As filed with the Securities and Exchange Commission on January 24, 2019

Registration No. 333-_____

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

FORM F-4
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)

England and Wales	**2834**	**Not Applicable**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

4th Floor
One Cavendish Place
London W1G 0QF
United Kingdom
+44 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:

Leo Borchardt
Michael Davis
Davis Polk & Wardwell London LLP
5 Aldermanbury Square
London EC2V 7HR
United Kingdom
+44 20 7418 1300

Alan C. Mendelson
Chad G. Rolston
Latham & Watkins LLP
140 Scott Drive
Menlo Park, CA 94025
United States of America
+1 650 463 2600

Approximate date of commencement of proposed sale to the public:
As soon as practicable after the effective date of this registration statement.

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(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. ☐

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer) ☐

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer) ☐

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. ☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

CALCULATION OF REGISTRATION FEE

Title Of Each Class Of Securities To Be Registered(1)	Amount To Be Registered(2)	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price(3)	Amount Of Registration Fee(4)
Ordinary shares, nominal value £0.003 per share	$47,495,889	Not applicable	$110,665,421.37	$13,412.65

(1) These ordinary shares will be represented by American Depositary Shares of the Registrant, each of which represents five ordinary shares. The American Depositary Shares of the Registrant issuable on deposit of the ordinary shares registered hereby are being registered under a separate Registration Statement on Form F-6 (Reg. No.: 333-223890).

(2) Represents the estimated maximum number of ordinary shares of the Registrant expected to be issued in connection with the merger agreement, the contingent value rights agreement and the transactions contemplated by each of the merger agreement and the contingent value rights agreement as described herein, calculated as the product obtained by multiplying (i) 71,240,272, the total number of ordinary shares of the Registrant issued and outstanding on January 24, 2019 and (ii) 0.6667, the share consideration cap. Pursuant to the terms of the merger agreement and the contingent value rights agreement described herein, the maximum number of ordinary shares of the Registrant to be issued pursuant to the contingent value rights agreement, when aggregated with the number of ordinary shares of the Registrant to be issued in exchange for shares of OncoMed common stock in the merger, cannot exceed the share consideration cap. Pursuant to Rule 416(a) under the Securities Act of 1933, as amended, there are also being registered an indeterminable number of additional securities as may be issued to prevent dilution resulting from stock splits, stock dividends or similar transactions prior to the completion of the merger transaction described herein.

(3) Pursuant to Rule 457(f)(1) and Rule 457(c) under the Securities Act of 1933, as amended, and solely for the purpose of computing the amount of the registration fee, the proposed maximum aggregate offering price is the product obtained by multiplying (i) 47,495,889, the estimated maximum number of ordinary shares of the Registrant expected to be issued in connection with the merger transaction described herein by (ii) $2.33, which is 180.50 pence, the average of the high and low prices of the ordinary shares of the Registrant on January 18, 2019, as reported on the Alternative Investment Market operated by the London Stock Exchange, converted into U.S. dollars at the noon buying rate of the Federal Reserve Bank of New York on such date of £1.00 to $1.2887.

(4) Determined in accordance with Section 6(b) of the Securities Act and SEC Fee Advisory #1 for Fiscal Year 2019 at a rate equal to the proposed maximum aggregate offering price of $110,665,421.37 multiplied by 0.0001212.

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, as amended, or until the registration statement shall become effective on such date as the Commission, acting pursuant to such Section 8(a), may determine.

The information herein is subject to completion or amendment. The registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This proxy statement/prospectus shall not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY—SUBJECT TO COMPLETION—DATED JANUARY 24, 2019

[●], 2019

MERGER PROPOSAL—YOUR VOTE IS VERY IMPORTANT

Dear OncoMed Pharmaceuticals, Inc. Stockholders:

Mereo BioPharma Group plc ("Mereo") and OncoMed Pharmaceuticals, Inc. ("OncoMed") have entered into an Agreement and Plan of Merger and Reorganization, dated as of December 5, 2018 (the "Merger Agreement"), under which an indirect, wholly-owned subsidiary of Mereo will be merged with and into OncoMed (the "Merger"), and OncoMed will continue as the surviving corporation in the Merger and an indirect, wholly-owned subsidiary of Mereo. If the Merger is completed, OncoMed stockholders will receive, in exchange for each share of OncoMed common stock owned immediately prior to the Merger (1) a number of American Depositary Shares (the "Mereo ADSs"), each representing five Mereo ordinary shares, determined by reference to the exchange ratio set forth in the Merger Agreement, and (2) one contingent value right, representing the right to receive contingent consideration upon the achievement of certain milestones relating to certain OncoMed products. Under the exchange ratio formula set forth in the Merger Agreement, as of immediately following the effective time of the Merger, former OncoMed stockholders are expected to own approximately 25% of Mereo and its subsidiaries (including OncoMed) on an undiluted basis following the Merger, subject to adjustment for the net cash held by OncoMed at the time of the closing of the Merger.

OncoMed common stock trades on The Nasdaq Stock Market ("Nasdaq") under the ticker symbol "OMED." As of [●], 2019, the last trading day before the date of this proxy statement/prospectus, the last reported sales price of OncoMed common stock at the end of regular trading hours, as reported on Nasdaq, was $[●].

Mereo ordinary shares trade on the Alternative Investment Market operated by the London Stock Exchange ("AIM") under the ticker symbol "MPH." Prior to consummation of the Merger, Mereo intends to file an initial listing application for the Mereo ADSs with Nasdaq. After completion of the Merger, Mereo ADSs are expected to be listed for trading on Nasdaq under the symbol "MREO." As of [●], 2019, the last trading day before the date of this proxy statement/prospectus, the last reported sales price of Mereo ordinary shares at the end of regular trading hours, as reported on AIM, was £[●].

OncoMed stockholders are cordially invited to attend the special meeting of OncoMed stockholders. The special meeting will be held at [●] local time, on [●], 2019, at OncoMed's headquarters located at 800 Chesapeake Drive, Redwood City, California 94063. At the special meeting, OncoMed stockholders will be asked to vote on the approval and adoption of the Merger Agreement, the approval, on a non-binding, advisory basis, of the transaction-related named executive officer compensation and the approval of the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes to approve and adopt the Merger Agreement.

The exchange of OncoMed common stock for merger consideration in the Merger is expected to be a taxable transaction for U.S. federal income tax purposes to U.S. Holders (as defined in "Material U.S. Federal Income Tax Considerations"). We encourage OncoMed stockholders to carefully review the information under "Material U.S. Federal Income Tax Considerations" beginning on page 283 of the accompanying proxy statement/prospectus for a description of material U.S. federal income tax consequences of the Merger.

We cannot complete the Merger without the approval and adoption of the Merger Agreement by OncoMed stockholders. **It is important that your shares of OncoMed common stock be represented and voted regardless of the size of your holdings. Whether or not you plan to attend the special meeting, we urge you to submit a proxy to have your shares of OncoMed common stock voted in advance of the special meeting by using one of the methods described in the accompanying proxy statement/prospectus.**

The OncoMed board of directors recommends that OncoMed stockholders vote "FOR" the approval and adoption of the Merger Agreement, "FOR" the approval, on a non-binding, advisory basis, of the transaction-related named executive officer compensation and "FOR" the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes to approve and adopt the Merger Agreement.

The accompanying proxy statement/prospectus provides important information regarding the special meeting and a detailed description of the Merger Agreement, the Merger and the matters to be presented at the special meeting. **We urge you to read the accompanying proxy statement/prospectus, including all documents incorporated by reference into the accompanying proxy statement/prospectus, and its annexes carefully and in their entirety. Please pay particular attention to "Risk Factors" beginning on page 41 of the accompanying proxy statement/prospectus.**

We hope to see you at the special meeting and look forward to the successful completion of the Merger.

Sincerely,

Perry Karsen
Chairman of the Board of Directors
OncoMed Pharmaceuticals, Inc.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Merger or the securities to be issued in connection with the Merger as described in the accompanying proxy statement/prospectus, passed upon the merits or fairness of the Merger or determined that the accompanying proxy statement/prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

The accompanying proxy statement/prospectus is dated [●], 2019, and is first being mailed to OncoMed stockholders on or about [●], 2019.

800 Chesapeake Drive
Redwood City, California 94063

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON [●], 2019

[●], 2019

To the Stockholders of OncoMed Pharmaceuticals, Inc.:

A special meeting of stockholders of OncoMed Pharmaceuticals, Inc., a Delaware corporation ("OncoMed"), will be held at [●] local time, on [●], 2019, at OncoMed's headquarters located at 800 Chesapeake Drive, Redwood City, California 94063. At the special meeting, OncoMed stockholders will be asked to take action:

- to approve and adopt the Agreement and Plan of Merger and Reorganization, dated as of December 5, 2018 (a copy of which is attached as Annex A to the accompanying proxy statement/prospectus) (the "Merger Agreement"), by and among OncoMed, Mereo BioPharma Group plc, a public limited company incorporated under the laws of England and Wales ("Mereo"), Mereo US Holdings Inc., a Delaware corporation and direct, wholly-owned subsidiary of Mereo, and Mereo MergerCo One Inc., a Delaware corporation and direct, wholly-owned subsidiary of HoldCo, pursuant to which Merger Sub will be merged with and into OncoMed (the "Merger"), and OncoMed will continue as the surviving corporation in the Merger and an indirect, wholly-owned subsidiary of Mereo (the "Merger Proposal");
- to approve, on a non-binding, advisory basis, the compensation payments that will or may be paid by OncoMed or Mereo to OncoMed's named executive officers and that are based on or otherwise related to the Merger and the agreements and understandings pursuant to which such compensation may be paid or become payable, referred to as the transaction-related named executive officer compensation (the "Advisory Vote Proposal"); and
- to approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes to approve and adopt the Merger Agreement (the "Adjournment Proposal").

OncoMed will transact no other business at the special meeting except such business as may properly be brought before the special meeting or any adjournment or postponement thereof. Please refer to the accompanying proxy statement/prospectus for further information with respect to the business to be transacted at the special meeting.

The OncoMed board of directors (the "OncoMed Board") has fixed the close of business on [●], 2019 as the record date for the special meeting, referred to as the record date. Only holders of OncoMed common stock as of the record date are entitled to notice of, and to vote at, the special meeting and any adjournment or postponement thereof.

After careful consideration, the OncoMed Board unanimously determined that the Merger Agreement and the transactions contemplated by the Merger Agreement are advisable and in the best interests of OncoMed stockholders and has unanimously approved the Merger Agreement.

The OncoMed Board unanimously recommends that OncoMed stockholders vote "FOR" the Merger Proposal, "FOR" the Advisory Vote Proposal and "FOR" the Adjournment Proposal. The approval of the Merger Proposal by OncoMed stockholders is a condition to the obligations of OncoMed and Mereo to complete the Merger. Neither the approval of the Advisory Vote Proposal nor the approval of the Adjournment Proposal is a condition to the obligations of OncoMed or Mereo to complete the Merger.

Your vote is very important. Whether or not you expect to attend the special meeting in person, we urge you to submit a proxy as promptly as possible by (1) accessing the Internet website specified on your proxy card, (2) calling the toll-free number specified on the enclosed proxy card or (3) marking, signing, dating and returning the enclosed proxy card in the postage-paid envelope provided, so that your shares may be represented and voted at the special meeting. If your shares are held in the name of a broker or other nominee, please follow the instructions on the voting instruction card furnished by the record holder. For participants in OncoMed's benefit plans, the proxy card will serve as voting instructions for the trustee or custodian of the relevant benefit plan.

We urge you to read the accompanying proxy statement/prospectus, including all documents incorporated by reference into the accompanying proxy statement/prospectus, and its annexes carefully and in their entirety. In particular, see "Risk Factors" beginning on page 41 of the accompanying proxy statement/prospectus. If you have any questions concerning the Merger, the Merger Agreement, the non-binding, advisory vote on the transaction-related named executive officer compensation, the vote to adjourn the special meeting, if necessary or appropriate, the special meeting or the accompanying proxy statement/prospectus, or if you would like additional copies of the accompanying proxy statement/prospectus (at no charge) or need help submitting a proxy to have your shares of OncoMed common stock voted, please contact OncoMed's proxy solicitor, MacKenzie Partners, Inc., at the following address and telephone number:

MACKENZIE PARTNERS, INC.

1407 Broadway, 27th Floor
New York, New York 10018
Call Collect: (212) 929-5500
or
Call Toll Free: (800) 322-2885
Email: proxy@mackenziepartners.com

By Order of the Board of Directors,

John Lewicki, Ph.D.
President and Chief Executive Officer

Redwood City, California
[●], 2019

ABOUT THIS PROXY STATEMENT/PROSPECTUS

This proxy statement/prospectus, which forms part of a registration statement on Form F-4 filed with the U.S. Securities and Exchange Commission (the "SEC") by Mereo BioPharma Group plc ("Mereo"), constitutes a prospectus of Mereo under Section 5 of the Securities Act of 1933, as amended (the "Securities Act"), with respect to the ordinary shares, each of £0.003 nominal value, in the share capital of Mereo (the "Mereo Shares" and each a "Mereo Share"), which will be represented by American Depositary Shares of Mereo (the "Mereo ADSs") to be issued to stockholders of OncoMed Pharmaceuticals, Inc. ("OncoMed") pursuant to the merger of a wholly-owned indirect subsidiary of Mereo with and into OncoMed, with OncoMed continuing as the surviving corporation in the merger and a wholly-owned indirect subsidiary of Mereo (the "Merger"). This proxy statement/prospectus also constitutes a proxy statement of OncoMed under Section 14(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and constitutes a notice of meeting with respect to a special meeting of OncoMed stockholders (the "OncoMed Special Meeting").

No person has been authorized to provide you with information that is different from that which is contained in, or incorporated by reference into, this proxy statement/prospectus. Mereo and OncoMed take no responsibility for, and can provide no assurances as to the reliability of, any other information that others may give you and, if given, such information must not be relied upon as having been authorized. This proxy statement/prospectus is dated [●], 2019. You should not assume that the information contained in this proxy statement/prospectus is accurate as of any date other than that date. You should not assume that the information incorporated by reference into this proxy statement/prospectus is accurate as of any date other than the date of such information. Neither the mailing of this proxy statement/prospectus to OncoMed stockholders nor the issuance by Mereo of Mereo ADSs in connection with the Merger will create any implication to the contrary.

This proxy statement/prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction to or from any person to whom it is unlawful to make any such offer or solicitation. Information contained in this proxy statement/prospectus regarding Mereo has been provided by Mereo and information contained in this proxy statement/prospectus regarding OncoMed has been provided by OncoMed.

Neither Mereo shareholders nor OncoMed stockholders should construe the contents of this proxy statement/prospectus as legal, tax or financial advice. Mereo shareholders and OncoMed stockholders should consult with their own legal, tax, financial or other professional advisors. All summaries of, and references to, the agreements governing the terms of the transactions described in this proxy statement/prospectus are qualified by the full copies of and complete text of such agreements in the forms attached hereto as annexes.

Neither the SEC nor any state securities commission, nor any securities regulatory authority in any other jurisdiction, has approved or disapproved of the securities to be issued in connection with the Merger or determined if this proxy statement/prospectus is accurate or complete. Any representation to the contrary is a criminal offense. For the avoidance of doubt, this proxy statement/prospectus does not constitute an offer to buy or sell securities or a solicitation of an offer to buy or sell any securities in the United Kingdom or any other state in the European Economic Area or a solicitation of a proxy under the laws of England and Wales, and it is not intended to be, and is not, a prospectus or an offer document for the purposes of the prospectus rules made under Part VI of the United Kingdom Financial Services and Markets Act 2000 (as set out in the Financial Conduct Authority Handbook).

THIS PROXY STATEMENT/PROSPECTUS INCORPORATES ADDITIONAL INFORMATION

This proxy statement/prospectus incorporates important business and financial information about OncoMed from documents that OncoMed has filed with or furnished to the SEC, but that have not been included in this proxy statement/prospectus. Please see "Where You Can Find More Information" and "Incorporation of Certain Documents by Reference" located elsewhere in this proxy statement/prospectus. You can obtain any of the documents filed with or furnished to the SEC by OncoMed at no cost from the SEC's website at www.sec.gov. You may also request copies of these documents, including documents incorporated by reference into this proxy statement/prospectus (other than certain exhibits or schedules to these documents), at no cost by requesting them in writing or by telephone from OncoMed at the following address and telephone number:

OncoMed Pharmaceuticals, Inc.
Attention: Alicia Hager
800 Chesapeake Drive
Redwood City, California 94063
Telephone number: (650) 995-8200

In addition, if you have questions about the Merger, the OncoMed Special Meeting, or the proposals to be considered at the OncoMed Special Meeting, need additional copies of this document and the annexes to this document or need to obtain proxy cards or other information related to the proxy solicitation, you may contact OncoMed's proxy solicitor, MacKenzie Partners, Inc., at the following address and telephone number:

1407 Broadway, 27th Floor
New York, New York 10018
Call Collect: (212) 929-5500
or
Call Toll Free: (800) 322-2885
Email: proxy@mackenziepartners.com

In order for OncoMed stockholders to receive timely delivery of the documents in advance of the OncoMed Special Meeting, OncoMed stockholders must request the documents no later than [●], 2019.

CURRENCIES

In this proxy statement/prospectus, unless otherwise specified or the context otherwise requires:

- "$," "USD," "US$" and "U.S. dollar" each refer to the United States dollar; and
- "£," "GBP," "pound sterling," "pence" and "p" each refer to the British pound sterling (or units thereof).

INDUSTRY AND MARKET DATA

In this proxy statement/prospectus, Mereo relies on and refers to information and statistics regarding market shares in the sectors in which it competes and other industry data. Mereo obtained this information and statistics from third-party sources, such as independent industry publications,

government publications or reports by market research firms, which information Mereo has supplemented where necessary with information from various other third party sources, discussions with Mereo customers and its own internal estimates taking into account publicly available information about other industry participants and Mereo management's best view as to information that is not publicly available. Mereo believes that these sources and estimates are reliable, but it has not independently verified the information and statistics obtained from them.

PRESENTATION OF FINANCIAL INFORMATION

This proxy statement/prospectus includes Mereo's audited consolidated financial statements as of and for the years ended December 31, 2016 and 2017, and Mereo's unaudited consolidated interim financial statements for the six months ended June 30, 2017 and 2018, in each case, prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). None of Mereo's financial statements were prepared in accordance with U.S. GAAP.

Mereo's financial information is presented in pound sterling. For the convenience of the reader, Mereo has translated pound sterling amounts included in such financial information into U.S. dollars at the noon buying rate of the Federal Reserve Bank of New York on June 29, 2018, which was £1.00 to $1.3197. 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 pound sterling at the dates indicated as of that or any other date, and such 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.

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

TRADEMARKS, SERVICE MARKS AND TRADENAMES

Solely for convenience, the trademarks, service marks, logos and trade names referred to in this proxy statement/prospectus are without the ® and ™ symbols, but such references are not intended to indicate, in any way, that Mereo will not assert, to the fullest extent under applicable law, its rights or the rights of the applicable licensors to these trademarks, service marks, and trade names. This proxy statement/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 proxy statement/prospectus are, to Mereo's knowledge, the property of their respective owners. Mereo does not intend its use or display of other companies' trademarks, service marks, copyrights or trade names to imply a relationship with, or endorsement or sponsorship of Mereo by, any other companies.

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QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE ONCOMED SPECIAL MEETING

The following questions and answers address briefly some questions you may have regarding the proposed merger and the OncoMed Special Meeting. These questions and answers may not address all questions that may be important to you. Please refer to the more detailed information contained elsewhere in this proxy statement/prospectus, as well as the additional documents referred to in, or incorporated by reference into, this proxy statement/prospectus.

General Questions and Answers about the Merger

What is the proposed transaction on which I am being asked to vote?

You are being asked to vote to approve and adopt the Agreement and Plan of Merger and Reorganization, dated as of December 5, 2018 (as may be further amended from time to time, the "Merger Agreement"), entered into by and among Mereo BioPharma Group plc, a public limited company organized under the laws of England and Wales ("Mereo"), Mereo US Holdings Inc., a Delaware corporation and a wholly-owned subsidiary of Mereo ("HoldCo"), Mereo MergerCo One Inc., a Delaware corporation and a wholly-owned subsidiary of HoldCo ("Merger Sub"), and OncoMed Pharmaceuticals, Inc., a Delaware corporation ("OncoMed"). A copy of the Merger Agreement is included as Annex A to this proxy statement/prospectus. Pursuant to the Merger Agreement, Merger Sub will merge with and into OncoMed, with OncoMed surviving the merger as a wholly-owned subsidiary of HoldCo, and an indirect wholly-owned subsidiary of Mereo (the "Merger"). Following the Merger, OncoMed will no longer be a publicly traded corporation. Mereo and its subsidiaries following the Merger, including OncoMed, are referred to in this proxy statement/prospectus as the "Combined Company."

Why am I receiving this document and why am I being asked to vote on the Merger Agreement?

OncoMed is holding a special meeting of stockholders, which is referred to in this proxy statement/prospectus as the "OncoMed Special Meeting," in order to obtain the stockholder approval necessary to approve and adopt the Merger Agreement. Approval and adoption of the Merger Agreement requires the affirmative vote of holders of at least a majority of the outstanding shares of OncoMed common stock entitled to vote thereon. OncoMed stockholders will also be asked to approve, on a non-binding, advisory basis, the compensation payments that will or may be paid by OncoMed or Mereo to OncoMed's named executive officers and that are based on or otherwise related to the Merger and the agreements and understandings pursuant to which such compensation may be paid or become payable, and to approve the adjournment from time to time of the OncoMed Special Meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes to approve and adopt the Merger Agreement at the time of the OncoMed Special Meeting or any adjournment or postponement thereof, as further described in the section entitled "—What are the proposals on which the OncoMed stockholders are being asked to vote?" elsewhere in this proxy statement/prospectus. It is important that OncoMed's stockholders vote their shares of OncoMed common stock on each of these matters, regardless of the number of shares owned. The adoption of the Merger Agreement by OncoMed's stockholders is a condition to the completion of the Merger. See the section entitled "The Merger Agreement—Conditions to Closing" elsewhere in this proxy statement/prospectus.

This document serves as the proxy statement by which OncoMed is soliciting proxies to obtain the necessary approvals from its stockholders for the Merger. It also serves as the prospectus by which Mereo will offer and issue the ordinary shares, with a nominal value of £0.003 per ordinary share, of Mereo (the "Mereo Shares") underlying the American Depositary Shares (the "Mereo ADSs") that will be issued to OncoMed stockholders as a part of the Merger Consideration. It provides OncoMed stockholders with important details about Mereo and their rights as potential equityholders of Mereo.

Is my vote important?

Yes, your vote is very important. For OncoMed stockholders, an abstention from voting or a failure to vote will have the same effect as a vote "AGAINST" the approval and adoption of the Merger Agreement, assuming a quorum is present. If you hold your OncoMed common stock through a broker, bank or other nominee holder of record and you do not give voting instructions to that broker, bank or other nominee holder of record, that broker, bank or other nominee holder of record will not be able to vote your shares on the approval and adoption of the Merger Agreement, and your failure to give those instructions will have the same effect as a vote "AGAINST" the approval and adoption of the Merger Agreement, assuming a quorum is present. OncoMed's board of directors (the "OncoMed Board") unanimously recommends that OncoMed stockholders vote "FOR" the approval and adoption of the Merger Agreement.

The enclosed proxy materials allow you to grant a proxy or vote your shares by telephone or Internet without attending the OncoMed Special Meeting. You are encouraged to submit your proxy or vote your shares by telephone or Internet as soon as possible, even if you plan to attend the OncoMed Special Meeting.

What will OncoMed stockholders receive in the Merger?

If the Merger is completed, OncoMed stockholders will receive, in exchange for each outstanding share of OncoMed common stock owned immediately prior to completion of the Merger (except for any dissenting shares): (1) a number of Mereo ADSs determined by reference to the exchange ratio described below (the "Share Consideration"), and (2) one contingent value right (a "CVR"), representing the right to receive contingent payments if specified milestones are achieved within agreed time periods, subject to and in accordance with the terms and conditions of the Contingent Value Rights Agreement, in substantially the form included as Annex B to this proxy statement/prospectus (the "CVR Agreement"), to be entered into at or prior to the effective time of the Merger (the "Effective Time") by and among Computershare Inc., as rights agent, and Mereo (together with the Share Consideration, the "Merger Consideration").

Under the exchange ratio formula set forth in the Merger Agreement (the "Exchange Ratio"), as of immediately following the Effective Time, former OncoMed stockholders are expected to own approximately 25% of the outstanding equity interests in the Combined Company on an undiluted basis (the "Implied OncoMed Ownership"), subject to adjustment for the net cash held by OncoMed at the time of the closing of the Merger (the "Closing"). The number of Mereo Shares underlying Mereo ADSs issuable to former OncoMed stockholders in the Merger is also subject to the limitation that the number of Mereo Shares to be allotted and issued by Mereo (and the corresponding number of Mereo ADSs to be issued to holders of OncoMed common stock) as Share Consideration or pursuant to the CVR Agreement will not, in the aggregate, exceed 66.67% of the Mereo Shares issued and outstanding immediately prior to the Effective Time (approximately 40% of the share capital of the Combined Company) (the "Share Consideration Cap"), as described further in "The Merger Agreement—Merger Consideration." No fractional Mereo ADSs or CVRs will be issued in connection with the Merger. Any fractional Mereo ADSs or CVRs will be rounded down to the nearest whole Mereo ADS or CVR, as applicable, with no cash being paid to compensate for such rounding. Mereo intends to apply to list the Mereo ADSs on The Nasdaq Stock Market ("Nasdaq").

Based on the closing price per Mereo Share of £1.90 as of December 4, 2018, which was the last trading day of Mereo Shares on the Alternative Investment Market operated by London Stock Exchange plc ("AIM") before the announcement of the Merger, the Federal Reserve Bank of New York's reported U.S. dollar to pound sterling exchange rate on such date of £1.00 to $1.2719, and assuming no adjustment to the Exchange Ratio for the net cash held by OncoMed at the time of the closing of the Merger, the Share Consideration implied a value of $1.49 per share of OncoMed common stock. This represented a premium to OncoMed stockholders of approximately 33.8% over OncoMed's closing stock price on December 4, 2018.

Based on the closing price per Mereo Share of £[●] as of [●], 2019, which was the latest practicable trading day of Mereo Shares on AIM before the publication of this proxy statement/prospectus, the Federal Reserve Bank of New York's reported U.S. dollar to pound sterling exchange rate on such date of £1.00 to $[●], and assuming no adjustment to the Exchange Ratio for the net cash held by OncoMed at the time of the closing of the Merger , the Share Consideration would imply a value of $[●] per share of OncoMed common stock.

The Implied OncoMed Ownership referenced above is an estimate only and the actual percentage of outstanding equity interests in the Combined Company to be held by former OncoMed stockholders immediately following the closing of the Merger will be determined by the final Exchange Ratio, calculated pursuant to a formula described in more detail in the Merger Agreement and elsewhere in this proxy statement/prospectus. In particular, if OncoMed's net cash at the time of the closing of the Merger is less than $36.5 million, the Exchange Ratio will be reduced by an amount that is greater than the amount that would otherwise reflect the difference between the target closing net cash and actual closing net cash on a dollar-for-dollar basis. Because the number of Mereo ADSs to be exchanged for each share of OncoMed common stock will be adjusted based on the net cash held by OncoMed at the time of the closing of the Merger and will be unaffected by any increase or decrease in exchange rates or in the share price of Mereo Shares between now and the closing of the Merger, the notional value of the Merger Consideration and the exact number of Mereo ADSs that will be issued to OncoMed stockholders as of the date of the OncoMed Special Meeting and as of the date of the closing of the Merger cannot be determined with precision in advance of the Effective Time.

What are the CVRs?

The CVRs represent the non-transferable contractual right to receive certain stock and cash payments from Mereo if specified milestones are achieved within agreed time periods. Each share of OncoMed common stock outstanding immediately prior to the Effective Time shall be converted into the right to receive one CVR, in addition to the Share Consideration. A copy of the form of the CVR Agreement is included as Annex B to this proxy statement/prospectus.

The CVR milestones relate to OncoMed's etigilimab (anti-TIGIT, OMP-313M32) and navicixizumab (anti-DLL4/VEGF, OMP-305B83) therapeutic candidates. The contingent payments become payable to the rights agent, for subsequent distribution to the holders of the CVRs, upon the achievement of the milestones as follows:

The TIGIT Milestone

A payment, in the form of Mereo ADSs, will be made to CVR holders if, following the Effective Time but prior to December 31, 2019, the following milestone (the "TIGIT Milestone") is achieved:

- Celgene Corporation or certain affiliates thereof (collectively, "Celgene") exercise the exclusive option granted by OncoMed to Celgene in relation to OncoMed's etigilimab product pursuant to the Master Research and Collaboration Agreement by and among Celgene and OncoMed, dated December 2, 2013 (the "Celgene Option Exercise"); and
- OncoMed actually receives the cash payment payable by Celgene pursuant to such Celgene Option Exercise.

