropriating, or otherwise violating, any claim of an issued (granted) and unexpired Patent within the Purchased IP, or has misappropriated any Know-how within the Purchased IP.

(g) No Action has been instituted by any Third Party or, to Novartis's Knowledge, is pending against any Seller or has been threatened by any Third Party in writing that (i) challenges the right of any Seller with respect to its use or ownership of the Purchased IP, or (ii) alleges that any of the issued claims included in the Patents within the Purchase IP are invalid or unenforceable, or that Development or Manufacture of the Purchased IP, Compound or any Product infringed or misappropriated, or would infringe or misappropriate, the intellectual property rights of such Third Party.

(h) Novartis has furnished or made available to Buyer all material information that is in the possession of Novartis or any of its Affiliates concerning the Purchased IP, the Compound or any Product relevant to the safety or efficacy thereof, and all material Regulatory Filings and other material correspondence with Regulatory Authorities relating to the Compound or any Product, and to Novartis's Knowledge, such information is accurate, complete and true in all material respects.

(i) The Compound is the only compound, biologic or product that has been Developed or is being Developed by Novartis or its Affiliates for the therapeutic treatment of hypogonadal hypogonadism in obese men.

Section 2.7 Litigation.

(a) There is no action, cause of action, suit, claim, charge, demand, directive, inquiry, subpoena, proceeding, arbitration, mediation or other investigation (collectively, "**Actions**") pending or, to Novartis's Knowledge, threatened against any Seller or any predecessor in interest to any Seller (i) relating to or affecting the Purchased Assets or the Assumed Obligations, (ii) relating to or seeking to prevent Novartis's performance of this Agreement and the transactions contemplated hereby, (iii) that would reasonably be expected to adversely affect the Development, Manufacture or Commercialization of the Compound or any Product.

(b) None of the Purchased Assets is subject to any order, writ, judgment, award, injunction or decree of any Governmental Authority.

Section 2.8 Compliance with Law.

(a) Sellers have conducted, and are now conducting, their businesses as applied to or in connection with the Purchased Assets in compliance in all material respects with Applicable Laws. Neither Novartis nor any of its Affiliates has received any notice alleging any violation under any Applicable Law.

(b) No Seller has employed or used any person that has been debarred, excluded or disqualified under Section 306(a) or 306(b) of the U.S. Federal Food, Drug and Cosmetic Act in the Development of any Product.

(c) Sellers have conducted all clinical and pre-clinical studies for all drug trials undertaken in connection with the Compound or any Product in accordance with applicable Health Care Laws and no Seller has received any notice from a Governmental Authority alleging any violation under any applicable Health Care Law or requiring the termination, suspension or material modification of such clinical or pre-clinical studies.

Section 2.9 Taxes.

There are no Liens for Taxes on any of the Purchased Assets (other than Permitted Liens) and there are no Taxes of Sellers related to the Purchased Assets which could become liabilities of Buyer. None of the Purchased Assets constitutes a "United States real property interest" for federal income tax purposes.

Section 2.10 Inventory.

To Novartis' Knowledge, the Inventory listed on Schedule 1.1(e) comprises all Inventory as of June 25, 2015, and such Inventory has been stored and maintained in compliance with applicable FDA good manufacturing practices and in conformity with relevant specifications for such Inventory.

ARTICLE III
LICENSE GRANT AND ENFORCEMENT

Section 3.1 License to Purchased IP Know-How.

Buyer hereby grants to Novartis, subject to the terms and conditions of this Agreement, an irrevocable, transferable, royalty-free, fully paid, non-cancellable, non-exclusive world-wide right and license, with the right to sublicense, under the Purchased IP Know-How to research, develop, make, have made, manufacture, market, use, sell, offer for sale or import any product or service other than (a) the Compound or any Product, or (b) any other compound, biologic or product Developed, Manufactured or Commercialized for the therapeutic treatment of hypogonadal hypogonadism in obese men. Novartis will give Buyer notice of any exercise by Novartis of its rights to transfer or sublicense pursuant to this Section 3.1, such notice to be given no later than the time such rights are exercised.

Section 3.2 License to Intellectual Property.

Sellers hereby grant to Buyer, subject to the terms and conditions of this Agreement, and solely for use in connection with the Development, Manufacture, or Commercialization of the Compound or any Product, an irrevocable, transferable, royalty-free, fully paid, non-cancellable, world-wide right and license, with the right to sublicense, under any Intellectual Property Rights Controlled by Novartis or any of its Affiliates (other than the Purchased IP) that would be [***] to use in connection with the Development, Manufacture, or Commercialization of the Compound or any Product. Such license is exclusive, even as to Novartis, with respect to the Compound and any Product. Buyer will give Novartis notice of any exercise by Buyer of its rights to transfer or sublicense pursuant to this Section 3.2, such notice to be given no later than the time such rights are exercised.

Section 3.3 Maintenance of Purchased IP.

Buyer shall have the right and obligation to maintain and diligently prosecute the Purchased IP at Buyer's expense, except with respect to any Purchased IP Buyer plans to abandon and notifies Novartis of such plans. Novartis shall have a right to assume responsibility for any Purchased IP that Buyer plans to abandon or otherwise cause or allow to be forfeited. Buyer shall give Novartis reasonable written notice and in any event no less than [***] days prior to abandonment or other forfeiture of any patent or patent application within the Purchased IP so as to permit Novartis to exercise its rights under this Section 3.3, at its own expense. In the event Novartis exercises such right, Novartis hereby grants to Buyer an irrevocable, transferable, royalty-free, fully paid, non-cancellable, non-exclusive world-wide right and license, with the right to sublicense, under such Purchased IP to use in connection with the Development, Manufacture, and Commercialization of the Compound or any Product.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to Novartis as follows:

Section 4.1 Organization, Standing and Authority.

Buyer is a private limited company duly organized, validly existing and in good standing under the laws of England and Wales. Buyer has all necessary corporate power and authority to execute and deliver this Agreement and the other Transaction Documents to which it is a party and to perform its obligations hereunder and thereunder.

Section 4.2 Consents and Authorization.

(a) No consent, waiver, approval, order or authorization of, or registration, declaration or filing with, or notice to any Governmental Authority or other Third Party is required by, or with respect to, Buyer in connection with the execution and delivery of this Agreement or the other Transaction Documents to which it is a party or the consummation of the transactions contemplated hereby or thereby, except for any notice filings or registrations of transfer with any Governmental Authority that may be required in connection with the assignment and transfer of the Purchased Assets, and such other consents, waivers, approvals, authorizations, registrations, declarations, filings or notices, the absence of which, would not, individually or in the aggregate, have or reasonably be expected to have a materially adverse effect on the ability of Buyer to consummate the transactions contemplated hereby (a "**Buyer Material Adverse Effect**").

(b) All requisite corporate action necessary to authorize the execution, delivery and performance by Buyer of this Agreement and the other Transaction Documents to which it is a party and the consummation of the transactions contemplated hereby and thereby

has been taken. This Agreement constitutes a valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium, arrangement or other similar Applicable Law or equitable principles relating to or limiting creditors' rights generally.

Section 4.3 Non-Contravention.

The execution and delivery by Buyer of this Agreement and the other Transaction Documents to which it is a party, the performance by Buyer of its obligations hereunder and thereunder, and the consummation of the transactions contemplated hereby and thereby, do not and will not (a) violate any provision of the certificate of incorporation or similar governance documents that may be applicable to Buyer, (b) result in the breach (or an event which, with notice or lapse of time or both, would constitute a breach) of any term or provision of, or constitute a default under any Contract to which Buyer is a party or by which it is bound or (c) violate in any respect any Applicable Law or any judgment, decree, order, regulation or rule of any Governmental Authority to which Buyer is bound or subject, except, with respect to the immediately preceding clauses (b) and (c), for any violations, breaches or defaults that would not, individually or in the aggregate, have a Buyer Material Adverse Effect.

Section 4.4 Litigation and Claims.

There is no Action pending, or to the Knowledge of Buyer, threatened, against Buyer before or by any Governmental Authority which seeks to prevent Buyer's performance of this Agreement and the transactions contemplated hereby or that would, individually or in the aggregate, have a Buyer Material Adverse Effect.

Section 4.5 Financing.

Buyer has a reasonable basis to believe that it will obtain financing sufficient to fund the Development and Commercialization of a Product.

ARTICLE V
COVENANTS

Section 5.1 Access to Information.

(a) For so long as a Party maintains books, records, files and other information that is subject to this Section 5.1, during normal business hours following reasonable prior notice, such Party will permit the other Party and its accountants, counsel, and other representatives, subject to the obligations set forth in Section 5.2 of this Agreement, to have reasonable access to and examine and make copies of all Assigned Books and Records and all other books and records of a Party which are reasonably requested by the other Party and are necessary or useful in connection with: (i) any Tax inquiry, audit, investigation or dispute with a

Third Party; (ii) any Action by any Governmental Authority or any dispute with any Third Party reasonably requiring access to any such books and records; or (iii) with respect to Buyer, the Development, Manufacture or Commercialization of the Product, in each case relating to or arising out of transactions or events occurring prior to the Closing and that relate to the Purchased Assets. The Party requesting access to any such Assigned Books and Records or Sellers' retained books and records or other information shall bear all of the out of pocket costs and expenses (including attorneys' fees, but excluding reimbursement for salaries and employee benefits) reasonably incurred in connection with providing access to and copies of such Assigned Books and Records, Sellers' retained books and records or other information.

(b) Buyer and Sellers will direct their respective employees (without substantial disruption of employment) to render any assistance that Buyer or any Seller may [***] in examining or utilizing the Assigned Books and Records.

(c) Neither Buyer nor any Seller will destroy any books, records, files or other information or data that are subject to this Section 5.1 until the expiration of the applicable regulatory record retention period under Applicable Laws (giving effect to any and all extensions or waivers) without giving at least [***] days' prior written notice to the other Party (the **"Retaining Party**"). Upon receipt of such notice, the Retaining Party may (i) cause to be delivered to it the books and records intended to be destroyed, at its expense or (ii) notify the Party intending to destroy the books and records that it will pay the cost of storing and maintaining such books and records (including any necessary costs of moving such books and records to a location under control of the Retaining Party and the costs of reviewing and removing from such books and records any information that the Retaining Party is not entitled to receive).

(d) Buyer and Sellers will keep all information referred to in this Section 5.1 confidential in accordance with Section 5.2 of this Agreement.

Section 5.2 Obligations of Confidentiality and Non-Use.

(a) Each Party agrees that the Party receiving or otherwise possessing Confidential Information (the "**receiving Party**") from the other Party (the "**disclosing Party**"), pursuant to this Agreement shall, and shall cause its employees, directors, officers, contractors, consultants, service providers and other representatives to, keep confidential and not publish or otherwise disclose, and take all reasonable steps to prevent disclosure of, such Confidential Information and not use such Confidential Information except for the limited purposes set forth in this Agreement. No provision of this Agreement shall be construed to preclude disclosure of Confidential Information (i) to actual or potential sources of financing; provided that such sources are bound to the terms of this Section 5.2 to the same extent as if they were parties hereto; (ii) in connection with disclosure obligations that arise in connection with an initial public offering; or (iii) to the extent required to be disclosed by applicable statute, rule or regulation of any court or regulatory authority with competent jurisdiction; provided that the

disclosing Party shall be notified as soon as reasonably possible and the receiving Party shall, if requested by the disclosing Party, use reasonable good faith efforts to assist in seeking a protective order (or equivalent) with respect to such disclosure or otherwise take reasonable steps to avoid making such disclosure. For the avoidance of doubt, from and after the Closing that portion of the Confidential Information included in the Purchased Assets shall be deemed to constitute Confidential Information of Buyer.

(b) Neither Party shall, directly or indirectly, issue any press release or other public statement relating to the terms of this Agreement or the transactions contemplated hereby without the prior approval of the other Party (which shall not be unreasonably delayed, conditioned or withheld), except (i) to the extent required by any Applicable Laws, (ii) as reasonably necessary to obtain any requisite consents and approvals contemplated by this Agreement, or (iii) to the extent necessary for a Party to comply with its obligations hereunder. Notwithstanding anything to the contrary in the foregoing, each Party shall be permitted to make such releases or public announcements or communications to the extent consistent with previous disclosures made in accordance with this Section 5.2(b).

(c) Novartis, hereby releases, on behalf of Novartis and its Affiliates, Buyer and its officers, directors, employees and consultants from all obligations they may have with respect to that portion of the Confidential Information included in the Purchased Assets under any confidentiality agreement with or policy of any Seller covering such Confidential Information.

Section 5.3 Technical Assistance.

(a) For a period of eighteen (18) months from and after the Closing Date, Sellers shall fully cooperate with and provide assistance to Buyer, through documentation, consultation, training and face-to-face meetings, to enable Buyer or its designee, in an efficient and timely manner, to proceed with Development and manufacturing of the Compound and Products and to make and obtain all appropriate Regulatory Filings and Approvals. For any such assistance after the [***] after the Closing Date, Buyer shall compensate Sellers at [***].

(b) Sellers shall, [***], make appropriate personnel available to assist Buyer at any time and from time to time as reasonably requested by Buyer, and shall provide the appropriate personnel of Buyer with access to the personnel and manufacturing and other operations of Sellers for such periods of time (not to exceed [***] following the Closing Date) and in such manner as is reasonable in order to familiarize the personnel of Buyer or its designee with know-how relating to the Development and Manufacture of the Compound and Products and the application of the same within such four-month period.

Section 5.4 Product Development and Commercialization; Reports.

(a) Development.

(i) Buyer shall itself, or through its Affiliates or licensees, use Commercially Reasonable Efforts to Develop at least one Product.

(ii) Buyer will (A) determine the regulatory plans and strategies for the Compound or Products, (B) (either itself or through its Affiliates or licensees) make all Regulatory Filings with respect to the Products and (C) will be responsible for making, obtaining and maintaining Regulatory Filings and Approvals in its name or that of its Affiliates or licensees, in each case, to the extent, and in a manner, consistent with [***].

(iii) Buyer shall (A) comply in all material respects with applicable Laws, and (B) not employ or use any person that has been debarred under Section 306(a) or 306(b) of the U.S. Federal Food, Drug and Cosmetic Act.

(b) Commercialization. Sellers shall have no responsibility for any aspects of Development or Commercialization of the Products, including planning and implementation, distribution, booking of sales, pricing or reimbursement.

(c) Reporting and Planning.

(i) Buyer will submit to Novartis [***] with respect to Development and Commercialization activities with respect to the Compound, until the earlier of (A) regulatory approval of a Product, or (B) cessation of Development prior to regulatory approval of a Product, consistent with Commercially Reasonable Efforts.

(ii) Following the Closing, Buyer shall develop and provide to Novartis a detailed plan for the Development of the Compound, including with respect to all Development work to be performed, clinical trials, milestones and any other key issues related to Development.

(iii) Prior to regulatory approval of a Product, the Parties and Mereo will hold [***] (during the [***] following the Closing Date) and thereafter [***] meetings, or meetings at such longer intervals as the Parties and Mereo may agree (in any case, in person or by teleconference) to review and discuss the Development work performed, clinical trials, milestones, any key issues and the overall status of Development. Buyer will consider in good faith comments or proposals made by Novartis during such meetings; provided, however, that Buyer shall have sole control over all Development activities and sole decision-making authority with respect to the Development and Commercialization of Products.

(d) Records and Audit Rights.

(i) Each Party shall keep complete, true and accurate books and records in accordance with internationally recognized accounting standards in relation to this Agreement, including, with respect to Buyer, in relation to Net Sales and Sales Related Payments. Each Party will keep such books and records for at least [***] following the [***] to which they pertain.

(ii) Novartis may, upon written notice to Buyer, appoint an internationally-recognized independent accounting firm (the "**Auditor**") to inspect the relevant reports, statements, records or books of accounts (as applicable) of Buyer or its Affiliates in connection with the calculation of any Sales Related Payments. Before beginning its audit, the Auditor shall execute an undertaking acceptable to Buyer and Novartis pursuant to which the Auditor agrees to keep confidential all information reviewed during such audit. The Auditor shall have the right to disclose to Novartis its conclusions regarding any payments owed under this Agreement.

(iii) Buyer and its Affiliates shall make their records available for inspection by such Auditor during regular business hours at such place or places where such records are customarily kept, upon receipt of reasonable advance notice from Novartis. The records shall be reviewed solely to verify the calculation of any Sales Related Payments. Such inspection right shall not be exercised more than [***] (other than any year in which a Change of Control Transaction occurs, in which year such right may be exercised [***]) and not more frequently than [***] with respect to records covering any [***]. Novartis agrees to hold in strict confidence all information received and all information learned in the course of any audit or inspection, except to the extent necessary to enforce its rights under this Agreement or if disclosure is required by Applicable Law, regulation or judicial order.

(iv) The Auditor shall provide its audit report (the "**Audit Report**") and basis for any determination to Buyer at the same time the Audit Report is provided to Novartis. Buyer shall have the right to request a further determination by the Auditor as to matters which Buyer disputes by providing Novartis and the Auditor with a reasonably detailed statement of the grounds upon which it disputes any findings in the Audit Report within [***] days following receipt of the Audit Report. The failure by Buyer to dispute the Audit Report within such [***] day period shall constitute Buyer's acceptance of all of the items reflected in the Audit Report. If a request for further determination is timely delivered by Buyer, the Auditor shall undertake to complete such further determination within [***] days after the dispute notice is provided, which determination shall be limited to the disputed matters. Any matter that remains unresolved shall be resolved in accordance with the dispute resolution procedures contained in Article V.

(v) In the event that the Audit Report (as finally agreed upon by the Parties) reveals an undisputed underpayment or overpayment in respect of Sales Related Payments or other payments hereunder, the underpaid or overpaid amount shall be settled promptly.

(vi) Novartis shall be solely responsible for all costs and expenses relating to any and all such audits as described in this Section 5.4(d).

Section 5.5 Further Assurances; Consents.

(a) Prior to Closing, each Party shall use commercially reasonable efforts to take such action as is reasonably necessary or appropriate in order to complete the transactions contemplated hereby on the terms and subject to the conditions set forth herein.

(b) After the Closing, at the request of Buyer from time to time Sellers shall (i) use commercially reasonable efforts to obtain and deliver such Third Party consents and (ii) execute and deliver to Buyer such certificates, consents and other instruments of sale, conveyance, assignment and transfer, and take such other action, in each case, as may reasonably be requested by Buyer to more effectively sell, convey, assign and transfer to Buyer, to the extent required under this Agreement, the Purchased Assets and such other assets of Sellers, if any, as are solely related to the Compound or any Product.

(c) To the extent any Assumed Contract does not permit assignment or transfer by a Seller to Buyer pursuant to the Transaction Documents without the consent of a Third Party, and such consent is not obtained prior to Closing, Buyer shall waive the obligation to obtain such consent prior to Closing. In such case, such Seller shall (i) use commercially reasonable efforts to obtain such consent promptly after the Closing, and (ii) until the earliest of: (A) the date all such consents are obtained, (B) the date all such Assumed Contracts expire or are terminated or (C) the date which is [***] days from the Closing, such Seller and Buyer shall cooperate, in all commercially reasonable respects, to make the benefits of such Assumed Contract available to Buyer, to the extent consistent with the terms of such Assumed Contract ([***] by [***] of such [***]), and shall comply with all of its obligations under such Assumed Contract and, to the extent any Third Party is in breach of such Assumed Contract, enforce the terms and conditions of such Assumed Contract if requested by Buyer at Buyer's expense.

Section 5.6 Indemnity.

(a) Novartis shall indemnify, defend and hold harmless the Buyer and its Affiliates (the "**Buyer Indemnified Parties**") from, against, and in respect of, all losses, costs, charges, claims (including Third Party claims), damages or expenses of whatever kind (including attorneys' fees and expenses and the costs of enforcing any right to indemnification hereunder) against or incurred by them ("**Losses**") to the extent arising out of or relating to:

(i) any breach of any representation or warranty of Novartis set forth in this Agreement;

(ii) any breach of any covenant, agreement or undertaking made by Novartis in this Agreement;

(iii) any Excluded Asset or Excluded Obligation; or

(iv) the Development, Manufacture or Commercialization of the Compound, Product or Purchased Assets prior to the Closing.

(b) Buyer shall indemnify, defend and hold harmless Novartis and its Affiliates (the "**Novartis Indemnified Parties**") from, against and in respect of any and all Losses arising out of or relating to:

(i) any breach of any representation or warranty of the Buyer set forth in this Agreement;

(ii) any breach of any covenant, agreement or undertaking made by the Buyer in this Agreement;

(iii) any Assumed Obligation; or

(iv) the Development, Manufacture or Commercialization of the Compound, Product or Purchased Assets following the Closing.

(c) Notice of Claims. If any of the Persons to be indemnified under this Section 5.6 (the "**Indemnified Party**") has determined that any matters (other than a Third Party Claim) has given or could give rise to a right of indemnification under this Agreement, the Indemnified Party shall so notify the Party from whom indemnification is sought (the "**Indemnifying Party**") promptly, describing in reasonable detail, the basis for such claim. If any Indemnified Party receives written notice of the assertion of any Action (in equity or at law) instituted by a Third Party (a "**Third Party Claim**") with respect to which the Indemnified Party intends to claim any Loss under this Section 5.6, the Indemnified Party shall promptly notify the Indemnifying Party of such Action (the "**Third Party Claim Notice**"), describing in reasonable detail, the basis for such claim. A failure by the Indemnified Party to give notice of any Action in a timely manner pursuant to this Section 5.6(c) shall not limit the obligation of the Indemnifying Party under this Section 5.6, except (i) to the extent such Indemnifying Party is actually prejudiced thereby or (b) as provided in Section 6.2.

(d) Third Party Claims.

(i) The Indemnifying Party under this Section 5.6 shall have the right, but not the obligation, exercisable by written notice to the Indemnified Party within [***] days of receipt of the Third Party Claim Notice, to assume the conduct and control, at the expense of the Indemnifying Party and through counsel of its choosing that is reasonably acceptable to the Indemnified Party, of any Third Party Claim; provided, that the Indemnified Party shall have the right to participate in, but not control, the defense of any such Third Party Claim through counsel chosen by the Indemnified Party, whose fees and expenses shall be borne by the Indemnified Party; and provided further that if and to the extent the Indemnifying Party cannot defend such Third Party Claim on behalf of the Indemnifying Party as a result of a

conflict of interest between the Indemnifying Party and the Indemnified Party that cannot be waived, then the Indemnifying Party [***]. If the Indemnifying Party fails to provide written notice within [***] days of receipt of a Third Party Notice that it has elected to assume the defense of such Third Party Claim, then the Indemnified Party shall be entitled to assume the defense of such Third Party Claim at the expense of the Indemnifying Party; provided that the Indemnified Party may not compromise or settle any Third Party Claim except as provided in Section 5.6(d)(ii). For the avoidance of doubt, if the Indemnifying Party elects not to control or conduct the defense of a Third Party Claim, the Indemnifying Party nevertheless shall have the right to participate in the defense of any Third Party Claim and, at its own expense, to employ counsel of its own choosing for such purpose.

(ii) The Indemnifying Party may compromise or settle a Third Party Claim; provided, that the Indemnifying Party shall give the Indemnified Party advance written notice of any proposed compromise or settlement and shall not, without the prior written consent of the Indemnified Party (which consent shall not be unreasonably withheld, conditioned or delayed), consent to or enter into any compromise or settlement that commits the Indemnified Party to take, or to forbear to take, any action or does not provide for a full and complete written release by the applicable third party of the Indemnified Party. No Indemnified Party may compromise or settle any Third Party Claim for which it is seeking indemnification hereunder without the consent of the Indemnifying Party (which consent shall not be unreasonably withheld, conditioned or delayed). No Indemnifying Party may consent to the entry of any judgment that does not relate solely to monetary damages arising from any such Third Party Claim without the prior written consent of the Indemnified Party (which consent shall not be unreasonably withheld, conditioned or delayed).

(iii) The Parties shall cooperate in the defense of any Third Party Claim, with such cooperation to include (i) the retention and the provision to the Indemnifying Party of records and information that are reasonably relevant to such Third Party Claim and (ii) reasonable access to employees on a mutually convenient basis for providing additional information and explanation of any material provided hereunder.

Section 5.7 Supply.

(a) The Parties shall endeavor in good faith to execute within [***] days after the Closing a supply agreement, in form and substance reasonably satisfactory to the Parties and with pricing and commercial terms reflecting the terms customarily pertaining to Seller's arms' length agreements for the supply of similar products, for the clinical products that Novartis elects to supply, and that Buyer elects to purchase from Novartis.

(b) For the clinical products that Novartis elects not to supply, or that Buyer elects not to purchase from Seller, Buyer shall source such products from Third Parties, and Sellers shall, at their sole cost and expense, provide Buyer and such Third Parties with reasonable assistance in connection therewith for a period of [***] from and after the Closing

Date. After such [***] period, Sellers shall provide assistance to Buyer at an agreed cost. Sellers will not supply to Buyer commercial product, commercial active pharmaceutical ingredient or commercial finished product.

Section 5.8 Noncompetition. During the period ending on the third anniversary of the Closing, neither Novartis nor any of its Affiliates shall conduct, participate in, or directly fund, itself or with any Affiliate or Third Party, Clinical Trial activities involving any compound, biologic or product for the therapeutic treatment of hypogonadal hypogonadism in obese men. Notwithstanding the foregoing, (a) Novartis and its Affiliates may [***] or [***] in, or [***], a [***] may [***] any [***] or [***] for the [***] of [***] of [***], provided (i) the [***] of such [***] is not [***] in the [***] of [***] or [***] for the [***] of [***] of [***], and (ii) [***] and [***] any [***] or [***] for the [***] of [***] of [***] that are [***] at the [***] of such [***] to the extent reasonably necessary to [***] the [***] or [***] of [***] in such [***]; (b) this Section 5.8 shall only apply to the extent Novartis has the ability to control the use of funds relating to, or to otherwise direct and control, such Clinical Trial activities; and (c) this Section 5.8 shall not apply to any Third Party relationships, collaborations or contracts of Novartis that exist as of the Closing Date (including [***] any [***] to (i) [***] or [***] or (ii) [***] or [***]).

Section 5.9 Product Inquiries.

From and after the Closing, Sellers shall direct all Product-related inquiries to Buyer.

ARTICLE VI
MISCELLANEOUS.

Section 6.1 Definitions.

As used in this Agreement, the following terms shall have the following meanings:

"**Accounting Standards**" means, with respect to Buyer, International Financial Reporting Standards ("**IFRS**"), consistently applied. Each Party shall promptly notify the other in the event that it changes the Accounting Standards pursuant to which its records are maintained, it being understood that each Party may only use internationally recognized accounting principles (e.g. IFRS, United States generally accepted accounting principles, etc.).

"**Affiliate**" means with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with such other Person.

"**Applicable Law**" means all federal, provincial, state, local and foreign law (including United States), (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement.

"**BCT197 Asset Purchase Agreement**" means that certain BCT197 Asset Purchase Agreement dated as of July 28, 2015 between Novartis and Mereo BioPharma 1 Limited.

"**BPS804 Asset Purchase Agreement**" means that certain BPS804 Asset Purchase Agreement dated as of July 28, 2015 between Novartis and Mereo BioPharma 3 Limited.

"**Business**" means the business of Developing and Manufacturing the Compound and includes any other actions taken in furtherance of the Business.

"**Clinical Trial**" means any Phase 1 Clinical Trial, Phase 2 Clinical Trial, Pivotal Clinical Trial, Phase 4 clinical trial and/or variations or subsets of such trials (for example, Pivotal Clinical Trial/Phase 4 clinical trial or Phase 1B); "**Phase 1 Clinical Trial**" means a controlled human clinical trial that would satisfy the requirements of 21 C.F.R. 312.21(a) or foreign equivalents thereof; "**Phase 2 Clinical Trial**" means a controlled human clinical trial that would satisfy the requirements of 21 C.F.R. 312.21(b) or foreign equivalents thereof; "**Pivotal Clinical Trial**" means (i) a human clinical trial of a Product that is intended to be a pivotal trial for obtaining Regulatory Approval (e.g., in the United States such clinical trial is conducted after the end of phase 2 meeting with the FDA) and to otherwise establish safety and efficacy in patients with the disease or condition being studied and to provide an adequate basis for physician labeling, for purposes of filing a MAA for Product, and that would satisfy the requirements under 21 C.F.R. 312.21(c) or foreign equivalents thereof, or (ii) any other clinical trial that is intended to establish that a pharmaceutical product is safe and efficacious for its intended use, and to determine warnings, precautions, and adverse reactions that are associated with such pharmaceutical product in the dosage range to be prescribed, which clinical trial is a registration trial intended to be sufficient for filing an application for a Regulatory Approval for such product in the United States or another country or some or all of an extra-national territory, solely as evidenced by the acceptance for filing for a Regulatory Approval for such product after completion of such clinical trial.

"**Closing Date**" means the date on which the Closing occurs.

"**Commercialize**" means to market, promote, distribute, import, export, offer to sell or sell Products or conduct other Commercialization, and "**Commercialization**" means commercialization activities relating to Products, including activities relating to marketing, promoting, distributing, importing, exporting, offering for sale or selling Products.

"**Commercially Reasonable Efforts**" means the expenditure of those efforts and resources normally used by a comparable and similarly situated company as Buyer in the pharmaceutical industry in pursuing Development or Commercialization of similar pharmaceutical products with similar market and economic potential, within the scope of the rights granted hereunder, and at a similar stage in Development or product life, taking into account efficacy, safety, approved labeling, the competitiveness of alternative products in the marketplace, the patent and other proprietary position of the Products, the likelihood of regulatory approval given the regulatory structure involved, the profitability, and other relevant factors commonly considered in similar circumstances.

"**Combination Product**" means a Product that includes at least one additional active ingredient other than Compound. Drug delivery vehicles, adjuvants, and excipients will not be deemed to be "active ingredients", except in the case where such delivery vehicle, adjuvant, or excipient is recognized as an active ingredient in accordance with 21 C.F.R. § 210.3(b)(7) (as amended), or any foreign counterpart.

"**Compound**" means the active pharmaceutical ingredient identified in Exhibit G. [1]

"**Confidential Information**" means all information and data, regardless of form, including a formula, pattern, compilation, program, method, technique, process, inventory, chemical, physical material, chemical structure or activity, design, prototype, drawings, samples, source code, business plan, business opportunity, customer or personnel list, or financial statement proprietary to a Party or its Affiliate, except any portion thereof which:

(a) is known to the receiving Party prior to receipt from the disclosing Party, as established by contemporaneously created written records;

(b) is disclosed to the receiving Party by a Third Party, as evidenced by the receiving Party's contemporaneously created written records, who is under no obligation of confidentiality to the disclosing Party with respect to such information and who otherwise has a right to make such disclosure;

(c) is or becomes published, as evidenced by a written version thereof, or generally known in the trade through no fault of the receiving Party; or

(d) is independently developed by the receiving Party, without resort to the disclosing Party's Confidential Information, by persons having no access thereto, as evidenced by the receiving Party's contemporaneously created written records.

All information and data included within the Purchased Assets that immediately prior to Closing constitutes Confidential Information of Sellers (without regard to clause (a) or (b) above) shall, from and after Closing, be deemed to constitute Confidential Information of Buyer, except that Novartis and its Affiliates shall continue to have the right to use such information and data for the purposes set out in Section 5.1 or to otherwise use and disclose such Confidential Information as expressly permitted under this Agreement.

"**Contract**" means any written or oral legally binding contract, agreement, instrument, commitment, obligation, understanding, or undertaking of any nature (including leases, licenses, mortgages, notes, guarantees, sublicenses, subcontracts, covenants not to compete, covenants not to sue, confidentiality agreements, options and warranties).

---

1 Note to draft: include esters, salts, derivatives, etc, to the extent relevant to the particular Compound.

"**Control**" (including any variations such as "**Controlled**" and "**Controlling**") means, with respect to any item or Patent, Know-How, or other intellectual property right, the legal authority or right (whether by ownership or license, other than by a license or sublicense granted pursuant to this Agreement) of a Party or its Affiliates to grant to the other Party the right to use such item, or a license, sublicense or access as provided herein to such item, without violating the terms of any agreement or other arrangement with any Third Party in existence as of the time such Party or its Affiliates would first be required hereunder to grant the other Party such license, access, or other right. For the avoidance of doubt, the foregoing definition of "Control" shall not apply to the definition herein of "Change of Control."

"**Develop**" or "**Development**" means drug development activities, including test method development and stability testing, assay development and audit development, toxicology, formulation, quality assurance/quality control development, statistical analysis, clinical studies, packaging development, regulatory affairs, and the preparation, filing and prosecution of NDAs and MAAs.

"**FDA**" means the United States Food and Drug Administration or any successor entity thereto.

"**First Commercial Sale**" means the first sale of a Product by Buyer or an Affiliate of Buyer to a Third Party in a country following Regulatory Approval of such Product in that country. Sales or transfers of reasonable quantities of a Product for research, proof of concept studies or other clinical trial purposes, or for compassionate or similar use, shall not be considered a First Commercial Sale.

"**Generic Equivalent**" means any (i) biosimilar of a Product or (ii) any product with the same active ingredient as a Product.

"**Governmental Authority**" means any nation or government, any provincial, state, regional, local or other political subdivision thereof, any supranational organization of sovereign states, and any entity, department, commission, bureau, agency, authority, board, court, official or officer, domestic or foreign, exercising executive, judicial, regulatory or administrative functions of or pertaining to government.

"**Health Care Law**" shall mean all applicable Laws relating to patient care and human health and safety, including any such applicable Law pertaining to: (i) the research, development, testing, production, manufacturing, marketing, transfer, distribution, pricing and sale of drugs and medical devices, including the United States Food, Drug and Cosmetics Act, as amended, and all related rules, regulations and guidelines, the United States Public Health Service Act and all related rules, regulations and guidelines, and equivalent applicable Laws of

other applicable Governmental Authorities; and (ii) the privacy and security of patient-identifying health care information, including the United States Health Insurance Portability and Accountability Act of 1996 (42 U.S.C. 1320d et seq.) and all related rules, regulations and guidelines thereof and equivalent applicable Laws of other applicable Governmental Authorities.

"**Intellectual Property Rights**" means (a) Patents, (b) Know-How, (c) industrial designs (whether or not registered), (d) all rights in all of the foregoing provided by treaties, conventions and common law, (e) all rights to sue or recover and retain damages and costs and attorneys' fees for past, present and future infringement or misappropriation of any of the foregoing, (f) any other proprietary or intellectual property rights now known or hereafter recognized in any jurisdiction, and (g) all rights in and to the master cell bank(s) and stability materials relating exclusively to the Compound or Products.

"**Inventory**" means all raw materials, finished Products and intermediates, and works in process thereof related to the Business, wherever located, whether in the possession of Sellers or Third Parties.

"**Know-How**" means any and all tangible, proprietary, confidential, research, technical and scientific information existing as of the effective date of this Agreement that is not in the public domain, including information relating to materials, discoveries, unpatented inventions, improvements, practices, methods, protocols, manufacturing techniques, operating manuals, databases, formulas, knowledge, trade secrets, technologies, processes, assays, sources, skills, experience, techniques, data and the results of experimentation and testing.

"**Knowledge**" means, with respect to Novartis, the actual knowledge after reasonable inquiry of employees of Novartis responsible for the relevant matter, and with respect to Buyer, the actual knowledge after reasonable inquiry of the founders of Buyer.

"**Liability**" means all debts, liabilities and obligations (including with respect to Taxes), whether accrued or fixed, absolute or contingent, matured or unmatured, determined, determinable or indeterminable, asserted or unasserted, known or unknown, including those arising under any Applicable Laws or Proceeding and those arising under any Contract.

"**Law**" means any federal, state, provincial, local, international or multinational law, statute, standard, ordinance, code, rule, regulation, resolution or promulgation, or any order, writ, judgment, injunction, decree, stipulation, ruling, determination or award entered by or with any Governmental Authority, or any license, franchise, permit or similar right granted under any of the foregoing, or any similar provision having the force or effect of law.

"**Loss of Market Exclusivity**" means, with respect to any Product in any country, the following has occurred: (i) the sale of such Product in such country is not covered by a Valid Claim of any Patent owned or controlled by Buyer, its assignees or their respective Affiliates, (ii) such Product is not subject to regulatory, data or marketing exclusivity (or similar period of

exclusivity granted by any Governmental Authority) under Applicable Law, and (iii) the Net Sales of such Product in that country in any calendar year are less than [***] as compared with the Net Sales of such Product in that country in the calendar year immediately preceding the marketing or sale of the first Generic Equivalent of such Product.

"**MAA**" means an application for the authorization to market any Product in any country or group of countries outside the United States, as defined in the applicable laws and regulations and filed with the Governmental Authority of a given country or group of countries.

"**Manufacture**" means activities related to the manufacture, formulation and packaging of the Compound or any Product, including related quality control and quality assurance activities.

"**Material Adverse Effect**" means any change, circumstance or effect that, individually or in the aggregate, would or would reasonably be expected to (i) have a materially adverse effect on the Purchased Assets taken as a whole, including the value thereof, or on Buyer's ability to receive and develop the Purchased Assets free and clear of any Liens (other than Permitted Liens) pursuant hereto or (ii) prevent or materially delay consummation of the transactions contemplated hereby.

"**NDA**" means a New Drug Application in the United States for authorization to market any Product, as defined in the applicable laws and regulations and filed with the FDA.

"**Patents**" means national and multinational statutory invention registrations, patents and patent applications (including provisional applications), as well as all renewals, reissues, divisions, substitutions, continuations, continuations-in-part, extensions and reexaminations and all foreign counterparts thereof, registered or applied for in the United States and all other nations throughout the world.

"**Permits**" means all permits, licenses, franchises, approvals, authorizations, registrations, certificates, variances and similar rights obtained, or required to be obtained, from Governmental Authorities.

"**Person**" means an individual, corporation, partnership, limited liability company, association, trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"**Proceeding**" means any action, suit, litigation, mediation, arbitration, proceeding (including any civil, criminal, administrative, investigative or appellate proceeding and any informal proceeding), prosecution, contest, hearing, inquiry, inquest, audit, examination or investigation commenced, brought, conducted or heard by or before, or otherwise involving, any Governmental Authority or any arbitrator or arbitration panel.

"**Product**" means any pharmaceutical product containing the Compound (alone or with other active ingredients), in all forms, presentations, formulations and dosage forms. For clarification, Product will include any Combination Product.

"**Purchased IP**" means all Patents and Know-How Controlled by any of the Sellers that are exclusively related to the Compound or any Product, including, without limitation, the Patents set forth on Schedule 1.1(a).

"**Regulatory Filings and Approvals**" means, with respect to any pharmaceutical product in any jurisdiction, any and all regulatory applications, filings, approvals, and associated correspondence required to develop, manufacture, market, sell, and import such product in, or into, any jurisdiction, and all approvals from any regulatory authority necessary for the sale of such product in a given jurisdiction in accordance with all Applicable Laws.

"**Sales Related Payments Term**" means the period of ten (10) years following the First Commercial Sale of a Product.

"**Tax**" means any federal, state, local or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, social security, unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax, including any interest, penalty or addition thereto, imposed by any Governmental Authority (a "Taxing Authority") responsible for the imposition of any such tax (domestic or foreign).

"**Third Party**" means any Person other than Buyer, Novartis or their respective Affiliates.

"**Transaction Documents**" means this Agreement, the Subscription Agreement, the Morphosys Sublicense, the Bill of Sale, the Patent Assignment and any other agreements, certificates and instruments executed and delivered in connection with the transactions contemplated by this Agreement.

"**Valid Claim**" means a claim of an issued and unexpired patent, or a pending claim of a patent application that is being prosecuted, that has not been held unpatentable, invalid or unenforceable by a court or other Governmental Authority with no further right of appeal.

Section 6.2 Survival of Representations and Warranties and Covenants.

The representations and warranties of the Parties contained in this Agreement shall survive the Closing until the date that is eighteen (18) months after the Closing Date, provided, that the representations and warranties set forth in Sections 2.1, 2.2, 2.3 and Sections 3.1 and 3.2 shall survive indefinitely. The covenants and agreements of the Parties contained in this Agreement shall survive the Closing in accordance with their terms.

Section 6.3 Notices.

All notices, requests, demands and other communications which are required or may be given under this Agreement shall be in writing and shall be deemed to have been duly given when received if personally delivered; upon receipt if transmitted by email; the day after it is sent, if sent for next day delivery to a U.S. address by recognized overnight delivery service (*e.g.*, Federal Express); and upon receipt, if sent by certified or registered mail, return receipt requested, as follows:

If to Buyer:

Mereo BioPharma 2 Limited
15 Stratton Street
London
W1J 8LQ
United Kingdom
Attention : [***]

With a copy (which shall not constitute notice) to:

Proskauer Rose LLP
Eleven Times Square
New York NY 10036
Attention: [***]

If to Seller:

Novartis Pharma AG
Lichtstrasse 35
CH-4002, Basel, Switzerland
Attention: Head – Business Development & Licensing

With a copy (which shall not constitute notice) to:

Novartis Pharma AG
Lichtstrasse 35
CH-4002, Basel, Switzerland
Attention: General Counsel

or to such other place and with such other copies as either party may designate as to itself by written notice to the others.

Section 6.4 Governing Law; Jurisdiction.

This Agreement will be governed by and construed in accordance with the laws of the State of New York, without regard to the conflict of law principles thereof. Each of the Parties irrevocably agrees that any Proceeding arising out of or relating to this Agreement brought by any other party or its successors or assigns shall be brought and determined in federal court (or, if such court does not have subject matter jurisdiction, state court) sitting in the City and County of New York, and each of the Parties hereby irrevocably submits to the exclusive jurisdiction of the aforesaid courts for itself and with respect to its property, generally and unconditionally, with regard to any such Proceeding arising out of or relating to this Agreement and the transactions contemplated hereby. Each of the Parties agrees not to commence any Action relating thereto except in the courts described above in the City and County of New York, other than Actions in any court of competent jurisdiction to enforce any judgment, decree or award rendered by any such court. Each of the Parties further agrees that notice as provided herein shall constitute sufficient service of process and the Parties further waive any argument that such service is insufficient. Each of the Parties hereby irrevocably and unconditionally waives, and agrees not to assert, by way of motion or as a defense, counterclaim or otherwise, in any action or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby, (a) any claim that it is not personally subject to the jurisdiction of the courts described herein for any reason, (b) that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise) or (c) that (i) the Action in any such court is brought in an inconvenient forum, (ii) the venue of such Action is improper or (iii) this Agreement, or the subject matter hereof, may not be enforced in or by such courts. The Parties acknowledge and agree that the transactions contemplated by this Agreement are not transactions pursuant to which Buyer shall have any obligations under the Transfer of Undertakings (Protection of Employment) Regulations 2006.

Section 6.5 Waiver of Jury Trial.

EACH OF THE PARTIES IRREVOCABLY AND UNCONDITIONALLY WAIVES THE RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT, THE TRANSACTION DOCUMENTS OR ANY OTHER AGREEMENTS CONTEMPLATED HEREBY OR THE CONTEMPLATED TRANSACTIONS AND FOR ANY COUNTERCLAIM THEREIN.

Section 6.6 Payments; Expenses.

For the avoidance of doubt, no payments shall become due and payable and neither Party will be obligated to reimburse the other Party for any costs incurred by the other Party under or

in connection with this Agreement unless and until the Closing has occurred. Except as otherwise specified herein, all costs and expenses, including fees and disbursements of counsel, financial advisors and accountants, incurred in connection with this Agreement and the transactions contemplated hereby will be paid by the Party incurring such costs and expenses, whether or not the Closing will have occurred.

Section 6.7 Counterparts.

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

Section 6.8 Entire Agreement.

This Agreement, including the Schedules and Exhibits hereto and the documents referred to herein, embodies the entire agreement and understanding of the Parties hereto in respect of the subject matter contained herein. This Agreement supersedes all prior agreements and understandings (including any confidentiality agreements) between the Parties with respect to such subject matter.

Section 6.9 Amendment and Modification.

This Agreement may be amended or modified only by written agreement of the Parties hereto.

Section 6.10 Binding Effect; Benefits.

This Agreement shall inure to the benefit of and be binding upon the Parties hereto and their respective successors and assigns; nothing in this Agreement, express or implied, is intended to confer on any Person other than the Parties hereto and their respective successors and assigns any rights, remedies, obligations or liabilities under or by reason of this Agreement.

Section 6.11 Assignability.

This Agreement shall not be assignable by any Party hereto without the prior written consent of the other Party except that (i) either Party may assign its rights under this Agreement to any of such Party's Affiliates without the prior written consent of the other Party and (ii) Buyer may assign its rights under this Agreement to any Person acquiring all of the Products or Purchased Assets.

Section 6.12 Interpretation Provisions.

(a) The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement, and Article, Section, Schedule and Exhibit references are to this

Agreement unless otherwise specified. The meaning of defined terms shall be equally applicable to the singular and plural forms of the defined terms. The term "or" is inclusive and not exclusive, unless its use is preceded by the word "either" or other words of similar import. The terms "include" and "including" are not limiting and mean "including without limitation." Use of a particular gender is for convenience only and is not intended to be a part of or to affect or restrict the meaning or interpretation of this Agreement.

(b) References to agreements and other documents shall be deemed to include all subsequent amendments and other modifications thereto.

(c) References to statutes shall include all regulations promulgated thereunder and references to statutes or regulations shall be construed as including all statutory and regulatory provisions consolidating, amending or replacing the statute or regulation.

(d) The captions and headings of this Agreement are for convenience of reference only and shall not affect the construction of this Agreement.

(e) The language used in this Agreement shall be deemed to be the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any party.

(f) The Schedules and Exhibits to this Agreement are a material part hereof and shall be treated as if fully incorporated into the body of this Agreement.

Section 6.13 Severability.

Whenever possible, each provision or portion of any provision of this Agreement shall be interpreted in such manner as to be effective and valid under Applicable Law, but if any provision or portion of any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any Applicable Law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of any other provision or portion of any provision in such jurisdiction.

Section 6.14 Specific Performance.

The Parties agree that irreparable damage would occur in the event any provision hereof were not performed in accordance with the terms hereof and that the Parties will be entitled to specific performance of the terms hereof, in addition to any other remedy at law or in equity without the necessity of demonstrating the inadequacy of monetary damages and without the posting of a bond.

Section 6.15 Disclaimer.

IT IS UNDERSTOOD, ACKNOWLEDGED AND AGREED THAT, EXCEPT AS SET FORTH HEREIN NOVARTIS MAKES NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS OF ANY KIND OR CHARACTER WITH RESPECT TO THE PURCHASED ASSETS OR ANY OTHER MATTER OR THING REGARDING THE PURCHASED ASSETS. BUYER ACKNOWLEDGES AND AGREES THAT UPON CLOSING SELLERS SHALL SELL AND CONVEY TO BUYER AND BUYER SHALL ACCEPT THE PURCHASED ASSETS "AS IS, WHERE IS, WITH ALL FAULTS", EXCEPT TO THE EXTENT EXPRESSLY PROVIDED OTHERWISE IN THIS AGREEMENT. BUYER HAS NOT RELIED AND WILL NOT RELY ON, AND NOVARTIS IS NOT LIABLE FOR OR BOUND BY, ANY EXPRESS OR IMPLIED WARRANTIES, GUARANTIES, REPRESENTATIONS OR INFORMATION PERTAINING TO THE PURCHASED ASSETS MADE OR FURNISHED BY SELLER, ITS AFFILIATES OR ANY AGENT REPRESENTING OR PURPORTING TO REPRESENT SELLER, TO WHOMEVER MADE OR GIVEN, DIRECTLY OR INDIRECTLY, ORALLY OR IN WRITING, UNLESS SPECIFICALLY SET FORTH IN THIS AGREEMENT, THE NOVARTIS DISCLOSURE SCHEDULE, THE TRANSACTION DOCUMENTS OR ANY ANCILLARY AGREEMENT. WITHOUT IN ANY WAY LIMITING THE FOREGOING, NOVARTIS HEREBY DISCLAIMS ANY WARRANTY, EXPRESS OR IMPLIED, OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE AS TO ANY PORTION OF THE PURCHASED ASSETS. BUYER REPRESENTS TO NOVARTIS THAT BUYER HAS CONDUCTED, OR WILL CONDUCT PRIOR TO CLOSING, SUCH INVESTIGATIONS OF THE PURCHASED ASSETS AS BUYER DEEMS NECESSARY AND WILL RELY SOLELY UPON SAME AND NOT UPON ANY INFORMATION PROVIDED BY OR ON BEHALF OF NOVARTIS OR ITS AGENTS OR EMPLOYEES WITH RESPECT THERETO, OTHER THAN SUCH REPRESENTATIONS, WARRANTIES AND COVENANTS OF NOVARTIS AS ARE EXPRESSLY SET FORTH IN THIS AGREEMENT.

Section 6.16 Obligations of Party's Affiliates.

Each Party shall cause its controlled Affiliates that are entities to perform any obligations of such Party and its Affiliates that are entities in connection with the Purchased Assets and the consummation of the transactions contemplated by this Agreement.

[*Signature page follows*]

IN WITNESS WHEREOF, the Parties hereto have duly executed this Agreement as of the date first above written.

Seller:

NOVARTIS PHARMA AG

By: /s/ Matt Owens
Name: Matt Owens
Title: Global Head Legal Strategic Partnerships & Digital Medicine

By: /s/ Efthymis Lioulias
Name: Efthymis Lioulias
Title: Senior Legal Counsel

Buyer:

MEREO BIOPHARMA 2 LIMITED

By: /s/ Denise Scots-Knight
Name: Denise Scots-Knight
Title: CEO

SCHEDULE 1.1(a)

PURCHASED IP

[***]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SCHEDULE 1.1(b)

ASSUMED CONTRACTS

[***]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SCHEDULE 1.1(c)

REGULATORY FILINGS AND APPROVALS

[***]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SCHEDULE 1.1(e)

PURCHASED INVENTORY

PROJECT: BGS649

[***]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SCHEDULE 1.7(f)

NOVARTIS DISCLOSURE SCHEDULE

[***]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SCHEDULE 1.7(g)

CONSENTS

[***]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXHIBIT B

SUBSCRIPTION AGREEMENT

[See attached]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

Subscription Agreement

relating to ordinary shares to be allotted by Mereo BioPharma Group Limited

Dated July 2015

(1) Institutional Investors

(2) Mereo Founders

(3) Company

Execution Version

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

DATE July 2015

PARTIES

(1) THE PERSONS whose names and addresses are set out in Schedule 1 (the "Institutional Investors");

(2) THE PERSONS named in rows 1 to 9 (inclusive) of Schedule 2 (the "**Mereo** Founders") and

(3) Mereo BioPharma Group Limited a company registered in England and Wales (company number 9481161) whose registered office is at Green Park House, 15 Stratton Street, London, W1J 8LQ ("**the Company**").

INTRODUCTION

(A) The Mereo Newcos, each a wholly owned subsidiary of the Company, intend to enter into agreements to be dated on or around the date of this Agreement to acquire a portfolio of assets from Novartis Pharma AG in accordance with the terms of the Novartis Asset Sale Agreements.

(B) Each of the Investors are to subscribe for their respective Ordinary Shares in cash, save for Novartis which will receive its Ordinary Shares as consideration for the assignment to the Company of the benefit of certain loan notes issued to Novartis by the Mereo Newcos in exchange for the sale of the Novartis Assets pursuant to the Novartis Asset Sale Agreements.

(C) Immediately following Completion, the share capital of the Company shall be held as set out in column 2 of Schedule 2 of this Agreement.

OPERATIVE PROVISIONS

1. DEFINITIONS AND INTERPRETATION

1.1 In this Agreement the words and expressions set out below shall have the following meanings:

Agreement	this agreement, including the Schedules to this agreement
Authorisation	means (a) an approval, authorisation, consent, declaration, exemption, permit, licence, notarisation or waiver, however it is described, and including any condition attached to it; and

	(b) in relation to anything that could be prohibited or restricted by law if a Government Agency acts in any way within a specified period, the expiry of that period without that action being taken
Business Day	a day, except a Saturday or Sunday, on which banks in the City of London are generally open for business
Business Plan	the initial business plan which is attached to this Agreement as Annex A and as may be updated from time to time
Call Notice	As defined in clause 2.11
Call Option	as defined at clause 2.11
Call Option Price	means in respect of each Founder, the price specified in column 3 of Schedule 6, being the nominal value of such shares
Call Option Shares	means such number of the Ordinary Shares held by each Founder as is specified at column 2 of Schedule 6
Company's Solicitors	Proskauer Rose (UK) LLP of 110 Bishopsgate, London, EC2N 4AY
Completion	completion by the parties of their respective obligations in accordance with clause 5 upon satisfaction of the Conditions
Commitment	in respect of each Investor, the amount set out against its name in column 2 of Part A of Schedule 1
Conditions	as defined in clause 4
Confidential Information	all information which relates to: (a) the Group; (b) any aspect of the business of the Group operated by any of the subsidiaries of the Company;

	(c) the provisions and subject matter of this Agreement; and (d) the negotiations relating to this Agreement
Controlling Stake	more than 50 per cent in number of the issued shares
Dilutive Event	any action taken by the Company having the effect that, immediately following such Dilutive Event and but for the operation of clause 7.1 of this Agreement, the shares held by Novartis in the Company would represent less than 19.5% of the total economic and voting rights in the Company, including but not limited to: any issue of shares in the equity share capital of the Company or the exercise of any right to subscribe for or convert any security into, such shares, whether for cash or by way of dividend, distribution or capitalisation of profits or reserves (including share premium account and any capital redemption reserve); or any amalgamation or merger of the Company into or with another entity
Drawdown Notice	as defined in clause 2.8
Employment Agreements	the agreed form employment agreements between the Company and each of Denise Pollard-Knight, Charles Sermon, Richard Bungay and Alastair MacKinnon
Exit	any of the following: (a) the obtaining of a Listing; (b) the completion of a Sale; or (c) completion of a liquidation, winding up or dissolution of the Company
Fully Diluted	the aggregate, from time to time, of all shares issued in the equity share capital of the Company, and all such shares capable of being issued by the Company pursuant to all outstanding rights to subscribe for, or convert

	any security into, any shares in the equity share capital of the Company as if those outstanding rights had been exercised in full, but excluding the Options
Full Title Guarantee	means with the benefit of the implied covenants set out in Part 1 of the Law of Property (Miscellaneous Provisions) Act 1994 when a disposition is expressed to be made with full title guarantee
Further Subscription	a subscription for Ordinary Shares pursuant to clause 2.7
Government Agency	a government or governmental, semigovernmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity whether foreign, federal, state, territorial or local
Group	the Company and its subsidiary undertakings from time to time and "Group Company" shall be interpreted accordingly
Initial Price	£1.84 per Ordinary Share
Invesco	Invesco Asset Management Limited acting as agent for and on behalf of the Invesco Fund
Invesco Fund	the Invesco Perpetual High Income Fund and with all shares held in the name of its nominee
Invesco Permitted Transferee	means: Where the relevant Shareholder is an Investment Manager or a nominee of an Investment Manager: (a) any participant or partner in or member of any Investment Fund in respect of which the shares to be transferred are held (but only in connection with the dissolution of such Investment Fund or any distribution of assets of the Investment Fund pursuant to the operation of the Investment Fund in the ordinary course); or

(b) any Investment Fund whose business is managed by the Investment Manager who is or whose nominee is the transferor; or

(c) any other Investment Manager who manages the business of the Investment Fund in respect of which the shares are held; or

(d) any nominee or custodian of (a) to (c); or

(e) any mandate controlled by or managed by or advised by an Investment Manager.

Where the relevant Shareholder is an Investment Fund or nominee of an Investment Fund to:

(a) any partner in or member of the Investment Fund which is or whose nominee is the transferor (but only in connection with the dissolution of such Investment Fund or any distribution of assets of the Investment Fund pursuant to the operation of the Investment Fund in the ordinary course); or

(b) any other Investment Fund whose business is managed by the same Investment Manager as manages the Investment Fund which is or whose nominee is the transferor or another Investment Manager in the Invesco group of companies; or

(c) the Investment Manager who manages the business of the Investment Fund which is or whose nominee is the transferor; or

	(d) any nominee or custodian of (a) to (c); (e) any mandate controlled by or managed by or advised by an Investment Manager
Investment Fund	any person (including a company), fund, partnership, investment syndicate or other entity holding shares (including any beneficial interest in shares) in the Company for investment purposes and not being an Employee (as defined in the New Articles) or Permitted Transferee (as defined in the New Articles) of an Employee
Investment Manager	means an organisation whose principal business is to make or advise upon investments
Investors	each of (1) the Institutional Investors and (2) the Mereo Founders
Investor Counsel Fees	means an aggregate amount of £100,000 to be deducted by Invesco, Woodford and WEIF from their respective subscription fees in accordance with clause 14.2
Listing	means the admission of all or any of the shares of the Company or securities representing those shares (including without limitation depositary interests, American depositary receipts, American depositary shares and/or other instruments) on NASDAQ or on the Official List of the United Kingdom Listing Authority or on the AIM Market operated by the London Stock Exchange Plc or any other recognised investment exchange (as defined in section 285 of the Financial Services and Markets Act 2000)
Long Stop Date	10 Business Days following the date of this Agreement

Mereo Newcos	Mereo BioPharma 1 Limited (company number 0946998), Mereo BioPharma 2 Limited (company number 09647035) and Mereo BioPharma 3 Limited (company number 09647034) whose registered offices are at Green Park House, 15 Stratton Street, London, W1J 8LQ
New Articles	the articles of association to be adopted by the Company at Completion (in the agreed form) and as may be amended from time to time
Novartis	Novartis Pharma AG, Lichtstrasse 35, CH-4002, Basel, Switzerland
Novartis Assets	the intellectual property and other assets held by Novartis immediately prior to Completion which are being acquired by the Mereo Newcos pursuant to the terms of the Novartis Asset Sale Agreements
Novartis Asset Sale Agreements	the three asset sale agreements and licence agreement to be entered into between Novartis and each of the Mereo Newcos on or around the date of this Agreement in relation to the sale and licence of the Novartis Assets
Ordinary Shares	ordinary shares of £0.001 each in the capital of the Company
Options	options to acquire Ordinary Shares pursuant to an employee share option scheme
Payment Instructions Agreement	the payment instructions agreement between, amongst others, certain investors and the Company's Solicitors to be entered into on or about the date hereof, in the agreed form
Project Berkeley Data Room	the online data room providing information on the Group and the Novartis Assets and made available to the Institutional Investors
Pro Rata Portion	means in respect of Invesco, the lower of (i) the proportion which the aggregate number of Ordinary Shares held by the Invesco Fund and any Invesco Permitted Transferee bears to the total aggregate number of Ordinary

	Shares held by the Invesco Fund, any Invesco Permitted Transferee, Woodford and WEIF; or (ii) unless Invesco has nominated an alternative fund managed by Invesco to take up all or part of its Pro Rata Portion pursuant to clause 2.17, such number of Ordinary Shares as would result in the Invesco Fund holding, when aggregated with the Ordinary Shares already held by the Invesco Fund, not more than 19.5% of the then issued voting share capital in the Company; and in respect of Woodford, the proportion which the aggregate number of Ordinary Shares held by Woodford bears to the total aggregate number of Ordinary Shares held by the Invesco Fund, any Invesco Permitted Transferee, Woodford and WEIF; and in respect of WEIF, the proportion which the aggregate number of Ordinary Shares held by WEIF bears to the total aggregate number of Ordinary Shares held by the Invesco Fund, any Invesco Permitted Transferee, Woodford and WEIF, in each case on the date of the Call Option Notice.
Qualifying IPO	means an initial public offering of shares in the capital of the Company which results in gross proceeds to the Company of not less than £100,000,000 (excluding, for the avoidance of doubt, the Remaining Commitments) at a price per share representing an uplift to the post-Completion valuation of the Company of not less than 20%
Remaining Commitments	in respect of each Investor, the amount specified in column 5 of Part A of Schedule 1 subject to clause 2.9
Sale	(a) the disposal by the Company of all or substantially all of its undertaking and assets (where disposal may include, without limitation, the grant by the Company of an exclusive licence of intellectual property not entered into in the ordinary course of business); or

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

	(b) the sale of (or the grant of a right to acquire or to dispose of) any of the shares in the capital of the Company (in one transaction or as a series of transactions) which will result in the purchaser of those shares (or grantee of that right) and persons acting in concert with him together acquiring a Controlling Stake in the Company, except where following completion of the sale the shareholders and the proportion of shares held by each of them are the same as the shareholders and their shareholdings in the Company immediately prior to the sale
Target Group	the Company and each of the Mereo Newcos, and "**Group Company**" shall mean each of them
Transaction Agreements	this Agreement and the New Articles
Warranties	the warranties given pursuant to clause 6
WEIF	CF Woodford Equity Income Fund, acting by its agent Woodford Investment Management LLP, whose details are set out at Schedule 1
Woodford	Woodford Patient Capital Trust plc, acting by its agent Woodford Investment Management LLP, whose details are set out at Schedule 1

1.2 Words and expressions which are defined in the Companies Act 2006 shall have the meanings attributed to them in that Act when used in this Agreement unless otherwise defined.

2. CAPITAL COMMITMENTS AND SUBSCRIPTIONS FOR ORDINARY SHARES

Commitments

2.1 Each Investor may be required to contribute cash to the Company from time to time in accordance with this clause 2, up to an aggregate amount equal to that Investor's Commitment. No Investor shall be entitled to interest on its Commitment.

Loan note exchange

2.2 Novartis shall transfer to the Company on Completion the number of loan notes issued by the Mereo Newcos set opposite its name in column 2 of Part B of Schedule 1 of this Agreement (being all of the loan notes held by Novartis) in consideration of the issue by the Company to Novartis of the Ordinary Shares to be issued to Novartis pursuant to clause 2.3(b) and clause 7, below.

Subscription and issue of shares

2.3 On Completion:

(a) the Institutional Investors (as set out in Schedule 1) other than Novartis shall subscribe in cash for and shall be issued the number of Ordinary Shares set opposite their name in column 3 of Part A of Schedule 1 for the price specified in column 4 of Part A of Schedule 1; and

(b) the Company shall issue to Novartis of the number of Ordinary Shares set opposite its name in column 3 of Part B of Schedule 1.

2.4 Following Completion, the share capital of the Company shall be as set out in Schedule 2.

2.5 The parties hereby agree that full payment of the subscription monies for the respective Institutional Investors' Ordinary Shares set out in clause 2.3(a) upon Completion shall be satisfied out of the monies that are or are to be, held by the Company's Solicitors to the order of the Institutional Investors, pursuant to the Payment Instructions Agreement.

2.6 Upon entry into this Agreement the Company shall hold a board meeting at which the applications for Ordinary Shares set out in Schedule 1 to this Agreement shall be approved with such Ordinary Shares to be allotted and issued to the Institutional Investors by the Company subject only to Completion, with the relevant names to be entered into the Company's register of members upon Completion.

2.7 Simultaneously with and upon entry into this Agreement, each of the parties who are a party to the Payment Instructions Agreement shall execute and deliver the Payment Instructions Agreement.

Drawdown of Remaining Commitment

2.8 Immediately prior to a Listing, or, if earlier, on 31 March 2016 and at any time after that date but before 1 June 2016, the board of directors of the Company may cause the Company to issue a notice ("**Drawdown Notice**") to each Investor, requiring that such Investor subscribe for additional Ordinary Shares at the Initial Price per Ordinary Share, up to an amount equal to such Investor's Remaining Commitment (subject to clause 2.9 below). Each such Investor shall contribute the required amount in

immediately available cash funds within five (5) Business Days after receipt of such notice. Woodford may transfer all or part of its obligation under this clause to WEIF and vice versa.

2.9 The amount that the Invesco Fund may be required to subscribe for additional Ordinary Shares pursuant to clause 2.8 shall not exceed the lower of (i) its Remaining Commitment; and (ii) such amount as would result in the Invesco Fund holding, immediately following completion of the Further Subscriptions of each Investor, not more than 19.5% of the then issued voting share capital in the Company.

2.10 The Invesco Fund's participation in any Further Subscriptions is conditional upon (i) the Company's continuing compliance with this Agreement and the New Articles; and (ii) such participation not resulting in a contravention of any applicable laws, regulations or other legal requirements of whatever nature.

Call Option

2.11 At any time on or after 31 March 2016, but prior to a Listing Woodford, WEIF and Invesco shall be entitled ("**Call Option**") to issue to all (but not some only) of the Founders a notice ("**Call Notice**") requiring such Founder to transfer to the Invesco Fund and Woodford his or her Call Option Shares in consideration of payment to him or her of the Call Option Price.

2.12 The Call Option is exercised on the date on which the Call Notice is issued, and the sale and purchase of the Call Option Shares shall take place on the date which is ten (10) Business Days after the exercise of the Call Option, on which date:

(a) each Founder shall deliver

(i) to Woodford a duly executed stock transfer form in favour of Woodford in respect of its Pro Rata Portion of the Call Option Shares;

(ii) to WEIF a duly executed stock transfer form in favour of WEIF in respect of its Pro Rata Portion of the Call Option Shares;

(iii) to Invesco (or its nominee) a duly executed stock transfer form in favour of the Invesco Fund in respect of its Pro Rata Portion of the Call Option Shares; and

(iv) to the Company share certificates evidencing his or her ownership of the Call Option Shares set out opposite his or her name at Schedule 6, for cancellation; and

(b) each of Woodford and Invesco shall pay to each of the Founders in cash or immediately available funds its Pro Rata Portion the Call Option Price.

2.13 A Call Notice may not be issued to any Founder pursuant to clause 2.11 unless the Institutional Investor issuing such Call Notice also issues a Call Notice to each of the other Founders at the same time and requires each Founder to transfer an equal percentage portion of their Call Option Shares.

2.14 The Call Option Shares shall be sold by each Founder with Full Title Guarantee and free from all Encumbrances and together with all rights attaching to them on the date of such transfer.

2.15 If Invesco, Woodford and WEIF do not issue a Call Option Notice within 30 Business Days of becoming entitled to do so, the Call Option shall automatically lapse and cease to be exercisable.

2.16 Woodford shall be entitled to specify in the Call Option Notice that some or all of its Pro Rata Portion of a Founder's Call Option Shares be transferred to WEIF, and vice versa. In such case clause 2.12(a)(i) and clause 2.12(b) shall be deemed to be amended accordingly.

2.17 Invesco shall be entitled to specify in the Call Option Notice that some or all of the Invesco Fund's Pro Rata Portion of a Founder's Call Option Shares be transferred to an alternative fund managed by Invesco that is not the Invesco Fund. In such case clause 2.12(a)(ii) and clause 2.12(b) shall be deemed to be amended accordingly.

Non-Qualifying IPO

2.18 In the event of any Listing which is not a Qualifying IPO, the parties shall discuss and agree in good faith an adjustment to the number of Ordinary Shares held by the Founders.

3. OPTIONS

3.1 The parties acknowledge and agree that an option pool representing no more than fifteen per cent. (15%) of the diluted share capital of the Company following the issues of shares contemplated by this Agreement shall be available following Completion for the purposes of incentivising current and future employees of the Company and its group of companies (the "**Option Pool**"). The Option Pool represents the only shares that may comprise an Employee Issue under the New Articles.

3.2 Following Completion, the Company intends to issue the Options as set out in column 5 of Schedule 2 of this Agreement.

Execution Version

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

4. CONDITIONS PRECEDENT

4.1 The obligations of the Company and the Institutional Investors to be performed at Completion under this Agreement are conditional upon:

(a) each of the conditions to the Novartis Asset Sale Agreements, other than the condition set out at clause 1.9(b)(viii) of each of the Novartis Asset Sale Agreements, having been duly satisfied or waived in accordance with the terms of such agreement;

(b) the Company having received subscription agreements from investors which taken together total aggregate subscriptions to be received on behalf of the Company on Completion of not less than £20,000,000 less the Investor Counsel Fees (the "**Conditions**").

5. COMPLETION

5.1 Subject to the provisions of this Agreement, Completion shall occur at the time and place specified in the Novartis Asset Sale Agreements and simultaneously with completion under the Novartis Asset Sale Agreements.

5.2 On Completion the Company shall:

(a) adopt the New Articles of the Company;

(b) enter into the Employment Agreements as agreed between the Company and the relevant employees;

(c) deliver to each of the Institutional Investors certificates for the Ordinary Shares as set out in clause 2.1; and

(d) enter each of the Institutional Investors into the Company's register of members in respect of the Ordinary Shares set opposite its name in column 3 of Part A of Schedule 1.

5.3 It is acknowledged and agreed that, immediately following Completion:

(a) the board of directors of the Company shall be comprised of Denise Pollard- Knight (chief executive officer), Peter Fellner (chairman), Frank Armstrong, Anders Ekblom, Peter Bains and Kunal Kashyap;

(b) in addition to any right to appoint a director under the New Articles, each of Invesco, Novartis and Woodford shall be entitled to nominate one person to act as an observer of board meetings in accordance with the New Articles;

(c) Charles Sermon shall be the company secretary; and

(d) each of Woodford and Invesco will be entitled to nominate one person to act as a director of the Company, in accordance with and subject to the New Articles.

6. WARRANTIES

6.1 Each Investor warrants to each other party as of the date of this Agreement that:

(a) if it is a company, it is a company limited by shares duly incorporated and validly existing under the laws of the place of its incorporation;

(b) it has full legal capacity and power to:

(i) own its property and to carry on its business; and

(ii) enter into the Transaction Agreements and to perform its obligations under the Transaction Agreements;

(c) if it is a company, it has taken all corporate action that is necessary to authorise its entry into the Transaction Agreements and the performance of its obligations under the Transaction Agreements;

(d) this Agreement constitutes, and will, when executed, constitute legal, valid and binding obligations, enforceable against it in accordance with its terms;

(e) it holds each Authorisation that is necessary to:

(i) enable it properly to execute the Transaction Agreements and to perform its obligations under the Transaction Agreements;

(ii) ensure that the Transaction Agreements are legal, valid, binding and admissible in evidence; and

(iii) enable it to carry on its business,

and it is complying in all material respects with any conditions to which any of these Authorisations is subject;

(f) neither its execution of the Transaction Agreements, nor the performance of its obligations under the Transaction Agreements, contravenes:

(i) any law to which it or any of its property is subject or any order of any Government Agency that is binding on it or any of its property;

(ii) any Authorisation;

(iii) any undertaking or instrument binding on it or any of its property; or

(iv) its constitutional documents or equivalent; and

(g) the Investors represent that they each fall within one of the following categories of person:

(i) an investment professional as defined in article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**"), namely persons authorised under the Financial Services and Markets Act 2000 ("**FSMA**"); persons whose ordinary activities involve them investing in unlisted companies; governments; local authorities or international organisations; or a director, officer or employee acting for such persons in relation to engaging in investment activity; or

(ii) a person falling within any categories of persons described in paragraphs (2)(a) to (d) of article 49(2) ("high net worth companies, unincorporated associations etc") of the Order, namely bodies corporate with called up share capital or net assets of not less than £5 million (except where the body corporate has more than 20 members in which case the share capital or net assets should be not less than £500,000); unincorporated associations or partnerships with net assets of not less than £5 million; trustees of high value trusts; or a director, officer or employee acting for such persons in relation to engaging in investment activity.

6.2 The Company and each of the Mereo Founders warrants to the Institutional Investors that, as at the date of this Agreement:

(a) the information on the Group Companies contained in Schedule 4 to this Agreement is true, complete and accurate in all respects;

(b) the Company owns, and will immediately following Completion own, the full legal and beneficial title in the entire issued share capital of the Mereo Newcos free from all claims, liens, encumbrances, equities and third party rights;

(c) the Company has no interest in the share capital of any body corporate other than the Mereo Newcos;

(d) each Group Company is private company limited by shares and is and has since its incorporation been, resident in the United Kingdom for United Kingdom tax purposes;

(e) no Group Company has ever traded or has, or has acquired or disposed of any, any assets or liabilities (whether actual or contingent, present, future or otherwise), borrowed, made any loan or entered into any contract, or agreed to do any of the foregoing, other than:

(i) any obligations it has arising under the Novartis Asset Sale Agreements;

(ii) loan notes issued by each Mereo Newco to Novartis pursuant to the Novartis Asset Sale Agreements, which are transferred to the Company on Completion;

(iii) any liabilities arising under any employment or consultancy agreements or appointment letters entered into between the Company and any of the Mereo Founders or Richard Bungay, copies of which have been disclosed to the Institutional Investors; and

(iv) those disclosed in Schedule 3 to this Agreement or in the Project Berkeley Data Room;

(f) it has disclosed to the Institutional Investors in Schedule 2 to this Agreement details of the Ordinary Shares issued to the Mereo Founders prior to the date of this Agreement, and each of the issued shares in each Group Company have been issued in proper legal form and are fully paid or credited as fully paid and immediately prior to Completion each of the issued shares in the Company will, save as disclosed in Schedule 2 , be legally and beneficially owned by the Mereo Founders and Peter Harper free from all claims, liens encumbrances, equities and third party rights;

(g) Ernst & Young LLP has provided the Company with a valuation in respect of the Ordinary Shares issued to the Mereo Founders prior to the date of this Agreement;

(h) save as expressly contemplated by this Agreement and under the Novartis Asset Sale Agreements, there is no debenture or loan capital or any agreement to create or issue any debenture or loan or share capital of any Group Company or any option to subscribe for or acquire or any agreement to put under option any debenture or loan or share capital of any Group Company and no person has the right (whether pursuant to conversion or otherwise) to call for the issue of any debenture or share or loan capital of any Group Company under any agreement or other arrangement presently in force;

(i) the Company has no indebtedness in the nature of borrowing or loan facilities including without limitation factoring or invoice discounting arrangements;

(j) save in respect of the loan notes issued by each of the Mereo Newcos which are to be transferred to the Company pursuant to clause 2.2 of this Agreement, no other Group Company has any indebtedness in the nature of borrowing or loan facilities including without limitation factoring or invoice discounting arrangements;

(k) no Group Company has or has ever had any or been a subsidiary or an associated company of another company, other than a Group Company or a member of a consortium for tax purposes and nor has it ever been the legal or beneficial owner of any share or loan capital of any company other than a Group Company;

(l) the register of members of each Group Company is correct and properly written up to date and there has been no notice of any proceedings to correct or rectify any such register;

(m) a true and complete copy of the articles of association of each Group Company is included in the Project Berkeley Data Room;

(n) no Group Company has any full or part time employees or workers;

(o) save as disclosed at Schedule 3 to this Agreement, no person is entitled to receive from the Company an introduction or finders brokerage or commission or similar fee in respect of the subscriptions or other transactions contemplated by this Agreement;

(p) each Group Company has materially complied with all its obligations under the Companies Act 2006 and with all other applicable laws, regulations and other legal requirements;

(q) no Group Company is a party, or has ever been a party and, so far as Company and each of the Mereo Founders is aware, no facts or circumstances exist, whereby any Group Company could become a party to any dispute or proceedings of whatever nature;

(r) no order has been made or resolution passed or petition presented for the winding up or other dissolution of the Company, no receiver or manager or administrator has been or can be appointed over any of its assets and the Company is not insolvent or unable to pay its debts. None of the Mereo Founders is aware of any facts which are likely to lead to any of the events or circumstances referred to in this paragraph; and

(s) no Group Company has declared or paid any dividends or effected any distribution (for tax purposes or otherwise) of or in respect of its assets or share capital.

6.3 Each of the Mereo Founders warrants to the Institutional Investors that as at the date of this Agreement:

(a) he is not subject to any restrictions by reason of any existing or former employment or any other capacity or agreement which could prevent his participation in the Company or the development of the activities of the Group Companies in the manner hereby contemplated;

(b) neither he nor any of his connected persons or associates or any of them has any interest, direct or indirect, in any agreement or arrangement to which any

Group Company is party or in any business which has a close trading relationship with any Group Company or which competes in any way with or could reasonably be expected to become competitive in any way with the business of the Target Group;

(c) he is not party to any agreement or understanding or arrangement with any other person in connection with his investment in the Company or his liabilities hereunder or his employment or engagement by the Company or any other present or proposed member of the Group which has not been disclosed to the Institutional Investors; and

(d) he is not aware of any matter which constitutes a breach of the warranties given by Novartis under the Novartis Asset Sale Agreements.

6.4 That save for any transfer made under articles 50, 51 or 52 of the New Articles, or an Exit/IPO if earlier, the Mereo Founders undertake to the Institutional Investors not to transfer or otherwise dispose of any of their shares or any interest in such shares during the two year period immediately following Completion without the prior written consent of shareholders holding a majority of the voting rights in the Company.

6.5 Each of the Institutional Investors and the Company acknowledges that each of them has executed this Agreement and agreed to perform its obligations under this Agreement in reliance on the warranties that are made in this clause 6.

6.6 The Company will not and will procure that none of the relevant Group Companies will waive or amend any material condition to or term of any Novartis Asset Sale Agreement without the prior consent of Invesco and Woodford.

7. FURTHER NOVARTIS SHARE ISSUE

7.1 On the occurrence of any Dilutive Event after the date of this Agreement, the Company shall issue ("**Further Issue**") to Novartis, credited as fully paid such number of Ordinary Shares as is necessary to ensure that, having regard to the operation of articles 66.3 and 66.4 of the New Articles, immediately following such Further Issue, the shares held by Novartis in the Company represent no more than 19.5 % of the total economic and voting rights in the Company, subject to clause 7.3 below.

7.2 Each Investor, other than Novartis, acknowledges the Company's obligations pursuant to clause 7.1 above and:

(a) shall insofar as it is lawfully able by the exercise of its rights and powers as a shareholder of the Company, use all reasonable endeavours to procure that the Company shall take all actions reasonably necessary to comply with its obligations pursuant to clause 7.1 above;

(b) shall cause any director or officer of the Company who is, from time to time, appointed and/or maintained in office by such Investor, to use his powers as a director or officer of the Company by voting in favour of any resolution of the directors of the Company, to ensure that the Company shall comply with its obligations pursuant to clause 7.1 above, subject at all times to such director's or officer's statutory and fiduciary duties to the Company; and

(c) hereby waives any and all rights of pre-emption or other restriction in relation to any issue of shares to Novartis made pursuant to clause 7.1 above, whether arising by virtue of the Articles (as they may be amended from time to time), any agreement, law or otherwise.

7.3 The maximum aggregate number of Ordinary Shares that may be issued by the Company to Novartis on Completion and pursuant to clause 7.1 above shall in no event exceed 14,000,000 Ordinary Shares, provided only that the maximum aggregate number of Ordinary Shares (14,000,000) prescribed by this clause 7.3 shall be adjusted ("**Adjustment**") in the event of any subdivision, consolidation or reclassification of the Ordinary Shares, so that, after such Adjustment, the aggregate number of Ordinary Shares that may be issued pursuant to a Further Issue (or a series of Further Issues) carry as nearly as possible the same proportion of economic and voting rights in the Company as if the event giving rise to such Adjustment had not taken place.

8. INFORMATION RIGHTS

8.1 Each Investor who is entitled to appoint a Director under the New Articles, regardless of whether its exercises such right, shall be entitled to receive:

(a) at the same time as they are delivered to the Company's board of directors, copies of all board packs or documents and meeting agendas to be discussed or presented at any meeting of the Company's board of directors and copies of any other documents circulated to directors; and

(b) copies of minutes of meetings of the Company's board of directors as soon as practicable following the relevant meeting.

8.2 The Company covenants and undertakes to each Investor that it shall provide to each such Investor copies of all financial and other information relating to the business and affairs of the Target Group as such Investor may require, including:

(a) as soon as practicable, but in any event within forty-five (45) days after the end of each of the first three (3) quarters of each fiscal year of the Company, management accounts of the Target Group including the Group's profit and loss account and cash flow statement and performance against budget in respect of each financial quarter;

(b) the annual report and audited consolidated accounts of the Target Group in respect of each financial year;

(c) all documents sent to, and all resolutions passed by, any holders of shares or other securities in the Company, or to any of the Company's financial lenders;

(d) the final draft of any proposed public announcement;

(e) as soon as reasonably practicable following it being requested supply such information as is reasonably necessary to enable each Investor to prepare its tax or other returns and such other information as such Investor may reasonably request for the purpose of enabling it to comply with any reporting or compliance requirements imposed on such Investor by any statue rule, regulation or otherwise by any governmental agency or authority; and

(f) any information, to the extent not included in (a) to (d) above, to which a director appointed to the board of the Company would ordinarily be entitled to in the course of carrying out his duties as a director of the Company.

8.3 The Company will permit each Investor and its authorised representatives at such Investor's expense to visit and inspect the properties of the Company, including its corporate books and records, and to discuss the Company's business and finances with officers of the Company, in each case for any purpose reasonably related to such Investor's interest in the Company, during normal business hours following reasonable notice and as often as may be reasonably requested; provided that any such access provided shall not unduly interfere with the operations of the conduct of the business of the Company.

9. BUSINESS PLAN AND BUDGET

9.1 The Company and each of the Mereo Founders undertakes to each Institutional Investor to carry on, develop and expand the business of the Target Group in accordance with the Business Plan.

9.2 The Company shall provide to each Investor, not later than 30 days prior to the start of each financial year:

(a) a detailed budget and cash flow forecast for the Group in respect of that financial year; and

(b) an updated business plan for the Group, including updated medium and long term assumptions and projections.

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

10. ASSIGNMENT OF THIS AGREEMENT

10.1 No party shall:

(a) assign any of its rights under this Agreement;

(b) transfer any of its obligations under this Agreement;

(c) sub-contract or delegate any of its obligations under this Agreement; or

(d) charge or deal in any other manner with this Agreement or any of its rights or obligations,

provided that:

(e) Woodford may assign any of its rights under this Agreement to any person to whom it is entitled to transfer shares in the Company pursuant to article 48.1(b) of the Articles in connection with a transfer of shares in the Company to that person; and

(f) the Invesco Fund may assign any of its rights under this Agreement to any person to whom they are entitled to transfer shares in the Company pursuant to article 48.1(b) of the Articles in connection with a transfer of shares in the Company to that person and Invesco may exercise any of their respective rights under this Agreement for the benefit of any such person.

10.2 Any purported assignment, transfer, sub-contracting, delegation, charging or dealing in contravention of this clause shall be ineffective.

11. ANNOUNCEMENTS

11.1 Save as expressly provided for in the Novartis Asset Sale Agreements, the parties shall not make any public announcement or issue a press release or respond to any enquiry from the press or other media concerning or relating to the Novartis Asset Sale Agreements or this Agreement or their subject matter or any ancillary matter without the prior written approval of each of the Institutional Investors and Denise Pollard-Knight.

11.2 Notwithstanding any other provision in this Agreement, each party may, without the prior written approval of the other parties, make or permit to be made an announcement concerning or relating to this Agreement or its subject matter or any ancillary matter if and to the extent required by:

(a) law or regulation;

(b) any securities exchange on which such party's securities are listed or traded; or

(c) any regulatory or governmental or other authority with relevant powers to which a party is subject.

12. CONFIDENTIALITY

12.1 Each of the Institutional Investors and the Mereo Founders and, in respect of Confidential Information of the type referred to in paragraphs (c) and (d) of the definition of Confidential Information, the Company undertakes that it shall both for a period of three (3) years after the term of this Agreement preserve the confidentiality of the Confidential Information, and except to the extent otherwise expressly permitted by this Agreement, not directly or indirectly reveal, report, publish, disclose or transfer or use for its own or any other purposes such Confidential Information.

12.2 Notwithstanding any other provision in this Agreement, any party may disclose Confidential Information if and to the extent:

(a) required by law;

(b) required by any securities exchange on which such party's securities are listed or traded;

(c) required by any regulatory or governmental or other authority with relevant powers to which such party is subject;

(d) required to vest the full benefit of this Agreement in that party or to enforce any of the rights of that party in this Agreement;

(e) required by its professional advisers, officers or employees to provide their services (provided that the relevant disclosee undertakes, or is under a similar duty, to keep such Confidential Information (or other information which is to be treated as confidential) confidential);

(f) that information is in or has come into the public domain through no fault of that party; or

(g) each of the other parties have given prior written consent to the disclosure.

13. TERMINATION

13.1 Subject to clause 13.2, this Agreement shall terminate and be of no further force or effect upon:

(a) the Long Stop Date having occurred without Completion having occurred;

(b) an Exit; or

(c) the written agreement of all of the Investors.

13.2 On termination of this Agreement, clauses 11 (*Announcements*) and 12 (*Confidentiality*) shall survive and continue in full force and effect for a period of three (3) years following such date but all other rights and obligations of the parties shall cease immediately. Termination shall not affect the parties' accrued rights and obligations as at such termination.

14. COSTS AND EXPENSES

14.1 Subject to clause 13.2, each party shall bear its own costs and expenses in connection with this Agreement.

14.2 The Company shall on Completion make a contribution to the fees and expenses of each Institutional Investor up to a maximum of [***]. For the avoidance of doubt, prior to the transfer of funds to the Company's Solicitors pursuant to clause 2.5, Woodford and WEIF shall deduct an aggregate sum of [***] from their combined subscription monies; and Invesco shall deduct the sum of [***] from its subscription monies.

15. CUMULATIVE REMEDIES

The rights, powers, privileges and remedies conferred upon any of the Investors in this Agreement are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law.

16. WAIVER

16.1 A waiver of any right, power, privilege or remedy provided by this Agreement must be in writing and may be given subject to any conditions thought fit by the grantor. For the avoidance of doubt, any omission to exercise, or delay in exercising, any right, power, privilege or remedy provided by this Agreement shall not constitute a waiver of that or any other right, power, privilege or remedy.

16.2 A waiver of any right, power, privilege or remedy provided by this Agreement shall not constitute a waiver of any other breach or default by the other party and shall not constitute a continuing waiver of the right, power, privilege or remedy waived or a waiver of any other right, power, privilege or remedy.

16.3 Any single or partial exercise of any right, power, privilege or remedy arising under this Agreement shall not preclude or impair any other or further exercise of that or any other right, power, privilege or remedy.

17. ENTIRE AGREEMENT

17.1 This Agreement and the documents referred to or incorporated in it constitute the entire agreement between the parties relating to the subject matter of this Agreement and supersedes and extinguishes any prior drafts, agreements, undertakings, representations, warranties and arrangements of any nature, whether or not in writing, between the parties in relation to the subject matter of this Agreement.

17.2 Each of the parties acknowledges and agrees that it has not entered into this Agreement in reliance on any statement or representation of any person (whether a party to this Agreement or not) other than as expressly incorporated in this Agreement.

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

17.3 Nothing contained in this Agreement or in any other document referred to or incorporated in it shall be read or construed as excluding any liability or remedy for fraud.

No responsibility for decision to invest

17.4 Each of the Institutional Investors agrees that:

(a) they have not relied on or been induced to acquire any Ordinary Shares or enter into this Agreement by any representation, warranty or undertaking given by the Company, the Mereo Founders or any of their connected persons; and

(b) neither the Company, the Mereo Founders nor any of their connected persons will have any liability to any of them (in equity, contract or tort (including negligence), under the Misrepresentation Act 1967 or in any other way) for a representation, warranty or undertaking,

to the extent not incorporated into any of the Transaction Agreements.

18. AMENDMENTS

No amendment, change or addition to this Agreement shall be effective or binding on any party unless in writing and executed by all the parties.

19. NO PARTNERSHIP

Nothing in this Agreement is intended to or shall be construed as establishing or implying any partnership of any kind between the parties.

20. FURTHER ASSURANCE

20.1 Each of the parties shall, at its own cost, use all reasonable endeavours from time to time on or following Completion, on being required to do so by the Company (acting reasonably), to execute any additional documents in a form satisfactory to the Company and to do or procure that any other acts or things are done to give full effect to this Agreement and secure to the Investors and the Company the full benefit of the rights, powers, privileges and remedies conferred upon the Investors and the Company in this Agreement.

20.2 Each of the parties other than the Company (and the Company in relation to votes it controls at board or general meetings of other Group Companies) shall at all times exercise the votes that it controls at general meetings and/or board meetings to give effect to this Agreement.

21. RIGHTS OF THIRD PARTIES

21.1 This Agreement does not confer any rights on any person or party (other than the parties to this Agreement) pursuant to the Contracts (Rights of Third Parties) Act 1999.

22. SEVERAL LIABILITY

The Investors shall be severally liable for all representations, warranties, undertakings, covenants, agreements and obligations made, given or entered into by them in this Agreement.

23. COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which shall constitute an original, and all the counterparts shall together constitute one and the same agreement.

24. SERVICE OF PROCESS

Novartis shall at all times maintain an agent for service of process and any other documents in proceedings in England or any other proceedings in connection with this Agreement. Such agent shall be Novartis Pharmaceuticals UK Limited, currently of 200 Frimley Business Park Frimley/Camberley, Surrey GU16 7SR, United Kingdom and any claim form, judgment or other notice of legal process shall be sufficiently served on Novartis if delivered to the agent at its address for the time being. Novartis irrevocably undertakes not to revoke the authority of this agent and if, for any reason, the Company requests Novartis to do so it shall promptly appoint another agent with an address in England and advise the Company. If, following such a request, Novartis fails to appoint another agent; the Company shall be entitled to appoint one on behalf of Novartis at Novartis' expense.

25. NOTICES

25.1 Any communication to be given in connection with this Agreement shall be in writing (which shall include text transmitted by e-mail) in English and shall either be delivered by hand or sent by first class post or e-mail:

(a) to any company or partnership which is a party, at the address set out next to its name in Schedule 2 to this Agreement (or such other address as it may notify to the other parties to this Agreement for such purpose); and

(b) to any individual who is a party, at the address of that individual shown in Schedule 2 to this Agreement (or such other address as it may notify to the other parties to this Agreement for such purpose),

or in each such case such other address as the recipient may notify to the other parties for such purpose in accordance with clause 25.2.

25.2 A communication sent according to clause 25.1 shall be deemed to have been received:

(a) if delivered by hand, at the time of delivery;

(b) if sent by pre-paid first class post, on the second day after posting; or

(c) if sent by e-mail, at the time of transmission by the sender.

If, under the preceding provisions of this clause 25.2, a communication would otherwise be deemed to have been received outside normal business hours in the place of receipt, being 9:30 a.m. to 5:30p.m. on a Business Day, it shall be deemed to have been received at 9:30a.m. on the next Business Day.

25.3 A party may notify the other parties to this Agreement of a change to its name, relevant person, address or e-mail address for the purposes of clause 25.1 provided that such notification shall only be effective on:

(a) the date specified in the notification as the date on which the change is to take place; or

(b) if no date is specified or the date specified is less than five clear Business Days after the date on which notice is deemed to have been served, the date falling five clear Business Days after notice of any such change is deemed to have been given.