If the TIGIT Milestone is achieved, holders of CVRs would be entitled to receive a number of Mereo ADSs equal to (x) the amount of the cash payment actually received by OncoMed upon the Celgene Option Exercise, net of any tax and other reasonable expenses, divided by (y) the volume-weighted average price per Mereo ADS for the ten trading day period immediately following the date of the announcement by Mereo of the receipt of such cash payment. The TIGIT Milestone payment is subject to the Share Consideration Cap, such that the number of Mereo Shares underlying the Mereo ADSs to be issued pursuant to the CVR Agreement, when aggregated with the number of Mereo Shares underlying the Mereo ADSs issued as Share Consideration pursuant to the Merger Agreement, cannot exceed the Share Consideration Cap.

In the event that the cash payment payable by Celgene pursuant to the Celgene Option Exercise is actually received by OncoMed prior to the Effective Time, OncoMed stockholders will receive value for such cash payment in the form of additional Mereo ADSs issued at the Effective Time pursuant to the application of the Exchange Ratio set forth in the Merger Agreement. In such event, the CVR Agreement will be amended to delete the TIGIT Milestone and all related payment mechanics.

The NAVI Milestones

A cash payment will be made to CVR holders if, within eighteen months following the closing of the Merger, Mereo or any of its subsidiaries enters into a definitive agreement with one or more third parties regarding the navicixizumab products and, within five years of the closing of the Merger, Mereo or any of its subsidiaries actually receives certain eligible cash milestone payments (each, a "NAVI Milestone").

If a NAVI Milestone is achieved, holders of CVRs would be entitled to receive an amount in cash equal to 70% of the amount of such eligible cash milestone payment, net of any tax and other reasonable expenses. The NAVI milestone payments are subject to a cash consideration cap, pursuant to which the aggregate principal amount of all cash payments made to holders of CVRs by Mereo shall in no case exceed $79.7 million.

The CVRs may not be sold, assigned, transferred, pledged or disposed of in any other manner, in whole or in part, other than in the limited circumstances specified in the CVR Agreement. In addition, the CVRs (i) will not be evidenced by a certificate or other instrument, (ii) will not have any voting or dividend rights and (iii) will not represent any equity or ownership interest in Mereo or any of its subsidiaries or in the surviving corporation. No interest will accrue on any amounts payable in respect of the CVRs.

Mereo's obligation to make the CVR payment, if any becomes due, is neither secured nor guaranteed. Mereo's obligation to make the CVR payment, if any becomes due, is an unsecured general obligation of Mereo and is not guaranteed by Mereo or any of its affiliates.

For a more detailed description of the CVRs and the CVR Agreement, see "Description of the CVRs" elsewhere in this proxy statement/prospectus.

After the Merger, how much of the Combined Company will OncoMed stockholders own?

Under the exchange ratio formula set forth in the Merger Agreement, as of immediately following the Effective Time, former OncoMed stockholders are expected to own approximately 25% of the outstanding equity interests in the Combined Company on an undiluted basis, subject to adjustment for the net cash held by OncoMed at the time of the closing of the Merger. Because the number of Mereo ADSs to be exchanged for each share of OncoMed common stock will be adjusted based on the net cash held by OncoMed at the time of the closing of the Merger, the percentage of outstanding Mereo Shares actually held by former OncoMed stockholders after the Merger may be greater or less than 25%. The number of Mereo Shares to be allotted and issued by Mereo (and the corresponding number of Mereo ADSs to be issued to holders of OncoMed common stock) as Merger Consideration or pursuant to the CVR Agreement will not, in the aggregate, exceed 66.67% of the Mereo Shares issued and outstanding immediately prior to the Effective Time (approximately 40% of the share capital of the Combined Company).

Can the value of the Merger Consideration change between now and the time the Merger is consummated?

Yes, the value of the Merger Consideration can change. The Exchange Ratio that applies to the Share Consideration is subject to adjustment for the net cash held by OncoMed at the time of the closing of the Merger and to the Share Consideration Cap, meaning that former OncoMed stockholders

may be entitled to receive Mereo ADSs representing more or less than 25% of the outstanding equity interests in the Combined Company immediately following the Effective Time, regardless of the trading price of Mereo Shares on AIM or currency exchange rates on the effective date of the Merger. The actual market value of the Mereo ADSs that OncoMed stockholders will receive in the Merger may increase or decrease as the trading price of Mereo Shares increases or decreases, or as currency rates fluctuate, and may be different at the time the OncoMed Special Meeting is held or the Merger is consummated than it was as of the last trading day before the Merger Agreement was signed. The market price of Mereo Shares could be higher or lower at any time prior to the consummation of the Merger than the price of Mereo Shares as of the last trading day before the Merger Agreement was signed. Additionally, fluctuations in the currency exchange rate between the U.S. dollar and the pound sterling could affect the value of the Merger Consideration. OncoMed stockholders are urged to obtain current trading prices for Mereo Shares on AIM and current exchange rates between the U.S. dollar and the pound sterling. You should obtain current trading prices of Mereo Shares and OncoMed common stock, and currency exchange rates, before deciding how to vote on the approval and adoption of the Merger Agreement.

What will happen to my OncoMed options or OncoMed restricted stock units in the Merger?

OncoMed Options

At or immediately prior to the Effective Time, each outstanding and unexercised option to acquire OncoMed common stock pursuant to OncoMed's 2004 Stock Incentive Plan, as amended, or OncoMed's 2013 Equity Incentive Award Plan, as applicable, whether or not vested (each, an "OncoMed Option") will be automatically canceled and converted into the right to receive (i) the excess, if any, of the Merger Consideration over the applicable exercise price of such canceled OncoMed Option, multiplied by (ii) the number of shares of OncoMed common stock subject to such OncoMed Option immediately prior to the Effective Time, provided that no fractional Mereo ADSs or CVRs will be issued. Each OncoMed Option that has a per-share exercise price that is higher than the Merger Consideration shall be canceled at the Effective Time for no consideration. No OncoMed Options will remain outstanding following the consummation of the Merger.

OncoMed Restricted Stock Units

Immediately prior to the Effective Time and contingent on the occurrence of the Closing, each outstanding restricted stock unit, representing the right to receive shares of OncoMed common stock in the future pursuant to OncoMed's 2013 Equity Incentive Award Plan (each, an "OncoMed Unit") will be canceled and the holders thereof will be entitled to receive, immediately prior to the Effective Time, the number of shares of OncoMed common stock that were subject to such OncoMed Unit (with the tax withholding obligations of each holder of such OncoMed Units being satisfied by OncoMed withholding from issuance that number of shares of OncoMed common stock calculated by multiplying the maximum statutory withholding rate for such holder in connection with such issuance by the number of shares of OncoMed common stock to be issued, rounding up to the nearest whole share, and remitting such withholding in cash to the appropriate tax authority) and such stockholders will thereafter be entitled to receive the Merger Consideration in respect of these shares of OncoMed common stock. No OncoMed Units will remain outstanding following the consummation of the Merger.

What is a Mereo ADS?

A Mereo ADS is an American Depositary Share, which is a security that allows persons in the United States to more easily hold and trade interests in companies incorporated or organized outside of the United States. Mereo is a public limited company organized under the laws of England and Wales that issues ordinary shares that are equivalent in many respects to the common stock of a U.S. company. See "Comparison of Shareholder Rights" for a discussion of the differences between OncoMed common stock and Mereo Shares. Each Mereo ADS represents five Mereo Shares. Mereo

intends to apply to list the Mereo ADSs on Nasdaq, under the symbol “MREO.” Citibank, N.A. is the depositary of the Mereo Shares underlying the Mereo ADSs and will be responsible for issuing Mereo ADSs to OncoMed stockholders in the Merger.

Will OncoMed stockholders be able to trade the Mereo ADSs that they receive in the transaction?

Yes. Mereo intends to apply to list the Mereo ADSs on Nasdaq under the symbol “MREO.” Mereo ADSs received in exchange for shares of OncoMed common stock in the transaction will be freely transferable under United States federal securities laws. Mereo ADSs will be listed for trading, and be quoted, in U.S. dollars.

Can I receive Mereo Shares in the Merger instead of Mereo ADSs?

No. However, you may turn in your Mereo ADSs at the depositary’s corporate office or by providing appropriate instructions to your broker. Upon payment of the fees provided in the deposit agreement and any applicable taxes, the depositary will deliver to you the Mereo Shares underlying your Mereo ADSs held on deposit by the custodian.

What are the material U.S. federal income tax considerations of the Merger for me?

The exchange of OncoMed common stock for merger consideration in the Merger is expected to be a taxable transaction for U.S. federal income tax purposes to U.S. Holders (as defined in “Material U.S. Federal Income Tax Considerations”). Please carefully review the information under “Material U.S. Federal Income Tax Considerations” beginning on page 283 of this proxy statement/prospectus for a description of material U.S. federal income tax consequences of the merger to U.S. Holders. The tax consequences to you will depend on your own situation. You are urged to consult your tax advisors as to the specific tax consequences to you of the Merger and your receipt of the Merger Consideration, including the applicability and effect of U.S. federal, state, local and non-U.S. income and other tax laws in light of your particular circumstances.

What are the material U.K. tax considerations of owning Mereo ADSs for me?

You are referred to the section of this proxy statement/prospectus entitled “Material U.K. Tax Considerations” for a summary of the anticipated material U.K. tax considerations of ownership of Mereo ADSs. **You are urged to consult with your own tax advisor for a full understanding of the U.K. tax considerations to you of owning Mereo ADSs.**

When is the Merger expected to be completed?

Mereo and OncoMed expect to complete the Merger promptly after OncoMed receives, at the OncoMed Special Meeting, an affirmative vote in favor of the approval and adoption of the Merger Agreement by holders of a majority of the shares of OncoMed’s common stock entitled to vote at the OncoMed Special Meeting (the “OncoMed Stockholder Approval”). Mereo and OncoMed currently anticipate that the Merger will occur in the first half of 2019. However, neither Mereo nor OncoMed can predict the exact timing of the completion of the Merger because the Merger is subject to certain other conditions to closing as set forth in the Merger Agreement. See the section entitled “The Merger Agreement—Conditions to Closing” elsewhere in this proxy statement/prospectus.

What is required to complete the Merger?

Each of Mereo’s and OncoMed’s obligation to consummate the Merger is subject to a number of conditions specified in the Merger Agreement, including (i) the approval and adoption of the Merger Agreement by OncoMed’s stockholders and, if necessary, Mereo’s shareholders (the “Mereo Shareholder Approval”); (ii) the absence of any temporary restraining order, preliminary or permanent

injunction or any other order preventing the consummation of the Merger and any law that makes illegal the consummation of the Merger; (iii) the SEC having declared effective this registration statement on Form F-4 (the "Form F-4") and the registration statement on Form F-6 relating to the registration under the Securities Act of the issuance of the Mereo ADSs (the "Form F-6") to be filed with the SEC; (iv) Mereo having obtained all required shareholder approvals in connection with the issuance of Mereo ADSs and the allotment and issuance of the Mereo Shares underlying the Mereo ADSs to be issued in the Merger and the grant of the CVRs to the stockholders of OncoMed pursuant to the Merger Agreement; (v) the approval for listing on Nasdaq, subject to official notice of issuance, of the Mereo ADSs to be issued in the Merger and the approval for admission to trading on AIM of the Mereo Shares underlying the Mereo ADSs to be issued in the Merger pursuant to the Merger Agreement, and the satisfaction of any other requirements of London Stock Exchange plc; (vi) subject to certain materiality exceptions, the accuracy of certain representations and warranties of each of OncoMed and Mereo contained in the Merger Agreement and the compliance by each party with the covenants contained in the Merger Agreement; and (vii) the absence of a material adverse effect with respect to each of OncoMed and Mereo. The parties expect the Merger will be completed in the first half of calendar year 2019. See "The Merger Agreement—Conditions to Closing" located elsewhere in this proxy statement/prospectus.

On June 2, 2016, holders of Mereo Shares granted authority to the board of directors of Mereo (the "Mereo Board") to issue and allot the Mereo Shares underlying the Mereo ADSs.

What happens if the Merger is not completed?

If the Merger Agreement is not adopted by OncoMed stockholders or if the Merger is not completed for any other reason, OncoMed stockholders will not receive the Merger Consideration in exchange for their shares of OncoMed common stock. Instead, OncoMed will remain an independent public company and OncoMed common stock will continue to be listed and traded on Nasdaq. Under specified circumstances, OncoMed may be required to pay Mereo a termination fee and reimburse Mereo's transaction expenses, or Mereo may be required to pay OncoMed a termination fee and reimburse OncoMed's transaction expenses, as described in "The Merger Agreement—Termination Fees" located elsewhere in this proxy statement/prospectus.

If, for any reason, the Merger does not close, the OncoMed Board may elect to, among other things, attempt to complete another strategic transaction similar to the Merger, attempt to sell or otherwise dispose of the various assets of OncoMed or continue to operate the business of OncoMed. If OncoMed decides to dissolve and liquidate its assets, OncoMed would be required to pay all of its debts and contractual obligations, and to set aside certain reserves for potential future claims, and there can be no assurances as to the amount or timing of available cash, if any, left to distribute to OncoMed stockholders after paying the debts and other obligations of OncoMed and setting aside funds for reserves.

What do I need to do?

After you have carefully read and considered the information contained in, or incorporated by reference into, this proxy statement/prospectus, please vote by submitting your proxy card or voting instruction form by following the instructions set forth below under "Questions and Answers about the OncoMed Special Meeting—How do I vote?"

Questions and Answers about the OncoMed Special Meeting

When and where is the OncoMed Special Meeting?

The OncoMed Special Meeting will be held at [●], local time, on [●], 2019 at OncoMed's headquarters located at 800 Chesapeake Drive, Redwood City, California 94063. Check-in will begin at [●], local time. Please allow ample time for the check-in procedures.

How can I attend the OncoMed Special Meeting?

OncoMed stockholders as of the close of business on [●], 2019, the record date, and those who hold a valid proxy for the special meeting are entitled to notice of, to attend and to vote at the OncoMed Special Meeting. OncoMed stockholders should be prepared to present photo identification for admittance. In addition, names of record holders will be verified against the list of record holders at the close of business on the record date prior to being admitted to the meeting. OncoMed stockholders who are not record holders but who hold shares through a broker or other nominee (i.e., in "street name") should provide proof of beneficial ownership at the close of business on the record date, such as a letter from their broker reflecting their stock ownership as of the record date, which is [●], 2019. If OncoMed stockholders do not provide photo identification or comply with the other procedures outlined above upon request, they will not be admitted to the OncoMed Special Meeting.

What matters will OncoMed stockholders vote on at the special meeting?

OncoMed stockholders will vote on the Merger Proposal, the Advisory Vote Proposal and the Adjournment Proposal, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes to approve and adopt the Merger Agreement.

How many votes are needed for the proposals considered by OncoMed stockholders at the OncoMed Special Meeting?

Approval of the Merger Proposal requires the affirmative vote of the holders of at least a majority of the shares of OncoMed common stock outstanding at the close of business on the record date. Approval of Advisory Vote Proposal and the Adjournment Proposal each requires the affirmative vote of a majority of the votes cast affirmatively or negatively by holders of shares of OncoMed common stock present in person or represented by proxy at the OncoMed Special Meeting.

What is the quorum requirement for the OncoMed Special Meeting?

A quorum of OncoMed stockholders will be present if at least a majority in voting power of the stock issued and outstanding and entitled to vote as of the record date is present in person, or by remote communication, if applicable, or represented by proxy at the OncoMed Special Meeting. Your shares will be counted towards such quorum only if you submit a valid proxy (or one is submitted on your behalf by your broker or other nominee) or if you vote in person at the OncoMed Special Meeting. Abstentions and broker non-votes will be counted towards the quorum requirement. If there is no quorum, the chairperson of the special meeting or a majority in voting power of the stockholders entitled to vote at the meeting, present in person, or by remote communication, if applicable, or represented by proxy may adjourn the OncoMed Special Meeting to another time or date. If you do not vote, it will be more difficult for OncoMed to obtain the necessary quorum to approve the proposals to be considered by OncoMed stockholders at the OncoMed Special Meeting.

As an OncoMed stockholder, how can I vote?

Stockholders of record as of the record date may vote in person by attending the OncoMed Special Meeting or by mail by completing, signing and dating a proxy card or, if you hold your shares in "street name," a voting instruction form. Proxies and voting instruction forms submitted by mail must be received no later than [●], 2019 at 11:59 p.m. Eastern Time to be voted at the OncoMed Special Meeting.

Most stockholders can also vote over the Internet or by telephone. The availability of Internet and telephone voting for shares held in "street name" will depend on the voting processes of your broker or other nominee. If Internet and telephone voting are available, OncoMed stockholders can find voting instructions in the materials accompanying this proxy statement/prospectus. The Internet and telephone voting facilities will close at 11:59 p.m., Eastern Time, on [●], 2019. Please be aware that OncoMed stockholders who vote by telephone or over the Internet may incur costs such as telephone and Internet access charges for which they will be responsible.

The method by which OncoMed stockholders vote will in no way limit the right to vote at the meeting if you later decide to attend in person. If shares are held in "street name," OncoMed stockholders must obtain a proxy, executed in their favor, from their broker or other nominee, to be able to vote at the meeting.

Failure by an OncoMed stockholder to submit a proxy, or instruct a broker or other nominee to vote, as the case may be, will have the effect of a vote "AGAINST" the Merger Proposal, assuming a quorum is present, but it will have no effect on the Advisory Vote Proposal or the Adjournment Proposal.

All shares entitled to vote and represented by properly completed proxies received prior to the OncoMed Special Meeting and not revoked will be voted at the meeting in accordance with your instructions. If a signed proxy card is returned without indicating how shares should be voted on a matter and the proxy is not revoked, the shares represented by such proxy will be voted as the OncoMed Board unanimously recommends and therefore "FOR" the Merger Proposal, the Advisory Vote Proposal and the Adjournment Proposal.

For a more detailed explanation of the voting procedures, please see the section entitled "The OncoMed Special Meeting—Voting Procedures" beginning on page 107 of this proxy statement/prospectus.

As an OncoMed stockholder, what happens if I do not vote?

Your vote is very important. For OncoMed stockholders, a failure to vote will have the same effect as a vote "AGAINST" the approval and adoption of the Merger Agreement, assuming a quorum is present. If you hold your OncoMed common stock through a broker, bank or other nominee holder of record and you do not give voting instructions to that broker, bank or other nominee holder of record, that broker, bank or other nominee holder of record will not be able to vote your shares on the approval and adoption of the Merger Agreement, and your failure to give those instructions will have the same effect as a vote "AGAINST" the approval and adoption of the Merger Agreement, assuming a quorum is present. Therefore, OncoMed urges OncoMed stockholders to vote. The OncoMed Board unanimously recommends that OncoMed stockholders vote "FOR" the approval and adoption of the Merger Agreement.

As an OncoMed stockholder, may I change my vote after I have submitted a proxy card or voting instruction card?

Yes. OncoMed stockholders may revoke a previously granted proxy or voting instruction at any time prior to the closing of the polls at the special meeting by:

- filing another duly executed proxy bearing a later date with OncoMed's Secretary before the vote is counted or by voting again using the telephone or internet before the cutoff time (your latest telephone or internet proxy is the one that will be counted);
- filing an instrument in writing revoking the proxy, or
- attending the OncoMed Special Meeting and voting in person, as described in the section entitled "The OncoMed Special Meeting" beginning on page 105 of this proxy statement/prospectus.

If your shares are held in a brokerage account or another nominee, you may change your vote by submitting new voting instructions to your broker or other nominee, or, if you have obtained a legal proxy from your broker, trustee or nominee that holds your shares, by attending the OncoMed Special Meeting and voting in person.

Only the last submitted proxy or voting instruction card will be considered. Please submit a proxy or voting instruction card for the OncoMed Special Meeting as soon as possible.

Should OncoMed stock certificates be sent in now?

No. If the Merger is completed, OncoMed stockholders will receive written instructions for sending in any stock certificates they may have.

What do OncoMed stockholders need to do now?

Carefully read and consider the information contained in and incorporated by reference into this proxy statement/prospectus, including its annexes. In order for OncoMed shares to be represented at the OncoMed Special Meeting, OncoMed stockholders can (1) vote through the Internet or by telephone by following the instructions included on their proxy card, (2) indicate on the enclosed proxy card how they would like to vote and return the proxy card in the accompanying pre-addressed postage paid envelope, or (3) attend the OncoMed Special Meeting in person.

Who can answer questions?

OncoMed stockholders with questions about the Merger or the other matters to be voted on at the OncoMed Special Meeting or who desire additional copies of this proxy statement/prospectus or additional proxy cards should contact:

MACKENZIE PARTNERS, INC.
1407 Broadway, 27th Floor
New York, New York 10018
Call Collect: (212) 929-5500
or
Call Toll Free: (800) 322-2885
Email: proxy@mackenziepartners.com

If you need additional copies of this proxy statement/prospectus or voting materials, contact MacKenzie Partners, Inc. as described above or OncoMed Investor Relations at the following address and telephone number:

OncoMed Pharmaceuticals, Inc.
Attention: Investor Relations
800 Chesapeake Drive
Redwood City, California 94063
Telephone number: (650) 995-8200

SUMMARY

This summary highlights information contained elsewhere in this proxy statement/prospectus. This summary may not contain all the information that may be important to you, and you are urged to read this entire proxy statement/prospectus carefully, including the attached annexes, and the other documents to which this proxy statement/prospectus refers or which are incorporated by reference herein in order for you to fully understand the proposed Merger. See also the sections entitled "Where You Can Find More Information" and "Incorporation of Certain Documents by Reference."

Information about the Companies

Mereo BioPharma Group plc

Mereo is a biopharmaceutical company focused on the development and commercialization of innovative therapeutics that aim to improve outcomes for patients with rare diseases. Mereo's portfolio consists of four clinical-stage product candidates, each of which Mereo acquired from large pharmaceutical companies. Mereo is developing BPS-804 for the treatment of osteogenesis imperfecta ("OI"), MPH-966 for the treatment of severe alpha-1 antitrypsin deficiency ("AATD"), BCT-197 for the treatment of acute exacerbations of chronic obstructive pulmonary disease ("AECOPD"), and BGS-649 for the treatment of hypogonadotropic hypogonadism ("HH") in obese men. Each of Mereo's product candidates has generated positive clinical data for such product candidate's target indication or for a related indication. Mereo believes its portfolio is well diversified because each of its product candidates employs a different mechanism of action and targets a separate indication. Mereo intends to develop and directly commercialize its rare disease product candidates. For its specialty disease product candidates, Mereo intends to seek strategic relationships for further clinical development and commercialization.

Mereo's 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 Mereo's formation in March 2015, it has successfully executed on this strategy by acquiring product candidates from Novartis Pharma AG ("Novartis") and AstraZeneca AB ("AstraZeneca"). Mereo has commenced or completed large, randomized, placebo-controlled Phase 2 clinical trials for all of its product candidates.

The principal executive offices of Mereo are located at 4th Floor, 1 Cavendish Place, London, W1G 0QF, United Kingdom; its telephone number is +44 333 023 7300; and its website is www.mereobiopharma.com. Information on Mereo's website is not incorporated by reference into or otherwise part of this proxy statement/prospectus.

Mereo MergerCo One Inc.

Merger Sub is a wholly-owned indirect subsidiary of Mereo and was formed on December 3, 2018 exclusively for the purpose of effecting the Merger. Merger Sub has not carried on any activities to date, except for activities incidental to its formation and activities undertaken in connection with the Merger. Merger Sub's separate corporate existence will cease upon the consummation of the Merger and OncoMed will continue as the surviving corporation.

The address and telephone number for Merger Sub's principal executive offices are the same as Mereo's.

OncoMed Pharmaceuticals, Inc.

OncoMed is a clinical-stage biopharmaceutical company focused on discovering and developing novel therapeutics that address the fundamental biology driving cancer's growth, resistance, recurrence and metastasis. OncoMed has three anti-cancer therapeutic candidates currently in clinical development, navicixizumab (anti-DLL4/VEGF, OMP-305B83), etigilimab (anti-TIGIT, OMP-313M32), and GITRL-Fc (OMP-336B11). Each of these therapeutic candidates was discovered by OncoMed scientists. OncoMed is currently conducting a Phase 1b clinical trial of its first therapeutic candidate, navicixizumab, in combination with standard chemotherapy regimens in patients with platinum-resistant ovarian cancer. OncoMed is also conducting a Phase 1a/b clinical trial of its second therapeutic candidate, etigilimab. Etigilimab is being tested as a single agent in patients with advanced or metastatic solid tumors in the Phase 1a portion of the Phase 1a/b trial and in combination with nivolumab (anti-PD1) in the Phase 1b portion of the trial. OncoMed has a strategic collaboration with Celgene Corporation regarding the etigilimab program. GITRL-Fc, OncoMed's third therapeutic candidate, is currently in a Phase 1a clinical trial in patients with advanced or metastatic solid tumors, although OncoMed does not plan to advance GITRL-Fc beyond Phase 1a. Data for OncoMed's two lead therapeutic candidates, navicixizumab and etigilimab, are being gathered to inform the advancement of these therapeutic candidates into later stage clinical trials independently or with potential or existing partners, with the goal of ultimately obtaining regulatory approvals and improving patient outcomes.

The principal trading market for shares of OncoMed common stock (Nasdaq: OMED) is Nasdaq. The principal executive offices of OncoMed are located at 800 Chesapeake Drive, Redwood City, California 94063; its telephone number is (650) 995-8200; and its website is www.oncomed.com. Information on OncoMed's website is not incorporated by reference into or otherwise part of this proxy statement/prospectus.

Summary of the Merger (page 114)

Subject to the terms and conditions of the Merger Agreement, Merger Sub, a wholly-owned indirect subsidiary of Mereo, will be merged with and into OncoMed, and OncoMed will continue as the surviving corporation in the Merger and a wholly-owned indirect subsidiary of Mereo. At the Effective Time, OncoMed's restated certificate of incorporation will be amended and restated in the form prescribed in the Merger Agreement, and will be the certificate of incorporation of the surviving corporation from and after the Effective Time.

Merger Consideration (page 151)

Subject to the terms and conditions of the Merger Agreement, at the Effective Time, OncoMed stockholders will receive, in exchange for each outstanding share of OncoMed common stock owned immediately prior to completion of the Merger (except for any dissenting shares): (1) a number of Mereo ADSs determined by reference to the Exchange Ratio described below, and (2) one CVR, representing the right to receive contingent payments if specified milestones are achieved within agreed time periods, subject to and in accordance with the terms and conditions of the CVR Agreement, to be entered into at or prior to the Effective Time by and among Computershare Inc., as rights agent, and Mereo.

Under the exchange ratio formula set forth in the Merger Agreement, as of immediately following the Effective Time, former OncoMed stockholders are expected to own approximately 25% of the outstanding equity interests in the Combined Company on an undiluted basis, subject to adjustment for the net cash held by OncoMed at the time of the closing of the Merger. The number of Mereo Shares underlying Mereo ADSs issuable to former OncoMed stockholders in the Merger is also subject to the

limitation that the number of Mereo Shares to be allotted and issued by Mereo (and the corresponding number of Mereo ADSs to be issued to holders of OncoMed common stock) as Share Consideration or pursuant to the CVR Agreement will not, in the aggregate, exceed 66.67% of the Mereo Shares issued and outstanding immediately prior to the Effective Time (approximately 40% of the share capital of the Combined Company), as described further in "The Merger Agreement—Merger Consideration." No fractional Mereo ADSs or CVRs will be issued in connection with the Merger. Any fractional Mereo ADSs or CVRs will be rounded down to the nearest whole Mereo ADS or CVR, as applicable, with no cash being paid to compensate for such rounding. Mereo intends to apply to list the Mereo ADSs on Nasdaq.

Because the number of Mereo ADSs to be exchanged for each share of OncoMed common stock will be adjusted based on the net cash held by OncoMed at the time of the closing of the Merger and will be unaffected by any increase or decrease in exchange rates or in the share price of Mereo Shares between now and the closing of the Merger, the notional value of the Merger Consideration and the exact number of Mereo ADSs that will be issued to OncoMed stockholders as of the date of the OncoMed Special Meeting and as of the date of the closing of the Merger cannot be determined with precision in advance of the Effective Time.

The CVRs (page 175)

The CVRs will be governed by the terms of the CVR Agreement, which will be entered into at or prior to the Effective Time by Mereo and Computershare, Inc., as rights agent.

The CVRs represent the non-transferable contractual right to receive certain stock and cash payments from Mereo if specified milestones are achieved within agreed time periods. Each share of OncoMed common stock outstanding immediately prior to the Effective Time shall be converted into the right to receive one CVR, in addition to the Share Consideration.

The CVR milestones relate to OncoMed's etigilimab (anti-TIGIT, OMP-313M32) and navicixizumab (anti-DLL4/VEGF, OMP-305B83) therapeutic candidates. The contingent payments become payable to the rights agent, for subsequent distribution to the holders of the CVRs, upon the achievement of the milestones as follows:

The TIGIT Milestone

A payment, in the form of Mereo ADSs, will be made to CVR holders if, following the Effective Time but prior to December 31, 2019, the following milestone is achieved:

- Celgene exercises the exclusive option granted by OncoMed to Celgene in relation to OncoMed's etigilimab product pursuant to the Master Research and Collaboration Agreement by and among Celgene and OncoMed, dated December 2, 2013; and
- OncoMed actually receives the cash payment payable by Celgene pursuant to such Celgene Option Exercise.

If the TIGIT Milestone is achieved, holders of CVRs would be entitled to receive a number of Mereo ADSs equal to (x) the amount of the cash payment actually received by OncoMed upon the Celgene Option Exercise, net of any tax and other reasonable expenses, divided by (y) the volume-weighted average price per Mereo ADS for the ten trading day period immediately following the date of the announcement by Mereo of the receipt of such cash payment. The TIGIT Milestone payment is subject to the Share Consideration Cap, such that the number of Mereo Shares underlying the Mereo ADSs to be issued pursuant to the CVR Agreement, when aggregated with the number of Mereo Shares underlying the Mereo ADSs issued as Share Consideration pursuant to the Merger Agreement, cannot exceed the Share Consideration Cap.

In the event that the cash payment payable by Celgene pursuant to the Celgene Option Exercise is actually received by OncoMed prior to the Effective Time, OncoMed stockholders will receive value for such cash payment in the form of additional Mereo ADSs issued at the Effective Time pursuant to the application of the Exchange Ratio set forth in the Merger Agreement. In such event, the CVR Agreement will be amended to delete the TIGIT Milestone and all related payment mechanics.

The NAVI Milestones

A cash payment will be made to CVR holders if, within eighteen months following the closing of the Merger, Mereo or any of its subsidiaries enters into a definitive agreement with one or more third parties regarding the navicixizumab products and, within five years of the closing of the Merger, Mereo or any of its subsidiaries actually receives certain eligible cash milestone payments.

If a NAVI Milestone is achieved, holders of CVRs would be entitled to receive an amount in cash equal to 70% of the amount of such eligible cash milestone payment, net of any tax and other reasonable expenses. The NAVI milestone payments are subject to a cash consideration cap, pursuant to which the aggregate principal amount of all cash payments made to holders of CVRs by Mereo shall in no case exceed $79.7 million.

The CVRs may not be sold, assigned, transferred, pledged or disposed of in any other manner, in whole or in part, other than in the limited circumstances specified in the CVR Agreement. In addition, the CVRs (i) will not be evidenced by a certificate or other instrument, (ii) will not have any voting or dividend rights and (iii) will not represent any equity or ownership interest in Mereo or any of its subsidiaries or in the surviving corporation. No interest will accrue on any amounts payable in respect of the CVRs.

Mereo's obligation to make the CVR payment, if any becomes due, is neither secured nor guaranteed. Mereo's obligation to make the CVR payment, if any becomes due, is an unsecured general obligation of Mereo and is not guaranteed by Mereo or any of its affiliates.

Treatment of OncoMed Options and OncoMed Units (page 154)

OncoMed Options

At or immediately prior to the Effective Time, each outstanding and unexercised OncoMed Option will be automatically canceled and converted into the right to receive (i) the excess, if any, of the Merger Consideration over the applicable exercise price of such canceled OncoMed Option, multiplied by (ii) the number of shares of OncoMed common stock subject to such OncoMed Option immediately prior to the Effective Time, provided that no fractional Mereo ADSs or CVRs will be issued. Each OncoMed Option that has a per-share exercise price that is higher than the Merger Consideration shall be canceled at the Effective Time for no consideration. No OncoMed Options will remain outstanding following the consummation of the Merger.

OncoMed Units

Immediately prior to the Effective Time and contingent on the occurrence of the Closing, each OncoMed Unit will be canceled and the holders thereof will be entitled to receive, immediately prior to the Effective Time, the number of shares of OncoMed common stock that were subject to such OncoMed Units (with the tax withholding obligations of each holder of such OncoMed Units being satisfied by OncoMed withholding from issuance that number of shares of OncoMed common stock calculated by multiplying the maximum statutory withholding rate for such holder in connection with such issuance by the number of shares of OncoMed common stock to be issued, rounding up to the

nearest whole share, and remitting such withholding in cash to the appropriate tax authority) and such stockholders will thereafter be entitled to receive the Merger Consideration in respect of these shares of OncoMed common stock. No OncoMed Units will remain outstanding following the consummation of the Merger.

Comparative per Share Market Price and Dividend Information (page 37)

Mereo Shares are quoted in pence on AIM under the symbol "MPH." Shares of OncoMed's common stock are listed for trading in U.S. dollars on Nasdaq under the symbol "OMED." The following table sets forth the closing sales prices of a Mereo Share (as reported on AIM in pence) and of OncoMed common stock (as reported on Nasdaq in U.S. dollars), each on December 4, 2018, the last trading day before the day on which Mereo and OncoMed announced the execution of the Merger Agreement, and on [●], 2019, the last practicable trading day before the date of this proxy statement/prospectus. This table also shows the equivalent value of the Share Consideration to be received by OncoMed stockholders in the Merger per share of OncoMed common stock, which was calculated by multiplying the closing price of a Mereo Share on AIM as of the dates specified (converted into U.S. dollars at the Federal Reserve Bank of New York's reported U.S. dollar to pound sterling exchange rate on such dates) by the Implied OncoMed Ownership, assuming no adjustment to the Exchange Ratio for the net cash held by OncoMed at the time of the closing of the Merger.

	Mereo Share Price per Share (pence)	OncoMed Common Stock Price per Share (US$)	Equivalent Value of the Share Consideration per Share of OncoMed Common stock
December 4, 2018	190	1.11	1.49
[●], 2019	[●]	[●]	[●]

The market prices of Mereo Shares and shares of OncoMed common stock, and the currency exchange rates, will fluctuate before the OncoMed Special Meeting and before the Merger is consummated. You should obtain current stock or currency rate quotations from a newspaper, the Internet or your broker or banker.

The Implied OncoMed Ownership referenced above is an estimate only and the actual percentage of outstanding equity interests in the Combined Company to be held by former OncoMed stockholders immediately following the closing of the Merger will be determined by the final Exchange Ratio, calculated pursuant to a formula described in more detail in the Merger Agreement and elsewhere in this proxy statement/prospectus. In particular, if OncoMed's net cash at the time of the closing of the Merger is less than $36.5 million, the Exchange Ratio will be reduced by an amount that is greater than the amount that would otherwise reflect the difference between the target closing net cash and actual closing net cash on a dollar-for-dollar basis. Because the number of Mereo ADSs to be exchanged for each share of OncoMed common stock will be adjusted based on the net cash held by OncoMed at the time of the closing of the Merger and will be unaffected by any increase or decrease in exchange rates or in the share price of Mereo Shares between now and the closing of the Merger, the notional value of the Merger Consideration and the exact number of Mereo ADSs that will be issued to OncoMed stockholders as of the date of the OncoMed Special Meeting and as of the date of the closing of the Merger cannot be determined with precision in advance of the Effective Time.

Mereo's Dividend Policy. Mereo has never paid or declared any cash dividends on its ordinary shares, and does not anticipate paying any cash dividends on its ordinary shares in the foreseeable future. Mereo intends to retain all available funds and any future earnings to fund the development and expansion of its business. Under English law, among other things, Mereo may only pay dividends if it has sufficient distributable reserves (on a non-consolidated basis), which are calculated as Mereo's accumulated realized profits that have not been previously distributed or capitalized *less* its

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 Mereo's existing loan agreement with Silicon Valley Bank and Kreos Capital V (UK) Limited ("Kreos"), preclude Mereo from paying cash dividends without Kreos's consent.

OncoMed's Dividend Policy. OncoMed has never declared or paid cash dividends on its capital stock. OncoMed intends to retain all available funds and any future earnings to fund the development and expansion of its business and does not anticipate paying any cash dividends in the foreseeable future.

Risk Factors (page 41)

You should carefully read this proxy statement/prospectus and especially consider the factors discussed in "Risk Factors" in connection with your consideration of the Merger before deciding whether to vote for approval of the Merger Agreement and the Merger.

The OncoMed Special Meeting (page 105)

Date, Time and Place of the OncoMed Special Meeting

The OncoMed Special Meeting is scheduled to be held at OncoMed's headquarters located at 800 Chesapeake Drive, Redwood City, California 94063, on [●], 2019, at [●], local time.

Purpose

At the OncoMed Special Meeting, OncoMed stockholders will be asked to approve the Merger Proposal, the Advisory Vote Proposal and the Adjournment Proposal.

The OncoMed Board unanimously recommends a vote "FOR" the Merger Proposal, "FOR" the Advisory Vote Proposal and "FOR" the Adjournment Proposal.

Who Can Vote at the OncoMed Special Meeting

Only OncoMed stockholders of record at the close of business on [●], 2019, the record date for the OncoMed Special Meeting, and other persons holding valid proxies for the special meeting will be entitled to attend the OncoMed Special Meeting. As of the record date, there were [●] shares of OncoMed common stock, par value $0.001 per share, issued and outstanding. Each share of common stock is entitled to one vote on each matter properly brought before the OncoMed Special Meeting.

As of the close of business on the record date, approximately [●]% of the outstanding shares of OncoMed common stock were held by OncoMed's directors and executive officers and their affiliates, including Delphi Ventures and The Vertical Group. In accordance with the support agreements, such OncoMed directors and executive officers granted an irrevocable proxy to Mereo to vote such individual's shares in favor of the adoption of the Merger Agreement, and against any alternative proposal and against any action or agreement that would frustrate the purposes, or prevent, delay or otherwise adversely affect the consummation, of the transactions contemplated by the Merger Agreement.

Voting Procedures

Record holders of shares of OncoMed common stock may submit proxies by completing, signing and dating their proxy cards for the OncoMed Special Meeting and mailing them in the accompanying pre-addressed envelopes. OncoMed stockholders who hold shares in "street name" may vote by mail

by completing, signing and dating the voting instruction cards for the OncoMed Special Meeting provided by their brokers or other nominees and mailing them in the accompanying pre-addressed envelopes. Proxies and voting instruction forms submitted by mail must be received no later than [●], 2019 at 11:59 p.m. Eastern Time to be voted at the OncoMed Special Meeting. OncoMed stockholders may also submit proxies over the Internet at the web address shown on the proxy card or by calling the telephone number shown on the proxy card. The Internet and telephone voting facilities will close at 11:59 p.m., Eastern Time, on [●], 2019. The availability of Internet and telephone voting for shares held in "street name" will depend on the voting processes of your broker or other nominee.

Share Ownership and Voting by OncoMed Directors and Executive Officers (page 107)

At the close of business on the record date for the OncoMed Special Meeting, directors and executive officers of OncoMed (together with certain of their respective affiliates, including Delphi Ventures and The Vertical Group) beneficially owned and were entitled to vote approximately [●]% of the shares of OncoMed common stock outstanding on that date. Simultaneously with the execution and delivery of the Merger Agreement, each of the directors and executive officers of OncoMed, in their respective capacities as stockholders of OncoMed (together with certain of their respective affiliates, including Delphi Ventures and The Vertical Group), entered into support agreements with Mereo pursuant to which such individuals granted an irrevocable proxy to Mereo, among other things, to vote their respective shares of OncoMed common stock in favor of the adoption of the Merger Agreement.

Recommendation of the OncoMed Board and its Reasons for the Merger (pages 105 and 126)

After careful consideration, at a meeting of the OncoMed Board held on December 4, 2018, the OncoMed Board unanimously determined that the Merger Agreement and the transactions contemplated by the Merger Agreement are advisable and in the best interests of OncoMed stockholders and unanimously approved the Merger Agreement.

The OncoMed Board unanimously recommends that OncoMed stockholders vote "FOR" the Merger Proposal, "FOR" the Advisory Vote Proposal and "FOR" the Adjournment Proposal.

Opinion of OncoMed's Financial Advisor (page 129 and Annex C)

OncoMed retained Leerink Partners LLC (now known as SVB Leerink LLC, and referred to in this proxy statement/prospectus as "Leerink Partners") as its financial advisor in connection with this transaction. The OncoMed Board selected Leerink Partners to act as OncoMed's financial advisor based on Leerink Partners' qualifications, reputation, experience and expertise in the biopharmaceuticals industry, its knowledge of and involvement in recent transactions in the biopharmaceutical industry, and its longstanding relationship and familiarity with OncoMed and its business. Leerink Partners is an internationally recognized investment banking firm that has substantial experience in transactions similar to this transaction. In connection with this engagement, OncoMed requested that Leerink Partners evaluate the fairness, from a financial point of view, to the holders of the outstanding shares of OncoMed common stock (other than (i) shares held as treasury stock immediately prior to the effective time of the Merger and (ii) shares that are outstanding immediately prior to the effective time of the Merger and which are held by stockholders who have exercised and perfected appraisal rights for such shares in accordance with the General Corporation Law of the State of Delaware (the "DGCL") (collectively, the "Excluded Shares")) of the Merger Consideration proposed to be paid to such holders pursuant to the Merger Agreement. On December 4, 2018, Leerink Partners rendered to the OncoMed Board its oral opinion, which was subsequently confirmed by delivery of a written opinion dated December 4, 2018, that, as of such date and based upon and subject to the assumptions made and limitations upon the review undertaken by Leerink Partners in preparing its opinion, the merger consideration to be paid to the holders of the outstanding shares of OncoMed common stock (other than Excluded Shares) pursuant to the terms of the Merger Agreement was fair, from a financial point of view, to such holders.

Leerink Partners' financial advisory services and opinion were provided for the information and assistance of the members of the OncoMed Board (in their capacity as directors and not in any other capacity) in connection with and for purposes of the OncoMed Board's consideration of this transaction and the Leerink Partners opinion addressed only the fairness, from a financial point of view, as of the date thereof, to the holders of the outstanding shares of OncoMed common stock (other than Excluded Shares) of the Merger Consideration to be paid to such holders pursuant to the terms of the Merger Agreement. The Leerink Partners opinion did not address any other term or aspect of the Merger Agreement or this transaction and does not constitute a recommendation to any stockholder of OncoMed as to whether or how such holder should vote with respect to the Merger or otherwise act with respect to this transaction or any other matter. Leerink Partners has provided its written consent to the reproduction of its opinion in this proxy statement/prospectus.

The full text of the Leerink Partners written opinion, dated December 4, 2018, which describes the assumptions made and limitations upon the review undertaken by Leerink Partners in preparing its opinion, is attached hereto as Annex C and is incorporated by reference herein. You should read the opinion carefully in its entirety.

Accounting Treatment (page 138)

The merger will be accounted for in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and in particular, with IFRS 3, *Business Combinations* ("IFRS 3"), under which the Merger qualifies as the acquisition of OncoMed by Mereo. On the date of the acquisition, the identifiable assets and liabilities of OncoMed will be recorded by Mereo at their respective fair values. Any excess of the purchase price over the net fair value at date of the acquisition of the identifiable assets acquired and liabilities assumed will be recognized as goodwill. Should the fair value of the assets and liabilities at the date of acquisition exceed the value of the consideration, a gain will be recognized on acquisition in accordance with IFRS 3 and recorded in the statement of operations of the Combined Company.

Interests of OncoMed's Directors and Executive Officers in the Merger (page 138)

In considering the recommendation of the OncoMed Board to adopt the Merger Agreement and approve the transactions contemplated by the Merger Agreement, OncoMed stockholders should be aware that some of the OncoMed directors and executive officers have interests in the merger and have arrangements that are different from, or in addition to, those of OncoMed stockholders generally, including, but not limited to, the following:

- OncoMed has entered into change in control and severance agreements with certain employees, including its executive officers, entitling them to certain payments and benefits in connection with a termination of employment following a change of control of OncoMed;
- non-employee directors of OncoMed are entitled to vesting acceleration upon a change of control under various equity awards and agreements;
- the executive officers of OncoMed are entitled to accelerated vesting of their equity awards upon the closing of the Merger pursuant to the terms of the Merger Agreement;
- Dr. Lewicki is entitled to receive a performance bonus of $50,000 upon the closing of the Merger to the extent the Final Net Cash (as defined in the Merger Agreement) exceeds $37 million;
- directors and officers have continuing rights to indemnification and directors' and officers' liability insurance; and
- under the terms of the Merger Agreement, two OncoMed directors will be designated to serve on the Mereo Board as of the Effective Time.

These interests and arrangements may create potential conflicts of interest. The OncoMed Board was aware of these potential conflicts of interest and considered them, among other matters, in reaching its decision to approve the Merger Agreement and the transactions contemplated by the Merger Agreement.

Board of Directors and Senior Management of the Combined Company (page 138)

Immediately following the Effective Time, two members of the existing OncoMed Board, Michael Wyzga and Dr. Deepika Pakianathan, will be appointed to the Mereo Board. Dr. Denise Scots-Knight will continue as Chief Executive Officer of the Combined Company and Richard Jones will continue as the Chief Financial Officer of the Combined Company. Dr. Peter Fellner will continue in his role as Chairman of the Mereo Board.

Mereo's Reasons for the Merger (page 142)

At its meeting on December 5, 2018, the Mereo Board unanimously (1) determined that the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement are advisable and are fair to and in the best interests of Mereo and its shareholders as a whole, (2) approved the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement, and (3) resolved to recommend to Mereo's shareholders that they should approve the transactions contemplated by the Merger Agreement, should such approval be required.

The Mereo Board believes (1) that the combination of Mereo's biopharmaceutical portfolio of four assets with OncoMed's two lead assets will create a diversified combined portfolio, resulting in an increased number of potential near-term catalysts with a core focus remaining on Mereo's strategy to target rare diseases, (2) that the cash position of the Combined Company will provide an extended operational runway, with the potential for such runway to be extended significantly through partnering deals, and (3) that a Nasdaq listing, in addition to Mereo's existing AIM listing, will provide a diversified international shareholder base for the Combined Company. The Mereo Board considered a variety of other factors in favor of the Merger, which are discussed further in the section entitled "The Merger—Mereo's Reasons for the Merger" located elsewhere in this proxy statement/prospectus.

Appraisal Rights (page 144 and Annex D)

Record holders of OncoMed common stock who do not vote in favor of the Merger Proposal and otherwise comply with the requirements and procedures of Section 262 of the DGCL are entitled to exercise appraisal rights, which generally entitle stockholders to receive in lieu of the Merger Consideration a cash payment of an amount determined by the Court of Chancery of the State of Delaware (the "Court of Chancery") to be equal to the fair value of their OncoMed common stock as of the Effective Time. The fair value of OncoMed common stock as of the Effective Time could be less than, more than or the same as the Merger Consideration. Stockholders will not know the appraised fair value at the time such holders must elect whether to seek appraisal.

To seek appraisal, you must deliver a written demand for appraisal to OncoMed before the vote on the adoption of the Merger Agreement at the OncoMed Special Meeting, and you must not vote in favor of the adoption of the Merger Agreement. Failure to follow exactly the procedures specified under the DGCL will result in the loss of appraisal rights.

A summary description of the appraisal rights available to holders of OncoMed common stock under the DGCL and the procedures required to exercise statutory appraisal rights is included in "The Merger—Appraisal Rights." The full text of Section 262 of the DGCL is attached as Annex D to this proxy statement/prospectus.

Due to the complexity of the procedures described above, OncoMed stockholders who are considering exercising such rights are encouraged to seek the advice of legal counsel.

Listing of the Mereo ADSs and Mereo Shares (page 148)

The approval for listing of the Mereo ADSs on Nasdaq and the confirmation by AIM that it will admit the Mereo Shares underlying the Mereo ADSs to trading, in each case subject only to official notice of issuance, are each a condition to the obligations of Mereo and OncoMed to consummate the Merger. Mereo intends to apply to list the Mereo ADSs on Nasdaq and to list the Mereo Shares underlying the Mereo ADSs on AIM. Mereo expects that the Mereo ADSs will trade on Nasdaq under the symbol “MREO.”

Delisting and Deregistration of OncoMed Common Stock (page 149)

If the Merger is completed, OncoMed’s common stock will be deregistered under the Exchange Act and will cease to be listed for trading on Nasdaq.

Litigation Related to the Merger (page 149)

It is a condition to the Merger that no temporary restraining order, preliminary or permanent injunction or other order preventing the consummation of the Merger Agreement or the transactions contemplated thereby shall have been issued by any court of competent jurisdiction or other governmental authority of competent jurisdiction and remain in effect. Neither OncoMed nor Mereo is aware of any lawsuit or proceeding specific to the Merger having been filed to date. If such a lawsuit or other proceeding is commenced and if in any such litigation or proceeding a plaintiff is successful in obtaining a restraining order or injunction prohibiting the consummation of the Merger Agreement or the transactions contemplated thereby, then the closing of the Merger may be delayed or may never occur. Even if the Merger is permitted to occur, the parties may be required to pay damages, fees or expenses in respect of claims related to the Merger or the transactions contemplated thereby.

The Merger Agreement (page 150 and Annex A)

A copy of the Agreement and Plan of Merger and Reorganization is attached as Annex A to this proxy statement/prospectus. You should read the entire Merger Agreement carefully because it is the principal document governing the Merger. For a further discussion of the Merger Agreement, see the section entitled “The Merger Agreement” located elsewhere in this proxy statement/prospectus.

No Solicitation of Offers (page 162)

As more fully described in this proxy statement/prospectus and in the Merger Agreement, and subject to the exceptions described below and in the Merger Agreement, each of OncoMed and Mereo has agreed, among other things, that it will not, directly or indirectly:

- solicit, initiate or knowingly encourage, induce or facilitate the communication, making, submission or announcement of any proposal or offer that constitutes, or would reasonably be expected to result in, an acquisition proposal or acquisition inquiry from any third party;
- furnish any non-public information regarding the other party to any person in connection with or in response to, or engage in discussions or negotiations with any person with respect to, any proposal or offer that constitutes, or would reasonably be expected to result in, any acquisition proposal or acquisition inquiry;
- approve, endorse or recommend any acquisition proposal; or

- execute or enter into any letter of intent or any acquisition agreement, merger agreement or similar definitive agreement (other than a confidentiality agreement containing provisions (including nondisclosure provisions, use restrictions, non-solicitation provisions and no hire provisions) at least as favorable to such party as those contained in the existing confidentiality agreement between OncoMed and Mereo) relating to an acquisition proposal.

Each party has further agreed (1) subject to any regulatory obligations of such party under applicable law, to promptly advise the other party orally and in writing upon receipt of any acquisition proposal or acquisition inquiry, and (2) to cease any discussions, negotiations or communications with any person with respect to any acquisition proposal as of the date of the Merger Agreement.

However, at any time prior to the approval and adoption of the Merger Agreement by OncoMed stockholders, in the case of OncoMed, or Mereo shareholders, in the case of Mereo, each party may furnish non-public information regarding such party and its subsidiaries to, and enter into discussions or negotiations with, any person in response to a bona fide written acquisition proposal which such party's board of directors determines in good faith, after consultation with such party's financial advisors and outside legal counsel, constitutes or is reasonably likely to result in a superior offer, provided that:

- neither party nor any representative of such party has breached the obligations outlined above;
- the board of directors of such party concludes in good faith having consulted with its outside legal counsel that the failure to take such action is reasonably likely to be inconsistent with the duties or obligations of the board of directors of such party under applicable law; and
- such party receives from such third party an executed confidentiality agreement containing provisions (including nondisclosure provisions, use restrictions, non-solicitation provisions and no hire provisions) at least as favorable to such party as those contained in the existing confidentiality agreement between OncoMed and Mereo.

In addition, (1) Mereo's obligation not to solicit offers shall not require Mereo to take any action, or prevent Mereo from taking any action, which Mereo reasonably determines, having consulted with its outside legal counsel, would be inconsistent with or in breach of the U.K. City Code on Takeovers and Mergers (the "U.K. City Code"), and (2) OncoMed's obligation not to solicit offers shall not require OncoMed to take any action, or prevent OncoMed from taking any action, which OncoMed reasonably determines, having consulted with its outside legal counsel, would be inconsistent with or in breach of OncoMed's obligations under the DGCL.

Change of Recommendation (page 163)

OncoMed's Board Recommendation

Subject to the exceptions described below and in the Merger Agreement, OncoMed has agreed:

- that the OncoMed Board will recommend that OncoMed's stockholders vote to approve and adopt the Merger Agreement and the transactions contemplated thereby (the "OncoMed Board Recommendation");
- that the OncoMed Board will not withdraw or modify the OncoMed Board Recommendation in any manner adverse to Mereo; and
- that no resolution by the OncoMed Board or any committee thereof to withdraw or modify the OncoMed Board Recommendation in any manner adverse to Mereo or to adopt, approve or recommend (or publicly propose to adopt, approve or recommend) any acquisition proposal shall be adopted or proposed.

Notwithstanding the above, the OncoMed Board may withhold, amend, withdraw or modify the OncoMed Board Recommendation in a manner adverse to Mereo (an "OncoMed Adverse Recommendation Change") (so long as OncoMed has provided prior written notice to Mereo of the OncoMed Board's intention to make an OncoMed Adverse Recommendation Change at least four business days in advance of taking such action (the "Notice Period")) if, and only if, following receipt of a superior offer:

- OncoMed has, and has caused its financial advisors and outside legal counsel to, during the Notice Period, negotiate with Mereo in good faith to make such adjustments to the terms and conditions of the Merger Agreement so that such acquisition proposal ceases to constitute a superior offer; and
- the OncoMed Board shall have determined in good faith, having consulted with its outside legal counsel, that the failure to withhold, amend, withdraw or modify the OncoMed Board Recommendation would result in a breach of its fiduciary duties under applicable law.

Mereo's Board Recommendation

Subject to the exceptions described below and in the Merger Agreement, Mereo has agreed:

- that, if a vote of Mereo's shareholders is required, the Mereo Board will recommend that Mereo's shareholders vote to approve and adopt the Merger Agreement and the transactions contemplated thereby (the "Mereo Board Recommendation");
- that the Mereo Board will not withdraw or modify the Mereo Board Recommendation in any manner adverse to OncoMed; and
- that no resolution by the Mereo Board or any committee thereof to withdraw or modify the Mereo Board Recommendation in any manner adverse to OncoMed or to adopt, approve or recommend (or publicly propose to adopt, approve or recommend) any acquisition proposal shall be adopted or proposed.

Notwithstanding the above, the Mereo Board may withhold, amend, withdraw or modify the Mereo Board Recommendation in a manner adverse to OncoMed (a "Mereo Adverse Recommendation Change") (so long as Mereo has provided prior written notice to OncoMed of the Mereo Board's intention to make a Mereo Adverse Recommendation Change at least four business days in advance of taking such action) if, and only if, following receipt of a superior offer:

- Mereo has, and has requested its financial advisors and outside legal counsel to, during the Notice Period, negotiate with OncoMed in good faith to make such adjustments to the terms and conditions of the Merger Agreement so that such acquisition proposal ceases to constitute a superior offer; and
- the Mereo Board shall have determined in good faith, having consulted with its outside legal counsel, that the failure to withhold, amend, withdraw or modify the Mereo Board Recommendation would result in a breach of its fiduciary duties under applicable law.

Indemnification and Insurance (page 165)

Pursuant to the terms of the Merger Agreement, OncoMed's directors and executive officers will be entitled to certain ongoing indemnification and coverage under directors' and officers' liability insurance policies of, and the organizational documents of, OncoMed and Mereo. See the section entitled "The Merger Agreement—Indemnification and Insurance" located elsewhere in this proxy statement/prospectus.

Conditions to Closing (page 167)

Each party's obligation to effect the Merger is subject to satisfaction or, to the extent permitted by applicable law, mutual written waiver by each of the parties of the following conditions:

- the OncoMed Stockholder Approval and, if necessary, the Mereo Shareholder Approval shall have been obtained;
- no temporary restraining order, preliminary or permanent injunction or other order preventing the consummation of the Merger Agreement or the transactions contemplated thereby shall have been issued by any court of competent jurisdiction or other governmental authority of competent jurisdiction and remain in effect and there shall not be any law which has the effect of making the consummation of the Merger Agreement or the transactions contemplated thereby illegal;
- the Form F-4 shall have become effective under the Securities Act and shall not be the subject of any stop order or proceeding (or threatened proceeding by the SEC);
- the Mereo ADSs issuable to the OncoMed stockholders as contemplated by the Merger Agreement shall have been approved for listing on Nasdaq, subject to official notice of issuance, and the Mereo Shares underlying the Mereo ADSs issuable to the OncoMed stockholders pursuant to the Merger Agreement shall have been approved for admission to trading on AIM and any other requirements of London Stock Exchange plc in respect of the Merger Agreement or the transactions contemplated thereby shall have been satisfied.