25.4 The provisions of clauses 25.1 to 25.4 shall not apply in relation to the service of any claim form, application notice, order, judgment or other document relating to or in connection with any proceeding, suit or action arising out of or in connection with this Agreement.

26. SEVERANCE

26.1 If any provision of this Agreement is held to be invalid or unenforceable by any judicial or other competent authority, all other provisions of this Agreement will remain in full force and effect and will not in any way be impaired.

26.2 If any provision of this Agreement is held to be invalid or unenforceable but would be valid or enforceable if some part of the provision were deleted, the provision In question will apply with the minimum modifications necessary to make it valid and enforceable.

Execution Version

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

27. CAPACITY OF INVESTORS

27.1 Each of the parties acknowledges and agrees that:

(a) Invesco is acting at all times as agent for and on behalf of the Invesco Fund;

(b) Invesco shall have no liability to acquire the Shares allocated to the Invesco Fund under this Agreement; and

(c) Invesco shall have no liability as principal in respect of the Invesco Fund's obligations under this Agreement, including, but not limited to, the obligation to purchase the Shares from the Company.

27.2 Woodford Investment Management LLP has entered into this agreement as agent of WPCT and WEIF and as such assumes no responsibility or liability whatsoever. Any consents or actions to be made or taken or any rights to be exercised by WPCT and WEIF hereunder shall be exercised by Woodford Investment Management LLP.

27.3 WPCT shall hold its shares through its nominee and will require the share certificate to be in the name of: Nortrust Nominees Limited a/c WIZ01. The WPCT share certificate shall be sent to: Northern Trust, 50 Bank Street, London E14 5NT for the attention of Jordan Hutchinson, UK Residual Settlements.

27.4 WEIF shall hold its shares through its nominee and will require the share certificate to be in the name of: Nortrust Nominees Limited a/c WIX01. The WEIF share certificate shall be sent to: Northern Trust, 50 Bank Street, London E14 5NT for the attention of Jordan Hutchinson, UK Residual Settlements.

28. INTERPRETATION

28.1 The clause and paragraph headings and the table of contents used in this Agreement are inserted for ease of reference only and shall not affect its interpretation.

28.2 References in this Agreement and the Schedules to the parties, the Introduction, Schedules and clauses are references respectively to the parties, the Introduction and Schedules to and clauses of this Agreement.

28.3 References to persons include bodies corporate, unincorporated associations and partnerships, in each case whether or not having a separate legal personality.

28.4 References to "writing" or "written" include any other non-transitory form of visible reproduction of words.

28.5 References to times of the day are to that time in London and references to a day are to a period of 24 hours running from midnight.

28.6 Except where the context specifically requires otherwise, words importing one gender shall be treated as importing any gender, words importing individuals shall be treated as importing corporations and vice versa, words importing the singular shall be treated as importing the plural and vice versa, and words importing the whole shall be treated as including a reference to any part of it.

28.7 References to any English legal term or legal concept shall in respect of any jurisdiction other than England be deemed to include that legal term or legal concept which most approximates in that jurisdiction to such English legal term or legal concept.

29. GOVERNING LAW AND JURISDICTION

29.1 This Agreement and any dispute or claim arising out of or in connection with it or its subject matter, whether of a contractual or non-contractual nature, shall be governed by and construed in accordance with the law of England and Wales. The parties irrevocably submit to the exclusive jurisdiction of the Courts of England for the purpose of settling any dispute arising out of or in connection with this Agreement.

30. DEED

This Agreement is executed as a deed by the parties and is delivered and takes effect on the date at the beginning of this Agreement.

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SCHEDULE 1

PART A: CASH SUBSCRIPTIONS FOR ORDINARY SHARES ON COMPLETION

(1) Name	(2) Commitment £	(3) Number of Ordinary Shares Issued on Completion	(4) Price paid for Ordinary Shares Issued on Completion £	(5) Remaining Commitment £
Invesco Perpetual High Income Fund	27,600,000	3,848,913	7,082,000	20,518,000
Woodford Patient Capital Trust plc (Nortrust Nominees Limited a/c WIZ01)	20,000,000	3,218,126	5,921,351	14,078,649
CF Woodford Equity Income Fund (Nortrust Nominees Limited a/c WIX01)	28,938,345	3,802,527	6,996,649	21,941,695

PART B: NOVARTIS SUBSCRIPTIONS FOR ORDINARY SHARES

(1) Name	(2) Loan Notes	(3) Number of Ordinary Shares Issued on Completion
Novartis Lichtstrasse 35, CH-4002, Basel, Switzerland	25,812,941	3,849,000

Execution Version

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SCHEDULE 2

POST-COMPLETION SHARE CAPITAL OF THE COMPANY[1]

	(1) Name and Address and Contact Details	(2) Number of Ordinary Shares	(3) Price paid for Ordinary Shares £ / shares	(4) Proportion of voting capital	(5) Number of options over Ordinary Shares
1.	[***]	1,050,000	1050	5.3%	580,597
2.	[***]	708,000	708	3.6%	290,298
3.	[***]	575,000	575	2.9%	290,298
4.	[***]	337,000	337	1.7%	290,298
5.	[***]	23,000	23	0.1%	58,060
6.	[***]	337,000	337	1.7%	81,284
7.	[***]	95,000	95	0.5%	81,284
8.	[***]	1,735,000	1735	8.8%	81,284
9.	[***]	125,000	125	0.6%	267,075
10.	[***]	15,000	15	0.1%	
11.	[***]				290,298
12.	[***]				580,597
13.	Other employees/directors				566,663
14.	Novartis Pharma AG Lichtstrasse 35, CH-4002 Basel Switzerland	3,849,000	Issued in consideration for retirement of loan notes in Mereo Newcos	19.5%	

Execution Version

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

15.	Invesco Perpetual High Income Fund Invesco Asset Management Limited (as agent for and on behalf of its discretionary managed client) at Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire RG9 1HH Email: [***] With copy to: Address: Jones Day, 21 Tudor Street, London EC4Y 0DJ Email: [***]	3,848,913	£7,082,000	19.5%	
16.	CF Woodford Equity Income Fund (Nortrust Nominees Limited a/c W1X01, Northern Trust, 50 Bank Street, London E14 5NT)	3,802,527	£6,996,649	19.3%	
17.	Woodford Patient Capital Trust plc (Nortrust Nominees Limited a/c WIZ01, Northern Trust, 50 Bank Street, London E14 5NT)	3,218,126	£5,921,351	16.3%	
18.	WG Partners One Carey Lane, London EC2V 8AE	21,730		0.1%	
	TOTAL	**19,740,296**	**£20,005,000**	**100.0%**	**3,458,036**

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SCHEDULE 3

LIABILITIES

Please note that the following liabilities of the Company exist:

1.1 fees of £[***] are payable and will become payable in respect of an [***] engagement letter dated 1 April 2015 appointing [***] as advisers to carry out work on share valuations agreed fees comprising a fund raising cost of £[***] will become payable on Completion in respect of a [***] engagement letter with the Company dated 30 June 2015 relating to the provision of financial advisory services in connection with a private placement for the Company, with additional fees of up to [***]% of the total of the Commitment set out in column 2 of Part A of Schedule 1 (payable on the draw down of such Commitment); fees of £[***] are payable in respect of advice received from [***] in respect of a review of employment contracts;

1.2 fees, costs and expenses costs incurred by [***] by or on behalf of the Company in connection with the preparation and negotiation of the Novartis Asset Sale Agreement of £[***] and the Transaction Agreements for the fund raising of £[***], and the transactions contemplated therein, are payable and will be payable by the Company; fees, costs and expenses costs incurred by the legal counsel of the Institutional Investors of £[***] for the fund raising will be payable by the Company;

1.3 certain pre-Completion expenses incurred on behalf of the Company by [***] including travel and subsistence and accommodation costs of £[***] and consultants fees for diligence activities of £[***] will become repayable;

1.4 consultancy payments of £[***] will become payable to [***], a director of the Company, relating to assistance with diligence activities and contractual advice prior to Completion;

1.5 a post transaction commitment of clinical trial start-up expenses of $[***] funded at risk by [***] prior to Completion will become repayable;

1.6 a post transaction commitment payment of $[***] will become due to Novartis representing the Company's [***]% share of a one-off payment to a third party to cancel certain future milestone and royalty obligations;

1.7 the Company has engaged [***] to provide design services for its website with an estimated cost of £[***];

1.8 the Company has engaged [***] pursuant to an engagement letter dated 23 June 2015 in respect of reviewing, negotiating and completing a new agreement for lease with an estimated cost of £[***] which shall be a post transaction commitment; and

1.9 the Company has engaged [***] pursuant to an engagement letter dated 12 March 2015 with an estimated total cost of £[***], although [***] fees in respect of the work carried out pursuant to the engagement letter have been paid to date by [***].

Total fund raising costs comprise up to £[***] and comprise [***] % of the Commitments.

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SCHEDULE 4

INFORMATION ON THE GROUP

THE COMPANY

1.	Date of incorporation:	10.03.2015
2.	Jurisdiction of incorporation:	United Kingdom
3.	Registered number:	09481161
4.	Directors:	Frank Armstrong
		Peter Bains
		Anders Ekblom
		Kunal Kashyap
		Denise Pollard-Knight
5.	Secretary:	Charles Sermon
6.	Registered office:	Green Park House, 15 Stratton Street
		London W1J 8LQ
7.	Accounting reference date:	31/12
8.	Charges outstanding:	None

Execution Version

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SCHEDULE 5

THE MEREO NEWCOS

A. Mereo BioPharma 1 Limited

1.	Date of incorporation:	18.06.2015
2.	Jurisdiction of incorporation:	United Kingdom
3.	Registered number:	09646998
4.	Issued Share Capital:	1 ordinary share of £1 fully paid or credited as fully paid
5.	Shareholder:	The Company
6.	Directors:	Denise Pollard-Knight
		Alastair Mackinnon
		Charles Sermon
		Richard Bungay
7.	Registered office:	Green Park House, 15 Stratton Street
		London W1J 8LQ
8.	Accounting reference date:	31/12
9.	Charges outstanding:	None

B. Mereo BioPharma 2 Limited

1.	Date of incorporation:	18.06.2015
2.	Jurisdiction of incorporation:	United Kingdom
3.	Registered number:	09647035
4.	Issued Share Capital:	1 ordinary share of £1 fully paid or credited as fully paid

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

5.	Shareholder:	The Company
6.	Directors:	Denise Pollard-Knight
		Alastair Mackinnon
		Charles Sermon
		Richard Bungay
7.	Registered office:	Green Park House, 15 Stratton Street
		London W1J 8LQ
8.	Accounting reference date:	31/12
9.	Charges outstanding:	None

C. Mereo BioPharma 3 Limited

1.	Date of incorporation:	18.06.2015
2.	Jurisdiction of incorporation:	United Kingdom
3.	Registered number:	09647034
4.	Issued Share Capital:	1 ordinary share of £1 fully paid or credited as fully paid
5.	Shareholder:	The Company
6.	Directors:	Denise Pollard-Knight
		Alastair Mackinnon
		Charles Sermon
		Richard Bungay
7.	Registered office:	Green Park House, 15 Stratton Street
		London W1J 8LQ
8.	Accounting reference date:	31/12
9.	Charges outstanding:	None

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SCHEDULE 6

Call option Shares

Founder	Call Option Shares	Call option Price £
[***]	617,404	617.00
[***]	550,488	550.00
[***]	447,077	447.00
[***]	262,026	262.00
[***]	17,883	18.00
[***]	262,026	262.00
[***]	73,865	74.00
[***]	51,282	51.00
[***]	711,795	712.00
[***]	6,154	6.00

Execution Version

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

Annex A

Company Presentation

[*attached separately*]

39

Execution Version

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXECUTED as a Deed (but not delivered until dated) by **WOODFORD INVESTMENT MANAGEMENT LLP** as agent for and on behalf of **WOODFORD PATIENT CAPITAL TRUST PLC**, acting by:)
)
)
)
)

AUTHORISED SIGNATORY

Witness signature:

Witness name:

Witness address:

Witness occupation:

EXECUTED as a Deed (but not delivered until dated) by **WOODFORD INVESTMENT MANAGEMENT LLP** as agent for and on behalf of **CF WOODFORD Equity Income Fund**, a sub fund of CF Woodford Investment Fund acting by:)
)
)
)
)

AUTHORISED SIGNATORY

Witness signature:

Witness name:

Witness address:

Witness occupation:

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXECUTED as a Deed (but not delivered until dated) by **INVESCO ASSET MANAGEMENT LIMITED** acting as agent for and on behalf of its Discretionary managed client the **INVESCO PERPETUAL HIGH INCOME FUND**, acting by:)
)
)
)
)
)
)

Director

Witness

Execution Version

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

NOVARTIS PHARMA AG

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Execution Version

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXECUTED as a Deed (but not delivered until dated) by **MEREO BIOPHARMA GROUP LIMITED, acting by:**	))))) Director Director

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXECUTED as a Deed (but not delivered until dated) by **DENISE POLLARD-KNIGHT**)
)
)

Denise Pollard-Knight

in the presence of:

Witness

Witness name:

Witness name:

Witness occupation:

EXECUTED as a Deed (but not delivered until dated) by **CHARLES SERMON**)
)
)

Charles Sermon

in the presence of:

Witness

Witness name:

Witness name:

Witness occupation:

Execution Version

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXECUTED as a Deed (but not delivered until dated) by **ALASTAIR MACKINNON**)
)
)

Alastair MacKinnon

in the presence of:

Witness

Witness name:

Witness name:

Witness occupation:

EXECUTED as a Deed (but not delivered until dated) by **JOHN RICHARD**)
)
)

John Richard

in the presence of:

Witness

Witness name:

Witness name:

Witness occupation:

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXECUTED as a Deed (but not delivered until dated) by **ENRIQUE MILLAN**)
)
)

Enrique Millan

in the presence of:

Witness

Witness name:

Witness name:

Witness occupation:

EXECUTED as a Deed (but not delivered until dated) by **FRANK ARMSTRONG**)
)
)

Frank Armstrong

in the presence of:

Witness

Witness name:

Witness name:

Witness occupation:

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXECUTED as a Deed (but not delivered until dated) on behalf of **NXT SCIENCE AB** by)
)
)
)

on behalf of NXT Science AB

in the presence of:

Witness

Witness name:

Witness name:

Witness occupation:

EXECUTED as a Deed (but not delivered until dated) by **KUNAL KASHYAP**)
)
)

Kunal Kashyap

in the presence of:

Witness

Witness name:

Witness name:

Witness occupation:

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXECUTED as a Deed (but not delivered until dated) by **PETER BAINS**)
)
)

Peter Bains

in the presence of:

Witness

Witness name:

Witness name:

Witness occupation:

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXHIBIT C

BILL OF SALE

[See attached]

Execution Version

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

BGS649 BILL OF SALE AND ASSIGNMENT

This BGS649 BILL OF SALE AND ASSIGNMENT (this "**Bill of Sale and Assignment**"), dated July 29, 2015, by and between Mereo BioPharma 2 Limited, a private limited company incorporated in England and Wales ("**Buyer**"), and Novartis Pharma AG, a company organized under the laws of Switzerland ("**Seller**"). Capitalized terms used but not defined herein will have the meanings given to them in the BGS649 Asset Purchase Agreement, dated July 28, 2015 (the "**Agreement**"), by and between Buyer and Seller.

Section 1. Buyer and Seller are parties to the Agreement, providing for, among other things, the transfer of the Purchased Assets by Seller to Buyer. Notwithstanding the foregoing, the Purchased Assets transferred, assigned, conveyed and delivered under this Bill of Sale and Assignment shall not include the Excluded Assets.

Section 2. In consideration of the mutual obligations, releases and promises set forth in the Agreement, Seller by this Bill of Sale and Assignment does hereby convey, grant, bargain, transfer, assign, release and deliver to Buyer, and its successors and assigns, all the right, title and interest of Seller in and to the Purchased Assets free and clear of all Liens except Permitted Liens, as those terms are defined in the Agreement. Buyer assumes no liabilities or obligations of Seller involving the Purchased Assets which are related to the period prior to the date hereof, and any such liabilities or obligations shall remain the sole responsibility of Seller.

Section 3. Seller hereby appoints Buyer, and its successors and assigns, as Seller's true and lawful attorney, with full power or substitution, in Seller's name but on behalf and for the benefit of Buyer, and its successors and assigns, to demand and receive any and all of the Purchased Assets, to give receipts and releases for and in respect of the same and any part thereof, and from time to time to institute and prosecute in Seller's name or otherwise, for the benefit of Buyer, and its successors and assigns, any and all proceedings at law, in equity or otherwise, which Buyer, and its successors or assigns, may deem proper for the collection or reduction to possession of any of the Purchased Assets or for the collection and enforcement of any claim or right of any kind hereby conveyed, transferred and assigned, or intended so to be, and to do all acts relating to the Purchased Assets which Buyer, and its successors or assigns, will deem desirable. This power of attorney is coupled with an interest and is irrevocable.

Section 4. Seller hereby covenants that, from time to time after the delivery of this Bill of Sale and Assignment, at Buyer's request and without further consideration, Seller will do, execute, acknowledge and deliver, or will cause to be done, executed, acknowledged and delivered, all such further acts, deeds, conveyances, transfers, assignments, powers of attorney and assurances as reasonably may be requested by Buyer to more effectively convey, transfer to and vest in Buyer, and to put Buyer in possession of, any of the Purchased Assets.

Section 5. For the avoidance of doubt, this Bill of Sale and Assignment does hereby transfer, convey and assign to Buyer all worldwide right, title and interest in and to the Purchased IP, as defined in the Agreement, together with the goodwill symbolized thereby, including all rights to sue and recover for past infringement.

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

Section 6. Nothing in this Bill of Sale and Assignment, express or implied, is intended or shall be construed to expand or defeat, impair or limit in any way the rights, obligations, claims or remedies of the parties as set forth in the Agreement. In the event of any conflict or inconsistency between the terms of the Agreement and the terms hereof, the terms of the Asset Agreement shall govern.

Section 7. This Bill of Sale and Assignment is executed by, and will be binding upon, Seller and Buyer and their respective successors and assigns, effective immediately on the date hereof.

Section 8. This Bill of Sale and Assignment shall be governed by and construed in accordance with the Laws of the State of New York (excluding any principles of conflicts of laws that would cause the application of the laws of any other jurisdiction).

Section 9. This Bill of Sale and Assignment may be executed by facsimile or .PDF signature. This Bill of Sale and Assignment may be executed in any number of counterparts, all of which taken together shall constitute one and the same agreement and any of the parties hereto may execute this Bill of Sale and Assignment by signing any such counterpart. Any individual signing this Bill of Sale and Assignment represents and warrants that he or she has full authority to do so.

[Remainder of page intentionally left blank]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

IN WITNESS WHEREOF, this Bill of Sale and Assignment has been duly executed and delivered by the parties hereto as of the date and year first above written.

NOVARTIS PHARMA AG

By: _____
Name:
Title:

By: _____
Name:
Title:

MEREO BIOPHARMA 2 LIMITED

By: _____
Name:
Title:

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXHIBIT E

PATENT ASSIGNMENT

[See attached]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

BGS649 PATENT ASSIGNMENT

This BGS649 Patent Assignment ("Assignment") is executed and delivered as of July 29, 2015 by and between Novartis Pharma AG, a Swiss corporation with its principal place of business at Novartis Campus, CH-4056 Basel, Switzerland ("Assignor") and Mereo BioPharma 2 Limited, a limited liability company with its registered office at Green Park House, 15 Stratton Street, London, W1J8LQ, United Kingdom ("Assignee").

WHEREAS:

Assignor owns the entire right, title, and interest in and to each patent and patent application listed on Schedule 1 hereto, and the inventions described in and underlying such patents and patent applications (collectively, the "Patents");

Assignor and Assignee are parties to an agreement entitled BGS649 Asset Purchase Agreement dated July 28, 2015 ("Agreement"), pursuant to which Assignor has agreed, inter alia, to transfer certain assets; and

Pursuant to the Agreement and subject to the terms of this Assignment, the Assignor wishes to assign to the Assignee all right, title, interest in and to its rights in the Patents.

NOW IT IS HEREBY AGREED AS FOLLOWS:

1. CONSIDERATION

The good and valuable consideration given by or on behalf of the Assignee is the amount provided under the Agreement, the receipt and adequacy of which are hereby acknowledged by Assignor.

2. ASSIGNMENT

The Assignor hereby assigns, sells, conveys, transfers, and delivers to the Assignee, and the Assignee hereby purchases, accepts and acquires, all of the entire right, title and interest in and to the Patents, together with all rights, privileges, and advantages thereto, including, without limitation, the right to take, defend, or appeal proceedings and recover (and retain) damages, and obtain all other remedies in respect to past infringements thereof, and the right to file patent applications under the laws of the United States and any other country that claim priority from any patent application therein, wherever such right may be legally exercised, including the right to claim the benefits of the International Convention for such applications.

Assignor hereby authorizes and requests the United States Commissioner of Patents, and the Patent Office officials in foreign countries as are duly authorized by the respective foreign patent laws to issue patents, to issue any and all patents directed to the Patents to the Assignee as the owner thereof.

For the avoidance of doubt, the term "Patents" shall include all continuations, continuations-in-part, and divisionals of any United States patent application(s) or international patent application(s) designating the United States, any national stages of any international application(s), and any other patent application(s) claiming priority to any patent listed in Schedule 1, including further continuations, continuations-in-part, and divisionals such as, but not limited to, continuations of continuations and continuations of divisionals; all patents, utility models, or other grants that issue from any of the applications referred to herein and all rights and remedies associated therewith including the right to sue for and recover past damages and to recover under 35 U.S.C. § 154 (d) or any other law permitting remedies for infringement prior to issuance of the patent; all registrations and confirmations of, and importation certificates based upon, one or more of said patents, utility models, or other grants, and applications for such registrations, confirmations and importation certificates; and all reissues, renewals and extensions of said patents, utility models, registrations, confirmations and importation certificates, reexamination certificates issued for said patents and supplementary protection certificates based upon said patents and applications for such reissues, renewals, extensions, reexamination certificates and supplementary protection certificates, the same to be held and enjoyed by said Assignee to the full ends of the terms for which said patents, utility models, registrations, confirmations, importation certificates, reexamination certificates, supplementary protection certificates, reissues, renewals and extensions may be granted, as fully and entirely as the same would have been held and enjoyed by me/us if this sale, assignment and transfer had not been made.

3. FURTHERASSURANCES

Assignor hereby agrees to execute all documents, assist in all proceedings and take any reasonable further steps that are reasonably necessary (at the sole cost and expense of Assignee) to effectuate the transfer of the Patents to Assignee, or the perfection, registration, or recordation of the rights of Assignee thereto, as may be reasonably appropriate. If Assignor does not, within thirty (30) days of presentment, return the requested executed documents, then Assignee is hereby granted a limited power of attorney to execute all such documents on behalf of Assignor in accordance with 37 C.F.R. § 3.73. This power of attorney is coupled with an interest and is irrevocable.

4. MISCELLANEOUSPROVISIONS

Should any provision of this Assignment be deemed invalid or unenforceable by reason of any law, statute, regulation or judgment, existing now or in the future in any jurisdiction, such provision shall be modified in such jurisdiction so as to nearly approximate the intent of the Parties. If this cannot be done, such invalid or unenforceable provision shall be divisible and be deleted in any such jurisdiction, and all other provisions shall remain in full force and effect. The modification or deletion of any provision in one jurisdiction shall have no effect on this Assignment in any other jurisdiction.

This Assignment shall be governed by the laws of the State of New York, without regard to the conflict of law principles thereof.

This Assignment may be executed in two counterparts, and each such counterpart hereof shall be deemed to be an original instrument, but both such counterparts together shall constitute but one agreement. Delivery of an executed counterpart of a signature page of this Assignment by facsimile or other electronic transmission shall be effective as delivery of a manually executed original counterpart of this Assignment.

[*Signature Page Follows*]

IN WITNESS WHEREOF, Assignor and Assignee have caused this Patent Assignment to be duly signed on their behalf.

Assignor:

NOVARTIS PHARMA AG

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Assignee:

MEREO BIOPHARMA 2 LIMITED

By: _____
Name: _____
Title: _____

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

Schedule 1

[See attached]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXHIBIT F

LOAN NOTE

[See attached]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

Dated July 2015

EXCHANGE LOAN NOTE INSTRUMENT

MEREO BIOPHARMA 2 LIMITED

constituting

up to £9,886,356 unsecured fixed rate exchange loan notes

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

CONTENTS

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

THIS INSTRUMENT is made by way of deed on July 2015 by Mereo BioPharma 2 Limited, a private limited company incorporated in England and Wales with registered number 09647035, whose registered office is at Green Park House, 15 Stratton Street, London, W1J 8LQ (the "**Company**").

WHEREAS the Company has, pursuant to its articles of association and by a resolution of its board of directors passed on or about the date of this Instrument, created and authorised the issue of up to £9,886,356 unsecured fixed rate exchange loan notes to be constituted as provided below.

NOW THIS INSTRUMENT WITNESSES AND IT IS DECLARED as follows:

1. INTERPRETATION

1.1 In this Instrument:

Business Day means a day (other than a Saturday or a Sunday) on which banks are generally open in London for normal business;

Conditions means the conditions of the Notes set out in Schedule 1, as from time to time modified in accordance with this Instrument;

Directors means the board of directors for the time being of the Company or a duly authorised committee of the board;

Exit means:

(a) a Listing; or

(b) a Sale;

Extraordinary Resolution means a resolution passed at a meeting of the Noteholders duly convened and held in accordance with the provisions of this Instrument by a majority consisting of not less than three-quarters of the votes cast on the resolution;

Final Repayment Date means, in respect of a Note, the twentieth anniversary (plus one day) of the date of issue of that Note;

Group means in relation to the Company, the Company's subsidiary undertakings and parent undertakings and all the other subsidiary undertakings of each of its parent undertakings;

Interest Period means each period of three months ending on 31 March, 30 June, 30 September and 31 December in each year;

Interest Rate means a per annum rate of 2% above the official bank rate published by the Bank of England from time to time;

Listing means:

(a) the admission of any of the Parent's equity shares to trading on the London Stock Exchange's market for listed securities becoming effective in accordance with paragraph 2.1 of the London Stock Exchange's Admission and Disclosure Standards; or

(b) the grant of permission for the dealing in any of the Parent's equity shares on any other public securities market (including the Alternative Investment Market of the London Stock Exchange or any successor market) becoming effective,

whether effected by way of an offer for sale, a new issue of shares, an introduction, a placing or otherwise;

Noteholder means a person whose name is entered in the Register as the holder of a Note;

Notes means the unsecured fixed rate exchange loan notes constituted by this Instrument or the nominal amounts represented by them and for the time being outstanding, as the case requires;

Parent means Mereo BioPharma Group Limited, a private limited company incorporated in England and Wales with registered number 09481161 and whose registered office is at Green Park House, 15 Stratton Street, London, W1J 8LQ;

Register means the register of holders of the Notes kept by or on behalf of the Company;

Sale means the sale of any part of the share capital of the Parent to any person resulting in that person together with any person acting in concert (as defined in the City Code on Takeovers and Mergers) which would result in such person or persons holding more than 50 per cent of the issued share capital of the Parent;

subsidiary undertaking and parent undertaking have the meanings given in section 1162 of the Companies Act 2006;

references to **this Instrument** are to this Instrument and the Schedules and include any instrument supplemental to this Instrument; and

words denoting the singular number only include the plural number and vice versa; words denoting one gender include the other genders; and words denoting a person include a corporation and an unincorporated association of persons.

1.2 Any reference, express or implied, to an enactment includes references to:

(a) that enactment as re-enacted, amended, extended or applied by or under any other enactment (before or after the date of this Instrument);

(b) any enactment which that enactment re-enacts (with or without modification); and

(c) any subordinate legislation made (before or after the date of this Instrument) under that enactment, as re-enacted, amended, extended or applied as described in paragraph 1.2(a) above, or under any enactment referred to in paragraph 1.2(b) above,

and **enactment** includes any legislation in any jurisdiction.

1.3 Subclauses 1.1 and 1.2 above apply unless the contrary intention appears.

1.4 The headings in this Instrument do not affect its interpretation.

2. AMOUNT OF NOTES

The aggregate nominal amount of the Notes constituted by this Instrument is limited to £9,886,356. The Notes will be issued fully paid in integral multiples of £1.

3. STATUS OF NOTES

3.1 The Notes shall be known as **unsecured fixed rate exchange loan notes**. The Notes shall be issued in registered form and shall be transferable in accordance with the provisions of this Instrument.

3.2 The Notes when issued shall be direct and unsecured obligations of the Company and will rank *pari passu* for all purposes, including the payment of capital and of interest, without any discrimination or preference between them, with all other unsecured and unsubordinated obligations of the Company, except to the extent provided by law.

4. ISSUE AND FORM OF NOTES

4.1 Each Note shall be in or substantially in the form set out in Schedule 1, shall have a denoting serial number and the Conditions endorsed on it. Each Note shall be executed by or on behalf of the Company.

4.2 Every person who becomes a Noteholder shall be entitled without charge to receive a Note stating the total nominal amount of the Note held by him but in the case of a Note held jointly by several persons the joint holders will be entitled to only one Note in respect of their joint holding and delivery of the Note to one of such persons shall be sufficient delivery to all of them.

5. CONDITIONS OF ISSUE

The Conditions and other provisions contained in the Schedules shall be deemed to be incorporated in this Instrument and the Notes shall be held subject to and with the benefit of the Conditions and of those provisions, all of which shall be binding on the Company and the Noteholders and all persons claiming through or under them respectively.

6. UNDERTAKING BY COMPANY

The Company undertakes, for the benefit of each Noteholder, to perform and observe the obligations on its part contained in this Instrument, to the intent that this Instrument shall enure for the benefit of all Noteholders each of whom may enforce the provisions of this Instrument against the Company so far as his holding of Notes is concerned.

7. REGISTER OF NOTES

7.1 The Company shall cause a register to be maintained at its registered office (or such other place as the Company may, from time to time have appointed for the purpose). The Register shall show the amount of the Notes for the time being outstanding, the dates of issue and all subsequent transfers or changes of ownership of the Notes, the names and addresses of the Noteholders and the nominal amounts of the Notes held by the Noteholders respectively. In the event of a change in the location of the Register, the Company shall, where practicable, give not less than 21 days' notice to the Noteholders before such change takes effect.

7.2 The Company shall not be bound to register more than four persons as the joint holders of any Note.

7.3 Any change of name or address on the part of any Noteholder shall forthwith be notified by the Noteholder to the Company and the Company shall alter the Register accordingly.

7.4 The Register shall be open to inspection at all reasonable times during normal office hours.

8. FREEDOM FROM EQUITIES

8.1 Notwithstanding any notice the Company may have of the right, title, interest or claim of any other person, to the fullest extent permitted by law, the Company:

(a) may treat the registered holder of any Note as the absolute owner of it;

(b) shall not enter notice of any trust on the Register or otherwise be bound to take notice or see to the execution of any trust to which any Note may be subject; and

(c) may accept the receipt from the registered holder for the time being of any Note for the interest from time to time accruing due or for any other monies payable in respect of it as a good discharge to the Company.

8.2 The Company will recognise every Noteholder as entitled to his Notes free from any equity, set-off or counterclaim on the part of the Company against the original or any intermediate holder of the Notes.

9. MEETINGS OF NOTEHOLDERS

Meetings of Noteholders may be convened and held in accordance with the provisions of Schedule 2.

10. FURTHER NOTES

The Company may from time to time, by resolution of the Directors, cancel any unissued Notes or create and issue further unsecured loan notes either ranking *pari passu* in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes or carrying such rights as to interest, redemption and otherwise as the Directors may think fit. Any further unsecured loan notes which are to form a single series with the Notes shall be constituted by an instrument expressed to be supplemental to this Instrument. Where the Notes already in issue are listed on a recognised stock exchange, application will be made to list any further notes on such recognised stock exchange.

11. GOVERNING LAW AND JURISDICTION

11.1 This Instrument and the Notes and any non-contractual obligations arising out of or in connection with it shall be governed by English law.

11.2 The English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with this Instrument and/or the Notes (including a dispute relating to any noncontractual obligations arising out of or in connection with this Instrument and/or the Notes) and the Company and the Noteholders submit to the exclusive jurisdiction of the English courts.

11.3 The Company and the Noteholders waive any objection to the English courts on grounds that they are an inconvenient or inappropriate forum to settle any such dispute.

IN WITNESS of which this Instrument has been executed as a deed and delivered on the date which appears first on page 1.

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SCHEDULE 1

FORM OF NOTE

Nominal Amount

£

MEREO BIOPHARMA 2 LIMITED
(*incorporated in England and Wales with registered number 09647035*)
(the **Company**)

UNSECURED FIXED RATE EXCHANGE LOAN NOTES

THIS IS TO CERTIFY that the person(s) named below is/are the registered holder(s) of the nominal amount specified above of the unsecured fixed rate exchange loan notes of the Company, which Notes are constituted by an Instrument made by the Company on [ ] 2015 as amended and/or restated from time to time (the Instrument) and are issued subject to and with the benefit of the provisions of the Instrument including the Conditions endorsed on this Note.

NAME(S) OF HOLDER(S):

[*name of holder*] of [*address of holder*]

Dated: ●

EXECUTED as a deed by **MEREO BIOPHARMA 2 LIMITED** acting by

Director

Director

Notes:

The Notes are repayable and bear interest in accordance with the Conditions endorsed on this Note.

1. The Conditions contain restrictions on the transferability of this Note.

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

2. This Note must be surrendered before any transfer, whether of the whole or any part, can be registered. The Note must be lodged together with the instrument of transfer (which must be signed by the transferor or by a person authorised to sign on behalf of the transferor) at the Company's registered office from time to time.

3. The Notes and any non-contractual obligations arising out of or in connection with the Notes shall be governed by English law.

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

NOTICE OF REPAYMENT

To: [ ]

1. We being the registered holder(s) of this Note give notice that I/we require repayment of all/£[ ] of the nominal amount of this Note in accordance with Condition 4. (*note 1 below*)

2. We authorise and request you to:

   (a) [make the electronic transfer to: [*insert account* details]/[make the cheque payable to the person whose name is set out below or, if none is set out, to us]; and

   (b) send by prepaid registered post to the person whose name and address is set out below or, if none is set out, to the registered address of the sole or first-named Noteholder (if applicable) the cheque and a Note for the balance (if any) of the nominal amount of this Note which is not repaid.

Name _____

Address _____

_____

(*note 2 below*)

Dated [ ]

Signature(s) of Noteholder(s)
(*note 3 below*) _____

_____

_____

Notes:

1. Delete and/or complete as appropriate. If repayment is required of part only, the repayment specified must be an integral multiple of £1. If no indication is given of the nominal amount of the Note to be repaid, all of the Note will be repaid.

2. Insert in BLOCK CAPITALS the name of the person to whom you wish the cheque to be made payable and/or the address of the person to whom you wish the cheque and any balance Note to be sent (if, in either case, it is different from that of the sole or first-named holder). If this space is left blank, the cheque will be made payable to the sole holder or all of the joint holders and it and any balance Note will be sent to the registered address of the sole or firstnamed holder.

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

3. In the case of joint holders ALL must sign. A body corporate should execute under its common seal or with the signature of two directors, a director and the company secretary or a director and a witness, or under the hand of some officer or agent duly authorised on behalf of the holder, in which event the Note must be accompanied by the authority under which this Notice is completed.

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

CONDITIONS

Terms defined in the Instrument have the same meaning in these Conditions.

1. Form and status

1.1 This Note is one of a series of Notes and is issued subject to and with the benefit of the provisions of the Instrument. A copy of the Instrument may be inspected during normal office hours at the registered office of the Company. The Instrument does not contain any restrictions on borrowing, or on the charging or disposal of assets, by the Company or any of its subsidiaries.

2. Repayment

2.1 The Company may on giving not less than seven days' notice to the Noteholders, repay at par all or part of the Notes.

2.2 To the extent not previously repaid, purchased by the Company or cancelled, the Notes will be repaid by the Company at par on the earlier of:

(a) an Exit; and

(b) the Final Repayment Date.

2.3 On any repayment of principal to a Noteholder under this Condition or Condition 4 the Company shall pay to him interest accrued but unpaid on the amount repaid up to (but excluding) the date of repayment, in accordance with Condition 3.

3. Interest

3.1 Until such time as the Notes are repaid, purchased or cancelled by the Company in accordance with the provisions of the Instrument or these Conditions, interest on the outstanding principal amount of the Notes shall accrue daily and shall compound on the last day of each Interest Period at a rate equal to the Interest Rate. Any interest which falls for calculation will be calculated on the basis of a 365 or 366 day year (as the case may be).

3.2 Interest which has accrued on the Notes shall be rolled up and shall be payable upon the redemption of the Notes to the persons registered as Noteholders. Any such rolled up interest shall rank in priority to, and shall be repaid prior to, the Notes.

3.3 All payments of interest in respect of the Notes will be made subject to deduction of any income tax required to be withheld or deducted. On or as soon as practicable following each date on which any interest is paid to a Noteholder the Company shall deliver to the Noteholder a certificate as to the gross amount of the relevant interest payment and the amount of tax deducted.

3.4 Interest on any Notes becoming liable to repayment shall cease to accrue as from the due date for repayment of the Notes unless, against due delivery of those Notes for

repayment, payment of the principal and interest payable is not made by the Company on the due date (in which case interest will continue to accrue until, but excluding, the date of actual payment).

4. Acceleration

4.1 A Noteholder may require the Company to repay at par all or part of the Notes held by him, together with all accrued interest thereon, if any of the following events occurs:

(a) the Company fails to pay within 30 days of the due date any principal or interest payable in respect of the Notes held by that Noteholder (except for any amounts withheld under Condition 3.3);

(b) an order is made by a competent court or an effective resolution is passed for winding-up of the Company (other than a voluntary winding-up for the purposes of an amalgamation, reconstruction or merger on terms previously approved by an Extraordinary Resolution);

(c) the commencement of any insolvency proceedings in relation to the Company; or

(d) an encumbrancer takes possession of, or an administrator or administrative receiver or a manager or receiver is appointed for or over the whole (or substantially the whole) of the undertaking or property of the Company, unless the same is removed, stayed, paid out or discharged within 30 days.

4.2 The Company shall notify the Noteholders of the happening of any of the events specified in Condition 4.1 as soon as reasonably practicable after becoming aware of the same.

4.3 In order to require repayment under this Condition a Noteholder must complete and sign the Notice of Repayment printed on the Note to be repaid (or complete such other form of Notice of Repayment as the Director may from time to time prescribe) and lodge it at the registered office of the Company (or at such other place as the Company may direct by notice to the Noteholders) while the relevant event specified in Condition 4.1 is continuing and, upon that notice being given to the Company, all of the Notes held by that Noteholder (and all accrued interest accrued thereon) will become immediately repayable. A Notice of Repayment given in accordance with this Condition shall be irrevocable.

5. Surrender of Notes on repayment and prescription

5.1 Whenever any Notes are due to be repaid under any of these Conditions (in whole or in part) the Noteholder shall, not less than five days before the due date for such repayment, deliver those Notes or an indemnity (if the Note has been defaced, worn out, lost or destroyed) to the registered office for the time being of the Company (or to such other place as the Company may direct by notice to the Noteholders).

5.2 If part only of the principal amount of any Note so delivered is repaid, the Company shall cancel such Note and without charge issue to the Noteholder a new Note for the balance of the principal amount due to him.

5.3 If any Noteholder fails or refuses to deliver up any Note which is liable to be repaid in whole or in part under these Conditions at the time and place fixed for repayment, or fails or refuses to accept payment of the monies due on repayment, those monies may be set aside by the Company and paid into a separate bank account and held by the Company for that Noteholder on the following terms:

(a) the Company shall not be responsible for the safe custody of such monies or for any interest accruing on them;

(b) the Company may deduct from such interest (if any) as those monies may earn while on deposit, any expenses incurred by the Company in that connection;

(c) any such amount so paid or deposited, together with such interest (if any) accruing on it in accordance with Condition 3, will immediately be paid to the Noteholder or his successors upon delivery of the relevant Note at any time during the period of ten years from the making of the deposit; and

(d) any such amount so paid or deposited, together with such interest (if any) accruing on it in accordance with Condition 3, which remains unclaimed after a period of ten years from the making of the deposit shall revert to the Company, notwithstanding that in the intervening period the obligation to pay the same may have been provided for in the books, accounts and other records of the Company.

6. Payments

6.1 If any payment of principal or interest in respect of the Notes would otherwise fall to be made on a day which is not a Business Day, payment shall be postponed to the next day which is a Business Day and no further interest or other payment will be made as a consequence of any such postponement.

6.2 Payment of any principal or interest in respect of any Note will be made to the person shown in the Register as the holder of that Note at the close of business on the fifth Business Day before the relevant payment date (the "**Record Date**"), notwithstanding any intermediate transfer or transmission of the Note.

6.3 Payment of any principal or interest in respect of any Note shall be made by electronic transfer to the account specified for such purpose by the Noteholder (or Noteholders in the case of joint holders) in writing to the Company, failing which notification any such payment shall be made by cheque sent by registered post to the registered address of the Noteholder or, in the case of joint Noteholders, to the registered address of that one of them who is first named on the Register on the Record Date (or to such person and to such address as the Noteholder or joint Noteholders may in writing to the Company direct prior to the Record Date). Every

such cheque shall be made payable to the person to whom it is sent (or to such person as the Noteholder or joint Noteholders may direct in writing to the Company prior to the Record Date) and receipt of the cheque shall be a good discharge to the Company.

6.4 Every such cheque shall be sent by registered post not later than the Business Day preceding the due date for payment. Payments will be subject in all cases to any applicable fiscal and other laws and regulations but shall otherwise be made without set-off or counterclaim.

7. Purchase

The Company may at any time purchase any Notes by tender (available to all Noteholders alike) or by private treaty at any price.

8. Cancellation

Notes purchased or repaid by the Company will be cancelled and shall not be available for reissue.

9. Modification

9.1 The provisions of the Instrument (including the Conditions) and the rights of the Noteholders may from time to time be amended, modified, abrogated or compromised or any arrangement agreed in any respect with the sanction of an Extraordinary Resolution and the written consent of the Company.

9.2 Any such amendment, modification, abrogation, compromise or arrangement effected pursuant to Condition 9.1 shall be binding on all Noteholders.

10. Transfer

10.1 The directors of the Company shall recognise any transfer which is evidenced in writing and made in accordance with these Conditions. The transferor shall remain the legal owner of the Notes to be transferred until the name of the transferee is entered in the Register in respect of those Notes.

10.2 Every instrument of transfer must be lodged for registration at the registered office of the Company accompanied by the relevant Note(s) and such other evidence as the Company may require to prove the title of the transferor or his right to transfer the Notes or the authority of the person signing the instrument.

10.3 No transfer of a Note shall be registered:

(a) if a notice requiring repayment of that Note (in whole or in part) has been given; or

(b) when the Register is closed.

10.4 If part only of the principal amount of any Note so lodged is transferred, the Company shall without charge issue to the Noteholder a new Note for the balance of the principal amount due to him. All instruments of transfer which are registered may be retained by the Company.

11. Transmission

11.1 Any person becoming entitled to a Note in consequence of the death or bankruptcy of any Noteholder or otherwise by operation of law may upon producing evidence that he sustains the character in respect of which he proposes to act under this Condition or of his title to the Note as the Directors shall reasonably require be registered himself as the Noteholder or, subject to Condition 10, may transfer the Note.

11.2 The executors or administrators of a deceased holder of a Note (not being one of several joint holders) shall be the only persons recognised by the Company as having any title to or interest in such Note.

11.3 In the case of the death of any of the joint holders of a Note the survivors or survivor will be the only persons or person recognised by the Company as having any title to or interest in such Note.

12. Substitution and exchange

12.1 The Company may at any time and from time to time, with the consent of the Noteholders by Extraordinary Resolution, be replaced and substituted by any member of the Company's Group as principal debtor or principal debtors (on one or more occasion) (in such capacity, the "**Substituted Debtor**") in respect of all or any of the Notes provided that:

(a) either the Company obtains an opinion from independent tax counsel (obtained shortly before such substitution takes place and based on full disclosure of relevant facts) to the effect that there is no significant risk that the substitution will be treated as a disposal of the Notes for the purpose of United Kingdom taxation of chargeable gains or HM Revenue and Customs confirms in writing that the substitution will not be treated as a disposal of the Notes for the purpose of United Kingdom taxation of chargeable gains;

(b) such documents (if any) are executed by the Substituted Debtor as may be necessary to give full effect to the substitution (the "**Documents**"), including those pursuant to which the Substituted Debtor shall undertake in favour of each relevant Noteholder to be bound by the terms and conditions of the relevant Notes as fully as if the Substituted Debtor had been named in the Instrument and the Notes as the principal debtor in respect of those Notes; and

(c) the relevant Notes are guaranteed by the Company.

12.2 Upon execution of the Documents, the relevant Notes shall have effect as if the Substituted Debtor were named in the Notes as principal debtor in place of the Company and the Company shall be released from all its obligations in respect of the Notes.

12.3 Not less than 20 Business Days after execution of the Documents, the Company shall give notice of any substitution to the Noteholders.

12.4 The Company may, with the consent of the Noteholders by Extraordinary Resolution, at any time require all or any of the Noteholders to exchange the Notes for loan notes issued by the Substituted Debtor on the same terms and conditions as those applicable to the Notes provided that the Company's right to require an exchange pursuant to this Condition shall be exercisable only if:

(a) the Company has either obtained the consent of the relevant Noteholders or it has obtained the opinion of independent tax counsel that such exchange will not crystallise a charge to any of the Noteholders to United Kingdom capital gains tax or corporation tax on chargeable gains and has obtained all relevant clearances from the relevant United Kingdom taxation authority or such exchange will fall within the provisions of section 135 of the Taxation of Chargeable Gains Act 1992 and prior clearance has been received from HM Revenue and Customs under section 138 of the Taxation of Chargeable Gains Act 1992 in respect of such exchange;

(b) the loan notes issued in exchange will be issued on the same terms as the Loan Notes, save that the terms of the new loan notes will not include any further right of the issuer to require exchange or any similar right of exchange or conversion into other shares or securities; and

(c) the loan notes issued in exchange are guaranteed by the Company.

12.5 The Company shall not be entitled to exercise its power of substitution or exchange under this Condition in respect of any holding of Notes if to do so would result in the holders of such Notes receiving payments of interest under withholding or deduction in respect of tax (or an increase in the rate of any such withholding or deduction) provided that this Condition shall not prevent the Company exercising its power of substitution or its power of exchange if the Substituted Debtor is a company resident in the United Kingdom for the purposes of United Kingdom taxation notwithstanding that the substitution or exchange may result in the holders of the Notes receiving payments of interest under withholding or deduction in respect of tax (or an increase in the rate of any such withholding or deduction).

12.6 For the avoidance of doubt, in the event that the Company or any Substituted Debtor complies fully with the provisions of this Condition, neither the Company nor the Substituted Debtor shall be liable for any tax or increase in tax of a Noteholder or to make any payment in respect of any withholding or deduction in respect of tax (or an increase in the rate of any such withholding or deduction) which arises in connection with a substitution or exchange.

13. Dealings with Notes

Each Noteholder:

(a) agrees that the Company may, at any time redeem at any price (in whole or in part), exchange, substitute, convert, deferred, cancel, capitalise by way of an issue of shares of any class in the capital of the Company or otherwise deal with in any manner, provided that each holder of Notes shall be treated equally (pro rata to their holding of Notes) and provided that the economic position of each holder of Notes as against each other holder of Notes (in respect of their holding of Notes only) shall not be affected; and

(b) undertakes to exercise all powers and rights lawfully available to it to procure the amendment of this Instrument to the extent necessary to give effect to the provisions of this Condition 13.

14. Lost or destroyed Notes

If a Note is defaced, lost or destroyed it may be renewed on payment by the Noteholder of the expenses of renewal and on such terms (if any) as to evidence and indemnity as the Directors may require but so that, in the case of defacement, the defaced Note shall be surrendered before a new Note is issued. An entry as to the issue of a new Note and indemnity (if any) shall be made in the Register.

15. Notices

15.1 Any notice to be given under this Instrument must (unless expressly provided otherwise) be in writing and be delivered or sent by prepaid registered post or fax to the Noteholder to be served at its address or fax number appearing in this Instrument, or at such other address and/or fax number as it may have notified to the Company in accordance with this Condition 15.1.

15.2 In the case of joint Noteholders, a notice or document served on the Noteholder whose name stands first in the Register shall be sufficient notice to all the joint Noteholders.

15.3 Any notice shall be deemed to have been given or made:

(a) if delivered, at the time of delivery; or

(b) if sent by prepaid registered post, on the second Business Day (or if posted from outside the United Kingdom, on the fifth Business Day) after it was posted.

15.4 In proving service of a notice or document it shall be sufficient to prove that delivery was made or that the envelope containing the communication was properly addressed and posted by prepaid first class registered post or by prepaid registered airmail or that the fax message was properly addressed and transmitted, as the case may be.

16. Governing Law

16.1 The Notes and any non-contractual obligations arising out of or in connection with the Notes shall be governed by English law.

16.2 The English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Notes (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes) and the Company and the Noteholders submit to the exclusive jurisdiction of the English courts.

16.3 The Company and the Noteholders waive any objection to the English courts on grounds that they are an inconvenient or inappropriate forum to settle any such dispute.

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SCHEDULE 2

PROVISIONS FOR MEETINGS OF NOTEHOLDERS

1. Calling of meetings

1.1 The Company may at any time convene a meeting of the Noteholders. The Company shall also convene a meeting of the Noteholders if so required in writing signed by Noteholders representing not less than one-tenth in nominal amount of the Notes for the time being outstanding (excluding any in respect of which a notice requiring repayment has been given).

1.2 Every such meeting and every adjourned meeting shall be held at the registered office of the Company for the time being or such other place as the Company may specify.

2. Notice of meetings

2.1 At least 14 or, in the case of a meeting convened for the purpose of considering an Extraordinary Resolution, at least 21 clear days' notice of any meeting of Noteholders shall be given to the Noteholders.

2.2 Any such notice shall specify the place, day and time of the meeting and the general nature of the business to be transacted at the meeting but, except in the case of a resolution to be proposed as an Extraordinary Resolution, it shall not be necessary to specify the terms of any resolution to be proposed. Any such notice shall include a statement to the effect that proxies may be appointed in accordance with the provisions of this Schedule.

2.3 The accidental omission to give notice to, or the non-receipt of notice by, any of the Noteholders shall not invalidate the proceedings at any meeting.

3. Chairman

A person (who need not be a Noteholder) nominated in writing by the Company shall be entitled to take the chair at a meeting of the Noteholders but if no such nomination is made or if at any meeting the person nominated is not present within 15 minutes after the time appointed for the holding of the meeting, the Noteholders present shall choose one of their number to be chairman.

4. Quorum

At a meeting of the Noteholders two or more persons present in person or by proxy holding or representing a majority in nominal amount of the Notes for the time being outstanding shall form a quorum for the transaction of business. No business (other than the choosing of a chairman) shall be transacted at any meeting unless the requisite quorum is present at the commencement of business.

5. Absence of quorum

If within 15 minutes from the time appointed for a meeting of the Noteholders a quorum is not present, the meeting shall, if convened upon the requisition of Noteholders, be dissolved. In any other case it shall stand adjourned to such day and time (being not less than 14 nor more than 42 clear days after the time of the original meeting) and to such place as the chairman may decide. At such adjourned meeting, one or more Noteholders present in person or by proxy shall form a quorum.

6. Notice of adjourned meeting

At least 14 clear days' notice of any meeting adjourned through want of a quorum shall be given in the same manner as for an original meeting and such notice shall state the quorum required at such adjourned meeting. It shall not otherwise be necessary to give any notice of an adjourned meeting.

7. Adjournment of meeting

The chairman may with the consent of (and shall if directed by) any meeting adjourn the same from time to time (being not less than 14 nor more than 42 clear days after the time of the original meeting) and from place to place but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the original meeting.

8. Voting on a poll

8.1 Every question submitted to a meeting of Noteholders shall be decided by a poll. A poll shall be taken at the meeting without adjournment and the result of such poll shall be deemed to be the resolution of the meeting as at the date of the taking of the poll.

9. Persons entitled to attend and vote

9.1 Any persons duly authorised by the Company (including, without limitation, their respective legal and financial advisers) shall be entitled to attend and speak at any meeting of the Noteholders. No person shall otherwise be entitled to attend or vote at any meeting of the Noteholders unless he is registered as a Noteholder or is a representative of a corporation which is a Noteholder or a proxy of a person who is a Noteholder.

9.2 At any meeting of Noteholders every person who is so present shall have one vote in respect of every £1 nominal of Notes of which he is the holder or in respect of which he is a representative or proxy.

9.3 Without prejudice to the obligations of any proxies any person entitled to more than one vote need not use all his votes or cast all the votes to which he is entitled in the same way.

9.4 In the case of joint Noteholders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register.

10. Proxies

10.1 A Noteholder may appoint a proxy (who need not be a Noteholder) by instrument in writing in any usual or common form or in any other form which the Directors may approve or accept. The instrument appointing a proxy shall be signed by the appointor or his agent authorised in writing or, if the appointor is a corporation, shall either be executed under its common seal or be signed by an agent or officer authorised for that purpose. The Company may, but shall not be bound to, require evidence of the authority of any such agent or officer.

10.2 An instrument appointing a proxy shall, unless the contrary is stated in it, be valid for any adjournment of a meeting as well as for the meeting to which it relates. No instrument appointing a proxy shall be valid after the expiration of 12 months from its date of execution.

10.3 A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or of the authority under which the proxy was executed or (until registered) the transfer of the Note in respect of which the vote is given provided that no intimation in writing of such death or insanity, revocation or transfer was received by the Company at its registered office before the commencement of the meeting or adjourned meeting, or of the taking of the poll, at which the proxy is used.

11. Deposit of proxies

An instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be deposited at such place as the Company may, in the notice convening the meeting, direct or, if no such place is appointed, at the registered office of the Company not less than 48 hours before the time appointed for holding the meeting or taking the poll at which the person named in the instrument proposes to vote and in default the instrument shall not be treated as valid.

12. Corporate representatives

Any corporation which is a Noteholder may by resolution of its directors or other governing body authorise any person to act as its representative at any meeting of Noteholders and such representative shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual Noteholder present in person at the meeting.

13. Powers of meeting

A meeting of the Noteholders shall in addition to all other powers (but without prejudice to any powers conferred on other persons in the Instrument) have the following powers exercisable only by Extraordinary Resolution namely:

(a) to sanction any proposal by the Company for any amendment, modification, abrogation, variation or compromise of, or arrangement in respect of, the rights of the Noteholders against the Company whether such rights shall arise under the Conditions, the Instrument or otherwise;

(b) to sanction the exchange or substitution for the Notes of, or the conversion of the Notes into, other obligations or securities of the Company, or any other person or entity;

(c) to assent to any amendment, modification, abrogation or variation of the Conditions or other provisions of this Instrument which is proposed by the Company;

(d) to authorise any person to execute and do all such documents, deeds, acts and things as may be necessary to carry out and give effect to any Extraordinary Resolution;

(e) to give any authority or sanction which under the provisions of this Instrument is required to be given by Extraordinary Resolution; and

(f) to appoint any persons (whether Noteholders or not) as a committee or committees to represent the interests of the Noteholders and to confer upon such committee or committees any powers or discretions which the Noteholders could themselves exercise by Extraordinary Resolution.

14. Effect of Extraordinary Resolution

An Extraordinary Resolution passed at a meeting of the Noteholders duly convened and held in accordance with this Instrument shall be binding upon all the Noteholders, whether present or not at such meeting, and each of the Noteholders shall be bound to give effect to it accordingly. The passing of any such resolution shall be conclusive evidence that the circumstances of any such resolution justify its passing.

15. Minutes

Minutes of all resolutions and proceedings at every meeting of Noteholders shall be made and duly entered in books to be from time to time provided for that purpose by the Company. Any such minutes, if they purport to be signed by the chairman of the meeting at which such resolutions were passed or proceedings transacted or by the chairman of the next succeeding meeting of the Noteholders, shall be conclusive evidence of the matters contained in them. Until the contrary is proved, every meeting in respect of which minutes of the proceedings have been made and signed in accordance with this Condition shall be deemed to have been duly held and convened and all resolutions passed or proceedings transacted at such meeting to have been duly passed and transacted.

16. Resolutions in writing

A resolution in writing proposed by the Company and signed by the holders of not less than three-quarters in nominal amount of the Notes for the time being in issue shall have effect in the same manner as an Extraordinary Resolution duly passed at a meeting of Noteholders duly convened and held. Such a resolution may be contained in one document or in several documents in like form, each signed by one or more of the Noteholders.

SIGNATORIES

EXECUTED as a deed by **MEREO BIOPHARMA 2 LIMITED**

_____
Director

in the presence of:

_____
signature of Witness

_____
name of Witness

_____

_____

_____

_____
Address

_____

Occupation

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXHIBIT G

COMPOUND

PROJECT:	BGS649
TRADEMARK:	[***]
NON-PROPRIETARY:	[***]
MECHANISM OF ACTION:	[***]
[***]	[***]
[***]	[***]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXHIBIT H

FORM OF NOVARTIS INVOICE

[See attached]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SAMPLE INVOICE

Sender's Logo

INVOICE
INVOICE DATE:

Novartis Pharma AG
Lichtstrasse 35
CH-4056
Basel, Switzerland
Phone and Fax Nr.

201

INVOICE No.: XXXX

Bill To:
Mereo BioPharma 2 Limited
Green Park House
15 Stratton Street
London W1J 8LQ

For:
BGS649 (Royalties X Quarter 201)

DESCRIPTION [*Please specify the event for which the invoice is due]*	**AMOUNT (USD)**
Product X (royalties XXXX – YYYY 201 calculated based on Mereo provided sales & royalty report	US$000'000.00

Novartis Contract Code

Please remit by wire transfer within 60 days to:	
Receiving Bank -	
Swift Code -	
ABA Number -	
Credit Account -	
Beneficiary -	
TOTAL	000'000,00

If you have any questions concerning this invoice, contact
……
or e-mail to ……
VAT -Reg. No. Xxxxxxxxxx (if applicable)

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

BPS804 ASSET PURCHASE AGREEMENT

by and between

NOVARTIS PHARMA AG

and

MEREO BIOPHARMA 3 LIMITED

Dated as of July 28, 2015

TABLE OF CONTENTS

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

BPS804 ASSET PURCHASE AGREEMENT

This BPS804 ASSET PURCHASE AGREEMENT (this "**Agreement**") is entered into as of July 28, 2015, by and between Novartis Pharma AG, a Swiss company ("**Novartis**"), and Mereo BioPharma 3 Limited, a private limited company incorporated in England and Wales ("**Buyer**") and a wholly owned subsidiary of Mereo BioPharma Group Limited, a company incorporated in England and Wales ("**Mereo**"). Hereinafter, "**Parties**" shall mean Novartis and Buyer together, and "**Party**" shall mean either Novartis or Buyer, as the context requires.

RECITALS

WHEREAS, Novartis desires to sell, and Buyer desires to acquire, certain assets/rights of Novartis and its Affiliates related to the Compound or Products (hereinafter defined) on the terms set forth in this Agreement.

WHEREAS, concurrently with the foregoing sale and acquisition, Novartis and Buyer desire to enter into a sublicense agreement in the form attached hereto as Exhibit A (the "**Morphosys Sublicense**") with respect to certain rights of Novartis licensed by it from Morphosys AG ("**Morphosys**") pursuant to the Second Amended and Restated Collaboration and License Agreement dated November 6, 2012 by and between Morphosys and Novartis.

WHEREAS, in connection with this Agreement, concurrently with the execution and delivery of this Agreement, Novartis and Mereo are entering into a subscription agreement in the form attached hereto as Exhibit B (the "**Subscription Agreement**") pursuant to which Novartis will subscribe for equity in Mereo.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants and agreements contained herein, Buyer, Mereo, and, on behalf of itself and, as applicable, its Affiliates, Novartis hereby agree as follows:

ARTICLE I
TRANSFER OF PROPERTIES AND ASSETS OF SELLERS

Section 1.1 Sale and Transfer of Properties and Assets.

Upon the terms and subject to the conditions of this Agreement, Buyer shall purchase and acquire, and Novartis shall, and, as applicable, shall cause its Affiliates to, sell, transfer, convey, assign and deliver to Buyer, free and clear of all mortgages, pledges, charges, hypothecations, liens, claims, and encumbrances of any kind, nature or description (collectively, "**Liens**") (except as expressly permitted in this Agreement and except Permitted Liens), at the closing (the "**Closing**"), all right, title and interest of Novartis and its Affiliates (collectively, "**Sellers**" and each a "**Seller**") in and to the following assets and rights (collectively, the "**Purchased Assets**"):

(a) all Purchased IP, including the Patent rights listed on Schedule1.1(a);

(b) all rights of any of the Sellers under Contracts to the extent related to the Compound, including the Contracts listed on Schedule 1.1(b), as such Contracts may have been amended prior to the date hereof (the "**Assumed Contracts**");

(c) all Regulatory Filings and Approvals to the extent related to the Compound, including the Regulatory Filings and Approvals set forth on Schedule 1.1(c);

(d) all intangibles and goodwill of Sellers arising from the Purchased IP;

(e) all Inventory of the Compound or Products, including the Inventory listed on Schedule 1.1(e), that is not consumed in the ordinary course of the Business prior to the Closing Date (the "**Purchased Inventory**");

(f) [Intentionally omitted];

(g) all books, records, files, manuals, and other documentation (including clinical study reports, investigator brochures, and laboratory books), or portion thereof, in the Control of any Seller to the extent relating to the Compound or Products, including (i) all data in all databases for all clinical and pre-clinical studies for all drug trials undertaken in connection with the Compound, (ii) all Purchased IP files, file histories and other technical documents and correspondence, and (iii) all business information, tangible or intangible, to the extent relating to the Compound or Products (the "**Assigned Books and Records**"); and

(h) all claims (including claims for past infringement or misappropriation of the Purchased IP), causes of action, judgments and demands of whatever kind or description, or portion thereof (regardless of whether or not such claims and causes of action have been asserted by Seller), to the extent relating to any of the Purchased Assets.

Within [***] days after the Closing, Novartis shall deliver to Buyer, a schedule setting forth in reasonable detail the location of all tangible Purchased Assets, whether held by any of the Sellers or by Third Parties on behalf of any Sellers.

Section 1.2 Excluded Assets.

All assets, properties, rights and interests of Sellers not included in the Purchased Assets and any Assumed Contracts that may not be assigned to Buyer without the written consent of a Third Party which has not been obtained prior to the Closing are expressly excluded from the purchase and sale contemplated hereby until such time, if any, as such consent is obtained, and as such are not included in the Purchased Assets and shall remain the assets, property rights and interests of Sellers until such time, if any, as such consent is obtained (collectively, the "**Excluded Assets**"), subject to Sellers' obligation pursuant to Section 5.5(c) to use commercially reasonable efforts to obtain such consent promptly after the Closing and to cooperate, in all commercially reasonable respects, to make the benefits of such Assumed Contract available to Buyer.

Section 1.3 Assumed Obligations.

Upon the terms and subject to the conditions of this Agreement, at the Closing, Buyer shall assume and, from and after the Closing, shall pay, perform, satisfy and discharge (or cause to be paid, performed, satisfied and discharged on behalf of Buyer) when due, all obligations of Sellers to be performed under the Assumed Contracts on or after the Closing pursuant to such Assumed Contracts (the "**Assumed Obligations**"). In addition, (a) Buyer shall indemnify, defend and hold harmless Novartis and its Affiliates from, against and in respect of any and all Losses arising out of or relating to the Development, Manufacture or Commercialization of the Compound, Product or Purchased Assets following the Closing on the terms and subject to the conditions of Section 5.6(b), and (b) Novartis shall indemnify, defend and hold harmless Buyer and its Affiliates from, against and in respect of any and all Losses arising out of or relating to the Development, Manufacture or Commercialization of the Compound, Product or Purchased Assets prior to the Closing on the terms and subject to the conditions of Section 5.6(a).

Section 1.4 Excluded Obligations.

Notwithstanding anything to the contrary in this Agreement, the Assumed Obligations do not include any obligations whatsoever not expressly assumed by Buyer under Section 1.3 (collectively, the "**Excluded Obligations**").

Section 1.5 Purchase Price.

Upon the terms and subject to the conditions of this Agreement, in consideration for (i) the sale, conveyance, assignment, transfer and delivery of the Purchased Assets and (ii) Novartis's entering into the Morphosys Sublicense, Buyer agrees to assume the Assumed Obligations at the Closing, to deliver the Loan Note, to make the Sales Related Payments and the Change of Control Transaction Payments (collectively, the "**Purchase Price**") as follows:

(a) Sales Related Payments.

(i) During the Sales Related Payments Term, Buyer shall pay to Novartis (in U.S. dollars via wire transfer of immediately available funds to such account(s) as may be designated from time to time by Novartis in writing) [***] at the graduated rates specified in the following table with respect to the aggregate annual worldwide Net Sales of all Products during the applicable [***] (the "**Sales Related Payments**"):

Aggregate Annual Worldwide Net Sales (USD) of All Products in a Calendar Year	***Sales Related Payments Rate***
Portion of aggregate Net Sales by Buyer and its Affiliates up to and including [***]	[***]
Portion of aggregate Net Sales by Buyer and its Affiliates greater than [***] up to and including [***]	[***]

Aggregate Annual Worldwide Net Sales (USD) of All Products in a Calendar Year	*Sales Related Payments Rate*
Portion of aggregate Net Sales by Buyer and its Affiliates greater than [***] up to and including [***]	[***]
Portion of aggregate Net Sales by Buyer and its Affiliates greater than [***] up to and including [***]	[***]
Portion of aggregate Net Sales by Buyer and its Affiliates greater than [***]	[***]

For illustration purposes only, if the aggregate annual worldwide Net Sales by Buyer and its Affiliates for a particular year are [***], Novartis would be entitled to receive Sales Related Payments calculated as follows: [***] x [***] (or [***]) plus [***] x [***] (or [***]) = [***]. Notwithstanding the other provisions of this Section 1.5(a)(i), for any period during the Sales Related Payments Term in which there has occurred Loss of Market Exclusivity with respect to any Product in any country, the Net Sales of Buyer and its Affiliates for such country to be included in [***] worldwide Net Sales for the purpose of the calculation of the Sales Related Payments due under this Section 1.5(a)(i) shall be reduced by [***] of such Net Sales. For purposes of illustrating the immediately preceding sentence only, if the aggregate [***] Net Sales of Buyer and its Affiliates for [***] in a country in which Loss of Market Exclusivity has occurred are [***], Novartis would be entitled to receive Sales Related Payments calculated as follows: [***] x US$[***] (or US$[***]) [***] (or [***]) = US$[***].

(ii) In the event that Buyer reasonably determines that rights to intellectual property Controlled by a Third Party ("**Third Party IP Rights**") are reasonably necessary to research, Develop, Manufacture, or Commercialize any Product, Buyer shall notify Novartis ("**Third Party IP Rights Notice**") prior to entering into an agreement with respect to a license to such Third Party IP Rights. If Novartis disagrees that such Third Party IP Rights are reasonably necessary to research, Develop, Manufacture, or Commercialize any Product, then senior management from the Parties will discuss the matter and attempt to resolve the disagreement. In the event senior management is unable to resolve the disagreement within [***] days following the date of the Third Party IP Rights Notice, then such disagreement shall be resolved by referring the disagreement for determination by [***], jointly selected by the Parties (the "[***]"). If the Parties are unable to jointly select the [***], then such [***] shall be selected, at the request of either Party, by the [***] or such [***]. The fees and expenses of the [***] shall be [***]. In the event Novartis consents to the acquisition of such Third Party IP Rights by Buyer, or the [***] that such Third Party IP Rights are reasonably necessary to research, Develop, Manufacture, or Commercialize any Product, Buyer shall have the right to deduct from the Sales Related Payments due to Novartis pursuant to Section 1.5(a)(i) [***] of the amounts paid (including upfront payments, milestone payments, royalties or other license fees) by Buyer for such Third Party IP Rights; provided, however, that in no event shall the Net Sales Payments due to Novartis from Buyer be reduced by more than [***] in [***] (such maximum reduction, the "**Reduction Cap**"). Any amount that Buyer is entitled to deduct, but is unable to deduct in any calendar year due to the operation of the Reduction Cap shall be carried

forward and Buyer may deduct such amount from subsequent Net Sales Payments due to Novartis, subject, in each [***], to the Reduction Cap, until the full amount that Buyer was entitled to deduct is deducted.

(iii) As used herein, "Net Sales" with respect to a Product means the gross amount invoiced by Buyer or any of its Affiliates to third party customers for the Product, less:

(A) normal and customary trade and quantity discounts and non-affiliated brokers' or agents' commissions actually allowed and taken and not already reflected in the amount invoiced;

(B) amounts repaid or credited by reason of defects, rejections, returns, recalls, allowances, or government-imposed retroactive price reductions;

(C) third party cash rebates and chargebacks related to sales of Products, to the extent allowed;

(D) government-imposed retroactive price reductions that are actually allowed or granted;

(E) tariffs, duties, excise, sales, value-added, and other consumption taxes and customs duties to the extent included in the invoice price and paid by or on behalf of Buyer;

(F) cash discounts for timely payment;

(G) delayed ship order credits;

(H) discounts pursuant to indigent patient programs and patient discount programs of any nature;

(I) a fixed charge of [***] to cover warehousing and distribution expenses;

(J) any otherwise specifically identifiable costs or charges included in the gross invoiced sales price of such Product falling within categories equivalent to those listed above, to the extent the deduction of such costs or charges are consistent with the Accounting Standards; and

(K) uncollectible amounts on previously sold Products, but not such amounts that, but for the failure to collect such amounts within [***] from the date of the respective invoice, would have been collectible; provided that:

(1) in the case of any sale or other disposal of a Product between or among Buyer and its Affiliates or licensees, for resale, Net Sales shall be calculated as above only on the value charged or invoiced on the first arm's length sale to a third party;

(2) in the case of any sale, which is not invoiced or is delivered before invoice, Net Sales shall be calculated at the time of shipment;

(3) in the case of any sale or other disposal, such as barter or counter-trade, of any Product, or part thereof, otherwise than in an arm's length transaction exclusively for money, Net Sales shall be calculated as above on the value of the consideration received or, if higher, on the fair market price of the Product in the relevant country of sale or disposal; and

(4) in the event that a Product is sold as part of a Combination Product, Net Sales of the Product, for the purpose of determining Net Sales Payments, shall be determined by multiplying Net Sales of the Combination Product by the fraction A/(A+B), where A is the weighted (by sales volume) average sales price of the Product when sold separately in finished form and B is the weighted average sale price of the other product(s) sold separately in finished form. In the event that such average sales price cannot be determined for both the Product and the other product(s) in combination, Net Sales for purposes of determining payments hereunder shall be mutually agreed by the Parties based on the relative value contributed by each component, [***].

(iv) Within [***] days after the end of each [***] following the First Commercial Sale, Buyer shall provide Novartis a report summarizing total Net Sales, on a country by country basis, during the relevant [***] and the calculation of amounts owed. After receipt of such report, Novartis shall submit an invoice to Buyer substantially in the form of Exhibit H with respect to the Sales Related Payments payableto Novartis with respect to such total Net Sales. Sales Related Payments shall be made by Buyer to the bank account designated by Novartis in writing within [***] days after the date of receipt of of the relevant original invoice issued by Novartis. Further, for so long as Buyer is required pursuant to Section 5.4(c)(i), Buyer will provide quarterly reports to Novartis within [***] days following the end of [***] (A) indicating the countries in which a First Commercial Sale has occurred, and (B) summarizing, on a country by country basis, total Net Sales during the [***], it being understood that such [***] reports are for information only and shall not be binding on Buyer with respect to the calculation of Sales Related Payments. For purposes of computing Net Sales sold in a currency other than U.S. dollars, the US Dollar equivalent shall be calculated using Buyer's then-current standard exchange rate methodology as applied in its external reporting for the conversion of foreign currency sales into US Dollars. If at any time legal restrictions in any country of the Territory prevent the prompt remittance of any payments with respect to sales therein, Buyer shall have the right and option to make such payments by depositing the payment amount in local currency to Novartis's account in a bank or depository designated by Novartis in the relevant country.

(b) Change of Control Transaction Payment.

(i) In addition to the Sales Related Payments, in the event of a Change of Control Transaction, Buyer shall pay or cause to be paid to Novartis (in U.S. dollars via wire transfer of immediately available funds to such account(s) as may be designated from time to time by Novartis in writing) an amount (the "**Change of Control Transaction Payment**") simultaneously with the completion of such Change of Control Transaction (or if any amounts payable in respect of such Change of Control Transaction are not payable at completion, immediately following payment of such amounts) equal to [***] of the Transaction Proceeds.

(ii) As used herein:

(A) **"Change of Control Transaction**" means a transaction in which Buyer conveys, transfers, [***] on [***], assigns or [***] or [***] of [***] to any Third Party, [***] the Compound and related assets. For the avoidance of doubt, any transaction involving equity interests of Mereo, a merger or consolidation of Mereo, or a sale of any assets of Mereo shall not constitute a Change of Control Transaction.

(B) "**Transaction Proceeds**" means [***] amounts, including [***] and/or [***] or [***] of [***] or [***] in connection with a Change of Control Transaction ("**Gross Proceeds**"), less (1) an amount equal to the costs and expenses incurred by Buyer or its equity holders for legal, financial and accounting advisory services directly related to such Change of Control Transaction in an amount not exceeding [***] of [***], and (2) payments for research and development support, patent expense reimbursement, supply purchases and other arms' length matters. Any [***] that are [***] or [***] shall [***] until such [***] by [***] or [***], as the case may be. For purposes of illustrating clause (1) of the immediately preceding sentence, if the proceeds of a Change of Control Transaction were [***], and the aggregate financial advisory, legal and accounting fees directly related to such Change of Control Transaction were $[***], then $[***] would be deducted from the Gross Proceeds, and Novartis would be entitled to receive a Change in Control Transaction Payment calculated as US$[***] = US$[***].

Section 1.6 Withholding of Taxes.

Buyer shall be entitled to deduct and withhold from any amounts payable or otherwise deliverable pursuant to this Agreement to Novartis such amounts as may be required to be deducted or withheld therefrom under any provision of federal, state, local or foreign Tax law or under any Applicable Laws. To the extent such amounts are so deducted and withheld, such

amounts shall be treated for all purposes under this Agreement as having been paid to Novartis. Each Party shall cooperate and otherwise take commercially reasonable efforts to obtain appropriate exemptions for or refunds of any such applicable Taxes and to minimize any such Taxes.

Section 1.7 Novartis Closing Deliveries.

Novartis shall deliver to Buyer at the Closing:

(a) a bill of sale, dated the Closing Date, in the form attached hereto as Exhibit C (the "**Bill of Sale**"), duly executed by Novartis;

(b) [Intentionally omitted];

(c) a patent assignment agreement, dated the Closing Date, in the form attached as Exhibit E (the "**Patent Assignment**"), duly executed by Novartis;

(d) the Subscription Agreement, duly executed by Novartis;

(e) the Morphosys Sublicense, dated the Closing Date, duly executed by Novartis;

(f) the Novartis Disclosure Schedule set forth on Schedule 1.7(f);

(g) the consents or approvals set forth on Schedule 1.7(g); and

(h) such other customary instruments of transfer, assumptions, filings or documents, in form and substance reasonably satisfactory to Buyer, as may be required to give effect to this Agreement.

Notwithstanding anything herein to the contrary, subject to Sellers' compliance with Section 5.5(c), the failure by Sellers to obtain the consent of any Third Party to the assignment of any contract prior to Closing shall not be a breach of Seller's obligations under this Section 1.7.

Section 1.8 Buyer Closing Deliveries.

Buyer shall deliver to Novartis at the Closing:

(a) the Bill of Sale, duly executed by Buyer;

(b) [Intentionally omitted];

(c) the Subscription Agreement, duly executed by Mereo;

(d) the Morphosys Sublicense, duly executed by Buyer; and

(e) a loan note, dated the Closing Date, in the form attached hereto as Exhibit F (the "**Loan Note**"), duly executed by Buyer.

Section 1.9 Closing.

(a) The Closing will take place at Novartis Campus, Basel, Switzerland at 10:00 a.m. (local time) on the first business day following the fulfillment or waiver of the conditions precedent set forth in Sections 1.9(b) and (c) or at such other time and place as the parties hereto may mutually agree. The date on which the Closing occurs is referred to as the "**Closing Date**." Subject to the fulfillment or waiver of such conditions precedent, Sellers shall make the Closing deliveries specified in Section 1.7 and Buyer shall make the Closing deliveries specified in Section 1.8, all of which shall be deemed to have occurred simultaneously and none of which shall be deemed completed unless and until all of them shall have been completed (or waived in writing by the Party entitled to performance).

(b) The obligations of Buyer to consummate the transactions contemplated by this Agreement are subject to the following conditions, except to the extent waived by Buyer in writing at the Closing:

(i) All representations and warranties of Novartis contained in this Agreement shall be accurate in all material respects as of the Closing with the same effect as if made on and as of such date.

(ii) Novartis shall have delivered to Buyer the documents set forth in Section 1.7.

(iii) There shall not have been instituted or threatened any legal proceeding (A) relating to, or seeking to prohibit or otherwise challenge this Agreement, the BCT197 Asset Purchase Agreement or the BGS649 Asset Purchase Agreement (collectively, the "**Purchase Agreements**"), the consummation of the transactions contemplated by any of the Purchase Agreements, or seeking to obtain substantial damages with respect to any of the Purchase Agreements, or (B) which would reasonably be expected to have a Material Adverse Effect.

(iv) There shall not have been any action taken, or any law, rule, regulation, order, judgment, or decree proposed, promulgated, enacted, entered, enforced, or deemed applicable to the transactions contemplated by any of the Purchase Agreements, by any federal, state, local, or other governmental authority or by any court or other tribunal, including the entry of a preliminary or permanent injunction, which would reasonably be expected to: (A) makes any of the transactions contemplated by any of the Purchase Agreements illegal or (B) imposes material limitations on the ability of any buyer under any of the Purchase Agreements to operate the Business (as defined in the respective Purchase Agreements) or to exercise full rights of ownership of the Purchased Assets (as defined in the respective Purchase Agreements).

(v) The conditions precedent to the obligations of each buyer under the Purchase Agreements to consummate the transactions contemplated by the respective Purchase Agreement shall have been satisfied or waived by such buyer in writing at the Closing.

(vi) There shall not have occurred any Material Adverse Effect (as defined in the respective Purchase Agreements).

(vii) Novartis shall have delivered to Buyer, at or prior to the Closing, such other documents as Buyer shall have reasonably requested to carry out the provisions of and the transactions contemplated by this Agreement in form and substance reasonably satisfactory to Buyer.

(viii) Mereo shall have received funds from subscribers for equity in Mereo, including Novartis pursuant to the Subscription Agreement, in an aggregate amount not less than GBP £ 20,000,000 less the Investor Counsel Fees (as defined in the Subscription Agreement).

(c) The obligations of Novartis to consummate the transactions contemplated by this Agreement are subject to the following conditions, except to the extent waived by Novartis in writing at the Closing:

(i) All representations and warranties of Buyer contained in this Agreement shall be accurate in all material respects as of the Closing with the same effect as if made on and as of such date.

(ii) Buyer shall have delivered to Novartis the documents set forth in Section 1.8.

(iii) There shall not have been instituted or threatened any legal proceeding relating to, or seeking to prohibit or otherwise challenge any of the Purchase Agreements, the consummation of the transactions contemplated by any of the Purchase Agreements, or seeking to obtain substantial damages with respect to any of the Purchase Agreements.

(iv) There shall not have been any action taken, or any law, rule, regulation, order, judgment, or decree proposed, promulgated, enacted, entered, enforced, or deemed applicable to the transactions contemplated by any of the Purchase Agreements, by any federal, state, local, or other governmental authority or by any court or other tribunal, including the entry of a preliminary or permanent injunction, which would reasonably be expected to make any of the transactions contemplated by any of the Purchase Agreements illegal.

(v) The conditions precedent to the obligations of Novartis to consummate the transactions contemplated by each of the Purchase Agreements shall have been satisfied or waived by Novartis in writing at the Closing.

(vi) Buyer shall have delivered to Novartis, at or prior to the Closing, such other documents as Novartis shall have reasonably requested to carry out the provisions of and the transactions contemplated by this Agreement in form and substance reasonably satisfactory to Novartis.

(vii) Mereo shall have received funds from subscribers for equity in Mereo, including Novartis pursuant to the Subscription Agreement, in an aggregate amount not less than GBP £ 20,000,000 less the Investor Counsel Fees (as defined in the Subscription Agreement).

Section 1.10 Tangible Purchased Assets; Assigned Books and Records.

(a) Sellers shall, without charge to Buyer, hold all tangible Purchased Assets (other than tangible Purchased Assets that are held on behalf of any Seller by any Third Party) on behalf of Buyer until such time or times that Buyer or its designees takes possession thereof; provided, however, that Buyer or its designees shall take possession of all tangible Purchased Assets no later than the date that is [***] after the Closing. With respect to tangible Purchased Assets held by any Third Parties on behalf of any Sellers, Sellers shall assist Buyer in arranging to have such Third Parties continue to hold such tangible Purchased Assets on behalf of Buyer at Buyer's expense. Sellers shall maintain casualty insurance for the replacement value of tangible Purchased Assets in its possession and Buyer shall reimburse Sellers for the cost thereof. If requested by Buyer, Sellers shall cooperate with Buyer in arranging for Third Parties who are in possession of tangible Purchased Assets to maintain casualty insurance for the replacement value of such Purchased Assets at Buyer's expense.

(b) Subject to Section 5.1, Sellers may retain copies of any Assigned Books and Records to the extent necessary for tax, accounting, regulatory, compliance or litigation purposes, or to perform and discharge the Excluded Liabilities and their obligations under this Agreement, or if such Assigned Books and Records contain information with respect to any Excluded Asset or Excluded Obligation.

ARTICLE II
REPRESENTATIONS AND WARRANTIES OF NOVARTIS

Novartis hereby represents and warrants to Buyer and Mereo as follows, with each such representation and warranty subject only to such exceptions, if any, as are set forth on that section of the Novartis Disclosure Schedule that is numbered and captioned to correspond to, and is referenced in, such representation or warranty:

Section 2.1 Corporate Organization, Standing and Power.

Novartis is a company duly organized, validly existing and in good standing under the laws of Switzerland. Novartis has all necessary corporate power and authority to execute and deliver this Agreement and the other Transaction Documents to which it is a party and to perform its obligations hereunder and thereunder. Each Seller has all requisite corporate power and authority to carry on its business as now being conducted as relates to the Purchased Assets.

Section 2.2 Consents, Authorization and Enforceability.

(a) No consent, waiver, approval, order or authorization of, or registration, declaration or filing with, or notice to any Governmental Authority or other Third Party is required by, or with respect to, Novartis or the Purchased Assets in connection with the execution and delivery of this Agreement or the other Transaction Documents to which it is a party, the performance by Novartis of its obligations under this Agreement or the other Transaction Documents, or the consummation of the transactions contemplated hereby or thereby, except (i) as set forth on Section 2.2(a) of the Novartis Disclosure Schedule and (ii) such other consents, waivers, approvals, authorizations, registrations, declarations, filings or notices, the absence of which, would not, individually or in the aggregate, have or reasonably be expected to have a Material Adverse Effect.

(b) All requisite corporate action necessary to authorize the execution, delivery and performance by Novartis of this Agreement and the other Transaction Documents to which it is a party and the consummation of the transactions contemplated hereby and thereby has been taken. This Agreement constitutes a valid and binding obligation of Novartis, enforceable against Novartis in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium, arrangement or other similar Applicable Law or equitable principles relating to or limiting creditors' rights generally.

Section 2.3 Title to Assets; Sufficiency of Assets.

Sellers have good, valid and marketable title to all of the Purchased Assets. Sellers hold all of the Purchased Assets free and clear of all Liens except for: (a) those Liens set forth on Section 2.3 of the Novartis Disclosure Schedule, (b) mechanics', materialmen's, carriers', workmen's, warehousemen's, repairmen's, landlords' or other like Liens and security obligations incurred in the ordinary course of business for immaterial amounts, (c) statutory liens for Taxes, assessments or other statutory or governmental charges not yet due and payable, and (d) Liens that do not, individually or in the aggregate materially impair the use of the relevant Purchased Asset (collectively, "**Permitted Liens**"). To Novartis' Knowledge, the Purchased Assets are sufficient for Buyer to continue the Development of the Compound on substantially the same basis as the Development of the Product conducted by Sellers prior to the Closing.

Section 2.4 Non-Contravention.

The execution and delivery by Novartis of this Agreement and the other Transaction Documents to which it is a party, the performance by Novartis of its obligations hereunder and thereunder, and the consummation of the transactions contemplated hereby and thereby, do not and will not (a) violate any provision of the certificate of incorporation or similar governance

documents that may be applicable to Novartis, (b) result in a breach (or any event which, with notice or lapse of time or both, would constitute a breach) of any term or provision of, or constitute a default under, any Contract to which Novartis is a party or by which it is bound, (c) result in the creation of any Lien on the Purchased Assets (other than a Permitted Lien) or (d) violate in any respect any Applicable Law or any judgment, decree, order, regulation or rule of any Governmental Authority by which Novartis is bound or subject.

Section 2.5 Contracts and Commitments.

Novartis has made available to Buyer true and complete copies of the Assumed Contracts and, to the Knowledge of Novartis, each such Contract is valid and binding on the Seller that is a party thereto in accordance with its terms and is in full force and effect. There is not under any Assumed Contract: (a) any existing material default by such Seller or, to Novartis's Knowledge, by any other party thereto; or (b) any event which, after notice or lapse of time or both, would constitute a material default by such Seller or, to Novartis's Knowledge, by any other party, or result in a right to accelerate or terminate or result in a loss of any rights of Seller. Except as set forth on Schedule 1.1(b), there are no Contracts to which Novartis or any of its Affiliates is a party pursuant to which Novartis in-licenses intellectual property rights exclusively related to the Compound or any Product.

Section 2.6 Intellectual Property.

(a) Schedule 1.1(a) sets forth a complete and accurate list of all Patent rights owned or in-licensed by Sellers relating exclusively to the Compound or any Product that the manufacture, use, sale, offer for sale or importation of the Compound or any Product would infringe, specifying as applicable: (i) the title thereof, if any; (ii) the registration or application number thereof, if any; and (iii) the jurisdiction in which such item exists or is registered.

(b) All Purchased IP is exclusively owned by Sellers, and is free and clear of any (i) liens, charges, security interests, and encumbrances or licenses and (ii) claims or covenants that would give rise to any Third Party claims for payment against Buyer. Neither Novartis nor any of its Affiliates has entered into any agreement or otherwise licensed, granted, assigned, transferred, conveyed or disposed of any right, title or interest in or to any of its assets, including any intellectual property rights or the Compound or any Product, that would conflict with or impair the scope of any rights within the Purchased IP or licenses granted hereunder. None of Novartis or any of its Affiliates is a party to any license, sublicense or other agreement pursuant to which Novartis or such Affiliate has received a license or other rights relating to any Compound or Product. There are no agreements to which any Seller is a party pursuant to which any Seller has granted any Third Party any rights in and to any Purchased IP.

(c) There are no claims pending or, to Novartis's knowledge, threatened in writing against any Seller or before any Governmental Authority, challenging the validity of any Patents within the Purchased IP.

(d) The Patents listed on Schedule 1.1(a) have been duly applied for and registered in accordance with applicable Law, and the Sellers have paid all filing fees, issue fees, annuities and other fees and charges applicable to the Purchased IP, including those required for the issuance, registration, maintenance, filing and prosecution of the Purchased IP. No Purchased IP is the subject of any pending or, to Novartis's knowledge, threatened interference, opposition, cancellation, protest, litigation or other challenge or Action. The Sellers and their patent counsel have satisfied statutory requirements with respect to the filing, prosecution, and maintenance of all registered Purchased IP.

(e) Sellers have secured from all employees, consultants, contractors and other Persons who have contributed to the creation or invention of any of the Purchased IP a written agreement setting forth obligations of confidentiality and assigning to Novartis or its Affiliates all rights to such creations, inventions, and Purchased IP, and such Affiliates have assigned all such rights to Novartis or its Affiliates. None of Sellers has received any written communication challenging any Seller's ownership of or right to use the Purchased IP.

(f) To Novartis's Knowledge, no Person has infringed, misappropriated, or otherwise violated, and no Person is currently infringing, misappropriating, or otherwise violating, any claim of an issued (granted) and unexpired Patent within the Purchased IP, or has misappropriated any Know-how within the Purchased IP.

(g) No Action has been instituted by any Third Party or, to Novartis's Knowledge, is pending against any Seller or has been threatened by any Third Party in writing that (i) challenges the right of any Seller with respect to its use or ownership of the Purchased IP, or (ii) alleges that any of the issued claims included in the Patents within the Purchase IP are invalid or unenforceable, or that Development or Manufacture of the Purchased IP, Compound or any Product infringed or misappropriated, or would infringe or misappropriate, the intellectual property rights of such Third Party.

(h) Novartis has furnished or made available to Buyer all material information that is in the possession of Novartis or any of its Affiliates concerning the Purchased IP, the Compound or any Product relevant to the safety or efficacy thereof, and all material Regulatory Filings and other material correspondence with Regulatory Authorities relating to the Compound or any Product, and to Novartis's Knowledge, such information is accurate, complete and true in all material respects.

(i) The Compound is the only compound, biologic or product whose mechanism of action targets sclerostin that has been Developed or is being Developed by Novartis or its Affiliates for the therapeutic treatment of osteogenesis imperfecta.

Section 2.7 Litigation.

(a) There is no action, cause of action, suit, claim, charge, demand, directive, inquiry, subpoena, proceeding, arbitration, mediation or other investigation (collectively, "**Actions**") pending or, to Novartis's Knowledge, threatened against any Seller or any

predecessor in interest to any Seller (i) relating to or affecting the Purchased Assets or the Assumed Obligations, (ii) relating to or seeking to prevent Novartis's performance of this Agreement and the transactions contemplated hereby, (iii) that would reasonably be expected to adversely affect the Development, Manufacture or Commercialization of the Compound or any Product.

(b) None of the Purchased Assets is subject to any order, writ, judgment, award, injunction or decree of any Governmental Authority.

Section 2.8 Compliance with Law.

(a) Sellers have conducted, and are now conducting, their businesses as applied to or in connection with the Purchased Assets in compliance in all material respects with Applicable Laws. Neither Novartis nor any of its Affiliates has received any notice alleging any violation under any Applicable Law.