The obligations of Mereo, HoldCo and Merger Sub to effect the Merger is further subject to the satisfaction or waiver of the following conditions:

- the representations and warranties of OncoMed contained in the Merger Agreement relating to corporate organization, subsidiaries, organizational documents, corporate authority and approvals, required vote, and brokers and finders (the "OncoMed Specified Representations"), will be true and correct on and as of the closing date of the Merger with the same force and effect as if made on and as of such date (except to the extent such representations and warranties are specifically made as of a particular date, in which case such representations and warranties shall be true and correct as of such date);
- the representations and warranties of OncoMed relating to capital structure will be true and correct on and as of the closing date of the Merger, except, in each case, (x) for such inaccuracies which are de minimis, individually or in the aggregate, (y) for those representations and warranties which address matters only as of a particular date (which representations and warranties shall have been true and correct, subject to the qualifications as set forth in the preceding clause (x), as of such particular date) or (z) as expressly required or permitted by the Merger Agreement;
- the representations and warranties of OncoMed contained in the Merger Agreement (other than with respect to capital structure and the OncoMed Specified Representations) will be true and correct on and as of the closing date of the Merger except (a) in each case, or in the aggregate, where the failure to be so true and correct would not reasonably be expected to have a material adverse effect on OncoMed (without giving effect to any references therein to any material adverse effect or other materiality qualifications), or (b) for those representations and warranties which address matters only as of a particular date (which representations shall have been true and correct, subject to the qualifications as set forth in the preceding clause (a), as of such particular date);
- OncoMed shall have performed in all material respects its covenants required to be performed by it under the Merger Agreement at or prior to the closing date of the Merger;

- Mereo shall have received a certificate signed on behalf of OncoMed by the chief executive officer and chief financial officer (or if there is no chief financial officer at such time, the principal financial and accounting officer) of OncoMed to the effect that the conditions related to OncoMed's representations, warranties and covenants described above have been satisfied;
- Mereo shall have received from OncoMed a form of notice to the IRS in accordance with the requirements of Treasury Regulation Section 1.897-2(h) and in form and substance reasonably acceptable to Mereo;
- since December 5, 2018, a Material Adverse Effect with respect to OncoMed shall not have occurred; and
- the calculation of OncoMed's net cash as of the closing date of the Merger shall have been finally determined.

OncoMed's obligation to effect the Merger is further subject to the satisfaction or waiver of the following conditions:

- the representations and warranties of Mereo and Merger Sub contained in the Merger Agreement relating to corporate organization, subsidiaries, organizational documents, corporate authority and approvals, required vote, and brokers and finders (the "Mereo Specified Representations"), will be true and correct on and as of the closing date of the Merger with the same force and effect as if made on and as of such date (except to the extent such representations and warranties are specifically made as of a particular date, in which case such representations and warranties shall be true and correct as of such date);
- the representations and warranties of Mereo and Merger Sub relating to capital structure will be true and correct on and as of the closing date of the Merger, except, in each case, (x) for such inaccuracies which are de minimis, individually or in the aggregate, (y) for those representations and warranties which address matters only as of a particular date (which representations and warranties shall have been true and correct, subject to the qualifications as set forth in the preceding clause (x), as of such particular date) or (z) as expressly required or permitted by the Merger Agreement;
- the representations and warranties of Mereo and Merger Sub contained in the Merger Agreement (other than with respect to capital structure and the Mereo Specified Representations) will be true and correct on and as of the closing date of the Merger except (a) in each case, or in the aggregate, where the failure to be so true and correct would not reasonably be expected to have a material adverse effect on Mereo (without giving effect to any references therein to any material adverse effect or other materiality qualifications), or (b) for those representations and warranties which address matters only as of a particular date (which representations shall have been true and correct, subject to the qualifications as set forth in the preceding clause (a), as of such particular date);
- each of Mereo and Merger Sub shall have performed in all material respects their respective covenants required to be performed by each under the Merger Agreement at or prior to the closing date of the Merger;
- OncoMed shall have received a certificate signed on behalf of Mereo by the chief executive office and chief financial officer of Mereo to the effect that the conditions related to Mereo's and Merger Sub's representations, warranties and covenants described above have been satisfied; and
- since December 5, 2018, a Material Adverse Effect with respect to Mereo shall not have occurred.

Termination Events (page 169)

The Merger Agreement may be terminated at any time prior to the Effective Time by mutual written consent of Mereo and OncoMed, and either party may terminate the Merger Agreement in the following circumstances:

- if the Merger shall not have been consummated by September 4, 2019 (the "End Date"), except that the right to terminate the Merger Agreement on this basis shall not be available to OncoMed or Mereo if such party's action or failure to act has been a principal cause of the failure of the Merger to occur on or before the End Date and such action or failure to act constitutes a breach of the Merger Agreement and except that, in the event that the SEC has not declared this Form F-4 effective under the Securities Act by the date which is sixty days prior to the End Date, then either OncoMed or Mereo shall be entitled to extend the End Date for an additional sixty days;
- if a court of competent jurisdiction or other governmental authority shall have issued a final and nonappealable order, or shall have taken any other action, having the effect of permanently restraining, enjoining or otherwise prohibiting the Merger Agreement or the transactions contemplated thereby;
- if (i) the OncoMed Special Meeting shall have been held and completed and OncoMed's stockholders shall have taken a final vote on the Merger Agreement and (ii) the Merger Agreement shall not have been adopted and approved at the OncoMed Special Meeting, except that the right to terminate the Merger Agreement on this basis shall not be available to OncoMed where the failure to obtain the approval of OncoMed's stockholders shall have been caused by the action or failure to act of OncoMed and such action or failure to act constitutes a material breach by OncoMed of the Merger Agreement; and
- if (i) the Mereo Shareholder Meeting, if necessary, shall have been held and completed and Mereo's shareholders shall have taken a final vote on the matters requiring such shareholders' approval and (ii) such matters shall not have been approved at the Mereo Shareholder Meeting, except that the right to terminate the Merger Agreement on this basis shall not be available to Mereo where the failure to obtain the approval of Mereo's shareholders shall have been caused by the action or failure to act of Mereo and such action or failure to act constitutes a material breach by Mereo of the Merger Agreement.

OncoMed may terminate the Merger Agreement at any time prior to the Effective Time as follows:

- if the Mereo Board or any committee thereof shall have made a Mereo Board Adverse Recommendation Change or approved, endorsed or recommended any acquisition proposal;
- if (a) Mereo shall have failed to include in this proxy statement/prospectus the Mereo Board Recommendation, (b) the Mereo Board or any committee thereof shall have made a Mereo Board Adverse Recommendation Change or approved, endorsed or recommended any acquisition proposal, or (c) Mereo shall have entered into any letter of intent or similar document or any contract relating to any acquisition proposal (other than a confidentiality agreement containing provisions (including nondisclosure provisions, use restrictions, non-solicitation provisions and no hire provisions) at least as favorable to Mereo as those contained in the existing confidentiality agreement between OncoMed and Mereo or any action required to be taken by Mereo pursuant to the UK City Code); or
- upon a breach of any representation, warranty, covenant or agreement set forth in the Merger Agreement by Mereo or Merger Sub, or if any representation or warranty of Mereo or Merger Sub becomes inaccurate such that the conditions to closing of the Merger would not be satisfied, provided that (1) OncoMed is not then in material breach of any representation, warranty, covenant or agreement under the Merger Agreement and (2) that if such inaccurancy

in Mereo's or Merger Sub's representations and warranties or breach by Mereo or Merger Sub is curable by Mereo or Merger Sub, then the Merger Agreement shall not terminate as a result of such particular breach or inaccuracy until the earlier of (i) the expiration of a 30-day period commencing upon delivery of written notice from OncoMed to Mereo or Merger Sub of such breach or inaccuracy and its intention to terminate the Merger Agreement and (ii) Mereo or Merger Sub (as applicable) ceasing to exercise commercially reasonable efforts to cure such breach following delivery of written notice from OncoMed to Mereo or Merger Sub of such breach or inaccuracy and its intention to terminate.

Mereo may terminate the Merger Agreement at any time prior to the Effective Time as follows:

- if the OncoMed Board or any committee thereof shall have made an OncoMed Board Adverse Recommendation Change or approved, endorsed or recommended any acquisition proposal;
- if (a) OncoMed shall have failed to include in this proxy statement/prospectus the OncoMed Board Recommendation, (b) the OncoMed Board or any committee thereof shall have made an OncoMed Board Adverse Recommendation Change or approved, endorsed or recommended any acquisition proposal, or (c) OncoMed shall have entered into any letter of intent or similar document or any contract relating to any acquisition proposal (other than a confidentiality agreement containing provisions (including nondisclosure provisions, use restrictions, non-solicitation provisions and no hire provisions) at least as favorable to OncoMed as those contained in the existing confidentiality agreement between OncoMed and Mereo or any action required to be taken by OncoMed pursuant to the DGCL); or
- upon a breach of any representation, warranty, covenant or agreement set forth in the Merger Agreement by OncoMed, or if any representation or warranty of OncoMed becomes inaccurate such that the conditions to closing of the Merger would not be satisfied, provided that (1) Mereo is not then in material breach of any representation, warranty, covenant or agreement under the Merger Agreement and (2) that if such inaccurancy in OncoMed's representations and warranties or breach by OncoMed is curable by OncoMed, then the Merger Agreement shall not terminate as a result of such particular breach or inaccuracy until the earlier of (i) the expiration of a 30-day period commencing upon delivery of written notice from Mereo to OncoMed of such breach or inaccuracy and its intention to terminate the Merger Agreement and (ii) OncoMed ceasing to exercise commercially reasonable efforts to cure such breach following delivery of written notice from Mereo to OncoMed of such breach or inaccuracy and its intention to terminate.

Termination Fees (page 171)

OncoMed will be required to pay to Mereo a termination fee of $1,721,193 (subject to any adjustments for VAT) in cash if the Merger Agreement is terminated by Mereo in the event that:

- the OncoMed Stockholder Approval was not obtained after OncoMed stockholders voted at the OncoMed Special Meeting, where the failure to obtain the OncoMed Stockholder Approval was not caused by the action or failure to act of OncoMed and such action or failure to act did not constitute a material breach by OncoMed of the Merger Agreement, and within twelve months after the date of such termination, OncoMed enters into a definitive agreement with respect to a subsequent transaction or consummates a subsequent transaction;
- at any time prior to obtaining OncoMed Stockholder Approval, an acquisition proposal with respect to OncoMed has been publicly announced, disclosed or otherwise communicated to the OncoMed Board (and has not been withdrawn), and if (a) OncoMed shall have failed to include in this proxy statement/prospectus the OncoMed Board Recommendation, (b) the OncoMed Board or any committee thereof shall have made an OncoMed Board Adverse

Recommendation Change or approved, endorsed or recommended any acquisition proposal, or (c) OncoMed shall have entered into any letter of intent or similar document or any contract relating to any acquisition proposal (other than a confidentiality agreement permitted by the Merger Agreement or any action required to be taken by OncoMed pursuant to the DGCL); or

- upon a breach of any representation, warranty, covenant or agreement set forth in the Merger Agreement by OncoMed, or if any representation or warranty of OncoMed becomes inaccurate such that the conditions to closing of the Merger would not be satisfied, provided that (1) Mereo is not then in material breach of any representation, warranty, covenant or agreement under the Merger Agreement and (2) that if such inaccurancy in OncoMed's representations and warranties or breach by OncoMed is curable by OncoMed, then the Merger Agreement shall not terminate as a result of such particular breach or inaccuracy until the earlier of (i) the expiration of a 30-day period commencing upon delivery of written notice from Mereo to OncoMed of such breach or inaccuracy and its intention to terminate the Merger Agreement and (ii) OncoMed ceasing to exercise commercially reasonable efforts to cure such breach following delivery of written notice from Mereo to OncoMed of such breach or inaccuracy and its intention to terminate.

In addition to the payment of the termination fee, OncoMed shall reimburse Mereo for all reasonable out-of-pocket fees and expenses incurred by Mereo in connection with the Merger Agreement and the transactions contemplated by the Merger Agreement up to a maximum of $750,000 (subject to any adjustments for VAT) if the Merger Agreement is terminated by Mereo in the event that:

- (a) OncoMed shall have failed to include in this proxy statement/prospectus the OncoMed Board Recommendation, (b) the OncoMed Board or any committee thereof shall have made an OncoMed Board Adverse Recommendation Change or approved, endorsed or recommended any acquisition proposal, or (c) OncoMed shall have entered into any letter of intent or similar document or any contract relating to any acquisition proposal (other than a confidentiality agreement containing provisions (including nondisclosure provisions, use restrictions, non-solicitation provisions and no hire provisions) at least as favorable to OncoMed as those contained in the existing confidentiality agreement between OncoMed and Mereo or any action required to be taken by OncoMed pursuant to the DGCL); or
- upon a breach of any representation, warranty, covenant or agreement set forth in the Merger Agreement by OncoMed, or if any representation or warranty of OncoMed becomes inaccurate such that the conditions to closing of the Merger would not be satisfied, provided that (1) Mereo is not then in material breach of any representation, warranty, covenant or agreement under the Merger Agreement and (2) that if such inaccurancy in OncoMed's representations and warranties or breach by OncoMed is curable by OncoMed, then the Merger Agreement shall not terminate as a result of such particular breach or inaccuracy until the earlier of (i) the expiration of a 30-day period commencing upon delivery of written notice from Mereo to OncoMed of such breach or inaccuracy and its intention to terminate the Merger Agreement and (ii) OncoMed ceasing to exercise commercially reasonable efforts to cure such breach following delivery of written notice from Mereo to OncoMed of such breach or inaccuracy and its intention to terminate.

Mereo will be required to pay to OncoMed a termination fee of $1,721,193 (subject to any adjustments for VAT) in cash if the Merger Agreement is terminated by Mereo or OncoMed in the event that:

- the Mereo Shareholder Approval, if necessary, was not obtained after Mereo shareholders voted at the Mereo Shareholder Meeting, where the failure to obtain the Mereo Shareholder

Approval was not caused by the action or failure to act of Mereo and such action or failure to act did not constitute a material breach by Mereo of the Merger Agreement, and within twelve months after the date of such termination, Mereo enters into a definitive agreement with respect to a subsequent transaction or consummates a subsequent transaction.

Mereo will be required to pay to OncoMed a termination fee of $1,721,193 (subject to any adjustments for VAT) in cash if the Merger Agreement is terminated by OncoMed in the event that:

- at any time prior to obtaining Mereo Shareholder Approval, an acquisition proposal with respect to Mereo has been publicly announced, disclosed or otherwise communicated to the Mereo Board (and has not been withdrawn), and if (a) Mereo shall have failed to include in this proxy statement/prospectus the Mereo Board Recommendation, (b) the Mereo Board or any committee thereof shall have made a Mereo Board Adverse Recommendation Change or approved, endorsed or recommended any acquisition proposal, or (c) Mereo shall have entered into any letter of intent or similar document or any contract relating to any acquisition proposal (other than a confidentiality agreement permitted by the Merger Agreement or any action required to be taken by Mereo pursuant to the UK City Code); or
- upon a breach of any representation, warranty, covenant or agreement set forth in the Merger Agreement by Mereo or Merger Sub, or if any representation or warranty of Mereo or Merger Sub becomes inaccurate such that the conditions to closing of the Merger would not be satisfied, provided that (1) OncoMed is not then in material breach of any representation, warranty, covenant or agreement under the Merger Agreement and (2) that if such inaccurancy in Mereo's or Merger Sub's representations and warranties or breach by Mereo or Merger Sub is curable by Mereo or Merger Sub, then the Merger Agreement shall not terminate as a result of such particular breach or inaccuracy until the earlier of (i) the expiration of a 30-day period commencing upon delivery of written notice from OncoMed to Mereo or Merger Sub of such breach or inaccuracy and its intention to terminate the Merger Agreement and (ii) Mereo or Merger Sub (as applicable) ceasing to exercise commercially reasonable efforts to cure such breach following delivery of written notice from OncoMed to Mereo or Merger Sub of such breach or inaccuracy and its intention to terminate.

In addition to the payment of the termination fee, Mereo shall reimburse OncoMed for all reasonable out-of-pocket fees and expenses incurred by OncoMed in connection with the Merger Agreement and the transactions contemplated by the Merger Agreement up to a maximum of $750,000 (subject to any adjustments for VAT) if the Merger Agreement is terminated by OncoMed in the event that:

- (a) Mereo shall have failed to include in this proxy statement/prospectus the Mereo Board Recommendation, (b) the Mereo Board or any committee thereof shall have made a Mereo Board Adverse Recommendation Change or approved, endorsed or recommended any acquisition proposal, or (c) Mereo shall have entered into any letter of intent or similar document or any contract relating to any acquisition proposal (other than a confidentiality agreement permitted by the Merger Agreement or any action required to be taken by Mereo pursuant to the UK City Code); or
- upon a breach of any representation, warranty, covenant or agreement set forth in the Merger Agreement by Mereo or Merger Sub, or if any representation or warranty of Mereo or Merger Sub becomes inaccurate such that the conditions to closing of the Merger would not be satisfied, provided that (1) OncoMed is not then in material breach of any representation, warranty, covenant or agreement under the Merger Agreement and (2) that if such inaccurancy in Mereo's or Merger Sub's representations and warranties or breach by Mereo or Merger Sub

is curable by Mereo or Merger Sub, then the Merger Agreement shall not terminate as a result of such particular breach or inaccuracy until the earlier of (i) the expiration of a 30-day period commencing upon delivery of written notice from OncoMed to Mereo or Merger Sub of such breach or inaccuracy and its intention to terminate the Merger Agreement and (ii) Mereo or Merger Sub (as applicable) ceasing to exercise commercially reasonable efforts to cure such breach following delivery of written notice from OncoMed to Mereo or Merger Sub of such breach or inaccuracy and its intention to terminate.

Material U.S. Federal Income Tax Considerations (page 283)

The exchange of OncoMed common stock for merger consideration in the Merger is expected to be a taxable transaction for U.S. federal income tax purposes to U.S. Holders (as defined in "Material U.S. Federal Income Tax Considerations"). Please carefully review the information under "Material U.S. Federal Income Tax Considerations" beginning on page 283 of this proxy statement/prospectus for a description of material U.S. federal income tax consequences of the Merger to U.S. Holders. The tax consequences to you will depend on your own situation. You are urged to consult your tax advisors as to the specific tax consequences to you of the Merger and your receipt of the Merger Consideration, including the applicability and effect of U.S. federal, state, local and non-U.S. income and other tax laws in light of your particular circumstances.

Material U.K. Tax Considerations (page 290)

For a summary of the anticipated material U.K. tax considerations of ownership of Mereo ADSs, please see the section of this proxy statement/prospectus entitled "Material U.K. Tax Considerations."

Comparison of Shareholder Rights (page 315)

As a result of the Merger, OncoMed stockholders will become holders of Mereo ADSs, and will have different rights as holders of Mereo ADSs than they had as holders of OncoMed common stock. The differences between the rights of these respective holders result from the differences among (1) English and Delaware law, (2) the respective governing documents of Mereo and OncoMed, and (3) the terms of the deposit agreement among Citibank, Mereo and the holders and beneficial owners of Mereo ADSs. For additional information, see "Comparison of Shareholder Rights" and "Description of the Mereo ADSs." For a copy of OncoMed's current certificate of incorporation or bylaws, see "Where You Can Find More Information." Mereo's articles of association as of the date hereof are included as an exhibit to the registration statement of which this proxy statement/prospectus is a part.

SELECTED CONSOLIDATED FINANCIAL INFORMATION OF MEREO

You should read the following selected consolidated financial data together with the audited consolidated financial statements and the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Mereo 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, 2016 and 2017 from its consolidated financial statements included elsewhere in this proxy statement/prospectus. Mereo derived the unaudited consolidated interim statement of comprehensive loss data for the periods ended June 30, 2017 and 2018 and the unaudited consolidated interim balance sheet data as of June 30, 2018 from its unaudited consolidated interim financial statements included elsewhere in this proxy statement/prospectus, which have been prepared on the same basis as the audited financial statements. In the opinion of Mereo’s management, the unaudited financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial information in those statements. Mereo’s historical results are not necessarily indicative of the results that should be expected in any future period, and results for the six months ended June 30, 2018 are not necessarily indicative of the results to be expected for the full year ending December 31, 2018 or any other future period.

Mereo maintains its books and records in pound sterling, and prepares its financial statements in accordance with IFRS as issued by the IASB. Mereo reports its financial results in pound sterling. For the convenience of the reader, Mereo has translated pound sterling amounts in the tables below into U.S. dollars at the noon buying rate of the Federal Reserve Bank of New York on June 29, 2018, which was £1.00 to $1.3197. 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 pound sterling at the dates indicated as of that or any other date, and such 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,				Six Months Ended June 30,			
	2016		2017		2017		2018	
	(£)	($)	(£)	($)	(£)	($)	(£)	($)
	(in thousands, except per ordinary share data)							
Consolidated Statement of Comprehensive Loss Data:								
Research and development expenses	(24,563)	(32,415)	(34,607)	(45,670)	(21,407)	(28,250)	(10,864)	(14,338)
General and administrative expenses	(11,617)	(15,331)	(10,697)	(14,117)	(5,041)	(6,652)	(7,102)	(9,372)
Operating loss	(36,180)	(47,746)	(45,304)	(59,787)	(26,448)	(34,902)	(17,966)	(23,710)
Finance income	375	495	827	1,091	269	355	151	200
Finance charge	(180)	(237)	(1,090)	(1,438)	(69)	(92)	(1,587)	(2,095)
Net foreign exchange gain/(loss)	2,263	2,986	(1,384)	(1,827)	(1,040)	(1,373)	49	65
Net loss before tax	(33,722)	(44,502)	(46,951)	(61,961)	(27,288)	(36,012)	(19,353)	(25,540)
Taxation	5,331	7,036	8,152	10,758	4,546	5,999	2,365	3,121

	Year Ended December 31,				Six Months Ended June 30,			
	2016		2017		2017		2018	
	(£)	($)	(£)	($)	(£)	($)	(£)	($)
	(in thousands, except per ordinary share data)							
Loss attributable to equity holders of Mereo	(28,391)	(37,466)	(38,799)	(51,203)	(22,742)	(30,013)	(16,988)	(22,419)
Total comprehensive loss attributable to equity holders of Mereo	(28,391)	(37,466)	(38,799)	(51,203)	(22,742)	(30,013)	(16,988)	(22,419)
Basic and diluted loss per share	(0.63)	(0.83)	(0.56)	(0.74)	(0.34)	(0.45)	(0.24)	(0.32)

	As of December 31,				As of June 30,	
	2016		2017		2018	
	(£)	($)	(£)	($)	(£)	($)
	(in thousands)					
Consolidated Balance Sheets Data:						
Cash and short-term deposits and short-term investments	53,578	70,706	52,545	69,343	36,912	48,713
Total assets	86,765	114,504	96,335	127,133	82,082	108,324
Issued capital	193	255	213	281	213	282
Share premium	99,975	131,938	118,227	156,024	118,370	156,212
Accumulated loss	(40,579)	(53,552)	(79,316)	(104,673)	(96,180)	(126,928)
Total equity	79,257	104,595	62,483	82,459	47,149	62,223
Total liabilities	86,765(1)	114,504(1)	96,335(2)	127,134(2)	34,933(2)	46,102(2)

(1) Includes £3.1 million ($4.1 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 ($2.6 million) aggregate principal amount of, and accrued interest on, the Novartis Notes. See “Related Party Transactions—Other Transactions with Novartis—Novartis Notes.”

SELECTED FINANCIAL INFORMATION OF ONCOMED

The following table sets forth OncoMed's selected historical financial data for the periods ended and as of the dates indicated. The statements of operations data for the fiscal years ended December 31, 2017, 2016 and 2015 and the balance sheet data as of December 31, 2017 and 2016 have been derived from OncoMed's audited financial statements and related notes which are incorporated by reference into this proxy statement/prospectus. The statements of operations data for the fiscal years ended December 31, 2014 and 2013 and the balance sheet data as of December 31, 2015, 2014 and 2013 have been derived from OncoMed's audited financial statements and related notes which are not incorporated by reference into this proxy statement/prospectus. The statements of operations data for the nine months ended September 30, 2018 and 2017 and the balance sheet data as of September 30, 2018 have been derived from OncoMed's unaudited condensed financial statements and related notes that are incorporated by reference into this proxy statement/prospectus. The selected balance sheet data as of September 30, 2017 has been derived from OncoMed's unaudited financial statements and related notes which are not incorporated by reference into this proxy statement/prospectus.

The data presented below is only a summary and it is not necessarily indicative of future results, nor does it include the effects of the Merger. Interim results for the nine months ended and as of September 30, 2018 are not necessarily indicative of, and are not projections for, the results to be expected for the fiscal year ended December 31, 2018. The selected historical financial statement data provided below is only a summary, and you should read it in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements of OncoMed and the related notes contained in its Annual Report on Form 10-K for the year ended December 31, 2017, the unaudited financial statements and related notes contained in the Quarterly Report on Form 10-Q for the period ended September 30, 2018, and the other information that OncoMed has previously filed with the SEC and which is incorporated into this proxy statement/prospectus by reference. See the section entitled "Where You Can Find More Information" beginning on page 335 of this proxy statement/prospectus.

	Nine Months Ended September 30,		Year Ended December 31,				
	2018	2017	2017	2016	2015	2014	2013
	(In thousands, except share and per share data)						
Statements of Operations Data:							
Revenue:							
Collaboration revenue	$34,237	$ 15,467	$ 36,016	$ 21,277	$ 25,216	$ 39,559	$ 37,779
Other revenue	—	2,048	2,138	3,876	683	—	—
Total revenue	34,237	17,515	38,154	25,153	25,899	39,559	37,779
Operating expenses:							
Research and development	26,466	51,268	59,839	109,713	92,873	76,430	50,048
General and administrative	12,800	12,952	16,761	18,827	18,583	13,753	11,630
Restructuring charges	—	2,513	2,527	—	—	—	—
Total operating expenses	39,266	66,733	79,127	128,540	111,456	90,183	61,678
Loss from operations	(5,029)	(49,218)	(40,973)	(103,387)	(85,557)	(50,624)	(23,899)
Interest and other income (expense), net	1,211	705	828	299	170	105	(228)

	Nine Months Ended September 30,		Year Ended December 31,				
	2018	2017	2017	2016	2015	2014	2013
	(In thousands, except share and per share data)						
Loss before income taxes	(3,818)	(48,513)	(40,145)	(103,088)	(85,387)	(50,519)	(24,127)
Income tax provision (benefit)	(383)	12	(1,083)	14	20	(509)	1,944
Net loss	(3,435)	(48,525)	$ (39,062)	$ (103,102)	$ (85,407)	$ (50,010)	$ (26,071)
Net loss per common share, basic and diluted	(0.09)	(1.29)	$ (1.04)	$ (3.14)	$ (2.84)	$ (1.69)	$ (1.93)
Shares used to compute net loss per common share, basic and diluted	38,381,374	37,520,608	37,631,348	32,859,554	30,028,684	29,664,326	13,530,239

	Nine Months Ended September 30,		As of December 31,				
	2018	2017	2017	2016	2015	2014	2013
			(In thousands)				
Balance Sheet Data:							
Cash and short-term investments	$ 70,856	113,587	$ 103,091	$ 184,573	$ 157,279	$ 231,966	$ 316,194
Working capital	51,846	82,019	12,073	133,730	178,614	202,264	256,727
Total assets	77,153	120,481	110,322	195,482	237,887	247,842	333,685
Accumulated deficit	(357,120)	(461,470)	(452,007)	(412,945)	(309,843)	(224,436)	(174,426)
Total stockholders' equity (deficit)	51,724	(62,155)	(48,603)	(23,028)	3,551	76,367	118,122

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following unaudited pro forma condensed consolidated financial information is comprised of (i) the unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2017, after giving effect to the Merger as if it had occurred on January 1, 2017, (ii) the unaudited pro forma condensed consolidated statement of operations for the six months ended June 30, 2018, after giving effect to the Merger as if it had occurred on January 1, 2017, and (iii) the unaudited pro forma condensed consolidated balance sheet as of June 30, 2018 as if the Merger had occurred on June 30, 2018 (together, the "Unaudited Pro Forma Condensed Consolidated Financial Information").

The Unaudited Pro Forma Condensed Consolidated Financial Information has been prepared using the principles of the acquisition method of accounting in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and in particular IFRS 3 Business Combinations ("IFRS 3"), under which the Merger qualifies as the acquisition of OncoMed by Mereo. On the date of the acquisition, the identifiable assets and liabilities of OncoMed, will be recorded by Mereo at their respective fair values. Any excess of the purchase price over the net fair value at date of the acquisition of the identifiable assets acquired and liabilities assumed will be recognized as goodwill. Should the fair value of the assets and liabilities at the date of acquisition exceed the value of the consideration, a gain will be recognized on acquisition in accordance with IFRS 3 and recorded in the statement of operations of the Combined Company.

Pro forma adjustments reflected in the pro forma financial information are based on items that are factually supportable and directly attributable to the Merger; and with regards to the unaudited pro forma condensed consolidated statement of operations only, are expected to have a continuing impact on the consolidated entity.

The unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2017 has been prepared based on (i) the audited consolidated financial statements of Mereo as of and for the year ended December 31, 2017 and (ii) the audited consolidated financial statements of OncoMed as of and for year ended December 31, 2017 incorporated by reference in this prospectus.

The unaudited pro forma condensed consolidated financial information as of and for the six months ended June 30, 2018 has been prepared based on (i) the unaudited condensed consolidated financial statements of Mereo as of and for the six months ended June 30, 2018 and (ii) the unaudited condensed consolidated financial statements of OncoMed as of and for the six months ended June 30, 2018 incorporated by reference in this prospectus.

The audited consolidated financial statements of Mereo as of and for the year ended December 31, 2017 were prepared in accordance with IFRS as issued by the IASB. The audited consolidated statement of operations for OncoMed for the year ended December 31, 2017 was prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") and for the purposes of the Unaudited Pro Forma Condensed Consolidated Financial Information, has been converted to IFRS as issued by the IASB on a basis consistent with the accounting policies and presentation adopted by Mereo.

The unaudited condensed consolidated financial statements for Mereo as of and for the six months ended June 30, 2018 were prepared in accordance with International Accounting Standards 34—Interim Financial Reporting ("IAS 34"). The unaudited condensed consolidated financial statements for OncoMed as of and for the six months ended June 30, 2018 were prepared in accordance with

US GAAP and for the purposes of the Unaudited Pro Forma Condensed Consolidated Financial Information, have been converted to a basis consistent with the accounting policies and presentation adopted by Mereo as of and for the six months ended June 30, 2018 under IAS 34.

As noted above, the Unaudited Pro Forma Condensed Consolidated Financial Information has been prepared using the acquisition method of accounting in accordance with IFRS 3, the accounting for the acquisition is dependent upon certain valuations that are preliminary and subject to change. Mereo will finalize amounts as it obtains the information necessary to complete the measurement processes. Accordingly, the pro forma adjustments are preliminary and have been made solely for the purposes of the Unaudited Pro Forma Condensed Consolidated Financial Information. Differences between these preliminary estimates and the final acquisition accounting may occur and these differences could be material. The differences, if any, could have a material impact on the accompanying Unaudited Pro Forma Condensed Consolidated Financial Information and Mereo's future results of operations and financial position.

The Unaudited Pro Forma Condensed Consolidated Financial Information has been prepared by Mereo's management in accordance with SEC Regulation S-X Article 11 for illustrative purposes only. The Unaudited Pro Forma Condensed Consolidated Financial Information does not purport to represent what the actual results of operations of Mereo would have been had the Merger occurred on the respective dates assumed, nor is it indicative of the future results of the consolidated company. The unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2017 and the unaudited pro forma condensed consolidated statement of operations for the six months ended June 30, 2018 do not reflect any cost savings, operating synergies or revenue enhancements that the combined company may achieve as a result of the Merger. The pro forma adjustments reflected in the accompanying Unaudited Pro Forma Condensed Consolidated Financial Information reflect estimates and assumptions made by Mereo's management that Mereo believes to be reasonable.

The Unaudited Pro Forma Condensed Consolidated Financial Information should be read in conjunction with the information contained in "Risk Factors," "Cautionary Statement Regarding Forward-Looking Statements," "Selected Consolidated Financial Information of Mereo," "Selected Consolidated Financial Information of OncoMed," "Business of Mereo and Certain Information about Mereo," and the consolidated financial statements of Mereo and OncoMed included elsewhere in this proxy statement/prospectus or incorporated by reference into this proxy statement/prospectus from OncoMed's Annual Report on Form 10-K for the year ended December 31, 2017.

Unaudited Pro Forma Condensed Consolidated Statement of Operations for the Six Months Ended June 30, 2018

	Historical financial information		Pro forma adjustment	
	Mereo	OncoMed (Note 2)	IFRS Conversion (Note 3)	Pro forma condensed consolidated statement of operations
	(GBP thousands, except for share information)			
Collaboration and Other revenue	—	10,694	—	10,694
Research and development expenses	(10,864)	(11,945)	(238)	(23,047)
Administrative expenses	(7,102)	(6,610)	(270)	(13,982)
Operating profit/(loss)	(17,966)	(7,861)	(508)	(26,335)
Finance income	151	644	—	795
Finance charge	(1,587)	—	—	(1,587)
Net foreign exchange gain	49	—	—	49
Loss before tax	(19,353)	(7,217)	(508)	(27,078)
Taxation	2,365	278	—	2,643
Loss attributable to equity holders of the parent	(16,988)	(6,939)	(508)	(24,435)
Basic and diluted loss per share	**(0.24)**	**(0.18)**		**(0.26)**
Shares used to compute net loss per common share, basic and diluted	71,103,042	38,316,914		94,849,799

Unaudited Pro Forma Condensed Consolidated Statement of Operations for the Year Ended December 31, 2017

	Historical financial information		Pro forma adjustment	
	Mereo	OncoMed (Note 2)	IFRS Reclassification and Conversion (Note 3)	Pro forma condensed consolidated statement of operations
	(GBP thousands, except for share information)			
Collaboration and Other revenue	—	29,599	—	29,599
Research and development expenses	(34,607)	(46,422)	(2,890)	(83,919)
Administrative expenses	(10,697)	(13,003)	(2,678)	(26,378)
Restructuring charges	—	(1,960)	1,960	—
Operating profit/(loss)	(45,304)	(31,786)	(3,608)	(80,698)
Finance income	827	642	—	1,469
Finance charge	(1,090)	—	—	(1,090)
Net foreign exchange loss	(1,384)	—	—	(1,384)
Loss before tax	(46,951)	(31,144)	(3,608)	(81,703)
Taxation	8,152	840	—	8,992
Loss attributable to equity holders of the parent	(38,799)	(30,304)	(3,608)	(72,711)
Basic and diluted loss per share	**(0.56)**	**(0.81)**		**(0.78)**
Shares used to compute net loss per common share, basic and diluted	69,012,348	37,631,348		92,759,105

Unaudited Pro Forma Condensed Consolidated Balance Sheet as of June 30, 2018

	Historical financial information		Pro forma adjustments			
	Mereo	OncoMed (Note 2)	IFRS Conversion (Note 3)	Purchase Price Adjustements (Note 4)	Other (Note 5)	Total
	(GBP thousands)					
Assets						
Non-current assets						
Property, plant and equipment	152	1,919	—	(439)	—	1,632
Intangible assets	32,690	—	—	14,481	—	47,171
Other Assets	—	1,446	—	—	—	1,446
	32,842	3,365	—	14,042	—	50,249
Current assets						
Prepayments	1,226	1,131	—	—	—	2,357
R&D tax credits	10,517	—	—	—	—	10,517
Other receivables	585	83	—	—	—	668
Short-term investments	2,500	52,516	—	—	—	55,016
Cash and short-term deposits	34,412	8,003	—	—	—	42,415
	49,240	61,733	—	—	—	110,973
Total assets	82,082	65,098	—	14,042	—	161,222
Equity and liabilities						
Equity						
Issued capital	213	29	—	42	—	284
Additional paid-in capital	—	308,577	4,115	(312,692)	—	—
Share premium	118,370	—	—	42,792	—	161,162
Other capital reserves	17,746	—	—	—	—	17,746
Other reserves	7,000	—	—	—	—	7,000
Accumulated deficit	—	(275,241)	(4,115)	279,356	—	—
Accumulated profit/(loss)	(96,180)	(43)	—	19,695	(4,167)	(80,695)
Total equity	47,149	33,322	—	29,193	(4,167)	105,497
Non-current liabilities						
Provisions	3,993	—	—	—	—	3,993
Interest bearing loans and borrowings	15,261	—	—	—	—	15,261
Deferred revenue less current portion	—	3,704	—	(3,704)	—	—
Deferred rent	—	2,895	—	(2,895)	—	—
Warrant liability	1,535	—	—	—	—	1,535
	20,789	6,599	—	(6,599)	—	20,789
Current liabilities						
Current Portion of Deferred Revenue	—	19,632	—	(8,552)	—	11,080
Trade and other payables	4,984	743	—	—	—	5,727
Accruals	3,223	4,802	—	—	4,167	12,192
Provisions	293	—	—	—	—	293
Interest bearing loans and borrowings	5,644	—	—	—	—	5,644
Total liabilities	34,933	31,776	—	(15,151)	4,167	55,725
Total equity and liabilities	82,082	65,098	—	14,042	—	161,222

Notes to the Unaudited Pro Forma Condensed Consolidated Financial Information

1. Basis of presentation

This Unaudited Pro Forma Condensed Consolidated Financial Information is based on Mereo's and OncoMed's historical financial information as adjusted to give effect to the Merger, which will be accounted for under the acquisition method of accounting, and the alignment of OncoMed's accounting policies to those of Mereo, the accounting acquirer. The unaudited pro forma condensed consolidated statement of operations for the six months ended June 30, 2018 and the unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2017 give effect to the Merger as if it had occurred on January 1, 2017. The unaudited pro forma condensed consolidated balance sheet as of June 30, 2018 gives effect to the Merger as if it had occurred on June 30, 2018.

2. OncoMed's financial information—Currency Adjustment

The consolidated financial statements of OncoMed were presented in U.S. dollars. For purposes of preparing the Unaudited Pro Forma Condensed Consolidated Financial Information, the consolidated financial statements were translated from U.S. dollars to pound sterling, Mereo's presentation currency, using the following exchange rates for the periods below, calculated from data obtained from the United States Federal Reserve.

- Average Exchange Rate from January 1, 2018 to June 30, 2018 1.37635
- Average Exchange Rate from January 1, 2017 to December 31, 2017 1.28903
- Exchange Rate on June 30, 2018 1.31970

3. OncoMed financial information—US GAAP to IFRS Adjustment and Reclassifications

The consolidated financial statements of OncoMed were prepared in accordance with US GAAP. For the purposes of the Unaudited Pro Forma Condensed Consolidated Financial Information, certain adjustments have been made to (i) reclassify the respective line items and financial captions of OncoMed to align with those used by Mereo ("Reclassifications") and (ii) convert the financial information of OncoMed from US GAAP to IFRS ("IFRS Conversion Adjustments"). Reclassifications were identified in relation to restructuring expense to align to Mereo's financial statement presentation and IFRS Conversion Adjustments were identified in relation to share-based payment accounting (as further explained below).

Reclassifications

OncoMed recorded restructuring costs for the year-ended December 31, 2017 as a single line in its statement of operations, however, to align to the functional presentation of Mereo's statement of operations, an adjustment has been made to reclassify OncoMed's £2.0 million total expense from "Restructuring charges" to "Research and development" and "Administrative expenses" expense of £1.0 million and £1.0 million, respectively.

IFRS Conversion Adjustments

OncoMed has issued a number of share-based payment awards with graded vesting features that contain only a service condition. As permitted under US GAAP, OncoMed made an accounting policy election to record compensation expense for these awards on a straight-line basis over the entire vesting term of the grant, however IFRS requires that compensation expense be recorded to reflect the vesting as it occurs for each tranche/installment within the grant over the vesting period of that tranche/installment.

Accordingly, £0.2 million of additional expense has been reflected in "Research and development expenses" and £0.3 million has been reflected in "Administrative expenses" in the unaudited pro forma condensed consolidated statement of operations for the six months ended June 30, 2018. £1.9 million has been reflected in "Research and development expenses" and £1.7 million has been reflected in

"Administrative expenses" the unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2017. A corresponding adjustment of £4.1 million has been reflected in "Additional paid in capital" and "Accumulated deficit" within the unaudited pro forma condensed consolidated balance sheet as of June 30, 2018.

4. Acquisition Accounting

The unaudited pro forma financial information for the six months ended June 30, 2018 has been prepared on the basis that the Merger will be treated as a business combination in accordance with IFRS, under which the assets and liabilities of OncoMed will be recognized by Mereo at their respective fair values determined on a provisional basis as of the date the Merger is completed. The fair value adjustments, when finalized, may be material.

(a) Estimate of Consideration Expected to be Transferred in Connection with the Proposed Merger

The following is a preliminary estimate of the consideration expected to be paid to effect the merger with OncoMed:

Existing Mereo Share Capital on January 4, 2019 (75% ownership of the Combined Company)		71,240,272
Shares Expected to be Issued to OncoMed Stockholders (25%(1) ownership of the Combined Company)		23,746,757
Total Expected Post Merger Shares		94,987,029
Mereo Share Price on January 4, 2019	£	1.81
Shares Expected to be Issued to OncoMed Stockholders (as above)		23,746,757
Expected Purchase Price	£	42,862,896

(1) Assuming no adjustment to the Exchange Ratio for the net cash held by OncoMed at the time of the closing of the Merger.

(i) For the purposes of the Unaudited Pro forma Condensed Consolidated Financial Information, the fair value of share consideration to be transferred is estimated based on the Implied OncoMed Ownership and the closing price of Mereo of £1.81 per share (equivalent to £9.03 per Mereo ADS), as of January 4, 2019, the latest practicable date before the date of this proxy statement/prospectus.

The estimated consideration for Mereo's merger with OncoMed reflected in these Unaudited Pro Forma Condensed Consolidated Financial Information does not purport to represent the actual consideration when the proposed merger with OncoMed is consummated. As described beginning on page 151 of this proxy statement/prospectus, the Exchange Ratio will be adjusted based on the net cash held by OncoMed at the time of the closing of the Merger. Therefore, the actual number of Mereo ADSs to be received by OncoMed common stockholders will be unaffected by any increase or decrease in the share price of Mereo Shares between now and the closing of the Merger but instead, will be impacted by movements in net cash as at the closing date. An increase in OncoMed's net cash balance by $2 million will result in an estimated purchase price of £44.0 million. A decrease in OncoMed's net cash balance by $2 million will result in an estimated purchase price of £41.5 million. An increase or decrease in the estimated purchase price would result in an increase or decrease in the gain on acquisition reflected in this Unaudited Pro Forma Condensed Consolidated Financial Information.

Further, in accordance with IFRS 3, the fair value of equity securities issued as part of the consideration paid will be measured on the closing date of the combination at the then-current market price. This requirement will likely result in a per share equity component different from the £1.81 assumed in these Unaudited Pro Forma Condensed Consolidated Financial Information, and that difference may be material. An increase or decrease in the price per

Mereo Share assumed in these Unaudited Pro Forma Condensed Consolidated Financial Information by 10% will increase or decrease the estimated purchase price by approximately £4.3 million, which would be reflected in these Unaudited Pro Forma Condensed Consolidated Financial Information as an increase or decrease in the gain on acquisition.

(ii) OncoMed Options: As described beginning on page 154 of this proxy statement/prospectus, pursuant to the terms of the Merger Agreement, to the extent that an OncoMed Option is not exercised voluntarily through the day immediately preceding the Effective Time, such OncoMed Option will be automatically "net-exercised" immediately prior to the Effective Time. Further, each OncoMed Option that has a per-share exercise price that is higher than the Merger Consideration shall be cancelled at the Effective Time for no consideration. The estimate of Merger Consideration included in the Unaudited Pro Forma Condensed Consolidated Financial Information does not reflect the impact of any "net exercised" OncoMed options as the per-share exercise prices of such options are expected to be higher than the Merger Consideration, and thus expected to be cancelled at the Effective Time for no consideration and therefore no impact to the estimated purchase price.

(iii) OncoMed Units: Further, immediately prior to the Effective Time, each outstanding OncoMed Unit will be cancelled and the holders thereof will be entitled to receive, immediately prior to the Effective Time, the number of shares of OncoMed common stock that were subject to such OncoMed Units (with certain adjustments as described further beginning on page 155 of this proxy statement/prospectus) and such stockholders will thereafter be entitled to receive the Merger Consideration in respect of these shares of OncoMed common stock.

(iv) Fair value of CVRs: In addition to the Mereo ADSs consideration, each OncoMed shareholder will receive one contingent value right, as described beginning on page 175 of this proxy statement/prospectus.

After consideration of the significant inherent uncertaintes related to such milestones, the preliminary fair value of the CVRs is expected to be minimal. Therefore, for the purposes of the Unaudited Pro Forma Condensed Consolidated Financial Information, the fair value of the CVRs is assumed to be £nil. In determining that the preliminary CVR fair value approximates nil, the following information and factors were considered: (i) the likelihood of Celgene exercising the exclusive option granted by OncoMed to Celgene in relation to OncoMed's etigilimab product, particularly given Bristol-Myers Squibb's proposed acquisition of Celgene, (ii) the uncertain outcomes of current clinical studies, (iii) the level of uncertainty regarding the availability of future funding partners, (iv) the level of uncertainty relating to the success of future development of such products, and (v) the dependency of the CVR milestones on the occurrence of events that are outside of the control of Mereo.

(b) Preliminary Purchase Price Allocation

The following table sets forth a preliminary estimate of the fair value of the assets acquired and liabilities assumed by Mereo, reconciled to the total estimated consideration transferred, assuming the Merger occurred on June 30, 2018. Adjustments are recorded in the unaudited pro forma condensed consolidated balance sheet to record the assets acquired and liabilities assumed at their fair value as well as recognize a gain of £19.7 million in accordance with IFRS 3 (see Note 4(c) below for further information).

Preliminary Purchase Price Allocation	£ '000s
Property, plant and equipment(ii)	1,480
Intangible assets(i)	14,481
Other Assets	1,446
Prepayments	1,131
Other receivables	83
Short-term investments	52,516
Cash and short-term deposits	8,003
Deferred revenue(iv)	(11,080)
Deferred rent	—
Deferred income tax liability(iii)	—
Trade and other payables	(743)
Accruals	(4,802)
Net Assets Acquired	62,515
Consideration Paid	42,863
Gain on Acquisition	19,652

However, as described in 4(a) above, the Exchange Ratio used in computing the total expected purchase price is determined based on net cash of $38 million (representing the amount estimated to be outstanding at closing of the Merger). Accordingly, the table below provides supplemental information on the purchase price allocation based on an assumption of total net cash of $38 million (£28.8 million, translated at the June 30, 2018 spot rate in Note 2), consistent with the computation of the purchase price.

	£ '000s
Assumed Net Cash	28,794
Intangible assets(i)	14,481
Property, plant and equipment(ii)	1,480
Deferred revenue(iv)	(11,080)
Deferred rent	—
Deferred income tax liability(iii)	—
Net Assets Acquired	33,675
Consideration Paid	42,863
Goodwill on Acquisition	9,188

(i) A preliminary fair value estimate of £14.5 million has been assigned to in-process research and development ("IPR&D") projects acquired. The preliminary fair value of IPR&D assets was determined primarily using the "income approach" and "market approach." In assessing fair value, Mereo considered a potential market participant's assessment of the highest and best use of the asset including whether the value would be derived through commercialization or sale.

For the IPR&D assets valued using the income approach, which includes the programs under development, the methodology applied considers the fair value of an IPR&D asset by reference to the present value of the probability-weighted expected cash flows arising under certain sale, out-licensing or commercialization scenarios, with a discount rate selected to appropriately consider the time value of money and the risks inherent in those forecasts. The income approach

is based on the premise that the value of an asset is the present value of the future earning capacity that is available for distribution to investors in that asset.

For the IPR&D assets valued using the market approach, in particular those where OncoMed has received an offer to purchase such assets, it has used the market price of those offers as a basis for determining the fair value of those IPR&D assets. The market approach is based on the market price attainable for selling an asset to another market participant.

Acquired IPR&D assets are classified as indefinite lived assets until the successful completion or abandonment of the associated research and development efforts. Accordingly, during the development period after the closing date of the Merger, the IPR&D assets will not be amortized; instead they will be subject to periodic impairment testing. Upon successful completion of the development process for acquired IPR&D projects, determination as to the useful life of the specific asset will be made; at that point in time, the asset will then be considered a finite lived intangible asset and Mereo will begin to amortize the asset into earnings.

These preliminary estimates of fair value of the IPR&D assets could potentially be different from those determined through the final acquisition accounting, and the difference could potentially have a material impact on the accompanying Unaudited Pro Forma Condensed Consolidated Financial Information. As Mereo obtains additional information in respect of the OncoMed intangible assets, additional insight could be gained which could impact (A) the estimated total value assigned to intangible assets, and/or (B) the estimated allocation of value between finite lived and indefinite lived intangible assets. The estimated intangible asset fair values and their useful lives could be impacted by a variety of factors that may become known to us only upon access to additional information and/or by changes in such factors that may occur prior to the effective time of the Merger. These factors include but are not limited to the regulatory, legislative, legal, technological and competitive environments. Increased knowledge about these and/or other elements could result in a change to the estimated fair value of the OncoMed's intangible assets and/or to the estimated weighted average useful lives from that assumed by Mereo in these Unaudited Pro Forma Condensed Consolidated Financial Information.

(ii) A preliminary fair value estimate of £1.5 million has been assigned to property, plant and equipment to be acquired, primarily consisting of computer and lab equipment and furniture and fixtures. At the date of consummation of the Merger, property, plant and equipment is required to be measured at fair value, unless those assets are classified as held-for-sale on the closing date of the Merger. The acquired assets can include assets that are not intended to be used or sold, or that are intended to be used in a manner other than their highest and best use. Mereo has only limited information at this time as to the specific nature, age, condition or location of the property, plant and equipment. All of these factors can cause differences between the fair value and net book value, and such differences could be material.

(iii) The preliminary estimate of deferred income tax liabilities primarily results from the fair value adjustments for identifiable intangible assets and is estimated to be £3.7 million. This estimate was determined based on the excess book basis over the tax basis of the assets acquired at an estimated 29.84% weighted average statutory tax rate. However, such deferred income tax liabilities have been offset by OncoMed's unused tax losses available, resulting in a net £nil deferred income tax liability. This estimate of deferred income tax impact is preliminary and is subject to change based upon Mereo's final determination of the fair values of assets acquired and liabilities assumed, further assessment of the availability of tax losses (including upon a change of control) and the statutory tax rates in the jurisdictions where the fair values are expected to occur.

(iv) The preliminary fair value estimate of deferred revenue represents the fair value of future obligations under OncoMed's collaboration agreements. The fair value is based on estimated cost remaining to fulfil the R&D related obligations under the collaboration agreements and has been determined on a fully-costed basis (which is deemed to approximate market rates). Deferred revenue is expected to be largely recognized by the time the Merger is consummated and

accordingly will differ from the fair value disclosed in this Unaudited Pro Forma Condensed Consolidated Financial Information. Accordingly, there will be a corresponding impact on the gain on acquisition presented herein.

Further, as the collaboration revenue is not anticipated to have a continuing impact, a corresponding adjustment was not made to "Collaboration and other revenue" in the pro forma unaudited condensed consolidated statement of operations.

The accounting for the combination with OncoMed is dependent upon certain valuations that are provisional and are subject to change. Mereo will finalize these amounts as it obtains the information necessary to complete the measurement processes. Accordingly, the pro forma adjustments are preliminary and have been made solely for the purpose of providing these Unaudited Pro Forma Condensed Consolidated Financial Information. Differences between these preliminary estimates and the final acquisition accounting may occur and these differences could be material. The differences, if any, could have a material impact on the accompanying Unaudited Pro Forma Condensed Consolidated Financial Information and Mereo's future results of operations and financial position

(c) Retained Earnings Adjustment for Gain on Acquisition

Because the underlying carrying amount and fair value of the assets and liabilities of OncoMed at June 30, 2018 exceeds the value of the consideration expected to be paid by Mereo, a gain is recognized on acquisition in accordance with IFRS 3. For the purposes of the Unaudited Pro Forma Condensed Consolidated Financial Information, while the gain is directly attributable to the transaction and factually supportable, it has no continuing impact on the entity and thus an adjustment is recorded within the unaudited pro forma condensed consolidated balance sheet but not the unaudited pro forma condensed consolidated statement of operations. However, as described in 4(b) above, due to the difference between the net cash balance at June 30, 2018 and the expected net cash balance at closing (along with other adjustments to the expected fair value of the assets and liabilities of OncoMed), the gain on acquisition associated with the purchase price allocation is expected to materially change when the Merger is consummated, and the preliminary purchase price allocation may result in goodwill.

5. Other Pro Forma Adjustments

(a) Transaction costs

£4.2 million has been reflected in "Accumulated profit/loss" and "Accruals" on the unaudited pro forma condensed consolidated balance sheet as of June 30, 2018, representing estimated transaction costs to be incurred in relation to the Merger.

6. Pro Forma Loss per Share

Basic loss per share is calculated by dividing the loss attributable for the period to ordinary equity holders of the parent by the pro forma weighted average number of ordinary shares outstanding during the period. As net losses from continuing operations were recorded in the period, the dilutive potential shares are anti-dilutive for the diluted loss per share calculation. The weighted average number of common shares was determined by taking the historical weighted average number of common shares outstanding and adjusting for the shares issued under the Merger as follows:

	For the Six Months Ended June 30, 2018	For the Year Ended December 31, 2017
Numerator		
Numerator for basic and diluted loss per common share—		
Pro forma loss attributable to equity holders of the parent	£ (24,434,000)	£ (72,710,000)
Denominator		
Denominator for basic and diluted loss per common share—weighted average number of Mereo Shares	71,103,042	69,012,348
Pro forma adjustment for newly-issued shares related to the Merger	23,746,757	23,746,757
Pro forma denominator for basic and diluted loss per common share—weighted average number of common shares	94,849,799	92,759,105
Pro forma basic and diluted loss per Mereo Share	£ (0.26)	£ (0.78)

UNAUDITED COMPARATIVE HISTORICAL AND PRO FORMA PER SHARE DATA

The table set forth below contains selected unaudited historical, pro forma and pro forma equivalent per share information for Mereo Shares and shares of OncoMed common stock.

Historical Per Share Data for Mereo Shares and OncoMed Common Stock

The historical per share data for Mereo Shares and OncoMed common stock below is derived from the audited consolidated financial statements of each of Mereo and OncoMed as of and for the year ended December 31, 2017, and the unaudited condensed consolidated financial statements of each of Mereo and OncoMed as of and for the six months ended June 30, 2018, respectively. For Mereo, this information is under IFRS. For OncoMed, this information is under U.S. GAAP.

Combined Unaudited Pro Forma Per Share Data for Mereo Shares

The combined unaudited pro forma per share data for Mereo Shares is extracted from the pro forma financial statements appearing elsewhere in this proxy statement/prospectus. The pro forma financial statements are based on, and should be read in conjunction with, the historical consolidated financial statements and accompanying notes of each of Mereo and OncoMed for the applicable periods, which are included elsewhere in, or incorporated by reference into, this proxy statement/prospectus. See the section entitled “Unaudited Pro Forma Condensed Combined Financial Information” for additional information.

The combined unaudited pro forma per share data for Mereo Shares does not purport to represent what the Combined Company’s actual results of operations or financial condition would have been had the acquisition occurred on the dates assumed, nor is it necessarily indicative of the Combined Company’s future results of operations or financial condition. In particular, the unaudited pro forma combined financial information does not reflect the effect of anticipated cost and revenue synergies associated with the combination of Mereo and OncoMed.

Combined Unaudited Pro Forma Per OncoMed Equivalent Share Data

The combined unaudited pro forma per OncoMed equivalent share data set forth below shows the effect of the Merger from the perspective of an owner of OncoMed common stock. The information was calculated by multiplying the unaudited pro forma combined per share data for Mereo Shares by the exchange rate at the end of the applicable period, assuming no adjustment to the Exchange Ratio for the net cash held by OncoMed at the time of the closing of the Merger.

The final Exchange Ratio will be determined pursuant to a formula described in more detail in the Merger Agreement and elsewhere in this proxy statement/prospectus. If OncoMed’s net cash at the time of the closing of the Merger is less than $36.5 million, the Exchange Ratio will be reduced by an amount that is greater than the amount that would otherwise reflect the difference between the target closing net cash and actual closing net cash on a dollar-for-dollar basis. Because the number of Mereo ADSs to be exchanged for each share of OncoMed common stock will be adjusted based on the net cash held by OncoMed at the time of the closing of the Merger and will be unaffected by any increase or decrease in exchange rates or in the share price of Mereo Shares between now and the closing of the Merger, the notional value of the Merger Consideration and the exact number of Mereo ADSs that will be issued to OncoMed stockholders as of the date of the OncoMed Special Meeting and as of the closing date of the Merger cannot be determined with precision in advance of the Effective Time.

Generally

You should read the below information in conjunction with the selected consolidated financial information of Mereo and OncoMed included elsewhere in this proxy statement/prospectus, the historical consolidated financial statements of Mereo and related notes included elsewhere in this proxy statement/prospectus and the historical consolidated financial statements of OncoMed and related notes that have been filed with the SEC, certain of which are incorporated by reference into this proxy statement/prospectus. See the sections entitled “Selected Consolidated Financial Information of Mereo,” “Selected Consolidated Financial Information of OncoMed,” “Where You Can Find More Information” and “Incorporation of Certain Documents by Reference” included elsewhere in this proxy statement/prospectus.

	As of and for the Year Ended December 31, 2017	As of and for the Six Months Ended June 30, 2018
Mereo Historical Data (£):		
Basic income from continuing operations per share	(0.56)	(0.24)
Diluted income from continuing operations per share	(0.56)	(0.24)
Book value per share	0.90	0.66
Cash dividends declared per share	—	—
OncoMed Historical Data (US$):		
Basic income from continuing operations per share	(1.04)	(0,25)
Diluted income from continuing operations per share	(1.04)	(0.25)
Book value per share	(1.29)	(1.15)
Cash dividends declared per share	—	—
Combined Unaudited Pro Forma per Mereo Share Data (£):		
Basic income from continuing operations per share	(1.05)	(0.34)
Diluted income from continuing operations per share	(1.05)	(0.34)
Book value per share	N/A	1.48
Cash dividends declared per share	—	—
Combined Unaudited Pro Forma per OncoMed Equivalent Share Data (£):		
Basic income from continuing operations per share	(1.93)	(0.64)
Diluted income from continuing operations per share	(1.93)	(0.64)
Book value per share	N/A	2.75
Cash dividends declared per share	—	—

COMPARATIVE PER SHARE MARKET PRICE AND DIVIDEND INFORMATION

Mereo Shares are quoted on AIM under the symbol “MPH.” Shares of OncoMed’s common stock are listed for trading on Nasdaq under the symbol “OMED.”