(b) No Seller has employed or used any person that has been debarred, excluded or disqualified under Section 306(a) or 306(b) of the U.S. Federal Food, Drug and Cosmetic Act in the Development of any Product.

(c) Sellers have conducted all clinical and pre-clinical studies for all drug trials undertaken in connection with the Compound or any Product in accordance with applicable Health Care Laws and no Seller has received any notice from a Governmental Authority alleging any violation under any applicable Health Care Law or requiring the termination, suspension or material modification of such clinical or pre-clinical studies.

Section 2.9 Taxes.

There are no Liens for Taxes on any of the Purchased Assets (other than Permitted Liens) and there are no Taxes of Sellers related to the Purchased Assets which could become liabilities of Buyer. None of the Purchased Assets constitutes a "United States real property interest" for federal income tax purposes.

Section 2.10 Inventory.

To Novartis' Knowledge, the Inventory listed on Schedule 1.1(e) comprises all Inventory as of June 25, 2015, and such Inventory has been stored and maintained in compliance with applicable FDA good manufacturing practices and in conformity with relevant specifications for such Inventory.

ARTICLE III
LICENSE GRANT AND ENFORCEMENT

Section 3.1 License to Purchased IP Know-How.

Buyer hereby grants to Novartis, subject to the terms and conditions of this Agreement, an irrevocable, transferable, royalty-free, fully paid, non-cancellable, non-exclusive world-wide right and license, with the right to sublicense, under the Purchased IP Know-How to research, develop, make, have made, manufacture, market, use, sell, offer for sale or import any product or service other than (a) the Compound or any Product, or (b) any other compound, biologic or product Developed, Manufactured or Commercialized for the therapeutic treatment of osteogenesis imperfecta. Novartis will give Buyer notice of any exercise by Novartis of its rights to transfer or sublicense pursuant to this Section 3.1, such notice to be given no later than the time such rights are exercised.

Section 3.2 License to Intellectual Property.

Sellers hereby grant to Buyer, subject to the terms and conditions of this Agreement, and solely for use in connection with the Development, Manufacture, or Commercialization of the Compound or any Product, an irrevocable, transferable, royalty-free, fully paid, non-cancellable, world-wide right and license, with the right to sublicense, under any Intellectual Property Rights Controlled by Novartis or any of its Affiliates (other than the Purchased IP) that would be [***] to use in connection with the Development, Manufacture, or Commercialization of the Compound or any Product. Such license is exclusive, even as to Novartis, with respect to the Compound and any Product. Buyer will give Novartis notice of any exercise by Buyer of its rights to transfer or sublicense pursuant to this Section 3.2, such notice to be given no later than the time such rights are exercised.

Section 3.3 Maintenance of Purchased IP.

Buyer shall have the right and obligation to maintain and diligently prosecute the Purchased IP at Buyer's expense, except with respect to any Purchased IP Buyer plans to abandon and notifies Novartis of such plans. Novartis shall have a right to assume responsibility for any Purchased IP that Buyer plans to abandon or otherwise cause or allow to be forfeited. Buyer shall give Novartis reasonable written notice and in any event no less than [***] days prior to abandonment or other forfeiture of any patent or patent application within the Purchased IP so as to permit Novartis to exercise its rights under this Section 3.3, at its own expense. In the event Novartis exercises such right, Novartis hereby grants to Buyer an irrevocable, transferable, royalty-free, fully paid, non-cancellable, non-exclusive world-wide right and license, with the right to sublicense, under such Purchased IP to use in connection with the Development, Manufacture, and Commercialization of the Compound or any Product.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to Novartis as follows:

Section 4.1 Organization, Standing and Authority.

Buyer is a private limited company duly organized, validly existing and in good standing under the laws of England and Wales. Buyer has all necessary corporate power and authority to execute and deliver this Agreement and the other Transaction Documents to which it is a party and to perform its obligations hereunder and thereunder.

Section 4.2 Consents and Authorization.

(a) No consent, waiver, approval, order or authorization of, or registration, declaration or filing with, or notice to any Governmental Authority or other Third Party is required by, or with respect to, Buyer in connection with the execution and delivery of this Agreement or the other Transaction Documents to which it is a party or the consummation of the transactions contemplated hereby or thereby, except for any notice filings or registrations of transfer with any Governmental Authority that may be required in connection with the assignment and transfer of the Purchased Assets, and such other consents, waivers, approvals, authorizations, registrations, declarations, filings or notices, the absence of which, would not, individually or in the aggregate, have or reasonably be expected to have a materially adverse effect on the ability of Buyer to consummate the transactions contemplated hereby (a "**Buyer Material Adverse Effect**").

(b) All requisite corporate action necessary to authorize the execution, delivery and performance by Buyer of this Agreement and the other Transaction Documents to which it is a party and the consummation of the transactions contemplated hereby and thereby has been taken. This Agreement constitutes a valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium, arrangement or other similar Applicable Law or equitable principles relating to or limiting creditors' rights generally.

Section 4.3 Non-Contravention.

The execution and delivery by Buyer of this Agreement and the other Transaction Documents to which it is a party, the performance by Buyer of its obligations hereunder and thereunder, and the consummation of the transactions contemplated hereby and thereby, do not and will not (a) violate any provision of the certificate of incorporation or similar governance documents that may be applicable to Buyer, (b) result in the breach (or an event which, with notice or lapse of time or both, would constitute a breach) of any term or provision of, or constitute a default under any Contract to which Buyer is a party or by which it is bound or (c) violate in any respect any Applicable Law or any judgment, decree, order, regulation or rule of any Governmental Authority to which Buyer is bound or subject, except, with respect to the immediately preceding clauses (b) and (c), for any violations, breaches or defaults that would not, individually or in the aggregate, have a Buyer Material Adverse Effect.

Section 4.4 Litigation and Claims.

There is no Action pending, or to the Knowledge of Buyer, threatened, against Buyer before or by any Governmental Authority which seeks to prevent Buyer's performance of this Agreement and the transactions contemplated hereby or that would, individually or in the aggregate, have a Buyer Material Adverse Effect.

Section 4.5 Financing.

Buyer has a reasonable basis to believe that it will obtain financing sufficient to fund the Development and Commercialization of a Product.

ARTICLE V
COVENANTS

Section 5.1 Access to Information.

(a) For so long as a Party maintains books, records, files and other information that is subject to this Section 5.1, during normal business hours following reasonable prior notice, such Party will permit the other Party and its accountants, counsel, and other representatives, subject to the obligations set forth in Section 5.2 of this Agreement, to have reasonable access to and examine and make copies of all Assigned Books and Records and all other books and records of a Party which are reasonably requested by the other Party and are necessary or useful in connection with: (i) any Tax inquiry, audit, investigation or dispute with a Third Party; (ii) any Action by any Governmental Authority or any dispute with any Third Party reasonably requiring access to any such books and records; or (iii) with respect to Buyer, the Development, Manufacture or Commercialization of the Product, in each case relating to or arising out of transactions or events occurring prior to the Closing and that relate to the Purchased Assets. The Party requesting access to any such Assigned Books and Records or Sellers' retained books and records or other information shall bear all of the out of pocket costs and expenses (including attorneys' fees, but excluding reimbursement for salaries and employee benefits) reasonably incurred in connection with providing access to and copies of such Assigned Books and Records, Sellers' retained books and records or other information.

(b) Buyer and Sellers will direct their respective employees (without substantial disruption of employment) to render any assistance that Buyer or any Seller may [***] in examining or utilizing the Assigned Books and Records.

(c) Neither Buyer nor any Seller will destroy any books, records, files or other information or data that are subject to this Section 5.1 until the expiration of the applicable regulatory record retention period under Applicable Laws (giving effect to any and all extensions or waivers) without giving at least [***] days' prior written notice to the other Party (the "**Retaining Party**"). Upon receipt of such notice, the Retaining Party may (i) cause to be delivered to it the books and records intended to be destroyed, at its expense or (ii) notify the

Party intending to destroy the books and records that it will pay the cost of storing and maintaining such books and records (including any necessary costs of moving such books and records to a location under control of the Retaining Party and the costs of reviewing and removing from such books and records any information that the Retaining Party is not entitled to receive).

(d) Buyer and Sellers will keep all information referred to in this Section 5.1 confidential in accordance with Section 5.2 of this Agreement.

Section 5.2 Obligations of Confidentiality and Non-Use.

(a) Each Party agrees that the Party receiving or otherwise possessing Confidential Information (the "**receiving Party**") from the other Party (the "**disclosing Party**"), pursuant to this Agreement shall, and shall cause its employees, directors, officers, contractors, consultants, service providers and other representatives to, keep confidential and not publish or otherwise disclose, and take all reasonable steps to prevent disclosure of, such Confidential Information and not use such Confidential Information except for the limited purposes set forth in this Agreement. No provision of this Agreement shall be construed to preclude disclosure of Confidential Information (i) to actual or potential sources of financing; provided that such sources are bound to the terms of this Section 5.2 to the same extent as if they were parties hereto; (ii) in connection with disclosure obligations that arise in connection with an initial public offering; or (iii) to the extent required to be disclosed by applicable statute, rule or regulation of any court or regulatory authority with competent jurisdiction; provided that the disclosing Party shall be notified as soon as reasonably possible and the receiving Party shall, if requested by the disclosing Party, use reasonable good faith efforts to assist in seeking a protective order (or equivalent) with respect to such disclosure or otherwise take reasonable steps to avoid making such disclosure. For the avoidance of doubt, from and after the Closing that portion of the Confidential Information included in the Purchased Assets shall be deemed to constitute Confidential Information of Buyer.

(b) Neither Party shall, directly or indirectly, issue any press release or other public statement relating to the terms of this Agreement or the transactions contemplated hereby without the prior approval of the other Party (which shall not be unreasonably delayed, conditioned or withheld), except (i) to the extent required by any Applicable Laws, (ii) as reasonably necessary to obtain any requisite consents and approvals contemplated by this Agreement, or (iii) to the extent necessary for a Party to comply with its obligations hereunder. Notwithstanding anything to the contrary in the foregoing, each Party shall be permitted to make such releases or public announcements or communications to the extent consistent with previous disclosures made in accordance with this Section 5.2(b).

(c) Novartis, hereby releases, on behalf of Novartis and its Affiliates, Buyer and its officers, directors, employees and consultants from all obligations they may have with respect to that portion of the Confidential Information included in the Purchased Assets under any confidentiality agreement with or policy of any Seller covering such Confidential Information.

Section 5.3 Technical Assistance.

(a) For a period of eighteen (18) months from and after the Closing Date, Sellers shall fully cooperate with and provide assistance to Buyer, through documentation, consultation, training and face-to-face meetings, to enable Buyer or its designee, in an efficient and timely manner, to proceed with Development and manufacturing of the Compound and Products and to make and obtain all appropriate Regulatory Filings and Approvals. For any such assistance after the [***] after the Closing Date, Buyer shall compensate Sellers at [***].

(b) Sellers shall, [***], make appropriate personnel available to assist Buyer at any time and from time to time as reasonably requested by Buyer, and shall provide the appropriate personnel of Buyer with access to the personnel and manufacturing and other operations of Sellers for such periods of time (not to exceed [***] following the Closing Date) and in such manner as is reasonable in order to familiarize the personnel of Buyer or its designee with know-how relating to the Development and Manufacture of the Compound and Products and the application of the same within such four-month period.

Section 5.4 Product Development and Commercialization; Reports.

(a) Development.

(i) Buyer shall itself, or through its Affiliates or licensees, use Commercially Reasonable Efforts to Develop at least one Product.

(ii) Buyer will (A) determine the regulatory plans and strategies for the Compound or Products, (B) (either itself or through its Affiliates or licensees) make all Regulatory Filings with respect to the Products and (C) will be responsible for making, obtaining and maintaining Regulatory Filings and Approvals in its name or that of its Affiliates or licensees, in each case, to the extent, and in a manner, consistent with [***].

(iii) Buyer shall (A) comply in all material respects with applicable Laws, and (B) not employ or use any person that has been debarred under Section 306(a) or 306(b) of the U.S. Federal Food, Drug and Cosmetic Act.

(b) Commercialization. Sellers shall have no responsibility for any aspects of Development or Commercialization of the Products, including planning and implementation, distribution, booking of sales, pricing or reimbursement.

(c) Reporting and Planning.

(i) Buyer will submit to Novartis [***] with respect to Development and Commercialization activities with respect to the Compound, until the earlier of (A) regulatory approval of a Product, or (B) cessation of Development prior to regulatory approval of a Product, consistent with Commercially Reasonable Efforts.

(ii) Following the Closing, Buyer shall develop and provide to Novartis a detailed plan for the Development of the Compound, including with respect to all Development work to be performed, clinical trials, milestones and any other key issues related to Development.

(iii) Prior to regulatory approval of a Product, the Parties and Mereo will hold [***] (during the [***] following the Closing Date) and thereafter [***] meetings, or meetings at such longer intervals as the Parties and Mereo may agree (in any case, in person or by teleconference) to review and discuss the Development work performed, clinical trials, milestones, any key issues and the overall status of Development. Buyer will consider in good faith comments or proposals made by Novartis during such meetings; provided, however, that Buyer shall have sole control over all Development activities and sole decision-making authority with respect to the Development and Commercialization of Products.

(d) Records and Audit Rights.

(i) Each Party shall keep complete, true and accurate books and records in accordance with internationally recognized accounting standards in relation to this Agreement, including, with respect to Buyer, in relation to Net Sales and Sales Related Payments. Each Party will keep such books and records for at least [***] following the [***] to which they pertain.

(ii) Novartis may, upon written notice to Buyer, appoint an internationally-recognized independent accounting firm (the "**Auditor**") to inspect the relevant reports, statements, records or books of accounts (as applicable) of Buyer or its Affiliates in connection with the calculation of any Sales Related Payments. Before beginning its audit, the Auditor shall execute an undertaking acceptable to Buyer and Novartis pursuant to which the Auditor agrees to keep confidential all information reviewed during such audit. The Auditor shall have the right to disclose to Novartis its conclusions regarding any payments owed under this Agreement.

(iii) Buyer and its Affiliates shall make their records available for inspection by such Auditor during regular business hours at such place or places where such records are customarily kept, upon receipt of reasonable advance notice from Novartis. The records shall be reviewed solely to verify the calculation of any Sales Related Payments. Such inspection right shall not be exercised more than [***] (other than any year in which a Change of Control Transaction occurs, in which year such right may be exercised [***]) and not more frequently than [***] with respect to records covering any [***]. Novartis agrees to hold in strict confidence all information received and all information learned in the course of any audit or inspection, except to the extent necessary to enforce its rights under this Agreement or if disclosure is required by Applicable Law, regulation or judicial order.

(iv) The Auditor shall provide its audit report (the "**Audit Report**") and basis for any determination to Buyer at the same time the Audit Report is provided to Novartis. Buyer shall have the right to request a further determination by the Auditor as to matters which Buyer disputes by providing Novartis and the Auditor with a reasonably detailed statement of the grounds upon which it disputes any findings in the Audit Report within [***] days following receipt of the Audit Report. The failure by Buyer to dispute the Audit Report within such [***] day period shall constitute Buyer's acceptance of all of the items reflected in the Audit Report. If a request for further determination is timely delivered by Buyer, the Auditor shall undertake to complete such further determination within [***] days after the dispute notice is provided, which determination shall be limited to the disputed matters. Any matter that remains unresolved shall be resolved in accordance with the dispute resolution procedures contained in Article V.

(v) In the event that the Audit Report (as finally agreed upon by the Parties) reveals an undisputed underpayment or overpayment in respect of Sales Related Payments or other payments hereunder, the underpaid or overpaid amount shall be settled promptly.

(vi) Novartis shall be solely responsible for all costs and expenses relating to any and all such audits as described in this Section 5.4(d).

Section 5.5 Further Assurances; Consents.

(a) Prior to Closing, each Party shall use commercially reasonable efforts to take such action as is reasonably necessary or appropriate in order to complete the transactions contemplated hereby on the terms and subject to the conditions set forth herein.

(b) After the Closing, at the request of Buyer from time to time Sellers shall (i) use commercially reasonable efforts to obtain and deliver such Third Party consents and (ii) execute and deliver to Buyer such certificates, consents and other instruments of sale, conveyance, assignment and transfer, and take such other action, in each case, as may reasonably be requested by Buyer to more effectively sell, convey, assign and transfer to Buyer, to the extent required under this Agreement, the Purchased Assets and such other assets of Sellers, if any, as are solely related to the Compound or any Product.

(c) To the extent any Assumed Contract does not permit assignment or transfer by a Seller to Buyer pursuant to the Transaction Documents without the consent of a Third Party, and such consent is not obtained prior to Closing, Buyer shall waive the obligation to obtain such consent prior to Closing. In such case, such Seller shall (i) use commercially reasonable efforts to obtain such consent promptly after the Closing, and (ii) until the earliest of: (A) the date all such consents are obtained, (B) the date all such Assumed Contracts expire or are terminated or (C) the date which is [***] days from the Closing, such Seller and Buyer shall cooperate, in all commercially reasonable respects, to make the benefits of such Assumed Contract available to Buyer, to the extent consistent with the terms of such Assumed Contract

([***] by [***] of such [***]), and shall comply with all of its obligations under such Assumed Contract and, to the extent any Third Party is in breach of such Assumed Contract, enforce the terms and conditions of such Assumed Contract if requested by Buyer at Buyer's expense.

Section 5.6 Indemnity.

(a) Novartis shall indemnify, defend and hold harmless the Buyer and its Affiliates (the "**Buyer Indemnified Parties**") from, against, and in respect of, all losses, costs, charges, claims (including Third Party claims), damages or expenses of whatever kind (including attorneys' fees and expenses and the costs of enforcing any right to indemnification hereunder) against or incurred by them ("**Losses**") to the extent arising out of or relating to:

(i) any breach of any representation or warranty of Novartis set forth in this Agreement;

(ii) any breach of any covenant, agreement or undertaking made by Novartis in this Agreement;

(iii) any Excluded Asset or Excluded Obligation; or

(iv) the Development, Manufacture or Commercialization of the Compound, Product or Purchased Assets prior to the Closing.

(b) Buyer shall indemnify, defend and hold harmless Novartis and its Affiliates (the "**Novartis Indemnified Parties**") from, against and in respect of any and all Losses arising out of or relating to:

(i) any breach of any representation or warranty of the Buyer set forth in this Agreement;

(ii) any breach of any covenant, agreement or undertaking made by the Buyer in this Agreement;

(iii) any Assumed Obligation; or

(iv) the Development, Manufacture or Commercialization of the Compound, Product or Purchased Assets following the Closing.

(c) Notice of Claims. If any of the Persons to be indemnified under this Section 5.6 (the "**Indemnified Party**") has determined that any matters (other than a Third Party Claim) has given or could give rise to a right of indemnification under this Agreement, the Indemnified Party shall so notify the Party from whom indemnification is sought (the "**Indemnifying Party**") promptly, describing in reasonable detail, the basis for such claim. If any Indemnified Party receives written notice of the assertion of any Action (in equity or at law) instituted by a Third Party (a "**Third Party Claim**") with respect to which the Indemnified Party

intends to claim any Loss under this Section 5.6, the Indemnified Party shall promptly notify the Indemnifying Party of such Action (the "**Third Party Claim Notice**"), describing in reasonable detail, the basis for such claim. A failure by the Indemnified Party to give notice of any Action in a timely manner pursuant to this Section 5.6(c) shall not limit the obligation of the Indemnifying Party under this Section 5.6, except (i) to the extent such Indemnifying Party is actually prejudiced thereby or (b) as provided in Section 6.2.

(d) Third Party Claims.

(i) The Indemnifying Party under this Section 5.6 shall have the right, but not the obligation, exercisable by written notice to the Indemnified Party within [***] days of receipt of the Third Party Claim Notice, to assume the conduct and control, at the expense of the Indemnifying Party and through counsel of its choosing that is reasonably acceptable to the Indemnified Party, of any Third Party Claim; provided, that the Indemnified Party shall have the right to participate in, but not control, the defense of any such Third Party Claim through counsel chosen by the Indemnified Party, whose fees and expenses shall be borne by the Indemnified Party; and provided further that if and to the extent the Indemnifying Party cannot defend such Third Party Claim on behalf of the Indemnifying Party as a result of a conflict of interest between the Indemnifying Party and the Indemnified Party that cannot be waived, then the Indemnifying Party [***]. If the Indemnifying Party fails to provide written notice within [***] days of receipt of a Third Party Notice that it has elected to assume the defense of such Third Party Claim, then the Indemnified Party shall be entitled to assume the defense of such Third Party Claim at the expense of the Indemnifying Party; provided that the Indemnified Party may not compromise or settle any Third Party Claim except as provided in Section 5.6(d)(ii). For the avoidance of doubt, if the Indemnifying Party elects not to control or conduct the defense of a Third Party Claim, the Indemnifying Party nevertheless shall have the right to participate in the defense of any Third Party Claim and, at its own expense, to employ counsel of its own choosing for such purpose.

(ii) The Indemnifying Party may compromise or settle a Third Party Claim; provided, that the Indemnifying Party shall give the Indemnified Party advance written notice of any proposed compromise or settlement and shall not, without the prior written consent of the Indemnified Party (which consent shall not be unreasonably withheld, conditioned or delayed), consent to or enter into any compromise or settlement that commits the Indemnified Party to take, or to forbear to take, any action or does not provide for a full and complete written release by the applicable third party of the Indemnified Party. No Indemnified Party may compromise or settle any Third Party Claim for which it is seeking indemnification hereunder without the consent of the Indemnifying Party (which consent shall not be unreasonably withheld, conditioned or delayed). No Indemnifying Party may consent to the entry of any judgment that does not relate solely to monetary damages arising from any such Third Party Claim without the prior written consent of the Indemnified Party (which consent shall not be unreasonably withheld, conditioned or delayed).

(iii) The Parties shall cooperate in the defense of any Third Party Claim, with such cooperation to include (i) the retention and the provision to the Indemnifying Party of records and information that are reasonably relevant to such Third Party Claim and (ii) reasonable access to employees on a mutually convenient basis for providing additional information and explanation of any material provided hereunder.

Section 5.7 Supply.

(a) The Parties shall endeavor in good faith to execute within [***] days after the Closing a supply agreement, in form and substance reasonably satisfactory to the Parties and with pricing and commercial terms reflecting the terms customarily pertaining to Seller's arms' length agreements for the supply of similar products, for the clinical products that Novartis elects to supply, and that Buyer elects to purchase from Novartis.

(b) For the clinical products that Novartis elects not to supply, or that Buyer elects not to purchase from Seller, Buyer shall source such products from Third Parties, and Sellers shall, at their sole cost and expense, provide Buyer and such Third Parties with reasonable assistance in connection therewith for a period of [***] from and after the Closing Date. After such [***] period, Sellers shall provide assistance to Buyer at an agreed cost. Sellers will not supply to Buyer commercial product, commercial active pharmaceutical ingredient or commercial finished product.

Section 5.8 Noncompetition. During the period ending on the third anniversary of the Closing, neither Novartis nor any of its Affiliates shall conduct, participate in, or directly fund, itself or with any Affiliate or Third Party, Clinical Trial activities involving any indication whose mechanism of action targets sclerostin including osteogenesis imperfecta. Notwithstanding the foregoing, (a) Novartis and its Affiliates may [***] or [***] in, or [***], a [***] may [***] any [***] or [***] for the [***] of [***] of [***], provided (i) the [***] of such [***] is not [***] in the [***] of [***] or [***] for the [***] of [***] of [***], and (ii) [***] and [***] any [***] or [***] for the [***] of [***] of [***] that are [***] at the [***] of such [***] to the extent reasonably necessary to [***] the [***] or [***] of [***] in such [***]; (b) this Section 5.8 shall only apply to the extent Novartis has the ability to control the use of funds relating to, or to otherwise direct and control, such Clinical Trial activities; and (c) this Section 5.8 shall not apply to any Third Party relationships, collaborations or contracts of Novartis that exist as of the Closing Date (including [***] any [***] to (i) [***] or [***] or (ii) [***] or [***]).

Section 5.9 Product Inquiries.

From and after the Closing, Sellers shall direct all Product-related inquiries to Buyer.

ARTICLE VI
MISCELLANEOUS.

Section 6.1 Definitions.

As used in this Agreement, the following terms shall have the following meanings:

"**Accounting Standards**" means, with respect to Buyer, International Financial Reporting Standards ("**IFRS**"), consistently applied. Each Party shall promptly notify the other in the event that it changes the Accounting Standards pursuant to which its records are maintained, it being understood that each Party may only use internationally recognized accounting principles (e.g. IFRS, United States generally accepted accounting principles, etc.).

"**Affiliate**" means with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with such other Person.

"**Applicable Law**" means all federal, provincial, state, local and foreign law (including United States), (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement.

"**BCT197 Asset Purchase Agreement**" means that certain BCT197 Asset Purchase Agreement dated as of July 28, 2015 between Novartis and Mereo BioPharma 1 Limited.

"**BGS649 Asset Purchase Agreement**" means that certain BGS649 Asset Purchase Agreement dated as of July 28, 2015 between Novartis and Mereo BioPharma 2 Limited.

"**Business**" means the business of Developing and Manufacturing the Compound and includes any other actions taken in furtherance of the Business.

"**Clinical Trial**" means any Phase 1 Clinical Trial, Phase 2 Clinical Trial, Pivotal Clinical Trial, Phase 4 clinical trial and/or variations or subsets of such trials (for example, Pivotal Clinical Trial/Phase 4 clinical trial or Phase 1B); "**Phase 1 Clinical Trial**" means a controlled human clinical trial that would satisfy the requirements of 21 C.F.R. 312.21(a) or foreign equivalents thereof; "**Phase 2 Clinical Trial**" means a controlled human clinical trial that would satisfy the requirements of 21 C.F.R. 312.21(b) or foreign equivalents thereof; "**Pivotal Clinical Trial**" means (i) a human clinical trial of a Product that is intended to be a pivotal trial for obtaining Regulatory Approval (e.g., in the United States such clinical trial is conducted after the end of phase 2 meeting with the FDA) and to otherwise establish safety and efficacy in patients with the disease or condition being studied and to provide an adequate basis for physician labeling, for purposes of filing a MAA for Product, and that would satisfy the requirements under 21 C.F.R. 312.21(c) or foreign equivalents thereof, or (ii) any other clinical

trial that is intended to establish that a pharmaceutical product is safe and efficacious for its intended use, and to determine warnings, precautions, and adverse reactions that are associated with such pharmaceutical product in the dosage range to be prescribed, which clinical trial is a registration trial intended to be sufficient for filing an application for a Regulatory Approval for such product in the United States or another country or some or all of an extra-national territory, solely as evidenced by the acceptance for filing for a Regulatory Approval for such product after completion of such clinical trial.

"**Closing Date**" means the date on which the Closing occurs.

"**Commercialize**" means to market, promote, distribute, import, export, offer to sell or sell Products or conduct other Commercialization, and "**Commercialization**" means commercialization activities relating to Products, including activities relating to marketing, promoting, distributing, importing, exporting, offering for sale or selling Products.

"**Commercially Reasonable Efforts**" means the expenditure of those efforts and resources normally used by a comparable and similarly situated company as Buyer in the pharmaceutical industry in pursuing Development or Commercialization of similar pharmaceutical products with similar market and economic potential, within the scope of the rights granted hereunder, and at a similar stage in Development or product life, taking into account efficacy, safety, approved labeling, the competitiveness of alternative products in the marketplace, the patent and other proprietary position of the Products, the likelihood of regulatory approval given the regulatory structure involved, the profitability, and other relevant factors commonly considered in similar circumstances.

"**Combination Product**" means a Product that includes at least one additional active ingredient other than Compound. Drug delivery vehicles, adjuvants, and excipients will not be deemed to be "active ingredients", except in the case where such delivery vehicle, adjuvant, or excipient is recognized as an active ingredient in accordance with 21 C.F.R. § 210.3(b)(7) (as amended), or any foreign counterpart.

"**Compound**" means the active pharmaceutical ingredient identified in Exhibit G. [1]

"**Confidential Information**" means all information and data, regardless of form, including a formula, pattern, compilation, program, method, technique, process, inventory, chemical, physical material, chemical structure or activity, design, prototype, drawings, samples, source code, business plan, business opportunity, customer or personnel list, or financial statement proprietary to a Party or its Affiliate, except any portion thereof which:

(a) is known to the receiving Party prior to receipt from the disclosing Party, as established by contemporaneously created written records;

1 Note to draft: include esters, salts, derivatives, etc, to the extent relevant to the particular Compound.

(b) is disclosed to the receiving Party by a Third Party, as evidenced by the receiving Party's contemporaneously created written records, who is under no obligation of confidentiality to the disclosing Party with respect to such information and who otherwise has a right to make such disclosure;

(c) is or becomes published, as evidenced by a written version thereof, or generally known in the trade through no fault of the receiving Party; or

(d) is independently developed by the receiving Party, without resort to the disclosing Party's Confidential Information, by persons having no access thereto, as evidenced by the receiving Party's contemporaneously created written records.

All information and data included within the Purchased Assets that immediately prior to Closing constitutes Confidential Information of Sellers (without regard to clause (a) or (b) above) shall, from and after Closing, be deemed to constitute Confidential Information of Buyer, except that Novartis and its Affiliates shall continue to have the right to use such information and data for the purposes set out in Section 5.1 or to otherwise use and disclose such Confidential Information as expressly permitted under this Agreement.

"**Contract**" means any written or oral legally binding contract, agreement, instrument, commitment, obligation, understanding, or undertaking of any nature (including leases, licenses, mortgages, notes, guarantees, sublicenses, subcontracts, covenants not to compete, covenants not to sue, confidentiality agreements, options and warranties).

"**Control**" (including any variations such as "**Controlled**" and "**Controlling**") means, with respect to any item or Patent, Know-How, or other intellectual property right, the legal authority or right (whether by ownership or license, other than by a license or sublicense granted pursuant to this Agreement) of a Party or its Affiliates to grant to the other Party the right to use such item, or a license, sublicense or access as provided herein to such item, without violating the terms of any agreement or other arrangement with any Third Party in existence as of the time such Party or its Affiliates would first be required hereunder to grant the other Party such license, access, or other right. For the avoidance of doubt, the foregoing definition of "Control" shall not apply to the definition herein of "Change of Control."

"**Develop**" or "**Development**" means drug development activities, including test method development and stability testing, assay development and audit development, toxicology, formulation, quality assurance/quality control development, statistical analysis, clinical studies, packaging development, regulatory affairs, and the preparation, filing and prosecution of NDAs and MAAs.

"**FDA**" means the United States Food and Drug Administration or any successor entity thereto.

"**First Commercial Sale**" means the first sale of a Product by Buyer or an Affiliate of Buyer to a Third Party in a country following Regulatory Approval of such Product in that country. Sales or transfers of reasonable quantities of a Product for research, proof of concept studies or other clinical trial purposes, or for compassionate or similar use, shall not be considered a First Commercial Sale.

"**Generic Equivalent**" means any (i) biosimilar of a Product or (ii) any product with the same active ingredient as a Product.

"**Governmental Authority**" means any nation or government, any provincial, state, regional, local or other political subdivision thereof, any supranational organization of sovereign states, and any entity, department, commission, bureau, agency, authority, board, court, official or officer, domestic or foreign, exercising executive, judicial, regulatory or administrative functions of or pertaining to government.

"**Health Care Law**" shall mean all applicable Laws relating to patient care and human health and safety, including any such applicable Law pertaining to: (i) the research, development, testing, production, manufacturing, marketing, transfer, distribution, pricing and sale of drugs and medical devices, including the United States Food, Drug and Cosmetics Act, as amended, and all related rules, regulations and guidelines, the United States Public Health Service Act and all related rules, regulations and guidelines, and equivalent applicable Laws of other applicable Governmental Authorities; and (ii) the privacy and security of patient-identifying health care information, including the United States Health Insurance Portability and Accountability Act of 1996 (42 U.S.C. 1320d et seq.) and all related rules, regulations and guidelines thereof and equivalent applicable Laws of other applicable Governmental Authorities.

"**Intellectual Property Rights**" means (a) Patents, (b) Know-How, (c) industrial designs (whether or not registered), (d) all rights in all of the foregoing provided by treaties, conventions and common law, (e) all rights to sue or recover and retain damages and costs and attorneys' fees for past, present and future infringement or misappropriation of any of the foregoing, (f) any other proprietary or intellectual property rights now known or hereafter recognized in any jurisdiction, and (g) all rights in and to the master cell bank(s) and stability materials relating exclusively to the Compound or Products.

"**Inventory**" means all raw materials, finished Products and intermediates, and works in process thereof related to the Business, wherever located, whether in the possession of Sellers or Third Parties.

"**Know-How**" means any and all tangible, proprietary, confidential, research, technical and scientific information existing as of the effective date of this Agreement that is not in the public domain, including information relating to materials, discoveries, unpatented inventions, improvements, practices, methods, protocols, manufacturing techniques, operating manuals, databases, formulas, knowledge, trade secrets, technologies, processes, assays, sources, skills, experience, techniques, data and the results of experimentation and testing.

"**Knowledge**" means, with respect to Novartis, the actual knowledge after reasonable inquiry of employees of Novartis responsible for the relevant matter, and with respect to Buyer, the actual knowledge after reasonable inquiry of the founders of Buyer.

"**Liability**" means all debts, liabilities and obligations (including with respect to Taxes), whether accrued or fixed, absolute or contingent, matured or unmatured, determined, determinable or indeterminable, asserted or unasserted, known or unknown, including those arising under any Applicable Laws or Proceeding and those arising under any Contract.

"**Law**" means any federal, state, provincial, local, international or multinational law, statute, standard, ordinance, code, rule, regulation, resolution or promulgation, or any order, writ, judgment, injunction, decree, stipulation, ruling, determination or award entered by or with any Governmental Authority, or any license, franchise, permit or similar right granted under any of the foregoing, or any similar provision having the force or effect of law.

"**Loss of Market Exclusivity**" means, with respect to any Product in any country, the following has occurred: (i) the sale of such Product in such country is not covered by a Valid Claim of any Patent owned or controlled by Buyer, its assignees or their respective Affiliates, (ii) such Product is not subject to regulatory, data or marketing exclusivity (or similar period of exclusivity granted by any Governmental Authority) under Applicable Law, and (iii) the Net Sales of such Product in that country in any calendar year are less than [***] as compared with the Net Sales of such Product in that country in the calendar year immediately preceding the marketing or sale of the first Generic Equivalent of such Product.

"**MAA**" means an application for the authorization to market any Product in any country or group of countries outside the United States, as defined in the applicable laws and regulations and filed with the Governmental Authority of a given country or group of countries.

"**Manufacture**" means activities related to the manufacture, formulation and packaging of the Compound or any Product, including related quality control and quality assurance activities.

"**Material Adverse Effect**" means any change, circumstance or effect that, individually or in the aggregate, would or would reasonably be expected to (i) have a materially adverse effect on the Purchased Assets taken as a whole, including the value thereof, or on Buyer's ability to receive and develop the Purchased Assets free and clear of any Liens (other than Permitted Liens) pursuant hereto or (ii) prevent or materially delay consummation of the transactions contemplated hereby.

"**NDA**" means a New Drug Application in the United States for authorization to market any Product, as defined in the applicable laws and regulations and filed with the FDA.

"**Patents**" means national and multinational statutory invention registrations, patents and patent applications (including provisional applications), as well as all renewals, reissues, divisions, substitutions, continuations, continuations-in-part, extensions and reexaminations and all foreign counterparts thereof, registered or applied for in the United States and all other nations throughout the world.

"**Permits**" means all permits, licenses, franchises, approvals, authorizations, registrations, certificates, variances and similar rights obtained, or required to be obtained, from Governmental Authorities.

"**Person**" means an individual, corporation, partnership, limited liability company, association, trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"**Proceeding**" means any action, suit, litigation, mediation, arbitration, proceeding (including any civil, criminal, administrative, investigative or appellate proceeding and any informal proceeding), prosecution, contest, hearing, inquiry, inquest, audit, examination or investigation commenced, brought, conducted or heard by or before, or otherwise involving, any Governmental Authority or any arbitrator or arbitration panel.

"**Product**" means any pharmaceutical product containing the Compound (alone or with other active ingredients), in all forms, presentations, formulations and dosage forms. For clarification, Product will include any Combination Product.

"**Purchased IP**" means all Patents and Know-How Controlled by any of the Sellers that are exclusively related to the Compound or any Product, including, without limitation, the Patents set forth on Schedule 1.1(a).

"**Regulatory Filings and Approvals**" means, with respect to any pharmaceutical product in any jurisdiction, any and all regulatory applications, filings, approvals, and associated correspondence required to develop, manufacture, market, sell, and import such product in, or into, any jurisdiction, and all approvals from any regulatory authority necessary for the sale of such product in a given jurisdiction in accordance with all Applicable Laws.

"**Sales Related Payments Term**" means the period of ten (10) years following the First Commercial Sale of a Product.

"**Tax**" means any federal, state, local or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, social security, unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax, including any interest, penalty or addition thereto, imposed by any Governmental Authority (a "Taxing Authority") responsible for the imposition of any such tax (domestic or foreign).

"**Third Party**" means any Person other than Buyer, Novartis or their respective Affiliates.

"**Transaction Documents**" means this Agreement, the Subscription Agreement, the Morphosys Sublicense, the Bill of Sale, the Patent Assignment and any other agreements, certificates and instruments executed and delivered in connection with the transactions contemplated by this Agreement.

"**Valid Claim**" means a claim of an issued and unexpired patent, or a pending claim of a patent application that is being prosecuted, that has not been held unpatentable, invalid or unenforceable by a court or other Governmental Authority with no further right of appeal.

Section 6.2 Survival of Representations and Warranties and Covenants.

The representations and warranties of the Parties contained in this Agreement shall survive the Closing until the date that is eighteen (18) months after the Closing Date, provided, that the representations and warranties set forth in Sections 2.1, 2.2, 2.3 and Sections 3.1 and 3.2 shall survive indefinitely. The covenants and agreements of the Parties contained in this Agreement shall survive the Closing in accordance with their terms.

Section 6.3 Notices.

All notices, requests, demands and other communications which are required or may be given under this Agreement shall be in writing and shall be deemed to have been duly given when received if personally delivered; upon receipt if transmitted by email; the day after it is sent, if sent for next day delivery to a U.S. address by recognized overnight delivery service (e.g., Federal Express); and upon receipt, if sent by certified or registered mail, return receipt requested, as follows:

If to Buyer:
Mereo BioPharma 3 Limited
15 Stratton Street
London
W1J 8LQ
United Kingdom
Attention : [***]

With a copy (which shall not constitute notice) to:

Proskauer Rose LLP
Eleven Times Square
New York NY 10036
Attention: [***]

If to Seller:

Novartis Pharma AG
Lichtstrasse 35
CH-4002, Basel, Switzerland
Attention: Head – Business Development & Licensing

With a copy (which shall not constitute notice) to:

Novartis Pharma AG
Lichtstrasse 35
CH-4002, Basel, Switzerland
Attention: General Counsel

or to such other place and with such other copies as either party may designate as to itself by written notice to the others.

Section 6.4 Governing Law; Jurisdiction.

This Agreement will be governed by and construed in accordance with the laws of the State of New York, without regard to the conflict of law principles thereof. Each of the Parties irrevocably agrees that any Proceeding arising out of or relating to this Agreement brought by any other party or its successors or assigns shall be brought and determined in federal court (or, if such court does not have subject matter jurisdiction, state court) sitting in the City and County of New York, and each of the Parties hereby irrevocably submits to the exclusive jurisdiction of the aforesaid courts for itself and with respect to its property, generally and unconditionally, with regard to any such Proceeding arising out of or relating to this Agreement and the transactions contemplated hereby. Each of the Parties agrees not to commence any Action relating thereto except in the courts described above in the City and County of New York, other than Actions in any court of competent jurisdiction to enforce any judgment, decree or award rendered by any such court. Each of the Parties further agrees that notice as provided herein shall constitute sufficient service of process and the Parties further waive any argument that such service is insufficient. Each of the Parties hereby irrevocably and unconditionally waives, and agrees not to assert, by way of motion or as a defense, counterclaim or otherwise, in any action or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby, (a) any claim that it is not personally subject to the jurisdiction of the courts described herein for any reason, (b) that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise) or (c) that (i) the Action in any such court is brought in an inconvenient forum, (ii) the venue of such Action is improper or (iii) this Agreement, or the subject matter hereof, may not be enforced in or by such courts. The Parties acknowledge and agree that the transactions contemplated by this Agreement are not transactions pursuant to which Buyer shall have any obligations under the Transfer of Undertakings (Protection of Employment) Regulations 2006.

Section 6.5 Waiver of Jury Trial.

EACH OF THE PARTIES IRREVOCABLY AND UNCONDITIONALLY WAIVES THE RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT, THE TRANSACTION DOCUMENTS OR ANY OTHER AGREEMENTS CONTEMPLATED HEREBY OR THE CONTEMPLATED TRANSACTIONS AND FOR ANY COUNTERCLAIM THEREIN.

Section 6.6 Payments; Expenses.

For the avoidance of doubt, no payments shall become due and payable and neither Party will be obligated to reimburse the other Party for any costs incurred by the other Party under or in connection with this Agreement unless and until the Closing has occurred. Except as otherwise specified herein, all costs and expenses, including fees and disbursements of counsel, financial advisors and accountants, incurred in connection with this Agreement and the transactions contemplated hereby will be paid by the Party incurring such costs and expenses, whether or not the Closing will have occurred.

Section 6.7 Counterparts.

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

Section 6.8 Entire Agreement.

This Agreement, including the Schedules and Exhibits hereto and the documents referred to herein, embodies the entire agreement and understanding of the Parties hereto in respect of the subject matter contained herein. This Agreement supersedes all prior agreements and understandings (including any confidentiality agreements) between the Parties with respect to such subject matter.

Section 6.9 Amendment and Modification.

This Agreement may be amended or modified only by written agreement of the Parties hereto.

Section 6.10 Binding Effect; Benefits.

This Agreement shall inure to the benefit of and be binding upon the Parties hereto and their respective successors and assigns; nothing in this Agreement, express or implied, is intended to confer on any Person other than the Parties hereto and their respective successors and assigns any rights, remedies, obligations or liabilities under or by reason of this Agreement.

Section 6.11 Assignability.

This Agreement shall not be assignable by any Party hereto without the prior written consent of the other Party except that (i) either Party may assign its rights under this Agreement to any of such Party's Affiliates without the prior written consent of the other Party and (ii) Buyer may assign its rights under this Agreement to any Person acquiring all of the Products or Purchased Assets.

Section 6.12 Interpretation Provisions.

(a) The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement, and Article, Section, Schedule and Exhibit references are to this Agreement unless otherwise specified. The meaning of defined terms shall be equally applicable to the singular and plural forms of the defined terms. The term "or" is inclusive and not exclusive, unless its use is preceded by the word "either" or other words of similar import. The terms "include" and "including" are not limiting and mean "including without limitation." Use of a particular gender is for convenience only and is not intended to be a part of or to affect or restrict the meaning or interpretation of this Agreement.

(b) References to agreements and other documents shall be deemed to include all subsequent amendments and other modifications thereto.

(c) References to statutes shall include all regulations promulgated thereunder and references to statutes or regulations shall be construed as including all statutory and regulatory provisions consolidating, amending or replacing the statute or regulation.

(d) The captions and headings of this Agreement are for convenience of reference only and shall not affect the construction of this Agreement.

(e) The language used in this Agreement shall be deemed to be the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any party.

(f) The Schedules and Exhibits to this Agreement are a material part hereof and shall be treated as if fully incorporated into the body of this Agreement.

Section 6.13 Severability.

Whenever possible, each provision or portion of any provision of this Agreement shall be interpreted in such manner as to be effective and valid under Applicable Law, but if any provision or portion of any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any Applicable Law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of any other provision or portion of any provision in such jurisdiction.

Section 6.14 Specific Performance.

The Parties agree that irreparable damage would occur in the event any provision hereof were not performed in accordance with the terms hereof and that the Parties will be entitled to specific performance of the terms hereof, in addition to any other remedy at law or in equity without the necessity of demonstrating the inadequacy of monetary damages and without the posting of a bond.

Section 6.15 Disclaimer.

IT IS UNDERSTOOD, ACKNOWLEDGED AND AGREED THAT, EXCEPT AS SET FORTH HEREIN NOVARTIS MAKES NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS OF ANY KIND OR CHARACTER WITH RESPECT TO THE PURCHASED ASSETS OR ANY OTHER MATTER OR THING REGARDING THE PURCHASED ASSETS. BUYER ACKNOWLEDGES AND AGREES THAT UPON CLOSING SELLERS SHALL SELL AND CONVEY TO BUYER AND BUYER SHALL ACCEPT THE PURCHASED ASSETS "AS IS, WHERE IS, WITH ALL FAULTS", EXCEPT TO THE EXTENT EXPRESSLY PROVIDED OTHERWISE IN THIS AGREEMENT. BUYER HAS NOT RELIED AND WILL NOT RELY ON, AND NOVARTIS IS NOT LIABLE FOR OR BOUND BY, ANY EXPRESS OR IMPLIED WARRANTIES, GUARANTIES, REPRESENTATIONS OR INFORMATION PERTAINING TO THE PURCHASED ASSETS MADE OR FURNISHED BY SELLER, ITS AFFILIATES OR ANY AGENT REPRESENTING OR PURPORTING TO REPRESENT SELLER, TO WHOMEVER MADE OR GIVEN, DIRECTLY OR INDIRECTLY, ORALLY OR IN WRITING, UNLESS SPECIFICALLY SET FORTH IN THIS AGREEMENT, THE NOVARTIS DISCLOSURE SCHEDULE, THE TRANSACTION DOCUMENTS OR ANY ANCILLARY AGREEMENT. WITHOUT IN ANY WAY LIMITING THE FOREGOING, NOVARTIS HEREBY DISCLAIMS ANY WARRANTY, EXPRESS OR IMPLIED, OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE AS TO ANY PORTION OF THE PURCHASED ASSETS. BUYER REPRESENTS TO NOVARTIS THAT BUYER HAS CONDUCTED, OR WILL CONDUCT PRIOR TO CLOSING, SUCH INVESTIGATIONS OF THE PURCHASED ASSETS AS BUYER DEEMS NECESSARY AND WILL RELY SOLELY UPON SAME AND NOT UPON ANY INFORMATION PROVIDED BY OR ON BEHALF OF NOVARTIS OR ITS AGENTS OR EMPLOYEES WITH RESPECT THERETO, OTHER THAN SUCH REPRESENTATIONS, WARRANTIES AND COVENANTS OF NOVARTIS AS ARE EXPRESSLY SET FORTH IN THIS AGREEMENT.

Section 6.16 Obligations of Party's Affiliates.

Each Party shall cause its controlled Affiliates that are entities to perform any obligations of such Party and its Affiliates that are entities in connection with the Purchased Assets and the consummation of the transactions contemplated by this Agreement.

[*Signature page follows*]

IN WITNESS WHEREOF, the Parties hereto have duly executed this Agreement as of the date first above written.

Seller:

NOVARTIS PHARMA AG

By: /s/ Matt Owens
Name: Matt Owens
Title: Global Head Legal Strategic Partnerships & Digital Medicine

By: /s/ Efthymis Lioulias
Name: Efthymis Lioulias
Title: Senior Legal Counsel

Buyer:

MEREO BIOPHARMA 3 LIMITED

By: /s/ Denise Scots-Knight
Name: Denise Scots-Knight
Title: Chief Executive Officer

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SCHEDULE 1.1(a)

PURCHASED IP

[See attached]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

Note: Highlighted rows indicate patent is abandoned

SCHEDULE 1.1(b)

ASSUMED CONTRACTS

[***]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SCHEDULE 1.1(c)

REGULATORY FILINGS AND APPROVALS

[***]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SCHEDULE 1.1(e)

PURCHASED INVENTORY

PROJECT: BPS804

[***]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SCHEDULE 1.7(f)

NOVARTIS DISCLOSURE SCHEDULE

[***]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SCHEDULE 1.7(g)

CONSENTS

[***]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXHIBIT A

MORPHOSYS SUBLICENSE

[Intentionally Omitted -please refer to the fully executed version of the Morphosys Sublicense, which has been filed as Exhibit 10.20 to the F-1.]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXHIBIT B

SUBSCRIPTION AGREEMENT

[See attached]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

Subscription Agreement

relating to ordinary shares to be allotted by Mereo BioPharma Group Limited

Dated July 2015

(1) Institutional Investors
(2) Mereo Founders
(3) Company

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

DATE July 2015

PARTIES

(1) THE PERSONS whose names and addresses are set out in Schedule 1 (the "Institutional Investors");

(2) THE PERSONS named in rows 1 to 9 (inclusive) of Schedule 2 (the "**Mereo** Founders") and

(3) Mereo BioPharma Group Limited a company registered in England and Wales (company number 9481161) whose registered office is at Green Park House, 15 Stratton Street, London, W1J 8LQ ("**the Company**").

INTRODUCTION

(A) The Mereo Newcos, each a wholly owned subsidiary of the Company, intend to enter into agreements to be dated on or around the date of this Agreement to acquire a portfolio of assets from Novartis Pharma AG in accordance with the terms of the Novartis Asset Sale Agreements.

(B) Each of the Investors are to subscribe for their respective Ordinary Shares in cash, save for Novartis which will receive its Ordinary Shares as consideration for the assignment to the Company of the benefit of certain loan notes issued to Novartis by the Mereo Newcos in exchange for the sale of the Novartis Assets pursuant to the Novartis Asset Sale Agreements.

(C) Immediately following Completion, the share capital of the Company shall be held as set out in column 2 of Schedule 2 of this Agreement.

OPERATIVE PROVISIONS

1. DEFINITIONS AND INTERPRETATION

1.1 In this Agreement the words and expressions set out below shall have the following meanings:

Agreement	this agreement, including the Schedules to this agreement
Authorisation	means (a) an approval, authorisation, consent, declaration, exemption, permit, licence, notarisation or waiver, however it is described, and including any condition attached to it; and

	(b) in relation to anything that could be prohibited or restricted by law if a Government Agency acts in any way within a specified period, the expiry of that period without that action being taken
Business Day	a day, except a Saturday or Sunday, on which banks in the City of London are generally open for business
Business Plan	the initial business plan which is attached to this Agreement as Annex A and as may be updated from time to time
Call Notice	As defined in clause 2.11
Call Option	as defined at clause 2.11
Call Option Price	means in respect of each Founder, the price specified in column 3 of Schedule 6, being the nominal value of such shares
Call Option Shares	means such number of the Ordinary Shares held by each Founder as is specified at column 2 of Schedule 6
Company's Solicitors	Proskauer Rose (UK) LLP of 110 Bishopsgate, London, EC2N 4AY
Completion	completion by the parties of their respective obligations in accordance with clause 5 upon satisfaction of the Conditions
Commitment	in respect of each Investor, the amount set out against its name in column 2 of Part A of Schedule 1
Conditions	as defined in clause 4
Confidential Information	all information which relates to: (a) the Group; (b) any aspect of the business of the Group operated by any of the subsidiaries of the Company; (c) the provisions and subject matter of this Agreement; and

	(d) the negotiations relating to this Agreement
Controlling Stake	more than 50 per cent in number of the issued shares
Dilutive Event	any action taken by the Company having the effect that, immediately following such Dilutive Event and but for the operation of clause 7.1 of this Agreement, the shares held by Novartis in the Company would represent less than 19.5% of the total economic and voting rights in the Company, including but not limited to: any issue of shares in the equity share capital of the Company or the exercise of any right to subscribe for or convert any security into, such shares, whether for cash or by way of dividend, distribution or capitalisation of profits or reserves (including share premium account and any capital redemption reserve); or any amalgamation or merger of the Company into or with another entity
Drawdown Notice	as defined in clause 2.8
Employment Agreements	the agreed form employment agreements between the Company and each of Denise Pollard-Knight, Charles Sermon, Richard Bungay and Alastair MacKinnon
Exit	any of the following: (a) the obtaining of a Listing; (b) the completion of a Sale; or (c) completion of a liquidation, winding up or dissolution of the Company
Fully Diluted	the aggregate, from time to time, of all shares issued in the equity share capital of the Company, and all such shares capable of being issued by the Company pursuant to all outstanding rights to subscribe for, or convert any security into, any shares in the equity share capital of the Company as if those outstanding rights had been exercised in full, but excluding the Options

Full Title Guarantee	means with the benefit of the implied covenants set out in Part 1 of the Law of Property (Miscellaneous Provisions) Act 1994 when a disposition is expressed to be made with full title guarantee
Further Subscription	a subscription for Ordinary Shares pursuant to clause 2.7
Government Agency	a government or governmental, semigovernmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity whether foreign, federal, state, territorial or local
Group	the Company and its subsidiary undertakings from time to time and "Group Company" shall be interpreted accordingly
Initial Price	£1.84 per Ordinary Share
Invesco	Invesco Asset Management Limited acting as agent for and on behalf of the Invesco Fund
Invesco Fund	the Invesco Perpetual High Income Fund and with all shares held in the name of its nominee
Invesco Permitted Transferee	means: Where the relevant Shareholder is an Investment Manager or a nominee of an Investment Manager: (a) any participant or partner in or member of any Investment Fund in respect of which the shares to be transferred are held (but only in connection with the dissolution of such Investment Fund or any distribution of assets of the Investment Fund pursuant to the operation of the Investment Fund in the ordinary course); or

(b) any Investment Fund whose business is managed by the Investment Manager who is or whose nominee is the transferor; or

(c) any other Investment Manager who manages the business of the Investment Fund in respect of which the shares are held; or

(d) any nominee or custodian of (a) to (c); or

(e) any mandate controlled by or managed by or advised by an Investment Manager.

Where the relevant Shareholder is an Investment Fund or nominee of an Investment Fund to:

(a) any partner in or member of the Investment Fund which is or whose nominee is the transferor (but only in connection with the dissolution of such Investment Fund or any distribution of assets of the Investment Fund pursuant to the operation of the Investment Fund in the ordinary course); or

(b) any other Investment Fund whose business is managed by the same Investment Manager as manages the Investment Fund which is or whose nominee is the transferor or another Investment Manager in the Invesco group of companies; or

(c) the Investment Manager who manages the business of the Investment Fund which is or whose nominee is the transferor; or

(d) any nominee or custodian of (a) to (c);

(e) any mandate controlled by or managed by or advised by an Investment Manager

Investment Fund	any person (including a company), fund, partnership, investment syndicate or other entity holding shares (including any beneficial interest in shares) in the Company for investment purposes and not being an Employee (as defined in the New Articles) or Permitted Transferee (as defined in the New Articles) of an Employee
Investment Manager	means an organisation whose principal business is to make or advise upon investments
Investors	each of (1) the Institutional Investors and (2) the Mereo Founders
Investor Counsel Fees	means an aggregate amount of £100,000 to be deducted by Invesco, Woodford and WEIF from their respective subscription fees in accordance with clause 14.2
Listing	means the admission of all or any of the shares of the Company or securities representing those shares (including without limitation depositary interests, American depositary receipts, American depositary shares and/or other instruments) on NASDAQ or on the Official List of the United Kingdom Listing Authority or on the AIM Market operated by the London Stock Exchange Plc or any other recognised investment exchange (as defined in section 285 of the Financial Services and Markets Act 2000)
Long Stop Date	10 Business Days following the date of this Agreement
Mereo Newcos	Mereo BioPharma 1 Limited (company number 0946998), Mereo BioPharma 2 Limited (company number 09647035) and Mereo BioPharma 3 Limited (company number 09647034) whose registered offices are at Green Park House, 15 Stratton Street, London, W1J 8LQ

New Articles	the articles of association to be adopted by the Company at Completion (in the agreed form) and as may be amended from time to time
Novartis	Novartis Pharma AG, Lichtstrasse 35, CH-4002, Basel, Switzerland
Novartis Assets	the intellectual property and other assets held by Novartis immediately prior to Completion which are being acquired by the Mereo Newcos pursuant to the terms of the Novartis Asset Sale Agreements
Novartis Asset Sale Agreements	the three asset sale agreements and licence agreement to be entered into between Novartis and each of the Mereo Newcos on or around the date of this Agreement in relation to the sale and licence of the Novartis Assets
Ordinary Shares	ordinary shares of £0.001 each in the capital of the Company
Options	options to acquire Ordinary Shares pursuant to an employee share option scheme
Payment Instructions Agreement	the payment instructions agreement between, amongst others, certain investors and the Company's Solicitors to be entered into on or about the date hereof, in the agreed form
Project Berkeley Data Room	the online data room providing information on the Group and the Novartis Assets and made available to the Institutional Investors
Pro Rata Portion	means in respect of Invesco, the lower of (i) the proportion which the aggregate number of Ordinary Shares held by the Invesco Fund and any Invesco Permitted Transferee bears to the total aggregate number of Ordinary Shares held by the Invesco Fund, any Invesco Permitted Transferee, Woodford and WEIF; or (ii) unless Invesco has nominated an alternative fund managed by Invesco to take up all or part of its Pro Rata Portion pursuant to clause 2.17, such number of Ordinary Shares as would result in the Invesco Fund holding, when aggregated with the Ordinary Shares already held by the Invesco Fund, not more than 19.5% of the then issued voting share capital in the Company; and in respect

	of Woodford, the proportion which the aggregate number of Ordinary Shares held by Woodford bears to the total aggregate number of Ordinary Shares held by the Invesco Fund, any Invesco Permitted Transferee, Woodford and WEIF; and in respect of WEIF, the proportion which the aggregate number of Ordinary Shares held by WEIF bears to the total aggregate number of Ordinary Shares held by the Invesco Fund, any Invesco Permitted Transferee, Woodford and WEIF, in each case on the date of the Call Option Notice.
Qualifying IPO	means an initial public offering of shares in the capital of the Company which results in gross proceeds to the Company of not less than £100,000,000 (excluding, for the avoidance of doubt, the Remaining Commitments) at a price per share representing an uplift to the post-Completion valuation of the Company of not less than 20%
Remaining Commitments	in respect of each Investor, the amount specified in column 5 of Part A of Schedule 1 subject to clause 2.9
Sale	(a) the disposal by the Company of all or substantially all of its undertaking and assets (where disposal may include, without limitation, the grant by the Company of an exclusive licence of intellectual property not entered into in the ordinary course of business); or (b) the sale of (or the grant of a right to acquire or to dispose of) any of the shares in the capital of the Company (in one transaction or as a series of transactions) which will result in the purchaser of those shares (or grantee of that right) and persons acting in concert with him together acquiring a Controlling Stake in the Company, except where following completion of the sale the shareholders and the proportion of shares held by each of them are the same as the shareholders and their shareholdings in the Company immediately prior to the sale

Target Group	the Company and each of the Mereo Newcos, and "**Group Company**" shall mean each of them
Transaction Agreements	this Agreement and the New Articles
Warranties	the warranties given pursuant to clause 6
WEIF	CF Woodford Equity Income Fund, acting by its agent Woodford Investment Management LLP, whose details are set out at Schedule 1
Woodford	Woodford Patient Capital Trust plc, acting by its agent Woodford Investment Management LLP, whose details are set out at Schedule 1

1.2 Words and expressions which are defined in the Companies Act 2006 shall have the meanings attributed to them in that Act when used in this Agreement unless otherwise defined.

2. CAPITAL COMMITMENTS AND SUBSCRIPTIONS FOR ORDINARY SHARES

Commitments

2.1 Each Investor may be required to contribute cash to the Company from time to time in accordance with this clause 2, up to an aggregate amount equal to that Investor's Commitment. No Investor shall be entitled to interest on its Commitment.

Loan note exchange

2.2 Novartis shall transfer to the Company on Completion the number of loan notes issued by the Mereo Newcos set opposite its name in column 2 of Part B of Schedule 1 of this Agreement (being all of the loan notes held by Novartis) in consideration of the issue by the Company to Novartis of the Ordinary Shares to be issued to Novartis pursuant to clause 2.3(b) and clause 7, below.

Subscription and issue of shares

2.3 On Completion:

(a) the Institutional Investors (as set out in Schedule 1) other than Novartis shall subscribe in cash for and shall be issued the number of Ordinary Shares set opposite their name in column 3 of Part A of Schedule 1 for the price specified in column 4 of Part A of Schedule 1; and

(b) the Company shall issue to Novartis of the number of Ordinary Shares set opposite its name in column 3 of Part B of Schedule 1.

2.4 Following Completion, the share capital of the Company shall be as set out in Schedule 2.

2.5 The parties hereby agree that full payment of the subscription monies for the respective Institutional Investors' Ordinary Shares set out in clause 2.3(a) upon Completion shall be satisfied out of the monies that are or are to be, held by the Company's Solicitors to the order of the Institutional Investors, pursuant to the Payment Instructions Agreement.

2.6 Upon entry into this Agreement the Company shall hold a board meeting at which the applications for Ordinary Shares set out in Schedule 1 to this Agreement shall be approved with such Ordinary Shares to be allotted and issued to the Institutional Investors by the Company subject only to Completion, with the relevant names to be entered into the Company's register of members upon Completion.

2.7 Simultaneously with and upon entry into this Agreement, each of the parties who are a party to the Payment Instructions Agreement shall execute and deliver the Payment Instructions Agreement.

Drawdown of Remaining Commitment

2.8 Immediately prior to a Listing, or, if earlier, on 31 March 2016 and at any time after that date but before 1 June 2016, the board of directors of the Company may cause the Company to issue a notice ("**Drawdown Notice**") to each Investor, requiring that such Investor subscribe for additional Ordinary Shares at the Initial Price per Ordinary Share, up to an amount equal to such Investor's Remaining Commitment (subject to clause 2.9 below). Each such Investor shall contribute the required amount in immediately available cash funds within five (5) Business Days after receipt of such notice. Woodford may transfer all or part of its obligation under this clause to WEIF and vice versa.

2.9 The amount that the Invesco Fund may be required to subscribe for additional Ordinary Shares pursuant to clause 2.8 shall not exceed the lower of (i) its Remaining Commitment; and (ii) such amount as would result in the Invesco Fund holding, immediately following completion of the Further Subscriptions of each Investor, not more than 19.5% of the then issued voting share capital in the Company.

2.10 The Invesco Fund's participation in any Further Subscriptions is conditional upon (i) the Company's continuing compliance with this Agreement and the New Articles; and (ii) such participation not resulting in a contravention of any applicable laws, regulations or other legal requirements of whatever nature.

Call Option

2.11 At any time on or after 31 March 2016, but prior to a Listing Woodford, WEIF and Invesco shall be entitled ("**Call Option**") to issue to all (but not some only) of the Founders a notice ("**Call Notice**") requiring such Founder to transfer to the Invesco Fund and Woodford his or her Call Option Shares in consideration of payment to him or her of the Call Option Price.

2.12 The Call Option is exercised on the date on which the Call Notice is issued, and the sale and purchase of the Call Option Shares shall take place on the date which is ten (10) Business Days after the exercise of the Call Option, on which date:

(a) each Founder shall deliver

(i) to Woodford a duly executed stock transfer form in favour of Woodford in respect of its Pro Rata Portion of the Call Option Shares;

(ii) to WEIF a duly executed stock transfer form in favour of WEIF in respect of its Pro Rata Portion of the Call Option Shares;

(iii) to Invesco (or its nominee) a duly executed stock transfer form in favour of the Invesco Fund in respect of its Pro Rata Portion of the Call Option Shares; and

(iv) to the Company share certificates evidencing his or her ownership of the Call Option Shares set out opposite his or her name at Schedule 6, for cancellation; and

(b) each of Woodford and Invesco shall pay to each of the Founders in cash or immediately available funds its Pro Rata Portion the Call Option Price.

2.13 A Call Notice may not be issued to any Founder pursuant to clause 2.11 unless the Institutional Investor issuing such Call Notice also issues a Call Notice to each of the other Founders at the same time and requires each Founder to transfer an equal percentage portion of their Call Option Shares.

2.14 The Call Option Shares shall be sold by each Founder with Full Title Guarantee and free from all Encumbrances and together with all rights attaching to them on the date of such transfer.

2.15 If Invesco, Woodford and WEIF do not issue a Call Option Notice within 30 Business Days of becoming entitled to do so, the Call Option shall automatically lapse and cease to be exercisable.

2.16 Woodford shall be entitled to specify in the Call Option Notice that some or all of its Pro Rata Portion of a Founder's Call Option Shares be transferred to WEIF, and vice versa. In such case clause 2.12(a)(i) and clause 2.12(b) shall be deemed to be amended accordingly.

2.17 Invesco shall be entitled to specify in the Call Option Notice that some or all of the Invesco Fund's Pro Rata Portion of a Founder's Call Option Shares be transferred to an alternative fund managed by Invesco that is not the Invesco Fund. In such case clause 2.12(a)(ii) and clause 2.12(b) shall be deemed to be amended accordingly.

Non-Qualifying IPO

2.18 In the event of any Listing which is not a Qualifying IPO, the parties shall discuss and agree in good faith an adjustment to the number of Ordinary Shares held by the Founders.

3. OPTIONS

3.1 The parties acknowledge and agree that an option pool representing no more than fifteen per cent. (15%) of the diluted share capital of the Company following the issues of shares contemplated by this Agreement shall be available following Completion for the purposes of incentivising current and future employees of the Company and its group of companies (the "**Option Pool**"). The Option Pool represents the only shares that may comprise an Employee Issue under the New Articles.

3.2 Following Completion, the Company intends to issue the Options as set out in column 5 of Schedule 2 of this Agreement.

4. CONDITIONS PRECEDENT

4.1 The obligations of the Company and the Institutional Investors to be performed at Completion under this Agreement are conditional upon:

(a) each of the conditions to the Novartis Asset Sale Agreements, other than the condition set out at clause 1.9(b)(viii) of each of the Novartis Asset Sale Agreements, having been duly satisfied or waived in accordance with the terms of such agreement;

(b) the Company having received subscription agreements from investors which taken together total aggregate subscriptions to be received on behalf of the Company on Completion of not less than £20,000,000 less the Investor Counsel Fees (the "**Conditions**").

5. COMPLETION

5.1 Subject to the provisions of this Agreement, Completion shall occur at the time and place specified in the Novartis Asset Sale Agreements and simultaneously with completion under the Novartis Asset Sale Agreements.

5.2 On Completion the Company shall:

(a) adopt the New Articles of the Company;

(b) enter into the Employment Agreements as agreed between the Company and the relevant employees;

(c) deliver to each of the Institutional Investors certificates for the Ordinary Shares as set out in clause 2.1; and

(d) enter each of the Institutional Investors into the Company's register of members in respect of the Ordinary Shares set opposite its name in column 3 of Part A of Schedule 1.

5.3 It is acknowledged and agreed that, immediately following Completion:

(a) the board of directors of the Company shall be comprised of Denise Pollard- Knight (chief executive officer), Peter Fellner (chairman), Frank Armstrong, Anders Ekblom, Peter Bains and Kunal Kashyap;

(b) in addition to any right to appoint a director under the New Articles, each of Invesco, Novartis and Woodford shall be entitled to nominate one person to act as an observer of board meetings in accordance with the New Articles;

(c) Charles Sermon shall be the company secretary; and

(d) each of Woodford and Invesco will be entitled to nominate one person to act as a director of the Company, in accordance with and subject to the New Articles.

6. WARRANTIES

6.1 Each Investor warrants to each other party as of the date of this Agreement that:

(a) if it is a company, it is a company limited by shares duly incorporated and validly existing under the laws of the place of its incorporation;

(b) it has full legal capacity and power to:

(i) own its property and to carry on its business; and

(ii) enter into the Transaction Agreements and to perform its obligations under the Transaction Agreements;

(c) if it is a company, it has taken all corporate action that is necessary to authorise its entry into the Transaction Agreements and the performance of its obligations under the Transaction Agreements;

(d) this Agreement constitutes, and will, when executed, constitute legal, valid and binding obligations, enforceable against it in accordance with its terms;

(e) it holds each Authorisation that is necessary to:

(i) enable it properly to execute the Transaction Agreements and to perform its obligations under the Transaction Agreements;

(ii) ensure that the Transaction Agreements are legal, valid, binding and admissible in evidence; and

(iii) enable it to carry on its business, and it is complying in all material respects with any conditions to which any of these Authorisations is subject;

(f) neither its execution of the Transaction Agreements, nor the performance of its obligations under the Transaction Agreements, contravenes:

(i) any law to which it or any of its property is subject or any order of any Government Agency that is binding on it or any of its property;

(ii) any Authorisation;

(iii) any undertaking or instrument binding on it or any of its property; or

(iv) its constitutional documents or equivalent; and

(g) the Investors represent that they each fall within one of the following categories of person:

(i) an investment professional as defined in article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**"), namely persons authorised under the Financial Services and Markets Act 2000 ("**FSMA**"); persons whose ordinary activities involve them investing in unlisted companies; governments; local authorities or international organisations; or a director, officer or employee acting for such persons in relation to engaging in investment activity; or

(ii) a person falling within any categories of persons described in paragraphs (2)(a) to (d) of article 49(2) ("high net worth companies, unincorporated associations etc") of the Order, namely bodies corporate with called up share capital or net assets of not less than £5 million (except where the body corporate has more than 20 members in which case the share capital or net assets should be not less than £500,000); unincorporated associations or partnerships with net assets of not less than £5 million; trustees of high value trusts; or a director, officer or employee acting for such persons in relation to engaging in investment activity.

6.2 The Company and each of the Mereo Founders warrants to the Institutional Investors that, as at the date of this Agreement:

(a) the information on the Group Companies contained in Schedule 4 to this Agreement is true, complete and accurate in all respects;

(b) the Company owns, and will immediately following Completion own, the full legal and beneficial title in the entire issued share capital of the Mereo Newcos free from all claims, liens, encumbrances, equities and third party rights;

(c) the Company has no interest in the share capital of any body corporate other than the Mereo Newcos;

(d) each Group Company is private company limited by shares and is and has since its incorporation been, resident in the United Kingdom for United Kingdom tax purposes;

(e) no Group Company has ever traded or has, or has acquired or disposed of any, any assets or liabilities (whether actual or contingent, present, future or otherwise), borrowed, made any loan or entered into any contract, or agreed to do any of the foregoing, other than:

(i) any obligations it has arising under the Novartis Asset Sale Agreements;

(ii) loan notes issued by each Mereo Newco to Novartis pursuant to the Novartis Asset Sale Agreements, which are transferred to the Company on Completion;

(iii) any liabilities arising under any employment or consultancy agreements or appointment letters entered into between the Company and any of the Mereo Founders or Richard Bungay, copies of which have been disclosed to the Institutional Investors; and

(iv) those disclosed in Schedule 3 to this Agreement or in the Project Berkeley Data Room;

(f) it has disclosed to the Institutional Investors in Schedule 2 to this Agreement details of the Ordinary Shares issued to the Mereo Founders prior to the date of this Agreement, and each of the issued shares in each Group Company have been issued in proper legal form and are fully paid or credited as fully paid and immediately prior to Completion each of the issued shares in the Company will, save as disclosed in Schedule 2 , be legally and beneficially owned by the Mereo Founders and Peter Harper free from all claims, liens encumbrances, equities and third party rights;

(g) Ernst & Young LLP has provided the Company with a valuation in respect of the Ordinary Shares issued to the Mereo Founders prior to the date of this Agreement;

(h) save as expressly contemplated by this Agreement and under the Novartis Asset Sale Agreements, there is no debenture or loan capital or any agreement to create or issue any debenture or loan or share capital of any Group Company or any option to subscribe for or acquire or any agreement to put under option any debenture or loan or share capital of any Group Company and no person has the right (whether pursuant to conversion or otherwise) to call for the issue of any debenture or share or loan capital of any Group Company under any agreement or other arrangement presently in force;

(i) the Company has no indebtedness in the nature of borrowing or loan facilities including without limitation factoring or invoice discounting arrangements;

(j) save in respect of the loan notes issued by each of the Mereo Newcos which are to be transferred to the Company pursuant to clause 2.2 of this Agreement, no other Group Company has any indebtedness in the nature of borrowing or loan facilities including without limitation factoring or invoice discounting arrangements;

(k) no Group Company has or has ever had any or been a subsidiary or an associated company of another company, other than a Group Company or a member of a consortium for tax purposes and nor has it ever been the legal or beneficial owner of any share or loan capital of any company other than a Group Company;

(l) the register of members of each Group Company is correct and properly written up to date and there has been no notice of any proceedings to correct or rectify any such register;

(m) a true and complete copy of the articles of association of each Group Company is included in the Project Berkeley Data Room;

(n) no Group Company has any full or part time employees or workers;

(o) save as disclosed at Schedule 3 to this Agreement, no person is entitled to receive from the Company an introduction or finders brokerage or commission or similar fee in respect of the subscriptions or other transactions contemplated by this Agreement;

(p) each Group Company has materially complied with all its obligations under the Companies Act 2006 and with all other applicable laws, regulations and other legal requirements;

(q) no Group Company is a party, or has ever been a party and, so far as Company and each of the Mereo Founders is aware, no facts or circumstances exist, whereby any Group Company could become a party to any dispute or proceedings of whatever nature;

(r) no order has been made or resolution passed or petition presented for the winding up or other dissolution of the Company, no receiver or manager or administrator has been or can be appointed over any of its assets and the Company is not insolvent or unable to pay its debts. None of the Mereo Founders is aware of any facts which are likely to lead to any of the events or circumstances referred to in this paragraph; and

(s) no Group Company has declared or paid any dividends or effected any distribution (for tax purposes or otherwise) of or in respect of its assets or share capital.

6.3 Each of the Mereo Founders warrants to the Institutional Investors that as at the date of this Agreement:

(a) he is not subject to any restrictions by reason of any existing or former employment or any other capacity or agreement which could prevent his participation in the Company or the development of the activities of the Group Companies in the manner hereby contemplated;

(b) neither he nor any of his connected persons or associates or any of them has any interest, direct or indirect, in any agreement or arrangement to which any Group Company is party or in any business which has a close trading relationship with any Group Company or which competes in any way with or could reasonably be expected to become competitive in any way with the business of the Target Group;

(c) he is not party to any agreement or understanding or arrangement with any other person in connection with his investment in the Company or his liabilities hereunder or his employment or engagement by the Company or any other present or proposed member of the Group which has not been disclosed to the Institutional Investors; and

(d) he is not aware of any matter which constitutes a breach of the warranties given by Novartis under the Novartis Asset Sale Agreements.

6.4 That save for any transfer made under articles 50, 51 or 52 of the New Articles, or an Exit/IPO if earlier, the Mereo Founders undertake to the Institutional Investors not to transfer or otherwise dispose of any of their shares or any interest in such shares during the two year period immediately following Completion without the prior written consent of shareholders holding a majority of the voting rights in the Company.

6.5 Each of the Institutional Investors and the Company acknowledges that each of them has executed this Agreement and agreed to perform its obligations under this Agreement in reliance on the warranties that are made in this clause 6.

6.6 The Company will not and will procure that none of the relevant Group Companies will waive or amend any material condition to or term of any Novartis Asset Sale Agreement without the prior consent of Invesco and Woodford.

7. FURTHER NOVARTIS SHARE ISSUE

7.1 On the occurrence of any Dilutive Event after the date of this Agreement, the Company shall issue ("**Further Issue**") to Novartis, credited as fully paid such number of Ordinary Shares as is necessary to ensure that, having regard to the operation of articles 66.3 and 66.4 of the New Articles, immediately following such Further Issue, the shares held by Novartis in the Company represent no more than 19.5 % of the total economic and voting rights in the Company, subject to clause 7.3 below.

7.2 Each Investor, other than Novartis, acknowledges the Company's obligations pursuant to clause 7.1 above and:

(a) shall insofar as it is lawfully able by the exercise of its rights and powers as a shareholder of the Company, use all reasonable endeavours to procure that the Company shall take all actions reasonably necessary to comply with its obligations pursuant to clause 7.1 above;

(b) shall cause any director or officer of the Company who is, from time to time, appointed and/or maintained in office by such Investor, to use his powers as a director or officer of the Company by voting in favour of any resolution of the directors of the Company, to ensure that the Company shall comply with its obligations pursuant to clause 7.1 above, subject at all times to such director's or officer's statutory and fiduciary duties to the Company; and

(c) hereby waives any and all rights of pre-emption or other restriction in relation to any issue of shares to Novartis made pursuant to clause 7.1 above, whether arising by virtue of the Articles (as they may be amended from time to time), any agreement, law or otherwise.

7.3 The maximum aggregate number of Ordinary Shares that may be issued by the Company to Novartis on Completion and pursuant to clause 7.1 above shall in no event exceed 14,000,000 Ordinary Shares, provided only that the maximum aggregate number of Ordinary Shares (14,000,000) prescribed by this clause 7.3 shall be adjusted ("**Adjustment**") in the event of any subdivision, consolidation or reclassification of the Ordinary Shares, so that, after such Adjustment, the aggregate number of Ordinary Shares that may be issued pursuant to a Further Issue (or a series of Further Issues) carry as nearly as possible the same proportion of economic and voting rights in the Company as if the event giving rise to such Adjustment had not taken place.

8. INFORMATION RIGHTS

8.1 Each Investor who is entitled to appoint a Director under the New Articles, regardless of whether its exercises such right, shall be entitled to receive:

(a) at the same time as they are delivered to the Company's board of directors, copies of all board packs or documents and meeting agendas to be discussed or presented at any meeting of the Company's board of directors and copies of any other documents circulated to directors; and

(b) copies of minutes of meetings of the Company's board of directors as soon as practicable following the relevant meeting.

8.2 The Company covenants and undertakes to each Investor that it shall provide to each such Investor copies of all financial and other information relating to the business and affairs of the Target Group as such Investor may require, including:

(a) as soon as practicable, but in any event within forty-five (45) days after the end of each of the first three (3) quarters of each fiscal year of the Company, management accounts of the Target Group including the Group's profit and loss account and cash flow statement and performance against budget in respect of each financial quarter;

(b) the annual report and audited consolidated accounts of the Target Group in respect of each financial year;

(c) all documents sent to, and all resolutions passed by, any holders of shares or other securities in the Company, or to any of the Company's financial lenders;

(d) the final draft of any proposed public announcement;

(e) as soon as reasonably practicable following it being requested supply such information as is reasonably necessary to enable each Investor to prepare its tax or other returns and such other information as such Investor may reasonably request for the purpose of enabling it to comply with any reporting or compliance requirements imposed on such Investor by any statue rule, regulation or otherwise by any governmental agency or authority; and

(f) any information, to the extent not included in (a) to (d) above, to which a director appointed to the board of the Company would ordinarily be entitled to in the course of carrying out his duties as a director of the Company.

8.3 The Company will permit each Investor and its authorised representatives at such Investor's expense to visit and inspect the properties of the Company, including its corporate books and records, and to discuss the Company's business and finances with officers of the Company, in each case for any purpose reasonably related to such Investor's interest in the Company, during normal business hours following reasonable notice and as often as may be reasonably requested; provided that any such access provided shall not unduly interfere with the operations of the conduct of the business of the Company.

9. BUSINESS PLAN AND BUDGET

9.1 The Company and each of the Mereo Founders undertakes to each Institutional Investor to carry on, develop and expand the business of the Target Group in accordance with the Business Plan.

9.2 The Company shall provide to each Investor, not later than 30 days prior to the start of each financial year:

(a) a detailed budget and cash flow forecast for the Group in respect of that financial year; and

(b) an updated business plan for the Group, including updated medium and long term assumptions and projections.

10. ASSIGNMENT OF THIS AGREEMENT

10.1 No party shall:

(a) assign any of its rights under this Agreement;

(b) transfer any of its obligations under this Agreement;

(c) sub-contract or delegate any of its obligations under this Agreement; or

(d) charge or deal in any other manner with this Agreement or any of its rights or obligations,

provided that:

(e) Woodford may assign any of its rights under this Agreement to any person to whom it is entitled to transfer shares in the Company pursuant to article 48.1(b) of the Articles in connection with a transfer of shares in the Company to that person; and

(f) the Invesco Fund may assign any of its rights under this Agreement to any person to whom they are entitled to transfer shares in the Company pursuant to article 48.1(b) of the Articles in connection with a transfer of shares in the Company to that person and Invesco may exercise any of their respective rights under this Agreement for the benefit of any such person.

10.2 Any purported assignment, transfer, sub-contracting, delegation, charging or dealing in contravention of this clause shall be ineffective.

11. ANNOUNCEMENTS

11.1 Save as expressly provided for in the Novartis Asset Sale Agreements, the parties shall not make any public announcement or issue a press release or respond to any enquiry from the press or other media concerning or relating to the Novartis Asset Sale Agreements or this Agreement or their subject matter or any ancillary matter without the prior written approval of each of the Institutional Investors and Denise Pollard-Knight.

11.2 Notwithstanding any other provision in this Agreement, each party may, without the prior written approval of the other parties, make or permit to be made an announcement concerning or relating to this Agreement or its subject matter or any ancillary matter if and to the extent required by:

(a) law or regulation;

(b) any securities exchange on which such party's securities are listed or traded; or

(c) any regulatory or governmental or other authority with relevant powers to which a party is subject.

12. CONFIDENTIALITY

12.1 Each of the Institutional Investors and the Mereo Founders and, in respect of Confidential Information of the type referred to in paragraphs (c) and (d) of the definition of Confidential Information, the Company undertakes that it shall both for a period of three (3) years after the term of this Agreement preserve the confidentiality of the Confidential Information, and except to the extent otherwise expressly permitted by this Agreement, not directly or indirectly reveal, report, publish, disclose or transfer or use for its own or any other purposes such Confidential Information.

12.2 Notwithstanding any other provision in this Agreement, any party may disclose Confidential Information if and to the extent:

(a) required by law;

(b) required by any securities exchange on which such party's securities are listed or traded;

(c) required by any regulatory or governmental or other authority with relevant powers to which such party is subject;

(d) required to vest the full benefit of this Agreement in that party or to enforce any of the rights of that party in this Agreement;

(e) required by its professional advisers, officers or employees to provide their services (provided that the relevant disclosee undertakes, or is under a similar duty, to keep such Confidential Information (or other information which is to be treated as confidential) confidential);

(f) that information is in or has come into the public domain through no fault of that party; or

(g) each of the other parties have given prior written consent to the disclosure.

13. TERMINATION

13.1 Subject to clause 13.2, this Agreement shall terminate and be of no further force or effect upon:

(a) the Long Stop Date having occurred without Completion having occurred;

(b) an Exit; or

(c) the written agreement of all of the Investors.

13.2 On termination of this Agreement, clauses 11 (*Announcements*) and 12 (*Confidentiality*) shall survive and continue in full force and effect for a period of three (3) years following such date but all other rights and obligations of the parties shall cease immediately. Termination shall not affect the parties' accrued rights and obligations as at such termination.

14. COSTS AND EXPENSES

14.1 Subject to clause 13.2, each party shall bear its own costs and expenses in connection with this Agreement.

14.2 The Company shall on Completion make a contribution to the fees and expenses of each Institutional Investor up to a maximum of [***]. For the avoidance of doubt, prior to the transfer of funds to the Company's Solicitors pursuant to clause 2.5, Woodford and WEIF shall deduct an aggregate sum of [***] from their combined subscription monies; and Invesco shall deduct the sum of [***] from its subscription monies.

15. CUMULATIVE REMEDIES

The rights, powers, privileges and remedies conferred upon any of the Investors in this Agreement are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law.

16. WAIVER

16.1 A waiver of any right, power, privilege or remedy provided by this Agreement must be in writing and may be given subject to any conditions thought fit by the grantor. For the avoidance of doubt, any omission to exercise, or delay in exercising, any right, power, privilege or remedy provided by this Agreement shall not constitute a waiver of that or any other right, power, privilege or remedy.

16.2 A waiver of any right, power, privilege or remedy provided by this Agreement shall not constitute a waiver of any other breach or default by the other party and shall not constitute a continuing waiver of the right, power, privilege or remedy waived or a waiver of any other right, power, privilege or remedy.

16.3 Any single or partial exercise of any right, power, privilege or remedy arising under this Agreement shall not preclude or impair any other or further exercise of that or any other right, power, privilege or remedy.

17. ENTIRE AGREEMENT

17.1 This Agreement and the documents referred to or incorporated in it constitute the entire agreement between the parties relating to the subject matter of this Agreement and supersedes and extinguishes any prior drafts, agreements, undertakings, representations, warranties and arrangements of any nature, whether or not in writing, between the parties in relation to the subject matter of this Agreement.

17.2 Each of the parties acknowledges and agrees that it has not entered into this Agreement in reliance on any statement or representation of any person (whether a party to this Agreement or not) other than as expressly incorporated in this Agreement.

17.3 Nothing contained in this Agreement or in any other document referred to or incorporated in it shall be read or construed as excluding any liability or remedy for fraud.

No responsibility for decision to invest

17.4 Each of the Institutional Investors agrees that:

(a) they have not relied on or been induced to acquire any Ordinary Shares or enter into this Agreement by any representation, warranty or undertaking given by the Company, the Mereo Founders or any of their connected persons; and

(b) neither the Company, the Mereo Founders nor any of their connected persons will have any liability to any of them (in equity, contract or tort (including negligence), under the Misrepresentation Act 1967 or in any other way) for a representation, warranty or undertaking,

to the extent not incorporated into any of the Transaction Agreements.

18. AMENDMENTS

No amendment, change or addition to this Agreement shall be effective or binding on any party unless in writing and executed by all the parties.

19. NO PARTNERSHIP

Nothing in this Agreement is intended to or shall be construed as establishing or implying any partnership of any kind between the parties.

20. FURTHER ASSURANCE

20.1 Each of the parties shall, at its own cost, use all reasonable endeavours from time to time on or following Completion, on being required to do so by the Company (acting reasonably), to execute any additional documents in a form satisfactory to the Company and to do or procure that any other acts or things are done to give full effect to this Agreement and secure to the Investors and the Company the full benefit of the rights, powers, privileges and remedies conferred upon the Investors and the Company in this Agreement.

20.2 Each of the parties other than the Company (and the Company in relation to votes it controls at board or general meetings of other Group Companies) shall at all times exercise the votes that it controls at general meetings and/or board meetings to give effect to this Agreement.

21. RIGHTS OF THIRD PARTIES

21.1 This Agreement does not confer any rights on any person or party (other than the parties to this Agreement) pursuant to the Contracts (Rights of Third Parties) Act 1999.

22. SEVERAL LIABILITY

The Investors shall be severally liable for all representations, warranties, undertakings, covenants, agreements and obligations made, given or entered into by them in this Agreement.

23. COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which shall constitute an original, and all the counterparts shall together constitute one and the same agreement.

24. SERVICE OF PROCESS

Novartis shall at all times maintain an agent for service of process and any other documents in proceedings in England or any other proceedings in connection with this Agreement. Such agent shall be Novartis Pharmaceuticals UK Limited, currently of 200 Frimley Business Park Frimley/Camberley, Surrey GU16 7SR, United Kingdom and any claim form, judgment or other notice of legal process shall be sufficiently served on Novartis if delivered to the agent at its address for the time being. Novartis irrevocably undertakes not to revoke the authority of this agent and if, for any reason, the Company requests Novartis to do so it shall promptly appoint another agent with an address in England and advise the Company. If, following such a request, Novartis fails to appoint another agent; the Company shall be entitled to appoint one on behalf of Novartis at Novartis' expense.

25. NOTICES

25.1 Any communication to be given in connection with this Agreement shall be in writing (which shall include text transmitted by e-mail) in English and shall either be delivered by hand or sent by first class post or e-mail:

(a) to any company or partnership which is a party, at the address set out next to its name in Schedule 2 to this Agreement (or such other address as it may notify to the other parties to this Agreement for such purpose); and

(b) to any individual who is a party, at the address of that individual shown in Schedule 2 to this Agreement (or such other address as it may notify to the other parties to this Agreement for such purpose),

or in each such case such other address as the recipient may notify to the other parties for such purpose in accordance with clause 25.2.

25.2 A communication sent according to clause 25.1 shall be deemed to have been received:

(a) if delivered by hand, at the time of delivery;

(b) if sent by pre-paid first class post, on the second day after posting; or

(c) if sent by e-mail, at the time of transmission by the sender.

If, under the preceding provisions of this clause 25.2, a communication would otherwise be deemed to have been received outside normal business hours in the place of receipt, being 9:30 a.m. to 5:30p.m. on a Business Day, it shall be deemed to have been received at 9:30a.m. on the next Business Day.

25.3 A party may notify the other parties to this Agreement of a change to its name, relevant person, address or e-mail address for the purposes of clause 25.1 provided that such notification shall only be effective on:

(a) the date specified in the notification as the date on which the change is to take place; or

(b) if no date is specified or the date specified is less than five clear Business Days after the date on which notice is deemed to have been served, the date falling five clear Business Days after notice of any such change is deemed to have been given.

25.4 The provisions of clauses 25.1 to 25.4 shall not apply in relation to the service of any claim form, application notice, order, judgment or other document relating to or in connection with any proceeding, suit or action arising out of or in connection with this Agreement.

26. SEVERANCE

26.1 If any provision of this Agreement is held to be invalid or unenforceable by any judicial or other competent authority, all other provisions of this Agreement will remain in full force and effect and will not in any way be impaired.

26.2 If any provision of this Agreement is held to be invalid or unenforceable but would be valid or enforceable if some part of the provision were deleted, the provision In question will apply with the minimum modifications necessary to make it valid and enforceable.

27. CAPACITY OF INVESTORS

27.1 Each of the parties acknowledges and agrees that:

(a) Invesco is acting at all times as agent for and on behalf of the Invesco Fund;

(b) Invesco shall have no liability to acquire the Shares allocated to the Invesco Fund under this Agreement; and

(c) Invesco shall have no liability as principal in respect of the Invesco Fund's obligations under this Agreement, including, but not limited to, the obligation to purchase the Shares from the Company.

27.2 Woodford Investment Management LLP has entered into this agreement as agent of WPCT and WEIF and as such assumes no responsibility or liability whatsoever. Any consents or actions to be made or taken or any rights to be exercised by WPCT and WEIF hereunder shall be exercised by Woodford Investment Management LLP.

27.3 WPCT shall hold its shares through its nominee and will require the share certificate to be in the name of: Nortrust Nominees Limited a/c WIZ01. The WPCT share certificate shall be sent to: Northern Trust, 50 Bank Street, London E14 5NT for the attention of Jordan Hutchinson, UK Residual Settlements.

27.4 WEIF shall hold its shares through its nominee and will require the share certificate to be in the name of: Nortrust Nominees Limited a/c WIX01. The WEIF share certificate shall be sent to: Northern Trust, 50 Bank Street, London E14 5NT for the attention of Jordan Hutchinson, UK Residual Settlements.

28. INTERPRETATION

28.1 The clause and paragraph headings and the table of contents used in this Agreement are inserted for ease of reference only and shall not affect its interpretation.