On [●], 2019, the last practicable trading day prior to the date of this proxy statement/prospectus, there were 71,240,272 Mereo Shares outstanding and [●] shares of OncoMed common stock outstanding. As of such date, Mereo had [●] holders of record of the Mereo Shares and OncoMed had [●] holders of record of its common stock.

Recent Closing Prices and Comparative Market Price Information

The following table sets forth the closing sales prices of a Mereo Share (as reported on AIM in pence) and of OncoMed common stock (as reported on Nasdaq in U.S. dollars), each on December 4, 2018, the last trading day before the day on which Mereo and OncoMed announced the execution of the Merger Agreement, and on [●], 2019, the last practicable trading day before the date of this proxy statement/prospectus. This table also shows the equivalent value of the Share Consideration to be received by OncoMed stockholders in the Merger per share of OncoMed common stock, which was calculated by multiplying the closing price of a Mereo Share on AIM as of the dates specified by (converted into U.S. dollars at the Federal Reserve Bank of New York’s reported U.S. dollar to pound sterling exchange rate on such dates) by the Implied OncoMed Ownership, assuming no adjustment to the Exchange Ratio for the net cash held by OncoMed at the time of the closing of the Merger.

	Mereo Share Price per Share (pence)	OncoMed Common Stock Price per Share (US$)	Equivalent Value of the Share Consideration per Share of OncoMed Common stock (US$)
December 4, 2018	190	1.11	1.49
[●], 2019	[●]	[●]	[●]

The market prices of Mereo Shares and shares of OncoMed common stock, and the currency exchange rates, will fluctuate before the OncoMed Special Meeting and before the Merger is consummated. You should obtain current stock or currency rate quotations from a newspaper, the Internet or your broker or banker.

The Implied OncoMed Ownership referenced above is an estimate only and the actual percentage of of outstanding equity interests in the Combined Company to be held by former OncoMed stockholders immediately following the closing of the Merger will be determined by the final Exchange Ratio, calculated pursuant to a formula described in more detail in the Merger Agreement and elsewhere in this proxy statement/prospectus. In particular, if OncoMed’s net cash at the time of the closing of the Merger is less than $36.5 million, the Exchange Ratio will be reduced by an amount that is greater than the amount that would otherwise reflect the difference between the target closing net cash and actual closing net cash on a dollar-for-dollar basis. Because the number of Mereo ADSs to be exchanged for each share of OncoMed common stock will be adjusted based on the net cash held by OncoMed at the time of the closing of the Merger and will be unaffected by any increase or decrease in exchange rates or in the share price of Mereo Shares between now and the closing of the Merger, the notional value of the Merger Consideration and the exact number of Mereo ADSs that will be issued to OncoMed stockholders as of the date of the OncoMed Special Meeting and as of the closing date of the Merger cannot be determined with precision in advance of the Effective Time.

Dividend Policy

Mereo’s Dividend Policy. Mereo has never paid or declared any cash dividends on its ordinary shares, and does not anticipate paying any cash dividends on its ordinary shares in the foreseeable future. Mereo intends to retain all available funds and any future earnings to fund the development and

expansion of its business. Under English law, among other things, Mereo may only pay dividends if it has sufficient distributable reserves (on a non-consolidated basis), which are calculated as Mereo's accumulated realized profits that have not been previously distributed or capitalized *less* its 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 Mereo's existing loan agreement with Silicon Valley Bank and Kreos Capital V (UK) Limited ("Kreos"), preclude Mereo from paying cash dividends without Kreos's consent.

OncoMed's Dividend Policy. OncoMed has never declared or paid cash dividends on its capital stock. OncoMed intends to retain all available funds and any future earnings to fund the development and expansion of its business and does not anticipate paying any cash dividends in the foreseeable future.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement/prospectus including the documents incorporated by reference herein contains statements that constitute forward-looking statements (including within the meaning of the U.S. Private Securities Litigation Reform Act of 1995). Many of the forward-looking statements contained in this proxy statement/prospectus can be identified by the use of forward-looking words such as “anticipate,” “believe,” “could,” “expect,” “foresee,” “should,” “plan,” “intend,” “estimate,” “would,” “may,” “outlook,” and “potential,” among others. The absence of these words, however, does not mean that the statements are not forward-looking.

Forward-looking statements appear in a number of places in this proxy statement/prospectus and include, but are not limited to, statements regarding intent, belief or current expectations. Forward-looking statements are based on the current beliefs and assumptions of the management of Mereo and OncoMed and on information currently available to such management. While the management of Mereo and OncoMed believe that these forward-looking statements are reasonable as and when made, there can be no assurance that future developments will be as anticipated. Such statements are subject to risks and uncertainties, and actual results may differ materially from those expressed or implied in the forward-looking statements due to of various factors, including, but not limited to, those identified under the section entitled “Risk Factors” in this proxy statement/prospectus. These risks and uncertainties include factors relating to:

- the ability to satisfy the conditions to the Merger, including the ability to obtain the OncoMed Stockholder Approval, on the proposed terms and timeframe;
- the possibility that the Merger does not close when expected or at all, or that the companies may determine to or be required by governmental authorities to modify aspects of the Merger or to accept conditions that could adversely affect the Combined Company or the expected benefits of the Merger;
- risks related to changes in the market price of shares of OncoMed common stock or Mereo Shares relative to the Exchange Ratio;
- the risk of unanticipated costs, liabilities or delays relating to the Merger, including the outcome of any legal proceedings relating to the Merger;
- the risk that competing offers or acquisition proposals will be made;
- the inherent uncertainty associated with financial projections, including projections relating to the future cash utilization and reserves needed for contingent future liabilities and business operations;
- the potential harm to customer, supplier, employee and other relationships caused by the announcement or the closing of the Merger;
- changes in law or regulations, or international, national, or local economic, social or political conditions that could adversely affect the parties to the Merger or the Combined Company and their respective businesses, including the United Kingdom’s withdrawal from the EU and the future relationship between the United Kingdom and the EU;
- the ability to develop and commercialize, or enter into strategic relationships with third parties to commercialize, product candidates in a timely and cost-effective manner, and risks relating to research and development programs;
- the ability to hire and retain key personnel;
- the ability to realize the anticipated benefits of transactions related to the Merger and other acquisitions, restructuring activities, including in connection with the Merger, or other initiatives in a timely manner or at all;
- risks relating to expectations regarding the capitalization, resources and ownership of the Combined Company;

- estimates regarding expenses, future revenues, capital requirements, and the Combined Company's need for additional financing in the future, including the availability of sufficient resources to conduct or continue planned clinical development programs;
- the ability to acquire or in-license new product candidates; and
- the duration of each company's respective patent portfolio.

The foregoing list of factors is not exhaustive. You should carefully consider the foregoing factors and the other risks and uncertainties that affect the parties' businesses, including those described in this proxy statement/prospectus, as well as in OncoMed's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other documents filed from time to time with the SEC and incorporated by reference herein.

Forward-looking statements speak only as of the date they are made, and neither Mereo nor OncoMed 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.

RISK FACTORS

In addition to the other information included or incorporated by reference in this proxy statement/prospectus, including the matters addressed in the section entitled "Cautionary Statement Regarding Forward-Looking Statements," you should carefully consider the following risk factors in connection with your consideration of the Merger before deciding whether to vote for approval of the Merger Agreement and the Merger. In addition, you should read and consider the risks associated with each of the businesses of Mereo and OncoMed because these risks will relate to the Combined Company. The risks and uncertainties described below are not the only risks and uncertainties the parties may face. Additional risks and uncertainties not presently known to the parties, or that the parties currently consider immaterial, could also negatively affect the business, financial condition, results of operations, prospects, profits and stock prices of Mereo, OncoMed or the Combined Company. If any of the risks described below or incorporated by reference herein actually occur, the business, financial condition, results of operations, prospects, profits and stock prices of Mereo, OncoMed or the Combined Company could be materially adversely affected, as could the likelihood and magnitude of any payments being made under the CVRs. You should also consider the other information in this proxy statement/prospectus and the other documents incorporated by reference into this proxy statement/prospectus. See "Where You Can Find More Information" and "Incorporation of Certain Documents by Reference" located elsewhere in this proxy statement/prospectus.

Risk Factors Related to the Merger

The Merger is subject to a number of conditions, some of which are outside of the parties' control, and, if these conditions are not satisfied, the Merger Agreement may be terminated and the Merger may not be completed.

The Merger Agreement contains a number of conditions that must be fulfilled to complete the Merger. These conditions include, among other customary conditions, (i) the approval and adoption of the Merger Agreement by OncoMed's stockholders and, if necessary, Mereo's shareholders, (ii) the absence of any temporary restraining order, preliminary or permanent injunction or any other order preventing the consummation of the Merger and any law that makes illegal the consummation of the Merger, (iii) the SEC having declared effective this registration statement on Form F-4 and the registration statement on Form F-6 to be filed with the SEC, (iv) Mereo having obtained all required shareholder approvals in connection with the issuance of Mereo ADSs and the allotment and issuance of the Mereo Shares underlying the Mereo ADSs to be issued in the Merger and the grant of the CVRs to the stockholders of OncoMed pursuant to the Merger Agreement, (v) the approval for listing on Nasdaq, subject to official notice of issuance, of the Mereo ADSs to be issued in the Merger and the approval for admission to trading on AIM of the Mereo Shares underlying the Mereo ADSs to be issued in the Merger pursuant to the Merger Agreement, and the satisfaction of any other requirements of London Stock Exchange plc, (vi) subject to certain materiality exceptions, the accuracy of certain representations and warranties of each of OncoMed and Mereo contained in the Merger Agreement and the compliance by each party with the covenants contained in the Merger Agreement, and (vii) the absence of a material adverse effect with respect to each of OncoMed and Mereo.

The required satisfaction of the foregoing conditions could delay the completion of the Merger for a significant period of time or prevent it from occurring. Any delay in completing the Merger could cause the Combined Company not to realize some or all of the benefits that the parties expect the Combined Company to achieve. Further, there can be no assurance that the conditions to the closing of the Merger will be satisfied or waived or that the Merger will be completed.

In addition, if the Merger is not completed by September 4, 2019 (subject to potential extensions), either Mereo or OncoMed may choose to terminate the Merger Agreement. Mereo or OncoMed may also elect to terminate the Merger Agreement in certain other circumstances, and the parties can

mutually decide to terminate the Merger Agreement at any time prior to the closing of the Merger, before or after shareholder approval, as applicable. See “The Merger Agreement—Termination Events” for a more detailed description of these circumstances.

Failure to complete the Merger could negatively affect the share prices and the future business and financial results of either or both of Mereo and OncoMed.

If the Merger is not completed, the ongoing businesses of either or both of Mereo and OncoMed may be adversely affected. Additionally, if the Merger is not completed and the Merger Agreement is terminated, in certain circumstances either party may be required to pay the other a termination fee of $1,721,193 (subject to any adjustments for VAT). Additionally, in certain circumstances, Mereo or OncoMed, as the case may be, must reimburse the other party for reasonable out-of-pocket fees and expenses incurred in connection with the Merger up to $750,000 (subject to any adjustments for VAT). See “The Merger Agreement—Termination Events” and “The Merger Agreement—Termination Fees” for a more detailed description of these circumstances. In addition, Mereo and OncoMed have incurred and will continue to incur significant transaction expenses in connection with the Merger regardless of whether the Merger is completed. Furthermore, Mereo or OncoMed may experience negative reactions from the financial markets, including negative impacts on their stock prices, or negative reactions from their suppliers or other business partners, should the Merger not be completed.

The foregoing risks, or other risks arising in connection with the failure to consummate the Merger, including the diversion of management attention from conducting the business of the respective companies and pursuing other opportunities during the pendency of the Merger, may have a material adverse effect on the businesses, operations, financial results and share and stock prices of Mereo and OncoMed. Either or both of Mereo or OncoMed could also be subject to litigation related to any failure to consummate the Merger or any related action that could be brought to enforce a party’s obligations under the Merger Agreement.

Because the portion of the Merger Consideration payable in Mereo ADSs is subject to adjustment for the net cash held by OncoMed at the time of the closing of the Merger, and will be unaffected by any changes in exchange rates or in the market value of Mereo Shares or OncoMed common stock before the completion of the Merger, OncoMed stockholders cannot be sure of the market value of the Mereo ADSs they will receive.

Under the exchange ratio formula set forth in the Merger Agreement, as of immediately following the Effective Time, former OncoMed stockholders are expected to own approximately 25% of the outstanding equity interests in the Combined Company on an undiluted basis, subject to adjustment for the net cash held by OncoMed at the time of the closing of the Merger. The final Exchange Ratio will be determined pursuant to a formula described in more detail in the Merger Agreement and elsewhere in this proxy statement/prospectus. In particular, if OncoMed’s net cash at the time of the closing of the Merger is less than $36.5 million, the Exchange Ratio will be reduced by an amount that is greater than the amount that would otherwise reflect the difference between the target closing net cash and actual closing net cash on a dollar-for-dollar basis. Because the number of Mereo ADSs to be exchanged for each share of OncoMed common stock will be adjusted based on the net cash held by OncoMed at the time of the closing of the Merger and will be unaffected by any increase or decrease in exchange rates or in the share price of Mereo Shares between now and the closing of the Merger, the notional value of the Merger Consideration and the exact number of Mereo ADSs that will be issued to OncoMed stockholders as of the date of the OncoMed Special Meeting and as of the closing date of the Merger cannot be determined with precision in advance of the Effective Time.

The number of Mereo ADSs that will be issued to OncoMed stockholders as a result of the Merger will not be adjusted in the event of any increase or decrease in currency exchange rates or in the share price of either Mereo Shares or OncoMed common stock between the date of execution of the Merger

Agreement and the completion of the Merger, and the parties do not have a right to terminate the Merger Agreement based upon changes in currency exchange rates or in the market price of Mereo Shares or OncoMed common stock.

The dollar value of the Mereo ADSs that OncoMed stockholders will receive upon completion of the Merger will depend upon the net cash held by OncoMed and the market value of Mereo Shares at the time of completion of the Merger. In addition, Mereo ADSs will be denominated in U.S. dollars and will each represent five Mereo Shares, which are denominated in pence. Both the market price of Mereo Shares and the U.S. dollar-pound sterling exchange rate fluctuate continuously. Accordingly, each may be different from the closing price and exchange rate on each of the last full trading day preceding public announcement that Mereo and OncoMed entered into the Merger Agreement, the last full trading day prior to the date of this proxy statement/prospectus or the dates of the Mereo and OncoMed stockholder meetings. Moreover, completion of the Merger will occur, if at all, sometime after the requisite shareholder approvals have been obtained. The market value of Mereo Shares and the U.S. dollar-pound sterling exchange rate have varied since Mereo and OncoMed entered into the Merger Agreement and will continue to vary in the future due to changes in the business, operations and prospects of Mereo and OncoMed, market assessments of the Merger, third-party acquisition proposals and regulatory considerations, in the case of the share price, and market and economic considerations and other factors both within and beyond the control of Mereo and OncoMed, in the case of both the share price and the exchange rate. See the section entitled “Comparative Per Share Market Price Data and Dividend Information” included in this proxy statement/prospectus for additional information on the market value of Mereo Shares and OncoMed common stock.

Litigation against Mereo and OncoMed, or the members of the OncoMed Board, could prevent or delay the completion of the Merger or result in the payment of damages following completion of the Merger.

It is a condition to the Merger that no temporary restraining order, preliminary or permanent injunction or other order preventing the consummation of the Merger Agreement or the transactions contemplated thereby shall have been issued by any court of competent jurisdiction or other governmental authority of competent jurisdiction and remain in effect. Neither OncoMed nor Mereo is aware of any lawsuit or proceeding specific to the Merger having been filed to date. If such a lawsuit or other proceeding is commenced and if in any such litigation or proceeding a plaintiff is successful in obtaining a restraining order or injunction prohibiting the consummation of the Merger Agreement or the transactions contemplated thereby, then the closing of the Merger may be delayed or may never occur. Even if the Merger is permitted to occur, the parties may be required to pay damages, fees or expenses in respect of claims related to the Merger or the transactions contemplated thereby.

Some of the directors and executive officers of OncoMed have interests in the Merger that may be different from, or in addition to, the interests of OncoMed stockholders generally.

OncoMed’s directors and executive officers may have interests in the Merger that are different from, or in addition to or may be deemed to conflict with, the interests of OncoMed stockholders generally. These interests include, but are not limited to, the continued employment of certain members of OncoMed’s management team, the continued positions of certain OncoMed directors as directors of the Combined Company, potential payments to certain executive officers pursuant to change in control and severance agreements, accelerated vesting of stock options pursuant to the terms of the Merger Agreement, accelerated vesting of restricted stock units pursuant to the terms of the Merger Agreement, a performance bonus of $50,000 that may be earned by Dr. Lewicki in connection with the Merger, and other rights held by these directors and executive officers. In particular, it is anticipated that certain individuals currently associated with OncoMed’s navicixizumab products will, for a period of 18 months following the closing of the Merger, be permitted to solicit third party interest with respect to the navicixizumab products and to recommend, by written notice to the

chief executive officer of Mereo, that Mereo enter into discussions with one or more such third parties that have expressed interest with respect to the navicixizumab program. See “The CVR Agreement—Milestone Events and Payments—The Navi Milestones” elsewhere in this proxy statement/prospectus.

OncoMed stockholders should be aware of these interests when they consider the recommendations of the OncoMed Board with respect to the Merger. For a discussion of the interests of OncoMed’s directors and executive officers in the Merger, see “The Merger—Interests of OncoMed’s Directors and Executive Officers in the Merger.”

Uncertainty about the Merger may adversely affect the relationships of Mereo and OncoMed with their respective suppliers and employees, whether or not the Merger is completed.

In response to the announcement of the Merger, existing or prospective suppliers of Mereo or OncoMed may:

- delay, defer or cease providing goods or services to Mereo, OncoMed or the Combined Company;
- delay or defer other decisions concerning Mereo, OncoMed or the Combined Company, or refuse to extend credit to Mereo, OncoMed or the Combined Company; or
- otherwise seek to change the terms on which they do business with Mereo, OncoMed or the Combined Company.

Any such delays or changes to terms could seriously harm the business of each company or, if the Merger is completed, the Combined Company. These disruptions could also have an adverse effect on the ability of Mereo to achieve the milestones specified in the CVR Agreement.

In addition, as a result of the Merger, current and prospective employees could experience uncertainty about their future with Mereo, OncoMed or the Combined Company. These uncertainties may impair the Combined Company’s ability to retain, recruit or motivate key management, technical and other personnel.

The Merger Agreement contains provisions that limit each party’s ability to pursue alternatives to the Merger, could discourage a potential competing acquiror of either Mereo or OncoMed from making an alternative transaction proposal and, in specified circumstances, could require either party to pay a termination fee to the other party.

The Merger Agreement provides that Mereo and OncoMed shall not, and requires each of Mereo and OncoMed to refrain from authorizing, directing or permitting its representatives to, solicit, participate in negotiations with respect to or approve or recommend any third-party proposal for an alternative transaction, subject to exceptions set forth in the Merger Agreement relating to the receipt of certain unsolicited offers. If the Merger Agreement is terminated by either party after the other party’s board of directors has changed its recommendation regarding the Merger or due to the other party’s material breach of its non-solicitation obligations, then the terminating party may be required to pay a termination fee of $1,721,193.

These provisions could discourage a potential third-party acquiror or merger partner that might have an interest in acquiring all or a significant portion of Mereo or OncoMed or pursuing an alternative transaction from considering or proposing such a transaction, even if it were prepared to pay consideration with a higher per share cash or market value than the consideration in the Merger, or might result in a potential third-party acquiror or merger partner proposing to pay a lower price to Mereo shareholders or OncoMed stockholders than it might otherwise have proposed to pay because of the added expense of the termination fee that may become payable in certain circumstances.

If the Merger Agreement is terminated and either Mereo or OncoMed determines to seek another business combination, Mereo or OncoMed, as applicable, may not be able to negotiate a transaction with another party on terms comparable to, or better than, the terms of the Merger.

Any delay in completing the Merger may significantly reduce the benefits expected to be obtained from the Merger.

The Merger is subject to a number of conditions that are beyond the control of Mereo and OncoMed and that may prevent, delay or otherwise materially adversely affect completion of the Merger. Mereo and OncoMed cannot predict whether and when these conditions will be satisfied. See “The Merger Agreement—Conditions to the Closing” elsewhere in this proxy statement/prospectus.

Any delay in completing the Merger may significantly reduce the benefits that Mereo and OncoMed expect to achieve if they successfully complete the Merger within the expected timeframe. In particular, any delay is likely to reduce the net cash held by OncoMed at the time of the closing of the Merger, which, under the net cash adjustment mechanism in the exchange ratio formula set forth in the Merger Agreement, will reduce the number of Mereo ADSs payable by Mereo to holders of OncoMed common stock as Share Consideration. See “The Merger Agreement—Merger Consideration” elsewhere in this proxy statement/prospectus.

Until the completion of the Merger or the termination of the Merger Agreement in accordance with its terms, in consideration of the agreements made by the parties in the Merger Agreement, Mereo and OncoMed are each prohibited from entering into certain transactions and taking certain actions that might otherwise be beneficial to Mereo or OncoMed and their respective shareholders.

Until the Merger is completed, the Merger Agreement restricts Mereo and OncoMed from taking specified actions without the consent of the other party, and requires each of Mereo and OncoMed to operate in the ordinary course of business consistent with past practices. These restrictions may prevent Mereo and OncoMed from making appropriate changes to their respective businesses or pursuing attractive business opportunities that may arise prior to the completion of the Merger. See the sections entitled “The Merger Agreement—Restrictions on OncoMed’s Business Pending the Closing” and “—Restrictions on Mereo’s Business Pending the Closing” elsewhere in this proxy statement/prospectus for a description of the restrictive covenants applicable to each of Mereo and OncoMed.

After the Merger, OncoMed stockholders will have a significantly lower ownership and voting interest in the Combined Company than they currently have in OncoMed, and will exercise less influence over management.

Under the exchange ratio formula set forth in the Merger Agreement, as of immediately following the Effective Time, former OncoMed stockholders are expected to own approximately 25% of the outstanding equity interests in the Combined Company on an undiluted basis, subject to adjustment for the net cash held by OncoMed at the time of the closing of the Merger. In addition, the number of Mereo Shares to be allotted and issued by Mereo (and the corresponding number of Mereo ADSs to be issued to holders of OncoMed common stock) as Share Consideration or pursuant to the CVR Agreement will not, in the aggregate, exceed 66.67% of the Mereo Shares issued and outstanding immediately prior to the Effective Time (approximately 40% of the share capital of the Combined Company). Consequently, OncoMed stockholders will have less influence over the management and policies of the Combined Company than they currently have over OncoMed. In addition, only two directors serving on the existing OncoMed Board will continue as directors of the Combined Company immediately following the closing of the Merger.

The opinion of OncoMed's financial advisor does not reflect changes in circumstances that may occur between the original signing of the Merger Agreement and the completion of the Merger.

Consistent with market practices, the OncoMed Board has not obtained an updated opinion from its financial advisor as of the date of this proxy statement/prospectus and does not expect to receive an updated, revised or reaffirmed opinion prior to the completion of the Merger. Changes in the operations and prospects of OncoMed, general market and economic conditions and other factors that may be beyond the control of OncoMed, and on which OncoMed's financial advisor's opinion was based, may significantly alter the value of OncoMed or the price of shares or OncoMed's common stock by the time the Merger is completed. The opinion does not speak as of the time the Merger will be completed or as of any date other than the date of such opinion. Because OncoMed's financial advisor will not be updating its opinion, the opinion will not address the fairness of the Merger Consideration from a financial point of view at the time the Merger is completed. The OncoMed Board's recommendation that OncoMed stockholders vote "FOR" the Merger Proposal, however, is made as of the date of this proxy statement/prospectus. For a description of the opinion that the OncoMed Board received from its financial advisor, please refer to the section entitled "The Merger—Opinion of OncoMed's Financial Advisor" located elsewhere in this proxy statement/prospectus.

OncoMed stockholders have appraisal rights under Delaware law.

Under Delaware law, OncoMed stockholders who do not vote in favor of adoption of the Merger Agreement and otherwise properly perfect their rights will be entitled to "appraisal rights" in connection with the Merger, which generally entitle stockholders to receive in lieu of the Merger Consideration a cash payment of an amount determined by the Court of Chancery equal to be the fair value of their OncoMed common stock as of the Effective Time. The appraised value would be determined by the Court of Chancery and could be less than, the same as or more than the Merger Consideration. Under Delaware law, stockholders are generally entitled to statutory interest on an appraisal award at a rate equal to 5% above the Federal Reserve discount rate compounded quarterly from the closing date of the Merger until the award is actually paid. Stockholders who have properly demanded appraisal rights must file a petition for appraisal with the Court of Chancery within 120 days after the effective date of the Merger. Should a material number of OncoMed's stockholders exercise appraisal rights and should the Court determine that the fair value of such shares of OncoMed common stock is materially greater than the Merger Consideration, it could have a material adverse effect on the financial condition and results of operation of the Combined Company. For a more detailed description of the appraisal rights available to OncoMed stockholders, see "The Merger—Appraisal Rights" elsewhere in this proxy statement/prospectus.

The Merger is expected to be a taxable transaction for U.S. federal income tax purposes.

The exchange of OncoMed common stock for Merger Consideration in the Merger is expected to be a taxable transaction for U.S. federal income tax purposes. However, no opinion of counsel or ruling from the IRS with respect to the tax treatment of the Merger has or will be sought, and there can be no assurance that the IRS will not assert a contrary position. Assuming the Merger will be a taxable transaction for U.S. federal income tax purposes, the amount of gain or loss a holder of OncoMed common stock recognizes, and the timing and potentially the character of a portion of such gain or loss, depends in part on the U.S. federal income tax treatment of the CVRs, with respect to which there is substantial uncertainty. For further discussion, see "Material U.S. Federal Income Tax Considerations—Material U.S. Federal Income Tax Considerations of the Merger for OncoMed Stockholders" elsewhere in this proxy statement/prospectus. OncoMed stockholders should be aware that the Merger Consideration they will be entitled to receive upon the completion of the Merger does not include a cash component to pay any taxes that may be due as a result of the Merger.

The U.S. federal income tax treatment of the CVRs is unclear.

There is no legal authority directly addressing the U.S. federal income tax treatment of the CVRs or the treatment of payments (including Mereo ADSs) that may be received pursuant to the CVRs. Accordingly, the amount, timing and character of any gain, income or loss with respect to the CVRs are uncertain. In addition, there is no legal authority directly addressing the U.S. federal income tax treatment of the expiration of any rights to receive a payment of cash or Mereo ADSs with respect to the CVRs. Any change in the value of the CVRs will affect the amount of any gain or loss recognized with respect to the receipt of the CVRs. For further discussion, see "Material U.S. Federal Income Tax Considerations—Material U.S. Federal Income Tax Considerations of the Merger for OncoMed Stockholders" elsewhere in this proxy statement/prospectus.

Risk Factors Related to the CVRs

You may not receive any payment on the CVRs.

Your right to receive any future payment on the CVRs will be contingent upon the achievement by Mereo and its subsidiaries of certain milestones within agreed time periods, as specified in the CVR Agreement. If the milestones specified in the CVR Agreement are not achieved for any reason within the time periods specified in such agreement, no payment will be made under the CVRs and the CVRs will expire valueless. Additionally, Bristol-Myers Squibb Company ("Bristol-Myers Squibb") and Celgene announced on January 3, 2019 that they have entered into a definitive merger agreement under which Bristol-Myers Squibb will acquire Celgene in a cash and stock transaction. Such transaction may limit the likelihood that the TIGIT Milestone will be achieved due to the uncertainty of Celgene's business operations pending consummation of its proposed merger with Bristol-Myers Squibb and the uncertainty of the attractiveness of OncoMed's etigilimab product to Bristol-Myers Squibb. Accordingly, the value, if any, of the CVRs is speculative, and the CVRs may ultimately have no value. See "Description of the CVRs" elsewhere in this proxy statement/prospectus.

You will not be able to determine the amount of stock or cash to be received under the CVRs until the achievement of certain agreed upon milestones, which makes it difficult to value the CVRs.

If any payment is made on the CVRs, it will not be made until the achievement of certain agreed upon milestones. As such, you will not know the value, if any, of your CVRs until certain sales milestones occur, or until the CVRs expire.

The CVRs are nontransferable.

The CVRs are nontransferable, meaning that they may not be sold, assigned, transferred, pledged, encumbered or in any other manner transferred or disposed of either in whole or in part, other than in certain limited circumstances. The CVRs will not be registered as securities and they will not be listed or traded on any stock exchange in the United States or elsewhere. Therefore, the CVRs are not liquid and you will not be permitted to sell or transfer them, except for in certain limited circumstances. See "Description of the CVRs" elsewhere in this proxy statement/prospectus.

Mereo and its subsidiaries are required to use "diligent efforts" to achieve the CVR milestones, which allows for consideration of a variety of factors to determine the efforts Mereo and its subsidiaries are required to take; accordingly, under certain circumstances, Mereo and its subsidiaries may not be required to take certain actions to achieve the CVR milestones, or may allocate resources to other projects, which would have an adverse effect on the value, if any, of the CVRs.