28.2 References in this Agreement and the Schedules to the parties, the Introduction, Schedules and clauses are references respectively to the parties, the Introduction and Schedules to and clauses of this Agreement.

28.3 References to persons include bodies corporate, unincorporated associations and partnerships, in each case whether or not having a separate legal personality.

28.4 References to “writing” or “written” include any other non-transitory form of visible reproduction of words.

28.5 References to times of the day are to that time in London and references to a day are to a period of 24 hours running from midnight.

28.6 Except where the context specifically requires otherwise, words importing one gender shall be treated as importing any gender, words importing individuals shall be treated as importing corporations and vice versa, words importing the singular shall be treated as importing the plural and vice versa, and words importing the whole shall be treated as including a reference to any part of it.

28.7 References to any English legal term or legal concept shall in respect of any jurisdiction other than England be deemed to include that legal term or legal concept which most approximates in that jurisdiction to such English legal term or legal concept.

29. GOVERNING LAW AND JURISDICTION

29.1 This Agreement and any dispute or claim arising out of or in connection with it or its subject matter, whether of a contractual or non-contractual nature, shall be governed by and construed in accordance with the law of England and Wales. The parties irrevocably submit to the exclusive jurisdiction of the Courts of England for the purpose of settling any dispute arising out of or in connection with this Agreement.

30. DEED

This Agreement is executed as a deed by the parties and is delivered and takes effect on the date at the beginning of this Agreement.

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SCHEDULE 1

PART A: CASH SUBSCRIPTIONS FOR ORDINARY SHARES ON COMPLETION

(1) Name	(2) Commitment £	(3) Number of Ordinary Shares Issued on Completion	(4) Price paid for Ordinary Shares Issued on Completion £	(5) Remaining Commitment £
Invesco Perpetual High Income Fund	27,600,000	3,848,913	7,082,000	20,518,000
Woodford Patient Capital Trust plc (Nortrust Nominees Limited a/c WIZ01)	20,000,000	3,218,126	5,921,351	14,078,649
CF Woodford Equity Income Fund (Nortrust Nominees Limited a/c WIX01)	28,938,345	3,802,527	6,996,649	21,941,695

PART B: NOVARTIS SUBSCRIPTIONS FOR ORDINARY SHARES

(1) Name	(2) Loan Notes	(3) Number of Ordinary Shares Issued on Completion
Novartis Lichtstrasse 35, CH-4002, Basel, Switzerland	25,812,941	3,849,000

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SCHEDULE 2

POST-COMPLETION SHARE CAPITAL OF THE COMPANY[1]

	(1) Name and Address and Contact Details	(2) Number of Ordinary Shares	(3) Price paid for Ordinary Shares £ / shares	(4) Proportion of voting capital	(5) Number of options over Ordinary Shares
1.	[***]	1,050,000	1050	5.3%	580,597
2.	[***]	708,000	708	3.6%	290,298
3.	[***]	575,000	575	2.9%	290,298
4.	[***]	337,000	337	1.7%	290,298
5.	[***]	23,000	23	0.1%	58,060
6.	[***]	337,000	337	1.7%	81,284
7.	[***]	95,000	95	0.5%	81,284
8.	[***]	1,735,000	1735	8.8%	81,284
9.	[***]	125,000	125	0.6%	267,075
10.	[***]	15,000	15	0.1%	
11.	[***]				290,298
12.	[***]				580,597
13.	Other employees/directors				566,663
14.	Novartis Pharma AG Lichtstrasse 35, CH-4002 Basel Switzerland	3,849,000	Issued in consideration for retirement of loan notes in Mereo Newcos	19.5%	
15.	Invesco Perpetual High Income Fund Invesco Asset Management Limited (as agent for and on behalf of its discretionary managed client) at Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire RG9 1HH Email: [***] With copy to: Address: Jones Day, 21 Tudor Street, London EC4Y 0DJ Email: [***]	3,848,913	£ 7,082,000	19.5%	

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

16.	CF Woodford Equity Income Fund (Nortrust Nominees Limited a/c W1X01, Northern Trust, 50 Bank Street, London E14 5NT)	3,802,527	£ 6,996,649	19.3%	
17.	Woodford Patient Capital Trust plc (Nortrust Nominees Limited a/c WIZ01, Northern Trust, 50 Bank Street, London E14 5NT)	3,218,126	£ 5,921,351	16.3%	
18.	WG Partners One Carey Lane, London EC2V 8AE	21,730		0.1%	
	TOTAL	**19,740,296**	**£20,005,000**	**100.0%**	**3,458,036**

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SCHEDULE 3

LIABILITIES

Please note that the following liabilities of the Company exist:

1.1 fees of £[***] are payable and will become payable in respect of an [***] engagement letter dated 1 April 2015 appointing [***] as advisers to carry out work on share valuations agreed fees comprising a fund raising cost of £[***] will become payable on Completion in respect of a [***] engagement letter with the Company dated 30 June 2015 relating to the provision of financial advisory services in connection with a private placement for the Company, with additional fees of up to [***]% of the total of the Commitment set out in column 2 of Part A of Schedule 1 (payable on the draw down of such Commitment); fees of £[***] are payable in respect of advice received from [***] in respect of a review of employment contracts;

1.2 fees, costs and expenses costs incurred by [***] by or on behalf of the Company in connection with the preparation and negotiation of the Novartis Asset Sale Agreement of £[***] and the Transaction Agreements for the fund raising of £[***], and the transactions contemplated therein, are payable and will be payable by the Company; fees, costs and expenses costs incurred by the legal counsel of the Institutional Investors of £[***] for the fund raising will be payable by the Company;

1.3 certain pre-Completion expenses incurred on behalf of the Company by [***] including travel and subsistence and accommodation costs of £[***] and consultants fees for diligence activities of £[***] will become repayable;

1.4 consultancy payments of £[***] will become payable to [***], a director of the Company, relating to assistance with diligence activities and contractual advice prior to Completion;

1.5 a post transaction commitment of clinical trial start-up expenses of $[***] funded at risk by [***] prior to Completion will become repayable;

1.6 a post transaction commitment payment of $[***] will become due to Novartis representing the Company's [***]% share of a one-off payment to a third party to cancel certain future milestone and royalty obligations;

1.7 the Company has engaged [***] to provide design services for its website with an estimated cost of £[***];

1.8 the Company has engaged [***] pursuant to an engagement letter dated 23 June 2015 in respect of reviewing, negotiating and completing a new agreement for lease with an estimated cost of £[***] which shall be a post transaction commitment; and

1.9 the Company has engaged [***] pursuant to an engagement letter dated 12 March 2015 with an estimated total cost of £[***], although [***] fees in respect of the work carried out pursuant to the engagement letter have been paid to date by [***].

Total fund raising costs comprise up to £[***] and comprise [***] % of the Commitments.

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SCHEDULE 4

INFORMATION ON THE GROUP

THE COMPANY

1.	Date of incorporation:	10.03.2015
2.	Jurisdiction of incorporation:	United Kingdom
3.	Registered number:	09481161
4.	Directors:	Frank Armstrong Peter Bains Anders Ekblom Kunal Kashyap Denise Pollard-Knight
5.	Secretary:	Charles Sermon
6.	Registered office:	Green Park House, 15 Stratton Street London W1J 8LQ
7.	Accounting reference date:	31/12
8.	Charges outstanding:	None

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SCHEDULE 5

THE MEREO NEWCOS

A. Mereo BioPharma 1 Limited

1. Date of incorporation:	18.06.2015
2. Jurisdiction of incorporation:	United Kingdom
3. Registered number:	09646998
4. Issued Share Capital:	1 ordinary share of £1 fully paid or credited as fully paid
5. Shareholder:	The Company
6. Directors:	Denise Pollard-Knight Alastair Mackinnon Charles Sermon Richard Bungay
7. Registered office:	Green Park House, 15 Stratton Street London W1J 8LQ
8. Accounting reference date:	31/12
9. Charges outstanding:	None

B. Mereo BioPharma 2 Limited

1. Date of incorporation:	18.06.2015
2. Jurisdiction of incorporation:	United Kingdom
3. Registered number:	09647035
4. Issued Share Capital:	1 ordinary share of £1 fully paid or credited as fully paid
5. Shareholder:	The Company

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

6. Directors:	Denise Pollard-Knight Alastair Mackinnon Charles Sermon Richard Bungay
7. Registered office:	Green Park House, 15 Stratton Street London W1J 8LQ
8. Accounting reference date:	31/12
9. Charges outstanding:	None

C. Mereo BioPharma 3 Limited

1. Date of incorporation:	18.06.2015
2. Jurisdiction of incorporation:	United Kingdom
3. Registered number:	09647034
4. Issued Share Capital:	1 ordinary share of £1 fully paid or credited as fully paid
5. Shareholder:	The Company
6. Directors:	Denise Pollard-Knight Alastair Mackinnon Charles Sermon Richard Bungay
7. Registered office:	Green Park House, 15 Stratton Street London W1J 8LQ
8. Accounting reference date:	31/12
9. Charges outstanding:	None

SCHEDULE 6

Call option Shares

Founder	Call Option Shares	Call option Price £
[***]	617,404	617.00
[***]	550,488	550.00
[***]	447,077	447.00
[***]	262,026	262.00
[***]	17,883	18.00
[***]	262,026	262.00
[***]	73,865	74.00
[***]	51,282	51.00
[***]	711,795	712.00
[***]	6,154	6.00

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

Annex A

Company Presentation

[*attached separately*]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXECUTED as a Deed (but not delivered until dated) by **WOODFORD INVESTMENT MANAGEMENT LLP** as agent for and on behalf of **WOODFORD PATIENT CAPITAL TRUST PLC**, acting by:)
)
)
)
)

AUTHORISED SIGNATORY

Witness signature:

Witness name:

Witness address:

Witness occupation:

EXECUTED as a Deed (but not delivered until dated) by **WOODFORD INVESTMENT MANAGEMENT LLP** as agent for and on behalf of **CF WOODFORD Equity Income Fund**, a sub fund of CF Woodford Investment Fund acting by:)
)
)
)
)

AUTHORISED SIGNATORY

Witness signature:

Witness name:

Witness address:

Witness occupation:

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXECUTED as a Deed (but not delivered until dated) by **INVESCO ASSET MANAGEMENT LIMITED** acting as agent for and on behalf of its Discretionary managed client the **INVESCO PERPETUAL HIGH INCOME FUND**, acting by:	))))))) Director Witness

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

NOVARTIS PHARMA AG

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXECUTED as a Deed (but not delivered until dated) by **MEREO BIOPHARMA GROUP LIMITED, acting by**:	))))) Director Director

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXECUTED as a Deed (but not delivered until dated) by **DENISE POLLARD-KNIGHT**)
)
)

Denise Pollard-Knight

in the presence of:

Witness

Witness name:

Witness name:

Witness occupation:

EXECUTED as a Deed (but not delivered until dated) by **CHARLES SERMON**)
)
)

Charles Sermon

in the presence of:

Witness

Witness name:

Witness name:

Witness occupation:

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXECUTED as a Deed (but not delivered until dated) by **ALASTAIR MACKINNON**)
)
)

Alastair MacKinnon

in the presence of:

Witness

Witness name:

Witness name:

Witness occupation:

EXECUTED as a Deed (but not delivered until dated) by **JOHN RICHARD**)
)
)

John Richard

in the presence of:

Witness

Witness name:

Witness name:

Witness occupation:

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXECUTED as a Deed (but not delivered until dated) by **ENRIQUE MILLAN**)
)
)

Enrique Millan

in the presence of:

Witness

Witness name:

Witness name:

Witness occupation:

EXECUTED as a Deed (but not delivered until dated) by **FRANK ARMSTRONG**)
)
)

Frank Armstrong

in the presence of:

Witness

Witness name:

Witness name:

Witness occupation:

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXECUTED as a Deed (but not delivered until dated) on behalf of **NXT SCIENCE AB** by)
)
)
)

on behalf of NXT Science AB

in the presence of:

Witness

Witness name:

Witness name:

Witness occupation:

EXECUTED as a Deed (but not delivered until dated) by **KUNAL KASHYAP**)
)
)

Kunal Kashyap

in the presence of:

Witness

Witness name:

Witness name:

Witness occupation:

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXECUTED as a Deed (but not delivered until dated) by **PETER BAINS**)
)
)

Peter Bains

in the presence of:

Witness

Witness name:

Witness name:

Witness occupation:

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXHIBIT C

BILL OF SALE

[See attached]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

BPS804 BILL OF SALE AND ASSIGNMENT

This BPS804 BILL OF SALE AND ASSIGNMENT (this "**Bill of Sale and Assignment**"), dated July 29, 2015, by and between Mereo BioPharma 3 Limited, a private limited company incorporated in England and Wales ("**Buyer**"), and Novartis Pharma AG, a company organized under the laws of Switzerland ("**Seller**"). Capitalized terms used but not defined herein will have the meanings given to them in the BPS804 Asset Purchase Agreement, dated July 28, 2015 (the "**Agreement**"), by and between Buyer and Seller.

Section 1. Buyer and Seller are parties to the Agreement, providing for, among other things, the transfer of the Purchased Assets by Seller to Buyer. Notwithstanding the foregoing, the Purchased Assets transferred, assigned, conveyed and delivered under this Bill of Sale and Assignment shall not include the Excluded Assets.

Section 2. In consideration of the mutual obligations, releases and promises set forth in the Agreement, Seller by this Bill of Sale and Assignment does hereby convey, grant, bargain, transfer, assign, release and deliver to Buyer, and its successors and assigns, all the right, title and interest of Seller in and to the Purchased Assets free and clear of all Liens except Permitted Liens, as those terms are defined in the Agreement. Buyer assumes no liabilities or obligations of Seller involving the Purchased Assets which are related to the period prior to the date hereof, and any such liabilities or obligations shall remain the sole responsibility of Seller.

Section 3. Seller hereby appoints Buyer, and its successors and assigns, as Seller's true and lawful attorney, with full power or substitution, in Seller's name but on behalf and for the benefit of Buyer, and its successors and assigns, to demand and receive any and all of the Purchased Assets, to give receipts and releases for and in respect of the same and any part thereof, and from time to time to institute and prosecute in Seller's name or otherwise, for the benefit of Buyer, and its successors and assigns, any and all proceedings at law, in equity or otherwise, which Buyer, and its successors or assigns, may deem proper for the collection or reduction to possession of any of the Purchased Assets or for the collection and enforcement of any claim or right of any kind hereby conveyed, transferred and assigned, or intended so to be, and to do all acts relating to the Purchased Assets which Buyer, and its successors or assigns, will deem desirable. This power of attorney is coupled with an interest and is irrevocable.

Section 4. Seller hereby covenants that, from time to time after the delivery of this Bill of Sale and Assignment, at Buyer's request and without further consideration, Seller will do, execute, acknowledge and deliver, or will cause to be done, executed, acknowledged and delivered, all such further acts, deeds, conveyances, transfers, assignments, powers of attorney and assurances as reasonably may be requested by Buyer to more effectively convey, transfer to and vest in Buyer, and to put Buyer in possession of, any of the Purchased Assets.

Section 5. For the avoidance of doubt, this Bill of Sale and Assignment does hereby transfer, convey and assign to Buyer all worldwide right, title and interest in and to the Purchased IP, as defined in the Agreement, together with the goodwill symbolized thereby, including all rights to sue and recover for past infringement.

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

Section 6. Nothing in this Bill of Sale and Assignment, express or implied, is intended or shall be construed to expand or defeat, impair or limit in any way the rights, obligations, claims or remedies of the parties as set forth in the Agreement. In the event of any conflict or inconsistency between the terms of the Agreement and the terms hereof, the terms of the Asset Agreement shall govern.

Section 7. This Bill of Sale and Assignment is executed by, and will be binding upon, Seller and Buyer and their respective successors and assigns, effective immediately on the date hereof.

Section 8. This Bill of Sale and Assignment shall be governed by and construed in accordance with the Laws of the State of New York (excluding any principles of conflicts of laws that would cause the application of the laws of any other jurisdiction).

Section 9. This Bill of Sale and Assignment may be executed by facsimile or .PDF signature. This Bill of Sale and Assignment may be executed in any number of counterparts, all of which taken together shall constitute one and the same agreement and any of the parties hereto may execute this Bill of Sale and Assignment by signing any such counterpart. Any individual signing this Bill of Sale and Assignment represents and warrants that he or she has full authority to do so.

[Remainder of page intentionally left blank]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

IN WITNESS WHEREOF, this Bill of Sale and Assignment has been duly executed and delivered by the parties hereto as of the date and year first above written.

NOVARTIS PHARMA AG

By: _____
Name:
Title:

By: _____
Name:
Title:

MEREO BIOPHARMA 3 LIMITED

By: _____
Name:
Title:

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXHIBIT E

PATENT ASSIGNMENT

[See attached]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

BPS804 PATENT ASSIGNMENT

This BPS804 Patent Assignment ("Assignment") is executed and delivered as of July 29, 2015 by and between Novartis Pharma AG, a Swiss corporation with its principal place of business at Novartis Campus, CH-4056 Basel, Switzerland ("Assignor") and Mereo BioPharma 3 Limited, a limited liability company with its registered office at Green Park House, 15 Stratton Street, London, W1J8LQ, United Kingdom ("Assignee").

WHEREAS:

Assignor owns the entire right, title, and interest in and to each patent and patent application listed on Schedule 1 hereto, and the inventions described in and underlying such patents and patent applications (collectively, the "Patents");

Assignor and Assignee are parties to an agreement entitled BPS804 Asset Purchase Agreement dated July 28, 2015 ("Agreement"), pursuant to which Assignor has agreed, inter alia, to transfer certain assets; and

Pursuant to the Agreement and subject to the terms of this Assignment, the Assignor wishes to assign to the Assignee all right, title, interest in and to its rights in the Patents.

NOW IT IS HEREBY AGREED AS FOLLOWS:

1. CONSIDERATION

The good and valuable consideration given by or on behalf of the Assignee is the amount provided under the Agreement, the receipt and adequacy of which are hereby acknowledged by Assignor.

2. ASSIGNMENT

The Assignor hereby assigns, sells, conveys, transfers, and delivers to the Assignee, and the Assignee hereby purchases, accepts and acquires, all of the entire right, title and interest in and to the Patents, together with all rights, privileges, and advantages thereto, including, without limitation, the right to take, defend, or appeal proceedings and recover (and retain) damages, and obtain all other remedies in respect to past infringements thereof, and the right to file patent applications under the laws of the United States and any other country that claim priority from any patent application therein, wherever such right may be legally exercised, including the right to claim the benefits of the International Convention for such applications.

Assignor hereby authorizes and requests the United States Commissioner of Patents, and the Patent Office officials in foreign countries as are duly authorized by the respective foreign patent laws to issue patents, to issue any and all patents directed to the Patents to the Assignee as the owner thereof.

For the avoidance of doubt, the term "Patents" shall include all continuations, continuations-in-part, and divisionals of any United States patent application(s) or international patent application(s) designating the United States, any national stages of any international application(s), and any other patent application(s) claiming priority to any patent listed in Schedule 1, including further continuations, continuations-in-part, and divisionals such as, but not limited to, continuations of continuations and continuations of divisionals; all patents, utility models, or other grants that issue from any of the applications referred to herein and all rights and remedies associated therewith including the right to sue for and recover past damages and to recover under 35 U.S.C. § 154 (d) or any other law permitting remedies for infringement prior to issuance of the patent; all registrations and confirmations of, and importation certificates based upon, one or more of said patents, utility models, or other grants, and applications for such registrations, confirmations and importation certificates; and all reissues, renewals and extensions of said patents, utility models, registrations, confirmations and importation certificates, reexamination certificates issued for said patents and supplementary protection certificates based upon said patents and applications for such reissues, renewals, extensions, reexamination certificates and supplementary protection certificates, the same to be held and enjoyed by said Assignee to the full ends of the terms for which said patents, utility models, registrations, confirmations, importation certificates, reexamination certificates, supplementary protection certificates, reissues, renewals and extensions may be granted, as fully and entirely as the same would have been held and enjoyed by me/us if this sale, assignment and transfer had not been made.

3. FURTHER ASSURANCES

Assignor hereby agrees to execute all documents, assist in all proceedings and take any reasonable further steps that are reasonably necessary (at the sole cost and expense of Assignee) to effectuate the transfer of the Patents to Assignee, or the perfection, registration, or recordation of the rights of Assignee thereto, as may be reasonably appropriate. If Assignor does not, within thirty (30) days of presentment, return the requested executed documents, then Assignee is hereby granted a limited power of attorney to execute all such documents on behalf of Assignor in accordance with 37 C.F.R. § 3.73. This power of attorney is coupled with an interest and is irrevocable.

4. MISCELLANEOUS PROVISIONS

Should any provision of this Assignment be deemed invalid or unenforceable by reason of any law, statute, regulation or judgment, existing now or in the future in any jurisdiction, such provision shall be modified in such jurisdiction so as to nearly approximate the intent of the Parties. If this cannot be done, such invalid or unenforceable provision shall be divisible and be deleted in any such jurisdiction, and all other provisions shall remain in full force and effect. The modification or deletion of any provision in one jurisdiction shall have no effect on this Assignment in any other jurisdiction.

This Assignment shall be governed by the laws of the State of New York, without regard to the conflict of law principles thereof.

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

This Assignment may be executed in two counterparts, and each such counterpart hereof shall be deemed to be an original instrument, but both such counterparts together shall constitute but one agreement. Delivery of an executed counterpart of a signature page of this Assignment by facsimile or other electronic transmission shall be effective as delivery of a manually executed original counterpart of this Assignment.

[*Signature Page Follows*]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

IN WITNESS WHEREOF, Assignor and Assignee have caused this Patent Assignment to be duly signed on their behalf.

Assignor:

NOVARTIS PHARMA AG

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Assignee:

MEREO BIOPHARMA 3 LIMITED

By: _____
Name: _____
Title: _____

Schedule 1

[See attached]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

[***]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXHIBIT F

LOAN NOTE

[See attached]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

Dated July 2015

EXCHANGE LOAN NOTE INSTRUMENT

MEREO BIOPHARMA 3 LIMITED

constituting

up to £11,615,824 unsecured fixed rate exchange loan notes

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

CONTENTS

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

THIS INSTRUMENT is made by way of deed on July 2015 by Mereo BioPharma 2 Limited, a private limited company incorporated in England and Wales with registered number 09647034, whose registered office is at Green Park House, 15 Stratton Street, London, W1J 8LQ (the "**Company**").

WHEREAS the Company has, pursuant to its articles of association and by a resolution of its board of directors passed on or about the date of this Instrument, created and authorised the issue of up to £11,615,824 unsecured fixed rate exchange loan notes to be constituted as provided below.

NOW THIS INSTRUMENT WITNESSES AND IT IS DECLARED as follows:

1. INTERPRETATION

1.1 In this Instrument:

Business Day means a day (other than a Saturday or a Sunday) on which banks are generally open in London for normal business;

Conditions means the conditions of the Notes set out in Schedule 1, as from time to time modified in accordance with this Instrument;

Directors means the board of directors for the time being of the Company or a duly authorised committee of the board;

Exit means:

(a) a Listing; or

(b) a Sale;

Extraordinary Resolution means a resolution passed at a meeting of the Noteholders duly convened and held in accordance with the provisions of this Instrument by a majority consisting of not less than three-quarters of the votes cast on the resolution;

Final Repayment Date means, in respect of a Note, the twentieth anniversary (plus one day) of the date of issue of that Note;

Group means in relation to the Company, the Company's subsidiary undertakings and parent undertakings and all the other subsidiary undertakings of each of its parent undertakings;

Interest Period means each period of three months ending on 31 March, 30 June, 30 September and 31 December in each year;

Interest Rate means a per annum rate of 2% above the official bank rate published by the Bank of England from time to time;

Listing means:

(a) the admission of any of the Parent's equity shares to trading on the London Stock Exchange's market for listed securities becoming effective in accordance with paragraph 2.1 of the London Stock Exchange's Admission and Disclosure Standards; or

(b) the grant of permission for the dealing in any of the Parent's equity shares on any other public securities market (including the Alternative Investment Market of the London Stock Exchange or any successor market) becoming effective,

whether effected by way of an offer for sale, a new issue of shares, an introduction, a placing or otherwise;

Noteholder means a person whose name is entered in the Register as the holder of a Note;

Notes means the unsecured fixed rate exchange loan notes constituted by this Instrument or the nominal amounts represented by them and for the time being outstanding, as the case requires;

Parent means Mereo BioPharma Group Limited, a private limited company incorporated in England and Wales with registered number 09481161 and whose registered office is at Green Park House, 15 Stratton Street, London, W1J 8LQ;

Register means the register of holders of the Notes kept by or on behalf of the Company;

Sale means the sale of any part of the share capital of the Parent to any person resulting in that person together with any person acting in concert (as defined in the City Code on Takeovers and Mergers) which would result in such person or persons holding more than 50 per cent of the issued share capital of the Parent;

subsidiary undertaking and parent undertaking have the meanings given in section 1162 of the Companies Act 2006;

references to **this Instrument** are to this Instrument and the Schedules and include any instrument supplemental to this Instrument; and

words denoting the singular number only include the plural number and vice versa; words denoting one gender include the other genders; and words denoting a person include a corporation and an unincorporated association of persons.

1.2 Any reference, express or implied, to an enactment includes references to:

(a) that enactment as re-enacted, amended, extended or applied by or under any other enactment (before or after the date of this Instrument);

(b) any enactment which that enactment re-enacts (with or without modification); and

(c) any subordinate legislation made (before or after the date of this Instrument) under that enactment, as re-enacted, amended, extended or applied as described in paragraph 1.2(a) above, or under any enactment referred to in paragraph 1.2(b) above,

and **enactment** includes any legislation in any jurisdiction.

1.3 Subclauses 1.1 and 1.2 above apply unless the contrary intention appears.

1.4 The headings in this Instrument do not affect its interpretation.

2. AMOUNT OF NOTES

The aggregate nominal amount of the Notes constituted by this Instrument is limited to £11,615,824. The Notes will be issued fully paid in integral multiples of £1.

3. STATUS OF NOTES

3.1 The Notes shall be known as **unsecured fixed rate exchange loan notes**. The Notes shall be issued in registered form and shall be transferable in accordance with the provisions of this Instrument.

3.2 The Notes when issued shall be direct and unsecured obligations of the Company and will rank *pari passu* for all purposes, including the payment of capital and of interest, without any discrimination or preference between them, with all other unsecured and unsubordinated obligations of the Company, except to the extent provided by law.

4. ISSUE AND FORM OF NOTES

4.1 Each Note shall be in or substantially in the form set out in Schedule 1, shall have a denoting serial number and the Conditions endorsed on it. Each Note shall be executed by or on behalf of the Company.

4.2 Every person who becomes a Noteholder shall be entitled without charge to receive a Note stating the total nominal amount of the Note held by him but in the case of a Note held jointly by several persons the joint holders will be entitled to only one Note in respect of their joint holding and delivery of the Note to one of such persons shall be sufficient delivery to all of them.

5. CONDITIONS OF ISSUE

The Conditions and other provisions contained in the Schedules shall be deemed to be incorporated in this Instrument and the Notes shall be held subject to and with the benefit of the Conditions and of those provisions, all of which shall be binding on the Company and the Noteholders and all persons claiming through or under them respectively.

6. UNDERTAKING BY COMPANY

The Company undertakes, for the benefit of each Noteholder, to perform and observe the obligations on its part contained in this Instrument, to the intent that this Instrument shall enure for the benefit of all Noteholders each of whom may enforce the provisions of this Instrument against the Company so far as his holding of Notes is concerned.

7. REGISTER OF NOTES

7.1 The Company shall cause a register to be maintained at its registered office (or such other place as the Company may, from time to time have appointed for the purpose). The Register shall show the amount of the Notes for the time being outstanding, the dates of issue and all subsequent transfers or changes of ownership of the Notes, the names and addresses of the Noteholders and the nominal amounts of the Notes held by the Noteholders respectively. In the event of a change in the location of the Register, the Company shall, where practicable, give not less than 21 days' notice to the Noteholders before such change takes effect.

7.2 The Company shall not be bound to register more than four persons as the joint holders of any Note.

7.3 Any change of name or address on the part of any Noteholder shall forthwith be notified by the Noteholder to the Company and the Company shall alter the Register accordingly.

7.4 The Register shall be open to inspection at all reasonable times during normal office hours.

8. FREEDOM FROM EQUITIES

8.1 Notwithstanding any notice the Company may have of the right, title, interest or claim of any other person, to the fullest extent permitted by law, the Company:

(a) may treat the registered holder of any Note as the absolute owner of it;

(b) shall not enter notice of any trust on the Register or otherwise be bound to take notice or see to the execution of any trust to which any Note may be subject; and

(c) may accept the receipt from the registered holder for the time being of any Note for the interest from time to time accruing due or for any other monies payable in respect of it as a good discharge to the Company.

8.2 The Company will recognise every Noteholder as entitled to his Notes free from any equity, set-off or counterclaim on the part of the Company against the original or any intermediate holder of the Notes.

9. MEETINGS OF NOTEHOLDERS

Meetings of Noteholders may be convened and held in accordance with the provisions of Schedule 2.

10. FURTHER NOTES

The Company may from time to time, by resolution of the Directors, cancel any unissued Notes or create and issue further unsecured loan notes either ranking pari passu in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes or carrying such rights as to interest, redemption and otherwise as the Directors may think fit. Any further unsecured loan notes which are to form a single series with the Notes shall be constituted by an instrument expressed to be supplemental to this Instrument. Where the Notes already in issue are listed on a recognised stock exchange, application will be made to list any further notes on such recognised stock exchange.

11. GOVERNING LAW AND JURISDICTION

11.1 This Instrument and the Notes and any non-contractual obligations arising out of or in connection with it shall be governed by English law.

11.2 The English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with this Instrument and/or the Notes (including a dispute relating to any noncontractual obligations arising out of or in connection with this Instrument and/or the Notes) and the Company and the Noteholders submit to the exclusive jurisdiction of the English courts.

11.3 The Company and the Noteholders waive any objection to the English courts on grounds that they are an inconvenient or inappropriate forum to settle any such dispute.

IN WITNESS of which this Instrument has been executed as a deed and delivered on the date which appears first on page 1.

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SCHEDULE 1

FORM OF NOTE

Nominal Amount

£_____

MEREO BIOPHARMA 3 LIMITED
(incorporated in England and Wales with registered number 09647034)
(the **Company)**

UNSECURED FIXED RATE EXCHANGE LOAN NOTES

THIS IS TO CERTIFY that the person(s) named below is/are the registered holder(s) of the nominal amount specified above of the unsecured fixed rate exchange loan notes of the Company, which Notes are constituted by an Instrument made by the Company on [ ] 2015 as amended and/or restated from time to time (the Instrument) and are issued subject to and with the benefit of the provisions of the Instrument including the Conditions endorsed on this Note.

NAME(S) OF HOLDER(S):

[*name of holder*] of [*address of holder*]

Dated: □

EXECUTED as a deed by **MEREO BIOPHARMA 3 LIMITED** acting by **)**

_____ Director

_____ Director

Notes:

The Notes are repayable and bear interest in accordance with the Conditions endorsed on this Note.

1. The Conditions contain restrictions on the transferability of this Note.

2. This Note must be surrendered before any transfer, whether of the whole or any part, can be registered. The Note must be lodged together with the instrument of transfer (which must be signed by the transferor or by a person authorised to sign on behalf of the transferor) at the Company's registered office from time to time.

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

3. The Notes and any non-contractual obligations arising out of or in connection with the Notes shall be governed by English law.

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

NOTICE OF REPAYMENT

To: [ ]

1. We being the registered holder(s) of this Note give notice that I/we require repayment of all/£[ ] of the nominal amount of this Note in accordance with Condition 4. (*note 1 below*)

2. We authorise and request you to:

   (a) [make the electronic transfer to: [*insert account* details*]/[make the cheque payable to the person whose name is set out below or, if none is set out, to us]; and*

   (b) send by prepaid registered post to the person whose name and address is set out below or, if none is set out, to the registered address of the sole or first-named Noteholder (if applicable) the cheque and a Note for the balance (if any) of the nominal amount of this Note which is not repaid.

Name _____

Address _____

_____

(note 2 below)

Dated [ ]

Signature(s) of Noteholder(s) _____

(*note 3 below*) _____

_____

Notes:

1. Delete and/or complete as appropriate. If repayment is required of part only, the repayment specified must be an integral multiple of £1. If no indication is given of the nominal amount of the Note to be repaid, all of the Note will be repaid.

2. Insert in BLOCK CAPITALS the name of the person to whom you wish the cheque to be made payable and/or the address of the person to whom you wish the cheque and any balance Note to be sent (if, in either case, it is different from that of the sole or first-named holder). If this space is left blank, the cheque will be made payable to the sole holder or all of the joint holders and it and any balance Note will be sent to the registered address of the sole or firstnamed holder.

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

3. In the case of joint holders ALL must sign. A body corporate should execute under its common seal or with the signature of two directors, a director and the company secretary or a director and a witness, or under the hand of some officer or agent duly authorised on behalf of the holder, in which event the Note must be accompanied by the authority under which this Notice is completed.

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

CONDITIONS

Terms defined in the Instrument have the same meaning in these Conditions.

1. Form and status

1.1 This Note is one of a series of Notes and is issued subject to and with the benefit of the provisions of the Instrument. A copy of the Instrument may be inspected during normal office hours at the registered office of the Company. The Instrument does not contain any restrictions on borrowing, or on the charging or disposal of assets, by the Company or any of its subsidiaries.

2. Repayment

2.1 The Company may on giving not less than seven days' notice to the Noteholders, repay at par all or part of the Notes.

2.2 To the extent not previously repaid, purchased by the Company or cancelled, the Notes will be repaid by the Company at par on the earlier of:

(a) an Exit; and

(b) the Final Repayment Date.

2.3 On any repayment of principal to a Noteholder under this Condition or Condition 4 the Company shall pay to him interest accrued but unpaid on the amount repaid up to (but excluding) the date of repayment, in accordance with Condition 3.

3. Interest

3.1 Until such time as the Notes are repaid, purchased or cancelled by the Company in accordance with the provisions of the Instrument or these Conditions, interest on the outstanding principal amount of the Notes shall accrue daily and shall compound on the last day of each Interest Period at a rate equal to the Interest Rate. Any interest which falls for calculation will be calculated on the basis of a 365 or 366 day year (as the case may be).

3.2 Interest which has accrued on the Notes shall be rolled up and shall be payable upon the redemption of the Notes to the persons registered as Noteholders. Any such rolled up interest shall rank in priority to, and shall be repaid prior to, the Notes.

3.3 All payments of interest in respect of the Notes will be made subject to deduction of any income tax required to be withheld or deducted. On or as soon as practicable following each date on which any interest is paid to a Noteholder the Company shall deliver to the Noteholder a certificate as to the gross amount of the relevant interest payment and the amount of tax deducted.

3.4 Interest on any Notes becoming liable to repayment shall cease to accrue as from the due date for repayment of the Notes unless, against due delivery of those Notes for repayment, payment of the principal and interest payable is not made by the Company on the due date (in which case interest will continue to accrue until, but excluding, the date of actual payment).

4. Acceleration

4.1 A Noteholder may require the Company to repay at par all or part of the Notes held by him, together with all accrued interest thereon, if any of the following events occurs:

(a) the Company fails to pay within 30 days of the due date any principal or interest payable in respect of the Notes held by that Noteholder (except for any amounts withheld under Condition 3.3);

(b) an order is made by a competent court or an effective resolution is passed for winding-up of the Company (other than a voluntary winding-up for the purposes of an amalgamation, reconstruction or merger on terms previously approved by an Extraordinary Resolution);

(c) the commencement of any insolvency proceedings in relation to the Company; or

(d) an encumbrancer takes possession of, or an administrator or administrative receiver or a manager or receiver is appointed for or over the whole (or substantially the whole) of the undertaking or property of the Company, unless the same is removed, stayed, paid out or discharged within 30 days.

4.2 The Company shall notify the Noteholders of the happening of any of the events specified in Condition 4.1 as soon as reasonably practicable after becoming aware of the same.

4.3 In order to require repayment under this Condition a Noteholder must complete and sign the Notice of Repayment printed on the Note to be repaid (or complete such other form of Notice of Repayment as the Director may from time to time prescribe) and lodge it at the registered office of the Company (or at such other place as the Company may direct by notice to the Noteholders) while the relevant event specified in Condition 4.1 is continuing and, upon that notice being given to the Company, all of the Notes held by that Noteholder (and all accrued interest accrued thereon) will become immediately repayable. A Notice of Repayment given in accordance with this Condition shall be irrevocable.

5. Surrender of Notes on repayment and prescription

5.1 Whenever any Notes are due to be repaid under any of these Conditions (in whole or in part) the Noteholder shall, not less than five days before the due date for such repayment, deliver those Notes or an indemnity (if the Note has been defaced, worn out, lost or destroyed) to the registered office for the time being of the Company (or to such other place as the Company may direct by notice to the Noteholders).

5.2 If part only of the principal amount of any Note so delivered is repaid, the Company shall cancel such Note and without charge issue to the Noteholder a new Note for the balance of the principal amount due to him.

5.3 If any Noteholder fails or refuses to deliver up any Note which is liable to be repaid in whole or in part under these Conditions at the time and place fixed for repayment, or fails or refuses to accept payment of the monies due on repayment, those monies may be set aside by the Company and paid into a separate bank account and held by the Company for that Noteholder on the following terms:

(a) the Company shall not be responsible for the safe custody of such monies or for any interest accruing on them;

(b) the Company may deduct from such interest (if any) as those monies may earn while on deposit, any expenses incurred by the Company in that connection;

(c) any such amount so paid or deposited, together with such interest (if any) accruing on it in accordance with Condition 3, will immediately be paid to the Noteholder or his successors upon delivery of the relevant Note at any time during the period of ten years from the making of the deposit; and

(d) any such amount so paid or deposited, together with such interest (if any) accruing on it in accordance with Condition 3, which remains unclaimed after a period of ten years from the making of the deposit shall revert to the Company, notwithstanding that in the intervening period the obligation to pay the same may have been provided for in the books, accounts and other records of the Company.

6. Payments

6.1 If any payment of principal or interest in respect of the Notes would otherwise fall to be made on a day which is not a Business Day, payment shall be postponed to the next day which is a Business Day and no further interest or other payment will be made as a consequence of any such postponement.

6.2 Payment of any principal or interest in respect of any Note will be made to the person shown in the Register as the holder of that Note at the close of business on the fifth Business Day before the relevant payment date (the "**Record Date**"), notwithstanding any intermediate transfer or transmission of the Note.

6.3 Payment of any principal or interest in respect of any Note shall be made by electronic transfer to the account specified for such purpose by the Noteholder (or Noteholders in the case of joint holders) in writing to the Company, failing which notification any such payment shall be made by cheque sent by registered post to the registered address of the Noteholder or, in the case of joint Noteholders, to the registered address of that one of them who is first named on the Register on the Record Date (or to such person and to such address as the Noteholder or joint Noteholders may in writing to the Company direct prior to the Record Date). Every such cheque shall be made payable to the person to whom it is sent (or to such person as the Noteholder or joint Noteholders may direct in writing to the Company prior to the Record Date) and receipt of the cheque shall be a good discharge to the Company.

6.4 Every such cheque shall be sent by registered post not later than the Business Day preceding the due date for payment. Payments will be subject in all cases to any applicable fiscal and other laws and regulations but shall otherwise be made without set-off or counterclaim.

7. Purchase

The Company may at any time purchase any Notes by tender (available to all Noteholders alike) or by private treaty at any price.

8. Cancellation

Notes purchased or repaid by the Company will be cancelled and shall not be available for reissue.

9. Modification

9.1 The provisions of the Instrument (including the Conditions) and the rights of the Noteholders may from time to time be amended, modified, abrogated or compromised or any arrangement agreed in any respect with the sanction of an Extraordinary Resolution and the written consent of the Company.

9.2 Any such amendment, modification, abrogation, compromise or arrangement effected pursuant to Condition 9.1 shall be binding on all Noteholders.

10. Transfer

10.1 The directors of the Company shall recognise any transfer which is evidenced in writing and made in accordance with these Conditions. The transferor shall remain the legal owner of the Notes to be transferred until the name of the transferee is entered in the Register in respect of those Notes.

10.2 Every instrument of transfer must be lodged for registration at the registered office of the Company accompanied by the relevant Note(s) and such other evidence as the Company may require to prove the title of the transferor or his right to transfer the Notes or the authority of the person signing the instrument.

10.3 No transfer of a Note shall be registered:

(a) if a notice requiring repayment of that Note (in whole or in part) has been given; or

(b) when the Register is closed.

10.4 If part only of the principal amount of any Note so lodged is transferred, the Company shall without charge issue to the Noteholder a new Note for the balance of the principal amount due to him. All instruments of transfer which are registered may be retained by the Company.

11. Transmission

11.1 Any person becoming entitled to a Note in consequence of the death or bankruptcy of any Noteholder or otherwise by operation of law may upon producing evidence that he sustains the character in respect of which he proposes to act under this Condition or of his title to the Note as the Directors shall reasonably require be registered himself as the Noteholder or, subject to Condition 10, may transfer the Note.

11.2 The executors or administrators of a deceased holder of a Note (not being one of several joint holders) shall be the only persons recognised by the Company as having any title to or interest in such Note.

11.3 In the case of the death of any of the joint holders of a Note the survivors or survivor will be the only persons or person recognised by the Company as having any title to or interest in such Note.

12. Substitution and exchange

12.1 The Company may at any time and from time to time, with the consent of the Noteholders by Extraordinary Resolution, be replaced and substituted by any member of the Company's Group as principal debtor or principal debtors (on one or more occasion) (in such capacity, the "**Substituted Debtor**") in respect of all or any of the Notes provided that:

(a) either the Company obtains an opinion from independent tax counsel (obtained shortly before such substitution takes place and based on full disclosure of relevant facts) to the effect that there is no significant risk that the substitution will be treated as a disposal of the Notes for the purpose of United Kingdom taxation of chargeable gains or HM Revenue and Customs confirms in writing that the substitution will not be treated as a disposal of the Notes for the purpose of United Kingdom taxation of chargeable gains;

(b) such documents (if any) are executed by the Substituted Debtor as may be necessary to give full effect to the substitution (the "**Documents**"), including those pursuant to which the Substituted Debtor shall undertake in favour of each relevant Noteholder to be bound by the terms and conditions of the relevant Notes as fully as if the Substituted Debtor had been named in the Instrument and the Notes as the principal debtor in respect of those Notes; and

(c) the relevant Notes are guaranteed by the Company.

12.2 Upon execution of the Documents, the relevant Notes shall have effect as if the Substituted Debtor were named in the Notes as principal debtor in place of the Company and the Company shall be released from all its obligations in respect of the Notes.

12.3 Not less than 20 Business Days after execution of the Documents, the Company shall give notice of any substitution to the Noteholders.

12.4 The Company may, with the consent of the Noteholders by Extraordinary Resolution, at any time require all or any of the Noteholders to exchange the Notes for loan notes issued by the Substituted Debtor on the same terms and conditions as those applicable to the Notes provided that the Company's right to require an exchange pursuant to this Condition shall be exercisable only if:

(a) the Company has either obtained the consent of the relevant Noteholders or it has obtained the opinion of independent tax counsel that such exchange will not crystallise a charge to any of the Noteholders to United Kingdom capital gains tax or corporation tax on chargeable gains and has obtained all relevant clearances from the relevant United Kingdom taxation authority or such exchange will fall within the provisions of section 135 of the Taxation of Chargeable Gains Act 1992 and prior clearance has been received from HM Revenue and Customs under section 138 of the Taxation of Chargeable Gains Act 1992 in respect of such exchange;

(b) the loan notes issued in exchange will be issued on the same terms as the Loan Notes, save that the terms of the new loan notes will not include any further right of the issuer to require exchange or any similar right of exchange or conversion into other shares or securities; and

(c) the loan notes issued in exchange are guaranteed by the Company.

12.5 The Company shall not be entitled to exercise its power of substitution or exchange under this Condition in respect of any holding of Notes if to do so would result in the holders of such Notes receiving payments of interest under withholding or deduction in respect of tax (or an increase in the rate of any such withholding or deduction) provided that this Condition shall not prevent the Company exercising its power of substitution or its power of exchange if the Substituted Debtor is a company resident in the United Kingdom for the purposes of United Kingdom taxation notwithstanding that the substitution or exchange may result in the holders of the Notes receiving payments of interest under withholding or deduction in respect of tax (or an increase in the rate of any such withholding or deduction).

12.6 For the avoidance of doubt, in the event that the Company or any Substituted Debtor complies fully with the provisions of this Condition, neither the Company nor the Substituted Debtor shall be liable for any tax or increase in tax of a Noteholder or to make any payment in respect of any withholding or deduction in respect of tax (or an increase in the rate of any such withholding or deduction) which arises in connection with a substitution or exchange.

13. Dealings with Notes

Each Noteholder:

(a) agrees that the Company may, at any time redeem at any price (in whole or in part), exchange, substitute, convert, deferred, cancel, capitalise by way of an issue of shares of any class in the capital of the Company or otherwise deal with in any manner, provided that each holder of Notes shall be treated equally (pro rata to their holding of Notes) and provided that the economic position of each holder of Notes as against each other holder of Notes (in respect of their holding of Notes only) shall not be affected; and

(b) undertakes to exercise all powers and rights lawfully available to it to procure the amendment of this Instrument to the extent necessary to give effect to the provisions of this Condition 13.

14. Lost or destroyed Notes

If a Note is defaced, lost or destroyed it may be renewed on payment by the Noteholder of the expenses of renewal and on such terms (if any) as to evidence and indemnity as the Directors may require but so that, in the case of defacement, the defaced Note shall be surrendered before a new Note is issued. An entry as to the issue of a new Note and indemnity (if any) shall be made in the Register.

15. Notices

15.1 Any notice to be given under this Instrument must (unless expressly provided otherwise) be in writing and be delivered or sent by prepaid registered post or fax to the Noteholder to be served at its address or fax number appearing in this Instrument, or at such other address and/or fax number as it may have notified to the Company in accordance with this Condition 15.1.

15.2 In the case of joint Noteholders, a notice or document served on the Noteholder whose name stands first in the Register shall be sufficient notice to all the joint Noteholders.

15.3 Any notice shall be deemed to have been given or made:

(a) if delivered, at the time of delivery; or

(b) if sent by prepaid registered post, on the second Business Day (or if posted from outside the United Kingdom, on the fifth Business Day) after it was posted.

15.4 In proving service of a notice or document it shall be sufficient to prove that delivery was made or that the envelope containing the communication was properly addressed and posted by prepaid first class registered post or by prepaid registered airmail or that the fax message was properly addressed and transmitted, as the case may be.

16. Governing Law

16.1 The Notes and any non-contractual obligations arising out of or in connection with the Notes shall be governed by English law.

16.2 The English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Notes (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes) and the Company and the Noteholders submit to the exclusive jurisdiction of the English courts.

16.3 The Company and the Noteholders waive any objection to the English courts on grounds that they are an inconvenient or inappropriate forum to settle any such dispute.

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SCHEDULE 2

PROVISIONS FOR MEETINGS OF NOTEHOLDERS

1. Calling of meetings

1.1 The Company may at any time convene a meeting of the Noteholders. The Company shall also convene a meeting of the Noteholders if so required in writing signed by Noteholders representing not less than one-tenth in nominal amount of the Notes for the time being outstanding (excluding any in respect of which a notice requiring repayment has been given).

1.2 Every such meeting and every adjourned meeting shall be held at the registered office of the Company for the time being or such other place as the Company may specify.

2. Notice of meetings

2.1 At least 14 or, in the case of a meeting convened for the purpose of considering an Extraordinary Resolution, at least 21 clear days' notice of any meeting of Noteholders shall be given to the Noteholders.

2.2 Any such notice shall specify the place, day and time of the meeting and the general nature of the business to be transacted at the meeting but, except in the case of a resolution to be proposed as an Extraordinary Resolution, it shall not be necessary to specify the terms of any resolution to be proposed. Any such notice shall include a statement to the effect that proxies may be appointed in accordance with the provisions of this Schedule.

2.3 The accidental omission to give notice to, or the non-receipt of notice by, any of the Noteholders shall not invalidate the proceedings at any meeting.

3. Chairman

A person (who need not be a Noteholder) nominated in writing by the Company shall be entitled to take the chair at a meeting of the Noteholders but if no such nomination is made or if at any meeting the person nominated is not present within 15 minutes after the time appointed for the holding of the meeting, the Noteholders present shall choose one of their number to be chairman.

4. Quorum

At a meeting of the Noteholders two or more persons present in person or by proxy holding or representing a majority in nominal amount of the Notes for the time being outstanding shall form a quorum for the transaction of business. No business (other than the choosing of a chairman) shall be transacted at any meeting unless the requisite quorum is present at the commencement of business.

5. Absence of quorum

If within 15 minutes from the time appointed for a meeting of the Noteholders a quorum is not present, the meeting shall, if convened upon the requisition of Noteholders, be dissolved. In any other case it shall stand adjourned to such day and time (being not less than 14 nor more than 42 clear days after the time of the original meeting) and to such place as the chairman may decide. At such adjourned meeting, one or more Noteholders present in person or by proxy shall form a quorum.

6. Notice of adjourned meeting

At least 14 clear days' notice of any meeting adjourned through want of a quorum shall be given in the same manner as for an original meeting and such notice shall state the quorum required at such adjourned meeting. It shall not otherwise be necessary to give any notice of an adjourned meeting.

7. Adjournment of meeting

The chairman may with the consent of (and shall if directed by) any meeting adjourn the same from time to time (being not less than 14 nor more than 42 clear days after the time of the original meeting) and from place to place but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the original meeting.

8. Voting on a poll

8.1 Every question submitted to a meeting of Noteholders shall be decided by a poll. A poll shall be taken at the meeting without adjournment and the result of such poll shall be deemed to be the resolution of the meeting as at the date of the taking of the poll.

9. Persons entitled to attend and vote

9.1 Any persons duly authorised by the Company (including, without limitation, their respective legal and financial advisers) shall be entitled to attend and speak at any meeting of the Noteholders. No person shall otherwise be entitled to attend or vote at any meeting of the Noteholders unless he is registered as a Noteholder or is a representative of a corporation which is a Noteholder or a proxy of a person who is a Noteholder.

9.2 At any meeting of Noteholders every person who is so present shall have one vote in respect of every £1 nominal of Notes of which he is the holder or in respect of which he is a representative or proxy.

9.3 Without prejudice to the obligations of any proxies any person entitled to more than one vote need not use all his votes or cast all the votes to which he is entitled in the same way.

9.4 In the case of joint Noteholders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register.

10. Proxies

10.1 A Noteholder may appoint a proxy (who need not be a Noteholder) by instrument in writing in any usual or common form or in any other form which the Directors may approve or accept. The instrument appointing a proxy shall be signed by the appointor or his agent authorised in writing or, if the appointor is a corporation, shall either be executed under its common seal or be signed by an agent or officer authorised for that purpose. The Company may, but shall not be bound to, require evidence of the authority of any such agent or officer.

10.2 An instrument appointing a proxy shall, unless the contrary is stated in it, be valid for any adjournment of a meeting as well as for the meeting to which it relates. No instrument appointing a proxy shall be valid after the expiration of 12 months from its date of execution.

10.3 A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or of the authority under which the proxy was executed or (until registered) the transfer of the Note in respect of which the vote is given provided that no intimation in writing of such death or insanity, revocation or transfer was received by the Company at its registered office before the commencement of the meeting or adjourned meeting, or of the taking of the poll, at which the proxy is used.

11. Deposit of proxies

An instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be deposited at such place as the Company may, in the notice convening the meeting, direct or, if no such place is appointed, at the registered office of the Company not less than 48 hours before the time appointed for holding the meeting or taking the poll at which the person named in the instrument proposes to vote and in default the instrument shall not be treated as valid.

12. Corporate representatives

Any corporation which is a Noteholder may by resolution of its directors or other governing body authorise any person to act as its representative at any meeting of Noteholders and such representative shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual Noteholder present in person at the meeting.

13. Powers of meeting

A meeting of the Noteholders shall in addition to all other powers (but without prejudice to any powers conferred on other persons in the Instrument) have the following powers exercisable only by Extraordinary Resolution namely:

(a) to sanction any proposal by the Company for any amendment, modification, abrogation, variation or compromise of, or arrangement in respect of, the rights of the Noteholders against the Company whether such rights shall arise under the Conditions, the Instrument or otherwise;

(b) to sanction the exchange or substitution for the Notes of, or the conversion of the Notes into, other obligations or securities of the Company, or any other person or entity;

(c) to assent to any amendment, modification, abrogation or variation of the Conditions or other provisions of this Instrument which is proposed by the Company;

(d) to authorise any person to execute and do all such documents, deeds, acts and things as may be necessary to carry out and give effect to any Extraordinary Resolution;

(e) to give any authority or sanction which under the provisions of this Instrument is required to be given by Extraordinary Resolution; and

(f) to appoint any persons (whether Noteholders or not) as a committee or committees to represent the interests of the Noteholders and to confer upon such committee or committees any powers or discretions which the Noteholders could themselves exercise by Extraordinary Resolution.

14. Effect of Extraordinary Resolution

An Extraordinary Resolution passed at a meeting of the Noteholders duly convened and held in accordance with this Instrument shall be binding upon all the Noteholders, whether present or not at such meeting, and each of the Noteholders shall be bound to give effect to it accordingly. The passing of any such resolution shall be conclusive evidence that the circumstances of any such resolution justify its passing.

15. Minutes

Minutes of all resolutions and proceedings at every meeting of Noteholders shall be made and duly entered in books to be from time to time provided for that purpose by the Company. Any such minutes, if they purport to be signed by the chairman of the meeting at which such resolutions were passed or proceedings transacted or by the chairman of the next succeeding meeting of the Noteholders, shall be conclusive evidence of the matters contained in them. Until the contrary is proved, every meeting in respect of which minutes of the proceedings have been made and signed in accordance with this Condition shall be deemed to have been duly held and convened and all resolutions passed or proceedings transacted at such meeting to have been duly passed and transacted.

16. Resolutions in writing

A resolution in writing proposed by the Company and signed by the holders of not less than three-quarters in nominal amount of the Notes for the time being in issue shall have effect in the same manner as an Extraordinary Resolution duly passed at a meeting of Noteholders duly convened and held. Such a resolution may be contained in one document or in several documents in like form, each signed by one or more of the Noteholders.

SIGNATORIES

EXECUTED as a deed by **MEREO BIOPHARMA 3 LIMITED**

_____

Director

in the presence of:

_____

signature of Witness

_____

name of Witness

_____

_____

_____

_____

Address

_____

Occupation

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXHIBIT G

COMPOUND

PROJECT:	BPS804
TRADEMARK:	[***]
NON-PROPRIETARY:	[***]
MECHANISM OF ACTION:	[***]
[***]	[***]
[***]	[***]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXHIBIT H

FORM OF NOVARTIS INVOICE

[See attached]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SAMPLE INVOICE

Sender's Logo

INVOICE
INVOICE DATE:

Novartis Pharma AG
Lichtstrasse 35
CH-4056
Basel, Switzerland
Phone and Fax Nr.

201

INVOICE No.: XXXX

Bill To:
Mereo BioPharma 3 Limited
Green Park House
15 Stratton Street
London W1J 8LQ

For:
BPS804 (Royalties X Quarter 201)

DESCRIPTION [*Please specify the event for which the invoice is due]*	**AMOUNT (USD)**
Product X (royalties XXXX – YYYY 201_ calculated based on Mereo provided sales & royalty report	US$ 000'000.00

Novartis Contract Code

Please remit by wire transfer within 60 days to:
Receiving Bank - _____
Swift Code - _____
ABA Number - _____
Credit Account - _____
Beneficiary - _____

TOTAL 000'000,00

If you have any questions concerning this invoice, contact
_____

or e-mail to _____
VAT -Reg. No. Xxxxxxxxxx (if applicable)

Exhibit 10.21

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SUBLICENSE AGREEMENT

This **SUBLICENSE AGREEMENT** (this "**Agreement**"), effective as of July 29, 2015 (the "**Effective Date**"), is by and between MEREO BIOPHARMA 3 LIMITED, a private limited company incorporated in England and Wales ("**Buyer**") and a wholly owned subsidiary of MEREO BIOPHARMA GROUP LIMITED, a company incorporated in England and Wales ("**Mereo**"), and NOVARTIS PHARMA AG, a Swiss company ("**Novartis**").

RECITALS:

WHEREAS, Novartis and Buyer have entered into that certain Asset Purchase Agreement, dated as of July 28, 2015 (as it may be further amended, the "**Purchase Agreement**") pursuant to which Novartis transferred and assigned to Buyer certain assets and rights of Novartis and its Affiliates, and licensed to Buyer certain other assets and rights of Novartis and its Affiliates, related to the Compound or Product (as defined therein);

WHEREAS, Novartis and Morphosys (as defined below), have entered into that certain 2nd Amended and Restated Collaboration and License Agreement dated as of November 6, 2012, and any ensuing commercial license thereunder (the "**Morphosys Agreement**"), to collaborate in the utilization of the Morphosys HuCAL antibody library and other Morphosys technologies on behalf of Novartis in order to facilitate the research, discovery and development of novel therapeutic, prophylactic, and diagnostic antibody products by Novartis;

WHEREAS, pursuant to the Purchase Agreement, Novartis has transferred and assigned or licensed to Buyer all assets owned by Novartis and its Affiliates arising under the Morphosys Agreement to the extent related to the development, manufacturing, or commercialization of Therapeutic Antibody Products (as defined below); and

WHEREAS, Morphosys has granted to Novartis a commercial therapeutic license, together with additional licenses, to develop, manufacture and commercialize Therapeutic Antibody Products (as defined below), and upon the terms and conditions set forth in this Agreement, Novartis desires to grant to Buyer, and Buyer desires to obtain from Novartis, a sublicense of the foregoing rights;

NOW, THEREFORE, in consideration of the respective representations, warranties, covenants and agreements contained herein, and for other valuable consideration, the receipt and adequacy of which are hereby acknowledged, Novartis and Buyer, intending to be legally bound, agree as follows:

ARTICLE I

DEFINITIONS

The terms in this Agreement with initial letters capitalized, whether used in the singular or the plural, shall have the meaning set forth below or, if not listed below, the meaning as defined as it first appears in this Agreement.

1.1 "**Affiliate**" shall mean with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with such other Person.

1.2 "**Agreement**" shall have the meaning set forth in the Preamble, and shall include, for the avoidance of doubt, all Exhibits and Schedules attached hereto.

1.3 "**Applicable Law**" shall mean all federal, provincial, state, local and foreign law (including of the United States), whether statutory, common or otherwise, constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement.

1.4 "**Bona Fide Collaborator**" shall mean, with respect to a particular Party, a Third Party conducting activities for, on behalf of, in collaboration with or pursuant to an agreement with such Party or its Affiliates related to such Party's or its Affiliates' research, development, and commercialization purposes.

1.5 "**Business Day**" shall mean a day on which banking institutions in London, United Kingdom, New York, New York, and Basel, Switzerland are open for business.

1.6 "**Buyer**" shall have the meaning set forth in the **Preamble**.

1.7 "**Calendar Quarter**" shall mean each calendar quarter ending on March 31st, June 30th, September 30th and December 31st.

1.8 "**Calendar Year**" shall mean each calendar year starting on January 1st and ending on December 31st.

1.9 "**Collaboration**" shall have the meaning set forth in the Morphosys Agreement.

1.10 "**Collaboration Invention**" shall mean any discovery, Invention, Know-How or trade secret made (including conceived) by or on behalf of either Novartis or Morphosys in the course of performing activities [*******] to the development of Therapeutic Antibody Products in the Field of Use or the Collaboration, whether before or after the Effective Date.

1.11 "**Collaboration Patent Rights**" shall mean the rights and interests in and to issued patents and pending patent applications in any country, including, but not limited to, all provisional applications, substitutions, continuations, continuations-in-part, divisions, and renewals, all letters patent granted thereon, and all reissues, reexaminations, extensions and supplementary patent certificates thereof, whether owned solely or jointly by a Party, [*******].

1.12 "**Collaboration Term**" shall mean the period from the Effective Date through December 1, 2017. The Collaboration Term may be extended for a further two-year increment by Buyer providing notice to Novartis before May 1, 2017, for a total Collaboration Term until December 1, 2019.

1.13 "**Commercialization**" means activities directed to obtaining pricing and reimbursement approvals, marketing, promoting, distributing, importing, exporting, using, offering for sale, or selling a pharmaceutical product or therapy anywhere in the world. When used as a verb, "**Commercialize**" means to engage in Commercialization.

1.14 "**Commercially Reasonable Efforts**" shall mean, with respect to [*******], including to [*******], as applicable, [*******] with the [*******] of [*******] in pursuing the [*******] or [*******] of a [*******] or [*******] at a [*******] of [*******] or [*******], taking into account [*******] of the [*******] or [*******], including [*******] and [*******] or [*******] and [*******] or [*******] and [*******] and [*******] including [*******] and [*******] of the [*******] of the [*******] or [*******] in [*******] of [*******] and [*******], and all other [*******] including [*******] or [*******].

1.15 "**Confidential Information**" shall have the meaning assigned in **Section 7.1**.

1.16 "**Control**" (including any variations such as "**Controlled**" and "**Controlling**") means, with respect to any item or Patent, Know-How, or other intellectual property right, the legal authority or right (whether by ownership or license, other than by a license or sublicense granted pursuant to this Agreement) of a Party or its Affiliates to grant to the other Party the right to use such item, or a license, sublicense or access as provided herein to such item, without violating the terms of any agreement or other arrangement with any Third Party in existence as of the time such Party or its Affiliates would first be required hereunder to grant the other Party such license, access, or other right.

1.17 "**Cover**", "**Covered**" or "**Covering**" shall mean, with respect to a Patent, that, in the absence of a license granted to a Person under a Valid Claim included in such Patent, the Manufacture, use, distribution or sale of a Therapeutic Antibody Product or other product or therapy, as applicable, by such Person would infringe such Valid Claim.

1.18 "**Development**" shall mean any and all preclinical and clinical drug development activities [*******] to the discovery and development of pharmaceutical products or therapies and submission of information to a Regulatory Authority, including test method development and stability testing, toxicology, animal efficacy studies, formulation, quality assurance/quality control development, statistical analysis, clinical studies, clinical trials and testing, regulatory affairs, product approval and registration, chemical or biological development and development manufacturing, process development, upscaling, validation, packaging development and manufacturing and development documentation efforts in support of development activities anywhere in the world. When used as a verb, "**Develop**" means to engage in Development.

1.19 "**Effective Date**" shall have the meaning set forth in the **Preamble**.

1.20 "**EMA**" shall mean the European Medicines Agency or any successor agency thereto.

1.21 "**Encumbrance**" shall mean any claim, charge, equitable interest, hypothecation, lien, mortgage, pledge, option, license, assignment, power of sale, retention of title, right of pre-emption, right of first refusal or security interest of any kind, other than the overriding obligations to the U.S. government as set forth in Public Law 96-517 (35 U.S.C. §§ 200-204), as amended, or any similar obligations under Applicable Law of any other country or jurisdiction.

1.22 "**FDA**" shall mean the United States Food and Drug Administration or any successor agency thereto.

1.23 "**Field of Use**" shall mean the [***] and/or [***] of [***] in [***] or [***], excepting only [***], and except the [***] of any [***] as part of [***].

1.24 "**First Commercial Sale**" shall mean the first sale of a Therapeutic Antibody Product by Buyer, its Affiliates or sublicensees to a Third Party in a country following Regulatory Approval of such Therapeutic Antibody Product in that country. Sales or transfers of [***] of a Therapeutic Antibody Product for research, proof-of-concept studies or other clinical trial purposes, or for compassionate or similar use, shall not be considered a First Commercial Sale.

1.25 "**HuCAL Antibody**" shall mean, individually and collectively: (i) an antibody or antibody fragment (including but not limited to antibody fragments such as Fv, Fab, F(ab')2, single chain antibody, antibody conjugate bound to a toxin or bound to a label, or any other antibody moiety) that, in each case, is based on [***] and/or includes [***] that have been [***] the [***]) (or any [***]) [***]; and (ii) any antibody or antibody fragment (including but not limited to antibody fragments such as Fv, Fab, F(ab9)2, single chain antibody, antibody conjugate bound to a toxin or bound to a label, or any other antibody moiety) that, in each case, has been derived (either physically or by reverse engineering, in one or more steps) from an antibody or antibody fragment referred to in sub-section (i) hereof.

1.26 "**Indication**" shall mean a specific disease or condition.

1.27 "**Infectious Diseases**" shall mean any disease resulting from the presence of a pathogenic microbial agent, including but not limited to viruses, bacteria, fungi, protozoa, multicellular parasites and prions.

1.28 "**Inventions**" shall mean any Know-How or other subject matter invented in the performance of activities under the Morphosys Agreement by or on behalf of Morphosys or Novartis or under this Agreement by or on behalf of any Party or both Parties jointly.

1.29 "**Know-How**" shall mean any data, information, inventions, proprietary information, trade secrets or technology (whether or not proprietary or protectable under patent, copyright or similar Applicable Law and whether stored or transmitted in oral, documentary, electronic or other form). Know-How shall include ideas, concepts, formulas, methods, procedures, designs, compositions, plans, documents, discoveries, developments, techniques, protocols, specifications, works of authorship, biological materials, and any information relating to research and development plans, experiments, results, compounds, therapeutic leads, candidates and products, clinical and preclinical data, clinical trial results, and manufacturing information, plans and standard operating procedures, including any scientific, regulatory, pre-clinical or clinical information or data regarding specific Indications and any marketing, financial, commercial, personnel and other business information and plans.

1.30 "**Major Market Country**" shall mean, individually and collectively, [*******].

1.31 "**Manufacturing**" shall mean any and all activities and operations involved in or relating to the manufacturing, quality control testing (including in-process, release and stability testing), releasing or packaging of a pharmaceutical product or therapy, for pre-clinical, clinical or commercial purposes. When used as a verb, "**Manufacture**" means to engage in Manufacturing.

1.32 "**Morphosys**" shall mean Morphosys AG, a German stock corporation having its principal place of business at Lena-Christ-Strasse 48, 82152 Martinsried/Planegg, Germany.

1.33 "**Morphosys Agreement**" shall have the meaning set forth in the **Recitals**.

1.34 "**Morphosys Collaboration Technologies**" shall mean, individually and collectively, (i) the technologies described in **Exhibit A**, and (ii) any Morphosys Improvement Technologies that are technological advances (whether or not patentable) of the technologies described in the foregoing (i).

1.35 "**Morphosys Improvement Technologies**" shall mean, individually and collectively, technological advances (whether patentable or not) of Morphosys Collaboration Technologies, which advances occur prior to or during the Collaboration Term; *provided*, *however*, that Morphosys Improvement Technologies shall not include advances related to specific HuCAL Antibodies or anything not relating to the general operation and use of Morphosys Technologies or Morphosys Improvement Technologies.

1.36 "**Morphosys IP**" shall mean, individually and collectively, Morphosys Know-How and Morphosys Patent Rights.

1.37 "**Morphosys Know-How**" shall mean, individually and collectively, all know how prior to or during the Collaboration Term, including but not limited to inventions, discoveries, compositions, technology, data, techniques, specifications, designs and other information (whether or not patentable) of any type whatsoever: (a) that are not generally known; (b) that relate to the Morphosys Technologies or Morphosys Improvement Technologies and/or the use thereof; and (c) in which Morphosys has an ownership or other licensable interest with the right to grant licenses thereunder, without violating the terms of any agreement or other arrangement with any third party.

1.38 "**Morphosys Patent Rights**" shall mean, individually and collectively, all United States patent applications, United States patents, non-United States patent applications and non-United States patents: (i) that are listed in **Exhibit B**; or (ii) that claim at least a portion of the Morphosys Improvement Technologies, any divisional or continuation application of "(i)" or "(ii)", and any reissue or reexamination, extension and supplementary patent certificates thereof of any of "(i)" or "(ii)" or of any patent claiming priority thereto. **Exhibit B** shall be updated from time to time to include, for example, the patent application serial numbers that contain at least one (1) claim covering at least a portion of the Morphosys Improvement Technologies.

1.39 "**Morphosys Technologies**" shall mean, individually and collectively, Morphosys Collaboration Technologies, Morphosys HuCAL Library (as defined in the Morphosys Agreement), and Morphosys HuCAL Library Ancillary Technologies (as defined in the Morphosys Agreement).

1.40 "**Net Sales**" shall mean with respect to a Therapeutic Antibody Product, the gross amount invoiced by Buyer and any Affiliate or sublicensee or marketing partner to third party customers for such Therapeutic Antibody Product, less:

(a) Normal and customary trade and quantity discounts and non-affiliated brokers' or agents' commissions actually allowed and taken and not already reflected in the amount invoiced;

(b) Amounts repaid or credited by reason of defects, rejections, returns, recalls, allowances, or government-imposed retroactive price reductions;

(c) Third party cash rebates and chargebacks related to sales of finished Therapeutic Antibody Products, to the extent allowed;

(d) Government-imposed retroactive price reductions that are actually allowed or granted;

(e) Tariffs, duties, excise, sales, value-added, and other consumption taxes and customs duties to the extent included in the invoice price and paid by or on behalf of Buyer;

(f) Cash discounts for timely payment;

(g) Delayed ship order credits;

(h) Discounts pursuant to indigent patient programs and patient discount programs of any nature;

(i) A fixed charge of [*******] to cover warehousing and distribution expenses;

(j) Any otherwise specifically identifiable costs or charges included in the gross invoiced sales price of such Therapeutic Antibody Product falling within categories equivalent to those listed above; and

(k) Uncollectible amounts on previously sold products, but not such amounts that, but for the failure to collect such amounts within [***] years from the date of the respective invoice, would have been collectible; *provided* that:

(i) In the case of any sale or other disposal of a Therapeutic Antibody Product between or among Buyer and its Affiliates or sublicensees or marketing partners, for resale, Net Sales shall be calculated as above only on the value charged or invoiced on the first arm's length sale to a third party;

(ii) In the case of any sale, which is not invoiced or is delivered before invoice, Net Sales shall be calculated at the time of shipment;

(iii) In the case of any sale or other disposal, such as barter or counter-trade, of any Therapeutic Antibody Product, or part thereof, otherwise than in an arm's length transaction exclusively for money, Net Sales shall be calculated as above on the value of the consideration received or, if higher, on the fair market price of the Therapeutic Antibody Product in the relevant country of sale or disposal; and

(iv) In the event that a Therapeutic Antibody Product is sold as part of a combination product, Net Sales of the Therapeutic Antibody Product, for the purpose of determining royalty payments, shall be determined by multiplying Net Sales of the combination product by the fraction A/(A+B), where A is the weighted (by sales volume) average sales price of the Therapeutic Antibody Product when sold separately in finished form and B is the weighted average sale price of the other product(s) sold separately in finished form.

In the event that such average sales price cannot be determined for both the Therapeutic Antibody Product and the other product(s) in combination, Net Sales for purposes of determining payments hereunder shall be mutually agreed by the Parties based on the relative value contributed by each component, and [***].

1.41 "**Novartis**" shall have the meaning set forth in the **Preamble**.

1.42 "**Party**" shall mean Novartis or Buyer; "**Parties**" shall mean Novartis and Buyer.

1.43 "**Patent Rights**" shall mean patents and all substitutions, divisions, continuations, continuations-in-part, reissues, reexaminations and extensions thereof and supplemental protection certificates relating thereto, any confirmation patents or registration patents or patents of addition based on any such patents, and all counterparts thereof or substantial equivalents in any country, including utility models and industrial designs (collectively, "**Patents**") and any applications or provisional applications for any of the foregoing ("**Patent Applications**").

1.44 "**Person**" shall mean any corporation, limited or general partnership, limited liability company, joint venture, trust, unincorporated association, governmental body, authority, bureau or agency, any other entity or body, or an individual.

1.45 "**Phase III Clinical Trial**" shall mean a controlled pivotal clinical study of a product that is prospectively designed to demonstrate statistically whether such product is effective and safe for use in a particular Indication in a manner sufficient to obtain Regulatory Approval to market such product.

1.46 "**Purchased IP**" shall have the meaning set forth in the Purchase Agreement.

1.47 "**Regulatory Approval**" shall mean, with respect to a Therapeutic Antibody Product in any country or jurisdiction, any approval (including where required, pricing and reimbursement approvals), registration, license or authorization from a Regulatory Authority in a country or other jurisdiction that is necessary to market and sell such Therapeutic Antibody Product in such country or jurisdiction.

1.48 "**Regulatory Authority**" shall mean any federal, national, multinational, state, provincial or local regulatory agency, department, bureau or other governmental entity with authority over the marketing, pricing or sale of a pharmaceutical product or therapy in a country, including the FDA, EMA and any corresponding national or regional regulatory authorities.

1.49 "Royalty Term" shall have the meaning set forth in Section 5.2(a)

1.50 "**Term**" shall have the meaning set forth in **Section 11.1**.

1.51 "**Therapeutic Antibody Product**" shall mean [*******] to [*******] for [*******] a [*******] and any [*******] or [*******].

1.52 "**Third Party**" shall mean any Person other than Buyer, Novartis or their respective Affiliates.

1.53 "**Third Party In-License**" shall mean the Morphosys Agreement along with the commercial license granted to Novartis pursuant to the Morphosys Agreement.

1.54 "**United States**" or "**US**" shall mean the United States of America, its territories and possessions.

1.55 "**Valid Claim**" shall mean, with respect to any country, either: (i) a claim of an issued and unexpired patent which has not been held permanently revoked, unenforceable or invalid by a decision of a court or other governmental agency of competent jurisdiction, unappealable or unappealed within the time allowed for appeal, and which has not been admitted to be invalid or unenforceable through reissued or disclaimer or otherwise; or (ii) a claim of a pending patent application that has not been abandoned or finally rejected without the possibility of appeal [*******].

ARTICLE II

SUBLICENSE AND LICENSE GRANTS

2.1 Sublicense and License Grants to Buyer.

(a) Exclusive Commercial Therapeutic Sublicense. Novartis hereby grants to Buyer, and Buyer hereby accepts from Novartis, an exclusive, worldwide, royalty-bearing sublicense (with the right to grant further sublicenses) under Morphosys Patent Rights and Morphosys Know-How within the Field of Use to make, have made, develop, have developed, use, have used, sell, have sold, offer for sale, have offered for sale, import, have imported, export or have exported, Therapeutic Antibody Products.

(b) Preclinical and Clinical Monitoring Sublicense. Novartis hereby grants to Buyer, and Buyer hereby accepts from Novartis, a non-exclusive, royalty-free sublicense (with the right to grant further sublicenses) to use and have used, but not sell or have sold, HuCAL Antibodies directed against sclerostin for in vitro diagnostics in a preclinical or clinical setting, to the extent [*******] to obtain Regulatory Approval for Therapeutic Antibody Products.

(c) Right to Sublicense. Buyer may sublicense its rights under this **Section 2.1** to Bona Fide Collaborators as permitted under the Morphosys Agreement.

2.2 No Implied Licenses. Except as specifically set forth in this Agreement, neither Party shall acquire any license or other intellectual property interest, by implication or otherwise, in any intellectual property disclosed to it under this Agreement or under any Patent Rights Controlled by the other Party or its Affiliates.

2.3 Know-How and Materials Transfer. The Parties acknowledge and agree that the provisions of **Section 5.3** of the Purchase Agreement shall apply to the rights granted hereunder.

ARTICLE III

THIRD PARTY COVENANTS-NOT-TO-SUE & ADDITIONAL SUBLICENSES

3.1 CAT Covenant. Novartis hereby grants to Buyer the benefits of the covenant-not-to-sue ("**CAT Covenant**") under a framework agreement between Morphosys and Cambridge Antibody Technology ("**CAT Framework Agreement**"), with regard to the "**CAT Patent Rights**" described in **Appendix 3.02** of the CAT Framework Agreement, in order to permit Buyer to practice any licenses granted to it herein by Novartis. Buyer hereby acknowledges that it has read the redacted copy of the CAT Framework Agreement. Novartis makes no representations that the benefits of the CAT Covenant shall extend to Buyer if Buyer: (i) conducts "**Alternative Selection**" (as such term is defined in **Appendix 3.02** of the CAT Framework Agreement); (ii) [*******]; or (iii) enters into a "**Challenge of a CAT Patent Right**" (as such term is defined in **Section 3.07(c)** of the CAT Framework Agreement).

3.2 AME Sublicense. Novartis hereby grants to Buyer a sublicense to the patent rights listed in **Section 1.2** ("**AME Patent Rights**") of that certain sublicense agreement entered into by and between Morphosys and Applied Molecular Evolution ("**AME Sublicense Agreement**"), to the extent necessary to practice any rights granted by Novartis to Buyer herein; *provided*, *however*, that the sublicense to the AME Patent Rights shall be subject to the limitations of the AME Sublicense Agreement and the "**Kauffman Agreement**" (as such term is defined in **Section 1.10** of the AME Sublicense Agreement). Buyer hereby acknowledges that it has read the redacted copies of the AME Sublicense Agreement and the Kauffman Agreement. Buyer also acknowledges that [*******].

3.3 Dyax Sublicense. Novartis hereby grants to Buyer a sublicense under the patent rights listed in **Section 1.5** ("**Dyax Patent Rights**") of that certain patent license agreement entered into by and between Morphosys and Dyax Corp. ("**Dyax License Agreement**"), to the extent necessary to practice any license granted by Novartis to Buyer herein; *provided*, *however*, that the sublicense to the Dyax Patent Rights shall be subject to the limitations of the Dyax License Agreement. Buyer hereby acknowledges that it has read the redacted copy of the Dyax License Agreement and agrees to abide by the provisions contained therein. In particular, Buyer acknowledges that [*******] and [*******]and [*******]. Buyer also acknowledges that [*******].

ARTICLE IV

DILIGENCE

4.1 Diligence. Buyer shall, itself, through its Affiliates or sublicensees, use Commercially Reasonable Efforts to Develop and Commercialize a Therapeutic Antibody Product. Subject to the right set forth in **Section 11.3**, Buyer shall be in violation of its due diligence obligation if (a) Buyer decides to discontinue all efforts on developing therapeutic antibodies against sclerostin, or (b) Buyer conducts no significant work on Developing therapeutic antibodies against sclerostin for a consecutive [*******] period.

ARTICLE V

FINANCIAL PROVISIONS

In full consideration for the rights granted to Buyer hereunder, and solely to the extent Novartis is required to make such payments to Morphosys, Buyer hereby agrees to make the following payments to Novartis:

5.1 Milestone Payments.

(a) Subject to the terms and conditions of this **Article V**, Buyer shall pay, or cause to be paid, to Novartis the following one-time payments upon the achievement of the milestone events set forth below:

(i) [***] if, and the first time, [*******] or [*******] a [*******] or [*******] in the [*******] in [*******] covering the [*******] Therapeutic Antibody Product;

(ii) [*******] if, and the first time, [*******] or an [*******] an [*******] or [*******] or [*******] in the [*******] in [*******] or [*******] for the [*******] Therapeutic Antibody Product [*******]; and

(iii) [*******] if, and the first time, [*******] or an [*******] or [*******] in the [*******] in [*******] for the [*******] Therapeutic Antibody Product [*******].

(b) For clarity, in the event that a Therapeutic Antibody Product [*******], then [*******] Therapeutic Antibody Product [*******] of [*******].

5.2 Royalty Payments.

(a) "**Royalty Term**" shall mean the period beginning on the Effective Date and continuing until: (i) the earliest of: (x) twelve (12) years after First Commercial Sale in such country; (y) the expiration of the last Valid Claim included in Morphosys Patent Rights in such country, which Valid Claim Covers [*******] such Therapeutic Antibody Product; and (z) the expiration of the last Valid Claim included in the Collaboration Patent Rights in such country, which Valid Claim Covers [*******] such Therapeutic Antibody Product; or (ii) ten (10) years after First Commercial Sale in such country, whichever is later.

(b) Royalty Rate. Buyer shall pay to Novartis royalties in the amount of [*******]% of Net Sales of Therapeutic Antibody Products sold by Buyer and its Affiliates on a country-by-country basis during the Royalty Term; *provided, however*, the corresponding royalty rate under this Agreement [*******] to the extent any Royalty Term extends beyond the expiration of the last to expire relevant Valid Claim.

(c) The following terms shall apply to any royalty payments due under this Agreement:

(i) Royalty payments shall be made to Novartis within [*******] days following the end of each Calendar Quarter for which royalties are due. Each royalty payment shall be accompanied by a report summarizing the total Net Sales for each Therapeutic Antibody Product during the relevant Calendar Quarter and the calculation of royalties, if any, due thereon.

(ii) All royalties shall be payable in full in US Dollars, regardless of the countries in which sales are made. For the purpose of computing Net Sales for Therapeutic Antibody Products sold in a currency other than US Dollars, Buyer shall convert the amounts into US Dollars from the currency in which such amounts are received by Buyer using Buyer's then-current standard exchange rate methodology applied to its external reporting for the translation of foreign currency sales into US Dollars.

(iii) Any amounts not paid by Buyer to Novartis within the respective time period shall bear interest at a rate of [***]. Notwithstanding the foregoing, if the obligation to pay a particular payment hereunder is disputed in good faith, and the resolution of such dispute demonstrates that such payment is not due hereunder, then no interest thereon shall be paid by Buyer.

(iv) All consideration set forth herein shall be [***] any applicable value added tax ("**VAT**"), and any VAT payable shall be borne by [***]the [***] and [***] to [***]. If provision is made in Applicable Law or regulation of any country for withholding of taxes, levies or other charges with respect to [***] to [***] such [***] or [***] for and on [***] of [***] to the [***], and shall promptly [***] with [***] of such [***]. [***] shall [***] to [***] such [***] or [***] from [***] to [***]. Each Party agrees to assist the other Party in claiming exemption from such deductions or withholdings under double taxation or similar agreement or treaty from time to time in force and in minimizing the amount required to be so withheld or deducted.

(v) For the avoidance of doubt, the obligation for Buyer to pay royalties under this **Section 5.2** is imposed only once with respect to the same unit of Therapeutic Antibody Product, notwithstanding such Therapeutic Antibody Product may be Covered by more than one Valid Claim of the Morphosys Patent Rights.

5.3 Third Party Obligations.

(a) Notwithstanding any other provision of this Agreement, Novartis shall remain responsible for the payment of royalty, milestone and other payment obligations, if any, due to Morphosys and any other Third Party under the Third Party In-License. All such payments shall be made promptly by Novartis in accordance with the terms of the Third Party In-License.

(b) In the event that milestone and royalty payment obligations of Novartis to Morphosys under the Morphosys Agreement terminate or are otherwise excused, all milestone payments and royalty payments set forth in this **Article V** shall terminate.

5.4 Payment Terms. All payments hereunder shall be payable within [***] days after receipt by Buyer, or its nominee designated for that purpose in advance by Buyer in writing to Novartis, of an invoice by Novartis covering such payment. Except as otherwise stated herein, all payments due hereunder shall be made in US Dollars. All payments shall be non-creditable against any other fees due hereunder.

ARTICLE VI

RECORDS

6.1 Records Retention. Buyer and its Affiliates shall keep for [***] from the date of each payment of royalties complete and accurate records of sales of each Therapeutic Antibody Product in sufficient detail to allow the accruing royalties to be determined accurately. Buyer shall maintain all records in accordance with IFRS accounting standards. Within [***] days following each Calendar Year, Buyer shall provide Novartis with an annual summary report setting out the development stage and estimated timeline for achievement of the next development stage for the Therapeutic Antibody Product(s). Buyer shall also notify Novartis in writing of the achievement of each event triggering a payment, within [***] days of occurrence.

6.2 Audits.

(a) Novartis shall have the right for a period of [***] after receiving any report or statement with respect to any payment triggering event or financial calculation hereunder and Novartis shall have the right during the term of the Agreement (no more than [***] per year), and upon [***] notice to Buyer to appoint an independent auditor (the "**Auditor**") [***] acceptable to Buyer to inspect the relevant records of Buyer or its Affiliates to verify such reports, statements, records or books of accounts, as applicable. Before beginning its audit, the Auditor shall execute an undertaking acceptable to Buyer and Novartis by which the Auditor shall keep confidential all information reviewed during such audit. The Auditor shall have the right to disclose to Novartis solely its conclusions regarding any payments owed to Novartis.

(b) Buyer shall make its records available for inspection by such Auditor during regular business hours at such place or places where such records are customarily kept, upon [***] notice from Novartis, solely to verify the accuracy of the reports, payments, records or books of accounts. Such inspection right shall not be exercised by Novartis more than [***] in any calendar year. Additionally, Novartis may not audit the sales of any Therapeutic Antibody Product in any given period more than once.

(c) Novartis shall pay for such inspections, as well as its own attorney fees associated with enforcing its rights with respect to any payments hereunder, except that in the event there is any upward adjustment in aggregate amounts payable for any year shown by such inspection of more than [***] of the amount paid, Buyer shall pay for such inspection, including reasonable attorney fees related to enforcement.

ARTICLE VII

CONFIDENTIALITY

7.1 Each Party may disclose to the other Party proprietary information, materials and technical, business and strategic information under this Agreement of a confidential or proprietary nature ("**Confidential Information**"). Confidential Information shall also comprise any information regarding the subject matter of this Agreement. Notwithstanding the foregoing, it is understood and agreed that the receiving Party's obligations of confidentiality and non-use herein shall not apply to any information which, as can be demonstrated by competent proof:

(a) is, at the time of disclosure, or thereafter becomes, a part of the public domain or publicly known or available through no fault or negligence of the receiving Party or any of its Affiliates;

(b) was otherwise in the receiving Party's lawful possession prior to disclosure by the disclosing Party, other than under an obligation of confidentiality;

(c) was independently discovered or developed by the receiving Party or any of its Affiliates, without use of the other Party's Confidential Information; or

(d) is lawfully disclosed to the receiving Party or any of its Affiliates on a non-confidential basis by a third party who is not in violation of an obligation of confidentiality to the disclosing Party relative to such information.

7.2 For a period of [*******] after the receipt of any such Confidential Information, the receiving Party shall keep confidential, shall not use, and shall not disclose to third parties, any such Confidential Information of the other Party, except as expressly permitted hereunder. Each Party may disclose Confidential Information to its Affiliates, *provided* that any such Affiliate accepts the Confidential Information on the terms herein. Notwithstanding the foregoing, Buyer may disclose Confidential Information to non-Affiliate third parties conducting activities for, on behalf of, in collaboration with or pursuant to an agreement with Buyer or its Affiliates, related to Buyer's or its Affiliates' research, Development, Manufacturing, and Commercialization purposes, but only to the extent that such Confidential Information is reasonably related to such activities of such party(ies), and then only to the extent such party(ies) previously has agreed in writing to maintain the confidentiality of information provided to it by Buyer or its Affiliates on terms similar to those herein. In addition, the Parties shall have the right to disclose a redacted version of the Agreement to applicable parties for the limited purpose of due diligence in connection with any restructuring, financing, merger, acquisition, existing or prospective collaboration of one of the Parties or any similar event, with the prior consent of the other Party, which shall not be unreasonably withheld; *provided, however*, that the Parties shall agree in good faith upon such redactions. In addition, a Party may disclose the full terms of the Agreement to its investment bankers, lawyers, accountants and other professional advisors without the other Party's prior approval, *provided* that such disclosure is made under terms of confidentiality. Each Party may disclose the other's information that comprises Confidential Information to the extent such disclosure is reasonably necessary in: (i) filing, prosecuting or defending litigation; (ii) filing, prosecuting or defending Patent Rights (but only to the extent that each Party gives its consent to the other Party to make such disclosure, which consent shall not be unreasonably withheld); or (iii) complying with Applicable Law or governmental regulations (including the rules and regulations of the United States Securities and Exchange Commission or any national securities exchange); *provided*, *however*, that if a Party is required to make any disclosure of the other Party's Confidential Information, it will give reasonable advance notice to the other Party of such disclosure requirement and will use reasonable efforts to assist such other Party in efforts to secure confidential treatment of such Confidential Information required to be disclosed. Upon any termination of this Agreement or Morphosys Agreement, and upon request, a Party shall return to a requesting Party all copies of any of such requesting Party's Confidential Information that is not the subject of a license granted hereunder.

7.3 The Parties shall also be permitted hereunder to disclose the general nature of this Agreement to the extent reasonably necessary to obtain financing from third parties or potential collaborators, and to make such other disclosures as mutually agreed by the Parties. Except to the extent already disclosed in any mutually agreed press release or other public communication, no public announcement concerning the existence or the terms of the Agreement or concerning the transactions described herein shall be made, either directly or indirectly, by the Parties, except as may be legally required by Applicable Law, without first obtaining the approval of the other Party and agreement upon the nature, text, and timing of such announcement, which approval and agreement shall not be unreasonably withheld. Once any written statement is approved for disclosure by both Parties, either Party may make subsequent public disclosures of the contents of such statement without the further approval of the other Party.

7.4 Novartis and its Affiliates agree not to publish or publicly present any results, data, or scientific findings with respect to: (i) the efforts that generated or optimized any Therapeutic Antibody Product, or (ii) the biological activity of a drug product or biological activity identified through the use of a Therapeutic Antibody Product. In the event of information already within the public domain, consent shall not be required prior to planned submission for publication or public presentation so long as such information is properly attributed in accordance with commonly accepted practices.

7.5 Publicity. Novartis shall not issue any press release or public announcement relating to this Agreement without the prior written approval of Buyer, [*******], except that Novartis may issue such a press release or public announcement if required by Applicable Law, including by the rules or regulations of the United States Securities and Exchange Commission or similar regulatory agency in a country other than the United States or of any stock exchange or NASDAQ; *provided* that Buyer has received at least [*******] days prior notice of such intended press release or public announcement and Novartis considers in good faith Buyer's comments thereon, unless Novartis was and is prevented by Applicable Law from providing such advance notice, and Novartis includes in such press release or public announcement only such information relating to the Therapeutic Antibody Product(s) or this Agreement as is required by such Applicable Law.

ARTICLE VIII

INTELLECTUAL PROPERTY OWNERSHIP, PROTECTION

8.1 Ownership of Intellectual Property and Inventions.

(a) All Morphosys Patent Rights, Morphosys Know-How and Morphosys Improvement Technologies are owned by Morphosys.

(b) All Inventions, Know-How and Patent Rights developed by Buyer after the date of this agreement shall be solely owned by Buyer.

(c) Inventorship shall be determined in accordance with applicable US inventorship laws. Novartis hereby assigns and agrees to assign, and shall [*******] cooperate and [*******] to cause its Affiliates, employees, agents, consultants and any other individuals who participated in any respect to the conception or reduction to practice of any Inventions on its behalf to take all necessary actions and execute all necessary documents in order to assign any applicable Collaboration Inventions and Collaboration Patent Rights exclusively related to the Therapeutic Antibody Product to Buyer.

8.2 Branding. Buyer will have sole responsibility, ownership and decision making power, at its sole expense, for all aspects of naming and branding the Therapeutic Antibody Product(s) worldwide, including creating, selecting, prosecuting and enforcing trademarks and domain names.

ARTICLE IX

REPRESENTATIONS, WARRANTIES AND COVENANTS

9.1 Mutual Representations and Warranties. Each Party hereby represents and warrants to the other Party as of the Effective Date as follows:

(a) Corporate Existence and Power. It is a corporation duly organized, validly existing, and in good standing under the laws of the jurisdiction in which it is incorporated, and has full corporate power and authority and the legal right to own and operate its property and assets and to carry on its business or other activities as they are now being conducted and as contemplated in this Agreement, including the right to grant the licenses granted by it hereunder.

(b) Authority and Binding Agreement. (i) It has the corporate power and authority and the legal right to enter into this Agreement and perform its obligations hereunder; (ii) it has taken all necessary corporate action on its part required to authorize the execution and delivery of this Agreement and the performance of its obligations hereunder; and (iii) this Agreement has been duly executed and delivered on behalf of such Party, and constitutes a legal, valid, and binding obligation of such Party that is enforceable against it in accordance with its terms.

(c) Consents. All consents, approvals and authorizations from all governmental authorities or other Third Parties required to be obtained by such Party in connection with this Agreement have been obtained.

(d) No Conflict. It is not a party to any agreement or commitment that would prevent it from granting the rights granted or intended to be granted to the other Party under this Agreement or performing its obligations under this Agreement.

9.2 Representations and Warranties by Novartis. Novartis hereby represents and warrants to Buyer as of the Effective Date as follows:

(a) to the knowledge of Novartis, **Schedule 9.2(a)** attached hereto sets forth a complete and accurate list of all Patent Rights included in the Morphosys Patent Rights in existence as of the Effective Date, indicating the owner or co-owners thereof if such Patent is not solely owned by Novartis;

(b) Novartis has the right to grant to Buyer the sublicenses under the Morphosys IP that it purports to grant hereunder and has not granted any Third Party rights that would otherwise interfere or be inconsistent with Buyer's rights hereunder; Novartis has not breached in any material respect and is otherwise in full compliance with the terms of the Third Party In-License, including the following:

(i) Novartis has timely paid all annual license fee payments and other payments due and payable to Morphosys;

(ii) Novartis has fully complied with all obligations and restrictions with respect to confidential information under **Article 9** of the Morphosys Agreement; and

(iii) Novartis has fully complied with and is in good standing with respect to the Exclusive Commercial License (as defined in the Morphosys Agreement) obtained from Morphosys;

(c) Novartis has the right to use and disclose and to enable Buyer to use and disclose (in each case under appropriate conditions of confidentiality) the Morphosys Know-How free from Encumbrances;

(d) Novartis has not initiated or been involved in any proceedings, actions or claims in which it alleges that any Third Party is or was infringing or misappropriating any Morphosys IP, nor have any such proceedings, actions or claims been threatened by Novartis, nor does Novartis know of any valid basis for any such proceeding;

(e) there are no pending, and, to Novartis's knowledge, there are no threatened, actions, claims, or proceedings of any nature, civil, criminal, regulatory or otherwise, in law or in equity, against Novartis or any of its Affiliates or licensees or, to the knowledge of Novartis, pending or threatened against any Third Party, in each case involving the Morphosys IP, or relating to the transactions contemplated by this Agreement;

(f) there are no agreements or arrangements to which Novartis or any of its Affiliates is a party that would limit the rights granted to Buyer under this Agreement or that restrict or would result in a restriction on the Parties' ability to perform the activities contemplated by this Agreement;

(g) except for the sublicenses, benefits, and other rights granted in **Article III** of this Agreement, there are no sublicenses, benefits, or other rights arising under or related to CAT Framework Agreement, AME Sublicense Agreement, Kauffman Agreement, or the Dyax License Agreement that would be [*******] for Buyer to exercise its rights under this Agreement, including but not limited to Buyer's right to Develop, Manufacture, and/or Commercialize Therapeutic Antibody Products;

(h) to the knowledge of Novartis, the Morphosys Know-How has not been used or disclosed by any Person except pursuant to valid and appropriate non-disclosure and/or license agreements which have not been breached; and

(i) Novartis has disclosed or made available to Buyer all [*******] scientific and technical information known to it relating to the Therapeutic Antibody Products, including (i) [*******] of any Therapeutic Antibody Product and (ii) the results of all clinical trials conducted related to the [*******] of any Therapeutic Antibody Product.

9.3 Covenants by Novartis.

(a) No Encumbrances. Novartis covenants and agrees that from the Effective Date until the expiration of the Term, neither it nor its Affiliates shall enter into any agreement with any Third Party, whether written or oral, with respect to, or otherwise assign, transfer, license, convey its right, title or interest in or to or grant any other Encumbrance to or under, the Morphosys IP.

(b) Third Party In-License. During the Term, Novartis shall comply with and maintain in full force the Third Party In-License and shall not amend or modify such Third Party In-License, which amendment or modification may affect the rights granted to Buyer under this Agreement, without the prior written consent of Buyer. Novartis shall promptly provide written notice to Buyer describing any breach, alleged breach or potential breach of a Third Party In-License of which it becomes aware and provide Buyer with copies of any correspondence related thereto. Buyer shall be entitled to [*******], including through [*******], and [*******]. In the event of termination of the Morphosys Agreement, Novartis shall promptly use best efforts to enable Buyer to obtain a license from Morphosys that grants substantially the same rights granted to Buyer under this Agreement. In addition, within a period of [*******] after the Effective Date (unless the Parties agree to extend such period), Novartis shall enable Buyer to negotiate with Morphosys a direct license to replace this Agreement.

(c) Further Assurances.

(i) The Parties acknowledge and agree that Novartis intends to grant to and confer upon Buyer all of the rights and benefits accorded to Novartis under the Morphosys Agreement to the extent [*******] to Therapeutic Antibody Products and the Development, Manufacturing, and/or Commercialization thereof, and, in the event that the grant of any such rights or benefits is not expressly set forth in this Agreement, all such rights and benefits shall be deemed to have been granted to Buyer.

(ii) Each Party shall [*******] to take such action as is [*******] or appropriate in order to complete the transactions contemplated hereby on the terms and subject to the conditions set forth herein.

(iii) After the Effective Date, at the request of Buyer from time to time, Novartis shall (i) [*******] to obtain and deliver such Third Party consents and (ii) execute and deliver to Buyer such certificates, consents and other instruments of sale, conveyance, assignment and transfer, and take all such other action, in each case, [*******] be requested by Buyer to more effectively sell, convey, assign, transfer to or otherwise confer upon Buyer the rights and benefits purported to be granted under this Agreement.

9.4 DISCLAIMER OF WARRANTIES. EXCEPT AS PROVIDED IN **SECTION 9.1** OR **SECTION 9.2** OF THIS AGREEMENT OR IN THE PURCHASE AGREEMENT, NEITHER PARTY MAKES ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, OR OF VALIDITY OR NON-INFRINGEMENT OF ANY PATENT, COPYRIGHT, TRADEMARK, OR OTHER RIGHTS, OR ANY OTHER EXPRESS OR IMPLIED WARRANTIES.

ARTICLE X

INDEMNIFICATION

10.1 Indemnification by Novartis. Subject to the other provisions of this **Article X**, Novartis shall defend Buyer, its Affiliates and its sublicensees and each of their respective officers, directors, agents, representatives and employees (collectively, "**Buyer Indemnitees**") from and against all charges, allegations, notices, civil, criminal or administrative claims, demands, complaints, causes of action, proceedings or investigations of a Third Party (collectively, "**Claims**"), and indemnify and hold harmless such Buyer Indemnitees from and against any and all losses, liabilities, obligations, awards, settlements, penalties, fines, sanctions, damages and [*******] costs (including awards of court costs and reasonable attorneys' fees) (collectively, "**Losses**") that result from any such Claims, where and to the extent that such Claims are made or brought against any Buyer Indemnitee by or on behalf of a Third Party, and solely to the extent such Claim is based on or arises out of:

(a) the breach of any obligation, covenant, warranty or representation made by Novartis under this Agreement or any other agreement entered into in connection with this Agreement;

(b) any action or omission of Novartis, its agents, employees, or officers related to its rights and/or obligations under this Agreement;

(c) any violation of Applicable Law by Novartis, its Affiliates or sublicensees relating to the Morphosys Agreement, this Agreement or Therapeutic Antibody Products; or

(d) gross negligence, recklessness or willful misconduct of Novartis;

provided, *however*, except in each case in the foregoing (a)-(d) to the extent that such Claim or Loss is attributable to any matter for which Buyer is obligated to indemnify a Novartis Indemnitee pursuant to **Section 10.2**.

10.2 Indemnification by Buyer. Subject to the other provisions of this **Article X**, Buyer shall defend Novartis and its Affiliates and each of their respective officers, directors, agents, representatives and employees (collectively, "**Novartis Indemnitees**"), from and against all Claims, and indemnify and hold harmless such Novartis Indemnitees from and against any and all Losses that result from such Claims, where and to the extent that such Claims are made or brought against any Novartis Indemnitee by or on behalf of a Third Party, and solely to the extent such Claim is based on or arises out of:

(a) the breach of any obligation, covenant, warranty or representation made by Buyer under this Agreement or any other agreement entered into in connection with this Agreement;

(b) any action or omission of Buyer, its agents, employees, or officers related to its rights and/or obligations under this Agreement;

(c) any violation of Applicable Law by Buyer, its Affiliates or sublicensees in the course of its activities under this Agreement;

(d) gross negligence, recklessness or willful misconduct of Buyer; or

(e) use, Development, Manufacture, sale, or other disposition of Therapeutic Antibody Products by Buyer, its Affiliates, or sublicensees;

provided, however, except in each case in the foregoing (a)-(e) to the extent that such Claim or Loss is attributable to any matter for which Novartis is obligated to indemnify a Buyer Indemnitee pursuant to **Section 10.1**.

10.3 Indemnification Procedures. A Person entitled to indemnification pursuant to either **Section 10.1** or **Section 10.2** will hereinafter be referred to as an "**Indemnitee**." A Party obligated to indemnify an Indemnitee hereunder will hereinafter be referred to as an "**Indemnitor**." In the event a Buyer Indemnitee or Novartis Indemnitee is seeking indemnification under either **Section 10.1** or **Section 10.2**, Buyer or Novartis, as applicable, will inform the Indemnitor of a Claim as soon as reasonably practicable after it receives notice of the Claim, it being understood and agreed that the failure to give notice of a Claim as provided in this **Section 10.3** will not relieve the Indemnitor of its indemnification obligation under this Agreement except and only to the extent that such Indemnitor is actually and materially prejudiced as a result of such failure to give notice. The Indemnitee will permit the Indemnitor to assume direction and control of the defense of the Claim, and, at the Indemnitor's expense, will cooperate as reasonably requested in the defense of the Claim. The Indemnitee will have the right to retain its own counsel at its own expense. The Indemnitor may not settle such Claim, or otherwise consent to an adverse judgment in such Claim without the Indemnitee's prior written consent, not to be unreasonably withheld or delayed; *provided*, that the Indemnitor shall not require such consent with respect to the settlement of any Claim under which the sole relief provided is for monetary damages that are paid in full by the Indemnitor, which would not materially diminish or limit or otherwise adversely affect the rights, activities or financial interests of the Indemnitee, and which does not result in any finding or admission of fault by the Indemnitee. If the Indemnitor does not assume direction and control of the defense of the Claim, the Indemnitee may not settle such Claim, or otherwise consent to an adverse judgment in such Claim without the Indemnitor's prior written consent, not to be unreasonably withheld or delayed.

10.4 LIMITATION OF LIABILITY. OTHER THAN WITH RESPECT TO A PARTY'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT, OR IN CONNECTION WITH A PARTY'S INDEMNIFICATION OBLIGATIONS HEREUNDER OR A BREACH OF ITS CONFIDENTIALITY OBLIGATIONS, NEITHER PARTY WILL BE LIABLE WITH RESPECT TO ANY SUBJECT MATTER OF THIS AGREEMENT UNDER ANY CONTRACT, NEGLIGENCE, STRICT LIABILITY OR OTHER LEGAL OR EQUITABLE THEORY FOR ANY INDIRECT, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES OR LOST PROFITS; [*******].

ARTICLE XI

TERM AND TERMINATION

11.1 Term. This Agreement shall be effective as of the Effective Date and shall continue, unless terminated earlier pursuant to this **Article XI**, until the earlier of: (a) termination of the Morphosys Agreement; or (b) on a product-by-product, country-by-country basis in accordance with its terms until, with respect to a Therapeutic Antibody Product in a particular country, the expiration of such Therapeutic Antibody Product's Royalty Term in such country (the "**Term**"). Upon expiration (but not earlier termination, unless otherwise expressly provided in this **Article XI**) of the Term, on a product-by-product and country-by-country basis, the licenses granted to Buyer hereunder shall continue in effect and become non-exclusive, fully paid-up, royalty-free, perpetual and irrevocable with respect to such Therapeutic Antibody Product and such country.

11.2 Termination by Either Party.

(a) Except as otherwise provided in this Agreement, if either Party: (i) defaults in the material performance of or fails to be materially in compliance with a material agreement, condition or covenant of this Agreement, or (ii) makes any materially false reports which results in a material adverse effect on the other Party, the Party not in default may terminate this Agreement at its option following a [*******] day period after written notice in the case of a payment breach, or a [*******] day period after written notice in the case of any other breach, unless such default or breach is cured within these periods.

(b) Without prejudice to any other provision of this Agreement, if either Party expressly refuses to perform, in whole or in part, this Agreement or any of its material obligations under this Agreement in connection with electing not to perform the Agreement under any bankruptcy laws or an insolvency petition, such refusal will be considered a material breach that may not be cured. In such event, the other Party may terminate this Agreement at its option by giving notice to the Party who refused to perform, and such termination in the event of refusal to perform will be effective as of the date of such termination notice, without application of a cure period.

11.3 Termination by Buyer. Buyer may, in its sole discretion, exercisable at any time during the Term, terminate this Agreement in its entirety for any reason or no reason at all, effective upon [*******] days' written notice to Novartis.

11.4 Effect of Termination.

(a) Except as set forth in this **Article XI,** the rights and obligations of the Parties hereunder shall terminate as of the date of early termination of this Agreement.

(b) Survival. The expiration or termination of any right or obligation under this Agreement for any reason will not affect obligations, including the payment of any royalties and milestones, that have accrued as of the effective date of such expiration or termination, as the case may be. The provisions set forth in this **Section 11.4**, **Sections 9.1** and **9.2**, and **Articles VI** (Records), **VII** (Confidentiality), **X** (Indemnification), and **XII** (Miscellaneous), as well as any other provision that by its terms or by the context thereof is intended to survive expiration or termination, shall survive such expiration or termination.

ARTICLE XII

MISCELLANEOUS

12.1 Governing Law and Jurisdiction. This Agreement shall be governed by and construed under the laws of New York, without giving effect to the conflicts of laws provision thereof. Each Party irrevocably submits to the exclusive jurisdiction of the United States District Court for the Southern District of New York, for the purposes of any suit, action or other proceeding arising out of this Agreement. Each Party agrees to commence any such action, suit or proceeding in the United States District Court for the Southern District of New York or, if such suit, action or other proceeding may not be brought in such court for jurisdictional reasons, in the Supreme Court of the State of New York, New York County. Each Party further agrees that service of any process, summons, notice or document by a nationally recognized overnight courier (receipt requested) to such Party's respective address set forth in **Section 12.2** shall be effective service of process for any action, suit or proceeding in New York with respect to any matters to which it has submitted to jurisdiction in this **Section 12.1**. Each Party irrevocably and unconditionally waives any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement in the United States District Court for the Southern District of New York, and hereby and thereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

12.2 Notices. All notices, requests, demands and other communications which are required or may be given under this Agreement shall be in writing and shall be deemed to have been duly given when received if personally delivered; upon receipt if transmitted by email; the day after it is sent, if sent for next day delivery to a U.S. address by recognized overnight delivery service (*e.g.*, Federal Express); and upon receipt, if sent by certified or registered mail, return receipt requested, as follows:

If to Buyer:

Mereo BioPharma 3 Limited
15 Stratton Street
London
W1J 8LQ
United Kingdom
Attention: [*******]

With a copy (which shall not constitute notice) to:

Proskauer Rose LLP
Eleven Times Square
New York NY 10036
Attention: [***]
Email: [***]

If to Seller:

Novartis Pharma AG
Lichtstrasse 35
CH-4002, Basel, Switzerland
Attention: Head – Business Development & Licensing

With a copy (which shall not constitute notice) to:

Novartis Pharma AG
Lichtstrasse 35
CH-4002, Basel, Switzerland
Attention: General Counsel

or to such other place and with such other copies as either party may designate as to itself by written notice to the others.

12.3 Specific Performance. The Parties agree that irreparable damage would occur in the event any provision hereof were not performed in accordance with the terms hereof and that the Parties will be entitled to specific performance of the terms hereof, in addition to any other remedy at law or in equity without the necessity of demonstrating the inadequacy of monetary damages and without the posting of a bond.

12.4 Severability. Whenever possible, each provision or portion of any provision of this Agreement shall be interpreted in such manner as to be effective and valid under Applicable Law, but if any provision or portion of any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any Applicable Law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of any other provision or portion of any provision in such jurisdiction.

12.5 Interpretation.

(a) The words “hereof,” “herein” and “hereunder” and words of similar import when used in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement, and Article, Section, Schedule and Exhibit references are to this Agreement unless otherwise specified. The meaning of defined terms shall be equally applicable to the singular and plural forms of the defined terms. The term “or” is inclusive and not exclusive, unless its use is preceded by the word “either” or other words of similar import. The terms “include” and “including” are not limiting and mean “including without limitation.” Use of a particular gender is for convenience only and is not intended to be a part of or to affect or restrict the meaning or interpretation of this Agreement.

(b) References to agreements and other documents shall be deemed to include all subsequent amendments and other modifications thereto.

(c) References to statutes shall include all regulations promulgated thereunder and references to statutes or regulations shall be construed as including all statutory and regulatory provisions consolidating, amending or replacing the statute or regulation.

(d) The captions and headings of this Agreement are for convenience of reference only and shall not affect the construction of this Agreement.

(e) The language used in this Agreement shall be deemed to be the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any party.

(f) The Schedules and Exhibits to this Agreement are a material part hereof and shall be treated as if fully incorporated into the body of this Agreement.

12.6 Integration; Amendments. This Agreement, including the Schedules and Exhibits hereto and the documents referred to herein, embodies the entire agreement and understanding of the Parties hereto in respect of the subject matter contained herein. This Agreement supersedes all prior agreements and understandings (including any confidentiality agreements) between the Parties with respect to such subject matter. This Agreement may be amended or modified only by written agreement of the Parties hereto.

12.7 Independent Contractors; No Agency. Neither Party shall have any responsibility for the hiring, firing or compensation of the other Party's employees or for any employee benefits. No employee or representative of a Party shall have any authority to bind or obligate the other Party to this Agreement for any sum or in any manner whatsoever, or to create or impose any contractual or other liability on the other Party without said Party's written approval. For all purposes, and notwithstanding any other provision of this Agreement to the contrary, each Party's legal relationship under this Agreement to the other Party shall be that of independent contractor. The Parties agree and acknowledge that neither owes any fiduciary duties to the other.

12.8 Assignment; Successors. This Agreement shall not be assignable by any Party hereto without the prior written consent of the other Party except that (i) either Party may assign its rights under this Agreement to any of such Party's Affiliates without the prior written consent of the other Party and (ii) Buyer may assign its rights under this Agreement to any Person acquiring all or any portion of the Therapeutic Antibody Product or Purchased IP. This Agreement shall be binding upon, and shall inure to the benefit of, all permitted successors and assigns.

12.9 Subcontracting. Buyer may subcontract the performance of any of its activities hereunder to Third Parties at its discretion, *provided* that the subcontractor agrees to comply with the confidentiality obligations set forth in **Article VII**. Each Party shall be responsible for the acts or omissions of such Party's subcontractors in exercising rights under the subcontract which would constitute a breach hereunder.

12.10 Execution in Counterparts; Electronic Signatures. This Agreement may be executed in counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original, and all of which counterparts, taken together, shall constitute one and the same instrument even if both Parties have not executed the same counterpart. Signatures provided by facsimile transmission or by electronic delivery in PDF format shall be deemed to be original signatures.

12.11 Waivers. No failure on the part of Buyer or Novartis to exercise and no delay in exercising any right, power, remedy or privilege under this Agreement, or provided by statute or at law or in equity or otherwise, shall impair, prejudice or constitute a waiver of any such right, power, remedy or privilege or be construed as a waiver of any breach of this Agreement or as an acquiescence therein, nor shall any single or partial exercise of any such right, power, remedy or privilege preclude any other or further exercise thereof or the exercise of any other right, power, remedy or privilege.

12.12 Expenses. Except as otherwise specified herein, all costs and expenses, including fees and disbursements of counsel, financial advisors and accountants, incurred in connection with this Agreement and the transactions contemplated hereby will be paid by the Party incurring such costs and expenses, whether or not the Closing will have occurred.

12.13 Anti-Bribery; Anti-Corruption. Each Party and their respective Affiliates shall comply fully at all times with all Applicable Law and regulations, including but not limited to the US Foreign Corrupt Practices Act and all other applicable anti-bribery, anti-corruption laws, of each jurisdiction in which such Parties conduct business with each other under this Agreement or otherwise in connection with this Agreement.

12.14 Export Clause. Each Party acknowledges that Applicable Laws and regulations of the US restrict the export and re-export of commodities and technical data of US origin. Each Party agrees that it shall not export or re-export restricted commodities or the technical data of the other Party in any form without the appropriate US and foreign government licenses.

[Signature Page Follows]

IN WITNESS WHEREOF, Novartis and Buyer have caused this Sublicense Agreement to be duly executed by their authorized representatives, as of the date first written above.

NOVARTIS PHARMA AG

By: /s/ Matt Owens
Name: Matt Owens
Title: Global Head Legal Strategic Partnerships & Digital Medicine

By: /s/ Efthymis Lioulias
Name: Efthymis Lioulias
Title: Senior Legal Counsel

MEREO BIOPHARMA 3 LIMITED

By: /s/ Denise Scots-Knight
Name: Denise Scots-Knight
Title: Chief Executive Officer

Schedule 9.2(a)

[*******]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXHIBIT A

MORPHOSYS COLLABORATION TECHNOLOGIES

[*******]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXHIBIT B

MORPHOSYS PATENT RIGHTS

[***]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXECUTION VERSION

EXCLUSIVE LICENSE AND OPTION AGREEMENT

This EXCLUSIVE LICENSE AND OPTION AGREEMENT (the "**Agreement**") is made and entered into effective as of 28 October 2017 (the "**Effective Date**") by and between ASTRAZENECA AB, a company incorporated in Sweden under no. 556011-7482 with its registered office at SE-151 85 Sodertalje, Sweden ("**AstraZeneca**"), and MEREO BIOPHARMA 4 LIMITED, a company incorporated in England and Wales under no. 11029583 with its registered office at 4th Floor, One, Cavendish Place, London, W1G 0QF ("**Mereo**"). AstraZeneca and Mereo are sometimes referred to herein individually as a "**Party**" and collectively as the "**Parties.**"

BACKGROUND

(A) AstraZeneca owns and controls certain intellectual property rights and assets relating to a compound designated AZD9668, which is an orally delivered form of a neutrophil elastase inhibitor that has been the subject of Phase II clinical trials in respiratory diseases [***];

(B) AstraZeneca wishes to grant a world-wide, exclusive license to Mereo and Mereo wishes to obtain, a license under such intellectual property rights to develop, manufacture and commercialize such compounds in the Territory, in each case in accordance with the terms and conditions set forth in this Agreement; and

(C) AstraZeneca wishes to grant Mereo an option to acquire title to certain of such intellectual property rights and Mereo wishes to obtain such option, in accordance with the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual promises and conditions set forth herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties, intending to be legally bound, do hereby agree as follows:

1. DEFINITIONS

Unless otherwise specifically provided herein, the following terms shall have the following meanings:

1.1 "**[***]**" has the meaning given in the Subscription Deed;

1.2 "**Accounting Standards**" means the International Financial Reporting Standards ("**IFRS**"), consistently applied.

1.3 **"Additional Studies"** means the [***] collaborative research agreements currently under negotiation or recently executed between AstraZeneca or its Affiliates and [***], in each case which relate to the Compounds and which will be entered into prior to or after the Effective Date pursuant to Section 5.6, as further described in Part 1 of Schedule 1.3.

1.4 "**Affiliate**" means, with respect to a Party, any Person that, directly or indirectly, through one (1) or more intermediaries, controls, is controlled by or is under common control with such Party. For purposes of this definition, "control" and, with correlative meanings, the terms "controlled by" and "under common control with" means: (i) the possession, directly or indirectly, of the power to direct the management or policies of a business entity, whether through the ownership of voting securities, by contract relating to voting rights or corporate governance or otherwise; or (ii) the ownership, directly or indirectly, of fifty percent (50%) or more of the voting securities or other ownership interest of a business entity (or, with respect to a limited partnership or other similar entity, its general partner or controlling entity).

1.5 "**Agreement**" has the meaning set forth in the preamble hereto.

1.6 "**Anti-Corruption Laws**" means the U.S. Foreign Corrupt Practices Act, as amended, the UK Bribery Act 2010, as amended, and any other applicable anti-corruption laws and laws for the prevention of fraud, racketeering, money laundering or terrorism.

1.7 "**Applicable Law**" means all federal, provincial, state, local and foreign law (including United States), (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, directive, order, injunction, judgment, decree, ruling or other similar requirement, and other agreements between states or between states and the European Union or other supranational bodies, including any rules, regulations, guidelines or other requirements of the Regulatory Authorities, that may be in effect from time to time, including the FFDCA and the Anti-Corruption Laws.

1.8 "**API**" means active pharmaceutical ingredient.

1.9 "**AstraZeneca**" has the meaning set forth in the preamble hereto.

1.10 "**AstraZeneca Hourly Rate**" means an hourly rate of [***] United States Dollars for AstraZeneca personnel.

1.11 "**AZ's Global Ethical Interactions Policy**" means AstraZeneca's "Ethical Interactions & Anti-Bribery/Anti-Corruption Policy", as available on AstraZeneca's website at https://www.astrazeneca.com/content/dam/az/PDF/Ethical-Interactions-Policy.pdf from time to time.

1.12 "**Auditor**" has the meaning set forth in Section 8.14.

1.13 "**Breaching Party**" has the meaning set forth in Section 14.2.1.

1.14 "**Business**" means the assets, business, operations and activities of Developing and Manufacturing the Compounds and includes any other actions taken in furtherance of the Business.

1.15 "**Business Day**" means a day other than a Saturday or Sunday or a day on which banking institutions in London or Stockholm, Sweden are permitted or required to be closed.

1.16 "**Calculation Agent**" means the auditors (from time to time) of the Company or, if they are unwilling or unable to act, an independent firm of chartered accountants (of international repute) as the parties shall agree (or, if they are unable to reach agreement within [***] of a notice to agree being served by either party on the other, as determined by the [***] on the [***]);

1.17 "**Calendar Quarter**" means each successive period of three (3) calendar months commencing on 1 January, 1 April, 1 July and 1 October, except that the first Calendar Quarter of the Term shall commence on the Effective Date and end on the day immediately prior to the first to occur of 1 January, 1 April, 1 July or 1 October after the Effective Date and the last Calendar Quarter shall end on the last day of the Term.

1.18 "**Calendar Year**" means each successive period of twelve (12) calendar months commencing on 1 January and ending on 31 December, except that the first Calendar Year of the Term shall commence on the Effective Date and end on 31 December of the year in which the Effective Date occurs and the last Calendar Year of the Term shall commence on 1 January of the year in which the Term ends and end on the last day of the Term.

1.19 "**Clinical Trial**" means any [***], [***] and/or variations or subsets of such trials**.**

1.20 "**Combination Product**" means (a) a single Product in finished form that is comprised of or contains a Compound as an API together with one (1) or more other APIs and is sold [***]; (b) any Product [***]; or (c) any Product [***] (i.e. where a Product [***]), to the extent not described in (a) or (b).

1.21 "**Commencement**" means, in relation to a Clinical Trial, the first dosing of the first patient participating in such Clinical Trial.

1.22 "**Commercialization**" means any and all activities directed to the launch of, offering for sale of or sale of a Product, including activities related to marketing, promoting, detailing, distributing, Manufacturing, importing, exporting, offering to sell or selling such Product, interacting with Regulatory Authorities regarding any of the foregoing and seeking pricing or reimbursement approvals (as applicable). When used as a verb, "to Commercialize" and "Commercializing" means to engage in Commercialization and "Commercialized" has a corresponding meaning.

1.23 "**Commercially Reasonable Efforts**" means, with respect to the performance of Development or Commercialization activities with respect to a Compound or a Product by Mereo, the carrying out of such activities using efforts and resources comparable to the efforts and resources used by an entity that is comparable and similarly situated to Mereo in the research-based bio-pharmaceutical industry for compounds or products of similar market potential at a similar stage in development or product life taking into account mechanism of action, product profile, efficacy, safety, actual or anticipated Regulatory Authority approved labelling, the nature and extent of market exclusivity (including patent coverage, proprietary position and regulatory exclusivity), competitiveness of alternative products in the marketplace, costs, time required for and likelihood of obtaining Regulatory Approval given the regulatory structure involved, product profitability, and other relevant factors commonly considered in similar circumstances.

1.24 "**Competitive Product**" means any neutrophil elastase inhibitors for the treatment of: Alpha-1 Antitrypsin Deficiency.

1.25 "**Compound**" means (a) (i) the pharmaceutical compound known as AZD9668, which is a neutrophil elastase inhibitor (the "**9668 Compound**") [***] and (b) any [***] of (a).

1.26 "**Confidential Information**" has the meaning set forth in Section 10.1.

1.27 "**Control**" or "**Controlled**" (as applicable) means, with respect to any item of Information, Regulatory Documentation, material, Patent, Know-How or other intellectual property right, possession of the right of a Party or its Affiliates, whether directly or indirectly and whether by ownership, license or otherwise (other than by operation of the license and other grants in Section 2.1), to grant to the other Party a license, sublicense, access or other right (including the right to reference Regulatory Documentation) to or under such Information, Regulatory Documentation, Patent or other intellectual property right as provided for herein without violating the terms of any agreement with any Third Party in existence as of the time such Party or its Affiliates would first be required hereunder to grant the other Party such license, sublicense, access or other right.

1.28 "**Controlling Party**" has the meaning set forth in Section 9.5.

1.29 "**Currency Conversion Policy**" means Mereo's, its Affiliate's or Sublicensee's, as applicable, standard currency conversion policy from time to time, consistent with Accounting Standards and IAS 21 (The Effects of Changes in Foreign Exchange Rates) and which is consistently applied across Mereo, its Affiliates or Sublicencee, as applicable.

1.30 "**Development**" means all drug development activities, including those related to research, pre-clinical and other non-clinical testing, test method development and stability testing, toxicology, assay development and audit development formulation, process development, manufacturing scale-up, qualification and validation, quality assurance/quality control, clinical studies, including Manufacturing in support thereof, statistical analysis and report writing, the preparation, submission and prosecution of Drug Approval Applications, regulatory affairs with respect to the foregoing, packaging development and all other activities necessary or reasonably useful or otherwise requested or required by a Regulatory Authority as a condition or in support of obtaining or maintaining a Regulatory Approval. When used as a verb, "Develop" means to engage in Development.

1.31 "**Development Report Period**" means, on a Product-by-Product basis, the period commencing on the Effective Date and expiring on Mereo's cessation of Development for such Product.

1.32 "**Dispute**" has the meaning set forth in Section 16.6.1.

1.33 "**Dollars**" or "$" means United States Dollars.

1.34 "**Drug Approval Application**" means a New Drug Application as defined in the FFDCA or any corresponding foreign application in the Territory, including, with respect to the European Union, a Marketing Authorization Application filed with the EMA pursuant to the centralized approval procedure or with the applicable Regulatory Authority of a country in Europe with respect to the mutual recognition or any other national approval.

1.35 "**Effective Date**" has the meaning set forth in the preamble hereto.

1.36 "**EMA**" means the European Medicines Agency and any successor agency thereto.

1.37 "**Enforcing Party**" has the meaning set forth in Section 9.3.2.

1.38 "**European Union**" or "**EU**" means the economic, scientific and political organization of member states as it may be constituted as at the Effective Date. For clarity, the European Union, as at the Effective Date, includes the United Kingdom.

1.39 "**Exploit**" means to make, have made, import, use, sell or offer for sale, including to research, Develop, Commercialize, register, Manufacture, have Manufactured, hold or keep (whether for disposal or otherwise), have used, export, transport, distribute, promote, market or have sold or otherwise dispose of.

1.40 "**Exploitation**" means the act of Exploiting a compound, product or process.

1.41 "**Fair Market Value**" means, with respect to any property on any date, the fair market value of that property as determined by the Calculation Agent, provided that the fair market value of a cash dividend paid or to be paid per Ordinary Share shall be the amount of such cash dividend per Ordinary Share determined as at the date of announcement of such dividend;

1.42 "**FDA**" means the United States Food and Drug Administration and any successor agency thereto.

1.43 "**FFDCA**" means the United States Food, Drug, and Cosmetic Act, as amended from time to time, together with any rules, regulations and requirements promulgated thereunder (including all additions, supplements, extensions and modifications thereto).

1.44 "**Field**" means all diagnostic, prophylactic and therapeutic uses in humans and animals.

1.45 "**First Commercial Sale**" means, on a Product-by-Product and country-by-country basis, the first invoiced sale by Mereo or an Affiliate of Mereo or a Sublicensee to a Third Party for monetary value for use or consumption by the end user of such Product in such country after Regulatory Approval for such Product has been obtained in such country. Sales or transfers prior to receipt of Regulatory Approval for such Product for research, use pursuant to a treatment IND, proof of concept studies or other clinical trial purposes, or for compassionate, named patient or other similar use, shall not be considered a First Commercial Sale.

1.46 "**[***]**" means the [***] of [***] following [***] of [***] of [***] such that the [***]. For the avoidance of doubt this does not include [***].

1.47 "**Generic Version**" means, with respect to [***] a Product, any other prescription pharmaceutical product sold by a Third Party that is not a Sublicensee, or distributor of Mereo, its Affiliate, or their Sublicensees, that (i) contains the same API(s) as such Product, (ii) has the same [***] as such Product and (ii) is "therapeutically equivalent" as evaluated by the FDA, applying the definition of "therapeutically equivalent" set forth in the preface to the FDA's Orange Book (or, with respect to any country in the Territory outside the United States, is similarly substitutable under equivalent Applicable Law in such country), with respect to such [***], as such Product.

1.48 **"Government Official"** means (a) any Person employed by or acting on behalf of a government, government-controlled agency or entity or public international organization, (b) any political party, party official or candidate, (c) any Person who holds or performs the duties of an appointment, office or position created by custom or convention or (d) any Person who holds himself out to be the authorized intermediary of any of the foregoing.

1.49 "**Hatch-Waxman Act**" means the U.S. "Drug Price Competition and Patent Term Restoration Act" of 1984, as set forth at 21 U.S.C. §355(b)(2)(A)(iv) or (j)(2)(A)(vii)(IV).

1.50 "**Indemnification Claim Notice**" has the meaning set forth in Section 13.3.1.

1.51 "**Indemnified Party**" has the meaning set forth in Section 13.3.1.

1.52 "**Indication**" means a specific disease or condition for which a Product is designed to diagnose, mitigate, prevent or treat.

1.53 "**Information**" means all technical, scientific and other know-how and information, trade secrets, knowledge, technology, means, methods, processes, practices, formulae, instructions, skills, techniques, procedures, structures, sequences, experiences, ideas, technical assistance, designs, drawings, assembly procedures, computer programs, apparatuses, specifications, data, results and other material, including: biological, chemical, pharmacological, toxicological, pharmaceutical, physical and analytical, pre-clinical, clinical, safety, manufacturing and quality control data and information, including study designs and protocols, statistical programs including QC programs, clinical study reports, trial master files, assays and biological methodology, in each case (whether or not confidential, proprietary, patented or patentable) in written, electronic or any other form now known or hereafter developed under or in connection with any Transferring Contract, Additional Study or Ongoing Research Agreement which is not assigned to Mereo as of the Effective Date.

1.54 "**Infringement**" has the meaning set forth in Section 9.3.1.

1.55 "**Initiation**" means, with respect to a clinical study, the first dosing of the first human subject in such clinical study.

1.56 "**Invention**" means any invention, Information, discovery, development or modification, whether or not patented or patentable.

1.57 **"Invoiced Sales**" has the meaning set forth in the definition of "Net Sales".

1.58 "**Knowledge**" means, with regard to AstraZeneca, the actual knowledge [***] of [***] of AstraZeneca [***], and with respect to Mereo, the actual knowledge of the [***] of Mereo.

1.59 "**Loan Note 1**" means the [***] to be issued by Mereo to MBGP for the principal amount of $2.0 million pursuant to Section 8.2.1(a).

1.60 "**Loan Note 2**" means the [***] to be issued by Mereo to MBGP for the principal amount of $[***] pursuant to Section 8.2.1(b).

1.61 "**Loan Note 3**" means the [***] to be issued by Mereo to MBGP for the principal amount of $[***] pursuant to Section 8.2.1(c).

1.62 "**Loan Notes**" means Loan Note 1, Loan Note 2 and Loan Note 3;

1.63 "**Losses**" has the meaning set forth in Section 13.1.

1.64 "**MAA**" means an application for the authorization to market any Product in any country or group of countries outside the United States, as defined in the applicable laws and regulations and filed with the Regulatory Authority of a given country or group of countries.

1.65 "**Manufacture**" and "**Manufacturing**" means all activities related to the production, manufacture, processing, filling, finishing, packaging, labelling, shipping and holding of a Product, or Compound or any intermediate thereof, including process development, process qualification and validation, scale-up, pre-clinical, clinical and commercial manufacture and analytical development, product characterization, stability testing, quality assurance and quality control.

1.66 **"Material Anti-Corruption Law Violation"** means a violation of an Anti-Corruption Law relating to the subject matter of this Agreement that would, [***], have a material adverse effect on AstraZeneca [***].

1.67 "**Mereo**" has the meaning set forth in the preamble hereto.

1.68 "**MBGP**" means Mereo BioPharma Group plc, a company incorporated in England and Wales with registered number 09481161.

1.69 "**NCATS**" means the National Center for Advancing Translational Sciences of the United States National Institutes of Health.

1.70 "**Net Sales**" means, with respect to a Product for any period, the gross amounts invoiced by Mereo or its Affiliates to Third Parties for sales of the Product in the Territory (the "**Invoiced Sales**"), less the following deductions to the extent included in the gross invoiced sales price for the Product or otherwise directly paid or incurred by Mereo or its Affiliates with respect to the sale of the Product:

(a) trade, quantity, governmental or cash discounts, credits, adjustments or allowances, including those granted on account of price adjustments, billing errors, rejected goods or damaged goods or goods otherwise not in saleable condition;

(b) rebates and chargebacks allowed, given or accrued to customers and Third Parties (including cash, governmental and managed care rebates, hospital or other buying group chargebacks, and governmental taxes in the nature of a rebate based on usage levels or sales of the Product);

(c) taxes related to [***] assessed on the sale of the Product;

(d) any other similar and customary deductions that are consistent with Accounting Standards;

(e) to the extent amounts from a prior period are not collected and are written off by Mereo, including bad debts, the lesser of (i) [***] and (ii) [***], provided that if any such amounts are subsequently collected, they will be included in the calculation of Net Sales; and

(f) an allowance for transportation costs, distribution expenses, special packaging and related insurance charges, freight and insurance charges, taken in accordance with Purchaser's standard practices applicable to other of Purchaser's products, which allowance will in no event exceed [***] of the amount arrived at after application of items (a) to (d) above.

Subject to the above, Net Sales shall be calculated in accordance with Accounting Standards. For the avoidance of doubt, in the case of any sale or other disposal of a Product between or among Mereo and its Affiliates for resale, invoiced sales and Net Sales shall be calculated only on the amount invoiced on the first arm's length sale thereafter to a Third Party, provided that in each case:

(i) the following will not be included in Net Sales:

(A) transfers or dispositions for charitable, promotional, pre-clinical, clinical, regulatory, compassionate use, named patient use, indigent programs or governmental purposes;

(B) commercially reasonable quantities of Product used as samples to promote additional Net Sales; and

(C) Product provided for use in the Development of Products; and

(D) sales or transfers between or among Mereo, its Affiliates or Sublicensees;

(ii) in the event that a Product is sold as part of a Combination Product, Net Sales of the Product, shall be determined by multiplying Net Sales of the Combination Product by the fraction A/(A+B), where A is the weighted (by sales volume) average sales price of the Product when sold separately in finished form and B is the weighted average sale

price of the other product(s) sold separately in finished form. In the event that such average sales price cannot be determined for both the Product and the other product(s) in combination, Net Sales for purposes of determining payments hereunder shall be mutually agreed by the Parties based on the relative value contributed by each component, and such agreement shall not be unreasonably withheld.

1.71 "**Non-Breaching Party**" has the meaning set forth in Section 14.2.1.

1.72 "**Notice Period**" shall have the meaning set forth in Section 14.2.1.

1.73 **"Ongoing MTAs"** means those ongoing material transfer agreements between AstraZeneca or an Affiliate of AstraZeneca and a Third Party, which relate to the Compounds, each as described in more detail on Schedule 1.129.

1.74 **"Ongoing Research Agreements"** means [***]; and [***] the Ongoing MTAs, each as described in more detail on Schedule 1.129.

1.75 "**Option**" shall have the meaning set forth in Section 2.1.3.

1.76 "**Option Exercise Date**" shall have the meaning set forth in Section 2.1.3(b).

1.77 "**Option Know-How**" means (i) any Information which is owned by AstraZeneca or any of its Affiliates as of the Effective Date or which is owned or Controlled by AstraZeneca or any of its Affiliates under the Transferring Contracts and Additional Studies following the Effective Date and prior to the effective date of the assignment of the relevant Transferring Contract or Additional Study, in each case, that (ii) relates [***] to the Compounds.

1.78 "**Option Intellectual Property**" means (a) the Option Know-How and (b) the Option Patents (i) which are owned by AstraZeneca or any of its Affiliates as of the Effective Date as well as any Information which is owned or Controlled by AstraZeneca or any of its Affiliates under the Transferring Contracts and Additional Studies following the Effective Date and prior to the effective date of the assignment of the relevant Transferring Contract or Additional Study and, in each case, that (ii) relate [***] to the Compounds or Products.

1.79 "**Option Patents**" means those Patents that are owned by AstraZeneca or any of its Affiliates as of the Effective Date and listed in Schedule 1.79 and any Patents at any time during the term of the Agreement claiming priority thereto or to any application from which such Patents have issued.

1.80 "**Ordinary Shares**" has the meaning set forth in the Subscription Deed;

1.81 "**Parent Company Guarantee**" means the guarantee entered into on even date herewith between AstraZeneca and MBGP, pursuant to which MBGP agrees to guarantee Mereo's obligations hereunder.

1.82 "**Party**" and "**Parties**" have the meaning set forth in the preamble hereto.

1.83 "**Patents**" means: (i) all national, regional and international patents and patent applications, including provisional patent applications; (ii) all patent applications filed either from such patents, patent applications or provisional applications or from an application claiming priority from either of these, including divisionals, continuations, continuations-in-part, provisionals, converted provisionals, non-provisionals, PCTs, and continued prosecution applications; (iii) any and all patents that have issued or in the future issue from the foregoing patent applications ((i) and (ii)), including utility models, petty patents, innovation patents and design patents and certificates of invention; (iv) any and all extensions or restorations by existing or future extension or restoration mechanisms, including revalidations, reissues, re-examinations and extensions (including any supplementary protection certificates and the like) of the foregoing patents or patent applications ((i), (ii) and (iii)); and (v) any similar rights, including so-called pipeline protection or any importation, revalidation, confirmation or introduction patent or registration patent or patent of additions to any of such foregoing patent applications and patents.

1.84 "**Payment**" has the meaning set forth in Section 8.10.1.

1.85 "**Person**" means an individual, sole proprietorship, partnership, limited partnership, limited liability partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture or other similar entity or organization, including a government or political subdivision, department or agency of a government.

1.86 **"[***]"** means (i) a human clinical trial of a Product [***] (e.g., in the United States such clinical trial is conducted [***]) and to [***] in patients with the disease or condition being studied and to [***], for purposes of filing an NDA or MAA for Product, and that would satisfy the requirements under [***], or (ii) any other clinical trial that is intended to establish [***], and to determine [***], which clinical trial is a [***] as evidenced by [***].

1.87 "**[***]**" has the meaning set forth in Section 8.3.3.

1.88 "**[***]**" has the meaning set forth in Section 8.3.1.

1.89 "**[***]**" has the meaning set forth in Section 8.3.2

1.90 **"[***]**" means [***] or [***] or other [***] to the [***] of [***] (including an [***] of any [***] of [***] or [***] and [***] instead of the [***] or [***] of a [***]).

1.91 "**[***] Success Payments**" means the [***], the [***] and the [***]. As provided in Section 2.1.3, within [***] days following the payment of all [***] Success Payments and the issuance of [***] and [***], Mereo shall have the right to exercise the Option.

1.92 "**[***]**" means a study in patients [***].

1.93 "**Product**" means any product that is comprised of or contains a Compound, alone or in combination with one (1) or more other API, in any and all forms, presentations, dosages and formulations. "Product" includes (a) a Product that includes as an API the 9668 Compound (a "**9668 Product**") [***]. For clarity, (i) the 9668 Product

[***] shall be considered different Products, (ii) all forms, presentations, dosages and formulations of the 9668 Product, and all combinations of the 9668 Product with one or more other APIs, shall collectively be deemed to be one and the same Product, and (iii) [***].

1.94 "**Product Agreement**" means, with respect to a Product [***], any agreement entered into by and between Mereo or any of its Affiliates or its or their Sublicensees, on the one hand and one (1) or more Third Parties, on the other hand, that is [***] for the Exploitation of such Product in the Field in the Territory, including (i) any agreement pursuant to which Mereo, its Affiliates or its or their Sublicensees receives any license or other rights to Exploit such Product, (ii) supply agreements pursuant to which Mereo, its Affiliates or its or their Sublicensees obtain or will obtain quantities of such Product, (iii) clinical trial agreements, (iv) contract research organization agreements and (v) service agreements.

1.95 "**Product Know-How**" means the Option Know-How and the Related Know-How.

1.96 "**Product Intellectual Property**" means the Option Intellectual Property and the Related Know-How.

1.97 "**Prosecuting Party**" has the meaning set forth in Section 9.2.1.

1.98 "**Regulatory Approval**" means, with respect to a country in the Territory, any and all approvals (including Drug Approval Applications), licenses, registrations or authorizations of any Regulatory Authority necessary to distribute, market, sell or offer for sale a Product in such country, including, where applicable, (i) pricing or reimbursement approval in such country, (ii) marketing authorizations (including any prerequisite Manufacturing approval or authorization related thereto) and (iii) labelling approval.

1.99 "**Regulatory Authority**" means any applicable supra-national, federal, national, regional, state, provincial or local regulatory agencies, departments, bureaus, commissions, councils or other government entities regulating or otherwise exercising authority with respect to the Exploitation of Compounds or Products in the Territory, including the FDA in the United States and the EMA in the European Union (including any successor authority in respect of the United Kingdom).

1.100 "**Regulatory Documentation**" means: all (i) applications (including all INDs and Drug Approval Applications), registrations, licenses, authorizations and approvals (including Regulatory Approvals); (ii) correspondence and reports submitted to or received from Regulatory Authorities (including minutes and official contact reports relating to any communications with any Regulatory Authority) and all supporting documents with respect thereto, including all adverse event files and complaint files; and (iii) clinical and other data contained or relied upon in any of the foregoing; in each case ((i), (ii) and (iii)) relating to a Compound or a Product.

1.101 "**Related Know-How**" means (i) any Information which is owned or Controlled by AstraZeneca or any of its Affiliates as of the Effective Date as well as any Information which is owned or Controlled by AstraZeneca or any of its Affiliates under the Transferring Contracts and Additional Studies following the Effective Date

and prior to the effective date of the assignment of the relevant Transferring Contract or Additional Study and, in each case, that is (ii) reasonably necessary or intended for use in connection with the Development or Exploitation of Product(s) in the Field in the Territory. Related Know-How excludes the Option Know-How and excludes [***].

1.102 "**Remaining API**" means all Compound API in AstraZeneca's or its Affiliates' possession or control which were not allocated as of the Effective Date for use in AstraZeneca's then Ongoing Research Agreements, [***], provided that on the effective date of transfer of a given Ongoing Research Agreement to Mereo, the amount of such Compound API required for such Ongoing Research Agreement shall become Remaining API always with the exception that [***] of [***] and [***].

1.103 "**Retained Rights**" mean, with respect to the Compounds and Products in the Field in the Territory, the rights of AstraZeneca, its Affiliates and its and their licensors, (sub)licensees and contractors to perform its and their obligations under this Agreement.

1.104 "**Royalty Term**" means, on a Product-by-Product and country-by-country basis, the period beginning on the date of the First Commercial Sale of such Product in such country and ending on the latest to occur of: (i) ten years from such First Commercial Sale or (ii) the expiration of the last-to-expire Valid Claim of an Option Patent in such country that, if asserted against a Person, would, in the absence of a license, be sufficient to prevent the sale or use by such Person of all Generic Versions of such Product in such country.

1.105 "**[***]**" has the meaning set forth in clause 1.2 of the Subscription Deed.

1.106 "**[***]**" has the meaning set forth in clause 1.2 of the Subscription Deed.

1.107 "**Senior Officer**" means, with respect to AstraZeneca, [***] and with respect to Mereo, [***].

1.108 "**Sublicensee**" means a Person, other than an Affiliate, that is granted a sublicense by Mereo or its Affiliate under the grants in Section 2.1, as provided in Section 2.2, but excluding any distributor, and which shall include any Person that is granted a licence under the Option Intellectual Property following Mereo's exercise of the Option.

1.109 "**Sublicensing Consideration**" means [***] payments received by Mereo or its Affiliates from a Sublicensee in consideration for the grant of a license, waiver from suit or equivalent rights under any Product Intellectual Property in the form of [***]; provided, however, Sublicensing Consideration does not include payments received by Mereo or its Affiliates from Sublicensees for (a) the purchase of equity to the extent [***]) or issuance of debt instruments ([***]); (b) reimbursement for bona fide development expenses incurred by Mereo or its Affiliates (c) amounts received as consideration for the grant of a license, sublicense, waiver from suit or equivalent rights under any technology or intellectual property other than the Product Intellectual Property, whether [***] or [***], based on a [***] taking into account the relative value of the Product Intellectual Property and those other rights; (d) amounts received for supply of Compound, or Product to a Sublicensee for [***] the [***], or for the

[***] of [***] (including for [***]) to the extent [***]; (e) reimbursement of the amount paid for [***] by Mereo, such as [***] or [***] to [***]; (f) any payments made to Mereo for Mereo's performance of services, including Development or Commercialization services. For clarity, any consideration received in connection with any merger, consolidation, acquisition, divestment or asset sale by Mereo or MBGP is not Sublicensing Consideration hereunder.

1.110 "**Subscription Deed**" means that certain ordinary shares subscription deed between MBGP and AstraZeneca and dated as of the Effective Date.

1.111 "**Subscription Shares**" shall have the meaning set forth in the Subscription Deed.

1.112 "**Tax**" or "**Taxation**" means any form of tax or taxation, levy, duty, charge, social security charge, contribution, or withholding of whatever nature (including any related fine, penalty, surcharge or interest) imposed by, or payable to, a Tax Authority.

1.113 "**Tax Authority**" means any government, state or municipality, or any local, state, federal or other fiscal, revenue, customs or excise authority, body or official anywhere in the world, authorized to levy Tax.

1.114 "**Tech Transfer Support**" has the meaning given in Section 4.1.1.

1.115 "**Tech Transfer Support Period**" has the meaning set forth in Section 4.1.2.

1.116 "**Term**" has the meaning set forth in Section 14.1.

1.117 "**Termination Notice**" has the meaning set forth in Section 14.2.1.

1.118 "**Territory**" means world-wide.

1.119 "**[***]**" has the meaning set forth in clause 1.2 of the Subscription Deed.

1.120 "**[***]**" has the meaning set forth in clause 1.2 of the Subscription Deed;

1.121 "**Third Party**" means any Person other than AstraZeneca, Mereo and their respective Affiliates.

1.122 "**Third Party Claims**" has the meaning set forth in Section 13.1.

1.123 "**Third Party Infringement Claim**" has the meaning set forth in Section 9.4.

1.124 "**Third Party Patent Right**" has the meaning set forth in Section 9.6.

1.125 "**Third Party Payments**" means the aggregate of [***] payments (including for [***]) Mereo, its Affiliates or Sublicensees pay directly to a Third Party for rights under patents or know-how controlled by such Third Party necessary for the manufacture, use or sale of Products. For avoidance of doubt, [***] payments by Mereo, its Affiliates or Sublicensees for licenses to Patents or Information generated by the Ongoing Research Agreements or Additional Studies will be included in Third Party Payments.

1.126 "**Top Line Data**" means with respect to a clinical study, a summary of demographic data, the data for the primary endpoint and a summary of safety data.

1.127 "**Top Line Data Date**" means the date on which Mereo provides AstraZeneca with a copy of its Top Line Data from the first [***] for a Product.

1.128 "**Transfer Activities**" means those activities to be performed by AstraZeneca as set out in Sections 3.1 and 4.

1.129 "**Transferring Assets**" means those assets to be transferred by AstraZeneca to Mereo pursuant to Section 3.1, as set forth on Schedule 1.129.

1.130 "**Transferring Contracts**" means the Ongoing Research Agreements, each as set out in Schedule 1.129.

1.131 "**Transferring Regulatory Documentation**" means Regulatory Documentation owned by AstraZeneca or any of its Affiliates as of the Effective Date [***] related to the Product(s) in the Field in the Territory.

1.132 "**TUPE**" means the Transfer of Undertakings (Protection of Employment) Regulations 2006 of the United Kingdom.

1.133 **"United Kingdom"** means the United Kingdom and its territories and possessions.

1.134 "**United States**" or "**U.S.**" means the United States of America and its territories and possessions (including the District of Columbia and Puerto Rico).

1.135 "**Valid Claim**" means a claim of any issued and unexpired Patent whose validity, enforceability or patentability has not been affected by (a) irretrievable lapse, abandonment, revocation, dedication to the public or disclaimer or (b) a holding, finding or decision of invalidity, unenforceability or non-patentability by a court, governmental agency, national or regional patent office or other appropriate body that has competent jurisdiction, such holding, finding or decision being final and unappealable or unappealed within the time allowed for appeal.

1.136 "**VAT**" has the meaning set forth in Section 8.10.2.

2. GRANT OF RIGHTS

2.1 Grants to Mereo

Subject to the terms and conditions of this Agreement, AstraZeneca hereby grants to Mereo:

2.1.1 subject to Section 2.3, an exclusive (even as to AstraZeneca and its Affiliates) license, with the right to grant sublicenses in accordance with Section 2.2, under the Option Intellectual Property to Exploit the Compounds and Products in the Field in the Territory;

2.1.2 a non-exclusive license, with the right to grant sublicenses in accordance with Section 2.2, under the Related Know-How to Exploit the Compounds and Products in the Field in the Territory; and

2.1.3 an exclusive option, exercisable any time within [***] days following: (i) payment by Mereo to AstraZeneca of all [***] Success Payments; (ii) [***]; and (iii) [***], to require the transfer to Mereo of all right, title and interest of AstraZeneca and any of its respective Affiliates to the Option Intellectual Property (the "**Option**") for the consideration stated in Section 8, exercisable as follows:

(a) within the [***] day period referred to above in this Section 2.1.3, Mereo may provide AstraZeneca with written notice that it desires AstraZeneca to transfer to Mereo all of AstraZeneca's and its respective Affiliates' right, title and interest of to the Option Intellectual Property; and

(b) effective upon the date AstraZeneca receives such notice ("**Option Exercise Date**"), AstraZeneca shall cause its respective Affiliates to, grant, sell, transfer, convey, assign and deliver to Mereo, and Mereo shall accept from AstraZeneca or any of its respective Affiliates all of AstraZeneca and any of its respective Affiliates' right, title and interest of to, the Option Intellectual Property, including any and all rights to bring proceeding and obtain all remedies in respect of any infringement or unauthorized use of the Option Intellectual Property, irrespective of when such infringement occurred or occurs (including prior to the Effective Date), by way of an assignment agreement to be agreed between the Parties acting reasonably.

(c) For clarity, if Mereo exercises the Option, the license granted in Section 2.1.1 will expire once all of AstraZeneca's and any of its respective Affiliates' right, title and interest to the Option Intellectual Property has been sold, transferred, conveyed, assigned and delivered to Mereo (including the perfection of the relevant transfers), but Mereo's obligations under this Agreement shall continue, including Mereo's obligation to make payments to AstraZeneca as set forth in Section 8.

2.2 Sublicenses

2.2.1 Mereo shall have the right to grant sublicenses (or licences or further rights of reference, as applicable), through multiple tiers, under the licenses and rights granted in Section 2.1 (a) to its Affiliates upon notice to AstraZeneca but without consent and (b) to Third Party only with the prior written consent of AstraZeneca (not to be unreasonably withheld), and provided that in each case such license or sublicense is consistent with the terms and conditions of this Agreement and provided that Mereo shall be liable for all acts or omissions of any Sublicensee that, if committed by Mereo, would be a breach of any of the provisions of this Agreement.

2.2.2 Mereo shall remain at all times responsible for the performance of its Affiliates and permitted Sublicensees that are sublicensed as permitted herein and the grant of any such license or sublicense shall not relieve Mereo of its obligations under this Agreement, except to the extent such obligations are performed by such Sublicensee.

2.3 Retained Rights

Mereo acknowledges and agrees that AstraZeneca retains the right for AstraZeneca or its Affiliates to enter into the Additional Studies solely as set out in Section 5.6 and Mereo hereby grants to AstraZeneca a non-exclusive license, with the right to grant sublicenses in accordance with Section 2.2, expiring upon the assignment of the relevant agreement to Mereo in accordance with Section 5.6, under the Option Intellectual Property solely to the extent required to perform research, pre-clinical and other non-clinical testing pursuant to the agreements governing the conduct of the Additional Studies, in each case as [***] in accordance with Section 5.6.1.

2.4 No Other Rights Granted by AstraZeneca

Except as expressly provided herein, neither AstraZeneca or any of its Affiliates grants any other right or license, including any rights or licenses to the Product Intellectual Property or any other Patent or other intellectual property rights.

2.5 Non-Compete

For a period of three (3) years following the Effective Date, AstraZeneca shall not and shall cause its Affiliates not to (a) directly or indirectly Commercialize or Develop any Competitive Product in the Territory or (b) [***] to Commercialize or Develop any Competitive Product in the Territory. AstraZeneca agrees that this Section 2.5 is reasonable and necessary to protect Mereo's legitimate business interest. AstraZeneca will not, during the Term, [***]. The Parties agree that, in the event that a court of competent jurisdiction determines that this Section 2.5 is unenforceable as written, the court should enforce this Section 2.5 to render it valid and enforceable to the maximum extent possible.

2.6 Non-Assert

AstraZeneca hereby covenants and agrees that it shall not, and shall cause that its Affiliates do not, sue, or support or encourage any Third Party in suing, any Mereo Party claiming that the manufacture, having manufactured, use, distribution, sale, offering for sale, or importation of any Product or any component thereof permitted under this Agreement for sale in the Territory as of or after the Effective Date infringes or misappropriates any intellectual property rights AstraZeneca and / or its Affiliates may have in or to the Products. AstraZeneca shall impose the foregoing covenant not-to-sue on (i) its Affiliates and (ii) any Third Party to which AstraZeneca or any of its Affiliates may assign, exclusively license or [***] to the foregoing intellectual property rights. The Parties expressly agree and intend that the covenants and agreements set forth in this Section 2.6 shall run with such intellectual property right, as a covenant appurtenant, and shall continue and be binding on any successor-in-interest to such intellectual property right. For the purposes of this Section 2.6, "Mereo Party" means (a) Mereo and its Affiliates, and (b) Mereo's and its Affiliates' licensees, sublicensees, suppliers, distributors, importers, contractors, direct or indirect customers (including without limitation [***]), and manufacturers of the Products, in each case to the extent that such party makes, has made, uses, distributes, sells, offers for sale, or imports the products (or components thereof) referenced above in the Territory for Mereo or its Affiliates in accordance with this Section 2.

3. TRANSFER OF ASSETS, MATERIALS

3.1 Transferring Assets.

Subject to Section 5.5, on the Effective Date, in accordance with the terms and conditions of this Agreement, for the consideration stated in Section 8, AstraZeneca shall and hereby does, and shall cause its respective Affiliates to, grant, sell, transfer, convey, assign and deliver to Mereo, and Mereo shall accept from AstraZeneca or any of its respective Affiliates, as of the Effective Date, all right, title and interest of AstraZeneca and any of its respective Affiliates to the Transferring Assets.

3.2 Remaining API

AstraZeneca hereby agrees, and shall cause its respective Affiliates, to grant, sell, transfer, convey, assign and deliver to Mereo, and Mereo shall accept from AstraZeneca or any of its respective Affiliates the Remaining API. AstraZeneca shall deliver all quantities of the Remaining API to its or its nominated designee's facility [***] within [***]. The Parties agree that: (i) such Remaining API shall be used solely for the Development of the Compounds or Products pursuant to this Agreement; and (ii) such Remaining API shall not be made available by Mereo to any Third Party except as expressly consented to in writing by AstraZeneca, provided that Mereo may make such Remaining API available to a subcontractor or Sublicensee of Mereo. WITHOUT PREJUDICE TO SECTION 11.2, MEREO AGREES THAT ALL SUCH REMAINING API IS PROVIDED "AS IS" AND WITHOUT ANY WARRANTIES, EXPRESS OR IMPLIED.

3.3 Materials

Notwithstanding Sections 3.1 and 3.2, the Parties agree that Mereo shall [***] to source all materials (including API) necessary for the Development, Commercialization and Manufacture of Products from a Third Party. AstraZeneca shall provide Mereo and such Third Party supplier(s) with reasonable assistance in connection with the qualification, validation and onboarding of such Third Party supplier during the Tech Transfer Support Period [***], and following the expiry of such period, [***] (a) [***] of [***] to [***] such [***] at the [***] and (b) [***] and [***] in [***], in each case as [***] in [***] the [***].

3.4 TUPE

Notwithstanding the transfer of the Transferring Assets, each Party confirms that it does not consider TUPE will apply to the commencement or termination of this Agreement or to the transactions contemplated hereby.

4. TECHNOLOGY TRANSFER

4.1 Transfer Activities

4.1.1 In addition to its obligations under Section 3.2, AstraZeneca will provide reasonable access to and make its qualified and technical personnel with knowledge of the research and development of the Compounds, as reasonably required to assist with the transfer of such Product Know-How, reasonably available to Mereo in person at AstraZeneca's facilities or by teleconference during normal business hours to (a) facilitate the transfer of Product Know-How in accordance with Section 4.1.3 and the Transferring Assets and (b) assist Mereo in familiarizing its personnel with any intellectual property comprised in the Transferred Assets ((a) and (b) together being the **Tech Transfer Support**"). Representatives of AstraZeneca and Mereo shall meet in person or by teleconference as reasonably required, to facilitate the timely and efficient transfer of knowledge and technology.

4.1.2 AstraZeneca shall provide Mereo with the Tech Transfer Support for a period of [***] months following the Effective Date (the "**Tech Transfer Support Period**") provided that: (a) [***] for the [***] of the [***] of [***] by [***]; and, (b) [***] the [***] of [***] to [***] (a), [***] by [***] at [***] (i) [***] of [***] to [***] such [***] at the [***] and (ii) [***] and [***] in connection therewith, in each case as agreed [***].

4.1.3 AstraZeneca shall make available and deliver to Mereo all documented then existing Product Know-How in AstraZeneca's possession that has not previously been provided hereunder no later than [***] days after the Effective Date, and thereafter no later than [***] days after the creation of the relevant Option Know-How, [***].

5. DEVELOPMENT ACTIVITIES

5.1 **Diligence**

After the Effective Date and after completion of relevant Transfer Activities, Mereo shall be solely responsible for all aspects of the Development of the Compounds and Products in the Field in the Territory. Mereo shall use Commercially Reasonable Efforts to Develop and obtain and maintain Regulatory Approvals for a Product for use in the Field in the Territory.

5.2 **Development Costs**

Mereo shall be responsible for all of its costs and expenses in connection with the Development of, and obtaining and maintaining Regulatory Approvals for, the Products in the Field in the Territory.

5.3 **Development Records**

Mereo shall, and shall cause its Affiliates and its and their Sublicensees to, maintain, in good scientific manner, complete and accurate books and records pertaining to Development of Products hereunder, in sufficient detail to verify compliance with its obligations under this Agreement. Such books and records shall be retained by Mereo for at least [***] years after the expiration or termination of this Agreement in its entirety or for such longer period as may be required by Applicable Law.

5.4 **Development Reports**

Within [***] days following the end of each [***] during the Development Report Period, Mereo shall provide AstraZeneca with a written summary of the Development activities it has performed, or caused to be performed, since the preceding report, its Development activities in process and the future activities it expects to initiate during the following [***] month period. Each such report shall contain information to enable AstraZeneca to assess Mereo's compliance with its obligations set forth in Section 5.1

5.5 **Ongoing Research Agreements**

5.5.1 Within [***] days following the Effective Date, AstraZeneca shall [***], and cause its Affiliates to [***], to assign all of its right, title and interest in and to the Ongoing Research Agreements to Mereo by way of an assignment and assumption agreement to be agreed between the Parties acting reasonably unless, with respect to any such Ongoing Research Agreements, such Ongoing Research Agreements do not permit such assignment, in which case AstraZeneca (or such Affiliate) shall cooperate with Mereo in all reasonable respects to negotiate a novation agreement with such Third Party in a form reasonably acceptable to Mereo in respect of such Ongoing Research Agreement, provided that [***], and if any such novation cannot be obtained with respect to an Ongoing Research Agreement, AstraZeneca shall use good faith efforts, and cause its Affiliates to use good faith efforts, to obtain for Mereo [***] of the practical benefit and burden under such Ongoing Research Agreement, including by [***] and for the account of Mereo, any and all rights of AstraZeneca (or such Affiliate) against the other party thereto arising out of the breach or cancellation thereof by such other party or otherwise. AstraZeneca shall keep Mereo reasonably informed as to the status of any such transfer and shall reasonably take into account any comments made by Mereo.

5.5.2 In the event that any intellectual property rights are created under the Ongoing Research Agreements that fall within the definition of Option Intellectual Property, then, in the event such Ongoing Research Agreements have not been assigned to Mereo pursuant to Section 5.5.1 above, AstraZeneca shall use [***], and shall cause its Affiliates to [***] to, within [***] days following the creation thereof, assign all of its right, title and interest in and to such intellectual property rights to Mereo, by way of an assignment agreement to be agreed between the Parties acting reasonably.

5.6 **Additional Studies**

5.6.1 The Parties recognize that AstraZeneca or its Affiliates are currently in the process of negotiating or have recently executed certain Additional Studies with potential Third Party partners in relation to the Compounds. Following the Effective Date, AstraZeneca shall keep Mereo informed as to the negotiation status of such Additional Studies, if applicable, and shall [***], including by [***] Following the conclusion of such negotiations, if applicable, AstraZeneca or its Affiliates or Mereo, as agreed between the Parties, shall enter into agreements governing the conduct of such Additional Studies, provided that [***]

5.6.2 Following the later of (a) the Effective Date or (b) the date of execution of the agreement governing an Additional Study, AstraZeneca shall promptly provide Mereo with fully executed copies of the relevant agreements and provide such information as Mereo reasonably requires relating thereto.

5.6.3 Following the execution of any agreements described in Section 5.6 governing Additional Studies, such agreements shall be promptly assigned by AstraZeneca to Mereo by way of an assignment and assumption agreement to be agreed between the Parties acting reasonably and Mereo, following such assignment, shall assume AstraZeneca's rights, obligations and liabilities thereunder occurring from and after the assignment date.

5.6.4 Following any such assignment:

(a) Mereo shall be the sponsor for the applicable clinical trials and studies under such Additional Studies;

(b) AstraZeneca shall agree in writing to provide directly to Mereo available compound and drug product for such Additional Studies, to the extent the same are in AstraZeneca's possession as of the date of execution of agreements governing the conduct of the Additional Studies described in Section 5.6. Except as provided in the immediately preceding sentence, AstraZeneca shall have no further obligation to manufacture or procure the manufacture of relevant compound or drug product thereafter and any such obligations under the Applicable Studies shall pass to Mereo;

(c) Any funding obligations under the Additional Studies shall, as between the Parties, be assumed by and be the responsibility of [***]; and

(d) AstraZeneca shall have no rights relating to such Additional Studies, including any rights to any resulting clinical data or intellectual property rights.

6. REGULATORY ACTIVITIES

6.1 **Regulatory Approvals**

Subject to the Retained Rights, Mereo shall have the sole right to prepare, obtain and maintain Drug Approval Applications (including the setting of the overall regulatory strategy therefor), other Regulatory Approvals and other submissions (including INDs) and to conduct communications with the Regulatory Authorities, for Products in the Field in the Territory in its name.

6.2 **Recalls, Suspensions or Withdrawals**

Prior to exercise of the Option pursuant to Section 2.1.3, Mereo shall notify AstraZeneca following its determination that any event, incident or circumstance has occurred that may result in the need for a recall, market suspension or market withdrawal of a Product in the Field in the Territory and shall include in such notice the reasoning behind such determination and any supporting facts. As between the Parties, Mereo shall have the right to make the final determination whether to voluntarily implement any such recall, market suspension or market withdrawal in the Field in the Territory. If a recall, market suspension or market withdrawal is mandated by a Regulatory Authority in the Territory, as between the Parties, Mereo shall initiate such a recall, market suspension or market withdrawal in compliance with Applicable Law. For all recalls, market suspensions or market withdrawals undertaken pursuant to this Section 6.2, as between the Parties, Mereo shall be solely responsible for the execution thereof. For clarity, on or after the exercise of the Option pursuant to Section 2.1.3, Mereo shall have the sole right and obligation to determine whether to implement any recall, market suspension or market withdrawal in the Field in the Territory and Mereo shall be solely responsible for the execution thereof and shall be under no obligation to notify AstraZeneca thereof. Mereo shall be responsible for all costs of any recall, market suspension or market withdrawal, except in the event and to the extent that a recall, market suspension or market withdrawal resulted from AstraZeneca's or its Affiliate's breach of its obligations hereunder or from such AstraZeneca's or its Affiliate's fraud, gross negligence or willful misconduct, in which case, AstraZeneca shall bear the expense of such recall, market suspension or market withdrawal.

6.3 **Global Safety Database**

Mereo shall establish, hold and maintain (at Mereo's sole cost and expense) the global safety database for Products as required under Applicable Law. Mereo shall provide AstraZeneca with such safety information, including adverse event reports, relating to the Products as AstraZeneca reasonably requires, including to enable AstraZeneca to respond to a request from any applicable Regulatory Authority. To the extent that AstraZeneca requires Mereo to provide AstraZeneca with safety information that constitutes personal data under Applicable Laws relating to privacy pursuant to this Section 6.3, the Parties will agree on reasonable terms for such disclosure in order to ensure compliance with the requirements of Applicable Laws relating to privacy on each Party.

7. COMMERCIALIZATION

7.1 **Diligence**

As between the Parties, Mereo shall be solely responsible for Commercialization of the Products in the Field throughout the Territory at Mereo's own cost and expense. Mereo shall use Commercially Reasonable Efforts to Commercialize the Products throughout the Territory.

7.2 **Commercialization Costs; Booking of Sales; Distribution**

Except as otherwise provided in this Agreement, as between the Parties Mereo shall be responsible for all costs and expenses in connection with the Commercialization of the Products in the Field in the Territory. Mereo shall invoice and book sales, establish all terms of sale (including pricing and discounts) and warehouse and distribute the Products in the Field in the Territory and perform or cause to be performed all related services. Mereo shall handle all returns, recalls or withdrawals, order processing, invoicing, collection, distribution and inventory management with respect to the Products in the Territory.

7.3 **Commercialization Records**

Mereo shall maintain complete and accurate books and records pertaining to Commercialization of Products hereunder, in sufficient detail to verify compliance with its obligations under this Agreement and which shall be in compliance with Applicable Law and properly reflect all work done and results achieved in the performance of its Commercialization activities. Such records shall be retained by Mereo for at least [***] years after the expiration or termination of this Agreement in its entirety or for such longer period as may be required by Applicable Law.

7.4 **Commercialization Reports**

Without limiting Section 5.4, within [***] days following the end of each [***], during the Royalty Term, Mereo shall provide to AstraZeneca a written summary of the Commercialization activities it has performed, or caused to be performed, including a summary of all relevant financial data relating to such activities since the preceding report.

8. PAYMENTS AND RECORDS

8.1 Upfront Payment

In partial consideration of the rights granted by AstraZeneca to Mereo hereunder, Mereo shall within [***] of the Effective Date make a non-refundable and non-creditable cash payment to AstraZeneca equal to three million US Dollars (USD$3,000,000).

8.2 Issue of Loan Notes

8.2.1 In partial consideration of the rights granted by AstraZeneca to Mereo hereunder, Mereo will issue to MBGP:

(a) Loan Note 1 within [***] days of the Effective Date;

(b) Loan Note 2 no later than the date upon which the [***] becomes due and payable pursuant to Section [***] (or, if earlier, no later than the date of any [***]); and

(c) Loan Note 3 no later than the date upon which the [***] becomes due and payable pursuant to Section [***] (or, if earlier, no later than the date of any [***]).

8.2.2 Loan Note 1, Loan Note 2 and Loan Note 3 shall constitute the consideration for the allotment and issue of the Subscription Shares to be subscribed for by, and issued credited as fully paid to, AstraZeneca pursuant to clauses 2.1, 2.2 and 2.3, respectively, of the Subscription Deed. Mereo shall issue the Loan Notes on such terms as enable MBGP to credit the Subscription Shares as fully paid on their allotment and issue to AstraZeneca in accordance with the terms of the Subscription Deed.

8.3 [***] Success Payments

In partial consideration of the rights granted by AstraZeneca to Mereo hereunder, Mereo shall make the following one-time payments to AstraZeneca as follows, for the first of the 9668 Product [***] to satisfy such milestone event:

8.3.1 within [***] days of Mereo or its Affiliate [***] to [***] that the first [***] for the first Product has achieved [***], Mereo shall make a non-refundable cash payment to AstraZeneca of [***] US Dollars (USD[***], subject to adjustment pursuant to Section 8.15.1 ("**[***]**"); and

8.3.2 within [***] days of [***] by Mereo or its Affiliates of the [***] the first [***] for the first Product that (i) [***]) [***] with [***] or other [***] such as [***] of [***] that would [***] the [***] of a [***]; or (ii) [***] is [***] for [***] to [***] the [***] for such Product, Mereo shall make a non-refundable cash payment to AstraZeneca of [***] US Dollars (USD[***] ("**[***]**"), provided that in the event that [***] that such [***] is [***] for [***] to [***] the [***] for such [***] and subsequently [***] the [***] for such [***] then [***] shall [***] within [***] days following [***]; and

8.3.3 within [***] days of Mereo or its Affiliates [***] of the first [***] for the first Product, Mereo shall make a non-refundable cash payment to AstraZeneca of [***] US Dollars (USD[***], subject to adjustment pursuant to Section 8.15.2 ("**[***]**").

As set forth in Section 2.1.3, within [***] days following the [***] and the [***], Mereo shall have the right to exercise the Option.

8.4 Milestones

8.4.1 **Regulatory Milestones**

(a) In partial consideration of the rights granted by AstraZeneca to Mereo hereunder, Mereo shall pay to AstraZeneca the following payments within [***] days after the achievement of each of the following milestone events with respect to the first Product to reach such milestone event only (unless otherwise provided below), which amounts shall be fully earned upon the achievement of the applicable milestone event:

Regulatory Milestone	Amount
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
TOTAL:	[***]

For the second (2nd) Indication for which a milestone is achieved for a Product, a milestone payment shall be due but shall be reduced to [***] of the milestone amounts set forth in the table above. For the third (3rd) Indication for which a milestone is achieved for a Product, a milestone payment shall be due but shall be reduced to [***] of the milestone amounts set forth in the table above.

For clarity, for purposes of the payments due under this Section 8.4.1, the 9668 Product [***] shall be considered different Products.

Each milestone in this Section 8.4.1 shall be payable on a Product-by-Product basis based on the first achievement of such milestone for the applicable Product (subject to the paragraph immediately following the table above).

8.4.2 **Sales Milestones**

In partial consideration of the rights granted by AstraZeneca to Mereo hereunder, Mereo shall pay to AstraZeneca the following one-time payments, which shall be fully earned upon the first achievement of the applicable milestone event for each of the 9668 Product [***]:

Sales Milestone	Amount
[***]	[***]
[***]	[***]
[***]	[***]
TOTAL PER PRODUCT:	[***]

If in a given Calendar Year more than one (1) of the milestone events set forth in the immediately preceding table is achieved, Mereo shall pay to AstraZeneca a separate milestone payment with respect to each such threshold that is exceeded in such Calendar Year. Each such milestone payment shall be due within [***] days of the date the milestone was achieved. Each milestone payment in this Section 8.4.2 shall be payable only upon the first achievement of such milestone in a given Calendar Year and no amounts shall be due for subsequent or repeated achievements of such milestone in subsequent Calendar Years.

8.4.3 **Determination that Milestones Have Occurred**

Mereo shall notify AstraZeneca promptly of the achievement of each of the events identified as a milestone in Section 8.4.1 or Section 8.4.2. In the event that, notwithstanding the fact that Mereo has not provided AstraZeneca such a notice, AstraZeneca believes that any such milestone has been achieved, it shall so notify Mereo in writing and the Parties shall promptly meet and discuss in good faith whether such milestone has been achieved. Any dispute under this Section 8.4.3 regarding whether or not such a milestone has been achieved shall be subject to resolution in accordance with Section 16.6.

8.5 Royalties

8.5.1 **Royalty Rates**

As further consideration for the rights granted to Mereo hereunder, commencing upon the First Commercial Sale of a Product in the Territory, Mereo shall pay to AstraZeneca a royalty on Net Sales with respect to each Product in each country in the Territory on a Product-by-Product and country-by-country basis during each Calendar Year at the following rates:

That portion of aggregate Net Sales of the Product in the Territory during a given Calendar Year that is:	**Percentage**
less than or equal to [***] US Dollars (USD$[***]).	[***]%
greater than [***] US Dollars (USD$[***]) but less than or equal to [***] US Dollars (USD$[***]).	[***]%
greater than [***] US Dollars (USD$[***]) but less than or equal to [***] US Dollars (USD$[***]).	[***]%
greater than [***] US Dollars (USD$[***]) but less than or equal to [***] US Dollars (USD$[***]).	[***]%
greater than [***] US Dollars (USD$[***]).	[***]%

No multiple royalties will be payable to AstraZeneca because a Product is covered by more than one Valid Claim in any Option Patent.

8.5.2 **Royalty Term**

Mereo shall have no obligation to pay any royalty with respect to Net Sales of any Product in any country after the Royalty Term for such Product in such country has expired. Upon the expiration of the Royalty Term with respect to a Product in any country, the license grants to Mereo in Section 2.1, as applicable, with respect to such Product shall become fully paid-up with respect to such country.

8.5.3 **Reductions**

(a) If during the Royalty Term, on a country-by-country and Product by Product basis, such Product ceases to be Covered by a Valid Claim in the country of manufacture, use, sale, offer for sale or import but does contain, incorporate or use any Product Know-How, the applicable royalty rate will thereafter be reduced to [***] of the applicable royalty rate set forth in Section 8.5.

(b) If during the Royalty Term, on a country-by-country and Product by Product basis, one (1) or more Generic Versions of the Product are marketed and sold in such country in a given [***] during the Royalty Term, and such that Generic Versions of the Product sold in such country equal or exceed in the aggregate [***] of the total units sold of such Product or Generic Version(s) in such country, then the royalty rate for such Product in such country will thereafter be reduced to [***] of the applicable royalty rate set forth in Section 8.5 for so long as such reduction in units sold persists.

(c) If during the Royalty Term, Mereo pays Third Party Payments with respect to a Product, Mereo may credit [***] of such Third Party Payments paid against the royalties otherwise due to AstraZeneca on the Net Sales of that particular Product in that [***]; provided, however that the royalties paid to AstraZeneca on such Net Sales after application of such credit shall not be less than [***] of those otherwise due above without such credit. Such credit for Third Party Payments allowed hereunder shall apply on a [***] basis, provided that Mereo shall be entitled to carry forward any amount of Third Party Payments which it is not entitled to credit from the royalties due to AstraZeneca in accordance with this Section 8.5.3 by reason of such limitation from one (1) Calendar Year to the following Calendar Year until such amount is fully credited.

8.6 Royalty Payments and Reports

Mereo shall calculate all amounts payable to AstraZeneca pursuant to Section 8.5 at the end of each Calendar Quarter, which amounts shall be converted to United States Dollars, in accordance with Section 8.7. Mereo shall pay to AstraZeneca the royalty amounts due with respect to a given Calendar Quarter within [***] days after the end of such Calendar Quarter. Each payment of royalties due to AstraZeneca shall be accompanied by a statement specifying the amount of Net Sales and deductions taken to arrive at Net Sales attributable to each Product in each country the Territory during the applicable Calendar Quarter (including such amounts expressed in local currency and as converted to United States Dollars using the Currency Conversion Policy and a calculation of the amount of royalty payment due on such Net Sales for such Calendar Quarter.

8.7 Maximum deduction

The maximum cumulative royalty reduction pursuant to Section 8.5.3 shall not in any circumstances exceed [***] in any [***].

8.8 Mode of Payment

8.8.1 All payments to AstraZeneca under this Agreement shall be made in Dollars. All amounts payable to AstraZeneca pursuant to Section 8.5 shall be made in United States Dollars. All payments to AstraZeneca under this Agreement shall be made by deposit in the requisite amount to such bank account as AstraZeneca may from time to time designate by notice to Mereo.

8.8.2 Other than in respect of amounts payable to AstraZeneca pursuant to Section 8.5, for the purpose of calculating any sums due under, or otherwise reimbursable pursuant to, this Agreement, Mereo shall convert any amount expressed in a foreign currency into Dollar equivalents using the Currency Conversion Policy. For the purpose of calculating any sums payable to AstraZeneca pursuant to Section 8.5 (including the calculation of Net Sales expressed in currencies other than United States Dollars), Mereo shall convert any amount expressed in a foreign currency into United States Dollars equivalents the Currency Conversion Policy.

8.9 Sublicensing Consideration [***]

8.9.1 If Mereo sublicenses a Product to a Third Party (other than AstraZeneca) at any time then Mereo shall pay AstraZeneca [***] of all Sublicensing Consideration received pursuant to such sublicense.

8.9.2 Mereo shall not, and shall not permit its Affiliates to, [***] any Sublicensing Consideration, enter into any agreement with a Sublicensee under which the payments thereunder are (a) [***] and (b) [***].

8.10 Taxes

8.10.1 **General**

All payments required to be made pursuant to this Agreement (each, a "**Payment**") shall be paid free and clear of any deduction or withholding for or on account of Tax, except for any withholding or deduction required by Applicable Law. Except as provided in this Section 8.10, AstraZeneca shall be solely responsible for paying any and all taxes (other than withholding taxes required by Applicable Law to be deducted from Payments) levied on account of, or measured in whole or in part by reference to, any Payments it receives. Mereo shall deduct or withhold from the Payments any Taxes that it is required by Applicable Law to deduct or withhold. Notwithstanding the foregoing, if AstraZeneca is entitled under any applicable tax treaty to a reduction of the rate of, or the elimination of, applicable withholding tax, it may deliver to Mereo or the appropriate governmental authority (with the assistance of Mereo to the extent that this is reasonably required and is requested in writing) the prescribed forms necessary to reduce the applicable rate of withholding or to relieve Mereo of its obligation to withhold such Tax and Mereo shall apply the reduced rate of withholding or dispense with withholding, as the case may be; provided that Mereo has received evidence of AstraZeneca's delivery of all applicable forms (and, if

necessary, Mereo's receipt of appropriate governmental authorization) at least [***] days prior to the time that the Payments are due. If, in accordance with the foregoing, Mereo withholds any amount, it shall pay to AstraZeneca the balance when due, make timely payment to the proper taxing authority of the withheld amount and send to AstraZeneca proof of such payment within [***] days following such payment. Notwithstanding the foregoing, in the event a Party assigns its rights or obligations under this Agreement or otherwise makes Payments from a jurisdiction other than the jurisdiction in which such party is organised (each an "Assignment"), and immediately after such Assignment the amount of Tax Deductions in respect of any Payment it makes are greater than the amount of Tax Deductions that would have been required by Applicable Law absent such Assignment, then such increased Tax shall be borne by the party making such Assignment.

8.10.2 **Value Added Tax**

Notwithstanding anything contained in Section 8.10.1, this Section 8.10.2 shall apply with respect to value added tax ("**VAT**"). All Payments are exclusive of VAT. If any VAT is chargeable in respect of any Payments and AstraZeneca is required to account to the relevant Tax Authority for that VAT, Mereo shall pay an amount equal to the VAT at the applicable rate in respect of any such Payments following the receipt of a VAT invoice in the appropriate form issued by AstraZeneca in respect of those Payments. The Parties shall issue invoices for all goods and services supplied under this Agreement consistent with VAT requirements, and to the extent any invoice is not initially issued in an appropriate form, shall cooperate and provide such information or assistance as may be reasonably necessary to enable the issuance of such invoice consistent with VAT requirements.

8.11 Interest on Late Payments

If any payment due to either Party under this Agreement is not paid when due, then such paying Party shall pay interest thereon (before and after any judgment) at an annual rate (but with interest accruing on a daily basis) equal to the greater of: (i) the United States prime rate of interest as reported by Citibank, New York, New York, as of the date such payment was due and payable, plus [***], and (ii) the maximum applicable legal rate of interest, such interest to run from the date on which payment of such sum became due until payment thereof in full.

8.12 Financial Records

Mereo shall and shall cause its Affiliates and its and their Sublicensees to, keep complete and accurate financial books and records pertaining to the Commercialization of Products hereunder, including books and records of Invoiced Sales and Net Sales of Products, in sufficient detail to calculate and verify all amounts payable hereunder. Mereo shall and shall cause its Affiliates and its and their Sublicensees to, retain such books and records until the later of (i) [***] years after the end of the period to which such books and records pertain, (ii) the expiration of the applicable tax statute of limitations (or any extensions thereof) and (iii) for such period as may be required by Applicable Law.

8.13 Audit

At the request of AstraZeneca, Mereo shall and shall cause its Affiliates and its and their Sublicensees to, permit an independent auditor designated by AstraZeneca and reasonably acceptable to Mereo, at reasonable times and upon reasonable notice, no more than once per Calendar Year, to audit the books and records maintained pursuant to Section 8.12 relating to the preceding [***] Calendar Years only, solely for the purposes of ensuring the accuracy of the reports and payments made hereunder. An audit shall not cover any time period previously audited. Except as provided below, the cost of this audit shall be borne by AstraZeneca, unless the audit reveals, with respect to a period, an underpayment of amounts due hereunder of more than [***] from the reported amounts for such period, in which case Mereo shall bear [***] costs of the audit. Unless disputed pursuant to Section 8.14 below, if such audit concludes that (i) additional amounts were owed by Mereo, Mereo shall pay the additional amounts or (ii) excess payments were made by Mereo, AstraZeneca shall reimburse such excess payments, in either case ((i) or (ii)), within [***] days after the date on which such audit is completed by AstraZeneca. Mereo may require the auditor to sign a customary non-disclosure agreement before providing access to its books and records.

8.14 Audit Dispute

In the event of a dispute with respect to any audit under Section 8.13, AstraZeneca and Mereo shall work in good faith to resolve the disagreement. If the Parties are unable to reach a mutually acceptable resolution of any such dispute within [***] days, the dispute shall be submitted for resolution to one (1) of the big four (4) public accounting firms, jointly selected by each Party's certified public accountants or to such other Person as the Parties shall mutually agree (the "**Auditor**"). The decision of the Auditor shall be final and the costs of such arbitration as well as the initial audit shall be borne between the Parties in such manner as the Auditor shall determine. Not later than [***] days after such decision and in accordance with such decision, Mereo shall pay the additional amounts or AstraZeneca shall reimburse the excess payments, as applicable.

8.15 Adjustment of [***] Success Payments

8.15.1 In partial consideration of the rights granted by AstraZeneca to Mereo hereunder, in the event that after the date of this Agreement and before the [***], which has a [***] to the [***], the [***] by [***] to the [***] of the [***] or [***] that [***] of the [***] in the [***] on the [***] for the [***] or [***].

8.15.2 In partial consideration of the rights granted by AstraZeneca to Mereo hereunder, in the event that after the date of this Agreement and before the [***], which has a [***] to the [***], the [***] by an [***] to the [***] of the [***] or [***] that [***] of the [***] in the [***] on the [***] for the [***] or [***].

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

9. INTELLECTUAL PROPERTY

9.1 Ownership of Intellectual Property

9.1.1 Ownership of Inventions

Subject to Section 9.1.2, as between the Parties, each Party shall own all right, title and interest in and to any and all Inventions that are conceived, discovered, developed or otherwise made by or on behalf of such Party or its Affiliates or its or their (sub)licensees (or Sublicensee(s)), as applicable, under or in connection with this Agreement, whether or not patented or patentable and any and all Patents and other intellectual property rights with respect thereto.