Mereo has agreed to use "diligent efforts," as defined in the CVR Agreement, to achieve each of the CVR milestones in the applicable agreed time period. However, under the CVR Agreement, the

definition of “diligent efforts” allows for the consideration of a variety of factors in determining the efforts Mereo is required to use to achieve the relevant milestones, including issues of safety and efficacy, market potential, anticipated pricing and reimbursement rates, costs, labeling, pricing reimbursement, the competitiveness of alternative products, the patent and other proprietary position of the relevant product, and the likelihood of regulatory approval for the relevant product given the relevant regulatory structure involved. The CVR Agreement does not require Mereo to take all possible actions to achieve each milestone. As a result, factors and events may come to pass that result in Mereo permissibly devoting less effort to the achievement of each milestone than OncoMed would have devoted had OncoMed remained a stand-alone company.

The CVR Agreement expressly states that Mereo will have no obligation or liability to (i) fund or otherwise support or incur any cost or expense relating to the relevant products (except, in each case, in respect of clinical trials commenced prior to the Effective Time) in excess of the commitments provided for the applicable budget for each product set forth as schedules to the CVR Agreement, (ii) enroll any additional subjects in any currently ongoing trial of the relevant products or (iii) commit to any additional development activities of the relevant products not provided for in the applicable budget.

Any payments in respect of the CVRs will rank at parity with Mereo’s other unsecured and unsubordinated indebtedness.

The CVRs will rank equal in right of payment to all existing and future unsecured unsubordinated indebtedness of Mereo. The CVRs, however, will be effectively subordinated in right of payment to all of Mereo’s secured obligations to the extent of the collateral securing such obligations. Additionally, the CVRs will be effectively subordinated to all existing and future indebtedness, claims of holders of capital stock and other liabilities, including trade payables, of Mereo’s subsidiaries.

Risk Factors Related to the Combined Company

The Combined Company may not fully realize the anticipated benefits of the Merger or realize such benefits within the timing anticipated.

Mereo and OncoMed entered into the Merger Agreement because each company believes that the Merger will be beneficial to each of Mereo, the Mereo shareholders, OncoMed and the OncoMed stockholders. The Combined Company may not be able to achieve the anticipated long-term strategic benefits of the Merger within the timing anticipated or at all. For example, the benefits from the Merger will be partially offset by the costs incurred in completing the transaction. In addition, if the net cash held by OncoMed at the closing of the Merger is lower than each party currently anticipates, the cash position of the Combined Company will be weaker than expected. Any delays and challenges that may be encountered in completing the Merger or in the post-Merger process of consolidation could have an adverse effect on the business and results of operations of the Combined Company, and may affect the value of the Mereo ADSs and Mereo Shares after the completion of the Merger.

The Combined Company will incur significant transaction-related costs in connection with the Merger.

Mereo and OncoMed expect to incur significant costs associated with the Merger. The amount of these costs may not be determined as of the Effective Time and may be material to the financial position and results of operations of the Combined Company. Mereo expects that the substantial majority of expenses resulting from the Merger will be comprised of transaction costs related to the Merger and employee-related costs. Mereo and OncoMed will also incur fees and costs related to integration and systems consolidation. The elimination of duplicative costs may not offset incremental transaction-related and other integration costs in the near term.

Mereo may have failed to discover undisclosed liabilities of OncoMed.

Mereo's investigations and due diligence review of OncoMed may have failed to discover undisclosed liabilities of OncoMed. If OncoMed has undisclosed liabilities, Mereo as a successor owner may be responsible for such undisclosed liabilities. Mereo has tried to minimize its exposure to undisclosed liabilities, for example by obtaining certain protections under the Merger Agreement, including representations and warranties from OncoMed regarding undisclosed liabilities, which expire by their terms on the completion of the Merger. There can be no assurance that such provisions in the Merger Agreement will protect Mereo against any undisclosed liabilities being discovered or provide an adequate remedy for any undisclosed liabilities that are discovered. Such undisclosed liabilities could have an adverse effect on the business and results of operations of Mereo and its subsidiaries and may adversely affect the value of the Mereo ADSs and Mereo Shares after the consummation of the Merger.

The Combined Company's goodwill or other intangible assets may become impaired, which could result in material non-cash charges to its results of operations.

The Combined Company will have a substantial amount of goodwill and other intangible assets resulting from the Merger. At least annually, or whenever events or changes in circumstances indicate a potential impairment in the carrying value as defined by IFRS, the Combined Company will evaluate this goodwill for impairment based on the recoverable value, being the higher of fair value less costs to sell and value in use, of the cash generating units to which goodwill has been allocated. Estimated fair values could change if there are changes in the Combined Company's capital structure, cost of debt, interest rates, capital expenditure levels, operating cash flows or market capitalization. Impairments of goodwill or other intangible assets could require material non-cash charges to the Combined Company's results of operations.

Future results of the Combined Company may differ materially from the unaudited pro forma financial information included in this proxy statement/prospectus.

The Combined Company's future results may be materially different from those shown in the unaudited pro forma financial information presented in this proxy statement/prospectus that show only a combination of Mereo's and OncoMed's historical results. Mereo expects to incur significant costs associated with completing the Merger and combining the operations of the two companies, and the exact magnitude of these costs is not yet known. Furthermore, these costs may decrease capital that could be used by Mereo for future income-earning investments.

The financial analyses and forecasts considered by Mereo, OncoMed and their respective financial advisors may not be realized.

While the financial projections utilized by Mereo, OncoMed and their respective advisors in connection with the Merger were prepared in good faith based on information available at the time of preparation, no assurances can be made regarding future events or that the assumptions made in preparing such projections will accurately reflect future conditions. In preparing such projections, the management of Mereo and OncoMed made assumptions regarding, among other things, future economic, competitive, regulatory and financial market conditions and future business decisions that may not be realized and that are inherently subject to significant uncertainties and contingencies, including, among others, risks and uncertainties described or incorporated by reference in this section and the section entitled "Cautionary Statement Regarding Forward-Looking Statements," all of which are difficult to predict and many of which are beyond the control of Mereo and OncoMed and will be beyond the control of the Combined Company. There can be no assurance that the underlying assumptions or projected results will be realized, and actual results will likely differ, and may differ materially, from such projections, which could result in a material adverse effect on the Combined Company's business, financial condition, results of operations and prospects.

After the Merger, Mereo will be a "foreign private issuer" under the rules and regulations of the SEC and, as a result, will be exempt from a number of rules under the Exchange Act and will be permitted to file less information with the SEC than a company incorporated in the United States.

Following completion of the Merger, Mereo will continue to be incorporated as a public limited company in England and Wales and will be deemed to be a "foreign private issuer" under the rules and regulations of the SEC. As a foreign private issuer, Mereo will be exempt from certain rules under the Exchange Act that would otherwise apply if Mereo were a company incorporated in the United States, including:

- the requirement to file periodic reports and financial statements with the SEC as frequently or as promptly as United States companies with securities registered under the Exchange Act;
- the requirement to file financial statements prepared in accordance with U.S. GAAP;
- the proxy rules, which impose certain disclosure and procedural requirements for proxy solicitations; and
- the requirement to comply with Regulation FD, which imposes certain restrictions on the selective disclosure of material information.

In addition, Mereo's officers, directors and principal shareholders will be exempt from the reporting and "short-swing" profit recovery provisions of Section 16 of the Exchange Act and the related rules with respect to their purchases and sales of Mereo ADS and Mereo Shares. Accordingly, after the completion of the Merger, if you hold Mereo ADSs, you may receive less information about the Combined Company than you currently receive about OncoMed and be afforded less protection under the United States federal securities laws than you are entitled to currently.

As a foreign private issuer, Mereo will not be required to comply with some of the corporate governance standards of Nasdaq applicable to companies incorporated in the United States.

Following completion of the Merger, the Mereo Board will be required to meet certain corporate governance standards under Nasdaq Listing Rules, including the requirement to maintain an audit committee comprised of three or more directors satisfying the independence standards of Nasdaq applicable to audit committee members. While foreign private issuers are not required to comply with most of the other corporate governance rules of Nasdaq, Mereo believes it currently complies with, and intends to continue to comply with, the majority of such requirements, including the requirements to maintain a majority of independent directors and nominating and compensation committees of its board of directors comprised solely of independent directors. Mereo will be required to continue to follow the AIM rules and Corporate Governance Code published by the Quoted Companies Alliance. As a result, holders of Mereo ADSs may not be afforded the benefits of the corporate governance standards of Nasdaq to the same extent applicable to companies incorporated in the United States. See "Management—Foreign Private Issuer Exemption" elsewhere in this proxy statement/prospectus.

Additional reporting requirements may apply if Mereo loses its status as a foreign private issuer.

If Mereo loses its status as a foreign private issuer at some future time, then it will no longer be exempt from such rules and, among other things, will be required to file periodic reports and financial statements as if it were a company incorporated in the United States. The costs incurred in fulfilling these additional regulatory requirements could be substantial.

Although Mereo's reporting obligations as a foreign private issuer will be fewer than those of a public company incorporated in the United States, Mereo's costs of complying with its SEC reporting requirements will be significant, and its management will be required to devote substantial time to complying with SEC regulations.

Mereo is not currently subject to SEC rules. However, following the completion of the Merger, Mereo will be a foreign private issuer and subject to certain SEC reporting requirements. As such, and particularly after Mereo no longer qualifies as an emerging growth company, Mereo expects to incur significant legal, accounting, and other expenses that it did not incur previously, including costs associated with its SEC reporting requirements under the Exchange Act and compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 ("Section 404"). Mereo's 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 Mereo's legal and financial compliance costs and will make some activities more time-consuming and costly. For example, Mereo expects that these rules and regulations may make it more expensive for Mereo to obtain director and officer liability insurance, which in turn could make it more difficult for Mereo to attract and retain qualified senior management personnel or members for the Mereo Board. 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.

Failure to establish and maintain effective internal controls could have a material adverse effect on Mereo's business and stock price.

Pursuant to Section 404, Mereo will be required to furnish a report by its senior management on its internal control over financial reporting. However, while Mereo remains an emerging growth company, it will not be required to include an attestation report on internal control over financial reporting issued by its independent registered public accounting firm. To prepare for eventual compliance with Section 404, once Mereo no longer qualifies as an emerging growth company, Mereo will be engaged in a process to document and evaluate its internal control over financial reporting, which is both costly and challenging. In this regard, Mereo 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 Mereo's efforts, there is a risk that it will not be able to conclude, within the prescribed timeframe or at all, that its internal control over financial reporting is effective as required by Section 404. If Mereo identifies 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 Mereo's financial statements.

Future acquisitions may result in unanticipated accounting charges or may otherwise adversely affect the Combined Company's results of operations and result in difficulties in integrating purchased assets, products or technologies, or be dilutive to existing stockholders.

A key element of the Combined Company's business strategy will include expansion through the acquisition of assets, products or technologies that complement its existing product candidates in the field of rare and specialty diseases. The Combined Company will continually evaluate and explore strategic opportunities as they arise, including strategic partnerships or co-development agreements and the purchase or sale of assets, including tangible and intangible assets such as intellectual property.

Acquisitions may require significant capital, typically entail many risks and could result in difficulties in assimilating and integrating the purchased assets, products or technologies. The Combined

Company may experience unanticipated costs and expenditures, changing relationships with suppliers and strategic partners, difficulties developing product development plans, or contractual, intellectual property or employment issues. These challenges could disrupt the Combined Company's ongoing business, distract its management and employees, harm its reputation and increase its expenses. These challenges would be even greater if the Combined Company acquired a business or entered into a business combination transaction.

Acquisitions may require large one-time charges and can result in increased debt or contingent liabilities, adverse tax consequences, additional share-based compensation expense and the recording and later amortization of amounts related to certain purchased intangible assets, any of which could adversely affect the Combined Company's results of operations. Any of these charges could cause the value of Mereo Shares to decline.

Acquisitions or asset purchases made entirely or partially for cash may reduce the Combined Company's cash reserves. The Combined Company may seek to obtain additional cash to fund an acquisition by selling equity or debt securities. Any issuance of equity or convertible debt securities may be dilutive to holders of Mereo ADSs or Mereo Shares.

The Combined Company may not be able to find suitable acquisition opportunities that are available at attractive valuations, if at all. Even if it does find suitable acquisition opportunities, it may not be able to consummate the acquisitions on commercially acceptable terms, and any decline in the price of Mereo ADSs or Mereo Shares may make it significantly more difficult and expensive to initiate or consummate additional acquisitions.

The Combined Company's consolidated financial statements will be prepared in accordance with IFRS. OncoMed prepares its consolidated financial statements in accordance with U.S. GAAP. The conversion of OncoMed's historical consolidated financial statements into IFRS and the preparation of the Combined Company's future consolidated financial statements in accordance with IFRS could result in material changes in the reported results of operations, financial position and cash flows of the OncoMed business compared with amounts that it had previously reported (or would have reported in the future) as a stand-alone business in accordance with U.S. GAAP.

The Combined Company's consolidated financial statements will be prepared in accordance with IFRS. OncoMed prepares its consolidated financial statements in accordance with U.S. GAAP. Significant differences exist between IFRS and U.S. GAAP that may be relevant to OncoMed. Furthermore, significant adjustments may be made to the carrying amounts of the assets and liabilities of OncoMed at the date of completion of the Merger in accordance with business combination accounting under IFRS. Such adjustments may include the recognition of identifiable intangible assets, the remeasurement of property, plant and equipment, the recognition of certain contingent liabilities, deferred revenues and related income tax effects. Accordingly, the conversion of OncoMed's historical consolidated financial statements into IFRS and the preparation of the Combined Company's future consolidated financial statements in accordance with IFRS could result in material changes in the reported results of operations, financial position and cash flows of the OncoMed business compared with amounts that it previously reported (or would have reported in the future) as a stand-alone business in accordance with U.S. GAAP.

Following the Merger, the executive officers, board of directors and certain of Mereo's existing shareholders will continue to own a majority or a significant portion of the Combined Company and, as a result, will continue to have control or significant influence over the Combined Company and your interests may conflict with the interests of these shareholders.

After giving effect to the Merger, Mereo's executive officers, board of directors and significant shareholders and their respective affiliates, in the aggregate, will own approximately 11.3% of Mereo's

outstanding ordinary shares (including ordinary shares in the form of Mereo ADSs). Depending on the level of attendance at Mereo's 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 Mereo's general meetings of shareholders may control any shareholder resolution requiring a simple majority, including the appointment of board members, certain decisions relating to Mereo's capital structure and the approval of certain significant corporate transactions. Any shareholder or group of shareholders controlling more than 75% of the share capital present and voting at Mereo's general meetings of shareholders may control any shareholder resolution amending Mereo's 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 the Mereo ADSs and Mereo Shares.

Risk Factors Related to the Mereo ADSs

There will be no public market for Mereo ADSs prior to the Merger, and an active trading market may not develop.

While the existing Mereo Shares have been traded on AIM since 2016, there will be no public market for Mereo ADSs or Mereo Shares in the United States prior to the completion of the Merger. Although Mereo expects that the Mereo ADSs will be approved for listing on Nasdaq, Mereo cannot predict the extent to which investor interest in the Mereo ADSs will lead to the development of an active trading market or how liquid that market might become. An active public market for Mereo ADSs may not develop or be sustained after the completion of the Merger. If an active public market does not develop or is not sustained, it may be difficult for you to sell your Mereo ADSs at a price that is attractive to you, or at all.

The market price for Mereo ADSs and the underlying Mereo Shares may be volatile and may decline regardless of Mereo's operating performance, and the value of your investment could materially decline.

Investors who hold Mereo ADSs may not be able to resell those Mereo ADSs at or above the value of such Mereo ADSs at the Effective Time. The trading price of Mereo ADSs may fluctuate, and the trading price of Mereo Shares on AIM is likely to continue to fluctuate, substantially.

The market price of Mereo ADSs and Mereo Shares may fluctuate significantly in response to numerous factors, many of which are beyond Mereo's control, including:

- positive or negative results from, or delays in, testing or clinical trials conducted by Mereo or its competitors;
- delays in entering into strategic relationships with respect to development or commercialization of Mereo's product candidates or entry into strategic relationships on terms that are not deemed to be favorable to Mereo;
- technological innovations or commercial product introductions by Mereo 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 Mereo's product candidates;
- financing or other corporate transactions;
- publication of research reports or comments by securities or industry analysts, and variances in Mereo's periodic results of operations from securities analysts' estimates;

- general market conditions in the biopharmaceutical and pharmaceutical industries or in the economy as a whole;
- the loss of any of Mereo's key scientific or senior management personnel;
- sales of the Mereo ADSs or Mereo Shares by Mereo, its senior management and board members, holders of Mereo ADSs or Mereo's other security holders in the future;
- actions by institutional shareholders;
- speculation in the press or the investment community; or
- other events and factors, many of which are beyond Mereo's control.

These and other market and industry factors may cause the market price and demand for the Mereo ADSs to fluctuate substantially, regardless of Mereo's actual operating performance, which may limit or prevent investors from readily selling Mereo ADSs or Mereo Shares and may otherwise negatively affect the liquidity of Mereo ADSs and Mereo Shares.

In addition, the stock market in general, and emerging companies in particular, have experienced significant price and volume fluctuations that often have been unrelated to the operating performance of the companies affected by these fluctuations. These broad market fluctuations may adversely affect the trading price of Mereo ADSs and Mereo Shares, regardless of Mereo's operating performance. In the past in the United States, when the market price of a security has been volatile, holders of that security have often instituted securities class action litigation against the issuer of such securities. If any of the holders of Mereo ADSs or Mereo Shares were to bring such a lawsuit against Mereo, Mereo could incur substantial costs defending the lawsuit and the attention of Mereo's senior management would be diverted from the operation of Mereo's business. Any adverse determination in litigation could also subject Mereo to significant liabilities.

Future sales of Mereo Shares or Mereo ADSs could depress the market price of Mereo ADSs.

If holders of Mereo Shares or Mereo ADSs sell, or indicate an intent to sell, substantial amounts of Mereo Shares or Mereo ADSs in the public markets, the trading price of Mereo ADSs or Mereo Shares could decline significantly. These sales might also make it more difficult for Mereo to sell equity or equity-related securities at a time and price that it otherwise would deem appropriate.

The dual listing of Mereo Shares and Mereo ADSs is costly to maintain and may adversely affect the liquidity and value of Mereo Shares and Mereo ADSs.

Following the Merger and after Mereo ADSs are listed for trading on Nasdaq, Mereo Shares will continue to trade on AIM. Maintaining a dual listing will generate additional costs, including significant legal, accounting, investor relations, and other expenses that Mereo did not previously incur, in addition to the costs associated with the additional reporting requirements described elsewhere in this proxy statement/prospectus. Mereo cannot predict the effect of this dual listing on the value of the Mereo ADSs and Mereo Shares. However, the dual listing of Mereo ADSs and Mereo 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 the Mereo ADSs. The price of the Mereo ADSs could also be adversely affected by trading in Mereo Shares on AIM.

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

The share price of Mereo Shares is quoted on AIM in pence sterling, while the Mereo 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 differences between the value of the Mereo ADSs and the value of Mereo 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 Mereo ADSs would receive upon the sale in the United Kingdom of any Mereo Shares withdrawn from the depositary, and the U.S. dollar equivalent of any cash dividends paid in pound sterling on Mereo Shares represented by the Mereo ADSs, could also decline.

The depositary for Mereo ADSs is entitled to charge holders fees for various services, including annual service fees.

The depositary for Mereo ADSs is entitled to charge holders fees for various services including for the issuance of Mereo ADSs upon deposit of Mereo Shares, cancellation of Mereo ADSs, distributions of cash dividends or other cash distributions, distributions of Mereo ADSs pursuant to share dividends or other free share distributions, distributions of securities other than Mereo ADSs and annual service fees. In the case of Mereo ADSs issued by the depositary into The Depository Trust Company ("DTC"), the fees will be charged by the DTC participant to the account of the applicable beneficial owner in accordance with the procedures and practices of the DTC participant as in effect at the time. For further information, see "Description of the Mereo ADSs—Fees and Expenses." The depositary for Mereo ADSs will not generally be responsible for any United Kingdom stamp duty or stamp duty reserve tax arising upon the issuance or transfer of Mereo ADSs. For a discussion of the United Kingdom stamp duty and stamp duty reserve tax consequences of the issuance and transfer of Mereo ADSs, see "Material U.K. Tax Considerations—Stamp Duty and Stamp Duty Reserve Tax."

If securities or industry analysts do not publish research or publish inaccurate research or unfavorable research about Mereo's business, the price and trading volume of Mereo Shares and Mereo ADSs could decline.

The trading market for Mereo Shares and Mereo ADSs will depend in part on the research and reports that securities or industry analysts publish about Mereo or its business. If one or more of the analysts who covers Mereo downgrades the Mereo Shares or Mereo ADSs or publishes incorrect or unfavorable research about its business, the price of the Mereo Shares and/or Mereo ADSs would likely decline. If one or more of these analysts ceases coverage of Mereo or fails to publish reports on it regularly, or downgrades the Mereo Shares or Mereo ADSs, demand for Mereo ADSs or Mereo Shares could decrease, which could cause the price of Mereo ADSs and/or Mereo Shares and/or trading volume to decline.

You may be subject to limitations on the transfer of Mereo ADSs and the withdrawal of the underlying Mereo Shares.

Mereo ADSs are transferable on the books of the depositary. However, the depositary may close its books at any time or from time to time when the depositary, in good faith, determines such action is necessary or advisable pursuant to the deposit agreement. The depositary may refuse to deliver, transfer or register transfers of Mereo ADSs generally when Mereo's books or the books of the depositary are closed, or at any time if Mereo or the depositary thinks it is necessary or advisable to do so because of any requirement of law, government or governmental body, or under any provision of the deposit agreement, or for any other reason, subject to your right to cancel your Mereo ADSs and withdraw the underlying Mereo Shares. Temporary delays in the cancellation of your Mereo ADSs and withdrawal of the underlying Mereo Shares may arise because the depositary has closed its transfer books or Mereo has closed its transfer books, the transfer of Mereo Shares is blocked to permit voting at a shareholders' meeting or because Mereo is paying a dividend on the Mereo Shares.

In addition, you may not be able to cancel your Mereo ADSs and withdraw the underlying Mereo Shares when you owe money for fees, taxes and similar charges and when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to the Mereo ADSs or to the withdrawal of the Mereo Shares or other deposited securities. See "Description of the Mereo ADSs—Withdrawal of Mereo Shares Upon Cancellation of Mereo ADSs."

Mereo ADS holders may not be entitled to a jury trial with respect to claims arising under the deposit agreement, which could result in less favorable results to the plaintiff(s) in any such action.

The deposit agreement governing the Mereo ADSs provides that holders and beneficial owners of ADSs irrevocably waive the right to a trial by jury in any legal proceeding arising out of or relating to the deposit agreement or the ADSs, including claims under U.S. federal securities laws, against Mereo or the depositary to the fullest extent permitted by applicable law. If this jury trial waiver provision is prohibited by applicable law, an action could nevertheless proceed under the terms of the deposit agreement with a jury trial. Although Mereo is not aware of a specific federal decision that addresses the enforceability of a jury trial waiver in the context of U.S. federal securities laws, it is Mereo's understanding that jury trial waivers are generally enforceable. Moreover, insofar as the deposit agreement is governed by the laws of the State of New York, New York laws similarly recognize the validity of jury trial waivers in appropriate circumstances. In determining whether to enforce a jury trial waiver provision, New York courts and federal courts will consider whether the visibility of the jury trial waiver provision within the agreement is sufficiently prominent such that a party has knowingly waived any right to trial by jury. Mereo believes that this is the case with respect to the deposit agreement and the Mereo ADSs.

In addition, New York courts will not enforce a jury trial waiver provision in order to bar a viable setoff or counterclaim sounding in fraud or one which is based upon a creditor's negligence in failing to liquidate collateral upon a guarantor's demand, or in the case of an intentional tort claim (as opposed to a contract dispute). No condition, stipulation or provision of the deposit agreement or Mereo ADSs serves as a waiver by any holder or beneficial owner of Mereo ADSs or by Mereo or the depositary of compliance with any provision of U.S. federal securities laws and the rules and regulations promulgated thereunder.

If any holder or beneficial owner of Mereo ADSs brings a claim against Mereo or the depositary in connection with matters arising under the deposit agreement or the Mereo ADSs, including claims under U.S. federal securities laws, such holder or beneficial owner may not be entitled to a jury trial with respect to such claims, which may have the effect of limiting and discouraging lawsuits against Mereo or the depositary. If a lawsuit is brought against Mereo or the depositary under the deposit agreement, it may be heard only by a judge or justice of the applicable trial court, which would be conducted according to different civil procedures and may result in different results than a trial by jury would have had, including results that could be less favorable to the plaintiff(s) in any such action, depending on, among other things, the nature of the claims, the judge or justice hearing such claims, and the venue of the hearing.

The rights of OncoMed's stockholders who become holders of Mereo ADSs in the Merger will not be the same as the rights of holders of Mereo Shares or OncoMed common stock.

OncoMed is a corporation organized under the laws of the State of Delaware. The rights of holders of OncoMed common stock are governed by the DGCL, the certificate of incorporation and bylaws of OncoMed and the listing rules of Nasdaq. Mereo is a public limited company organized under the laws of England and Wales. Upon completion of the Merger, the former holders of OncoMed common stock will receive Mereo ADSs, which represent a beneficial ownership interest in Mereo Shares. The rights of holders of Mereo ADSs will be governed by English law, Mereo's constitutional documents, the AIM rules, United Kingdom and EEA capital markets laws and regulations and the deposit agreement pursuant to which the Mereo ADSs will be issued. There are differences between the rights presently enjoyed by holders of OncoMed common stock and the rights to which the holders of Mereo ADSs will be entitled following the Merger. In addition, the corporate governance practices of Mereo differ in various respects from the corporate governance practices with which OncoMed stockholders may be familiar as a result of their ownership of OncoMed common stock. In some cases, the holders of Mereo

ADSs to be issued in the Merger may not be entitled to important rights to which they would have been entitled as holders of OncoMed common stock. However, because of aspects of English law, Mereo's constitutional documents and the terms of the deposit agreement, the rights of holders of Mereo ADSs will not be identical to and, in some respects, may be less favorable than, the rights of holders of Mereo Shares. For more information regarding the characteristics of, and differences between OncoMed common stock, Mereo Shares and Mereo ADSs, please refer to "Description of the Mereo Shares," "Description of the Mereo ADSs" and "Comparison of Shareholder Rights."

You may not receive distributions on Mereo Shares represented by Mereo ADSs or any value for them if it is unlawful or impractical to make them available to holders of Mereo ADSs.

Mereo expects that the depositary for Mereo ADSs will agree to pay to you or distribute the cash dividends or other distributions it or the custodian receives on Mereo Shares or other deposited securities after deducting its fees and expenses. You will receive these distributions in proportion to the number of Mereo Shares your Mereo ADSs represent. However, in accordance with the limitations that Mereo expects will be set forth in the deposit agreement, it may be unlawful or impractical to make a distribution available to holders of Mereo ADSs. Mereo has no obligation to take any other action to permit the distribution of Mereo ADSs, Mereo Shares, rights or anything else to holders of Mereo ADSs. This means that you may not receive the distributions Mereo makes on the Mereo Shares or any value from them if it is unlawful or impractical to make them available to you. These restrictions may have a material adverse effect on the value of Mereo ADSs.

It may be difficult for you to bring any action or enforce any judgment obtained in the United States against Mereo or members of the Mereo Board, which may limit the remedies otherwise available to you.

Mereo is incorporated as a public limited company in England and Wales, and the majority of Mereo's assets are located outside the United States. In addition, the majority of the members of the Mereo Board are nationals and residents of countries, including the United Kingdom, outside of the United States. Most or all of the assets of these individuals are located outside the United States. As a result, it may be difficult or impossible for you to bring an action against Mereo or against these individuals in the United States if you believe your rights have been infringed under the securities laws or otherwise. In addition, a United Kingdom court may prevent you from enforcing a judgment of a U.S. court against Mereo or these individuals based on the securities laws of the United States or any state thereof. A United Kingdom court may not allow you to bring an action against Mereo or its directors based on the securities laws of the United States or any state thereof.

Shareholders in countries other than the United Kingdom will suffer dilution if they are unable to participate in future preemptive equity offerings.

Under English law, shareholders usually have preemptive rights to subscribe on a pro rata basis in the issuance of new shares for cash. The exercise of preemptive rights by certain shareholders not resident in the United Kingdom may be restricted by applicable law or practice in the United Kingdom and overseas jurisdictions. In particular, the exercise of preemptive rights by U.S. shareholders would be prohibited unless that rights offering is registered under the Securities Act or an exemption from the registration requirements of the Securities Act applies. Furthermore, under the deposit agreement for the Mereo ADSs, the depositary generally will not offer those rights to holders of Mereo ADSs unless both the rights and the underlying securities to be distributed to holders of Mereo ADSs are either registered under the Securities Act, or exempt from registration under the Securities Act with respect to all holders of Mereo ADSs. If no exemption applies and the Combined Company determines not to register the rights offering, shareholders in the United States may not be able or permitted to exercise their preemptive rights. Mereo is also permitted under English law to disapply preemptive rights (subject to the approval of its shareholders by special resolution) and thereby exclude certain shareholders, such as overseas shareholders, from participating in a rights offering (usually to avoid a breach of local securities laws).