9.1.2 United States Law

The determination of whether Inventions are conceived, discovered, developed or otherwise made by a Party for the purpose of allocating proprietary rights (including Patent, copyright or other intellectual property rights) therein, shall, for purposes of this Agreement, be made in accordance with Applicable Law in the United States as such law exists as of the Effective Date irrespective of where such conception, discovery, development or making occurs. The Parties shall jointly own any Inventions and intellectual property rights therein that are made, conceived, reduced to practice, authored, or otherwise discovered jointly by the Parties or any of their employees, Affiliates, licensees, Sublicensees (where permitted), independent contractors, or agents, whether simultaneously or successively, including any Patent on such jointly owned Invention. Each Party shall have the right to use and license jointly owned Inventions and all intellectual property rights therein for any and all purposes without the need to account to or seek permission from the other Party (subject, in all cases, to any other applicable terms of this Agreement); provided, however, that for clarity, the foregoing shall not be construed as granting or conveying to either Party any license or other rights to the other Party's other intellectual property rights, unless otherwise expressly set forth in this Agreement.

9.1.3 Assignment Obligation

Each Party shall cause all Persons who perform activities for such Party under this Agreement or who conceive, discover, develop or otherwise make any Inventions by or on behalf of either Party or its Affiliates or its or their (sub)licensees (or Sublicensees) under or in connection with this Agreement to be under an obligation to assign (or, if such Party is unable to cause such Person to agree to such assignment obligation despite such Party's using commercially reasonable efforts to negotiate such assignment obligation, then to grant an exclusive license under) their rights in any Inventions resulting therefrom to such Party, except where Applicable Law requires otherwise and except in the case of governmental, not-for-profit and public institutions that have standard policies against such an assignment (in which case, a suitable license or right to obtain such a license, shall be obtained).

9.2 Maintenance and Prosecution of Patents

9.2.1 In General

As between the Parties Mereo shall through counsel of its choice, prepare, file, prosecute, extend, apply for supplementary protection certificates relating thereto, and maintain the Option Patents, including any related interference, re-issuance, re-examination and opposition proceedings with respect thereto, in the Territory, in each case, the cost and expense of which shall [***]. Prior to the Option Exercise Date,

Mereo, as prosecuting Party shall periodically inform AstraZeneca of all material steps with regard to the preparation, filing, prosecution and maintenance of the Option Patents, in the Territory, including by providing AstraZeneca with a copy of material communications to and from any patent authority in the Territory regarding such Patents and by providing AstraZeneca drafts of any material filings or responses to be made to such patent authorities in the Territory sufficiently in advance of submitting such filings or responses so as to allow for a reasonable opportunity for AstraZeneca to review and comment thereon. Prior to the Option Exercise Date, Mereo shall consider in good faith the requests and suggestions of AstraZeneca with respect to such drafts and with respect to strategies for filing and prosecuting such Patents in the Territory and [***]. If, as between the Parties, Mereo decides, prior to the Option Exercise Date, not to prepare, file, prosecute or maintain an Option Patent in a country in the Territory, Mereo shall provide reasonable prior written notice to AstraZeneca of such intention, AstraZeneca shall thereupon have the right, in its sole discretion, to assume the control and direction of the preparation, filing, prosecution and maintenance of such Option Patent [***], whereupon AstraZeneca shall be deemed the prosecuting Party and Mereo the non-prosecuting Party with respect to such Patent for the purposes of Section 9.2.2. Notwithstanding the foregoing, if Mereo exercises the Option, AstraZeneca shall have no right to prepare, file, prosecute, extend, apply for supplementary protection certificates relating thereto, and maintain the Option Patents from and including the Option Exercise Date.

9.2.2 **Cooperation**

The non-prosecuting Party (as set forth in Section 9.2.1) shall, and shall cause its Affiliates to, assist and cooperate with the prosecuting Party (as set forth in Section 9.2.1), as the prosecuting Party may reasonably request from time to time, in the preparation, filing, prosecution and maintenance of the Option Patents in the Territory under this Section 9.2, including that the non-prosecuting Party shall, and shall ensure that its Affiliates, (i) offer its comments, if any, promptly, (ii) provide access to relevant documents and other evidence and make its employees available at reasonable business hours; *provided*, *however*, that neither Party shall be required to provide legally privileged information with respect to such intellectual property unless and until procedures reasonably acceptable to such Party are in place to protect such privilege); and *provided*, *further*, that the prosecuting Party shall reimburse the non-prosecuting Party for its [***] costs and expenses incurred in connection therewith.

9.2.3 **Patent Listings**

As between the Parties, Mereo shall have the right in its good faith determination to make all filings with Regulatory Authorities in the Territory with respect to the Option Patents, including as required or allowed (i) in the United States, in the FDA's Orange Book and (ii) in the European Union, under the national implementations of Section 10.1(a)(iii) of Directive 2001/EC/83 or other international equivalents.

9.3 Enforcement of Patents

9.3.1 **Notice**

Each Party shall promptly notify the other Party in writing of (i) any alleged or threatened infringement of the Option Patents in any jurisdiction in the Territory or (ii) any certification filed under the Hatch-Waxman Act claiming that any of the Option Patents are invalid or unenforceable or claiming that any of the Option Patents would not be infringed by the making, use, offer for sale, sale or import of a product for which an application under the Hatch-Waxman Act is filed or any equivalent or similar certification or notice in any other jurisdiction, in each case ((i) and (ii)) of which such Party becomes aware (an "**Infringement**").

9.3.2 **Enforcement of Patents**

As between the Parties, Mereo shall have the first right, but not the obligation, to prosecute any Infringement with respect to the Option Patents, including as a defense or counterclaim in connection with any Third Party Infringement Claim, [***], using counsel of Mereo's choice. If, prior to the Option Exercise Date, Mereo declines to prosecute any Infringement with respect to an Option Patent, AstraZeneca may prosecute such infringement [***]. For purposes of this Section 9.3.2, the Party prosecuting any Infringement pursuant to the foregoing sentences with respect to a Patent shall be the "**Enforcing Party.**" In the event AstraZeneca prosecutes any such Infringement in the Field in the Territory, Mereo shall have the right to join as a party to such claim, suit or proceeding and participate with its own counsel [***]; *provided* that AstraZeneca shall retain control of the prosecution of such claim, suit or proceeding, including the response to any defense or defense of any counterclaim raised in connection therewith. In the event Mereo prosecutes any such Infringement in the Field in the Territory, AstraZeneca shall have the right to join as a party to such claim, suit or proceeding and participate with its own counsel [***]; provided that Mereo shall retain control of the prosecution of such claim, suit or proceeding, including the response to any defense or defense of any counterclaim raised in connection therewith. If Mereo exercises the Option, AstraZeneca shall have no right to prosecute any Infringement relating to the Option Patents from and including the relevant Option Exercise Date.

9.3.3 **Cooperation**

The Parties agree to cooperate fully in any Infringement action pursuant to this Section 9.3.3, including by making the inventors, applicable records and documents (including laboratory notebooks) with respect to the relevant Patents available to the Enforcing Party on the Enforcing Party's request. With respect to an action controlled by the applicable Enforcing Party, the other Party shall, and shall cause its Affiliates to, assist and cooperate with the Enforcing Party, as the Enforcing Party may reasonably request from time to time, in connection with its activities set forth in this Section 9.3.3, including where necessary, furnishing a power of attorney solely for such purpose or joining in, or being named as a necessary party to, such action, providing access to relevant documents and other evidence and making its employees available at reasonable business hours; provided that the Enforcing Party shall reimburse such other Party for its [***] costs and expenses incurred in connection therewith. Unless otherwise set forth herein, the Enforcing Party shall have the right to settle such claim; provided that neither Party shall have the right to settle any Infringement litigation under this Section 9.3.3 in a manner that has a material adverse

effect on the rights or interest of the other Party or in a manner that imposes any costs or liability on or involves any admission by, the other Party, without the express written consent of such other Party (which consent shall not be unreasonably withheld, conditioned or delayed). In connection with any activities with respect to an Infringement action prosecuted by the applicable Enforcing Party pursuant to this Section 9.3.3 involving Patents owned or Controlled by or licensed under Section 2 to the other Party, the Enforcing Party shall (i) consult with the other Party as to the strategy for the prosecution of such claim, suit or proceeding, (ii) consider in good faith any comments from the other Party with respect thereto and (iii) keep the other Party reasonably informed of any material steps taken and provide copies of all material documents filed, in connection with such action.

9.3.4 **Recovery**

Except as otherwise agreed by the Parties in connection with a cost sharing arrangement, any recovery realized as a result of such litigation described above in this Section 9.3.4 (whether by way of settlement or otherwise) shall be first, allocated to reimburse the Parties for their costs and expenses in making such recovery (which [***] if [***] to [***] the [***] of [***]). Any remainder after such reimbursement is made shall be [***]; *provided*, *however*, that to the extent that [***] or [***] (whether by [***] or [***]) with respect to an [***] is [***] to [***] of [***] or [***] with respect to [***] such [***] or [***] shall be [***] and [***].

9.4 Infringement Claims by Third Parties

If the Exploitation of a Product in the Territory pursuant to this Agreement results in, or is reasonably expected to result in, any claim, suit or proceeding by a Third Party alleging infringement by Mereo or any of its Affiliates or its or their Sublicensees, (a "**Third Party Infringement Claim**"), including any defense or counterclaim in connection with an Infringement action initiated pursuant to this Section 9.4, the Party first becoming aware of such alleged infringement shall promptly notify the other Party thereof in writing. As between the Parties, Mereo shall be responsible for defending any such claim, suit or proceeding [***], using counsel of Mereo's choice. Prior to the Option Exercise Date, AstraZeneca may participate in any such claim, suit or proceeding with counsel of its choice [***]; provided that Mereo shall retain the right to control such claim, suit or proceeding. If Mereo exercises the Option, AstraZeneca shall have no right participate in any such claim, suit or proceeding relating to the Option Patents from and including the Option Exercise Date. AstraZeneca shall, and shall cause its Affiliates to, assist and cooperate with Mereo, as Mereo may reasonably request from time to time, in connection with its activities set forth in this Section 9.4, including where necessary, furnishing a power of attorney solely for such purpose or joining in, or being named as a necessary party to, such action, providing access to relevant documents and other evidence and making its employees available at reasonable business hours; provided that Mereo shall reimburse AstraZeneca for [***] costs and expenses incurred in connection therewith. Mereo shall keep AstraZeneca reasonably informed of all material developments in connection with any such claim, suit or proceeding. Mereo agrees to provide AstraZeneca with copies of all material pleadings filed in such action and to allow AstraZeneca reasonable opportunity to participate in the defense of the claims. Any

damages, or awards, including royalties incurred or awarded in connection with any Third Party Infringement Claim defended under this Section 9.4 shall be [***]. For clarity, if Mereo is required to make any payment to a Third Party to settle such Third Party Infringement Claim, such Third Party Payment shall be a Third Party Payment for the purposes of Section 8.5.3(c).

9.5 Invalidity or Unenforceability Defenses or Actions

Each Party shall promptly notify the other Party in writing of any alleged or threatened assertion of invalidity or unenforceability of any of the Option Patents by a Third Party and of which such Party becomes aware. As between the Parties, Mereo shall have the first right, but not the obligation, to defend and control the defense of the validity and enforceability of the Option Patents [***]. If, prior to the Option Exercise Date, Mereo declines to defend any such invalidity claim with respect to an Option Patent, AstraZeneca may defend such invalidity claim [***]. For purposes of this Section 9.5, the Party defending any action pursuant to the foregoing sentence with respect to a Patent shall be the "**Controlling Party**." If the Controlling Party or its designee elects not to defend or control the defense of the applicable Patents in a suit brought in the Territory or otherwise fails to initiate and maintain the defense of any such claim, suit or proceeding, then subject to any rights of Third Parties under any applicable Third Party agreements existing as of the Effective Date, the non-Controlling Party may conduct and control the defense of any such claim, suit or proceeding [***]. If Mereo exercises the Option, AstraZeneca shall have no right to defend or control the defense of for the relevant Option Patents from and including the relevant Option Exercise Date. The non-Controlling Party in such an action shall, and shall cause its Affiliates to, assist and cooperate with the Controlling Party, as such Controlling Party may reasonably request from time to time in connection with its activities set forth in this Section 9.5, including where necessary, furnishing a power of attorney solely for such purpose or joining in, or being named as a necessary party to, such action, providing access to relevant documents and other evidence and making its employees available at reasonable business hours; provided that the Controlling Party shall reimburse the non-Controlling Party for its [***] costs and expenses incurred in connection therewith. In connection with any activities with respect to a defense, claim or counterclaim relating to the Option Patents pursuant to this Section 9.5, the Controlling Party shall (x) consult with the non-Controlling Party as to the strategy for such activities, (y) consider in good faith any comments from the non-Controlling Party and (z) keep the non-Controlling Party reasonably informed of any material steps taken and provide copies of all material documents filed, in connection with such defense, claim or counterclaim.

9.6 Third Party Patent Rights

If, at any time during the Term, [***], the Exploitation of the Compounds or Product in the Field and in the Territory by Mereo, any of its Affiliates or any of its or their Sublicensees infringes or is reasonably expected to infringe any Patent of a Third Party in any country in the Territory (such right, a "**Third Party Patent Right**"), then, as between the Parties, Mereo shall have the right, but not the obligation, to negotiate and obtain a license from such Third Party to such Third Party Patent Right as necessary or desirable for Mereo or its Affiliates or its or their Sublicensees to Exploit the Compounds and Products in the Field in such country; *provided* that subject to [***].

10. CONFIDENTIALITY AND NON-DISCLOSURE

10.1 Confidentiality Obligations

At all times during the Term and for a period of [***] years following termination or expiration hereof in its entirety (except that Confidential Information consisting of trade secrets shall be subject to the terms and conditions of this Section 10 beyond such [***] year period until such Confidential Information no longer constitutes a trade secret except where due to a breach by the receiving Party of this Agreement or other obligation of confidentiality owed to the disclosing Party), each Party shall and shall cause its officers, directors, employees and agents to, keep confidential and not publish or otherwise disclose to a Third Party and not use, directly or indirectly, for any purpose, any Confidential Information furnished or otherwise made known to it, directly or indirectly, by the other Party, except to the extent such disclosure or use is expressly permitted by the terms of this Agreement. "**Confidential Information**" means any technical, business or other information or data provided by or on behalf of one Party to the other Party regardless of form including a formula, pattern, compilation, program, method, technique, process, inventory, chemical, physical material, chemical structure or activity, design, prototype, drawings, samples, source code, business plan, business opportunity, customer or personnel list, or financial statement proprietary to a Party or its Affiliate, including information relating to the terms of this Agreement (subject to Section 10.4), information relating to the Compound(s) or any Product(s) (including the Regulatory Documentation), any Development or Commercialization of the Compounds or any Product(s), any know-how with respect thereto developed by or on behalf of the disclosing Party or its Affiliates or the scientific, regulatory or business affairs or other activities of either Party. Notwithstanding the foregoing, the terms of this Agreement shall be deemed to be the Confidential Information of both Parties and both Parties shall be deemed to be the receiving Party and the disclosing Party with respect thereto. Notwithstanding the foregoing, the confidentiality and non-use obligations under this Section 10.1 with respect to any Confidential Information shall not include any information or portion thereof that:

10.1.1 is or hereafter becomes part of the public domain by public use, publication, general knowledge or the like through no breach of this Agreement by the receiving Party;

10.1.2 can be demonstrated by documentation or other competent proof to have been known by or in the receiving Party's possession prior to disclosure by the disclosing Party without any obligation of confidentiality with respect to such information;

10.1.3 is subsequently received by the receiving Party from a Third Party who is not bound by any obligation of confidentiality with respect to such information and who otherwise has the right to make such disclosure;

10.1.4 has been or is published by a Third Party or otherwise enters the public domain through no fault of the receiving Party in breach of this Agreement; or

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

10.1.5 can be demonstrated by documentation or other competent evidence to have been independently developed by or for the receiving Party without reference to the disclosing Party's Confidential Information.

Specific aspects or details of Confidential Information shall not be deemed to be within the public domain or in the possession of the receiving Party merely because the Confidential Information is embraced by more general information in the public domain or in the possession of the receiving Party. Further, any combination of Confidential Information shall not be considered in the public domain or in the possession of the receiving Party merely because individual elements of such Confidential Information are in the public domain or in the possession of the receiving Party unless the combination and its principles are in the public domain or in the possession of the receiving Party.

10.2 Permitted Disclosures

Each Party may disclose Confidential Information to the extent that such disclosure is:

10.2.1 made in response to a valid order of a court of competent jurisdiction or other supra-national, federal, national, regional, state, provincial and local governmental or regulatory body of competent jurisdiction or, if in the reasonable opinion of the receiving Party's legal counsel, such disclosure is otherwise required by law, including by reason of filing with securities regulators or rules of an applicable securities exchange; *provided*, *however*, that the receiving Party shall first where practicable have given notice to the disclosing Party and given the disclosing Party a reasonable opportunity to quash such order or to obtain a protective order or confidential treatment requiring that the Confidential Information and documents that are the subject of such order be held in confidence by such court or agency or, if disclosed, be used only for the purposes for which the order was issued; *provided*, *further*, that the Confidential Information disclosed in response to such court or governmental order shall be limited to that information which is legally required to be disclosed in response to such court or governmental order;

10.2.2 made by or on behalf of the receiving Party to the Regulatory Authorities as required in connection with any filing, application or request for Regulatory Approval; *provided*, *however*, that reasonable measures shall be taken to assure confidential treatment of such information to the extent practicable and consistent with Applicable Law;

10.2.3 made by or on behalf of the receiving Party to a patent authority as may be reasonably necessary or useful for purposes of obtaining or enforcing a Patent; *provided*, *however*, that reasonable measures shall be taken to assure confidential treatment of such information, to the extent such protection is available;

10.2.4 made by or on behalf of Mereo or its Affiliate to an actual or potential Sublicensee; or

10.2.5 made by or on behalf of Mereo to (a) legal, financial and investment banking advisors and potential or actual sources of financing, investors or acquirers as may be necessary in connection with their evaluation of such potential or actual investment or acquisition and counsel for the foregoing and (b) in connection with disclosure obligations that arise in connection with potential financing; *provided*, *however*, that such persons shall be subject to obligations of confidentiality and non-use with respect to such Confidential Information that are customary in such circumstances. In addition, if legally required, a copy of this Agreement, the Subscription Deed and Parent Company Guarantee may be filed by Mereo with the U.S. Securities and Exchange Commission (or relevant ex-U.S. counterpart). In that case, Mereo shall notify AstraZeneca and provide AstraZeneca a reasonable period of time of no more than [***] to request Mereo to diligently seek confidential treatment for terms of this Agreement for which confidential treatment is reasonably available, and shall provide AstraZeneca reasonable advance notice of the terms proposed for redactions and a reasonable opportunity to request that Mereo make additional redactions of financial or other information to the extent confidential treatment is reasonably available under the law.

10.3 Use of Name

Except as expressly provided herein, neither Party shall mention or otherwise use the name, logo or Trademark of the other Party or any of its Affiliates or any of its or their (sub)licensees (or Sublicensees) (or any abbreviation or adaptation thereof) in any publication, press release, marketing and promotional material or other form of publicity without the prior written approval of such other Party in each instance. The restrictions imposed by this Section 10.3 shall not prohibit (i) either Party from making any disclosure identifying the other Party to the extent required in connection with its exercise of its rights or obligations under this Agreement and (ii) either Party from making any disclosure identifying the other Party that is required by Applicable Law or the rules of a stock exchange on which the securities of the disclosing Party are listed (or to which an application for listing has been submitted).

10.4 Public Announcements

The Parties have agreed to make an announcement in the form set out in Schedule 10.4 on the date of execution of this Agreement. Subject to the foregoing and Section 10.2.5, the Parties have agreed that neither Party shall issue any public announcement, press release or other public disclosure regarding this Agreement or its subject matter without the other Party's prior written consent, except for any such disclosure that is, in the opinion of the disclosing Party's counsel, required to be disclosed by the disclosing Party (or any of its Affiliates) by Applicable Law or the rules of a stock exchange on which the securities of the disclosing Party (or any of its Affiliates) are listed or admitted to trading (or to which an application for listing or admission to trading has been submitted). In the event a Party (or any of its Affiliates) is, in the opinion of its counsel, required by Applicable Law or the rules of a stock exchange on which its securities are listed or admitted to trading (or to which an application for listing or admission to trading has been submitted) to make such a public disclosure, such Party (or its relevant Affiliate) shall submit the proposed disclosure in writing to the other Party as far in advance as reasonably practicable (and in no event less than [***] prior to the anticipated date of disclosure or such shorter period as required to ensure compliance with Applicable Law) so as to provide a reasonable opportunity to comment thereon. Neither Party shall be required to seek the permission of the other

Party to repeat any information regarding the terms of this Agreement or any amendment hereto that has already been publicly disclosed by such Party or by the other Party, in accordance with this Section 10.4; provided that such information remains accurate as of such time and provided the frequency and form of such disclosure are reasonable.

10.5 Publications

The Parties recognize the desirability of publishing and publicly disclosing the results of and information regarding, activities under this Agreement. Accordingly, Mereo shall be free to publicly disclose the results of and information regarding, activities under this Agreement, subject to prior review by AstraZeneca of any disclosure of AstraZeneca's Confidential Information for issues of patentability and protection of such Confidential Information, in a manner consistent with Applicable Law and industry practices, as provided in this Section 10.5. Accordingly, prior to publishing or disclosing any Confidential Information of AstraZeneca, Mereo shall provide AstraZeneca with drafts of proposed abstracts, manuscripts or summaries of presentations that cover such Confidential Information. AstraZeneca shall respond promptly through its designated representative and in any event no later than [***] after receipt of such proposed publication or presentation or such shorter period as may be required by the publication or presentation. Mereo agrees to allow a reasonable period (not to exceed [***]) to permit filings for patent protection and to otherwise address issues of Confidential Information or related competitive harm to the reasonable satisfaction of AstraZeneca. In addition, Mereo shall give due regard to comments furnished by AstraZeneca. Notwithstanding the foregoing, Mereo shall be free to include scientific and clinical data relating solely to the Compounds in publications on Mereo's activities under this Agreement, and such scientific and clinical data relating solely to the Compounds will not be considered Confidential Information of AstraZeneca for such purpose.

10.6 Return of Confidential Information

Upon the effective date of the expiration or termination of this Agreement for any reason, either Party may request in writing and the non-requesting Party shall, with respect to Confidential Information to which such non-requesting Party does not retain rights under the surviving provisions of this Agreement, promptly destroy all copies of such Confidential Information in the possession or control of the non-requesting Party and confirm such destruction in writing to the requesting Party. Notwithstanding the foregoing, the non-requesting Party shall be permitted to retain such Confidential Information (x) to the extent necessary or useful for purposes of performing any continuing obligations or exercising any ongoing rights hereunder and, in any event, a single copy of such Confidential Information for archival purposes and (y) any computer records or files containing such Confidential Information that have been created solely by such non-requesting Party's automatic archiving and back-up procedures, to the extent created and retained in a manner consistent with such non-requesting Party's standard archiving and back-up procedures, but not for any other uses or purposes. All Confidential Information shall continue to be subject to the terms of this Agreement for the period set forth in Section 10.1.

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

10.7 Privileged Communications

In furtherance of this Agreement, it is expected that the Parties may, from time to time, disclose to one another privileged communications with counsel, including opinions, memoranda, letters and other written, electronic and verbal communications. Such disclosures are made with the understanding that they shall remain confidential in accordance with this Section 10, that they will not be deemed to waive any applicable attorney-client or attorney work product or other privilege and that they are made in connection with the shared community of legal interests existing between AstraZeneca and Mereo, including the community of legal interests in avoiding infringement of any valid, enforceable patents of Third Parties and maintaining the validity of any patents owned or controlled by the Parties. In the event of any litigation (or potential litigation) with a Third Party related to this Agreement or the subject matter hereof, the Parties shall, upon either Party's request, enter into a reasonable and customary joint defense agreement. In any event, each Party shall consult in a timely manner with the other Party before engaging in any conduct (*e.g.*, producing information or documents) in connection with litigation or other proceedings that could conceivably implicate privileges maintained by the other Party. Notwithstanding anything contained in this Section 10.7, nothing in this Agreement shall prejudice a Party's ability to take discovery of the other Party in disputes between them relating to the Agreement and no information otherwise admissible or discoverable by a Party shall become inadmissible or immune from discovery solely by this Section 10.7.

11. REPRESENTATIONS AND WARRANTIES

11.1 Mutual Representations and Warranties

AstraZeneca and Mereo each represent and warrant to the other, as of the Effective Date, and covenants, that:

11.1.1 it is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has all requisite power and authority, corporate or otherwise, to execute, deliver and perform this Agreement;

11.1.2 the execution and delivery of this Agreement and the performance by it of the transactions contemplated hereby have been duly authorized by all necessary corporate action and do not violate: (i) such Party's charter documents, bylaws or other organizational documents; (ii) in any material respect, any agreement, instrument or contractual obligation to which such Party is bound; (iii) any requirement of any Applicable Law; or (iv) any order, writ, judgment, injunction, decree, determination or award of any court or governmental agency presently in effect applicable to such Party;

11.1.3 this Agreement is a legal, valid and binding obligation of such Party enforceable against it in accordance with its terms and conditions, subject to the effects of bankruptcy, insolvency or other laws of general application affecting the enforcement of creditor rights, judicial principles affecting the availability of specific performance and general principles of equity (whether enforceability is considered a proceeding at law or equity);

11.1.4 it is not under any obligation, contractual or otherwise, to any Person that conflicts with or is inconsistent in any material respect with the terms of this Agreement or that would impede the diligent and complete fulfilment of its obligations hereunder; and

11.1.5 neither it nor any of its Affiliates has been debarred or is subject to debarment and neither it nor any of its Affiliates has used or will use in any capacity, in connection with the services to be performed under this Agreement, any Person who has been debarred pursuant to Section 306 of the FFDCA or who is the subject of a conviction described in such section. It will inform the other Party in writing promptly if it or any such Person who is performing services hereunder is debarred or is the subject of a conviction described in Section 306 or if any action, suit, claim, investigation or legal or administrative proceeding is pending or, to the best of its or its Affiliates' Knowledge, is threatened, relating to the debarment or conviction of it or any such Person performing services hereunder.

11.2 Additional Representations and Warranties of AstraZeneca

AstraZeneca further represents and warrants to Mereo, as of the Effective Date, that:

11.2.1 to AstraZeneca's Knowledge, other than the Option Intellectual Property, there are no intellectual property rights: (a) which are owned by AstraZeneca or any of its Affiliates as of the Effective Date or at any time during the time of the Agreement and that (b) relate [***] to the Compounds or Products;

11.2.2 AstraZeneca owns the Option Know-How and, subject to any restrictions in the Transferring Contracts or Additional Studies, has the right to grant the licenses and sublicenses specified thereunder without liens or other encumbrances;

11.2.3 AstraZeneca owns the Option Patents set forth in Schedule 1.79 and has the right to grant the licenses and sublicenses specified thereunder without liens or other encumbrances;

11.2.4 the list of Option Patents set forth in Schedule 1.79 is true, complete and accurate as of the Effective Date;

11.2.5 AstraZeneca has obtained all necessary consents, approvals and authorizations of all governmental Authorities and / or Regulatory Authorities and other Persons or entities required to be obtained by it in connection with the execution and delivery of this Agreement;

11.2.6 AstraZeneca is in compliance with all Applicable Law to the extent relevant to the licenses granted hereunder and the Product Intellectual Property, including the Bayh-Dole Act;

11.2.7 AstraZeneca has not received any written claim or demand alleging that (a) the Option Patents are invalid or unenforceable or (b) the Development or Commercialization of the Products as contemplated herein infringes any Patent owned by any Third Party;

11.2.8 to AstraZeneca's Knowledge, there are no ongoing proceedings in court as to infringement, misappropriation or invalidity of any of the Option Patents, including any inter partes proceedings or oppositions;

11.2.9 to AstraZeneca's Knowledge, no Person is infringing or threatening to infringe the Option Patents in the Field; and no facts exist that would render the Option Patents invalid or unenforceable;

11.2.10 the Option Patents have been prosecuted in accordance with all Applicable Law including the duty of candor;

11.2.11 AstraZeneca has received no regulatory warnings or complaint letters in connection with the Compounds or Products;

11.2.12 solely in relation to the services carried out in its conduct of the Transfer Activities: (i) none of its Third Party suppliers and no employees or contractors of AstraZeneca who has been involved in the development of the Compounds and Products has, to AstraZeneca's Knowledge, been debarred or is subject to debarment; and (ii) neither it nor any of its Affiliates has used, does use or will use in any capacity, in connection with the services to be performed under this Agreement, any Person who has been debarred pursuant to Section 306 of the FFDCA or who is the subject of a conviction described in such section;

11.2.13 all API, Compounds, and the Products, as applicable, have been manufactured in compliance with all Applicable Law and applicable good manufacturing practice;

11.2.14 AstraZeneca has not had any and is not in material dispute with any Third Party supplier in connection with the supply of the Compounds, or Products;

11.2.15 AstraZeneca is not conducting, nor planning to conduct in the immediate future, any Development with a neutrophil elastase inhibitor, other than as contemplated by this Agreement;

11.2.16 With the exception of the Additional Studies and the Ongoing Research Agreements, to AstraZeneca's Knowledge neither AstraZeneca nor its Affiliates is a party to an upstream agreement which relates to any of the Product Intellectual Property;

11.2.17 to AstraZeneca's Knowledge, the list of Transferring Contracts set forth in Schedule 1.129 is a true, complete and accurate list as of the Effective Date of all written or oral legally binding contracts, agreements, instruments, commitments, obligations, understandings, or undertakings of any nature (including leases, licenses, mortgages, notes, guarantees, sublicenses, subcontracts, covenants not to compete, covenants not to sue, confidentiality agreements, options and warranties) which are exclusively related to the Business; and

11.2.18 to AstraZeneca's Knowledge, AstraZeneca is in compliance with the terms of all Transferring Contracts.

11.3 Additional Representation, Warranty and Covenant of AstraZeneca

AstraZeneca further represents and warrants to Mereo on an ongoing basis that, subject to any restrictions contained in the Transferring Contracts or Additional Studies:

11.3.1 AstraZeneca will not grant any security, liens or other encumbrance over the Option Intellectual Property prior to the Option Exercise Date; and

11.3.2 AstraZeneca will not grant any security, liens or other encumbrance over the Option Intellectual Property on or following to the Option Exercise Date that would prevent AstraZeneca granting the licenses and sublicenses specified hereunder.

11.4 DISCLAIMER OF WARRANTIES

EXCEPT FOR THE EXPRESS WARRANTIES SET FORTH HEREIN, NEITHER PARTY MAKES ANY REPRESENTATIONS OR GRANTS ANY WARRANTIES, EXPRESS OR IMPLIED, EITHER IN FACT OR BY OPERATION OF LAW, BY STATUTE OR OTHERWISE AND EACH PARTY SPECIFICALLY DISCLAIMS ANY OTHER WARRANTIES, WHETHER WRITTEN OR ORAL OR EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF QUALITY, MERCHANTABILITY OR FITNESS FOR A PARTICULAR USE OR PURPOSE OR ANY WARRANTY AS TO THE VALIDITY OF ANY PATENTS OR THE NON-INFRINGEMENT OF ANY INTELLECTUAL PROPERTY RIGHTS OF THIRD PARTIES.

12. ANTI-BRIBERY AND ANTI-CORRUPTION COMPLIANCE

12.1 Mereo agrees, on behalf of itself, its officers, directors and employees and on behalf of its Affiliates, agents, representatives, consultants and subcontractors hired in connection with the subject matter of this Agreement (together with Mereo, the "**Mereo Representatives**") that for the performance of its obligations hereunder:

12.1.1 the Mereo Representatives shall not directly or indirectly pay, offer or promise to pay or authorize the payment of any money or give, offer or promise to give or authorize the giving of anything else of value, to: (a) any Government Official in order to improperly influence official action; (b) any Person (whether or not a Government Official) (i) to improperly influence such Person to act in breach of a duty of good faith, impartiality or trust ("acting improperly"), (ii) to reward such Person for acting improperly or (iii) where such Person would be acting improperly by receiving the money or other thing of value; (c) any Person (whether or not a Government Official) while knowing or having reason to know that all or any portion of the money or other thing of value will be paid, offered, promised or given to or will otherwise benefit, a Government Official in order to improperly influence official action for or against either Party in connection with this Agreement; or (d) any Person (whether or not a Government Official) to reward that Person for acting improperly or to induce that Person to act improperly; and

12.1.2 the Mereo Representatives shall not, directly or indirectly, solicit, receive or agree to accept any payment of money or anything else of value in violation of the Anti-Corruption Laws.

12.2 Mereo shall and shall cause the Mereo Representatives to comply with (a) such applicable Anti-Corruption Laws; (b) their own internal policies relating to anti-corruption; and (c) in connection with activities under this Agreement, AZ's Global Ethical Interactions Policy. If AstraZeneca makes any material change to AZ's Global Ethical Interactions Policy, it shall notify Mereo of such change in writing and Mereo and the Mereo Representatives shall be under no obligation to comply with such change until such time as Mereo has received such notice of the same.

12.3 Mereo, on behalf of itself and the other Mereo Representatives shall promptly inform AstraZeneca upon receipt by Mereo of a formal notification that it or any of the Mereo Representatives is the target of a formal investigation by a Regulatory Authority for a Material Anti-Corruption Law Violation.

12.4 For the purpose of auditing and monitoring the performance of its compliance with this Section 12, Mereo will during the Term, subject to the terms of this Section 12.4 and not more than [***] in each Calendar Year, permit any reasonably acceptable independent auditor appointed by AstraZeneca for such purpose and any Regulatory Authority to have access to any premises of Mereo or other Mereo Representatives used in connection with this Agreement (such access to be at reasonable times and on reasonable notice), together with a right to access personnel and records that relate to this Agreement ("**Compliance Audit**"). To the extent that any Compliance Audit by AstraZeneca requires access and review of any commercially or strategically sensitive information or agreements of Mereo or Mereo Representatives, such independent auditor shall only report back to AstraZeneca such information as is directly relevant to informing AstraZeneca on Mereo's compliance with the particular provisions of this Agreement or the agreement being audited. Mereo shall, and shall cause the Mereo Representatives to, provide all cooperation and assistance during normal working hours as reasonably requested by its independent auditor for the purposes of a Compliance Audit. AstraZeneca shall cause any such auditor to enter into a confidentiality agreement substantially consistent with the applicable requirements of Section 10 hereof, and to cause the minimum amount of disruption to the business of Mereo and the Mereo Representatives and to comply with relevant building and security regulations.

12.5 The costs and fees of any Compliance Audit shall be paid by [***] and [***] of rendering assistance under this Section 12.

12.6 If AstraZeneca becomes aware that Mereo (or any other Mereo Representative) has or comes to reasonably believe that Mereo (or any other Mereo Representative) has (and provides written evidence of the same to Mereo) committed a Material Anti-Corruption Law Violation, AstraZeneca shall have the right, in addition to any other rights or remedies under this Agreement or to which it may be entitled in law or equity, to terminate this Agreement immediately and in its entirety upon written notice to Mereo if Mereo does not cure such Material Anti-Corruption Law Violation or demonstrate that such Material Anti-Corruption Law Violation did not occur within [***] days of learning of, or notice from AstraZeneca alleging, such Material Anti-Corruption Law Violation. To cure such Material Anti-Corruption Law Violation, Mereo shall take such steps, additional measures, representations, warranties, undertakings and other provisions, in each case, as AstraZeneca believes in good faith are reasonably necessary in order to avoid a subsequent Material Anti-Corruption Law Violation or continuing violation of Anti-Corruption Laws.

12.7 Any termination of this Agreement pursuant to Section 12 shall be treated as a termination by AstraZeneca for Mereo's breach and the applicable consequences of termination set forth in Section 15 shall apply.

12.8 AstraZeneca may disclose the terms of this Agreement or any action taken under this Section 12 to prevent a potential violation or continuing violation of applicable Anti-Corruption Laws, including the identity of Mereo or a Mereo Representative and the payment terms, to any Regulatory Authority if AstraZeneca determines, upon advice of counsel, that such disclosure is necessary.

12.9 Nothing in this Section 12 shall require Mereo or any Mereo Representative to breach any applicable laws or regulations.

13. INDEMNITY

13.1 Indemnification of AstraZeneca

Mereo shall indemnify AstraZeneca, its Affiliates, its or their (sub)licensees and its and their respective directors, officers, employees and agents and defend and save each of them harmless, from and against any and all losses, damages, liabilities, costs and expenses (including reasonable attorneys' fees and expenses) (collectively, "**Losses**") in connection with: (a) the employment or termination of employment of or other obligations to any employee of Mereo whose contract of employment is claimed or is deemed to transfer to AstraZeneca or its Affiliates (each an "AZ Transferee" for the purposes of this Section 13.1) pursuant to TUPE, provided that the relevant employee is dismissed within [***] days of the AZ Transferee becoming aware of the claimed or deemed transfer; and (b) any and all suits, investigations, claims or demands of Third Parties (collectively, "**Third Party Claims**") arising from or occurring as a result of: (i) the breach by Mereo of this Agreement; (ii) the gross negligence or willful misconduct on the part of Mereo or its Affiliates or its or their Sublicensees or its or their distributors or contractors or its or their respective directors, officers, employees or agents in performing its or their obligations under this Agreement; or (iii) the Exploitation by Mereo or any of its Affiliates or its or their Sublicensees or its or their distributors or contractors of any Product or the Compounds in or for the Territory, except, in each case ((i), (ii) and (iii)), for those Losses for which AstraZeneca has an obligation to indemnify Mereo pursuant to Section 13.2 hereof, as to which Losses each Party shall indemnify the other to the extent of their respective liability for the Losses.

13.2 Indemnification of Mereo

AstraZeneca shall indemnify Mereo, its Affiliates, its or their (sub)licensees and its and their respective directors, officers, employees and agents and defend and save each of them harmless, from and against any and all Losses in connection with: (a) the employment or termination of employment of or other obligations to any employee of AstraZeneca or its Affiliates whose contract of employment is claimed or is deemed to transfer to Mereo or its Affiliates (each a "Mereo Transferee" for the purposes of this Section 13.2) pursuant to TUPE provided that the relevant employee is dismissed within [***] days of the Mereo Transferee becoming aware of the claimed or deemed transfer; and (b) any and all Third Party Claims arising from or occurring as a result

of: (i) the breach by AstraZeneca of this Agreement; (ii) the gross negligence or willful misconduct on the part of AstraZeneca or its Affiliates or its or their Sublicensees or its or their respective directors, officers, employees or agents in performing its obligations under this Agreement; and (iii) the Exploitation by AstraZeneca or any of its Affiliates or its or their sublicensees or its or their distributors or contractors of any Product or the Compounds in or for the Territory prior to the Effective Date, except, in each case (i) through (iii), for those Losses for which Mereo has an obligation to indemnify AstraZeneca pursuant to Section 13.1 hereof, as to which Losses each Party shall indemnify the other to the extent of their respective liability for the Losses.

13.3 Indemnification Procedures

13.3.1 **Notice of Claim**

All indemnification claims in respect of a Party, its Affiliates or its or their (sub)licensees or their respective directors, officers, employees and agents shall be made solely by such Party to this Agreement (the "**Indemnified Party**"). The Indemnified Party shall give the indemnifying Party prompt written notice (an "**Indemnification Claim Notice**") of any Losses or discovery of fact upon which such indemnified Party intends to base a request for indemnification under this Section 13, but in no event shall the indemnifying Party be liable for any Losses that result from any delay in providing such notice. Each Indemnification Claim Notice must contain a description of the claim and the nature and amount of such Loss (to the extent that the nature and amount of such Loss is known at such time). The Indemnified Party shall furnish promptly to the indemnifying Party copies of all papers and official documents received in respect of any Losses and Third Party Claims.

13.3.2 **Control of Defense**

The indemnifying Party shall have the right to assume the defense of any Third Party Claim by giving written notice to the Indemnified Party within [***] days after the indemnifying Party's receipt of an Indemnification Claim Notice; provided that the indemnifying Party expressly agrees to defend the claim against the Indemnified Party with respect to such Third Party Claim. The assumption of the defense of a Third Party Claim by the indemnifying Party shall not be construed as an acknowledgment that the indemnifying Party is liable to indemnify the Indemnified Party in respect of the Third Party Claim, nor shall it constitute a waiver by the indemnifying Party of any defenses it may assert against the Indemnified Party's claim for indemnification. Upon assuming the defense of a Third Party Claim, the indemnifying Party may appoint as lead counsel in the defense of the Third Party Claim any legal counsel selected by the indemnifying Party; provided that it obtains the prior written consent of the Indemnified Party (which consent shall not be unreasonably withheld, conditioned or delayed). In the event the indemnifying Party assumes the defense of a Third Party Claim, the Indemnified Party shall immediately deliver to the indemnifying Party all original notices and documents (including court papers) received by the Indemnified Party in connection with the Third Party Claim. Should the indemnifying Party assume the defense of a Third Party Claim, except as provided

in Section 13.3.3, the indemnifying Party shall not be liable to the Indemnified Party for any legal expenses subsequently incurred by such Indemnified Party in connection with the analysis, defense or settlement of the Third Party Claim unless specifically requested in writing by the indemnifying Party. In the event that it is ultimately determined that the indemnifying Party is not obligated to indemnify, defend or hold harmless the Indemnified Party from and against the Third Party Claim, the Indemnified Party shall reimburse the indemnifying Party for any and all [***] costs and expenses (including attorneys' fees and costs of suit) and any Losses incurred by the indemnifying Party in accordance with this Section 13 in its defense of the Third Party Claim.

13.3.3 **Right to Participate in Defense**

Any Indemnified Party shall be entitled to participate in the defense of such Third Party Claim and to employ counsel of its choice for such purpose; *provided, however*, that such employment shall be at the Indemnified Party's sole cost and expense unless (i) the employment thereof has been specifically authorized in writing by the indemnifying Party in writing (in which case, the defense shall be controlled as provided in Section 13.3.2), (ii) the indemnifying Party has failed to assume the defense and employ counsel in accordance with Section 13.3.2 (in which case the Indemnified Party shall control the defense) or (iii) the interests of the indemnitee and the indemnifying Party with respect to such Third Party Claim are sufficiently adverse to prohibit the representation by the same counsel of both Parties under Applicable Law, ethical rules or equitable principles (in which case, the Indemnified Party shall control its defense).

13.3.4 **Settlement**

With respect to any Losses relating solely to the payment of money damages in connection with a Third Party Claim and that shall not result in the applicable indemnitee(s) becoming subject to injunctive or other relief or otherwise adversely affecting the business of the Indemnified Party in any manner and as to which the indemnifying Party shall have acknowledged in writing the obligation to indemnify the applicable indemnitee hereunder, the indemnifying Party shall have the sole right to consent to the entry of any judgment, enter into any settlement or otherwise dispose of such Loss, on such terms as the indemnifying Party, in its sole discretion, shall deem appropriate. With respect to all other Losses in connection with Third Party Claims, where the indemnifying Party has assumed the defense of the Third Party Claim in accordance with Section 13.3.2, the indemnifying Party shall have authority to consent to the entry of any judgment, enter into any settlement or otherwise dispose of such Loss; *provided* it obtains the prior written consent of the Indemnified Party (which consent shall not be unreasonably withheld, conditioned or delayed). If the indemnifying Party does not assume and conduct the defense of a Third Party Claim as provided above, the Indemnified Party may defend against such Third Party Claim; *provided* that the Indemnified Party shall not settle any Third Party Claim without the prior written consent of the indemnifying Party (which consent shall not be unreasonably withheld, conditioned or delayed).

13.3.5 **Cooperation**

Regardless of whether the indemnifying Party chooses to defend or prosecute any Third Party Claim, the Indemnified Party shall and shall cause each indemnitee to, cooperate in the defense or prosecution thereof and shall furnish such records, information and testimony, provide such witnesses and attend such conferences, discovery proceedings, hearings, trials and appeals as may be reasonably requested in connection therewith. Such cooperation shall include access during normal business hours afforded to the indemnifying Party to and reasonable retention by the Indemnified Party of, records and information that are reasonably relevant to such Third Party Claim and making Indemnified Parties and other employees and agents available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder and the indemnifying Party shall reimburse the Indemnified Party for all its, its Affiliates' and its and their (sub)licensees' or their respective directors', officers', employees' and agents', as applicable, reasonable and verifiable out-of-pocket expenses in connection therewith.

13.3.6 **Expenses**

Except as provided above, [***] and [***] of [***] the [***] and [***] and [***] and [***] and [***], as applicable, [***] on a [***] by the [***], without prejudice to the [***] to [***] the [***] to [***] and [***] to [***] in the event [***] is [***] to be [***] to [***] the [***].

13.4 Special, Indirect and Other Losses

EXCEPT (i) IN THE EVENT THE GROSS NEGLIGENCE, WILLFUL MISCONDUCT OR FRAUD OF A PARTY OR IT'S AFFILIATES OR OF A PARTY'S BREACH OF ITS OBLIGATIONS UNDER SECTION 10, (ii) AS PROVIDED UNDER SECTION 16.11, (iii) TO THE EXTENT ANY SUCH DAMAGES ARE REQUIRED TO BE PAID TO A THIRD PARTY AS PART OF A CLAIM FOR WHICH A PARTY PROVIDES INDEMNIFICATION UNDER THIS SECTION 13, NEITHER PARTY NOR ANY OF ITS AFFILIATES OR (SUB)LICENSEES SHALL BE LIABLE IN CONTRACT, TORT, NEGLIGENCE, BREACH OF STATUTORY DUTY OR OTHERWISE FOR ANY SPECIAL, PUNITIVE, INCIDENTAL, EXEMPLARY OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS OR REVENUES) OR FOR LOSS OF PROFITS OR REVENUES SUFFERED BY THE OTHER PARTY, REGARDLESS OF WHETHER ARISING FROM BREACH OF CONTRACT, WARRANTY, TORT ,STRICT LIABILITY OR OTHERWISE, EVEN IF SUCH PARTY IS ADVISED OF THE POSSIBILITY OF SUCH LOSS OR DAMAGE OR IF SUCH LOSS OR DAMAGE COULD HAVE BEEN REASONABLY FORESEEN.

13.5 Insurance

Mereo shall have and maintain such types and amounts of insurance covering its Exploitation of the Compounds and Products as is (i) normal and customary in the pharmaceutical industry generally for parties similarly situated and (ii) otherwise required by Applicable Law. Upon request by AstraZeneca, Mereo shall provide to AstraZeneca evidence of its insurance coverage, including copies of applicable insurance policies.

14. TERM AND TERMINATION

14.1 Term and Expiration

This Agreement shall commence on the Effective Date and, unless earlier terminated in accordance herewith, shall continue in force and effect until the date of expiration of the last Royalty Term for the last Product (such period, the "**Term**"). Following the expiration of the Royalty Term for a Product in a country, the grants in Section 2.1 shall become fully-paid, royalty-free, and irrevocable for such Product in such country. For clarity, upon the expiration of the Term, the grants in Section 2.1 shall become fully-paid, royalty-free, and irrevocable in their entirety.

14.2 Termination

14.2.1 Termination for Material Breach

In the event that either Party (the "**Breaching Party**") shall be in material breach in the performance of any of its obligations under this Agreement prior to or after the Option Exercise Date, in addition to any other right and remedy the other Party (the "**Non-Breaching Party**") may have, the Non-Breaching Party may terminate this Agreement in its entirety by providing sixty (60) days (the "**Notice Period**") prior written notice (the "**Termination Notice**") to the Breaching Party and specifying the breach and provided such termination shall not become effective at the end of the Notice Period if the Breaching Party cures the breach specified in the Termination Notice during the Notice Period (or, if such default cannot be cured within the Notice Period, if the Breaching Party commences actions to cure such breach within the Notice Period and thereafter diligently continues such actions). For the purposes of this Section 14.2.1, Mereo shall be deemed to be in material breach of the performance of its obligations under this Agreement if MBGP is in material breach of the performance of any of its obligations under the Subscription Deed.

14.2.2 Termination by Mereo

Prior to the Option Exercise Date, Mereo shall have the right to terminate this Agreement in its entirety, without cause, upon sixty (60) days' prior written notice, such termination to be effective at the end of such notice period.

14.2.3 Termination for Insolvency

In the event that either Party (or, in the case of Mereo, MBGP or any other person who controls (as defined in Section 1.4) Mereo: (i) files for protection under bankruptcy or insolvency laws, (ii) makes an assignment for the benefit of creditors, (iii) appoints or suffers appointment of an administrator, liquidator, receiver or trustee over it or substantially all of its property that is not discharged within ninety (90) days after such filing, (iv) proposes a written agreement of composition or extension of its debts, (v) proposes or is a party to any dissolution or liquidation, (vi) files a petition under any bankruptcy or insolvency act or has any such petition filed against that is not discharged within sixty (60) days of the filing thereof or (vii) admits in writing its inability generally to meet its obligations as they fall due in the general course, then the other Party may terminate this Agreement in its entirety effective immediately upon written notice to such Party.

14.3 Rights in Bankruptcy

All rights and licenses granted under or pursuant to this Agreement by Mereo or AstraZeneca are and shall otherwise be deemed to be, for purposes of Section 365(n) of the U.S. Bankruptcy Code or any analogous provisions in any other country or jurisdiction, licenses of right to "intellectual property" as defined under Section 101 of the U.S. Bankruptcy Code. The Parties agree that the Parties, as licensees of such rights under this Agreement, shall retain and may fully exercise all of their rights and elections under the U.S. Bankruptcy Code or any analogous provisions in any other country or jurisdiction. The Parties further agree that, in the event of the commencement of a bankruptcy proceeding by or against either Party under the U.S. Bankruptcy Code or any analogous provisions in any other country or jurisdiction, the Party hereto that is not a Party to such proceeding shall be entitled to a complete duplicate of (or complete access to, as appropriate) any such intellectual property and all embodiments of such intellectual property, which, if not already in the non-subject Party's possession, shall be promptly delivered to it (i) upon any such commencement of a bankruptcy proceeding upon the non-subject Party's written request therefor, unless the Party subject to such proceeding elects to continue to perform all of its obligations under this Agreement or (ii) if not delivered under clause (i) above, following the rejection of this Agreement by or on behalf of the Party subject to such proceeding upon written request therefor by the non-subject Party.

15. Consequences of Termination of this Agreement in its entirety

15.1.1 In the event of a termination of this Agreement in its entirety for any reason:

(a) the grants in Section 2.1 shall become fully-paid, royalty-free, and irrevocable for such Product in their entirety ***provided however*** that if AstraZeneca terminates pursuant to Section 14.2.1 (*Termination for Material Breach*) or 14.2.3 (*Termination for Insolvency*) or where Mereo terminates pursuant to Section 14.2.2 (*Termination by Mereo*), then all rights and licenses granted by AstraZeneca hereunder shall immediately terminate, including, for clarity, any sublicense granted by Mereo pursuant to Section 2.2; and

(b) subject to Section 15.1.1(a), nothing in the Agreement will be construed to release either Party from any obligation that matured before the effective date of termination.

15.1.2 In addition to the provisions of Section 15.1.1, on a termination of this Agreement in its entirety by Mereo pursuant to Section 14.2.2 (*Termination by Mereo*) or by AstraZeneca pursuant to Section 14.2.1 (*Termination for Material Breach*) or 14.2.3 (*Termination for Insolvency*):

(a) Mereo shall and hereby does, and shall cause its Affiliates and its and their Sublicensees to, when and as requested by AstraZeneca, assign to AstraZeneca [***] of its right, title and interest in and to (a) all Regulatory Documentation (including any Regulatory Approvals) applicable to any Compound(s) or

Product(s) then owned or Controlled by Mereo or any of its Affiliates; provided that if any such Regulatory Documentation or Regulatory Approval is not immediately transferable in a country, Mereo shall provide AstraZeneca with [***] benefit of such Regulatory Documentation or Regulatory Approval, as applicable, and such assistance and cooperation as necessary or reasonably requested by AstraZeneca to timely transfer such Regulatory Documentation or Regulatory Approval, as applicable, to AstraZeneca or its designee [***];

(b) unless expressly prohibited by any Regulatory Authority, at AstraZeneca's written request, Mereo shall and hereby does, and shall cause its Affiliates to, (a) transfer control to AstraZeneca of [***] clinical studies involving Products thereto being conducted by or on behalf of Mereo, an Affiliate as of the effective date of termination and (b) continue to conduct such clinical studies, [***], for up to [***] days to enable such transfer to be completed without interruption of any such clinical study; provided that AstraZeneca shall not have any obligation to continue any clinical study unless required by Applicable Law;

(c) at AstraZeneca's written request, Mereo shall, and cause its Affiliates to, assign to AstraZeneca all Product Agreements, unless, with respect to any such Product Agreement, such Product Agreement expressly prohibits such assignment, in which case Mereo (or such Affiliate) shall cooperate with AstraZeneca in all reasonable respects to secure the consent of the applicable Third Party to such assignment and if any such consent cannot be obtained with respect to a Product Agreement, Mereo shall, and cause its Affiliates to, obtain for AstraZeneca [***] of the practical benefit and burden under such Product Agreement, including by (a) [***] and (b) [***]; and

(d) at AstraZeneca's written request, Mereo shall supply to AstraZeneca such quantities of the Compound(s) and Product(s) as [***] from time to time [***] to Manufacture such Compound(s) and Product(s) until the earlier of (a) such time as AstraZeneca has established an alternate, validated source of supply for the Compound(s) and Product(s) and AstraZeneca is receiving supply from such alternative source and (b) the [***] of the effective date of termination of this Agreement.

15.1.3 In addition to the provisions of Sections 15.1.1 and 15.1.2:

(a) if Mereo exercises its right to terminate this Agreement in its entirety pursuant Section 14.2.1 (*Termination for Material Breach*) or 14.2.3 (*Termination for Insolvency*):AstraZeneca shall have the [***] option for a period of [***] days after such termination to negotiate for an exclusive license for all Confidential Information and Patents Controlled by Mereo and its Affiliates claiming Inventions developed under the Agreement by Mereo and its Affiliates claiming the composition or methods of use or Manufacture of Compounds or Products; and

(b) if Mereo exercises its right to terminate this Agreement in its entirety pursuant to Section 14.2.2 (*Termination by Mereo*), or AstraZeneca exercises its right to terminate this Agreement in its entirety pursuant to Section 14.2.1 (*Termination for Material Breach*) or 14.2.3 (*Termination for Insolvency*):

(i) Mereo shall and hereby does, and shall cause its Affiliates to, grant to AstraZeneca solely for the Exploitation in the Territory in the Field of any Compound(s) or Product(s):

(A) [***] royalty-free license with the right to grant multiple tiers of sublicenses, in and to all Confidential Information of Mereo and its Affiliates [***] to the Compound(s) or any Product(s); and

(B) [***] license with the right to grant multiple tiers of sublicenses, in and to all Confidential Information of Mereo and its Affiliates [***] of any Compound(s) or any Product(s). In the interest of clarity, the non-exclusive license would only to Exploit Compounds or Product(s); and

(ii) Mereo shall and hereby does, and shall cause its Affiliates to, effective as of the effective date of termination, grant AstraZeneca solely for the Exploitation in the Territory of any Compound(s) or Product(s) in the Field:

(A) [***], royalty-free license, with the right to grant multiple tiers of sublicenses, in and to all:

(I) Patents Controlled by Mereo or its Affiliates claiming Inventions [***] to the [***] of Compounds or Products; and

(II) Know-How Controlled by Mereo or its Affiliates [***] to the [***] of Compounds or Products; and

(B) [***] license, with the right to grant multiple tiers of sublicenses, in and to all:

(I) Patents Controlled by Mereo or its Affiliates claiming Inventions [***] Compounds or Products by Mereo or its Affiliates; and

(II) Know-How Controlled by Mereo or its Affiliates [***] Compounds or Products by Mereo or its Affiliates; and

(C) [***], royalty-free license, with the right to grant multiple tiers of sublicenses, in and to all, together with a right of reference, Regulatory Documentation (including any Regulatory Approvals) then Controlled by Mereo or any of its Affiliates.

15.2 Remedies

Except as otherwise expressly provided herein, termination of this Agreement in accordance with the provisions hereof shall not limit any remedies that may otherwise be available in law or equity and shall be without prejudice to the rights of either Party against the other then accruing or accrued under this Agreement. For clarity, on any expiry or termination of this Agreement on or after the Option Exercise Date, each Party shall retain all rights that may otherwise be available in law or equity to pursue any remedy available to such Party for the material breach of the other Party.

15.3 Accrued Rights; Surviving Obligations

Termination or expiration of this Agreement for any reason shall be without prejudice to any rights that shall have accrued to the benefit of a Party prior to such termination or expiration. Such termination or expiration shall not relieve a Party from obligations that are expressly indicated to survive the termination or expiration of this Agreement. Without limiting the foregoing, (a) Sections 1, 2.5, 2.6, 3.4, 5.3, 7.3, 8.10, 8.12, 8.13, 8.14, 9.1, 10, 13.1 to 13.4, 14.1, 15, 16.5 to 16.8 and 16.9 to 16.18 of this Agreement shall survive the termination or expiration of this Agreement for any reason and (b) the grants in Section 2.1 shall survive the expiration of the Term in accordance with Section 14.1.

16. MISCELLANEOUS

16.1 Force Majeure

Neither Party shall be held liable or responsible to the other Party or be deemed to have defaulted under or breached this Agreement for failure or delay in fulfilling or performing any term of this Agreement (other than an obligation to make payments) when such failure or delay is caused by or results from events beyond the reasonable control of the non-performing Party, including fires, floods, earthquakes, hurricanes, embargoes, shortages, epidemics, quarantines, war, acts of war (whether war be declared or not), terrorist acts, insurrections, riots, civil commotion, strikes, lockouts or other labor disturbances (other than a labor disturbance involving the workforce of the non-performing Party where such event is within the reasonable control of the non-performing Party), acts of God or acts, omissions or delays in acting by any governmental authority (except to the extent such delay results from the breach by the non-performing Party or any of its Affiliates of any term or condition of this Agreement). The non-performing Party shall notify the other Party of such force majeure within [***] days after such occurrence by giving written notice to the other Party stating the nature of the event, its anticipated duration and any action being taken to avoid or minimize its effect. The suspension of performance shall be of no greater scope and no longer duration than is necessary and the non-performing Party shall use commercially reasonable efforts to remedy its inability to perform.

16.2 Export Control

This Agreement is made subject to any restrictions concerning the export of products or technical information from the United States or other countries that may be imposed on the Parties from time to time. Each Party agrees that it will not export, directly or indirectly, any technical information acquired from the other Party under this Agreement or any products using such technical information to a location or in a manner that at the time of export requires an export license or other governmental approval, without first obtaining the written consent to do so from the appropriate agency or other governmental entity in accordance with Applicable Law.

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

16.3 Assignment

16.3.1 Neither Party may assign its rights or delegate its obligations under this Agreement, whether by operation of law or otherwise, in whole or in part without the prior written consent of the other Party, which consent shall not be unreasonably withheld, conditioned or delayed, except that each Party shall have the right, without such consent, (i) to perform any or all of its obligations and exercise any or all of its rights under this Agreement through any of its Affiliates or its or their (sub)licensees, and (ii) assign any or all of its rights and delegate any or all of its obligations hereunder to any of its Affiliates or its or their (sub)licensees or to any successor in interest (whether by merger, acquisition, asset purchase or otherwise) to all or substantially all of the business to which this Agreement relates; provided that such assigning Party shall provide written notice to the other Party within [***] days after such assignment or delegation, [***].

16.3.2 In the event that Mereo assigns (or otherwise transfers) the Option Intellectual Property to any Third Party (following Mereo's exercise of the Option), Mereo shall assign its rights and obligations under this Agreement to the assignee of the Option Intellectual Property such that the assignee shall be bound by such obligations in place of Mereo, provided that [***] to [***] under Section [***] in the event: (i) such assignment or transfer [***]; and (ii) [***]. Mereo shall provide written notice to AstraZeneca within [***] days after any such assignment.

16.3.3 Any successor of a Party or any assignee of all of a Party's rights under this Agreement pursuant to this Section 16.3 that has also assumed all of such Party's obligations hereunder in writing shall, upon any such succession or assignment and assumption, be deemed to be a party to this Agreement as though named herein in substitution for the assigning Party, whereupon the assigning Party shall cease to be a party to this Agreement and shall cease to have any rights or obligations under this Agreement. All validly assigned rights of a Party shall inure to the benefit of and be enforceable by, and all validly delegated obligations of such Party shall be binding on and be enforceable against, the successors and assigns of such Party pursuant to this Section 16.3; provided that such Party, if it survives, shall remain jointly and severally liable for the performance of such delegated obligations under this Agreement.

16.3.4 In the event that Mereo wishes to assign (or otherwise transfer) part, but not all, of the Option Intellectual Property to any Third Party (following Mereo's exercise of the Option) (i) the Parties shall in good faith agree any amendments to this Agreement that may be necessary to reflect such partial assignment and (ii) following such amendment, Mereo shall assign such Option Intellectual Property together with applicable rights and obligations under this Agreement to the assignee of the Option Intellectual Property such that the assignee shall be bound by such obligations.

16.3.5 Any attempted assignment or delegation in violation of this Section 16.3 shall be void and of no effect.

16.4 Subcontracting

Subject to Section 2.2, Mereo may subcontract with a Third Party to perform any or all of its obligations hereunder (including by appointing one or more distributors). Mereo shall remain at all times responsible for the performance of its subcontractors and the appointment of a subcontractor shall not relieve Mereo of its obligations under this Agreement, except to the extent they are satisfactorily performed by such subcontractor.

16.5 Severability

If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future law and if the rights or obligations of either Party under this Agreement will not be materially and adversely affected thereby, (i) such provision shall be fully severable, (ii) this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, (iii) the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance here from and (iv) in lieu of such illegal, invalid or unenforceable provision, there shall be added automatically as a part of this Agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and reasonably acceptable to the Parties. To the fullest extent permitted by Applicable Law, each Party hereby waives any provision of law that would render any provision hereof illegal, invalid or unenforceable in any respect.

16.6 Dispute Resolution

16.6.1 If a dispute arises between the Parties in connection with or relating to this (a) Agreement or (b) any document or instrument delivered in connection herewith (collectively, (a) and (b), a "**Dispute**"), then either Party shall have the right to refer such Dispute to the Senior Officers for attempted resolution by good faith negotiations during a period of [***]. Any final decision mutually agreed to by the Senior Officers shall be conclusive and binding on the Parties. For purposes of referrals under this Section 16.6.1, it will be sufficient for a Party to send notice (a "Notice of Arbitration") of the Dispute to the Senior Officers of the other Party, and no meeting among the Senior Officers shall be required.

16.6.2 Any Dispute not resolved by the Senior Officers within such [***] period, shall be determined by arbitration administered by the [***] in accordance with its International Arbitration Rules. The number of arbitrators (each, an "Arbitrator") shall be three (3). Each of the Arbitrators must have experience with disputes related to the pharmaceutical industry. Within [***] days after the filing of the Notice of Arbitration, each of Mereo and AstraZeneca shall simultaneously appoint one (1) Arbitrator. Within [***] days after the appointment of the two party-appointed Arbitrators, the two party-appointed Arbitrators shall appoint the third Arbitrator, who shall serve as the chair of the tribunal. Any Arbitrator not appointed within these time limits shall be appointed by the [***]. The place of arbitration shall be [***]. Judgment may be entered upon any award in [***] (to the jurisdiction of which the Parties irrevocably and unconditionally submit for themselves and their property, and waive any jurisdictional objection or challenge to such courts, including without limitation the defense of inconvenient forum), or any other court of competent

jurisdiction. The parties undertake to keep confidential all awards in their arbitration, together with all materials in the proceedings created for the purpose of the arbitration and all other documents produced by another party in the proceedings not otherwise in the public domain, save and to the extent that disclosure may be required of a party by legal duty, to protect or pursue a legal right or to enforce or challenge an award in legal proceedings before a court or other judicial authority. The Arbitrators shall award to the prevailing party, if any, as determined by the Arbitrators, its reasonable attorneys' fees and costs. Unless the Parties otherwise agree in writing, during the period of time that any arbitration proceeding described in this Section 16.6.2 is pending under this Agreement, the Parties shall continue to comply with all those terms and provisions of this Agreement that are not the subject of such pending arbitration proceeding.

16.7 Governing Law, Jurisdiction and Service

16.7.1 **Governing Law**

This Agreement shall be governed by and construed in accordance with the Laws of the State of New York, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction. The Parties agree to exclude the application to this Agreement of the United Nations Convention on Contracts for the International Sale of Goods. The Federal Arbitration Act shall govern the interpretation, enforcement, and proceedings pursuant to the arbitration clause in this Agreement.

16.7.2 **Service**

Each Party further agrees that service of any process, summons, notice or document by registered mail to its address set forth in Section 16.8.2 shall be effective service of process for any action, suit or proceeding brought against it under this Agreement in any such court.

16.8 Notices

16.8.1 **Notice Requirements**

Any notice, request, demand, waiver, consent, approval or other communication permitted or required under this Agreement shall be in writing, shall refer specifically to this Agreement and shall be deemed given only if delivered by hand or sent by email transmission (with transmission confirmed) or by internationally recognized overnight delivery service that maintains records of delivery, addressed to the Parties at their respective addresses specified in Section 16.8.2 or to such other address as the Party to whom notice is to be given may have provided to the other Party in accordance with this Section 16.8.1. Such Notice shall be deemed to have been given as of the date delivered by hand or transmitted by email (with transmission confirmed) or on the second Business Day (at the place of delivery) after deposit with an internationally recognized overnight delivery service. Any notice delivered by email shall be confirmed by a hard copy delivered as soon as practicable thereafter. This Section 16.8.1 is not intended to govern the day-to-day business communications necessary between the Parties in performing their obligations under the terms of this Agreement.

16.8.2 **Address for Notice**

If to Mereo, to:

Mereo BioPharma 4 Limited
1 Cavendish Place
London W1G 0QF
United Kingdom
Attention: General Counsel
Email: [***]

with copies (which shall not constitute notice) to:

Mereo BioPharma Group plc
1 Cavendish Place
London W1G 0QF
United Kingdom
Attention: General Counsel
Email: [***]

and

Latham & Watkins LLP
140 Scott Drive
Menlo Park, CA 94025
Attention: [***]
Email: [***]

If to AstraZeneca, to:

AstraZeneca UK Limited
Macclesfield, Cheshire, SK10 2NA
Attention: Deputy General Counsel, Corporate
Email: [***]

with a copy (which shall not constitute notice) to:

Bristows LLP

100 Victoria Embankment, London, EC4Y 0DH, United Kingdom
Attention: [***]
Email: [***]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

16.9 Entire Agreement; Amendments

This Agreement, together with the Schedules attached hereto, the Subscription Deed and the Parent Company Guarantee, sets forth and constitutes the entire agreement and understanding between the Parties with respect to the subject matter hereof and all prior agreements, understandings, promises and representations, whether written or oral, with respect thereto are superseded hereby. Each Party confirms that it is not relying on any representations or warranties of the other Party except as specifically set forth in this Agreement. No amendment, modification, release or discharge shall be binding on the Parties unless in writing and duly executed by authorized representatives of both Parties. In the event of any inconsistencies between this Agreement and any schedules or other attachments hereto, the terms of this Agreement shall control.

16.10 English Language

This Agreement shall be written and executed in and all other communications under or in connection with this Agreement shall be in, the English language. Any translation into any other language shall not be an official version thereof and in the event of any conflict in interpretation between the English version and such translation, the English version shall control.

16.11 Equitable Relief

Each Party acknowledges and agrees that the restrictions set forth in Sections 10 and 11 are reasonable and necessary to protect the legitimate interests of the other Party and that such other Party would not have entered into this Agreement in the absence of such restrictions and that any breach or threatened breach of any provision of such Sections may result in irreparable injury to such other Party for which there will be no adequate remedy at law. In the event of a breach or threatened breach of any provision of such Sections, the non- breaching Party shall be authorized and entitled to seek from any court of competent jurisdiction injunctive relief, whether preliminary or permanent, specific performance and an equitable accounting of all earnings, profits and other benefits arising from such breach, which rights shall be cumulative and in addition to any other rights or remedies to which such non-breaching Party may be entitled in law or equity. Both Parties agree to waive any requirement that the other (i) post a bond or other security as a condition for obtaining any such relief and (ii) show irreparable harm, balancing of harms, consideration of the public interest or inadequacy of monetary damages as a remedy. Nothing in this Section 16.11 is intended or should be construed, to limit either Party's right to equitable relief or any other remedy for a breach of any other provision of this Agreement.

16.12 Waiver and Non-Exclusion of Remedies

Any term or condition of this Agreement may be waived at any time by the Party that is entitled to the benefit thereof, but no such waiver shall be effective unless set forth in a written instrument duly executed by or on behalf of the Party waiving such term or condition. The waiver by either Party hereto of any right hereunder or of the failure to perform or of a breach by the other Party shall not be deemed a waiver of any other right hereunder or of any other breach or failure by such other Party whether of a similar nature or otherwise. The rights and remedies provided herein are cumulative and do not exclude any other right or remedy provided by Applicable Law or otherwise available except as expressly set forth herein.

16.13 No Benefit to Third Parties

The covenants and agreements set forth in this Agreement are for the sole benefit of the Parties hereto and their successors and permitted assigns and they shall not be construed as conferring any rights on any other Persons.

16.14 Further Assurance

Each Party shall duly execute and deliver or cause to be duly executed and delivered, such further instruments and do and cause to be done such further acts and things, including the filing of such assignments, agreements, documents and instruments, as may be necessary or as the other Party may reasonably request in connection with this Agreement or to carry out more effectively the provisions and purposes hereof or to better assure and confirm unto such other Party its rights and remedies under this Agreement.

16.15 Relationship of the Parties

It is expressly agreed that AstraZeneca, on the one hand and Mereo, on the other hand, shall be independent contractors and that the relationship between the two Parties shall not constitute a partnership, joint venture or agency. Neither AstraZeneca, on the one hand, nor Mereo, on the other hand, shall have the authority to make any statements, representations or commitments of any kind or to take any action, that will be binding on the other, without the prior written consent of the other Party to do so. All persons employed by a Party shall be employees of such Party and not of the other Party and all costs and obligations incurred by reason of any such employment shall be for the account and expense of such first Party.

16.16 References

Unless otherwise specified, (1) references in this Agreement to any Section or Schedule shall mean references to such Section or Schedule of this Agreement, (ii) references in any Section to any clause are references to such clause of such Section and (iii) references to any agreement, instrument or other document in this Agreement refer to such agreement, instrument or other document as originally executed or, if subsequently amended, replaced or supplemented from time to time, as so amended, replaced or supplemented and in effect at the relevant time of reference thereto.

16.17 Construction

Except where the context otherwise requires, wherever used, the singular shall include the plural, the plural the singular, the use of any gender shall be applicable to all genders and the word “or” is used in the inclusive sense (and/or). Whenever this Agreement refers to a number of days, unless otherwise specified, such number refers to calendar days. The captions of this Agreement are for convenience of reference only and in no way define, describe, extend or limit the scope or intent of this Agreement or the intent of any provision contained in this Agreement. The term

"including," "include," or "includes" as used herein shall mean including, without limiting the generality of any description preceding such term. The language of this Agreement shall be deemed to be the language mutually chosen by the Parties and no rule of strict construction shall be applied against either Party hereto.

16.18 Counterparts

This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may be executed by PDF format via email or other electronically transmitted signatures and such signatures shall be deemed to bind each Party hereto as if they were original signatures.

[*Signature Page Follows*]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EXECUTION PAGE TO EXCLUSIVE LICENSE AND OPTION AGREEMENT

IN WITNESS WHEREOF this Agreement is duly executed by the authorized representatives of the Parties as of the date first written above.

ASTRAZENECA AB PUBL

By: /s/ Jan-Olof Jacke
Name:
Title: President AstraZeneca AB

MEREO BIOPHARMA 4 LIMITED

By: /s/ Denise Scots-Knight
Name:
Title: Chief Executive Officer and Director

SCHEDULE 1.3

ADDITIONAL STUDIES

1. DESCRIPTION OF ADDITIONAL STUDIES

[***]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SCHEDULE 1.25

[***]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SCHEDULE 1.79

OPTION PATENTS

[***]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

SCHEDULE 10.4

AGREED PRESS RELEASE

THE INFORMATION CONTAINED WITHIN THIS ANNOUNCEMENT IS DEEMED BY THE COMPANY TO CONSTITUTE INSIDE INFORMATION AS STIPULATED UNDER THE EU MARKET ABUSE REGULATION (596/2014). UPON THE PUBLICATION OF THE ANNOUNCEMENT VIA A REGULATORY INFORMATION SERVICE, THIS INFORMATION IS CONSIDERED TO BE IN THE PUBLIC DOMAIN

Mereo BioPharma Group plc

("Mereo" or "Mereo BioPharma" or the "Company" or the "Group")

Mereo BioPharma announces agreement with AstraZeneca AB ("AstraZeneca") for an exclusive license and option to acquire AZD9668

Highlights

- *Potential novel oral therapy for the orphan disease alpha-1 antitrypsin deficiency*
- *Substantive and supportive clinical data package available from studies in linked respiratory diseases; c.1,000 patients have been treated with the drug with positive data on safety, tolerance and efficacy*
- *Initial upfront consideration and planned Phase II study to be funded from the Company's existing resources*
- *AstraZeneca to become a shareholder in Mereo*

London, XX October 2017 – Mereo BioPharma Group plc (AIM: MPH), a clinical stage, UK-based, biopharmaceutical company focused on rare and specialty diseases, today announces that it has reached an agreement with AstraZeneca for an exclusive license, including an option to acquire, AZD9668, an oral inhibitor of neutrophil elastase. Under the exclusive license the Company plans to conduct a Phase II study for the treatment of alpha-1 antitrypsin deficiency ("AATD"), a congenital orphan condition. The Company has the right to exercise its option to acquire AZD9668 after the initiation of pivotal studies.

Denise Scots-Knight, CEO of Mereo BioPharma Group plc commented:

"We are delighted to have closed this agreement with AstraZeneca for AZD9668 in furtherance of our stated strategy of building a portfolio of products focussed on rare and speciality diseases. We believe that this neutrophil elastase inhibitor has potential as an effective, orally available treatment for alpha-1 antitrypsin deficiency, an undertreated orphan condition that results in progressive lung destruction. The structure of this license and option agreement allows us to complete the Phase II study with our existing resources before triggering additional payments to acquire the asset outright."

"AstraZeneca has generated a substantial clinical data package on AZD9668 which includes extensive Phase II studies in several respiratory conditions that will inform the initial Phase II clinical study we are planning for AATD. We believe that the neutrophil elastase inhibitor AZD9668 could provide a new innovative approach for the treatment of AATD, which affects approximately 100,000 patients in the US and 120,000 patients in Europe." "As part of this agreement, we also welcome AstraZeneca as another large pharma shareholder in the Company, alongside Novartis."

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

Kumar Srinivasan, Vice President of Scientific Partnering & Alliances at AstraZeneca added:

"This transaction reaffirms AstraZeneca's commitment to patients by re-positioning an asset into an orphan indication with a high unmet need. We will continue to divest or out-license deprioritized assets where we believe it will help accelerate the development of new medicines."

Professor Sandy Sandhaus MD, PhD, FCCP said: *"Alpha-1 antitrypsin deficiency is a debilitating disease with limited treatment options. Available data to date suggests AZD9668 may be effective in treating this condition. I welcome Mereo's clinical development programme that will evaluate its potential in this setting."*

Robert A. (Sandy) Sandhaus, MD, PhD, FCCP is Professor of Medicine at National Jewish Health in Denver CO and a leading expert in the treatment of AATD. He is also the Medical Director at AlphaNet, a patient advocacy organisation for patients with AATD, and Clinical Director of the Alpha-1 Foundation that promotes research and development of new therapies for the treatment of AATD.

A conference call for analysts will be held today at 1pm GMT see below for details.

Outline of deal terms

Mereo has acquired the license and option to acquire AZD9668 for an initial upfront payment totalling US $5 million, in a combination of US $3 million in cash and the issue of • new ordinary shares in the capital of the Company ("New Ordinary Shares") to satisfy the balance of the upfront payment. The New Ordinary Shares are expected to be issued to AstraZeneca on or around • 2017.

Additional deferred payments in cash and in new ordinary shares would be payable on certain milestones based on completion and success of the proof of concept study in AATD and upon the initiation of a potentially pivotal study in this indication.

Additional global filing and approval milestones are payable following successful pivotal data. Under the agreement, following product launch, if approved, the Company will pay AstraZeneca commercial milestones, sales-related payments and royalties, each in line with rates for analogous licensing deals for drugs at this stage of development.

The cash element of the upfront payment for the option purchase and the initial Phase II study will be funded from the Company's existing financial resources.

Application will be made for the New Ordinary Shares to be admitted to trading on the AIM market operated by the London Stock Exchange and admission is expected to become effective and dealings in the New Ordinary Shares on the London Stock Exchange are expected to commence on or around • 2017. The New Ordinary Shares, when issued, will rank *pari passu* with the existing ordinary shares in the capital of the Company.

Following the issue of the New Ordinary Shares, the total number of shares in issue will be • ordinary shares, each with voting rights. Therefore, the total number of voting rights in the Company with effect from such date will be •. This figure may be used from such date by shareholders in the Company as the denominator for the calculations by which they will determine if they are required to notify their interest, or a change to their interest, in the Company under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

About AATD

AATD is a genetic disorder that affects approximately 100,000 patients in the United States and 120,000 patients in Europe [*rarediseases.org/rare-diseases/alpha-1-antitrypsin-deficiency*]. It can cause severe debilitating conditions such as chronic liver disease but, most notably, pulmonary emphysema, which is a life-threatening disease. Pulmonary emphysema results in irreversible destruction of the tissues supporting the function of the lungs and causing severe shortness of breath and wheeze. Patients typically present between the ages of 20 and 50 and have both a significantly reduced quality of life and a reduced life expectancy.

The lung damage in AATD results from loss of the normal protective effect of alpha-1 antitrypsin against the damaging enzymes released during inflammation, specifically neutrophil elastase.

Current standard of care for AATD varies from country to country. Protein replacement therapy, involving weekly infusions of plasma-derived alpha 1 antitrypsin is approved but is only reimbursed in the United States and some European countries. By suppressing neutrophil elastase through a more easily administered oral treatment, Mereo believes AZD9668 has significant differentiation from the current protein replacement therapy.

AstraZeneca has conducted a number of Phase I and Phase II clinical studies with AZD9668 in respiratory conditions that share some common pathology with AATD, specifically chronic obstructive pulmonary disease (“COPD”), cystic fibrosis and bronchiectasis. Approximately 1,000 patients have been treated with the drug in clinical studies to date. These studies have shown AZD9668 to be safe and well-tolerated. They have also generated signals of efficacy in lung function and biomarker data that are consistent with an elastase-mediated mechanism of action.

Mereo intends to initiate a Phase II study in AATD in 2018. This Phase II study is expected to be a 12-week randomized, placebo controlled, study that will evaluate two doses of AZD9668 in approximately 150 patients with the PiZZ and NULL genetic mutations. These mutations are seen in the more severely affected patients who have very low (PiZZ) or zero (NULL) alpha-1 antitrypsin levels. Mereo expects to leverage the internal expertise and respiratory disease key opinion leader network that it has assembled for the development of acumapimod to develop AZD9668.

Analyst conference call

A conference call for analysts will be held today at 1pm GMT. To participate please dial:

United Kingdom: +44 3333000804
United States: +1 6319131422
PIN: 33714203#

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

For Further Enquiries:

Mereo BioPharma Group plc	**+44 (0)333 023 7319**
Denise Scots-Knight, Chief Executive Officer	
Richard Jones, Chief Financial Officer	
Nominated Adviser and Joint Broker	
Cantor Fitzgerald Europe	**+44 (0)20 7894 7000**
Phil Davies	
Will Goode	
Joint Broker	
RBC Capital Markets	**+44 (0)20 7653 4000**
Rupert Walford	
Laura White	
Public Relations Adviser to Mereo BioPharma	
FTI Consulting	**+44 (0)20 3727 1000**
Ben Atwell	
Simon Conway	
Brett Pollard	
US Public Relations Advisor to Mereo BioPharma	
Burns McClellan	**+01 (0) 212 213 0006**
Lisa Burns	
Steven Klass	

About Mereo

Mereo BioPharma is an innovative biopharma company established to address the R&D and financial challenges faced by an increasing number of large pharma and biotech companies. Mereo focuses on developing and optimizing the value of novel medicines acquired from large pharma and biotech designed to address significant unmet medical needs in rare and specialty disease areas.

Mereo is comprised of a strong team with broad operational capabilities and the financial resources to conduct comprehensive clinical studies. The Company plans to build a rare and orphan commercial business combined with plans to partner where appropriate.

Mereo’s existing portfolio consists of three mid-late stage clinical assets that were acquired from Novartis in July 2015 each with proof of concept data in the indication that Mereo is now developing. BPS-804 is being developed for the prevention of fractures resulting from osteogenesis imperfecta (brittle bone disease); acumapimod (BCT-197), is being developed to treat inflammation in patients with an AECOPD; and BGS-649 is a once-weekly oral novel therapy that restores the patient’s own testosterone in men with hypogonadotropic hypogonadism.

In H1 2016 the Company initiated a Phase 2 study with acumapimod and a Phase 2b study with BGS-649. Mereo recently announced commencement of the first potentially pivotal Phase 2b trial for BPS-804 and completion of enrolment of both the acumapimod Phase 2 study and the BGS-649 Phase 2b study. The acquisition of AZD9668 is in furtherance of the Company’s objective to build a portfolio of additional rare and specialty products acquired from large pharmaceutical and biotechnology companies. The Company continues to actively evaluate other opportunities with this product profile.

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

[EXECUTION VERSION]

DATED 7 August 2017

(1) **MEREO BIOPHARMA GROUP PLC**
(as Borrower)
(2) **THE GUARANTORS**
(as Guarantor)
(3) **SILICON VALLEY BANK and KREOS CAPITAL V (UK) LIMITED**
(as Lenders)
(4) **KREOS CAPITAL V (UK) LIMITED**
(as Agent)
(5) **KREOS CAPITAL V (UK) LIMITED**
(as Security Agent)

LOAN AGREEMENT

---

5 Fleet Place London EC4M 7RD
Tel: +44 (0)20 7203 5000 ● **Fax:** +44 (0)20 7203 0200 ● **DX:** 19 London/Chancery Lane
www.charlesrussellspeechlys.com

Loan Summary

This summary is to facilitate reporting and is not binding on either the Lenders or the Borrower.

Term Loan Amount	£20,000,000, in two tranches of £10,000,000 each.
Availability Period	Tranche 1 available at Closing. Tranche 2 available through to 30 April 2018.
Interest Rate	9% fixed per annum.
Loan Term	Tranche 1: Interest only until 30 September 2018 and repayment of interest and principal by 31 March 2021. Tranche 2: Subject to completion of T2 Conditions, interest only until 30 September 2018 and repayment of interest and principal by 31 March 2021.
T2 Conditions	Evidence reasonably satisfactory to Lenders that Acumapimod or BGS-649 Phase 2 clinical trials have met all necessary endpoints in accordance with Clause 3.2 and as described in Exhibit F.
Interest only extension	Extendable to 31 December 2018 for both Tranche 1 and Tranche 2 if evidence satisfactory to the Lenders is delivered that £25,000,000 of additional equity has been raised by 30 September 2018, but with no extension of Final Repayment Date.
Arrangement Fee	1.00% of the Term Loan Amount payable on the Closing Date.
Final Payment	7.5% of the Term Loan Amount.

CONTENTS

THIS LOAN AGREEMENT is made on 7 August 2017

BETWEEN:

(1) **MEREO BIOPHARMA GROUP PLC** a public limited company established in England and Wales under company number 09481161 with registered office at 4th Floor, 1 Cavendish Place, London W1G 0QF (the "**Borrower**");

(2) **THE GUARANTORS**;

(3) **SILICON VALLEY BANK** ("**SVB**") a California corporation, with its principal place of business at 3003 Tasman Drive, Santa Clara, California 95054 US and registered in England & Wales under numbers BR014561 and FC029579 acting through its UK branch at Alphabeta 14-18 Finsbury Square, London, EC2A 1BR and **KREOS CAPITAL V (UK) LIMITED** ("**Kreos**") a limited liability company incorporated under the laws of England & Wales with company number 09728300 and its registered office at 25 Old Burlington Street London W1S 3AN (each a "**Lender**" and together the "**Lenders**");

(4) **KREOS CAPITAL V (UK) LIMITED** a limited liability company incorporated under the laws of England & Wales with company number 09728300 and its registered office at 25 Old Burlington Street London W1S 3AN (in its capacity as agent the "**Agent**"); and

(5) **KREOS CAPITAL V (UK) LIMITED** a limited liability company incorporated under the laws of England & Wales with company number 09728300 and its registered office at 25 Old Burlington Street London W1S 3AN (in its capacity as security agent the "**Security Agent**").

AGREED TERMS:

1 **DEFINITIONS AND INTERPRETATIONS**

Capitalised terms not otherwise defined in this Agreement shall have the meanings set out in Clause 17 (Definitions) and the principles of interpretation set out in Clause 17 (Definitions) shall apply to this Agreement.

2 **LOAN AND TERMS OF PAYMENT**

2.1 **Term Loan**

2.1.1 **Facility**

Subject to the terms of this Agreement and during the Availability Period only, Kreos agrees to make available to the Borrower the Kreos Commitment and SVB agrees to make available to the Borrower the SVB Commitment. The obligations of the Lenders to make the Kreos Commitment and the SVB Commitment are several.

2.1.2 **Interim Payment**

If the Drawdown Date is not the first Business Day of a calendar month, the Borrower shall pay to the Agent on behalf of the Lenders on the Drawdown Date (by way of deduction by the Agent of the amount of the Term Loan actually advanced to the Borrower on the Drawdown Date) the Interim Payment.

2.1.3 **Advance Payment**

Following the delivery by the Borrower of a Loan Payment/Advance Request Form to the Agent, the Borrower agrees to pay to Agent on behalf of the Lenders an Advance Payment in respect of the Term Loan to be held by the Agent and applied in or towards payment of the last Monthly Repayment.

2.1.4 **Cancellation of unused Facility**

If Tranche 1 of the Facility is not drawn during its Availability Period, then the whole Facility shall be cancelled automatically at the end of such Availability Period. If Tranche 2 of the Facility is not drawn down during its Availability Period, then the Facility relating to Tranche 2 shall be cancelled automatically at the end of such Availability Period and the Facility related to Tranche 1 shall not be affected by such cancellation.

2.2 **Repayment**

2.2.1 The Obligors agree to pay to the Agent on behalf of the Lenders the unpaid principal amount of all Credit Extensions and interest on the unpaid principal amount of any Credit Extensions as and when due in accordance with this Agreement and as per the Repayment Schedule accompanying the Loan Payment/Advance Request Form or as the same may subsequently be updated or revised in accordance with the terms hereof.

2.2.2 On the Final Repayment Date, the Obligors shall repay the Term Loan in full together with all accrued unpaid interest and all other amounts accrued or outstanding under the Loan Documents.

2.3 **Repayment of Term Loan**

Subject to Clause 2.3.3, the initial Repayment Schedule for Tranche 1 and Tranche 2 shall state that:

2.3.1 the Borrower shall only pay interest (and not principal) on the Term Loan for the period from (and including) the Drawdown Date to (and including) 30 September 2018 ("**Interest Only Period**");

2.3.2 following the expiry of the Interest Only Period, the Borrower shall repay the Term Loan in thirty (30) equal instalments of interest and principal on the first Business Day of each month in accordance with the Repayment Schedule (the "**Monthly Repayments**"); and

2.3.3 If prior to 30 September 2018, the Borrower shall raise at least £25,000,000 of equity, the Interest Only Period for both Tranche 1 and, if applicable, Tranche 2 shall continue until 31 December 2018 and the following Monthly Repayments shall reduce from 30 to 27.

2.4 **Permitted Prepayment of Term Loan**

2.4.1 The Borrower shall have the option to prepay prior to the Final Repayment Date either or both Tranches (but not part of a Tranche), advanced by Lenders under this Agreement, provided that no Event of Default shall have occurred and be continuing and provided that the Borrower (i) provides written notice to Agent of its election to prepay the such Tranche(s) at least fifteen (15) days prior to such prepayment (save in the case of the Borrower being acquired or merged with another person in accordance with Clause 9.3 (Mergers or Acquisitions) where at least seven (7) days prior notice is required and such notice of prepayment being conditional upon completion of merger or acquisition), and (ii) Borrower pays, on the date of such prepayment:

(a) all outstanding principal amount of the Tranche(s) plus all accrued and unpaid interest;

(b) future interest (as set out in the most recent Repayment Schedule issued by Agent), discounted at the rate of four per cent. (4%) per annum, such discount being applied pro rata in respect of any part year ("**Term Loan Early Termination Fee**");

(c) the Final Payment, plus

(d) all other sums, if any, that shall have become due and payable, including any interest payable at the Default Rate.

2.4.2 If a payment date under Clause 2.2 (Repayment) falls on a day which is not a Business Day, the relevant payment date shall be the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not).

2.5 **Mandatory Prepayment**

The Obligors shall promptly and without delay repay all Obligations should any of the following events occur:

2.5.1 at any time any act, condition or thing required to be done, fulfilled or performed by an Obligor in order to:

(a) enable that Obligor to lawfully enter into, exercise its rights under or perform the obligations expressed to be assumed by it in the Loan Documents to which it is a party;

(b) ensure that the obligations expressed to be assumed by that Obligor in the Loan Documents to which it is a party are legal, valid and binding save for any registration at Companies House under the Companies Act or any other registration at any applicable public register (including at the Intellectual Property Office in the UK and the US and HM Land Registry (as applicable)); or

(c) make the Loan Documents to which it is a party admissible in evidence in England and Wales,

is not done, fulfilled or performed within any time available to ensure compliance with the same.

2.5.2 at any time it is or becomes unlawful for an Obligor to perform or comply with any of its material obligations under the Loan Documents or such obligations are not, or cease to be, legal, valid and binding on any Obligor.

2.6 **Mandatory Prepayment upon an Acceleration**

2.6.1 If the Term Loan is accelerated following the occurrence of an Event of Default which is continuing, the Obligors shall immediately pay to Agent an amount equal to the sum of: (i) all outstanding principal plus accrued interest and future interest, (ii) the Final Payment, plus (iii) all other sums, if any, that shall have become due and payable, including interest at the Default Rate with respect to any past due and unpaid amounts.

2.6.2 The Agent shall have the right to issue a revised Repayment Schedule from time to time (and the Obligors acknowledge that the amount required to be repaid pursuant to Clause 2.2 (Repayment) may be increased from time to time in accordance with any revised Repayment Schedule) if the Agent, having consulted and agreed in writing with any Obligor, considers it necessary in order to ensure that, in respect of each Credit Extension, on the Final Repayment Date there will be no amounts owing from the Obligors to the Finance Parties pursuant to the Loan Documents.

2.7 **Purpose**

Borrower shall apply amounts borrowed by it under the Facility towards its general working capital purposes.

2.8 **Final Payment**

On the earlier of:

2.8.1 The Final Repayment Date;

2.8.2 the date of a permitted prepayment of the whole of the Term Loan (in accordance with Clause 2.4 (Permitted Prepayment of Term Loan));

2.8.3 the date of a mandatory repayment under Clause 2.5 (Mandatory Prepayment); or

2.8.4 the date of acceleration of the Facility prior to the Final Repayment Date (in accordance with Clause 2.6 (Mandatory Prepayment upon an Acceleration)); and

2.8.5 when the Agent declares the Obligations immediately due and payable pursuant to Clause 11 (Finance Parties rights, remedies and obligation),

an Obligor shall pay, in addition to the outstanding principal, accrued and unpaid interest, and all other amounts due on such date with respect to the Term Loan, the Final Payment.

2.9 **Payment of Interest on Term Loan**

2.9.1 **Interest Rate Term Loan**

Subject to Clause 2.9.2 (Default Rate), the Term Loan shall accrue interest at a fixed rate equal to nine per cent. (9%) per annum as more particularly set out in the Repayment Schedule. Interest shall be payable in accordance with Clause 2.9.5 (Payments) below.

2.9.2 **Default Rate**

Immediately upon the occurrence and during the continuance of an Event of Default, Obligations shall bear interest at a rate per annum which is three per cent. (3%) above the rate that is otherwise applicable thereto (the "**Default Rate**") unless Agent otherwise elects from time to time in its discretion to impose a smaller increase. Fees and expenses which are required to be paid by an Obligor pursuant to the Loan Documents (including Lender Expenses) but are not paid when due shall bear interest until paid at a rate equal to the Default Rate. Payment or acceptance of the increased interest rate provided in this Clause 2.9.2 (Default Rate) is not a permitted alternative to timely payment and shall not constitute a waiver of any Event of Default or otherwise prejudice or limit any rights or remedies of Lender.

2.9.3 **Computation**

In computing interest, the date of the making of any Credit Extension shall be included and the date of payment shall be excluded; *provided*, *however,* that if any Credit Extension is repaid on the same day on which it is made, such day shall be included in computing interest on such Credit Extension. Interest on Term Loan is computed on the basis of a 365 day year for the actual number of days elapsed.

2.9.4 **Debit of Accounts**

(a) In the event any Obligor should fail to comply with the Obligations, the Finance Parties may debit any deposit or operating account of any Obligor held with a Finance Party for principal and interest payments when due, or any other amounts any Obligor owes to the Finance Parties.

(b) The Finance Party shall promptly notify the relevant Obligor after it debits that Obligor's accounts.

2.9.5 **Payments**

Subject to Clause 2.3 (Repayment of Term Loan), the Borrower shall pay interest monthly on the first calendar day of Repayment Date and in any event in accordance with the Repayment Schedule.

2.10 **Fees**

Borrower shall pay to Agent:

2.10.1 **Arrangement Fee**

A fully earned, non-refundable arrangement fee of the Two Hundred Thousand Pounds (£200,000) due and payable on the Closing Date (the "**Arrangement Fee**") to be deducted from the Tranche 1 loan amount;

2.10.2 **Lender Expenses**

All Lender Expenses when due. For the avoidance of doubt, the deposit of Thirty Thousand Pounds (£30,000) ("**Deposit**") held by the Agent shall be applied towards such Lender Expenses and the Arrangement Fee; and

2.10.3 **Final Payment**

The Final Payment, when due hereunder.

2.11 **Payments; Application of Payments**

2.11.1 All payments (including prepayments) to be made by any Obligor under any Loan Document shall be made in immediately available funds, without set-off or counterclaim, before midday London time on the date when due. Payments of principal and/or interest received after midday London time are considered received at the opening of business on the next Business Day. When a payment is due on a day that is not a Business Day, the payment shall be due the next Business Day, and additional fees or interest, as applicable, shall continue to accrue until paid.

2.11.2 All payments of principal and interest (including prepayments) to be made by Borrower and all payments of any fees due under this Agreement to be made by Borrower shall be made to Lenders accounts, as set out in **Exhibit C** (Client Payment Instructions) of this Agreement.

3 CONDITIONS OF LOANS

3.1 Conditions Precedent to Closing and Credit Extension of Tranche 1

Closing is subject to the condition precedent that Agent shall have received, in form and substance satisfactory to Agent, such documents and completion of such other matters, as Agent may reasonably deem necessary or appropriate (provided the Agent has notified the Borrower), including the following:

3.1.1 this Agreement duly executed by Borrower and the Guarantors;

3.1.2 the Security Documents, each executed by Borrower and/or Guarantors;

3.1.3 a certificate of a director of Obligors with respect to their constitutional documents and resolutions of the relevant corporate bodies (i) approving the terms of, and the transactions contemplated by, the Loan Documents to which an Obligor is a party and resolving that it execute, deliver and perform the Loan Documents to which it is a party, (ii) authorising a specified person or persons to execute the Loan Documents to which it is a party on its behalf, and (iii) authorising a specified person or persons, on its behalf, to sign and/or despatch all documents and notices to be signed and/or despatched by it under or in connection with the Loan Documents to which it is a party;

3.1.4 the provision of a certified copy of the resolutions of each Obligor's board of directors (other than in respect of the Borrower, which shall provide resolutions from its duly appointed Finance Committee, which was constituted pursuant to a prior resolution of the directors of the Borrower at a board meeting of the Borrower on 27 June 2017) authorising the transactions contemplated by this Loan Agreement and the execution and delivery to the Lender of this Loan Agreement and associated documents, including but not limited to, the Loan Documents;

3.1.5 certified copies of the Certificate of Incorporation and the Memorandum and Articles of Association of each Obligor;

3.1.6 a certificate of a director of the Borrower and each Guarantor in the agreed form confirming that the borrowing of the Loan Facility in full would not cause any borrowing limit binding on the Borrower or each Guarantor to be exceeded;

3.1.7 specimen signatures, authenticated by a director or the company secretary of the Borrower and each Guarantor, of the persons authorised to execute and deliver this Loan Agreement and associated documents including but not limited to, the Loan Documents, in the resolutions of the board of directors referred to in Clause 3.1.4;

3.1.8 a Perfection Certificate in respect of the Obligors signed by a Responsible Officer of the Borrower;

3.1.9 an Agency and Security Trust Deed executed by Borrower;

3.1.10 the Mereo Guarantee Letter, duly executed by all parties;

3.1.11 the Warrant Instrument and Warrant Certificates in favour of Kreos Capital V (Expert Fund) LP and SVB respectively;

3.1.12 evidence reasonably satisfactory to Agent that the insurance policies required by Clause 6.5 (Insurance) are in full force and effect;

3.1.13 payment of the fees and Lender Expenses then due and payable;

3.1.14 signed consent for Lenders to: (i) use Borrower's logo; (ii) use a tombstone to highlight the transaction; and (iii) issue a press release in a form acceptable to Borrower and Lenders highlighting and summarising the credit facilities extended by Lenders to Borrower under this Agreement, for marketing purposes, provided that no press release or other public announcement will be made by the Lenders until after the Borrower has made its own public announcement;

3.1.15 the representations and warranties in Clause 5 (Representations and Warranties) shall be true in all material respects on the Closing Date; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date, and no Event of Default shall have occurred and be continuing or result from Closing.

3.1.16 in Agent's reasonable discretion, there has not been any material impairment in the general affairs, management, results of operation, financial condition or the prospect of repayment of the Obligations, or any material adverse deviation by Borrower from the most recent business plan of Borrower presented to and accepted by Agent;

3.1.17 the Subordination Agreement duly executed by Novartis, the Finance Parties and the Obligors;

3.1.18 except as otherwise provided in Clause 3.3 (Covenant to Deliver), timely receipt of the Loan Payment/Advance Request Form (which for the avoidance of doubt may be completed and submitted by the Borrower prior to the execution of this Agreement and which shall become effective upon the execution of this Agreement);

3.1.19 Powers of Attorney for any documents required by this Agreement; and

3.1.20 such other documents, and completion of such other matters, as Agent may reasonably deem necessary or appropriate.

3.2 **Conditions Precedent to Credit Extension of Tranche 2**

The Lenders' obligation to make the initial Credit Extension for Tranche 2 is subject to the following conditions:

3.2.1 Delivery to the Agent of evidence reasonably satisfactory to the Lenders that (i) the Acumapimod (BCT-197) or BGS-649 Phase 2 trials have met all necessary primary endpoints as described in Exhibit F in line with the agreed trial designs; and (ii) the Acumapimod (BCT-197) or BGS-649 Phase 2 trials have met sufficient secondary endpoints as described in Exhibit F in line with the agreed trial design such that there is agreement by the board of directors that the asset(s) can move into the next phase of clinical development via the Borrower or a partner organisation (subject to evidence of such agreement by the board of directors also being provided);

3.2.2 except as otherwise provided in Clause 3.3 (Covenant to Deliver), timely receipt of the Loan Payment/Advance Request Form;

3.2.3 an updated Perfection Certificate in relation to the Obligors signed by a Responsible Officer of the Borrower;

3.2.4 the Warrant Certificates in favour of Kreos Capital V (Expert Fund) LP and SVB respectively;

3.2.5 payment of the fees and Lender Expenses then due and payable;

3.2.6 the representations and warranties in Clause 5 (Representations and Warranties) shall be true in all material respects on the date of the Loan Payment/Advance Request Form; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date, and no Event of Default shall have occurred and be continuing or result from the Credit Extension. Each Credit Extension is Borrower's representation and warranty on that date that the representations and warranties in this Agreement remain true, accurate, and complete in all material respects; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date;

3.2.7 in Agent's reasonable discretion, there has not been any material impairment in the general affairs, management, results of operation,

financial condition or the prospect of repayment of the Obligations, or any material adverse deviation by Borrower from the most recent business plan of Borrower presented to the Agent; and

3.2.8 such other documents, and completion of such other matters, as Agent may reasonably deem necessary or appropriate.

3.3 **Covenant to Deliver**

The Obligors agree to deliver to Agent each item required to be delivered to Agent under this Agreement as a condition precedent to any Credit Extension. The Obligors expressly agree that a Credit Extension made prior to the receipt by Agent of any such item shall not constitute a waiver by Agent of Borrower's obligation to deliver such item, and the making of any Credit Extension in the absence of a required item shall be in Agent's sole discretion.

3.4 **Procedures for Borrowing**

Together with any such electronic or facsimile notification, Borrower shall deliver to Agent by electronic mail or facsimile the completed Loan Payment/Advance Request Form executed by a Responsible Officer or his or her designee. Agent may rely on any telephone notice given by a person whom the Agent believes is a Responsible Officer or designee. Subject to the prior satisfaction of all other applicable conditions to the making of the Term Loan set out in this Agreement and in accordance to Clause 2.1 (Term Loan) above, to obtain the Term Loan, Borrower must notify Agent (which notice shall be irrevocable) by electronic mail, or telephone by midday London time (i) on, or within one Business Day after, the date of this Agreement (in respect of Tranche 1 only) and (ii) on or before 30 April 2018 (in respect of Tranche 2 only) or such other date as Agent may in its absolute discretion agree. Such notice shall be in the form of a completed Loan Payment/Advance Request Form in the form attached as **Exhibit A** and shall specify (i) the date the Term Loan is to be made (which in respect of Tranche 1 only shall be a date falling at least 10 Business Days after the date of this Agreement), subject to the provisions of this Clause 3.4; (ii) the amount of such Term Loan; and (iii) such other procedural requirements as Agent has notified to Borrower in advance of the Drawdown Date. If such notification is by telephone, Borrower must promptly confirm the notification by delivering to Agent a completed Loan Payment/Advance Request Form in the form attached at **Exhibit A**. The Lenders shall transfer the Term Loan to Borrower's sterling deposit account held with Silicon Valley Bank. The Lenders may make the Term Loan based on instructions from a Responsible Officer or his or her designee or without instructions if the Term Loan is necessary to meet Obligations which have become due. The Finance Parties may rely on any telephone notice given by a Person whom the Finance Parties reasonably believe is a Responsible Officer or designee. The Obligors shall indemnify the Finance Parties for any loss the Finance Parties suffer due to such reliance unless caused by the Finance Parties negligence or intentional misconduct.

3.5 **Conditions Subsequent**

Promptly and without delay after the Credit Extension of Tranche 1, the Borrower shall instruct its patent agents or appropriate local counsel, to prepare and deliver the documents required to register the Lenders' security interests over the Patents which exist as at the date of this Loan Agreement to the patent registries of UK, USA as soon as possible and thereafter use all commercially reasonable endeavours to achieve registration of the Lenders' security interests thereon. If any objection or challenge to such registration is received or if any delay in such registration occurs or is likely to occur, the Borrower shall forthwith inform the Agent thereof, and, without prejudice to the Lenders rights hereunder, agree how to deal with such objection, challenge or delay. The Agent may, after having provided not less than 10 Business Days' notice to the Borrower of its intention to do the following, take on the registration process from the Borrower at the cost of and with the continuing assistance of the Borrower at any time.

4 SECURITY DOCUMENTS

4.1 All Obligations shall be secured by any and all present and future properties, rights and assets of Obligors, in respect of which Obligors have granted to Security Agent a security interest now, or in the future, as set out in the Debentures and all other security agreements, mortgages or other collateral granted by an Obligor to Security Agent as security for the Obligations now or in the future (collectively, such properties, rights and assets being the "**Collateral**"). Each Obligor represents, warrants and covenants that the security interests granted or to be granted in favour of Security Agent, save in respect of the Permitted Liens, shall at all times after the creation and initial perfection of such interest in favour of the Security Agent continue to be a first priority perfected security interest in the Collateral (it being acknowledged by the parties hereto that perfection of a security interest shall only be required to the extent (and in the jurisdictions) set out in the Loan Documents). If this Agreement is terminated, Security Agent's Lien and security interest in the Collateral shall continue until the Obligations are fully satisfied.

5 REPRESENTATIONS AND WARRANTIES

Each Obligor, as the case may be, represents and warrants to the Finance Parties as follows:

5.1 Due Incorporation and Authorisation; Power and Authority

5.1.1 The Borrower is a public company and each Guarantor is a private company with limited liability, duly incorporated and validly existing under the laws of England and Wales and has power to carry on its business as it is now being conducted and to own its property and other assets. In connection with this Agreement, the Borrower has delivered to the Agent a certificate signed by it and, entitled "Perfection Certificate" (the "**Perfection Certificate**") relating to itself and each Guarantor. Each Obligor represents and warrants to the Finance Parties that: (a) its exact legal

name is that indicated on the Perfection Certificate and on the signature page hereof; and (b) it is an organisation of the type, and is incorporated in the jurisdiction, set out in the Perfection Certificate; and (c) the Perfection Certificate accurately sets out each Obligor's registered number; and (d) the Perfection Certificate accurately sets out such Obligor's corporate seat and its registered office as well as such Obligor's postal address if different from its registered office, and (e) all other information set out in the Perfection Certificate pertaining to such Obligor and each of its Subsidiaries including as to its assets and liabilities, the material Copyrights, Trademarks and Patents is accurate and complete (it being understood and agreed that such Obligor may from time to time update certain information in the Perfection Certificate after the Closing Date to the extent permitted by one or more specific provisions in this Agreement).

5.1.2 The execution, delivery and performance of this Agreement and the other Loan Documents to which any Obligor is a party are within the corporate powers of such Obligor, have been duly authorised by all necessary corporate and other action and do not and will not conflict with (i) any law or regulation applicable to it; (ii) the constitutional documents of such Obligor or any other organisational documents; (iii) any agreement or instrument binding on such Obligor or (iv) require any action by, filing, registration, or qualification with, or Governmental Approval from, any Governmental Authority (except such Governmental Approvals which have already been obtained and are in full force and effect and customary filings with any Governmental Authority necessary to register or perfect any Lien created pursuant to the Loan Documents) or (v) constitute an event of default under any material agreement by which such Obligor is bound. Each Obligor is not in default under any agreement to which it is a party or by which it or its assets are bound in which the default could reasonably be expected to have a material adverse effect on such Obligor's business.

5.1.3 No Obligor is a FATCA FFI or a US Tax Obligor.

5.2 **Collateral**

5.2.1 Each Obligor has good title to the Collateral, free of Liens except Permitted Liens or any Lien arising in the ordinary course of business of such Obligor which is discharged in the ordinary course of business of such Obligor. Each Obligor has no deposit accounts other than the deposit accounts, if any, described in the Perfection Certificate delivered to Agent in connection herewith, or of which such Obligor has given Agent notice and taken such actions as are necessary to give Security Agent a perfected security interest therein. The Accounts are bona fide, existing obligations of each relevant Account Debtor.

5.2.2 The Collateral is not in the possession of any third party bailee (such as a warehouse) except as otherwise provided in the Perfection Certificate.

None of the components of any tangible Collateral shall be maintained at locations other than as provided in the Perfection Certificate or as permitted pursuant to Clause 9.6 (Encumbrance).

5.2.3 Each Obligor is the sole owner of the Intellectual Property which it owns or purports to own except for (a) non-exclusive licences granted to its customers, agents, partners or suppliers, in the ordinary course of business, (b) over-the-counter software that is commercially available to the public, and (c) material Intellectual Property licensed or sub-licensed to such Obligor and noted on the Perfection Certificate. Save in respect of any Permitted Liens, each Obligor's Intellectual Property is not subject to any Liens. To the knowledge of each Obligor, each Patent which it owns or purports to own and which is material to such Obligor's business is valid and enforceable, and no part of the Intellectual Property which Borrower owns or purports to own and which is material to such Obligor's business has been adjudged invalid or unenforceable, in whole or in part. To the best of each Obligor's knowledge, no claim has been made that any part of the Intellectual Property infringes the rights of any third party except to the extent such claim would not reasonably be expected to have a material adverse effect on such Obligor's business.

5.2.4 Except as noted on the Perfection Certificate, each Obligor is not a party to, nor is it bound by, any Restricted Licence.

5.3 **Litigation**

There are no actions or proceedings pending or, to the knowledge of such Obligor's Responsible Officers or legal counsel, threatened (save for any speculative claims by employees or former employees or oppositions to any third party intellectual property filings in the ordinary course of an Obligor's protection of its intellectual property rights) by or against such Obligor or any of its Subsidiaries or Affiliates, involving more than, individually or in the aggregate, One Hundred Thousand Pounds (£100,000) (or its equivalent in any other currency**.**

5.4 **Financial Statements; Financial Condition**

5.4.1 All consolidated financial statements for the Obligors and any of their Subsidiaries and/or Affiliates (if any) truly and fairly present the Group's financial condition and results of operations. There has not been any material deterioration in the Group's assets, liabilities, financial condition or prospects as a whole since the date of such financial statements ("**Accounts Date**").

5.4.2 The unaudited consolidated management accounts of the Borrower and its Subsidiaries since the Accounts Date up to 30 June 2017 ("**Management Accounts Date**") fairly present the assets, liabilities, financial condition and prospects of the Group and so far as the Borrower is aware there has been no material deterioration in the Group's assets, financial condition or prospects since the Management Accounts Date.

5.5 **Forecasts and projections**

All unaudited forecasts and projections supplied by or on behalf of an Obligor to the Agent were carefully prepared and believed by such Obligor to be not misleading in any material respect at the date on which they were provided.

5.6 **Solvency**

No:

5.6.1 corporate action, legal proceeding or other procedure or step described in Clause 10.5 (Insolvency and insolvency proceedings); or

5.6.2 attachment described in Clause 10.4 (Attachment),

has been taken or, to the knowledge of each Obligor, is threatened or pending in relation to such Obligor.

5.7 **Centre of main interests**

For the purposes of Regulation (EU) 2015/848 of 20 May 2015 on insolvency proceedings (recast) (the "**Regulation**"), its centre of main interest (as that term is used in Article 3(1) of the Regulation) is situated in England and Wales.

5.8 **Regulatory Compliance**

To the best of each Obligors' knowledge, each Obligor has not breached any laws, ordinances or rules or regulations, the breach of which could reasonably be expected to cause a Material Adverse Change. None of any Obligor's (or any of its Subsidiaries/Affiliates) property or assets has been used by such Obligor or, to the best of such Obligor's knowledge, by previous Persons, in disposing, producing, storing, treating, or transporting any hazardous substance other than legally. Each Obligor (and each of its Subsidiaries/Affiliates) has obtained all consents, approvals and authorisations of, made all declarations or filings with, and given all notices to, all Government Authorities that are necessary to continue its business as currently conducted, except where the failure to do so could not reasonably be expected to be detrimental to such Obligor's business.

5.9 **Subsidiaries; Investments**

Each Obligor does not own any stock, partnership interest or other equity securities except for Permitted Investments.

5.10 **Taxation**

Each Obligor has complied in all material respects with all Taxation laws in all jurisdictions in which it is subject to Taxation and has paid all Taxes due and payable by it and no claims are being asserted against it in respect of Taxes save for

assessments in relation to the ordinary course of the business of such Obligor or claims contested in good faith and in respect of which adequate provision has been made and disclosed in the latest accounts of such Obligor or information delivered to Agent under this Agreement.

5.11 **Full Disclosure**

No written representation, warranty or other statement of any Obligor in any certificate or written statement given to Agent, as of the date such representation, warranty, or other statement was made, taken together with all such written certificates and written statements given to Agent, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained in the certificates or statements not misleading (it being recognised by Agent that the projections and forecasts provided by such Obligor in good faith and based upon reasonable assumptions are not viewed as facts and that actual results during the period or periods covered by such projections and forecasts may differ from the projected or forecasted results).

5.12 **No winding-up**

Each Obligor has not taken any corporate or other action nor has any application been made or have any other steps been taken or legal proceedings been started or (to the best of such Obligor's knowledge and belief having made due and proper enquiry) threatened against such Obligor or any of its Subsidiaries/Affiliates for its winding-up or for the appointment of a trustee, liquidator, receiver, administrative receiver, administrator or similar officer of it or of any or all of its assets.

5.13 **AIM Status**

The shares of the Borrower are duly admitted to trading on AIM and no circumstances exist to the Borrower's knowledge which are reasonably likely to cause the suspension or cancellation of such admission. The Borrower has complied and continues to comply with all AIM Rules and Disclosure and Transparency Rules and the Market Abuse Regulation as applicable to it.

5.14 **Patents**

The Borrower owns the Patents and has good title to, has rights in, and the power to transfer each of the Patents.

5.15 **Licences**

Other than as previously disclosed to the Agent in the Perfection Certificate, each Obligor is not a party to, nor is bound by, any material licence (other than over the counter software that is commercially available to the public) or other material agreement with respect to which such Obligor is the licensee that prohibits or otherwise restricts such Obligor from granting a charge in such Obligor's interest in such licence or agreement or any other property. Each Obligor shall provide written notice to Agent within fifteen (15) days of entering or becoming bound by, any such

licence or agreement which is reasonably likely to have a material impact on Borrower's business or financial condition. Each Obligor shall take such steps as Agent reasonably requests to obtain the consent of, authorisation by or waiver by, any Person whose consent or waiver is necessary for all such licences or contract rights to be deemed Collateral and for Agent to have a charge in it that might otherwise be restricted or prohibited by law or by the terms of any such licence or agreement, whether now existing or entered into in the future.

5.16 **Subordinated debt**

5.16.1 All amounts due to officers, directors, shareholders, the holder(s) of the Convertible Loans and any secured creditors (other than Lenders) of each Obligor have been subordinated to the Obligations.

5.16.2 No amounts are due to officers, directors, shareholders of any Obligor.

5.17 **Novartis**

All amounts due and any obligations under the Novartis Acquisition Agreement as at the date of this Agreement by an Obligor have been duly paid or satisfied (as the case may be).

5.18 **Definition of "Knowledge"**

For purposes of the Loan Documents, whenever a representation or warranty is made to any Obligor's knowledge or awareness, to the "best of" such Obligor's knowledge, or with a similar qualification, knowledge or awareness means the actual knowledge, after reasonable investigation, of the Responsible Officers.

6 **AFFIRMATIVE COVENANTS**

Each Obligor shall do the following:

6.1 **Government Compliance**

6.1.1 Maintain its legal existence and good standing in its jurisdiction of incorporation and maintain qualification in each jurisdiction in which the failure to do so would reasonably be expected to be detrimental to such Obligor's business or operations. Each Obligor shall and shall procure that each of its Subsidiaries/Affiliates shall comply with all laws, ordinances and regulations to which it is subject, non-compliance with which could be detrimental to such Obligor's business or operations or would reasonably be expected to cause a Material Adverse Change.

6.1.2 Obtain all of the Governmental Approvals (if any) necessary to carry on its business and for the performance by such Obligor of its obligations under the Loan Documents to which it is a party and the grant of a security interest to Security Agent in all of its present and future property and assets, including the Governmental Approvals for manufacturing licenses. Each Obligor shall promptly provide copies of any such obtained Governmental Approvals to Agent.

6.2 **Financial Statements, Reports, Certificates**

The Obligors shall deliver to Agent:

6.2.1 **Monthly Financial Statements**

As soon as available, but no later than forty five (45) days after the last day of each month, (or if sooner, at the same time as they are provided to any investor in the Borrower) a company prepared consolidated (and consolidating for each subsidiary) balance sheet and income statement covering each Obligor's and each of its Subsidiary's operations for such month certified by a Responsible Officer and in a form acceptable to Agent (the "**Monthly Financial Statements**");

6.2.2 **Monthly Compliance Certificate**

Within forty five (45) days after the last day of each month a duly completed Compliance Certificate signed by a Responsible Officer, certifying that as of the end of such month, each Obligor was in full compliance with all of the terms and conditions of this Agreement and such other information as Agent shall reasonably request;

6.2.3 **Annual Audited Financial Statements**

As soon as available, but within one hundred and eighty (180) days after each Obligor's financial year, consolidated financial statements prepared under GAAP, consistently applied, with an opinion on the financial statements from an independent certified public accounting firm acceptable to Agent in its reasonable discretion;

6.2.4 **Other Statements**

Within five (5) days of delivery, copies of all statements, reports and notices made available to the holder(s) of the Convertible Loans;

6.2.5 **Legal Action Notice**

A prompt report of any legal actions pending or threatened in writing against an Obligor or any of its Subsidiaries/Affiliates that could result in damages or costs to such Obligor or any of its Subsidiaries/Affiliates of, individually or in the aggregate, One Hundred Thousand Pounds (£100,000) (or its equivalent in any other currency) or more;

6.2.6 **Intellectual Property Notice**

Prompt written notice of (i) of any material change in the composition of the Intellectual Property, and (ii) such Obligor's knowledge of an event that

could reasonably be expected materially and adversely to affect the value of the Intellectual Property. Additionally, within ten (10) Business Days after each six (6) months anniversary of the date of this Agreement, prompt written notice of the registration of any ownership right of an Obligor in or to any Patent or Trademark not previously disclosed in writing to Agent in respect of the prior six (6) month period.

6.2.7 **Operating Budget**

Within sixty (60) days after the end of the Borrower's financial year an operating plan which includes, without limitation, balance sheet and income statement, operating budgets and reflects projections for such year plus updates or amendments to such budget when available and as approved by the board of directors;

6.2.8 **Other Financial Information**

Other financial information reasonably requested by Agent;

6.2.9 **Board Pack**

As soon as available and on the same date on which it is circulated to the board of directors but no later than fifteen (15) days after a meeting of the board of directors of any Obligor, such Obligor's board pack, provided that third party information may be redacted from such board pack in order to comply with the terms of any confidentiality obligations with such third party binding upon an Obligor.

6.3 ***"Know your Customer" checks***

If:

6.3.1 the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation made after the date of this Agreement;

6.3.2 any change in the status of an Obligor or the composition of the shareholders of or control of an Obligor after the date of this Agreement; or

6.3.3 a proposed assignment or transfer by any Finance Party of any of its rights and/or obligations under this Agreement,

obliges any Finance Party (or, in the case of Clause 6.3.3 above, any prospective new lender) to comply with "know your customer" or similar identification procedures in circumstances where the necessary information is not already available to it, such Obligors shall promptly upon the request of the Agent supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Agent (for itself or, in the case of the event described in Clause 6.3.3 above, on behalf of any prospective new lender) in order for the Finance Parties or, in the case of the event described in Clause 6.3.3 above, any prospective new lender to carry out and

be satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulation pursuant to the transactions contemplated in the Loan Documents.

6.4 **Taxes; pensions**

Each Obligor shall make, and cause each of its Subsidiaries/Affiliates to make, timely payment of all material Taxes or assessments (other than taxes and assessments which such Obligor or a Subsidiary/Affiliate of such Obligor is contesting in good faith, with adequate reserves maintained in accordance with GAAP) and will deliver to Agent, on demand, appropriate certificates attesting to such payments and pay all amounts necessary to fund all present pension, profit sharing and deferred compensation plans in accordance with their terms.

6.5 **Insurance**

6.5.1 Each Obligor shall keep its business and the Collateral insured for risks (including third party liability appropriate to a company undertaking the business of the Company) and in amounts as Agent may reasonably request.

6.5.2 Insurance policies shall be in a form, with companies, and in amounts that are satisfactory to Agent in its reasonable discretion as are typical for the industry in the UK, for companies similar to each Obligor.

6.5.3 At Agent's request, each Obligor shall deliver copies of policies and evidence of all premium payments.

6.5.4 Following an Event of Default which is continuing, proceeds payable under any property or asset protection policies taken out by each Obligor pursuant to which such Obligor is the ultimate beneficiary of any payment under such policy (which, for the avoidance of doubt, shall not include proceeds of any insurance policies that, pursuant to their terms, are intended, directly or indirectly, to compensate a third party that is not a member of the Group) shall, at the Agent's option, be payable to the Agent on account of the Obligations.

6.5.5 If each Obligor fails to obtain insurance as required under this Clause 6.5 (Insurance) or to pay any amount or furnish any required proof of payment to third persons and Agent, Agent may make all or part of such payment or obtain such insurance policies required in this Clause 6.5, and take any action under the policies Agent deems prudent.

6.6 **Protection and Registration of Intellectual Property Rights**

6.6.1 Each Obligor shall use commercially reasonable endeavours to:

(a) protect, defend and maintain the validity and enforceability of the material Intellectual Property;

(b) promptly advise Agent in writing of material infringements of its Intellectual Property after becoming aware of such material infringements; and

(c) not allow any Intellectual Property material to such Obligor's business to be abandoned, forfeited or dedicated to the public without Agent's prior written consent (not to be unreasonably withheld).

6.6.2 If an Obligor:

(a) obtains any registered patent, registered trademark or servicemark, registered copyright, registered mask work, or any pending application for any of the foregoing, whether as owner, licensee or otherwise, or

(b) applies for any patent or the registration of any trademark or servicemark:

then, if the same are not already secured by the provisions of an existing Security Document, it shall promptly and without delay provide written notice thereof to the Agent and shall execute such intellectual property security agreements and other documents and take such other actions as the Agent shall reasonably request in its good faith business judgement to perfect and, upon perfection, maintain a first priority perfected Security Interest in favour of the Security Agent in such property, provided (i) that such perfection shall only extend to and without prejudice to Clause 6.6.3 and Clause 8 (Further assurances), notifying such Security Interest to any intellectual property register in the USA and the UK and (ii) that, to the extent that an Obligor's interest in any of the foregoing intellectual property is only as a licensee, any such security shall only be granted in respect of and to the extent of the Borrower's contractual rights pursuant to the relevant licence agreement.

6.6.3 If an Obligor decides to register any material copyrights or material mask works in the United States Copyright Office, it shall:

(a) promptly inform the Agent of any such registration;

(b) execute an intellectual property security agreement or an intellectual property security confirmation if the relevant intellectual property is already secured by a Debenture and such other documents and take such other actions as the Agent may reasonably request in its good faith business judgement to perfect and maintain a first priority perfected Security Interest in favour of the Security Agent in the material copyrights or material mask works intended to be registered with the United States Copyright Office; and

(c) record such intellectual property security agreement or security confirmation with the United States Copyright Office contemporaneously with filing the material copyright or material mask work application(s) with the United States Copyright Office.

6.7 **Clinical Trials**

The Borrower shall ensure that all clinical trials conducted by it or on its behalf strictly comply with all applicable Government Approvals and good clinical practice including, but without limitation, Directive 2001/20/EC on the conduct of clinical trials as implemented in the relevant jurisdictions including the UK (the **"Clinical Trials Directive"**), any applicable ethics committee approval, the terms of any applicable protocols and any other requirements of the applicable Regulatory Authority, in each case, as is mandatorily required to be complied with under relevant laws and for the industry in which the Borrower operates, and shall promptly and without delay notify the Lenders of any notification of non-compliance which an Obligor has received from any relevant governmental or regulatory authority.

6.8 **Litigation Cooperation**

From the date hereof and continuing until all Obligations have been irrevocably discharged and Agent has no commitment or liability hereunder, make available (to the extent legally permissible) to Agent, without expense to Lenders, Obligors and their officers, employees and agents and Obligors relevant books and records, to the extent that Agent may deem them reasonably necessary to institute or defend any third-party action or proceeding instituted by or against Lenders with respect to any Collateral or relating to the Obligors.

6.9 **Access to Collateral; Books and Records**

Allow Agent, or its agents, at reasonable times, on ten (10) Business Days' notice (provided no notice is required if an Event of Default has occurred and is continuing), to inspect the Collateral and audit and copy the relevant Obligors' Books. Such inspections or audits shall be conducted no more often than once every twelve (12) months unless an Event of Default has occurred and is continuing and shall be carried out at the reasonable expense of the Obligors.

7 **BANKING**

7.1 During the continuation of this Facility subject to SVB providing terms of business reasonably acceptable to the Obligors and SVB being able to meet the Obligors' reasonable commercial requirements, each Obligor shall conduct and arrange all its primary current account banking requirements in the USA and UK with SVB or its Affiliates (except in respect of any banking arrangements with third parties as detailed in the Perfection Certificate), and shall give to SVB and/or its Affiliates the opportunity to quote on all foreign exchange spot trades and hedging transaction over £50,000 in value before going to any other provider. It being understood that

should the Obligors receive an offer from a third bank providing materially better commercial terms, they shall be obliged to notify SVB of such occurrence prior to terminating their banking relationship with SVB to allow for any notification of a Security Interest to be served on a third bank.

7.2 The Borrower and each Obligor shall provide the Lenders with the opportunity to offer for additional debt or loan financing in relation to the Group fifteen (15) Business Days prior to the time that such requests are provided to any other financing sources.

8 FURTHER ASSURANCES

8.1 Each Obligor shall without expense to the Lenders execute any further instruments and take further action as Agent reasonably requests to perfect or continue Security Agent's security interest in the Collateral or to effect the purposes of this Agreement.

8.2 Each Obligor shall procure at Agent's request that any of the Borrower's wholly- owned Subsidiaries which become subsidiaries after the date hereof, become a guarantor in relation to this Agreement and enters into such documentation and grants a Lien to Agent in substantially all of its assets, for the sole purpose of securing the Obligations, pursuant to such documentation as may be required by the Agent in the Agent's sole discretion.

9 NEGATIVE COVENANTS

No Obligor shall do any of the following without Agent's prior written consent (such consent not to be unreasonably withheld, conditioned or delayed).

9.1 Dispositions

Convey, sell, lease, transfer, assign, or otherwise dispose of (collectively, "**Transfer**"), or permit any of its Subsidiaries to Transfer, all or any part of its business or property, except for (i) a Permitted Disposal and/or (ii) Transfers: (a) of Inventory in the ordinary course of business; (b) of worn out or obsolete Equipment; and (c) in connection with Permitted Liens and Permitted Investments. An Obligor shall not enter into an agreement with any Person other than Agent which restricts the subsequent granting of a security interest in any Intellectual Property owned by such Obligor, unless such agreement between an Obligor and the foregoing Person contains an exemption to permit any security created pursuant to the Security Documents (which the Obligor shall use reasonable endeavours to obtain) (an **Exemption**). It being understood that an Obligor should be able to enter into a licence arrangement pursuant to which any Intellectual Property is licensed to such Obligor, provided that (i) such arrangement is an arm's length transaction and the relevant Person is a third party, and (i) the relevant Obligor shall use reasonable endeavours to obtain an Exemption.

9.2 Changes in Business, Ownership, Management or Business Locations

9.2.1 Engage in or permit any of its Subsidiaries: to engage in any business other than the businesses currently engaged in by such Obligor or such

Subsidiary or reasonably related thereto as at the Closing Date; (b) to be liquidated or dissolved; or (c) in the case of the Subsidiaries only, to permit or suffer any Change in Control.

9.2.2 An Obligor shall not, without at least fifteen (15) days prior written notice to Agent: (1) change its jurisdiction of organisation, registration or incorporation, or (2) change its legal name. An Obligor shall not, without at least five (5) days prior written notice to Agent, change its organisational structure or type.

9.2.3 An Obligor shall within fifteen (15) days after adding any new offices or business locations, including warehouses (unless such new offices or business locations contain less than Fifty Thousand Pounds (£50,000) (or its equivalent in any other currency)) in such Obligor's assets or property) or deliver any portion of the Collateral valued, individually or in the aggregate, in excess of One Hundred Thousand Pounds (£100,000) (or its equivalent in any other currency) to a bailee at a location other than to a bailee and at a location already disclosed in the Perfection Certificate, provide written notice of the same to Agent.

9.3 **Mergers or Acquisitions**

Permit any of its Subsidiaries to merge or consolidate, with any other Person, or acquire, or permit any of its Subsidiaries to acquire, all or substantially all of the share capital or property of another Person. A Subsidiary of an Obligor may merge or consolidate into another Subsidiary of such Obligor or into such Obligor.

9.4 **Indebtedness**

Create, incur, assume, or be liable for any Indebtedness, or permit any of its Subsidiaries to do so, other than the Permitted Indebtedness.

9.5 **Guarantees or indemnities**

Except in accordance with Clause 12 (Guarantee and Indemnity), no Obligor shall incur or allow to remain outstanding any guarantee in respect of any obligation of any person, commit itself as joint and several debtor for such obligations or bind itself as a surety for such obligations, except in each case in respect of Permitted Guarantees.

9.6 **Encumbrance**

Create, incur, allow, or suffer any Lien on any of, the Collateral and/or its Intellectual Property, or assign or convey any right to receive income, including the sale of any Accounts, or permit any of its Subsidiaries to do so, except for Permitted Liens, permit any Collateral not to be subject to the first priority security interest granted by the Security Documents, except as is otherwise permitted in Clause 9.1 (Dispositions) and the definition of "Permitted Liens".

9.7 **Distributions; Investments**

Directly or indirectly acquire or own any Person, or make any Investment in any Person, other than Permitted Investments, or permit any of its Subsidiaries to do so; or pay any dividends or make any distribution or payment or redeem, or purchase any of its share capital or give any financial assistance in respect of the purchase of any of its share capital except in each case in respect of any long term incentive plans or employee and officer shares schemes in operation in respect of each Obligor.

9.8 **Transactions with Affiliates**

Directly or indirectly enter into or permit to exist any material transaction with any Affiliate of an Obligor, except for transactions that are in the ordinary course of such Obligor's business, upon fair and reasonable terms that are no less favourable to such Obligor than would be obtained in an arm's length transaction with a non- affiliated Person and transactions permitted pursuant to the terms of Clause 9.1 (Dispositions).

9.9 **Convertible Loans**

9.9.1 Make or permit any payment on any debts owing to the holder(s) of the Convertible Loans other than exclusively as permitted under the terms permitted by the Subordination Agreement (for the avoidance of doubt, this provision shall not preclude any conversion of the Convertible Loans into equity in the Borrower).

9.9.2 Suffer or incur any breach of the Subordination Agreement.

9.10 **Application of FATCA**

Become a FATCA FFI or a US Tax Obligor.

10 **EVENTS OF DEFAULT**

Any one of the following shall constitute an event of default (an "**Event of Default**"):

10.1 **Payment Default**

10.1.1 An Obligor fails to:

(a) make any payment of principal or interest on any Credit Extension on its due date (unless its failure to pay is caused by administrative or technical error and payment is made within three (3) Business Days after its due date); or

(b) pay any other Obligations within three (3) Business Days after such Obligations are due and payable (which three (3) Business Day cure period shall not apply to payments due on the Final Repayment Date).

10.1.2 During the cure period, the failure to make any payment specified under Clauses 10.1.1(a) or 10.1.1(b) is not an Event of Default (but no Credit Extension will be made during the cure period).

10.2 **Covenant Default**

10.2.1 An Obligor fails or neglects to perform any obligation in Clause 6 (Affirmative Covenants) or breaches any covenant in Clause 9 (Negative Covenants) provided that no Event of Default will occur under the following obligations or covenants if the failure to comply or breach is capable of being remedied and is remedied within the period specified next to such obligation or covenant (such period commencing on the earlier of (a) the Agent giving notice to such Obligor or the failure to comply or breach, and (b) such Obligor becoming aware of the failure to comply or breach):

(a) Clause 6.1 (Government Compliance), Clause 6.2 (Financial Statements, Reports, Certificates) or Clause 6.3 (“Know your Customer” checks), Clause 6.5 (Insurance) – ten (10) Business Days;

(b) Clause 9.1 (Dispositions), Clause 9.2 (Changes in Business, Ownership, Management or Business Locations), Clause 9.4 (Indebtedness), Clause 9.5 (Guarantees or Indemnities), Clause 9.6 (Encumbrance), Clause 9.7 (Distributions), Clause 9.8 (Transactions with Affiliates), Clause 9.9 (Convertible Loans) – ten (10) Business Days each;

(c) Clause 6.4 (Taxes; pensions) – five (5) Business Days; and

(d) Clause 6.7 (Protection and Registration of Intellectual Property Rights) and Clause 6.7 (Clinical Trials) – thirty (30) Business Days.

10.2.2 An Obligor fails or neglects to perform, keep, or observe any other term, provision, condition, covenant or agreement contained in this Agreement or in any Loan Document to which it is a party or in any other present or future agreement between such Obligor and Agent, and as to any default (other than those specified in this Clause 10) under such other term, provision, condition, covenant or agreement that can be cured, has failed to cure the default within fifteen (15) days after the occurrence thereof (but no Credit Extensions shall be made during such cure period).

10.3 **Material Adverse Change**

A Material Adverse Change occurs.

10.4 **Attachment**

Any material portion of an Obligor's or any of its Subsidiary's assets is attached, seized, levied on, or comes into possession of a trustee, receiver, creditor or encumbrancer and the attachment, seizure or levy is not removed in fifteen (15) days or is not discharged within twenty (20) days; (ii) the service of proceedings upon such Obligor or any of its Subsidiaries seeking to attach, by trustee or similar process, any funds of such Obligor or any such Subsidiary on deposit with Finance Parties, or any entity under control of Finance Parties (including any of their subsidiaries); (iii) such Obligor or any of its Subsidiaries is injuncted, restrained, or prevented by court order from conducting a material part of its business; (iv) a judgment or other claim becomes a lien on a material portion of the assets of such Obligor or any of its Subsidiaries; or (v) a notice of lien, levy, or assessment is filed against such Obligor or any of its Subsidiaries assets by any government department or agency and not paid within fifteen (15) days after such Obligor or any of its Subsidiaries receives such notice. These are not Events of Default if stayed or if a bond is posted pending appeal by an Obligor or its Subsidiary (as appropriate) (but no Credit Extensions shall be made during the grace period).

10.5 **Insolvency and Insolvency Proceedings**

10.5.1 Any of the following occurs in respect of an Obligor (each of which is an "**Insolvency Proceeding**")

(a) any order shall be made by any competent court, a petition presented (other than a petition that in the reasonable opinion of the Lenders is frivolous or vexatious) or any resolution shall be passed by any Obligor for the appointment of a liquidator, administrator or receiver of, or for the winding up of, any Obligor or a moratorium is imposed or declared over any or all of the assets and business of any Obligor; or

(b) an encumbrancer takes possession of or a receiver, liquidator, supervisor, compulsory manager, trustee, administrator or similar official is appointed over the whole or, in the reasonable opinion of the Agent, any material part of, the assets of any Obligor or a distress, execution or other process is levied or enforced upon or sued out against the whole or, in the reasonable opinion of the Agent, a material part of the assets of any Obligor; or

(c) an administration application is presented or made for the making of an administration order or a notice of intention to appoint an administrator under Schedule B1 to the Insolvency Act 1986 is issued by any Obligor or its directors or by the holder of a qualifying floating charge (as defined in such Schedule) or a notice of appointment of an administrator is filed by any person with the court; or

(d) any judgment made against any Obligor is not paid, stayed or discharged within 15 days; or

(e) any Obligor shall stop payment or shall be unable to, or shall admit inability to, pay its debts as they fall due, or shall be adjudicated or found bankrupt or insolvent, or shall enter into any composition or other arrangement with its creditors generally; or

(f) any event shall occur which under the law of any jurisdiction to which any Obligor is subject has an effect equivalent or similar to any of the events referred to in this Clause 10.5; or

(g) any Obligor ceases, threatens to cease, or suspends carrying on its business or a part of its business.

10.6 **Other Agreements**

There is, under any agreement to which an Obligor is a party with a third party or parties, (a) any default resulting in a right by such third party or parties, whether or not exercised, to accelerate the maturity of any Indebtedness in an amount individually or in the aggregate in excess of Two Hundred Thousand Pounds (£200,000); or (b) any default by an Obligor, the result of which could be materially detrimental to Borrower's business.

10.7 **Judgments**

If a judgment, arbitration award, order or decree for the payment of money and that is no longer subject to an appeal process in an amount, individually or in the aggregate, of at least One Hundred Thousand Pounds (£100,000) (or its equivalent in any other currency) shall be rendered against an Obligor or any of its Subsidiaries and shall remain unsatisfied or unstayed for a period of fifteen (15) days of it being made (provided that no Credit Extensions will be made prior to the satisfaction or stay of such judgment, order or decree).

10.8 **Misrepresentations**

If any representation or warranty or statement in writing made or deemed to be made or repeated by an Obligor or any Person acting for such Obligor in, or in connection with the negotiation of, any Loan Document or in any notice, certificate or statement of fact referred to in or delivered under any Loan Document or in any other written material delivered to Finance Parties is or shall prove to be untrue or incorrect in any material respect or misleading when made or deemed to be made or repeated under such Loan Document.

10.9 **Convertible Loans**

Any document, instrument, or agreement evidencing any Convertible Loans, including the Subordination Agreement, shall for any reason be revoked or

invalidated or otherwise cease to be in full force and effect (otherwise than in circumstances permitted by the Loan Documents), any Person shall be in breach thereof or contest in any manner the validity or enforceability thereof or deny that it has any further liability or obligation thereunder, or the Obligations shall for any reason be subordinated or shall not have the priority contemplated by this Agreement.

10.10 **Other Agreements with Finance Parties**

An Obligor, or any of its Subsidiaries fails to perform any of its financial obligations or other material obligations under any agreement between such Obligor, or any of its Subsidiaries and Finance Parties or any of its Affiliates and any applicable grace period in relation to the foregoing has expired.

10.11 **Governmental Approvals**

Any Governmental Approval shall have been (a) revoked, rescinded, suspended, modified in an adverse manner or not renewed in the ordinary course for a full term or (b) subject to any decision by a Governmental Authority that designates a hearing with respect to any applications for renewal of any of such Governmental Approval or that could result in the Governmental Authority taking any of the actions described in (a) above, and such decision or such revocation, rescission, suspension, modification or non-renewal (i) is, or could reasonably be expected to be, a Material Adverse Change, or (ii) adversely affects the legal qualifications of an Obligor or any of its Subsidiaries/Affiliates to hold such Governmental Approval in any applicable jurisdiction and such revocation, rescission, suspension, modification or non-renewal could reasonably be expected to affect the status of or legal qualifications of such Obligor or any of its Subsidiaries/Affiliates to hold any Governmental Approval in any other jurisdiction.

10.12 **Repudiation**

An Obligor repudiates any of the Loan Documents or does or causes to be done any act or thing evidencing an intention to repudiate any of the Loan Documents.

11 **FINANCE PARTIES RIGHTS, REMEDIES AND OBLIGATION**

11.1 When an Event of Default occurs and continues, the Agent (on instructions from the Lenders) may, without notice or demand, do any or all of the following:

11.1.1 declare all Obligations immediately due and payable (but if an Event of Default described in Clause 10.5 (Insolvency and Insolvency Proceedings) occurs all Obligations are immediately due and payable without any action by the Agent);

11.1.2 stop advancing money or extending credit for the benefit of the Borrower under this Agreement or under any other agreement between an Obligor and the Finance Parties;

11.1.3 settle or adjust disputes and claims directly with Account Debtors for amounts, on terms and in any order that the Agent considers advisable and notify any person owing the Obligors money of the Security Agent's Security Interest in such funds and verify and/or collect the amounts owed by such Account Debtors. During the occurrence of an Event of Default that is continuing, any amounts received by any Obligor shall be held in trust by such Obligor for the Finance Parties, and, if requested by the Agent, the Obligor shall immediately deliver such receipts to the Agent in the form received from the Account Debtor, with proper endorsements for deposit;

11.1.4 make any payments and do any acts it considers necessary or reasonable to protect its Security Interest in the Collateral. Each Obligor shall assemble the Collateral if the Agent requests and make it available as the Agent designates in accordance with the relevant provisions of the Security Documents, Intercreditor Agreement and/or Agency and Security Trust Deed (as the case may be). The Security Agent may enter premises where the Collateral is located, and, to the fullest extent permitted under applicable law take and maintain possession of any part of the Collateral, pay, purchase, contest, or compromise any Security Interest which appears to be prior or superior to its Security Interest and pay all expenses incurred. Each Obligor grants the Security Agent a licence to enter and occupy any of its premises, without charge, to exercise any of the Security Agent's rights or remedies during an Event of Default that is continuing;

11.1.5 apply towards the discharge of the Obligations any:

(a) balances and deposits of any Obligor it holds; or

(b) any amount held by any Finance Party owing to or for the credit or the account of any Obligor;

11.1.6 ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, advertise for sale, and sell the Collateral. Each Obligor grants in favour of the Security Agent a non-exclusive, royalty-free licence or other right to use, without charge, such Obligor's labels, Patents, Copyrights, rights of use of any name, trade secrets, trade names, Trademarks, service marks, and advertising matter, or any similar property as it pertains to the Collateral, in completing production of, advertising for sale, and selling any Collateral and, in connection with the Security Agent's exercise of its rights under this Clause 11 such Obligor's rights under all licences and all franchise agreements inure to the Security Agent's benefit;

11.1.7 deliver a notice of exclusive control, any entitlement order, or other directions or instructions pursuant to any control agreement or similar agreements providing control of any Collateral;

11.1.8 demand and receive possession of each Obligor's Books; and

11.1.9 exercise any rights and remedies available to the Finance Parties under the Security Documents or applicable law.

11.2 **Power of Attorney**

Each Obligor, as security for the discharge of the Obligations, hereby irrevocably appoints Security Agent as its lawful attorney-in-fact, exercisable upon the occurrence and during the continuance of an Event of Default, to: (a) endorse such Obligor's name on any cheques or other forms of payment or security; (b) sign such Obligor's name on any invoice or bill of lading for any Account or drafts against Account Debtors; (c) settle and adjust disputes and claims about the Accounts directly with Account Debtors, for amounts and on terms Security Agent determines reasonable; (d) make, settle, and adjust all claims under such Obligor's insurance policies; (e) pay, contest or settle any Lien, charge, encumbrance, security interest, and adverse claim in or to the Collateral, or any judgment based thereon, or otherwise take any action to terminate or discharge the same; and (f) at any time after the security becomes enforceable, transfer the Collateral into the name of Security Agent or a third party. Each Obligor hereby appoints Security Agent as its lawful attorney-in-fact to sign such Obligor's name on any deeds or documents necessary to perfect or continue the perfection of Security Agent's security interest in the Collateral (to the extent contemplated by the Loan Agreements) regardless of whether an Event of Default has occurred until all Obligations have been satisfied in full and Security Agent is under no further obligation to make Credit Extensions hereunder. Security Agent foregoing appointment as each Obligor's attorney-in-fact, and all of Security Agent rights and powers, coupled with an interest, are irrevocable until all Obligations have been fully repaid and performed and Security Agent obligation to provide Credit Extensions terminates.

11.3 **Protective Payments**

If an Obligor fails to obtain the insurance called for by Clause 6.5 (Insurance) or fails to pay any premium thereon, Agent may obtain such insurance or make such payment, and all amounts so paid by Agent are Lender Expenses and promptly and without delay due and payable, and secured by the Collateral. Agent will make reasonable efforts to promptly and without delay provide any Obligor with notice of Agent obtaining such insurance at the time it is obtained or within a reasonable time thereafter. No payments by Agent are deemed an agreement to make similar payments in the future or Agent's waiver of any Event of Default.

11.4 **Lender Expenses**

Any Lender Expenses are due and payable within ten (10) Business Days of receipt by Borrower of a written notice been incurred by the Lenders in respect of this Agreement) and be secured by the Collateral. No payments by Agent shall be deemed an agreement to make similar payments in the future or Agent's waiver of any Event of Default.

11.5 **Remedies Cumulative**

Agent's failure, at any time or times, to require strict performance by each Obligor of any provision of this Agreement or any other Loan Document shall not waive, affect, or diminish any right of Agent thereafter to demand strict performance and compliance herewith or therewith. No waiver hereunder shall be effective unless signed by Agent and then is only effective for the specific instance and purpose for which it is given. Agent's rights and remedies under this Agreement and the other Loan Documents are cumulative. Agent has all rights and remedies provided by law, or in equity. Agent's exercise of one right or remedy is not an election and Agent's waiver of any Event of Default is not a continuing waiver. Agent's delay in exercising any remedy is not a waiver, election, or acquiescence.

11.6 **Withholding; Gross-up**

11.6.1 **Definitions**

In this Agreement:

"**Borrower DTTP Filing**" means an HM Revenue & Customs' Form DTTP2 duly completed and filed by the relevant Borrower, which contains the scheme reference number and jurisdiction of tax residence stated in respect of that Lender in the documentation which it executes on becoming a Party as a Lender; and

(i) where the Obligor is an Obligor as at the date on which that Treaty Lender becomes a Party as a Lender, is filed with HM Revenue & Customs within 30 days of that date; or

(ii) where the Obligor is not an Obligor as at the date on which that Treaty Lender becomes a Party as a Lender, is filed with HM Revenue & Customs within 30 days of the date on which that Obligor becomes an additional Obligor.

"**Qualifying Lender**" means:

(i) a Lender which is beneficially entitled to interest payable to that Lender in respect of an advance under a Loan Document and is:

(A) a Lender:

(1) which is a bank (as defined for the purpose of section 879 of the ITA) making an advance under a Loan Document and is within the charge to United Kingdom corporation tax as respects any payments of interest made in respect of that advance or would be within such charge as respects such payments apart from section 18A of the CTA; or

(2) in respect of an advance made under a Loan Document by a person that was a bank (as defined for the purpose of section 879 of the ITA) at the time that that advance was made and within the charge to United Kingdom corporation tax as respects any payments of interest made in respect of that advance; or

(B) a Lender which is:

(1) a company resident in the United Kingdom for United Kingdom tax purposes; or

(2) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account interest payable in respect of that advance in computing the chargeable profits (within the meaning of section 19 of the CTA) of that company; or

(C) a Treaty Lender.

"**Tax Confirmation**" means a confirmation by a Lender that the person beneficially entitled to interest payable to that Lender in respect of an advance under a Loan Document is either:

(i) a company resident in the United Kingdom for United Kingdom tax purposes; or

(ii) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account interest payable in respect of that advance in computing the chargeable profits (within the meaning of section 19 of the CTA) of that company.

"**Treaty Lender**" means a Lender which:

(i) is treated as a resident of a Treaty State for the purposes of the Treaty; and

(ii) does not carry on a business in the United Kingdom through a permanent establishment with which that Lender's participation in the Loan is effectively connected.

"**Treaty State**" means a jurisdiction having a double taxation agreement (a "Treaty") with the United Kingdom which makes provision for full exemption from tax imposed by the United Kingdom on interest.

11.6.2 All payments to be made by the Obligors under the Loan Documents, whether in respect of principal, interest, fees or otherwise, shall (save insofar as required by law to the contrary) be paid in full without set-off or counterclaim and free and clear of and without any deduction or withholding or payment for or on account of any Taxes (other than a FATCA Deduction) that may be imposed in the United Kingdom or any other jurisdiction (a "**Tax Deduction**") from which payment may be made by the Borrower under this Agreement. If any Obligor is required by law to effect Tax Deduction from or in connection with any payment made under this Agreement for the account of a Finance Party then:

(a) such Obligor shall promptly notify the Finance Party upon becoming aware of the relevant requirements to deduct any such Tax Deduction;

(b) such Obligor shall ensure that such Tax Deduction does not exceed the minimum legal liability therefor, shall remit the amount of such Tax to the appropriate Taxation authority and shall forthwith pay to the Agent such additional amount as will result in the immediate receipt by the Finance Party of the full amount which would otherwise have been receivable under this Agreement had no such Tax Deduction been made; and

(c) such Obligor shall not later than fifty (50) days after each Tax Deduction forward to the Finance Party documentary evidence reasonably required by the Finance Party in respect of the payment of any such Taxes.

11.6.3 A payment shall not be increased under Clause 11.6.2 above by reason of a Tax Deduction on account of Tax imposed by the United Kingdom, if on the date on which the payment falls due:

(a) the payment could have been made to the relevant Lender without a Tax Deduction if the Lender had been a Qualifying Lender, but on that date that Lender is not or has ceased to be a Qualifying Lender other than as a result of any change after the date it became a Lender under this Agreement in (or in the interpretation, administration, or application of) any law or treaty or any published practice or published concession of any relevant taxing authority; or

(b) the relevant Lender is a Qualifying Lender solely by virtue of paragraph (i)(B) of the definition of Qualifying Lender and:

(i) an officer of H.M. Revenue & Customs has given (and not revoked) a direction (a "Direction") under section 931 of the ITA which relates to the payment and that Lender has received from the Obligor making the payment or from the Company a certified copy of that Direction; and

(ii) the payment could have been made to the Lender without any Tax Deduction if that Direction had not been made; or

(c) the relevant Lender is a Qualifying Lender solely by virtue of paragraph (i)(B) of the definition of Qualifying Lender and:

(i) the relevant Lender has not given a Tax Confirmation to the Company; and

(ii) the payment could have been made to the Lender without any Tax Deduction if the Lender had given a Tax Confirmation to the Company, on the basis that the Tax Confirmation would have enabled the Company to have formed a reasonable belief that the payment was an "excepted payment" for the purpose of section 930 of the ITA; or

(d) the relevant Lender is a Treaty Lender and the Obligor making the payment is able to demonstrate that the payment could have been made to the Lender without the Tax Deduction had that Lender complied with its obligations under Clauses 11.6.4 or 11.6.5 (as applicable) below.

11.6.4

(a) Subject to Clause 11.6.4(b) below, a Treaty Lender and each Obligor which makes a payment to which that Treaty Lender is entitled shall co-operate in completing any procedural formalities necessary for that Obligor to obtain authorisation to make that payment without a Tax Deduction.

(b) a Treaty Lender which holds a passport under the HMRC DT Treaty Passport scheme, and which wishes that scheme to apply to this Agreement, shall confirm its scheme reference number and its jurisdiction of tax residence in the documentation which it executes on becoming a Party as a Lender and, having done so, that Lender shall be under no obligation pursuant to Clause 11.6.4(a) above.

11.6.5 If a Lender has confirmed its scheme reference number and its jurisdiction of tax residence in accordance with Clause 11.6.4(b) above and:

(a) a Borrower making a payment to that Lender has not made a Borrower DTTP Filing in respect of that Lender; or

(b) a Borrower making a payment to that Lender has made a Borrower DTTP Filing in respect of that Lender but:

(i) that Borrower DTTP Filing has been rejected by HM Revenue & Customs; or

(ii) HM Revenue & Customs has not given the Borrower authority to make payments to that Lender without a Tax Deduction within 60 days of the date of the Borrower DTTP Filing,

and, in each case, the Borrower has notified that Lender in writing, that Lender and the Borrower shall co-operate in completing any additional procedural formalities necessary for that Borrower to obtain authorisation to make that payment without a Tax Deduction.

11.6.6 If a Lender has not confirmed its scheme reference number and jurisdiction of tax residence in accordance with Clause 11.6.4(b) above, no Obligor shall make a Borrower DTTP Filing or file any other form relating to the HMRC DT Treaty Passport scheme in respect of that Lender's Commitment or its participation in any Loan unless the Lender otherwise agrees.

11.6.7 A Borrower shall, promptly on making a Borrower DTTP Filing, deliver a copy of that Borrower DTTP Filing to the Agent for delivery to the relevant Lender.

11.6.8 Kreos gives a Tax Confirmation to the Borrower by entering into this Agreement.

11.6.9 The Agent shall promptly notify the Obligors if there is any change in the position from that set out in the Tax Confirmation.

11.6.10 If any Finance Party receives the benefit of any credit, payments or reimbursement in respect of the payment of any amount by any Obligor under this Clause 11 it shall (to the extent that it can do so without prejudice to the retention of such benefit) pay to such Obligor such part of that benefit as in its absolute discretion will leave it (after such payment) in no more or less favourable position than it would have been in if no Tax Payment had been required by such Obligor. For these purposes a "**Tax Payment**" means an increase in a payment made by such Obligor to the Finance Party under Clause 11.6.2 (Withholding; gross up).

11.6.11 Nothing in this Clause 11 requires any Finance Party to arrange its tax affairs in a particular way or to disclose any information regarding its tax affairs.

11.6.12 *FATCA information*

(a) Subject to Clause 11.6.12(c) below, each party shall, within ten (10) Business Days of a reasonable request by another party:

(i) confirm to that other party whether it is:

(A) a FATCA Exempt Party; or

(B) not a FATCA Exempt Party; and

(ii) supply to that other party such forms, documentation and other information relating to its status under FATCA (including its applicable "pass thru payment percentage" or other information required under the Treasury Regulations or other official guidance including inter-governmental agreements) as that other party reasonably requests for the purposes of that other party's compliance with FATCA.

(b) If a party confirms to another party pursuant to Clause 11.6.12(a)(i) above that it is a FATCA Exempt Party and it subsequently becomes aware that it is not, or has ceased to be a FATCA Exempt Party, that party shall notify that other party reasonably promptly.

(c) Clause 11.6.12(a) above shall not oblige the Finance Parties to do anything which would or might in its reasonable opinion constitute a breach of:

(i) any law or regulation;

(ii) any policy of the Finance Parties;

(iii) any fiduciary duty; or

(iv) any duty of confidentiality.

(d) If a party fails to confirm its status or to supply forms, documentation or other information requested in accordance with Clause 11.6.12(a) above (including, for the avoidance of doubt, where Clause 11.6.12(c) above applies), then:

(i) if that party failed to confirm whether it is a FATCA Exempt Party, then such party shall be treated for the purposes of the Loan Documents as if it is not a FATCA Exempt Party; and

(ii) if that party failed to confirm its applicable "pass thru payment percentage", then such party shall be treated for the purposes of the Loan Documents (and payments made pursuant to the Loan Documents) as if its applicable "pass thru payment percentage" is 100%,

until (in each case) such time as the party in question provides the requested confirmation, forms, documentation or other information.

11.6.13 *FATCA Deduction and gross up by Obligors*

(a) If an Obligor is required to make a FATCA Deduction, the Obligor shall make that FATCA Deduction and any payment required in connection with that FATCA Deduction within the time allowed and in the minimum amount required by FATCA, and no Obligor shall be required to increase any payment in respect of which it makes such a FATCA Deduction or otherwise compensate the recipient of the payment for that FATCA Deduction.

(b) Each Obligor shall promptly upon becoming aware that it must make a FATCA Deduction (or that there is any change in the rate or the basis of a FATCA Deduction) notify the Agent accordingly.

(c) Within thirty (30) days of making either a FATCA Deduction or any payment required in connection with that FATCA Deduction, the Obligor making that FATCA Deduction shall deliver to the Agent evidence reasonably satisfactory to the Agent that the FATCA Deduction has been made or (as applicable) any appropriate payment paid to the relevant governmental or taxation authority.

11.6.14 *FATCA Deduction by the Finance Parties*

A Finance Party may make any FATCA Deduction it is required by FATCA to make together with any payment required in connection with that FATCA Deduction, and the relevant Finance Party shall not be required to increase any payment in respect of which it makes such a FATCA Deduction or otherwise compensate the recipient of the payment for that FATCA Deduction. If a Finance Party becomes aware that it must make a FATCA Deduction in respect of a payment to another Party (or that there is any change in the rate or the basis of such FATCA Deduction), it shall notify that Party.

11.6.15 *Tax credit and FATCA*

If an Obligor makes a FATCA Payment and a Finance Party determines that:

(a) a credit against, relief or remission for, or repayment of any Tax is attributable to an increased payment of which that FATCA Payment forms part, to that FATCA Payment or to a FATCA Deduction in consequence of which that FATCA Payment was required; and

(b) the Finance Party has obtained, utilised and retained that credit,

the Finance Party shall pay an amount to the Obligor which the Finance Party determines will leave it (after that payment) in the same position after Tax as it would have been in had the FATCA Payment not been required to be made by the Obligor.

11.7 **Tax indemnity**

11.7.1 On the later of ten (10) Business Days before the due date for payment of the relevant Tax and ten (10) Business Days after the date on which a Lender serves a demand on the Borrower requesting payment pursuant to this Clause 11.7.1, the Borrower shall pay the Lender an amount equal to the loss, liability or cost which the Lender reasonably determines that it has directly or indirectly suffered or will directly or indirectly suffer in relation to Tax in respect of amounts payable to it under a Loan Document. A Lender shall as soon as reasonably practicable notify the Borrower in writing as soon as it is aware that it may be reasonably likely to make a claim pursuant to the indemnity in this Clause 11.7.1. In the event that, after receiving a demand for payment pursuant to this Clause 11.7.1, the Borrower, acting reasonably, believes that such claim is inaccurate or can be mitigated, the relevant Lender and the Borrower shall engage in good faith discussions for a period not exceeding one month after the date of the Borrower's receipt of the demand for payment, to seek to resolve such claim by mutual agreement and any timeframes for payment of Tax by the Borrower shall be extended accordingly. If any such demand that is contested pursuant to the foregoing sentence is not resolved in such one month period, it shall constitute a Dispute and resolved pursuant to Clause 15.

11.7.2 Clause 11.7.1 shall not apply to:

(a) any Tax assessed on the Lender under the law of the jurisdiction in which the Lender is incorporated or resident for tax purposes if that Tax is imposed on, or calculated by reference to, the net income, profits or gains received or receivable (but not any sum deemed to be received or receivable) by the Lender; or

(b) the extent that a loss, liability or cost is compensated for by an increased payment under Clause 11.6 (Withholding; Gross-up);

(c) would have been compensated for by an increased payment under Clause 11.6 (Withholding; Gross-up) but was not so compensated solely because Clause 11.6.3 applied; or

(d) the extent a loss, liability or cost relates to a FATCA Deduction required to be made by any party.

11.7.3 If the Agent on behalf of the Lenders makes (or intends to make) a claim under Clause 11.7.1, it shall promptly notify the Borrower of the event which has caused (or will cause) that claim.

11.8 **Stamp taxes**

The Borrower shall pay and, within five (5) Business Days of demand, indemnify the Agent on behalf of the Lender against any cost, loss or liability the Lender incurs in relation to all stamp duty, registration and other similar Taxes payable in respect of any Loan Document.

11.9 **Value Added Tax**

11.9.1 All amounts payable by the Borrower to the Lender under a Loan Document, that (in whole or in part) constitute consideration for VAT purposes are deemed to be exclusive of VAT. Subject to Clause 11.9.2, if VAT is chargeable on any supply made by the Lender to the Borrower under a Loan Document, the Borrower shall pay the Agent (in addition to, and at the same time as, paying the consideration) an amount equal to the amount of the VAT and the Lender shall promptly provide an appropriate VAT invoice to the Borrower.

11.9.2 Where a Loan Document requires the Borrower to reimburse the Lender for any costs or expenses, the Borrower shall, at the same time, reimburse and indemnify the Agent on behalf of the Lenders against all VAT incurred by the Lender in respect of those costs or expenses. The amount payable shall be the amount that the Lender reasonably determines is the amount that neither it, nor any other member of any group of which it is a member for VAT purposes, is entitled to recover from the relevant tax authority in respect of the VAT.

11.10 **Other indemnities**

11.10.1 Each Obligor indemnifies, defends and holds each Finance Party and its directors, officers, employees, agents or any other person affiliated with or representing such Finance Party (each, an "**Indemnified Person**") harmless against:

(a) all direct obligations, demands, claims, and liabilities (collectively, "**Claims**") asserted by any other party in connection with the transactions contemplated by the Loan Documents including without limitation, any cost, loss or liability arising as a result of clause 5 (Sharing among the Finance Parties) of the Agency and Security Trust Deed;

(b) any payment made to the Agent or the Security Agent pursuant to clause 3.11 of the Agency and Security Trust Deed; and

(c) all direct losses or bank expenses incurred, or paid by such Indemnified Person from, following, or consequential to transactions between the Finance Parties and such Obligors (including legal and audit fees and expenses), except for Claims and/or losses directly caused by such Indemnified Person's gross negligence or wilful misconduct.

11.11 **Illegality**

If it shall become unlawful for the Lenders to continue to fund or maintain any Credit Extensions, or to perform its obligations hereunder, upon demand by Agent, the Obligors shall prepay the Credit Extensions in full with all accrued interest thereon and all other amounts payable by such Obligors hereunder. The Term Loan Early Termination Fee shall not be payable by the Obligors where such illegality or unlawfulness arises as a result of an act or omission on the part of the Agent but, for the avoidance of doubt, the Term Loan Early Termination Fee shall be payable by the Obligors where such illegality or unlawfulness arises as a result of any act or omission on such Obligor's part.

11.12 **Additional Costs**

11.12.1 Borrower shall pay Agent, promptly after receipt of a written demand and suitable evidence of the cost having been incurred by Agent, from time to time such amounts as Agent may reasonably determine to be necessary to compensate it for any costs incurred by Agent that Agent determines are directly attributable to its making or maintaining of any amount receivable by Agent hereunder in respect of any Credit Extensions relating thereto (such increases in costs and reductions in amounts receivable being herein called "**Additional Costs**"), in each case resulting from any regulatory change which:

(a) changes the basis of taxation of any amounts payable to Agent under this Agreement in respect of any Credit Extensions (other than changes which affect taxes measured by or imposed on the overall net income of Agent by the jurisdiction in which Agent has its principal office);

(b) imposes or modifies any reserve, special deposit or similar requirements relating to any extensions of credit or other assets of, or any deposits with, or other liabilities of Agent; or

(c) imposes any other condition affecting this Agreement (or any of such extensions of credit or liabilities),

(each of the events specified at Clauses 11.12.1(a), 11.12.1(b) and 11.12.1(c) (except an event attributable to the wilful breach by the Agent or any of its Affiliates of any law or regulation) being a "**Regulatory Change**").

11.12.2 Agent will notify Borrower of any event occurring after the Closing Date which will entitle Agent to compensation pursuant to this Clause 11.12 (Additional Costs) as promptly as practicable after it obtains knowledge thereof and determines to request such compensation. Agent will furnish Borrower with a statement setting out the basis and amount of each request by Agent for compensation under this Clause 11.12 (Additional Costs). Determinations and allocations by Agent for purposes of this Clause 11.12 (Additional Costs) of the effect of any Regulatory Change on its costs of maintaining its obligations to make Credit Extensions, of making or maintaining Credit Extensions, or on amounts receivable by it in respect of Credit Extensions, and of the additional amounts required to compensate Agent in respect of any Additional Costs, shall be conclusive in the absence of manifest error.

11.12.3 If Agent shall determine (acting reasonably) that the adoption or implementation of any applicable law, rule, regulation, or treaty regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank, or comparable agency charged with the interpretation or administration thereof, or compliance by Agent (or its applicable lending office) with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank, or comparable agency, has or would have the effect of reducing the rate of return on capital of Agent or any person or entity controlling Agent (a "**Parent**") as a consequence of its obligations hereunder to a level below that which Agent (or its Parent) could have achieved but for such adoption, change, or compliance (taking into consideration policies with respect to capital adequacy) by an amount deemed by Agent to be material, then from time to time, within five (5) days after demand by Agent, Borrower shall pay to Agent such additional amount or amounts as will compensate Agent for such reduction. A statement of Agent claiming compensation under this Clause 11.12 (Additional Costs) and setting out the additional amount or amounts to be paid to it hereunder shall be conclusive absent manifest error.

11.13 **Indemnity to the Agent**

11.13.1 The Borrower shall promptly indemnify the Agent against:

(a) any cost, loss or liability incurred by the Agent (acting reasonably) as a result of:

(i) investigating any event which it reasonably believes is an Event of Default;

(ii) acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised; or

(iii) instructing lawyers, accountants, tax advisers, surveyors or other professional advisers or experts as permitted under this Loan Agreement; and

(b) any reasonable cost, loss or liability (including, without limitation, for negligence or any other category of liability whatsoever) incurred by the Agent (otherwise than by reason of the Agent's gross negligence or wilful misconduct) in acting as Agent under the Loan Documents.

11.14 **Indemnity to the Security Agent**

11.14.1 Each Obligor jointly and severally shall promptly indemnify the Security Agent and every Receiver against any reasonable cost, loss or liability incurred by any of them as a result of:

(a) any failure by the Borrower to comply with its obligations under Clause 2.10.2 (Lenders Expenses) and Clause 11.4 (Lenders Expenses);

(b) acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised;

(c) the taking, holding, protection or enforcement of the Security Document;

(d) the exercise of any of the rights, powers, discretions, authorities and remedies vested in the Security Agent and each Receiver by the Loan Documents or by law;

(e) any default by any Obligor in the performance of any of the obligations expressed to be assumed by it in the Loan Documents; or

(f) acting as Security Agent or Receiver under the Loan Documents or which otherwise relates to any of the Collateral (otherwise, in each case, than by reason of the relevant Security Agent's or Receiver's gross negligence or wilful misconduct).

11.14.2 The Security Agent and every Receiver may, in priority to any payment to the Lenders and to the fullest extent permitted under applicable law, indemnify itself out of the Collateral in respect of, and pay and retain, all sums necessary to give effect to the indemnity in this Clause 11.14 and shall have a lien on the Security Documents and the proceeds of the enforcement of the Security Documents for all moneys payable to it.

11.15 **FINANCE PARTIES OBLIGATION**

11.15.1 The Finance Parties each acknowledge that the Borrower is a company whose financial instruments are traded in a Multilateral Trading Facility and that information of the Group provided to them pursuant to the Loan Documents may constitute inside information for the purposes of the Market Abuse Regulation ("**MAR**") and other applicable legislation. Accordingly, each of the Finance Parties hereby irrevocably and unconditionally covenant with the Obligors that:

(a) such Finance Party will create and keep up to date a list of any individuals who have access to any information from the Group in respect of the Loan Documents (or disclosed to them in connection with the Loan Documents) in the form provided to such Finance Party by the Borrower on or around the date of this Agreement or in such other form as may be reasonably agreed between the Borrower and the relevant Finance Party (such lists being "Finance Party Insider Lists");

(b) such Finance Party shall promptly provide a copy of any Finance Party Insider List held by it to the Borrower or to the Financial Conduct Authority upon request in writing by either of the foregoing;

(c) such Finance Party shall retain all copies of any Finance Party Insider Lists held by it for not less than five (5) years after the expiration of any obligations owed by the Obligors to the Finance Parties pursuant to the Loan Documents;

(d) such Finance Party shall take reasonable measures to ensure that any person named on a list is aware of the sanctions that may apply for any misuse or unauthorised distribution of any inside information held by them in respect of any members of the Group; and

(e) such Finance Party shall take all measures necessary or desirable within its control to ensure that it is in compliance with the requirements of MAR and any similar applicable legislation in relation to such inside information provided to it pursuant to the Loan Documents.

12 **GUARANTEE AND INDEMNITY**

12.1 Each Guarantor irrevocably and unconditionally:

12.1.1 guarantees to the Finance Parties punctual performance by the Borrower of all such Borrower's obligations under the Loan Documents;

12.1.2 undertakes with the Finance Parties that whenever the Borrower does not pay any amount when due under or in connection with any Loan Document and after any applicable grace period has expired, that Guarantor shall promptly and without delay on demand pay that amount as if it was the principal obligor; and

12.1.3 agrees with the Finance Parties that if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal, it will, as an independent and primary obligation, indemnify the Finance Parties promptly and without delay on demand against any cost, loss or liability it incurs as a result of the Borrower not paying any amount which would, but for such unenforceability, invalidity or illegality, have been payable by it under any Loan Document on the date when it would have been due. The amount payable by the Guarantor under this indemnity will not exceed the amount it would have had to pay under this Clause 12 if the amount claimed had been recoverable on the basis of a guarantee.

12.2 This guarantee is a continuing guarantee and will extend to the ultimate balance of sums payable by the Borrower under the Loan Documents, regardless of any intermediate payment or discharge in whole or in part.

12.3 If any discharge, release or arrangement (whether in respect of the obligations of the Borrower or any security for those obligations or otherwise) is made by the Agent in whole or in part on the basis of any payment, security or other disposition which is avoided or must be restored in insolvency, liquidation, administration or otherwise, without limitation, then the liability of each Guarantor under this Clause 12 will continue or be reinstated as if the discharge, release or arrangement had not occurred.

12.4 The obligations of each Guarantor under this Clause 12 will not be affected by an act, omission, matter or thing which, but for this Clause 12, would reduce, release or prejudice any of its obligations under this Clause 12 (without limitation and whether or not known to it or the Finance Parties) including:

12.4.1 any time, waiver or consent granted to, or composition with, the Borrower or other person;

12.4.2 the release of the Borrower or any other person under the terms of any composition or arrangement with any creditor of the Borrower;

12.4.3 the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, the Borrower or other person or any non- presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;

12.4.4 any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of the Borrower or any other person;

12.4.5 any amendment, novation, supplement, extension, restatement (however fundamental and whether or not more onerous) or replacement of any Loan Document or any other document or security including without limitation any change in the purpose of, any extension of or any increase in any facility or the addition of any new facility under any Loan Document or other document or security;

12.4.6 any unenforceability, illegality or invalidity of any obligation of any person under any Loan Document or any other document or security; or

12.4.7 any insolvency or similar proceedings.

12.5 Without prejudice to the generality of this Clause 12, each Guarantor expressly confirms that it intends that this guarantee shall extend from time to time to any (however fundamental) variation, increase, extension or addition of or to any of the Loan Documents and/or any facility or amount made available under any of the Loan Documents for the purposes of or in connection with any of the following: business acquisitions of any nature; increasing working capital; enabling investor distributions to be made; carrying out restructurings; refinancing existing facilities; refinancing any other indebtedness; making facilities available to new borrowers; any other variation or extension of the purposes for which any such facility or amount might be made available from time to time; and any fees, costs and/or expenses associated with any of the foregoing.

12.6 Each Guarantor waives any right it may have of first requiring any Finance Party (or any trustee or agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person before claiming from each Guarantor under this Clause 12 provided the Borrower is in breach of the Obligations and any applicable grace period has been exhausted. This waiver applies irrespective of any law or any provision of a Loan Document to the contrary.

12.7 Unless:

12.7.1 all amounts which may be or become payable by the Borrower under the Loan Documents have been irrevocably paid in full; or

12.7.2 the Agent otherwise directs,

each Guarantor shall not, after a claim has been made or by virtue of any payment by it under this Clause 12:

(a) present claims for the creditor's meeting to the bankruptcy trustee or administrator of, or vote as a creditor of the Borrower that is bankrupt in competition with the Finance Parties; or

(b) receive, claim or have the benefit of any payment from or on account of the Borrower, or exercise any right of set-off against the Borrower.

12.8 Until all amounts which may be or become payable by the Borrower under or in connection with the Loan Documents have been irrevocably paid in full and unless the Agent otherwise directs, each Guarantor will not exercise any rights which it may have by reason of performance by it of its obligations under the Loan Documents or by reason of any amount being payable, or liability arising, under this Clause 12:

12.8.1 to be indemnified by the Borrower;

12.8.2 to claim any contribution from any other guarantor of the Borrower's obligations under the Loan Documents;

12.8.3 to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Finance Parties under the Loan Documents or of any other guarantee or security taken pursuant to, or in connection with, the Loan Documents by any Finance Party;

12.8.4 to bring legal or other proceedings for an order requiring the Borrower to make any payment, or perform any obligation, in respect of which such Guarantor has given a guarantee, undertaking or indemnity under Clause 12.1;

12.8.5 to exercise any right of set-off against the Borrower; and/or

12.8.6 to claim or prove as a creditor of the Borrower in competition with the Finance Parties.

12.8.7 If the Borrower receives any benefit, payment or distribution in relation to such rights it shall hold that benefit, payment or distribution to the extent necessary to enable all amounts which may be or become payable to the Finance Parties by the Obligors under or in connection with the Loan Documents to be repaid in full on trust for the Finance Parties and shall promptly pay or transfer the same to the Agent or as the Agent may direct for application.

12.9 This guarantee is in addition to and is not in any way prejudiced by any other guarantee or security now or subsequently held by the Finance Parties.

12.10 This guarantee does not apply to any liability to the extent that it would result in this guarantee constituting unlawful financial assistance.

13 **NOTICES**

All notices, consents, requests, approvals, demands, or other communication by any party to this Agreement or any other Loan Document must be in writing and shall be deemed to have been validly served, given, or delivered: (a) upon the earlier of actual receipt and five (5) Business Days after deposit in the mail, first class, registered or certified mail return receipt requested, with proper postage prepaid; (b) upon transmission, when sent by electronic mail or facsimile transmission; (c) one (1) Business Day after deposit with a reputable overnight courier with all charges prepaid; or (d) when delivered, if hand-delivered by messenger, all of which shall be addressed to the party to be notified and sent to the address, facsimile number, or email address indicated below. Finance Parties or Borrower may change their mailing or electronic mail address or facsimile number by giving the other party written notice thereof in accordance with the terms of this Clause 13 (Notices).

If to Borrower:

Mereo BioPharma Group plc
4th Floor,
1 Cavendish Place,
London W1G 0QF

Attn: General Counsel
Email: legal@mereobiopharma.com

If to the Guarantors (on behalf of all of them):

Mereo Biopharma 1 Limited
4th Floor,
1 Cavendish Place,
London W1G 0QF

Attn: General Counsel
Email: legal@mereobiopharma.com

with a copy to:
Covington & Burling LLP
265 Strand
London, WC2R 1BH

Attn: James Gubbins
Email: jgubbins@cov.com

If to Silicon Valley Bank (as Lender):

Silicon Valley Bank
Alphabeta
14-18 Finsbury Square
London EC2A 1BR

Attn: Jim Watts
Fax: +44(0)207 600 9556
Email: JWatts2@svb.com

with a copy to:
Charles Russell Speechlys LLP
5 Fleet Place
London EC4M 7RD
Fax: +44 (0)207 427 6600

Attn: Chris Putt

If to Kreos Capital V (UK) Limited (as Lender, Agent, Security Agent):

25-28 Old Burlington Street
London
W1S 3AN

Fax: +44 (0)207 409 1034
Attention: Jack Diamond

with a copy to:
Charles Russell Speechlys LLP
5 Fleet Place
London EC4M 7RD
Fax: +44 (0)207 427 6600

Attn: Chris Putt

14 AGENCY AND SECURITY TRUST DEED

The terms of the Agency and Security Trust Deed shall be deemed to be incorporated in this Agreement as though set out in full in this Agreement, with any reference to "this Deed" being deemed to be a reference to "this Agreement", subject to any necessary changes.

15 CHOICE OF LAW AND JURISDICTION

15.1 This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

15.2 The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with this Agreement (including a dispute regarding the existence, validity or termination of this Agreement or any non-contractual obligations arising out of or in connection with this Agreement). It is agreed that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no party will argue to the contrary.

15.3 This Clause 15 (Choice of Law and Jurisdiction) is for the benefit of the Finance Parties only. As a result, the Finance Parties shall not be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Finance Parties may take concurrent proceedings in any number of jurisdictions.

16 GENERAL PROVISIONS

16.1 Changes to the Parties

16.1.1 This Agreement binds and is for the benefit of the successors and permitted assigns of each party.

16.1.2 No Borrower may assign any of its rights or transfer any of its rights or obligations under the Loan Documents without the Agent's prior written consent (which may be granted or withheld in the Agent's sole discretion).

16.1.3 The Finance Parties have the right, with prior written notice, but without the consent of the Borrower, to sell, transfer, assign, negotiate, or grant participation in all or any part of, or any interest in, their obligations, rights and benefits under any Loan Document to a Permitted Transferee. Notwithstanding any other provisions of this Agreement, no transfer shall be made to any person which is a Competitor of the Borrower or any other Group Company.

16.1.4 In the case of any assignments under any Loan Documents, the Obligors shall only be required to make any additional payments under Clause 11.6.2 (Withholding; Gross-up) to the same extent as would have been the case if the sale, transfer, assignment, negotiation or participation had not occurred. This Clause 16.1.4 shall not apply to a Treaty Lender that has included a confirmation of its scheme reference number and its jurisdiction of tax residence in accordance with Clause 11.6.4(b) if the Obligor has not made a Borrower DTTP Filing in respect of that Treaty Lender.

16.1.5 An assignment or transfer of part of the Kreos Commitment or the SVB Commitment or part of its rights and obligations under this Agreement by a Lender must be in a minimum amount of One Hundred Thousand Pounds (£100,000) or multiples thereof.

16.2 **Accession of Borrowers**

16.2.1 The Agent may request that any of the Borrower's Subsidiaries becomes a Borrower and/or a Guarantor. Upon such request from the Agent, the Subsidiary and the Borrower shall within thirty (30) days of such request provide the Agent with:

(a) a duly completed and executed Accession Deed;

(b) if the relevant Subsidiary is incorporated in a jurisdiction different to the existing Obligors or if otherwise required, an amendment to this Agreement setting out such additional matters as the Agent's local counsel may advise are required; and

(c) such Security and other documents (including, but not limited to, opinions of counsel) and evidence as it may reasonably request (in form and substance similar to the items provided by the Obligors pursuant to Clause 3 (Conditions of Loans).

16.2.2 The Agent shall notify the Obligors promptly upon being satisfied that it has received all of the items listed in Clause 16.2.1.

16.3 **Right of Set-Off**

16.3.1 Each Obligor at any time whilst an Event of Default is continuing, authorises each Finance Party to apply (without prior notice) any credit balance (whether or not then due) to which such Obligor is at any time beneficially entitled on any account at, any sum held to its order by and/or any liability or obligation (whether or not matured) of, any office of SVB in or towards satisfaction of any sum then due and payable by it to any Finance Party under the Loan Documents and unpaid and, for that purpose, to convert one currency into another, provided that nothing in this Clause 16.3 shall create a charge.

16.3.2 The Finance Parties shall not be obliged to exercise any of their rights under this Clause 16, which shall be without prejudice and in addition to any right of set-off, combination of accounts, lien or other right (including the benefit of the Loan Documents) to which it is at any time otherwise entitled (whether by operation of law, contract or otherwise).

16.4 **Sanctions**

Each Obligor undertakes to the Agent that it is not:

16.4.1 a Restricted Party and is not engaging in any transaction or conduct that could be reasonably expected to result in it becoming a Restricted Party;

16.4.2 subject to any claim, proceeding, formal notice or investigation with respect to Sanctions;

16.4.3 is engaging in any transaction that evades or avoids, or has the purpose of evading or avoiding, or breaches or attempts to breach, directly or indirectly, any Sanctions applicable to it; or

16.4.4 is engaging, directly or indirectly, in any trade, business or other activities with or for the benefit of a Restricted Party.

16.5 **Severability of Provision**

Each provision of this Agreement is severable from every other provision in determining the enforceability of any provision.

16.6 **Correction of Loan Documents**

Agent may complete any blanks in the Loan Documents consistent with the agreement of the parties.

16.7 **Amendments in Writing; Waiver; Integration**

No purported amendment or modification of any Loan Document, or waiver, discharge or termination of any obligation under any Loan Document, shall be enforceable or admissible unless, and only to the extent, expressly set out in writing signed by the party against which enforcement or admission is sought. Without limiting the generality of the foregoing, no oral promise or statement, nor any action, inaction, delay, failure to require performance or course of conduct shall operate as, or evidence, an amendment, supplement or waiver or have any other effect on any Loan Document. Any waiver granted shall be limited to the specific circumstance expressly described in it, and shall not apply to any subsequent or other circumstance, whether similar or dissimilar, or give rise to, or evidence, any obligation or commitment to grant any further waiver. The Loan Documents represent the entire agreement about this subject matter and supersede prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties hereto about the subject matter of the Loan Documents shall cease to have effect from the date of this Agreement.

16.8 **Counterparts**

This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, are an original, and all taken together, constitute one Agreement.

16.9 **Survival**

All covenants, representations and warranties made in this Agreement continue in full force until this Agreement has terminated pursuant to its terms and all Obligations (other than obligations which, by their terms, are to survive the termination of this Agreement) have been paid in full and satisfied. The obligation of the Obligors in Clause 11.10 (Other Indemnities) to indemnify Finance Parties shall survive until the statute of limitations with respect to such claim or cause of action shall have run.

16.10 **Confidentiality**

16.10.1 In handling any confidential information, the Finance Parties shall exercise the same degree of care that it exercises for their own proprietary information, but disclosure of information may be made: (a) to such Finance Parties Subsidiaries or Affiliates; (b) to prospective transferees or purchasers of any interest in the Credit Extensions (provided, however, such Finance Party shall use its reasonable efforts to obtain any prospective transferee's or purchaser's agreement to the terms of this provision); (c) as required by law, regulation, subpoena, or other order; (d) to such Finance Party regulators or as otherwise required in connection with such Finance Party examination or audit; (e) as such Finance Party considers appropriate in exercising remedies under the Loan Documents; and (f) to third-party service providers of such Finance Party so long as such service providers have executed a confidentiality agreement with the Finance Parties with terms no less restrictive than those contained herein.

16.10.2 Confidential information does not include information that is either: (i) in the public domain or in the Finance Parties possession when disclosed to the Finance Parties, or becomes part of the public domain after disclosure to the Finance Parties; or (ii) disclosed to the Finance Parties by a third party if the Finance Parties do not know that the third party is prohibited from disclosing the information.

16.10.3 The Finance Parties may use confidential information for the development of databases, reporting purposes, and market analysis so long as such confidential information is aggregated and anonymised prior to distribution unless otherwise expressly permitted by the Obligors. The provisions of the immediately preceding sentence shall survive the termination of this Agreement

16.11 **Continuing obligations**

All covenants, representations and warranties made in this Agreement continue in full force until this Agreement has terminated pursuant to its terms and all Obligations (other than inchoate indemnity obligations and any other obligations which, by their terms, are to survive the termination of this Agreement) have been satisfied.

16.12 **Relationship**

The relationship of the parties to this Agreement is determined solely by the provisions of this Agreement. The parties hereto do not intend to create any agency, partnership, joint venture, trust, fiduciary or other relationship with duties or incidents different from those of parties to an arm's-length contract.

16.13 **Third Party Rights**

A Person who is not a party to this Agreement has no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce or enjoy the benefit of any term of this Agreement.

16.14 **Calculations and certificates**

16.14.1 Agent shall maintain accounts evidencing the amount the Obligors owe it, in accordance with its usual practice. The entries made in the accounts maintained by Agent are prima facie evidence of the Obligors' obligations and amount owed to Agent.

16.14.2 Any certification or determination by Agent of a rate or amount under this Agreement is, in the absence of manifest error, conclusive evidence of the matters to which it relates. Each certificate or determination shall contain reasonable details of the basis of determination.

17 **DEFINITIONS**

17.1 **Definitions**

In this Agreement:

"Accession Deed" a deed relating to this Agreement, in the form set out at **Exhibit D** whereby any third party entering into the Accession Deed shall become bound by the terms of this Agreement.

"Account Debtors" a person or enterprise who owes money to the Borrower at any time.

"Accounts Date" is defined in Clause 5.4.1 (Financial Statements; Financial Condition).

"Accounts" are all present and future book debts, accounts, accounts receivable, contract rights, and other obligations owed to Borrower in connection with its sale or lease of goods (including licensing software and other technology) or provision of services, all credit insurance, guarantees, other security and all merchandise returned or reclaimed by Borrower and Borrower's Books relating to any of the foregoing, as such definition may be amended from time to time.

"Additional Costs" is defined in Clause 11.12 (Additional Costs).

"Advance Payment" means the T1 Advance Payment and the T2 Advance Payment, as the case may be.

"Affiliate" is a Person that owns or controls directly or indirectly the Person, any Person that controls or is controlled by or is under common control with the Person, including any Subsidiaries, and each of that Person's senior executive officers, directors, partners and, for any Person that is a limited liability company, that Person's managers and members.

“Agency and Security Trust Deed” the deed dated on or about the Closing Date between, among others, the Agent, the Security Agent and the Lenders in relation to this Agreement.

“Agreed Form” means in relation to any document the form of that document specifically agreed by or on behalf of Borrower and Agent.

“Agreement” means this loan agreement.

“Arrangement Fee” is defined in Clause 2.10.1 (Arrangement Fee).

“Availability Period” means the T1 Availability Period and the T2 Availability Period, as the case may be;

“Borrowers” the Borrower and any company that becomes a Borrower in accordance with Clause 16.2 (Accession of Obligors) and **“Borrower”** means any one of them.

“Borrower Debenture” the debenture in respect of all assets and undertaking of the Borrower in the Agreed Form.

“Business Day” is any day that is not a Saturday, Sunday, a day on which either Lender is closed or a day on which leading banks are closed in the City of London, England and/or the State of California.

“Business” means the research, development, production, trading and licensing of rights, Intellectual Property and/or products within the life sciences industry (or any of the foregoing or any activities connected thereto).

“Change in Control” means any event, transaction, or occurrence as a result of which any person (a) acquires directly or indirectly the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to (i) cast, or control the casting of, more than 50% of the maximum number of votes that might be cast at a general meeting of the Borrower, or (ii) appoint or remove all, or the majority, of the members of the board of the Borrower; or (b) acquires directly or indirectly the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to hold beneficially more than 50% of the issued share capital of either the Borrower.

“Claims” is defined in Clause 11.10.1(a) (Other indemnities).

“Clinical Trials Directive” is defined in Clause 6.7 (Clinical Trials).

“Closing Date” means the date of satisfaction of all conditions to drawdown of Tranche 1 payment to Clause 3 (Conditions of Loans) being in any event a date not later than twenty (20) Business Days from the signing of this Agreement.

"Closing" means closing of the transaction contemplated by this Agreement pursuant to Clause 3 (Conditions of Loans).

"Code" the US Internal Revenue Code of 1986.

"Collateral" is defined in Clause 4.1 (Security Documents).

"Companies Act" the Companies Act 2006 as amended from time to time.

"Competitor" means any entity (other than a reputable financial institution) whose business directly competes with the Business carried out by the a Group Company;

"Compliance Certificate" means the certificate in the form of **Exhibit B** to this Agreement.

"Contingent Obligation" is, for any Person, any direct or indirect liability, which is dependent or contingent upon a future event including (i) any indebtedness, lease, dividend, letter of credit or other obligation of another such as an obligation directly or indirectly guaranteed, co-made, discounted or sold with recourse by that Person, or for which that Person is directly or indirectly liable; (ii) any obligations for undrawn letters of credit for the account of that Person; and (iii) all obligations from any interest rate, currency or commodity swap agreement, interest rate cap or collar agreement, or other agreement or arrangement designed to protect a Person against fluctuation in interest rates, currency exchange rates or commodity prices. The amount of a Contingent Obligation is the stated or determined amount of the primary obligation for which the Contingent Obligation is made or, if not determinable, the maximum reasonably anticipated liability for it determined by the Person in good faith; but the amount may not exceed the maximum of the obligations under any guarantee or other support arrangement.

"**Convertible Loan**" means the convertible loan pursuant to the loan note instrument dated 3 June 2016 and subsequently amended on 4 May 2017 between the Borrower (as the issuer) and Novartis Pharma AG (as the noteholder).

"Copyrights" are all copyright rights, applications or registrations and like protections in each work or authorship or derivative work, whether published or not (whether or not it is a trade secret) now or later existing, created, acquired or held, including those described in the Perfection Certificate.

"Credit Extension" is the Term Loan or any other extension of credit by Finance Parties for Borrower's benefit under this Agreement. "**CTA**" means the Corporation Tax Act 2009.

"Debentures" together the Borrower Debenture, Guarantor 1 Debenture, Guarantor 2 Debenture and Guarantor 3 Debenture.

"Default Rate" is defined in Clause 2.9.2 (Default Rate).

"Delegate" any delegate, agent, attorney or co-trustee appointed by the Security Agent.

"Deposit" is defined in Clause 2.10.2 (Lenders Expenses).

"Dispute" is defined in Clause 15 (Choice of Law and Jurisdiction).

"Drawdown Date" is the date on which either Tranche 1 or Tranche 2 is made;

"Equipment" is all present and future machinery, equipment, tenant improvements, furniture, fixture vehicles (including motor vehicles and trailers), tools, parts and attachments in which an Obligor has any interest.

"Event of Default" means any of the events set out in Clause 10 (Events of Default).

"Facility" means the loan facility made available under this Agreement.

"FATCA" means:

(a) sections 1471 to 1474 of the Code or any associated regulations or other official guidance;

(b) any treaty, law, regulation or other official guidance enacted in any other jurisdiction, or relating to an inter-governmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of paragraph (a) above; or

(c) any agreement pursuant to the implementation of paragraph (a) or (b) above with the IRS, the US government or any governmental or taxation authority in any other jurisdiction.

"FATCA Deduction" means a deduction or withholding from a payment under a Loan Document required by FATCA.

"FATCA Exempt Party" means a Party that is entitled to receive payments free from any FATCA Deduction.

"FATCA FFI" a foreign financial institution as defined in section 1471(d)(4) of the Code which, if a Finance Party is not a FATCA Exempt Party, could be required to make a FATCA Deduction.

"FATCA Payment" the increase in a payment made by an Obligor to a Finance Party under Clause 11.6.13 (FATCA Deduction and gross up by Obligor).

"Final Payment" means seven and a half per cent. (7.5%) of the total principal amount drawn by Borrower under the Facility payable on the Final Repayment Date or otherwise in accordance with Clause 2.8 (Final Payment).

"Final Repayment Date" means 1 March 2021 in respect of Tranche 1 and 1 March 2021 in respect of Tranche 2.

"Finance Parties" means together the Lenders, the Agent and the Security Agent, each of them being a "**Finance Party**".

"Foreign Currency" means any lawful money that is not Sterling.

"GAAP" is generally accepted accounting principles in the United Kingdom, including IFRS.

"Governmental Approval" is any consent, authorisation, approval, order, licence, franchise, permit, certificate, accreditation, registration, filing or notice, of, issued by, from or to, or other act by or in respect of, any Governmental Authority.

"Governmental Authority" is any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, Regulatory Authority, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative functions of or pertaining to government, any securities exchange and any self-regulatory organisation.

"Group" means the Borrower and its Subsidiaries from time to time;

"Guarantor 1" Mereo BioPharma 1 Limited, a company formed in England and Wales with CRO number 09646998 and registered office at 4th Floor, One Cavendish Place, London, W1G 0QF, England.

"Guarantor 2" Mereo BioPharma 2 Limited, a company formed in England and Wales with CRO number 09647035 and registered office at 4th Floor, One Cavendish Place, London, W1G 0QF, England.

"Guarantor 3" Mereo BioPharma 3 Limited, a company formed in England and Wales with CRO number 09647034 and registered office at 4th Floor, One Cavendish Place, London, W1G 0QF, England.

"Guarantors" Guarantor 1, Guarantor 2 and Guarantor 3 and any person who guarantees the Obligations in accordance with Clause 12 (Guarantee and indemnity) and any Person who becomes a Guarantor in accordance with Clause 16.2 (Accession of Borrowers) and "Guarantor" means any one of them.

"Guarantor 1 Debenture" a debenture in respect of all assets and undertaking of Guarantor 1 in the Agreed Form.

"Guarantor 2 Debenture" a debenture in respect of all assets and undertaking of Guarantor 2 in the Agreed Form.

"Guarantor 3 Debenture" a debenture in respect of all assets and undertaking of Guarantor 3 in the Agreed Form.

"IFRS" are the International Financial Reporting Standards, a collection of guidelines and rules set by the International Accounting Standards Board (www.iasb.org) which are applicable to the circumstances as of the date of determination.

“Indebtedness” is (a) indebtedness for borrowed money or the deferred price of property or services, such as reimbursement and other obligations for surety bonds and letters of credit, (b) obligations evidenced by notes, bonds, debentures or similar instruments, (c) capital lease obligations and (d) Contingent Obligations of Borrower.

“Indemnified Person” is defined in Clause 11.10.1 (Other Indemnities).

“Insolvency Proceeding” is defined in Clause 10.5 (Insolvency and Insolvency Proceedings).

“Intellectual Property” means all of an Obligor’s present and future right, title, and interest in and to the following:

(a) its Copyrights, Trademarks and Patents;

(b) any and all trade secrets and trade secret rights, including any rights to unpatented inventions, know-how and operating manuals;

(c) any and all source codes;

(d) any and all design rights which may be available to such Obligor;

(e) any and all claims for damages by way of past, present and future infringement of any of the foregoing, with the right, but not the obligation, to sue for and collect such damages for said use or infringement of the Intellectual Property rights identified above; and

(f) all amendments, renewals and extensions of any of the Copyrights, Trademarks or Patents.

“Intercreditor Agreement” the intercreditor agreement as between the Lenders dated on or about the Closing Date.

“Interest Only Period” is defined in Clause 2.3.1 (Repayment of Term Loan).

“Interest Payment Date” means the first day of each month.

“Interim Payment” the payment in respect of interest accruing during the period from the Drawdown Date to the first Repayment Date, being an amount calculated at a fixed annual interest rate of nine per cent. (9%), such amount accruing on a daily basis from the period from and including the Drawdown Date to first Repayment Date following the Drawdown Date;

“Investment” is any beneficial ownership of stocks, shares, bonds and securities (including any partnership interest) in any Person, or any loan, advance or capital contribution to any Person.

“IP Agreement” is that certain Intellectual Property security confirmation agreement entered into by and between each Obligor and Agent dated on or around the date of this Agreement, as such may be amended from time to time.

"ITA" means the Income Tax Act 2007.

"Kreos Commitment" means Five Million Pounds (£5,000,000) in respect of Tranche 1 and Five Million Pounds (£5,000,000) in respect of Tranche 2.

"Lender Expenses" are (a) all audit fees and expenses and reasonable costs and expenses (including reasonable legal fees and expenses) for preparing, negotiating, closing and administering, the Loan Documents or otherwise incurred with respect to Borrower (up to a maximum aggregate amount of £60,000 plus VAT in respect of Tranche 1); and (b) all costs and expenses (including legal fees and expenses) for defending and enforcing the Loan Documents (including appeals or Insolvency Proceedings) or otherwise incurred with respect to any Obligor in each case supported by a written invoice.

"Letter of Credit" is a standby or commercial letter of credit issued by Agent upon request of an Obligor based upon an application, guarantee, indemnity or similar agreement.

"Lien" is a mortgage, lien, deed of trust, levy, charge, assignment, pledge, security interest or other encumbrance.

"Loan Documents" are, collectively, this Agreement, the Intercreditor Agreement, the Agency and Security Trust Deed, the Perfection Certificates, the Security Documents, and any loan, notes or guarantees executed by an Obligor in favour of Finance Parties, and any other present or future agreement between an Obligor and/or for the benefit of Finance Parties in connection with this Agreement, all as amended, extended or restated.

"Loan Payment/Advance Request Form" is that certain form attached hereto as **Exhibit A**.

"Management Accounts Date" is defined in Clause 5.4.2 (Financial Statements; Financial Condition).

"Material Adverse Change" is: (i) a material impairment in the perfection or priority of Security Agent's security interest in the Collateral or in the value of such Collateral; (ii) a material adverse change in the business, operations, or condition (financial or otherwise) of an Obligor; or (iii) a material impairment of the prospect of repayment of any portion of the Obligations;

"Member of the same Fund Group" is if the shareholder is a fund, partnership, company, syndicate or other entity whose business is managed by a Fund Manager (an "Investment Fund") or a nominee of that person:

(a) any participant or partner in or member of any such Investment Fund or the holders of any unit trust which is a participant or partner in or member of any Investment Fund but only in connection with the dissolution of Investment Fund or any distribution of assets of the Investment Fund pursuant to the operation of the Investment Fund in the ordinary course of business,

(b) any Investment Fund managed or exclusively advised by that Fund Manager,

(c) a Parent Undertaking or Subsidiary Undertaking of that Investment Fund or Fund Manager, or any Subsidiary Undertaking of any Parent Undertaking of that Investment Fund or Fund Manager, or

(d) any trustee, nominee or custodian of such Investment Fund and vice versa;

"Mereo Guarantee Letter" means the letter as between the Borrower and the Guarantors dated on or around the date of this Agreement in connection with each Guarantor's agreement to guarantee the Borrower's performance of its obligations under the Loan Documents.

"Monthly Financial Statements" is defined in Clause 6.2.1 (Monthly Financial Statements).

"Monthly Repayments" is defined in Clause 2.3.2 (Repayment of Term Loan).

"Novartis Acquisition Agreement" means the three asset purchase agreements dated 28 July 2015, between Novartis and each of the Guarantors, respectively, and which relate to the purchase by each Guarantor of certain intellectual property rights from Novartis.

"Novartis" means Novartis Pharma AG, a company incorporated and registered in Switzerland whose registered office is Postfach, 4002 Basel Switzerland;

"**Obligations**" are all present and future monies, liabilities, obligations, debts, principal, interest, Lender Expenses and other amounts owing by an Obligor to any Secured Party, in each case whether actual or contingent (including, but without limitation, Contingent Obligations) and whether owing as principal or as surety or in any other capacity or of any nature arising, in each of the foregoing cases, under or in connection with the Loan Documents, and including interest accruing after Insolvency Proceedings begin.

"Obligor's Books" means all of an Obligor's books and records including ledgers, records regarding that Obligor's assets or liabilities, the Collateral, business operations or financial condition and all computer programs or discs or any equipment containing such information.

"Obligors" means together, Borrower and Guarantors and **"Obligor"** means any one of them.

"Parent" is defined in Clause 11.12.3 (Additional Costs).

"Patents" are patents, including improvements, divisions, continuations, renewals, reissues, extensions and continuations-in-part of the same, including as described in the Perfection Certificates and in each case owned by an Obligor.

"Perfection Certificate" is defined in Clause 5.1 (Due Incorporation and Authorisation; Power and Authority) in respect of the Borrower and the Guarantors and "Perfection Certificates" is all of them.

"Permitted Disposal" means:

(a) any licencing or sale of the Intellectual Property in the ordinary course of business on an arm's length basis, provided that the proceeds of such licensing or sale are used for the business of the Obligors, which shall, for the avoidance of doubt, include repayment obligations in respect of the Term Loan;

(b) any payment or disposal made in respect of Permitted Indebtedness, a Permitted Investment, a Permitted Lien, or a Permitted Guarantee;

(c) any disposal of assets permitted by the Debenture relevant to the Obligor in question in exchange for cash or other assets comparable or superior as to type, value or quality, or a disposal that is otherwise approved in writing by the Agent;

(d) any disposal from an Obligor to another member of the Group; and/or

(e) any disposal(s) not otherwise covered by the provisions of (a) to (d) above, up to an aggregate amount of £250,000 (or its equivalent in other currencies) in any financial year.

"Permitted Guarantee" means:

(a) any guarantee, indemnity, performance bond or similar obligation given by a member of the Group for its liabilities (or those of another member of the Group) in the ordinary course of business;

(b) any indemnity or guarantee in respect of documentation for an acquisition or disposal by an Obligor that is permitted by the Loan Agreements;

(c) any guarantee or indemnity by a member of the Group in respect of any Permitted Indebtedness; and/or

(d) any other guarantee or indemnity not otherwise covered by the provisions of (a) to (c) above, given by a member of the Group, provided that the aggregate liability under such guarantees or indemnities permitted under this paragraph (d) shall not exceed £250,000 (or its equivalent in other currencies) in aggregate.

"Permitted Indebtedness" is:

(a) an Obligor's Indebtedness to Lenders under this Agreement or the Loan Documents;

(b) any sums payable pursuant to the Novartis Purchase Agreements;

(c) subject to the Subordination Agreement, any sums owing under the Convertible Loans;

(d) Indebtedness existing on the date of this Agreement and shown on the Perfection Certificates;

(e) unsecured Indebtedness to creditors (including professional advisers, suppliers, landlords, Governmental Authorities, and service providers, and any netting or set-off arrangements with a bank or financial institution with whom an Obligor holds an account) incurred and discharged in the ordinary course of business;

(f) Indebtedness incurred as a result of endorsing negotiable instruments received in the ordinary course of business;

(g) Indebtedness secured by Liens permitted under paragraphs (a) and (c) of the definition of "Permitted Liens";

(h) any Indebtedness in respect of a Permitted Guarantee or Permitted Investment;

(i) Indebtedness owed by any member of the Group to another member of the Group;

(j) any Indebtedness in respect of any currency hedging agreement;

(k) any Indebtedness otherwise approved by the Agent; and/or

(l) any other Indebtedness not otherwise covered by the provisions of (a) to (k) above, provided that the principal aggregate amount of the Indebtedness permitted under this paragraph (l) shall not exceed £250,000 (or its equivalent in other currencies) in aggregate.

"Permitted Investments" are:

(a) Investments (including Subsidiaries) existing on the date of this Agreement and shown on the Perfection Certificate;

(b) Investments consisting of the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of an Obligor's business;

(c) Investments accepted in connection with Transfers permitted by Clause 9.1 (Dispositions);

(d) Investments (i) by an Obligor in its Subsidiaries to cover operating costs in the ordinary course of business of such Subsidiary (ii) by Borrower in Subsidiaries and (iii) by Subsidiaries in other Subsidiaries or in Borrower;

(e) Investments consisting of (i) travel advances and employee relocation loans and other employee loans and advances in the ordinary course of business, and (ii) loans to employees, officers or directors relating to the purchase of equity securities of Borrower or its Subsidiaries pursuant to employee share purchase plans or agreements approved by Borrower's Board of Directors;

(f) Investments (including debt obligations) received in connection with the bankruptcy or reorganisation of customers or suppliers and in settlement of unfulfilled obligations of, and other disputes with, customers or suppliers arising in the ordinary course of business; and

(g) Investments consisting of notes receivable of, or prepaid royalties and other credit extensions to, customers and suppliers who are not Affiliates, in the ordinary course of business; provided that this paragraph (i) shall not apply to Investments of Borrower in any Subsidiary;

(h) Investments in respect of the incorporation or acquisition of new Subsidiaries, provided that, if required by Clause 8.2 (Further assurances), such Subsidiary shall become an Obligor; and/or

(i) Investments not otherwise covered by the provisions of (a) to (h) above, provided that the principal aggregate amount of any Investments permitted under this paragraph (i) shall not exceed £250,000 (or its equivalent in other currencies) in aggregate.

"Permitted Liens" are:

(a) Liens arising under this Agreement, other Loan Documents or in favour of a Lender;

(b) Liens for taxes, fees, assessments or other government charges or levies, either being contested in good faith or payment of which can be lawfully withheld and for which an Obligor maintains adequate reserves on Obligor's Books, if they have no priority over any of Security Agent's Liens;

(c) Purchase money Liens (i) on Equipment acquired or held by an Obligor incurred for financing the acquisition of the Equipment securing no more than Two Hundred and Fifty Thousand Sterling (£250,000) in the aggregate amount outstanding, or (ii) existing on equipment when acquired, if the Lien is confined to the equipment itself and improvements and the proceeds of the equipment;

(d) Liens incurred in the extension, renewal or refinancing of the indebtedness secured by Liens described in (a) to (c) inclusive, but any extension, renewal or replacement Lien must be limited to the property encumbered by the existing Lien and the principal amount of the indebtedness may not increase;

(e) Liens in favour of other financial institutions arising in connection with an Obligor's deposit accounts held at such institutions, provided that Security Agent has a perfected security interest in the amounts held in such deposit accounts;

(f) Liens arising by operation of law in the ordinary course of business;

(g) Liens in respect of any rent deposit in relation to any lease of land or an interest in land by an Obligor; and/or

(h) any Lien not otherwise covered by the provisions of (a) to (g), provided that the total Indebtedness secured by such Lien and permitted under this paragraph (h) shall not exceed one hundred thousand pounds Sterling £100,000.

"Permitted Transferee" are

(a) a nominee of the Lenders;

(b) a regulated, reputable financial institution;

(c) a member of the SVB Financial Group of companies; and/or

(d) a Member of the same Fund Group.

"Person" is any individual, sole proprietorship, partnership, limited liability company, joint venture, company, trust, unincorporated organisation, association, corporation, institution, public benefit corporation, firm, joint stock company, estate, entity or government agency.

"Receiver" a receiver or receiver and manager or administrative receiver of the whole or any part of the Collateral;

"Regulatory Authority" means any competent authority in any country or region that regulates medicines and healthcare and life sciences products, including the UK Medicines and Healthcare Products Regulatory Agency, the European Medicines Agency, ethics committees and the US Food and Drug Administration.

"Regulatory Change" is defined in Clause 11.12.1 (Additional Costs).

"Repayment Date" the first Business Day of a calendar month, as specified in the Repayment Schedule;

"Repayment Schedule" in respect of Tranche 1 or Tranche 2, the fully amortising repayment schedule issued by the Agent to the Borrower prior to the Drawdown Date (as supplemented or replaced from time to time);

"Responsible Officer" is each executive director or other equivalent officer of any Obligor from time to time.

"Restricted Licence" is any material licence or other agreement with respect to which Borrower is the licensee (a) that prohibits or otherwise restricts Borrower from granting a security interest in Borrower's interest in such licence or agreement or any other property, or (b) for which a default under or termination of could interfere with Security Agent's right to sell any Collateral.

"Restricted Party" means a person that is:

(a) listed on, or owned or controlled by a person listed on a Sanctions List, or a person acting on behalf of such a person;

(a) located in or organised under the laws of a country or territory that is subject to country- or territory-wide Sanctions, or a person who is owned or controlled by, or acting on behalf of such a person;

(b) otherwise a subject of Sanctions.

"Sanctions" means any trade, economic or financial sanctions laws, regulations, embargoes or restrictive measures administered, enacted or enforced by a Sanctions Authority.

"Sanctions Authority" means:

(a) the Security Council of the United Nations;

(b) the United States of America;

(c) the European Union;

(d) the United Kingdom;

(e) the official institutions or agencies of any of paragraphs (a) to (d) immediately above, including OFAC, the United States Department of State, and Her Majesty's Treasury.

"Sanctions List" means the Specially Designated Nationals and Blocked Persons listed maintained by OFAC, the Consolidated List of Financial Sanctions Targets maintained by Her Majesty's Treasury, or any similar list maintained by, or public pronouncement of a Sanctions designation made by a Sanctions Authority, and that list of Tier 1 and Tier 2 sanctioned countries maintained by either of the Lenders, each as amended, supplemented or substituted from time to time.

"Secured Parties" means a Finance Party, a Receiver or any Delegate and "**Secured Party**" means any one of them.

“Security Documents” means the documents evidencing the security over the Collateral, including the (i) Borrower Debenture; (ii) Guarantor 1 Debenture; (iii) Guarantor 2 Debenture, (iv) Guarantor 3 Debenture, (v) the IP Agreement, and such other and further documents and instruments as Agent deems reasonably necessary; all in form and content reasonably acceptable to Agent.

“Sterling” or use of the sign “**£**” means the lawful currency of the United Kingdom of Great Britain and Northern Ireland.

“Subordination Agreement” a subordination agreement in the Agreed Form in respect of the Convertible Loans.

“Subsidiary” is a subsidiary undertaking within the meaning of section 1162 Companies Act 2006.

“SVB Commitment” is Five Million Pounds (£5,000,000) in respect of Tranche 1 and Five Million Pounds (£5,000,000) in respect of Tranche 2.

“T1 Advance Payment” in respect of Tranche 1, three hundred and seventy thousand, seven hundred and one Pounds, thirty five pence (£370,701.35).

“T1 Availability Period” in respect of Tranche 1 the period from and including the date hereof to the Closing Date.

“**T2 Advance Payment”** in respect of Tranche 2, an amount equal to the last Monthly Repayment in respect of Tranche 2.

“T2 Availability Period” in respect of Tranche 2, the period from and including the Closing Date to and including 31 April 2018.

“Tax Credit” means a credit against, relief or remission for, or repayment of, any Tax.

“Tax Deduction” is defined in Clause 11.6.1 (Withholding; Gross-up).

“Tax Payment” is defined in Clause 11.6.10 (Withholding; Gross-up).

“Taxes” means any present or future taxes, levies, duties, imposts or other charges or withholdings of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same), and **“Tax”** and **“Taxation”** have a corresponding meaning.

“Term Loan Amount” is together, the Kreos Commitment, and the SVB Commitment being an amount equal to Twenty Million Pounds (£20,000,000).

“Term Loan Early Termination Fee” is defined in Clause 2.4.1(b) (Permitted Prepayment of Term Loan).

“Term Loan” the term loan facility made or to be made by the Lenders to the Borrower under this Agreement comprising Tranche 1 and Tranche 2 or the principal amount outstanding form time to time as described in Clause 2.1 (Term Loan).

"Trademarks" are trademark and service mark rights, registered or not, and the entire goodwill of the business of Borrower connected with the trademarks, including as described in the Perfection Certificates.

"Tranche 1" the loan amount of Ten Million Pounds (£10,000,000) available pursuant to Clause 2.1.1 during the T1 Availability Period.

"Tranche 2" the loan amount of Ten Million Pounds (£10,000,000) available pursuant to Clause 2.1.1 during the T2 Availability Period.

"Tranche" means Tranche 1 and Tranche 2, as the case may be.

"Transfer" is defined in Clause 9.1 (Dispositions).

"US Tax Obligor" means:

(a) an entity that is resident for tax purposes in the United States; or

(b) an entity, some or all of whose payments under the Loan Documents are from sources within the United States for US federal income tax purposes.

"Warrant Certificate" shall have the same meaning as given to such term in the Warrant Instrument.

"Warrant Instrument" means a warrant instrument in Agreed Form to be issued by the Borrower to Kreos Capital V (Expert Fund) LP and SVB on Closing.

17.2 **Interpretation**.

In this Agreement, unless the context otherwise requires or the contrary intention appears:

17.2.1 a reference to a provision of law is a reference to that provision as extended, applied, amended or enacted from time to time and includes any subordinate legislation;

17.2.2 the singular includes the plural and vice versa, and reference to any gender includes the other genders;

17.2.3 references to this Agreement or any other agreement or document are to this Agreement or such other agreement or document as it may be validly varied, amended, supplemented, restated, renewed, novated or replaced from time to time;

17.2.4 references to any party to this Agreement include a reference to its successors and permitted assigns and permitted transferees under this Agreement;

17.2.5 references to "written" or "in writing" include all forms of visible reproduction in permanent form, including electronic messages;

17.2.6 the words “execution”, “signed”, “signature” and words of like import in any Loan Document shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity and enforceability as a manually executed signature or the use of a paper-based recordkeeping systems as the case may be, to the extent and as provided for in any applicable law;

17.2.7 the headings used in this Agreement are for convenience only and shall not affect the interpretation of this Agreement;

17.2.8 the parties hereto mutually acknowledge that they and their lawyers have participated in the preparation and negotiation of this Agreement. In cases of uncertainty this Agreement shall be construed without regard to which of the parties caused the uncertainty to exist;

17.2.9 any reference to:

(a) a “**month**” is a reference to a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month (and “**months**” has a corresponding meaning) save that, where any such period would otherwise end on a day which is not a Business Day, it shall end on the next Business Day, unless that day falls in the calendar month succeeding that in which it would otherwise have ended, in which case it shall end on the preceding Business Day provided that, if a period starts on the last Business Day in a calendar month or if there is no numerically corresponding day in the month in which that period is to end, that period shall end on the last Business Day in that latter month;

(b) a “**dispute**” means any litigation or administrative or arbitration proceeding before or of any court, tribunal, arbitrator or governmental or municipal authority, any labour dispute, any dispute with any governmental or municipal authority and any other dispute of any kind;

(c) any covenant by a party not to do an act or thing includes an obligation not to permit or suffer such act or thing to be done;

17.2.10 the words “**including**” and “**in particular**” and any similar words or expressions are by way of illustration and emphasis only and do not operate to limit the generality or extent of any other words or expressions;

17.2.11 all Exhibits to this Agreement form part of it and take effect as if set out in this Agreement, and any reference to this Agreement includes the Exhibits; and

17.2.12 references to Clauses and Exhibits refer to clauses of, and schedules and exhibits to, this Agreement.

Signature page follows.

THE BORROWER

EXECUTED as a DEED by)

MEREO BIOPHARMA GROUP PLC)

acting by Denise Scots-Knight *(director)* a)
director in the presence of a witness)
)
)

/s/ Denise Scots-Knight
Director

/s/ Grace Hamlett
Witness

Name: Grace Hamlett

Address: 67A Abbey Road

London, NW8 OAE

Occupation: Legal Counsel

GUARANTOR 1

EXECUTED as a DEED by)

MEREO BIOPHARMA 1 LIMITED)

acting by Richard Jones *(director)* a)
director in the presence of a witness)
)
)

/s/ Richard Jones
Director

/s/ Grace Hamlett
Witness

Name: Grace Hamlett

Address: 67A Abbey Road

London, NW8 OAE

Occupation: Legal Counsel

GUARANTOR 2)

EXECUTED as a DEED by)

MEREO BIOPHARMA 2 LIMITED)

acting by Richard Jones *(director)* a)
director in the presence of a witness)
)

/s/ Richard Jones
Director

/s/ Grace Hamlett
Witness

Name: Grace Hamlett

Address: 67A Abbey Road

London, NW8 OAE

Occupation: Legal Counsel

GUARANTOR 3)

EXECUTED as a DEED by)

MEREO BIOPHARMA 3 LIMITED)

acting by Richard Jones *(director)* a)
director in the presence of a witness:)
)

/s/ Richard Jones
Director

/s/ Grace Hamlett
Witness

Name: Grace Hamlett

Address: 67A Abbey Road

London, NW8 OAE

Occupation: Legal Counsel

THE LENDER, AGENT AND SECURITY AGENT

EXECUTED as a DEED by)

KREOS CAPITAL V (UK) LIMITED)

acting by _____ *(director)* a)
director in the presence of a witness)

/s/ Ross Ahlgren
Director

/s/ Lauren Mahoney
Witness

Name: Lauren Mahoney

Address: 25 Old Burlington Pl,

London W15 3AN

Occupation: Administrator

THE LENDER

EXECUTED as a DEED on behalf of)

SILICON VALLEY BANK)

a California corporation by)
Nooman Haque *(authorised signatory)*,
being a person who, in accordance with the laws of that territory, is acting)
under the)
authority of the corporation)

/s/ Nooman Haque
Authorised Signatory

EXHIBIT A
LOAN PAYMENT/ADVANCE REQUEST FORM

[Repayment Schedule to be attached to this form]

DEADLINE FOR SAME DAY PROCESSING IS MIDDAY LONDON TIME

Fax To: _____ Date: _____

LOAN PAYMENT: **MEREO BIOPHARAMA GROUP PLC**

From Account # _____ To Account # _____

(Deposit Account #) _____ (Loan Account #) _____

Principal £ _____ and/or Interest £ _____

Authorised Signature: _____ Phone Number: _____

Print Name/Title: _____

LOAN ADVANCE:

Complete *Outgoing Wire Request* section below if all or a portion of the funds from this loan advance are for an outgoing wire.

From Account # _____ To Account # _____

(Loan Account #) _____ (Deposit Account #) _____

Amount of Term Loan £ _____

Date Term Loan is to be made _____

All Borrower's representations and warranties in the Loan Agreement are true, correct and complete in all material respects on the date of the telephone transfer request for an advance, but those representations and warranties expressly referring to another date shall be true, correct and complete in all material respects as of such date:

Authorised Signature: _____ Phone Number: _____

Print Name/Title: _____

OUTGOING WIRE REQUEST:

Complete only if all or a portion of funds from the loan advance above is to be wired.

Deadline for same day processing is midday London Time.

Beneficiary Name: _____ Amount of Wire: £ _____

Beneficiary Bank: _____ Account Number: _____

City and State: _____ Sort Code: _____

By signing below, we acknowledge and agree that our funds transfer request shall be processed in accordance with and subject to the terms and conditions set out in the agreements(s) covering funds transfer service(s), which agreements(s) were previously received and executed by us.

Authorised Signature: _____ 2nd Signature (if required): _____

Print Name/Title: _____ Print Name/Title: _____

Telephone #: _____ Telephone #: _____

EXHIBIT B
COMPLIANCE CERTIFICATE

TO: SILICONVALLEY BANK

KREOS CAPITAL V (UK) LIMITED

FROM: MEREOBIOPHARMA GROUP PLC.

The undersigned authorised officer of Mereo Biopharma Group plc ("Borrower") certifies that under the terms and conditions of the Loan Agreement between Borrower, Guarantors, Lenders, Agent and Security Agent (the "**Agreement**"), (1) Borrower and the Guarantors are in complete compliance for the period ending with all required covenants except as noted below, (2) there are no Events of Default, (3) all representations and warranties in the Agreement are true and correct in all material respects on this date except as noted below; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date, (4) Borrower, and each of the Guarantors, has timely filed all required tax returns and reports, and Borrower and the Guarantors have timely paid all taxes, assessments, deposits and contributions owed by Borrower and the Guarantors except as otherwise permitted pursuant to the terms of Clause 5.10 (Taxation) of the Agreement, and (5) no Liens have been levied or claims made against Borrower or any of the Guarantors relating to unpaid employee payroll or benefits of which Borrower have not previously provided written notification to Agent. Attached are the required documents supporting the certification. The undersigned certifies that these are prepared in accordance with GAAP consistently applied from one period to the next except as explained in an accompanying letter or footnotes. The undersigned acknowledges that no borrowings may be requested at any time or date of determination that Borrower or the Guarantors are not in compliance with any of the terms of the Agreement, and that compliance is determined not just at the date this certificate is delivered. Capitalised terms used but not otherwise defined herein shall have the meanings given to them in the Agreement.

Please indicate compliance status by circling Yes/No under "Complies" column.

Covenant	**Required**	**Complies**
Monthly financial statements with Compliance Certificate	Within 30 days of each month end	Yes No
Annual financial statement (Audited)	120 days of financial year end	Yes No
Board approved operating plan	Within 30 days after the expiration of the immediately preceding financial year	Yes No
Board meeting pack	No later than 30 days after the date on which each board meeting is held	Yes No

The following Intellectual Property was registered after the Closing Date (if no registrations, state “None”)

The following legal actions are pending (if none state “None”)

The following are the exceptions with respect to the certification above: (If no exceptions exist, state “No exceptions to note.”)

MEREO BIOPHARMA GROUP PLC

for itself and each **GUARANTOR**

By: _____

Name: _____

Title: _____

KREOS USE ONLY

Received by: _____

authorised signer

Date: _____

Verified: _____

authorised signer

Date: _____

Compliance Status: Yes No

EXHIBIT C
CLIENT PAYMENT INSTRUCTIONS

KREOS

Principal and Interest Repayments	**Fee Payments**
in Sterling	in Sterling
Please remit funds to: _____	Please remit funds to: _____
Account Number: _____	Account Number: _____
IBAN: _____	IBAN: _____
Sort Code: _____	Sort Code: _____
Swift Code: _____	Swift Code: _____
Ref: Please quote your client name	Ref: Please quote your client name
_____	_____

SVB

Principal and Interest Repayments	**Fee Payments**
in Sterling	in Sterling
Please remit funds to: _____	Please remit funds to: _____
Account Number: _____	Account Number: _____
IBAN: _____	IBAN: _____
Sort Code: _____	Sort Code: _____
Swift Code: _____	Swift Code: _____
Ref: Please quote your client name	Ref: Please quote your client name
_____	_____

EXHIBIT D
FORM OF ACCESSION DEED

This Accession Deed is made on 201[●]

(1) **Mereo BioPharma Group plc** a company registered in England and Wales with registration number [●] and whose registered office is at [●] (the "**Parent**")

(2) [●] a company registered [●] in with registration number [●] whose registered office is at [●] (the "**New Obligor**"); and

(3) **KREOS CAPITAL V (UK) LIMITED** a limited liability company incorporated under the laws of England & Wales with company number 09728300 and its registered office at 25 Old Burlington Street London W1S 3AN (in its capacity as agent the "**Agent**"),

and is supplemental to a loan agreement made between the Borrower, the Guarantors, the Agent, the Security Agent and Silicon Valley Bank on [●] 2017 (the "**Loan Agreement**").

Now this Accession Deed witnesses as follows:

1 **DEFINITIONS AND INTERPRETATION**

Unless a contrary intention appears, words and expressions defined in the Loan Agreement have the same meaning in this Accession Deed and Clause 17.2 (*Interpretation*) of the Loan Agreement shall apply to this Accession Deed.

2 **CONFIRMATION**

2.1 The New Obligor confirms it has read and understood the content of the Loan Agreement.

2.2 The Parent confirms that no Default is continuing or will occur as a result of the accession of the New Obligor to the terms of the Loan Agreement.

3 **ACCESSION**

With effect from the date of this Accession Deed, the New Obligor becomes a party to, and will be bound by the terms of, and assume the obligations and duties of a Borrower and Guarantor under, the Loan Agreement as if it had been a party to the Loan Agreement from [●] 2017.

4 **CONSTRUCTION**

4.1 The Loan Agreement shall continue and remain in full force and effect and this Accession Deed shall be read and construed as one with the Loan Agreement so that all references to "this Agreement" in the Loan Agreement shall include reference to this Accession Deed.

4.2 This Accession Deed is a Loan Document.

5 **GOVERNING LAW**

5.1 This Accession Deed and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.

5.2 [Without prejudice to any other mode of service allowed under any relevant law, the New Obligor:

5.2.1 irrevocably appoints [●] as its agent for service of process in relation to any proceedings before the English courts in connection with any Loan Document (and [●] by its execution of this Deed accepts that appointment); and

5.2.2 agrees that failure by an agent for service of process to notify the New Obligor of the process will not invalidate the proceedings concerned.].

IN WITNESS WHEREOF the Parent, the Guarantors, the New Obligor and the Agent have caused this Accession Deed to be duly executed on the date appearing at the head of page 1.

EXHIBIT E
FORM OF PERFECTION CERTIFICATE

Notes:

1. **This is an "on-line" form designed to be completed on your computer in Microsoft Word.**
2. **If there is not enough space for your answer, use the continuation sheet at the end of this form or attach a separate word document with the additional information.**
3. **Submit this by e-mail to CharledsRussellSpeechlys LLP on behalf of the Lender. Please also print this form and submit a hard copy signed by an officer of the Company.**
4. **This completed and executed certificate is a condition to closing and funding the loan. Information contained herein may have an impact on the drafting of the loan documents. The sooner this completed certificate is received by the Lender, the more likely it is that the transaction can be finalised in a timely manner.**

PERFECTION CERTIFICATE

TO: **Kreos Capital V (UK) Limited and Silicon Valley Bank** (the "**Lender**")

The undersigned, the [●] of MEREO BIOPHARMA GROUP PLC (the "Company"), hereby certify on behalf of the Company, that, with reference to the Loan Agreement dated [●] between the Company and the Lender, the information set out below is true and accurate:

Note: if any question is inapplicable to the Company, simply add in "not applicable" or "none" as appropriate.

1 **NAMES OF THE COMPANY**

1.1 The name of the Company as it appears in its current Articles or Certificate of Incorporation is: [●]

1.2 The Company is formed under the laws of the Country of [●]

1.3 The organisational identification number of the Company is: [●]

1.4 The Company transacts business in the following jurisdictions (list all domestic and foreign jurisdictions other than jurisdiction of formation): [●]

1.5 The Company is duly authorised to carry and actually carroes on business in the following jurisdictions (list jurisdictions other than jurisdiction of formation): [●]

1.6 The following is a list of all other names (including fictitious names, d/b/a's, trade names or similar names) currently used by the Company or used within the past five years:

Name	Period of Use
[●]	[●]

1.7 The following are the names of all entities to which the Company became the successor by merger, consolidation, acquisition, change in form, nature or jurisdiction of organisation or otherwise, now or at any time during the past five years:

Name of Merged Entity	Year of Merger
[●]	[●]

1.8 The following are the names and addresses of all entities from whom the Company has acquired any personal property in a transaction not in the ordinary course of business during the past five years, together with the date of such acquisition and the type of personal property acquired (e.g., equipment, inventory, etc.):

Name	Address	Date of Acquisition	Type of Property
[●]	[●]	[●]	[●]

2 **PARENT/SUBSIDIARIES OF THE COMPANY**

2.1 The legal name of each subsidiary or affiliate (hereafter "subsidiary" and "affiliate" are jointly, severally, and collectively referred to as "subsidiary" or "subsidiaries") and parent of the Company is as follows. (A "parent" is an entity owning more than 50% of the outstanding capital stock of the Company. A "subsidiary" is an entity, 50% or more of the outstanding capital stock of which is owned by the Company.)

Name	Subsidiary/Parent
[●]	Sub ☐ Parent ☐
[●]	Sub ☐ Parent ☐
[●]	Sub ☐ Parent ☐

2.2 The following is a list of the respective jurisdictions and dates of formation of the parent and each subsidiary of the Company:

Name	Jurisdiction	Date of Formation
[●]	[●]	[●]
[●]	[●]	[●]
[●]	[●]	[●]

2.3 The following is a list of all other names (including fictitious names, d/b/a's, trade names or similar names) currently used by each subsidiary of the Company or used during the past five years:

Name	Subsidiary
[●]	[●]

2.4 The following are the names of all corporations which have been merged into a subsidiary of the Company during the five years:

Name	Subsidiary
[●]	[●]

2.5 The following are the names and addresses of all entities from whom each subsidiary of the Company has acquired any personal property in a transaction not in the ordinary course of business during the past five years, together with the date of such acquisition and the type of personal property acquired (e.g., equipment, inventory, etc.):

Name	Address	Date of Acquisition	Type of Property	Subsidiary
[●]	[●]	[●]	[●]	[●]

3 LOCATIONS OF COMPANY AND ITS SUBSIDIARIES

3.1 The chief executive offices of the Company and its subsidiaries are presently located at the following addresses:

Company/Subsidiary	Complete Street and Mailing Address, including County and Zip Code
Company ☐ / [●]	[●]

Company/Subsidiary	Complete Street and Mailing Address, including County and Zip Code
Company ☐ / [●]	[●]
Company ☐ / [●]	[●]

3.2 The Company's books and records and those of its subsidiaries are located at the following additional addresses (if different from the above):

Company/Subsidiary	Complete Street and Mailing Address, including County and Zip Code
Company ☐ / [●]	[●]
Company ☐ / [●]	[●]
Company ☐ / [●]	[●]

3.3 The following are all the locations where the Company and its subsidiaries own, lease, or occupy any real property. Please indicate whether the location is **owned, leased or rented:**

Company/Subsidiary	Complete Street and Mailing Address, including County and Zip Code
Company ☐ / [●]	[●]
[Own/lease/rental]	
Company ☐ / [●]	[●]
[Own/lease/rental]	
Company ☐ / [●]	[●]
[Own/lease/rental]	

3.4 The following are all of the locations where the Company and its subsidiaries maintain any inventory, equipment, or other property:

Company/Subsidiary	Complete Street and Mailing Address, including County and Zip Code
Company ☐ / [●]	[●]

Company/Subsidiary	Complete Street and Mailing Address, including County and Zip Code
Company ☐ / [●]	[●]
Company ☐ / [●]	[●]

3.5 The following are the names and addresses of all warehousemen, bailees, or other third parties who have possession of any of the Company's inventory or equipment or any of the inventory or equipment of its subsidiaries:

Company/Subsidiary	Name	Complete Street and Mailing Address, including County and Zip Code
Company ☐ / [●]	[●]	[●]
Company ☐ / [●]	[●]	[●]
Company ☐ / [●]	[●]	[●]

4 SPECIAL TYPES OF COLLATERAL

4.1 The Company and its subsidiaries own (or have any ownership interest in) the following kinds of assets. (If the answer is "Yes" to any of the following questions, please attach a schedule describing each such asset owned by the Company or its subsidiaries and identifying which party owns the asset.)

Copyrights or copyright applications registered with the [state appropriate filing office]	Yes ☐	No ☐
Software registered with [state appropriate filing office]	Yes ☐	No ☐
Unregistered software	Yes ☐	No ☐
Patents and patent applications	Yes ☐	No ☐
Trademarks or trademark applications (including any service marks, collective marks and certification marks)	Yes ☐	No ☐
Licenses to use trademarks, patents and copyrights of others	Yes ☐	No ☐
Licenses, permits (including environmental), authorisations, or certifications issued by federal, state, or local governments issued to the Company and/or its subsidiaries or with respect to their assets, properties, or businesses	Yes ☐	No ☐
Stocks, bonds or other securities	Yes ☐	No ☐

Promissory notes, or other instruments or evidence of indebtedness	Yes ☐	No ☐
Leases of equipment, security agreements naming such person as secured party or other chattel paper	Yes ☐	No ☐
Aircraft	Yes ☐	No ☐
Vessels, Boats or Ships	Yes ☐	No ☐
Railroad Rolling Stock	Yes ☐	No ☐
Motor Vehicles	Yes ☐	No ☐

4.2 The following is a list of material contracts to which the Company is a party (include any equipment leases) or in which the Company has an interest (including whether such contract as a nonassignability provision which would require the other party's or another person's consent to the granting of a security interest in such contract):

			Non-assignability Clause		
Other Party to Contract	**Entity**	**Title/Date of Contract**	**Asset Sale (Y/N)**	**Security Interest (Y/N)**	**Consent Obtained (Y/N)**
[●]	[●]	[●]	[●]	[●]	[●]
[●]	[●]	[●]	[●]	[●]	[●]
[●]	[●]	[●]	[●]	[●]	[●]

4.3 The following are all banks, brokerages, or financial institutions at which the Company and its subsidiaries maintain deposit, investment, payroll, or securities accounts:

Bank Name	**Account Number**	**Bank Address**	**Company/Subsidiary**
[●]	[●]	[●]	Company ☐/ [●]
[●]	[●]	[●]	Company ☐/ [●]
[●]	[●]	[●]	Company ☐/ [●]

4.4 Does or is it contemplated that the Company will regularly receive letters of credit from customers or other third parties to secure payments of sums owed to the

Company? The following is a list of letters of credit naming the Company as "beneficiary" thereunder:

LC Number	Name of LC Issuer	LC Applicant
[●]	[●]	[●]
[●]	[●]	[●]
[●]	[●]	[●]

5 **DEBT/ENCUMBRANCES**

5.1 The Company's and its subsidiaries' have the following debt for money borrowed outstanding (whether or not convertible):

Name of Lender	Original Principal Amount/Principal Outstanding	Maturity Date	Company/Subsidiary
[●]	[●]	[●]	Company ☐ / [●]
[●]	[●]	[●]	Company ☐ / [●]

5.2 The Company's and its subsidiaries' property are subject to the following liens or encumbrances:

Name of Holder of Lien/Encumbrance	Description of Property Encumbered	Company/Subsidiary
[●]	[●]	Company ☐ / [●]
[●]	[●]	Company ☐ / [●]

6 **REGULATION**

The Company and its subsidiaries are subject to regulation by the following federal, state or local government entity or any department, agency, or instrumentality thereof:

Name of Regulatory Entity	Description of Regulation	Company/Subsidiary
[●]	[●]	Company ☐ / [●]
[●]	[●]	Company ☐ / [●]

7 **LITIGATION**

7.1 The following is a complete list of pending and threatened litigation or claims involving amounts claimed against the Company in an indefinite amount or in excess of $50,000 in each case:

7.1.1 [●]

7.1.2 [●]

7.2 The following are the only claims which the Company has against others (other than claims on accounts receivable), which the Company is asserting or intends to assert, and in which the potential recovery exceeds $50,000:

7.2.1 [●]

7.2.2 [●]

8 **TAXES**

The following tax assessments are currently outstanding and unpaid:

Assessing Authority	Amount and Description
[●]	[●]
[●]	[●]
[●]	[●]

9 **INSURANCE BROKER**

The following broker handles the Company's property insurance:

Broker	Contact	Telephone	Fax	Email
[●]	[●]	[●]	[●]	[●]

10 **OFFICERS OF THE COMPANY AND ITS SUBSIDIARIES**

The following are the names and titles of the officers of the Company and its subsidiaries.

Office/Title	Name of Officer	Company/Subsidiary
[●]	[●]	Company ☐ / [●]
[●]	[●]	Company ☐ / [●]
[●]	[●]	Company ☐ / [●]

The Company agrees to advise you of any change or modification to any of the foregoing information or any supplemental information provided on any continuation pages attached hereto, and, until such notice is received by you, you shall be entitled to rely upon such information and presume it is correct. The Company acknowledges that your acceptance of this Perfection Certificate and any continuation pages does not imply any commitment on your part to enter into a loan transaction with the Company, and that any such commitment may only be made by an express written loan commitment, signed by one of your authorised officers.

Date: _____

By: _____

Its: _____

Email: _____

Phone: _____

Fax: _____

[●]

EXHIBIT F
PRIMARY AND SECONDARY ENDPOINTS

acumapimod

acumapimod (BCT-197) primary endpoints to be defined as:

- Change in Forced Expiratory Volume in 1 second (FEV1) from baseline at 7 days

acumapimod (BCT-197) secondary endpoints to be defined as:

- Assessment of AUC of FEV1 over time
- Time to normalisation of spirometry parameters
- EXACT PRO

BGS-649

BGS-649 primary endpoints to be defined as:

- Normalisation of testosterone
- Concentration of total testosterone in the normal range (300 – 1000 ng/dl) in >= 75 % of patients at 24 weeks

BGS-649 secondary endpoints to be defined as:

- Change in Luteinizing hormone (LH) and Follicle-stimulating hormone (FSH)
- Semen analysis
- Three PROs: International Index of Erectile Function, patient reported outcomes measurements information system and Brief Fatigue Inventory

Mereo BioPharma Group plc

and

[ ]

Deed of Indemnity

This Deed is dated 2018 and made between:

(1) Mereo BioPharma Group plc (a public limited company registered in England and Wales No. 09481161) whose registered office is at 4th Floor, One Cavendish Place, London, England, W1G 0QF (the **Company**); and

(2) [*name*] of [*address*] (the **Indemnified Person**).

Background

(A) Pursuant to the Companies Act 2006 and the Company's Articles of Association, the Board may exercise the power of the Company to indemnify its directors and officers against certain liabilities, and to provide its directors and officers with funds to meet expenditure incurred or to be incurred in defending certain legal proceedings or in connection with certain applications to the court.

(B) As authorized by Article 132 of the Company's Articles of Association, the Company has agreed to enter into this Deed of Indemnity with the Indemnified Person.

It is agreed as follows:

1. **Definitions and interpretation**

1.1 In this Deed, unless the context otherwise requires, the following definitions apply:

Act means the Companies Act 2006;

Board means the board of directors of the Company from time to time;

Associated Company means an associated company (within the meaning given in section 256(b) of the Act) of the Company and, for the avoidance of doubt, shall include but not be limited to Mereo BioPharma 1 Limited, Mereo BioPharma 2 Limited, Mereo BioPharma 3 Limited and Mereo BioPharma 4 Limited;

Defence Costs has the meaning given in clause 3.1;

Final in relation to any conviction, judgment or refusal of relief, has the meaning given in section 234(5) of the Act (in the case of clause 2.2) and section 205(3) of the Act (in the case of clause 3.2);

Relevant Application means an application under section 661(3) or 661(4), or section 1157 of the Act; and

Relevant Liability means a cost, charge, loss, expense, damage, penalty, or liability falling within clause 2.1.

1.2 In this Deed (except where the context otherwise requires):

(a) words in the singular include the plural and vice versa, and words importing any gender include every gender;

(b) references to clauses are to clauses of this Deed;

(c) the clause headings are included for ease of reference only and shall not affect the interpretation of this Deed; and

(d) a reference to a statute or statutory provision includes a reference to such statute or statutory provision as from time to time amended, re-enacted or replaced (whether before or after the date of this Deed).

2. **Indemnity**

2.1 Subject to the Act and the provisions of this Deed, the Company shall to the fullest extent permitted by law and without prejudice to any other indemnity to which the Director may otherwise be entitled, indemnify and keep indemnified the Indemnified Person against all costs, charges, losses, expenses, damages, penalties and liabilities (other than those set out in clause 2.2) attaching to him which arose whether before, on or after the date of this Deed:

(a) in connection with any actual or alleged negligence, default, breach of duty, error, misleading statement, omission, breach of trust or for wrongful act in relation to the Company or an Associated Company;

(b) in connection with the activities of the Company or an Associated Company in its capacity as a trustee of an occupational pension scheme (as defined in section 235(6) of the Act); and

(c) in the actual or purported execution or discharge of the Indemnified Person's duties, the exercise or purported exercise of his powers or responsibilities or otherwise in relation to his duties, powers or responsibilities as a director or officer of the Company or an Associated Company.

2.2 Clause 2.1 shall not apply to any costs, charges, losses, expenses, damages, penalties and liabilities incurred by the Indemnified Person:

(a) to the Company;

(b) to any Associated Company;

(c) to pay a fine imposed in criminal proceedings or a sum payable to a regulatory authority by way of a penalty or settlement in respect of non-compliance with any requirement of a regulatory nature (however arising);

(d) in defending any criminal proceedings in which the Indemnified Person is convicted;

(e) in defending any civil proceedings brought by the Company, or an Associated Company, in which judgment is given against the Indemnified Person;

(f) in connection with any Relevant Application in which the court refuses to grant the Indemnified Person relief.

(g) in the event that the liability incurred by the Indemnified Person is a result of fraud by the Indemnified Person; or

(h) in defending any proceedings brought by a regulatory authority in which a penalty is imposed on the Indemnified Person.

For the purposes of this clause, any reference to a conviction, judgment or refusal of relief is to one that has become Final.

2.3 Any indemnity payment by the Company to the Indemnified Person pursuant to clause 2.1 is conditional upon the Indemnified Person having made an application in writing to the Company supported by the production of documentation which is, in the reasonable opinion of the Board, satisfactory evidence that the Relevant Liability has been incurred by the Indemnified Person and of the date that it was incurred.

2.4 If the Board is satisfied that the condition set out in clause 2.3 has been fulfilled, it shall (subject to clause 3.3) make payment to the Indemnified Person pursuant to clause 2.1 within 28 days of receipt of the evidence referred to in clause 2.3.

2.5 The obligation of the Company to indemnify the Indemnified Person pursuant to clause 2.1 shall (subject to clause 2.3) remain in full force and effect in respect of any Relevant Liability arising from the acts or omissions of the Indemnified Person at any time during his period of office as a director or officer of the Company or Associated Company (as applicable) (including, without limitation, any Relevant Liability arising from the Indemnified Person's acts or omissions during such period but incurred after the Indemnified Person ceases to hold such office).

2.6 For the avoidance of doubt:

(a) if a company ceases to be an Associated Company after the date of this Deed, the Company shall only be liable to indemnify the Indemnified Person in respect of costs, charges, losses, expenses and liabilities in relation to that company which arose before the date on which that company ceased to be an Associated Company; and

(b) the Indemnified Person, as a director or officer of any company which becomes an Associated Company after the date of this Deed, shall be indemnified only in respect of costs, charges, losses, expenses and liabilities arising after the date on which that company became an Associated Company.

3. **Defence costs**

3.1 Subject to the Act and the provisions of this Deed, and without limiting the generality of the indemnity set out in clause 2.1 above, the Company shall to the fullest extent permitted by law fund all of the legal and other expenses ('**Defence Costs**') incurred or to be incurred by the Indemnified Person in defending any criminal or civil proceedings or regulatory actions in connection with any matter referred to in sub-clause 2.1(a), 2.1(b) or 2.1(c) or in connection with any Relevant Application. Any request for funding under this clause shall be made in writing by the Indemnified Person to the Company and determined by resolution of the Board.

3.2 The terms are that if the Company provides funds to the Indemnified Person in respect of Defence Costs arising in relation to (i) criminal proceedings in which the Indemnified Person is subsequently convicted, or (ii) civil proceedings in which judgment is subsequently given against the Indemnified Person or (iii) a Relevant Application in

which the court subsequently refuses to grant the Indemnified Person relief, then any obligation of the Company to make further contributions towards the Indemnified Person's Defence Costs shall cease and any amounts already advanced by the Company must be repaid not later than the date that the conviction, judgment or refusal to grant relief becomes Final.

3.3 Subject to the provisions of this Deed, if in relation to any matter:

(a) funds have been advanced to the Indemnified Person in respect of Defence Costs pursuant to clause 3.1; and

(b) prior to having repaid such funds in full, the Indemnified Person seeks an indemnity in relation to that matter pursuant to clause 2.1,

then if the Board shall determine that the Indemnified Person is entitled to an indemnity in accordance with clause 2.3, it shall be entitled to direct that the amount that the Indemnified Person is or remains liable to repay to the Company pursuant to clause 3.2 shall be set against the amount that the Company is liable to pay to the Indemnified Person by way of indemnity pursuant to clause 2.1, and each party's liability to the other shall be reduced or extinguished (as the case may be) accordingly.

4. **Recovery**

4.1 If the Company makes any payment to or for the benefit of the Indemnified Person pursuant to this Deed and the Indemnified Person subsequently recovers or becomes entitled to recover from a third party any amount which is referable to any part of the liability for which payment was made by the Company, the Indemnified Person shall immediately repay or procure the repayment to the Company of so much of the amount paid by the Company as does not exceed the amount recovered (or entitled to be recovered) by the Indemnified Person, recovery which are not recoverable from any third party.

4.2 The Indemnified Person shall not be entitled to recover more than once pursuant to this Deed in respect of any matter giving rise to a Relevant Liability.

5. **General**

5.1 This Deed shall be binding on and shall enure for the benefit of the successors of the parties to this Deed.

5.2 This Deed constitutes the entire agreement and understanding of the parties and supersedes and extinguishes all previous agreements, promises, assurances, warranties, representations and understandings between the parties, whether written or oral, relating to the subject matter of this Deed.

5.3 A party may not (whether at law or in equity) assign, transfer, grant any security interest over, hold on trust or deal in any other manner with the benefit of the whole or any part of this Deed, nor purport to do any of the same.

5.4 A person who is not a party to this Deed (a **'third party'**) has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Deed.

5.5 No variation of this Deed shall be effective unless it is in writing and signed by or on behalf of each of the parties to this Deed.

5.6 Each party shall pay its own costs relating to the negotiation, preparation, execution and performance of this Deed.

5.7 Any notice or other communication to be given under this Deed shall be in writing and shall be delivered personally or sent by pre-paid first class recorded delivery post or receipted courier (marked, in the case of communications to the Company, for the attention of the general counsel of the Company from time to time) to the parties' respective addresses set out in this Deed or as otherwise notified by the relevant party from time to time (in accordance with the provisions of this clause). A notice or other communication given under this Deed shall be deemed to have been received upon delivery to the address referred to in the recitals.

5.8 For the purposes of this Deed, notices or other communications shall not be validly given if sent by e-mail.

5.9 This Deed may be executed in any number of counterparts each of which when executed shall be an original but all the counterparts shall together constitute one and the same instrument.

5.10 This Deed shall be governed by and construed in accordance with the laws of England.

5.11 Each party irrevocably agrees to submit to the exclusive jurisdiction of the courts of England and Wales over any claim or matter arising under or in connection with this Deed (whether contractual or non-contractual).

In witness of which this document has been executed by each of the Company and the Indemnified Person as a **Deed** on the date set out at the head of this document.

The Company

Executed as a **Deed** by)
Mereo BioPharma Group)
plc acting by:) sign here: _____
Director

_____

Witness signature: Witness sign here: _____

Witness name: print name: _____

Witness address: _____

_____

_____

_____

_____

Witness occupation: _____

The Indemnified Person

Signed as a **Deed** by)

)

) sign here: _____

_____

Witness signature: Witness sign here: _____

Witness name: print name: _____

Witness address: _____

_____

_____

_____

_____

Witness occupation: _____

Dated 3 June 2016

CONVERTIBLE LOAN NOTE INSTRUMENT

RELATING TO

MEREO BIOPHARMA GROUP PLC

Proskauer

110 Bishopsgate, London EC2N 4AY

THIS DEED is dated 3 June 2016

PARTY

MEREO BIOPHARMA GROUP PLC incorporated and registered in England and Wales with company number 09481161 whose registered office is at 4th Floor, One, Cavendish Place, London, England, W1G 0QF ("**Company**").

BACKGROUND

By exercising of the powers conferred on them by the Articles, the Directors of the Company have, by a resolution passed on 2 June 2016, created 3,463,563 £1 unsecured convertible loan notes and have agreed to constitute them in the following manner.

AGREED TERMS

1. INTERPRETATION

1.1 The definitions and rules of interpretation in this clause 1 apply in this instrument.

Adjustment Event	any or all of the following, at any time, or by reference to any record date, while the Notes remain in issue: (a) any allotment or issue of Equity Securities by the Company by way of capitalisation of profits or reserves; (b) any cancellation, purchase or redemption of Equity Securities, or any reduction or repayment of Equity Securities, by the Company; (c) any sub-division or consolidation of Equity Securities by the Company; and (d) any issue of securities or other instruments convertible into shares in, or Equity Securities of, the Company or any grant of options, warrants or other rights to subscribe for, or call for the allotment or issue of, shares in, or Equity Securities of, the Company, but excluding any issue of Equity Securities of the Company pursuant to the exercise of any options granted to employees or directors of the Company
Articles	the articles of association of the Company, as amended or superseded
Business Day	a day (other than a Saturday, Sunday or public holiday) on which banks in the City of London are open for normal banking business
Certificate	a certificate for Notes in the form (or substantially in the form) set out in Schedule 1

Change of Control	the acquisition of control of the Company (as defined in section 1124 of the Corporation Tax Act 2010) by any person or persons acting in concert (as defined in the City Code on Takeovers and Mergers) with them
Conditions	the conditions attaching to the Notes, as set out in Schedule 2 to Schedule 3
Conversion Date	the date specified in the Conversion Notice, being not less than 10 Business Days after service of the Conversion Notice
Conversion Notice	a notice in writing by the Noteholder to the Company to convert any outstanding Note or Notes
Conversion Price	£2.21 per share
Conversion Shares	the Ordinary Shares to be issued fully paid to the Noteholder on conversion of the Notes
Directors	the board of directors for the time being of the Company
Equity Securities	has the meaning given in section 560(1) of the Companies Act 2006
Event of Default	any of the events set out in paragraph 5 of Schedule 2
Indebtedness	any indebtedness, monies, obligations, liabilities of the Company in any form whatsoever denominated in whatever currency, whether actual or contingent, present or future, which may be now or hereafter due, owing or incurred howsoever and whether alone or jointly and whether as principal or surety
Interest Rate	a rate of 4% per annum
Maturity Date	the date which is 36 months from the date of this instrument
Notes	the £3,463,563 unsecured convertible loan notes constituted by this instrument or, as the case may be, the principal amount from time to time issued and paid up and outstanding, and principal amount shall be construed accordingly
Noteholder	the several persons for the time being as holders of the Notes being the Holder of the Notes
NVS Bonus Shares	the Ordinary Shares to be issued fully paid to the Noteholder in accordance with paragraph 5 of Part 1 of Schedule 3 of this instrument

Ordinary Shares	the ordinary shares of £0.003 each in the capital of the Company, which have the rights set out in the Articles
Redemption Date	has the meaning given in paragraph 4.1 of Schedule 2
Redemption Notice	has the meaning given in paragraph 4.2 of Schedule 2

1.2 Any phrase introduced by the terms **including**, **include** or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms.

1.3 The schedules to this instrument form part of (and are incorporated into) this instrument.

1.4 A **person** includes a corporate or unincorporated body.

1.5 Words in the singular include the plural and vice versa.

1.6 A reference to a clause or a schedule is (unless expressly stated otherwise) a reference to a clause of, or schedule to, this instrument.

1.7 Clause and schedule headings do not affect the interpretation of this instrument.

1.8 A reference to one gender includes a reference to the other gender.

1.9 Any reference in this instrument to **this instrument** or to any other instrument, agreement or document shall, unless the context otherwise requires, be construed as reference to this instrument or such other instrument, agreement or document as the same may from time to time be amended, varied, supplemented or novated, in each case in accordance with its terms.

1.10 References to any statute or statutory provision shall include references to such statute or statutory provision as in force at the date of this instrument and as subsequently re-enacted or consolidated and shall include references to any statute or statutory provision of which it is a re-enactment or consolidation.

2. NOMINAL AMOUNT

The nominal amount of each Note is £1 and the aggregate principal amount of all the Notes is limited to £3,463,563.

3. RANKING

The Notes constitute direct, unsecured obligations of the Company ranking ahead of any other unsecured Indebtedness of the Company, and without any preference among themselves.

4. USE OF PROCEEDS

The proceeds of all subscriptions for the Notes shall be used to fund the Company’s working capital and capital expenditure requirements for the time being.

5. LOAN NOTE CERTIFICATES

5.1 The Noteholder shall be entitled to receive (without charge) a Certificate executed as a deed by the Company for the amount of Notes held by them.

5.2 Every Certificate shall have copies of Schedule 2 and Schedule 3 endorsed on or attached to it.

6. CONDITIONS OF ISSUE

Upon Company securing additional funding from third parties in an aggregate amount no less than £6,000,000 on or before 1 July 2016, subject to the terms herein, Noteholder shall provide funding to Company up to the aggregate principal amount of £3,463,563, and Company shall issue the Notes. The Notes shall be issued subject to, and with the benefit of, the Conditions set out in Schedule 2 to Schedule 3 inclusive. Those conditions shall be binding on the Company, the Noteholder and all persons claiming through or under them.

7. INFORMATION RIGHTS

The Noteholder shall be entitled to receive information relating to, or in connection with the Notes discussed in or arising from any directors' or shareholders' meeting of the Company prior to or as soon as reasonably practicable following such meeting.

8. NOTES NOT TO BE QUOTED

No application has been, or is intended to be, made to any listing authority, stock exchange or other market for the Notes to be listed or otherwise traded.

9. ENFORCEMENT

The Company covenants with the Noteholder to perform and observe the obligations in this instrument to the intent that this instrument shall enure for the benefit of the Noteholder, each of whom may sue for the performance and observance of the provisions of this instrument so far as his holding is concerned.

10. SET-OFF

The Noteholder shall be recognised by the Company as entitled to the Notes registered in his name free from any equity, defence, set-off or cross-claim on the part of the Company against the original, or any intermediate, Noteholder.

11. THIRD PARTY RIGHTS

This instrument is enforceable under the Contracts (Rights of Third Parties) Act 1999 by the Company and the Noteholder, but not by any other person.

12. GOVERNING LAW AND JURISDICTION

12.1 This instrument and the Notes (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, the laws of England.

12.2 The courts of England shall have exclusive jurisdiction to settle any dispute or claim that arises out of, or in connection with, this instrument (including non-contractual disputes or claims). Accordingly, any proceedings relating to, or in connection with, this instrument or the Notes (including non-contractual disputes or claims) may be brought in such courts.

This document has been executed as a deed and is delivered and takes effect on the date stated at the beginning of it.

Signed as a Deed by **MEREO BIOPHARMA GROUP PLC** }
}
acting by: }
}
} /s/ Denise Scots-Knight
Director

in the presence of: } /s/ F. Steadman
} Name of Witness

SCHEDULE 1
FORM OF CERTIFICATE

MEREO BIOPHARMA GROUP PLC incorporated in England and Wales with registered number 09481161 (**Company**).

CERTIFICATE NO. [NUMBER] **AMOUNT OF NOTES £[AMOUNT]**

unsecured convertible loan notes (**Notes**).

Issued pursuant to the articles of association of the Company and created by a resolution of the directors passed on 2 June 2016.

This is to certify that [NAME[S]] of [ADDRESS[ES]] is/are the registered holder(s) of the nominal amount stated above of the Notes constituted by a loan note instrument dated [DATE] (**Instrument**) and made by the Company. The Notes are issued subject to, and with the benefit of, the provisions contained in the Instrument and the conditions and other provisions endorsed on this certificate and/or attached to it (**Conditions**). Interest is payable only in certain circumstances in accordance with Schedule 2 of the Instrument.

Executed as a deed by the Company this [DATE].

Notes:

1. No transfer of any part of the Notes represented by this Certificate can be registered without production of this Certificate.
2. The Notes are governed by, and construed in accordance with, the laws of England.

Signed as a Deed by **MEREO BIOPHARMA GROUP PLC** }
}
acting by: }
}
} _____
Director

} _____
in the presence of: } Name of Witness

SCHEDULE 2
INTEREST AND REDEMPTION

1. **INTEREST**

1.1 Interest shall be payable on any outstanding Notes (so far as not converted under Schedule 3) at the Interest Rate.

1.2 Any interest due under paragraph 1.1 of this Schedule 2 shall be payable annually in immediately available funds on each anniversary of the date of this instrument, unless the Noteholder elects to convert the accrued interest to Ordinary Shares in accordance with Part 2 of Schedule 3.

1.3 Interest, if payable, shall accrue daily at the Interest Rate and shall be calculated on the basis of a 365-day year and the actual number of days elapsed from the date of issue of the Notes to the Redemption Date.

1.4 If the Company fails to pay redemption monies when due, interest shall continue to accrue on the unpaid amount at the Interest Rate.

2. **REPAYMENT OF PRINCIPAL**

As and when the Notes are to be redeemed in accordance with paragraph 4 of this Schedule 2, the Company shall pay the Noteholder in immediately available funds the principal amount of the Notes which are to be redeemed plus any outstanding accrued interest.

3. **TIME OF PAYMENT**

Whenever any payment of principal (or otherwise) becomes due on a day which is not a Business Day, payment shall be made on the next following Business Day.

4. **REDEMPTION**

4.1 The Notes then in issue (so far as not converted under Schedule 3) shall, to the extent not previously converted, be redeemed at the principal amount together with interest on the Notes outstanding at the Interest Rate on the Maturity Date.

4.2 Within five Business Days of the Redemption Date, the Company shall repay to the Noteholder the principal amount of the Notes so redeemed, together with interest on such Notes outstanding at the Interest Rate.

5. **EVENTS RESULTING IN IMMEDIATE REDEMPTION**

The Notes shall be immediately redeemed at the principal amount, together with interest on the Notes outstanding at the Interest Rate, if:

(a) an administration order is made in relation to the Company or any of its subsidiaries; or

(b) an order is made, or an effective resolution is passed, for the winding-up, liquidation, administration or dissolution of the Company (except for the purpose of reorganisation or amalgamation of the Company or any of its subsidiaries); or

(c) an encumbrancor takes possession or a receiver is appointed of the whole or the major part of the assets or undertaking of the Company or any of its subsidiaries or if

distress, execution or other legal process is levied or enforced or sued out on or against the whole or the major part of the assets of the Company or any of its subsidiaries and is not discharged, paid out, withdrawn or removed within 30 Business Days; or

(d) the Company or any of its subsidiaries stops (or threatens to stop) payment of its debts generally or ceases (or threatens to cease) to carry on its business or a substantial part of its business;

(e) the Company breaches the provisions of paragraph 7(c) of part 2 of Schedule 3; and

(f) the Company or any of its subsidiaries is deemed for the purposes of section 123 Insolvency Act 1986 to be unable to pay its debts or compounds or proposes or enters into any reorganisation or special arrangement with its creditors generally.

6. ACTION FOLLOWING REDEMPTION

6.1 The Company shall give written notice to the Noteholder immediately on the Company becoming aware of the occurrence of an event specified in paragraph 5 of this Schedule 2, giving reasonable details of that event.

6.2 If, on redemption of a Note, the Noteholder fails to deliver the Certificate for it, or an indemnity in accordance with these Conditions or to accept payment of moneys due to him, the Company shall pay the moneys due to him into a bank account which payment shall discharge the Company from all further obligations in respect of the Note.

6.3 The Company shall cancel any and all Notes repaid, redeemed or purchased and shall not reissue them.

SCHEDULE 3
CONVERSION

Part 1

Conversion

1. The Noteholder shall be entitled, at any time when it holds 19.5% or less of the aggregate voting rights in the Company and prior to the Maturity Date, and on one or more occasions, to serve a Conversion Notice on the Company to convert all or some only of the Notes outstanding into fully paid Ordinary Shares at the Conversion Price per Share. It shall be a condition of any Conversion Notice that such conversion shall not cause the Noteholder to hold, following conversion of the Notes which are subject of the Conversion Notice, and the issue of any NVS Bonus Shares in connection with such conversion, more than 19.5% of the aggregate voting rights in the Company.

2. To the extent not previously converted or redeemed, the principal amount of all outstanding Notes shall automatically convert into Conversion Shares at the Conversion Price immediately prior to and conditional upon the occurrence of any Change of Control. If and when a Change of Control is proposed, the Company shall, to the extent it is lawful and practicable to do so, give Noteholder not less than 3 Business Days' prior written notice of the proposed Change of Control specifying (to the best of its knowledge) the terms and prospective date of the Change of Control.

3. The Conversion Notice shall set out, at a minimum:

   (a) the principal amount of the Notes to be converted;

   (b) whether any accrued but unpaid interest on such principal amount is to be converted; and

   (c) the Conversion Date

4. The service of a Conversion Notice shall be irrevocable and binding on the Noteholder.

5. Upon conversion of any Note, in addition to the relevant number of Conversion Shares, the Noteholder shall be entitled to receive, and the Company shall issue to the Noteholder, such number of NVS Bonus Shares as is equal to: the number of Conversion Shares into which such Notes are to convert, multiplied by 0.93, up to a maximum aggregate number of 1,453,520 NVS Bonus Shares.

Part 2

Procedures on conversion

1. On the Conversion Date, the Directors shall convert the principal amount of the specified in the Conversion Notice, and, if so elected by the Noteholder, any accrued but unpaid interest on such principal amount, into such number of new fully paid Ordinary Shares at the Conversion Price per Share, subject to any adjustment as set out in paragraph 8 of Part 2 of this Schedule 3 and in accordance with the following provisions of paragraph 2 to paragraph 6 of Part 2 of this Schedule 3.

2. Conversion of the Notes shall be effected by the Company redeeming the relevant Notes on the Conversion Date. Each Noteholder whose Notes are being converted shall be deemed to irrevocably authorise and instruct the Company to apply the redemption moneys payable to that Noteholder in subscribing for Ordinary Shares on conversion of the Notes.

3. the Conversion Shares and any NVS Bonus Shares shall be issued and allotted by the Company on the Conversion Date and the certificates for such Ordinary Shares shall be dispatched to the persons entitled to them at their own risk.

4. The Conversion Shares and any NVS Bonus Shares arising on conversion of the Notes shall be credited as fully paid and rank pari passu with the other Ordinary Shares in issue on the Conversion Date and shall carry the right to receive all dividends and other distributions declared after the Conversion Date.

5. The entitlement of the Noteholder to a fraction of an Ordinary Share shall be rounded to the nearest whole number of Ordinary Shares which result from the conversion of the Notes.

6. The Company warrants to the Noteholder that the board of directors of the Company has been authorised pursuant to the Articles to execute this instrument, and to allot and issue the Conversion Shares and the NVS Bonus Shares in accordance with its terms and, pursuant to that authorisation, the board of directors may allot and issue the Conversion Shares and the NVS Bonus Shares free from pre emptive rights upon conversion.

7. The Company undertakes that, while the Notes remain in issue, it shall (pending either the payment of any redemption moneys in respect of the Notes or the issue of the Ordinary Shares on conversion, each in accordance with the provisions of this instrument):

   (a) notify the Noteholder in writing as soon as reasonably practicable after the relevant board or general meeting of shareholders (whichever is the earliest) has resolved to implement an Adjustment Event specifying the prospective date of the Adjustment Event and the proposed terms of it;

   (b) maintain sufficient shareholder authority to satisfy in full, without the need for the passing of any further resolutions of its shareholders, the most onerous of the outstanding rights of conversion for the time being attaching to the Notes pursuant to paragraph 1 and paragraph 2 of Schedule 3, without first having to offer the same to any existing shareholders of the Company or any other person;

   (c) without the prior written consent of the Noteholder, such consent not to be unreasonably withheld or delayed, issue any further Notes or Indebtedness which ranks senior to the Notes.

8. Following an Adjustment Event, the professional advisors or auditors of the Company for the time being shall certify to the Company in writing the adjustments to the number and nominal value of the Conversion Shares (and any NVS Bonus Shares to be issued) which they consider to be necessary so that, after such adjustment and on conversion, the Noteholder shall be entitled to receive the same percentage of the issued share capital of the Company carrying the same proportion of votes exercisable at a general meeting of shareholders and the same entitlement to participate in distributions of the Company, in each case as nearly as practicable, as would have been the case had no Adjustment Event occurred (and making such reduction or increase as is necessary to the premium arising on the issue and allotment of the Ordinary Shares on conversion of the Notes). The Company shall then notify the Noteholder in writing of the necessary adjustment as determined by the professional advisors or auditors.

Dated May 4, 2017

DEED OF AMENDMENT

BETWEEN

(1) **MEREO BIOPHARMA GROUP PLC**

(2) **NOVARTIS PHARMA AG**

relating to the convertible loan note instrument constituting 3,463,563 £1 unsecured convertible loan notes dated 3 June 2016

Proskauer
110 Bishopsgate, London EC2N 4AY
T: +44 20 7280 2000 F: +44 20 7280 2001

TABLE OF CONTENTS

THIS DEED OF AMENDMENT is dated 4 May, 2017 (the **Deed**) and made between:

(1) **MEREO BIOPHARMA GROUP PLC**, a company incorporated and registered in England and Wales with company number 09481161 whose registered office is at 4th floor, One Cavendish Place, London W1G 0QF (the **Company**); and

(2) **NOVARTIS PHARMA AG**, a company incorporated and registered in Switzerland whose registered office is Postfach, 4002 Basel Switzerland (the **Noteholder**).

RECITALS

(A) On 3 June 2016, the Company executed a convertible loan note instrument (the **Original Instrument**) under which it constituted 3,463,563 £1 unsecured convertible loan notes (the **Loan Notes**). The Noteholder is the holder of all the Loan Notes.

(B) The Company has entered into this Deed in order to amend certain provisions of the Original Instrument. The Noteholder is a party to the Deed for the purposes of acknowledging and agreeing to the amendments to the Conditions of the Loan Notes set out in this Deed.

1. DEFINITIONS AND INTERPRETATIONS

Unless otherwise stated, all words and phrases defined in the Original Instrument shall have the same meanings when used herein.

2. AMENDMENT

2.1 Save as set out below, the Original Instrument shall remain in full force and effect.

2.2 With effect from the date of this Deed, the following amendments are made to the provisions of the Original Instrument (with any changes being struck out or underlined (as applicable)):

(a) Schedule 2, Paragraph 1.2:

"*Any interest due under paragraph 1.1 of this Schedule 2 shall be payable in immediately available funds on the Maturity Date unless the Noteholder elects to convert the accrued interest to Ordinary Shares in accordance with Part 2 of Schedule 3*."

(b) Schedule 3 Part 1, Paragraph 5:

"*Upon conversion of any Note and any accrued interest (if applicable), in addition to the relevant number of Conversion Shares, the Noteholder shall be entitled to receive, and the Company shall issue to the Noteholder, such number of NVS Bonus Shares as is equal to: the number of Conversion Shares into which such Notes and such accrued interest are to convert, multiplied by 0.93, up to a maximum aggregate number of 1,453,520 NVS Bonus Shares.*"

(c) Schedule 3 Part 2, Paragraph 2:

"*Conversion of the Notes and any accrued interest (if applicable) shall be effected by the Company redeeming the relevant Notes and any accrued interest on the Conversion Date. Each Noteholder whose Notes and any accrued interest are being converted shall be deemed to irrevocably authorise and instruct the Company to apply the redemption moneys payable to that Noteholder in subscribing for Ordinary Shares on conversion of the Notes and any accrued interest*."

(d) Schedule 3 Part 2, Paragraph 4:

"*The Conversion Shares and any NVS Bonus Shares arising on conversion of the Notes and any accrued interest (if applicable) shall be credited as fully paid and rank pari passu with the other Ordinary Shares in issue on the Conversion Date and shall carry the right to receive all dividends and other distributions declared after the Conversion Date*."

(e) Schedule 3 Part 2, Paragraph 5:

"*The entitlement of the Noteholder to a fraction of an Ordinary Share shall be rounded to the nearest whole number of Ordinary Shares which result from the conversion of the Notes and any accrued interest (if applicable)*."

(f) Schedule 3 Part 2, Paragraph 7:

"*The Company undertakes that, while the Notes remain in issue, it shall (pending either the payment of any redemption moneys in respect of the Notes and any accrued interest or the issue of the Ordinary Shares on conversion, each in accordance with the provisions of this instrument):*

(a) notify the Noteholder in writing as soon as reasonably practicable after the relevant board or general meeting of shareholders (whichever is the earliest) has resolved to implement an Adjustment Event specifying the prospective date of the Adjustment Event and the proposed terms of it;

(b) maintain sufficient shareholder authority to satisfy in full, without the need for the passing of any further resolutions of its shareholders, the most onerous of the outstanding rights of conversion for the time being attaching to the Notes and any accrued interest pursuant to paragraph 1 and paragraph 2 of Schedule 3, without first having to offer the same to any existing shareholders of the Company or any other person;

(c) without the prior written consent of the Noteholder, such consent not to be unreasonably withheld or delayed, issue any further Notes or Indebtedness which ranks senior to the Notes."

(g) Schedule 3 Part 2, Paragraph 8:

"*Following an Adjustment Event, the professional advisors or auditors of the Company for the time being shall certify to the Company in writing the adjustments to the number and nominal value of the Conversion Shares (and any NVS Bonus Shares to be issued) which they consider to be necessary so that, after such adjustment and on conversion, the Noteholder shall be entitled to receive the same percentage of the issued share capital of the Company carrying the same proportion of votes exercisable at a general meeting of shareholders and the same entitlement to participate in distributions of the Company, in each case as nearly as practicable, as would have been the case had no Adjustment Event occurred (and making such reduction or increase as is necessary to the premium arising on the issue and allotment of the Ordinary Shares on conversion of the Notes and any accrued interest (if applicable)). The Company shall then notify the Noteholder in writing of the necessary adjustment as determined by the professional advisors or auditors*."

2.3 The parties hereto agree that the amendments at clause 2.2 shall apply with respect to any and all interest due under the Original Instrument, whether such interest accrued prior to, on or after the date of this Deed.

3. ASSIGNMENT AND TRANSFER

The parties hereto acknowledge and agree that no party shall have any right to assign, transfer or in any way dispose of the benefit (or any part thereof) or the burden (or any part thereof) of this Deed without the prior written consent of the other party.

4. CONTRACT (RIGHTS OF THIRD PARTIES) ACT 1999

A person who is not a party to this Deed shall have no right under the Contract (Rights of Third Parties) Act 1999 to enforce any term of this Deed. This Clause 4 does not affect any right or remedy of any person which exists or is available otherwise than pursuant to that Act.

5. COUNTERPARTS

This Deed may be executed in any number of counterparts, each of which when executed and delivered shall constitute a duplicate original, but all the counterparts shall together constitute the one Deed.

6. GOVERNING LAW AND JURISDICTION

6.1 This Deed (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, the laws of England.

6.2 The courts of England shall have exclusive jurisdiction to settle any dispute or claim that arises out of, or in connection with, this Deed (including non-contractual disputes or claims). Accordingly, any proceedings relating to, or in connection with, this Deed (including non-contractual disputes or claims) may be brought in such courts.

Executed as a Deed by **MEREO BIOPHARMA GROUP PLC**	}	
	}	
	}	
acting by:	}	
	}	/s/ Richard Jones
		Director
in the presence of:	}	/s/ F. Steadman
	}	Name of Witness
Executed as a Deed by **NOVARTIS PHARMA AG**	}	
a company incorporated in Switzerland acting by,	}	
	}	
being a person who, in accordance with the laws of that territory, is acting	}	
under the authority of the company	}	/s/ Marc Ceulemans
		Director
in the presence of:	}	/s/ Florence Gros
	}	Name of Witness

DATED 31st October, 2017

(1) MEREO BIOPHARMA GROUP PLC

and

(2) NOVARTIS PHARMA AG

SECOND DEED OF AMENDMENT

relating to the convertible loan note instrument constituting
3,463,563 £1 unsecured convertible loan notes dated 3 June 2016

THIS DEED OF AMENDMENT is made on 31st October, 2017

BETWEEN:

(1) **MEREO BIOPHARMA GROUP PLC,** a company incorporated and registered in England and Wales with company number 09481161 whose registered office is at 4th floor, One Cavendish Place, London W1G 0QF (the "**Company**"); and

(2) **NOVARTIS PHARMA AG**, a company incorporated and registered in Switzerland whose registered office is at Postfach, 4002 Basel, Switzerland (the "**Noteholder**"),

each a "**Party**" and together the "**Parties**".

RECITALS

(A) On 3 June 2016, the Company executed a convertible loan note instrument, which was amended by a deed of amendment entered into between the Parties and dated 4 May 2017 (as amended, the "**Original Instrument**") under which the Company constituted 3,463,563 £1 unsecured convertible loan notes, all of which are held by the Noteholder.

(B) The Company has entered into a loan agreement with *inter alia* Silicon Valley Bank and Kreos Capital V (UK) Limited (the "**Lenders**"), pursuant to which the Company is obliged to repay to the Lenders a principal amount of up to £20,000,000 and all interest accrued thereon.

(C) The Parties are entering into this Deed in order to amend certain provisions of the Original Instrument.

IT IS AGREED as follows:

1. INTERPRETATION

Save where the context requires otherwise, or where expressly defined herein to the contrary, words and expressions defined in the Original Instrument shall have the same meaning when used in this Deed.

2. AMENDMENT

2.1 The following definitions shall be added to the Original Instrument:

Lenders	Silicon Valley Bank and Kreos Capital V (UK) Limited, collectively.
Loan Agreement	the loan agreement between *inter alia* the Company and the Lenders, dated 7 August 2017.
Loan Repayment Amount	the principal amount of up to £20,000,000 and all interest accrued thereon, payable by the Company to the Lenders in accordance with the terms of the Loan Agreement.

2.2 The definition of "**Maturity Date**" shall be amended so as to read as follows:

Maturity Date	2 March 2021, or if agreed in writing between the Parties, any earlier date falling one (1) Business Day following the Company's full repayment to the Lenders of the Loan Repayment Amount, provided in any event that the Maturity Date shall not fall on any date preceding 3 June 2019.

3. CONTINUITY

The provisions of the Original Instrument shall, save as amended by this Deed, continue in full force and effect, and shall be read an construed as one document with this Deed.

4. COUNTERPARTS

This Deed may be executed in any number of counterparts, which together shall constitute one Deed. Any party may enter into this Deed by executing any such counterpart.

5. GOVERNING LAW

5.1 This Deed and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with the law of England and Wales.

5.2 The courts of England and Wales shall have exclusive jurisdiction to settle any dispute which may arise out of or in connection with this Deed and any proceedings arising out of or in connection with this Deed shall be brought in such courts. The Parties irrevocably submit to the jurisdiction of such courts and waive any objection to proceedings in any such court on the ground of venue or on the ground that the proceedings have been brought in an inconvenient forum.

In witness hereof this Deed of Amendment has been executed and delivered as a **DEED** and is **DELIVERED** and takes effect on the date first written above.

EXECUTED and **DELIVERED**
as a **DEED** by
MEREO BIOPHARMA GROUP PLC)
acting by its duly authorised director in the presence of:

/s/ Richard Jones
Director

Signature of witness: /s/ Florence Steadman

Name of witness: Florence Steadman

Address of witness: [XXXX]

Occupation: Executive Assistant

EXECUTED and **DELIVERED**
as a **DEED** by
NOVARTIS PHARMA AG)
acting by its duly authorised director in the presence of:

/s/ Marc Ceulemans
Director

Signature of witness: /s/ Grazyna Stawana-Lubiniecki

Name of witness: Grazyna Stawana-Lubiniecki

Address of witness:Novartis Venture Fund in Basel

Occupation: Office Manager

Exhibit 21.1

Subsidiaries of Mereo BioPharma Group plc

Legal Name of Subsidiary	Jurisdiction of Organization
Mereo BioPharma 1 Limited	United Kingdom
Mereo BioPharma 2 Limited	United Kingdom
Mereo BioPharma 3 Limited	United Kingdom
Mereo BioPharma 4 Limited	United Kingdom

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the reference to our firm under the caption “Experts” and to the use of our reports dated February 27, 2018, in the Registration Statement (Form F-1) and related Prospectus of Mereo BioPharma plc dated March 23, 2018.

/s/ Ernst & Young LLP

London, United Kingdom

March 23, 2018