Holders of Mereo ADSs may not have the same voting rights as holders of Mereo Shares and may not receive voting materials in time to be able to exercise their right to vote.

Except as described in this proxy statement/prospectus and as provided in the deposit agreement, holders of Mereo ADSs will not be able to exercise voting rights attaching to Mereo Shares underlying the Mereo ADSs issued pursuant to the Merger on an individual basis. Each holder of Mereo ADSs will appoint the depositary or its nominee as the holder's representative to exercise, pursuant to the instructions of the holder, the voting rights attaching to the Mereo Shares underlying the Mereo ADSs issued pursuant to the Merger. Holders of Mereo ADSs may not receive voting materials in time to instruct the depositary to vote, and it is possible that they, or persons who hold their Mereo ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote. See "Description of the Mereo ADSs—Voting Rights."

Because Mereo does not anticipate paying any cash dividends on Mereo ADSs or Mereo 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, Mereo must have distributable profits before issuing a dividend. Mereo has not paid dividends in the past on its ordinary shares. Further, Mereo intends to retain future earnings, if any, for use in its business and does not anticipate paying any cash dividends in the foreseeable future. In addition, Mereo's credit facility prohibits it from paying dividends on its equity securities, and any future debt agreements may likewise preclude Mereo from paying dividends. As a result, capital appreciation, if any, on Mereo ADSs or Mereo Shares will be your sole source of gains for the foreseeable future.

If Mereo is a passive foreign investment company ("PFIC"), you could be subject to adverse U.S. federal income tax consequences if you are a U.S. investor.

In general, a non-U.S. corporation will be a PFIC for any taxable year in which (i) 75% or more of its gross income consists of passive income or (ii) 50% or more of the average quarterly value of its assets consists of assets that produce, or are held for the production of, passive income (the "asset test"). For purposes of the above calculations, a non-U.S. corporation that directly or indirectly owns at least 25% by value of the shares of another corporation is treated as if it held its proportionate share of the assets of the other corporation and received directly its proportionate share of the income of the other corporation. Passive income generally includes interest, dividends, gains from certain property transactions, rents and royalties (other than certain rents or royalties derived in the active conduct of a trade or business). Cash is a passive asset for PFIC purposes. Goodwill is an active asset under the PFIC rules to the extent attributable to activities that produce active income.

The assets shown on Mereo's consolidated balance sheet (taking into account OncoMed assets acquired as a result of the Merger) are expected to include a significant amount of cash and cash equivalents for the foreseeable future. Therefore, whether Mereo will satisfy the assets test for the current or any future taxable year generally will depend largely on the quarterly value of Mereo's goodwill, and on how quickly Mereo utilizes the cash in its business. Because (i) the value of Mereo's goodwill may be determined by reference to the market price of the Mereo Shares or the Mereo ADSs, which may be volatile given the nature and early stage of its business, (ii) Mereo expects to continue to hold a significant amount of cash, and (iii) a company's PFIC status is an annual determination that can be made only after the end of each taxable year, Mereo cannot express a view as to whether it will be a PFIC for the current or any future taxable year. For the reasons described above, it is possible that Mereo may be a PFIC for its current or any future taxable year.

If Mereo were a PFIC for any taxable year during which a U.S. investor holds Mereo ADSs or Mereo Shares, certain adverse U.S. federal income tax consequences could apply to such U.S.

investor. See “U.S. Federal Income Tax Considerations—Material U.S. Federal Income Tax Considerations of Owning Mereo ADSs or Mereo Shares—Passive Foreign Investment Company Rules.”

Risk Factors Related to Mereo’s Business

Risks Relating to Mereo’s Business and Industry

Mereo has a limited operating history and has never generated any product revenue.

Mereo is a multi-asset, clinical-stage biopharmaceutical company with a limited operating history, and has incurred significant operating losses since its formation. Mereo had net losses of £28.4 million and £38.8 million in the years ended December 31, 2016 and 2017, respectively, and £22.7 million and £17.0 million for the six months ended June 30, 2017 and 2018, respectively. As of June 30, 2018, Mereo had an accumulated loss of £96.2 million. Mereo’s losses have resulted principally from expenses incurred from the research and development of its product candidates and from general and administrative costs that it has incurred while building its business infrastructure. Mereo expects to continue to incur significant operating losses for the foreseeable future as it seeks to acquire new product candidates, expand its research and development efforts, and seek to obtain regulatory approval and potentially commercialize its product candidates. Mereo anticipates that its expenses will increase substantially as it:

- continues to conduct its ongoing Phase 2b clinical trial of BPS-804 for the treatment of OI in adults and its ongoing Phase 2 clinical trial of MPH-966 for the treatment of severe AATD;
- commences its planned pediatric Phase 3 clinical trial of BPS-804 for the treatment of OI in Europe and Canada;
- seeks to acquire additional novel product candidates to treat rare and specialty diseases;
- seeks regulatory approvals for its product candidates;
- potentially establishes a commercial infrastructure and works with CMOs to scale up manufacturing processes to commercialize selected product candidates, if approved;
- maintains, expands, and protects Mereo’s intellectual property portfolio;
- secures, maintains, or obtains freedom to operate for its technologies and products;
- adds clinical, scientific, operational, financial, and management personnel, including personnel to support the development of its product candidates and potential future commercialization efforts; and
- expands its operations in the United Kingdom and potentially hires employees in the United States.

Mereo’s expenses may also increase substantially if it experiences 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.

Mereo has devoted substantially all of its financial resources and efforts to the acquisition and clinical development of BPS-804, MPH-966, BCT-197, and BGS-649. Mereo has not completed the clinical development of any product candidate through approval.

To become and remain profitable, Mereo must succeed in developing and commercializing products that generate significant revenue. This will require Mereo to be successful in a range of challenging activities, including completing clinical trials of Mereo’s current or any future product candidates, obtaining regulatory approval for Mereo’s product candidates that successfully complete clinical trials, establishing manufacturing supplies and marketing capabilities, and ultimately

commercializing or entering into strategic relationships for Mereo's current and future product candidates, if approved. Mereo is only in the preliminary stages of many of these activities. Mereo may never succeed in these activities and, even if it does, it may never generate revenue that is significant enough to achieve profitability.

Because of the numerous risks and uncertainties associated with biopharmaceutical product development, Mereo is unable to accurately predict the timing or amount of increased expenses or when, or if, it will be able to achieve profitability. Mereo 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 its product candidates. If Mereo is required by the FDA, the EMA, or other regulatory authorities to perform studies in addition to those it currently anticipates, or if there are any delays in completing its clinical trials or the development of its current product candidates, Mereo's expenses could increase and its ability to generate revenue could be further delayed. In addition, Mereo may not be able to acquire new product candidates or may encounter unexpected difficulties or delays in such acquisitions, which would impair its business.

Furthermore, adoption by the medical community of Mereo's product candidates, if approved, may be limited if third-party payors offer inadequate reimbursement coverage. Cost control initiatives may decrease coverage and payment levels for Mereo's products, which in turn would negatively affect the price that Mereo will be able to charge for such products. Mereo is unable to predict the coverage that will be provided by private or government payors for any product candidate Mereo has in development. Any denial of private or government payor coverage, inadequate reimbursement for Mereo's products, or delay in receipt of reimbursement payments could harm Mereo's business and, even if Mereo were to generate product royalties or product sales, it may never achieve or sustain profitability. Mereo's failure to sustain profitability would depress the market price of the Mereo ADSs and Mereo Shares and could impair its ability to raise capital, acquire new product candidates, expand its business, or continue Mereo's operations. A decline in the market price of the Mereo ADSs or Mereo Shares also could cause you to lose all or a part of your investment.

Mereo's limited operating history may make it difficult for you to evaluate the success of its business to date and to assess its future viability.

Since Mereo's formation, it has devoted substantially all of its resources to acquiring and developing BPS-804, MPH-966, BCT-197, and BGS-649; building its intellectual property portfolio; developing its supply chain; planning its business; raising capital; and providing general and administrative support for these operations. Mereo has not yet demonstrated its 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 Mereo has acquired product candidates from two large pharmaceutical companies, it has not demonstrated the sustainability of its 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 has it demonstrated its ability to obtain approvals for or to commercialize these product candidates. Consequently, any predictions you make about Mereo's future success or viability may not be as accurate as they could be if Mereo had a longer operating history.

Mereo may not be successful in its efforts to identify and acquire additional product candidates.

Part of Mereo's 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 Mereo 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 Mereo acquires that have generated positive clinical data for Mereo's target indication or in diseases other than Mereo's target indications may not prove to be effective in treating Mereo's 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; and
- there may be competitive bids for potential product candidates which Mereo does not seek to or is unable to match.

In addition, Mereo may choose to focus its 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 Mereo's management's attention from Mereo's primary business or other development programs. If Mereo is unable to identify and acquire additional suitable product candidates for clinical development, this would adversely impact its business strategy and its financial position and share price.

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

Mereo expects its expenses to increase in connection with its ongoing activities, particularly as it conducts its ongoing Phase 2b clinical trial for BPS-804, its planned pediatric Phase 3 study for BPS-804 and its ongoing Phase 2 clinical trial for MPH-966. Mereo also expects its expenses to rise as it seeks to acquire and develop new product candidates. In addition, if Mereo obtains regulatory approval for any of its product candidates, it expects to incur significant commercialization expenses related to product manufacturing, marketing, sales, and distribution for any products it commercializes directly. Furthermore, upon the closing of the Merger, Mereo expects 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 Nasdaq. Accordingly, Mereo will need to obtain substantial additional funding in connection with its continuing operations. If Mereo is unable to raise capital when needed or on attractive terms, it could be forced to delay, reduce, or eliminate its research and development programs, any future commercialization efforts, or acquisitions of potential product candidates.

Mereo expects that its existing cash resources, together with the anticipated net cash to be held by OncoMed at the time of the closing of the Merger, will enable it to fund its operating expenses and capital expenditure requirements into early 2020. Mereo has based this estimate on assumptions that may prove to be wrong, and Mereo could use its capital resources sooner than it currently expects, or its operating plan may change as a result of many factors unknown to it. These factors, among others, may necessitate that Mereo seek additional capital sooner than currently planned. In addition, Mereo may seek additional capital due to favorable market conditions or strategic considerations, even if it believes that it has sufficient funds for its current or future operating plans.

Mereo's future capital requirements will depend on many factors, including:

- the costs, timing, and results of its ongoing Phase 2b clinical trial for BPS-804; its planned pediatric Phase 3 study for BPS-804; and its ongoing Phase 2 clinical trial for MPH-966;
- the costs and timing of manufacturing clinical supplies of its product candidates;
- the costs, timing, and outcome of regulatory review of its 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 its product candidates that it commercializes directly;
- the timing and amount of revenue, if any, received from commercial sales of its product candidates;
- the costs and timing of preparing, filing, and prosecuting patent applications; maintaining and enforcing its intellectual property rights; and defending any intellectual property-related claims, including any claims by third parties that Mereo is infringing upon the third party's intellectual property rights;
- the sales price and availability of adequate third-party coverage and reimbursement for its product candidates;
- the effect of competitors and market developments; and
- the extent to which Mereo is able to acquire new product candidates or enter into licensing or collaboration arrangements for its product candidates, although Mereo currently has no commitments or agreements to complete any such transactions other than the Merger Agreement and the transactions contemplated thereby.

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

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

Raising additional capital may cause dilution to, or adversely affect the rights of, Mereo's security holders, including holders of Mereo ADSs received in the Merger; restrict Mereo's operations; or require Mereo to relinquish rights to its technologies or product candidates.

Until such time, if ever, as Mereo can generate substantial product revenues, it may finance its cash needs through securities offerings, debt financings, license and collaboration agreements, or other capital raising transactions. If Mereo raises capital through securities offerings, your ownership interest will be diluted, and the terms of the securities Mereo issues in such transaction may include liquidation or other preferences that adversely affect your rights as a holder of Mereo ADSs. Debt financing, if available, could result in fixed payment obligations, and Mereo may be required to agree to certain restrictive covenants, such as limitations on its 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, Mereo's credit facility with Silicon Valley Bank and Kreos Capital V (UK) Limited, or the credit facility, requires Mereo to seek consent for certain corporate transactions,

dispositions, or incurrences of certain debt. If Mereo raises additional funds through collaboration or licensing agreements, it may have to relinquish valuable rights to its technologies, future revenue streams, or product candidates or grant licenses on terms that may not be favorable to it. In addition, Mereo 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 Mereo's business and the holdings or rights of Mereo's security holders, and may cause the market price of the Mereo ADSs or the Mereo Shares to decline.

Mereo depends heavily on the success of BPS-804, MPH-966, BCT-197, and BGS-649. Mereo cannot give any assurance that any of these product candidates will receive regulatory approval, which is necessary before they can be commercialized. If Mereo is unable to commercialize, whether on its own or through agreements with third parties, BPS-804, MPH-966, BCT-197, or BGS-649, or experience significant delays in doing so, Mereo's ability to generate revenue and Mereo's financial condition will be adversely affected.

Mereo does not currently generate any revenue from sales of any products, and it may never be able to develop or commercialize a marketable product. Mereo has invested substantially all of its efforts and financial resources in the acquisition and development of BPS-804, MPH-966, BCT-197, and BGS-649, and it does not have any other product candidates currently under development. Mereo's ability to generate royalty and product revenues, which it does not expect will occur for at least the next several years, if ever, will depend heavily on the successful development and eventual commercialization of its current product candidates, if approved, which may never occur. Mereo's 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 Mereo generates any revenue from product sales. For example, Mereo intends to commence a Phase 3 clinical trial of BPS-804, its most advanced product candidate, in children with OI in 2019 in Europe and Canada. Mereo plans to engage with the FDA in 2019 to discuss the expansion of Mereo's pediatric Phase 3 study to include sites in the United States. However, the FDA may not approve Mereo's pediatric trial for BPS-804, which would adversely affect the clinical development of BPS-804 in the United States and adversely affect Mereo's commercialization plans in the United States.

Mereo is not permitted to market or promote any product candidates in the United States, Europe, or other countries before it receives regulatory approval from the FDA, the EMA, or comparable foreign regulatory authorities, and it may never receive such regulatory approval for its current product candidates. Mereo has not submitted a Biologics License Application ("BLA") or a New Drug Application ("NDA"), to the FDA; a Marketing Authorization Application ("MAA") to the EMA; or comparable applications to other regulatory authorities, and does not expect to be in a position to do so in the foreseeable future. The success of Mereo's current product candidates will depend on many factors, including the following:

- Mereo may not be able to demonstrate that any of its 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 its current product candidates, which would increase its costs and prolong development;
- the results of clinical trials of Mereo's 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 Mereo's planned and future clinical trials for its current product candidates;

- the contract research organizations ("CROs"), that Mereo retains to conduct clinical trials may take actions outside of its control that materially adversely impact clinical trials for its 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 Mereo's current product candidates outweigh its safety risks;
- the applicable regulatory authorities may disagree with Mereo's interpretation of data from its clinical trials or may require that Mereo conduct additional trials;
- the applicable regulatory authorities may not accept data generated at Mereo's clinical trial sites;
- if Mereo submits 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 Mereo's 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 (a "REMS") as a condition of approval;
- the applicable regulatory authorities may identify deficiencies in the manufacturing processes or facilities of Mereo's third-party manufacturers;
- the applicable regulatory authorities may change its approval policies or adopt new regulations;
- through Mereo's clinical trials, Mereo may discover factors that limit the commercial viability of its current product candidates or make the commercialization of any of its current product candidates unfeasible; and
- if approved, acceptance of Mereo's current product candidates by patients, the medical community, and third-party payors; Mereo's ability to compete with other therapies to treat OI, AATD, AECOPD, or HH; continued acceptable safety profiles following approval of its current product candidates; and Mereo's ability to qualify for, maintain, enforce, and defend Mereo's intellectual property rights and claims.

If Mereo does not achieve one or more of these factors in a timely manner or at all, it could experience significant delays or may not be able to successfully commercialize its current rare disease product candidates.

Mereo cannot be certain that its current product candidates will be successful in clinical trials or receive regulatory approval. Further, Mereo's current product candidates may not receive regulatory approval even if they are successful in clinical trials. If Mereo does not receive regulatory approvals for its current product candidates, it may not be able to continue its operations. Even if Mereo successfully obtains regulatory approvals to manufacture and market its current product candidates, its revenues will be dependent, in part, upon the size of the markets in the territories for which Mereo gains regulatory approval and has commercial rights. If the markets for patient subsets that Mereo is targeting are not as significant as it estimates, Mereo may not generate significant revenues from sales of such products, if approved.

Mereo plans to seek regulatory approval to commercialize its current rare disease 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 Mereo 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 Mereo cannot predict success in these jurisdictions.

Mereo's business is subject to economic, political, regulatory and other risks associated with international operations.

Mereo's business is subject to risks associated with conducting business internationally. Mereo sources research and development, manufacturing, consulting, and other services from companies based throughout the United States, the EU, and Switzerland, and Mereo conducts its clinical trials in the United States, Canada, certain European countries, and other countries. Accordingly, Mereo's 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 Mereo's 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 Mereo's results of operations and financial condition.

Owing to the international scope of Mereo's operations, fluctuations in exchange rates, particularly between the pound sterling and the U.S. dollar, the euro, or the Swiss Franc, may adversely affect Mereo. Further, potential future revenue may be derived from multiple jurisdictions and in multiple currencies. As a result, Mereo's business and the price of the Mereo ADSs and Mereo 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 its results of operations and cash flows from period to period. Currently, Mereo does 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 Mereo's business, which could reduce the price of the Mereo ADSs.

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, which two-year period will, unless extended, expire on March 29, 2019. Following extensive negotiations, a draft withdrawal agreement (the "18 November Agreement") was approved by each EU member other than the United Kingdom in November 2018. The 18 November Agreement proposed a transition period which would end on 31 December 2020, with the possibility of an extended transitionary period thereafter. The 18 November Agreement was, however, rejected by a vote of the U.K. parliament on January 15, 2019. The U.K. government is understood to be exploring various options, including a re-negotiation of the 18 November Agreement, but a "no-deal Brexit" or a second referendum in the United Kingdom cannot be entirely ruled out.

The referendum and withdrawal process 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 Mereo's 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 and frictionless 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 Mereo's ability to recruit and retain employees from outside the United Kingdom. Any of these factors could have a significant adverse effect on Mereo's business, financial condition, results of operations, and prospects.

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

BPS-804, MPH-966, 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 Mereo's product candidates are prolonged or delayed, or if Mereo's product candidates fail to show the desired safety and efficacy in later stage clinical trials, Mereo may be unable to obtain required regulatory approvals and be unable to commercialize its product candidates on a timely basis, or at all.

To obtain the requisite regulatory approvals to market and sell any of Mereo's product candidates, Mereo 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 Mereo's 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. Mereo's future clinical trial results may not be successful.

Mereo may experience delays in its ongoing clinical trials and does 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. Mereo's 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 Mereo is unable to submit its 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 Mereo's CROs to execute its trials in accordance with the clinical trial protocol; good laboratory, clinical, and manufacturing practices ("GxP"); or other regulatory or contractual obligations;
- delays in or failure to obtain institutional review board ("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 Mereo's 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 Mereo's product candidates and the corresponding drug product;
- inability to manufacture sufficient quantities of Mereo's product candidates for use in clinical trials;
- third-party actions claiming infringement by Mereo's product candidates in clinical trials inside or outside of the United States and obtaining injunctions interfering with Mereo's 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 Mereo or its collaborators, as applicable, to suspend or terminate a trial if Mereo or its 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;
- Mereo's third-party research contractors failing to comply with regulatory requirements or to meet its contractual obligations to Mereo 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 Mereo is 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 Mereo's product candidates falling below acceptable standards for either safety or efficacy; and
- discoveries that may reduce the commercial viability of Mereo's product candidates.

Mereo could encounter delays if a clinical trial is suspended or terminated by it, 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 Mereo's 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 Mereo's 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 Mereo's product candidate, MPH-966, including a clinical trial in patients with Type 2 diabetes and a clinical trial in patients with bronchiolitis obliterans. Mereo does not control the design or administration of these investigator-sponsored trials, and such investigator-sponsored trials could identify significant concerns with respect to MPH-966 that could impact Mereo's findings from its own clinical trials, and adversely affect Mereo's 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 Mereo's company-sponsored trials or raise concerns regarding MPH-966, the FDA or a foreign regulatory authority may question the results of a 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 Mereo to conduct additional clinical studies or submit additional clinical data, which could delay clinical development or marketing approval of MPH-966.

Moreover, principal investigators for Mereo's clinical trials may serve as scientific advisors or consultants to Mereo from time to time and receive compensation in connection with such services. Under certain circumstances, Mereo may be required to report some of these relationships to the FDA, the EMA, or another regulatory authority. The FDA, the EMA, or such other regulatory authority may conclude that a financial relationship between Mereo and a principal investigator has created a conflict of interest or otherwise affected interpretation of the study. The FDA, the EMA, or such 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 Mereo's 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 Mereo's product candidates.

If Mereo experiences delays in the completion of any clinical trial of its product candidates or any clinical trial of its product candidates is terminated, the commercial prospects of its product candidates may be harmed, and its ability to generate product revenues from its product candidates, if any, will be delayed. Moreover, any delays in completing Mereo's clinical trials will increase its costs, slow down the development and approval process of its product candidates, and jeopardize its ability to commence product sales and generate revenue, if any. Significant clinical trial delays could also allow Mereo's competitors to bring products to market before Mereo does or shorten any periods during which Mereo has the exclusive right to commercialize its product candidates and could impair Mereo's ability to commercialize its 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 Mereo's 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 Mereo's product candidates produced in compliance with the requirements of current good manufacturing practice ("cGMP") and other regulations. Furthermore, Mereo relies on CROs and clinical trial sites to ensure the proper and timely conduct of its clinical trials and while Mereo has agreements governing the CROs' committed activities, Mereo has limited influence over the CROs' actual performance. Mereo depends on its collaborators and on medical institutions and CROs to conduct its clinical trials in compliance with good clinical practice ("GCP") requirements. To the extent Mereo's collaborators or the CROs fail to enroll participants for Mereo's 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, Mereo 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 Mereo 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 Mereo 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 Mereo's acquisition of BPS-804, MPH-966, BCT-197, and BGS-649, Mereo was not involved in the development of these product candidates and, as a result, Mereo is dependent on Novartis and AstraZeneca having accurately reported the results and correctly collected and interpreted the data from all clinical trials conducted prior to Mereo's acquisition.

Mereo was not involved in the development of its current product candidates prior to its acquisition of such product candidates from Novartis and AstraZeneca, respectively. For all of Mereo's current product candidates, Mereo has had no involvement with or control over its pre-clinical and clinical development prior to its acquisition of them. Mereo is dependent on Novartis and AstraZeneca having conducted its 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 Mereo's 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 Mereo's product candidates may be adversely affected.

Interim "top-line" and preliminary data from Mereo's clinical trials that Mereo announces or publishes 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, Mereo may publish interim "top-line" or preliminary data from its clinical trials. Interim data from clinical trials that Mereo 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 Mereo 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 Mereo's business prospects.

Mereo's 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, Mereo may need to abandon its development of these product candidates, the commercial profile of any approved label may be limited, or Mereo may be subject to other significant negative consequences following marketing approval, if any.

Undesirable side effects that may be caused by BPS-804, MPH-966, BCT-197, and BGS-649 could cause Mereo 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 Mereo's product candidates has completed one or more Phase 2 clinical trials. In the trials conducted prior to Mereo's ownership and following Mereo's ownership, the most common adverse events observed have been the following:

- for BPS-804, headache, influenza, arthralgia, and fatigue;
- for MPH-966, headache, nasopharyngitis, and elevated levels of the liver enzymes aspartate aminotransferase and alanine aminotransferase;
- for BCT-197, a mild acne-like rash, tachycardia, dizziness, and headache; and
- for BGS-649, headache, increased hematocrit, and small increases in blood pressure.

Clinical development for all of these product candidates is ongoing. Results of Mereo's 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, Mereo's trials could be suspended or terminated and the FDA, EMA, or other comparable foreign regulatory authorities could order Mereo to cease further development of or deny approval of Mereo's product candidates for any or all targeted indications.

For example, in the United States, the FDA in the first quarter of 2018 denied Mereo's request for a Type C meeting to discuss the initiation of a pediatric Phase 3 study for BPS-804 for the treatment of patients with severe OI. The FDA cited a serious cardiovascular safety concern in adults treated with sclerostin inhibitors that had yet to be resolved and informed Mereo that a risk/benefit assessment for sclerostin inhibitors could not be completed at that time. The FDA further recommended that Mereo not submit its proposed pediatric protocol until the cardiovascular safety issue had been adequately addressed and favorably resolved. In January 2019 the FDA held an Advisory Committee meeting, which voted 18-1 to approve another sclerostin inhibitor. Mereo believes the FDA now has fuller data on the cardiovascular safety issue and plans to re-engage with the FDA in 2019 to discuss the expansion of the pediatric Phase 3 study for BPS-804 for the treatment of patients with severe OI to include sites in the United States.

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 Mereo's product candidates receives marketing approval and Mereo 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 Mereo 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 Mereo implement a REMS plan to ensure that the benefits of the product outweigh its risks;
- Mereo may be required to change the way a product is administered, conduct additional clinical trials, or change the labeling of a product;
- Mereo may be subject to limitations on how it may promote the product;
- sales of the product may decrease significantly;
- third-party private or government payors may not offer, or may offer inadequate, reimbursement coverage for, Mereo's products, or reimbursement payments may be delayed;
- Mereo may be subject to litigation or product liability claims; and
- Mereo's reputation may suffer.

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

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

Successful and timely completion of clinical trials for Mereo's product candidates will require that Mereo 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 Mereo to enroll a sufficient number of patients in its clinical trials for its product candidates with indications in rare diseases or enrollment for these product candidates may take significantly longer than Mereo anticipates. In addition, Mereo will compete with other companies in enrolling the same limited population of patients, which may further challenge Mereo's ability to timely enroll patients in its 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, collectively. There are an estimated 50,000 and 60,000 persons in North America and Europe, respectively, with the genotypes that Mereo intends to enroll in its clinical trials for AATD, the target indication for MPH-966. 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 Mereo to enroll enough patients to complete its clinical trials in a timely and cost-effective manner. Delays in the completion of any clinical trial of Mereo's product candidates will increase Mereo's costs, slow down its development and approval of Mereo's product candidates, and delay or potentially jeopardize Mereo's 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 Mereo's product candidates.

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

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

- decreased demand for Mereo's product candidates;
- injury to Mereo's reputation;
- withdrawal of clinical trial participants;
- costs to defend related litigation;
- diversion of management's time and Mereo's 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 Mereo's 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 Mereo's product candidates were to cause adverse side effects during clinical trials or after approval, Mereo 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 Mereo's product candidates.

Although Mereo maintains product liability insurance for its product candidates, it is possible that its liabilities could exceed its insurance coverage. Mereo intends to expand its insurance coverage to include the sale of commercial products if it obtains marketing approval for any of its product candidates. However, Mereo 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 Mereo for uninsured liabilities or in excess of insured liabilities, Mereo's assets may not be sufficient to cover such claims and its 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 Mereo is ultimately unable to obtain regulatory approval for its product candidates, its 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. Mereo has not obtained regulatory approval for any of its product candidates and it is possible that none of its product candidates will obtain regulatory approval.

Mereo's 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 Mereo's clinical trials;
- Mereo may be unable to demonstrate to the satisfaction of the FDA, the EMA, or comparable foreign regulatory authorities that a product candidate 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;
- Mereo 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 Mereo's 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 Mereo 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 Mereo's clinical data insufficient for approval.

This lengthy approval process as well as the unpredictability of future clinical trial results may result in Mereo's 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 Mereo believes 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 Mereo were to obtain approval for any jurisdiction, regulatory authorities may approve Mereo's product candidates for fewer or more limited indications than Mereo request, may not approve the price Mereo intends to charge for its 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 Mereo's commercial prospects and business.

Even if any of Mereo's product candidates obtains regulatory approval, Mereo will be subject to ongoing obligations and continued regulatory review, which may result in significant additional expense. Additionally, any of Mereo's product candidates, if approved, could be subject to labeling and other restrictions and market withdrawal and Mereo may be subject to penalties if Mereo fails 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 Mereo's 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 Mereo conducts post-approval, all of which may result in significant expense and limit Mereo's ability to commercialize a product candidate. Mereo and its 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 Mereo may obtain. In addition, any regulatory approvals that Mereo 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 Mereo or one of its distributors, licensees, or co-marketers fails to comply with regulatory requirements, the regulatory authorities could take various actions. These include imposing fines on Mereo, imposing restrictions on Mereo's product or its manufacture, and requiring Mereo to recall or remove a product from the market. The regulatory authorities could also suspend or withdraw Mereo's marketing authorizations, or require it to conduct additional clinical trials, change its product labeling, or submit additional MAAs. If any of these events occurs, Mereo's ability to sell its product may be impaired, and it 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 Mereo's product candidates. Mereo 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, Mereo's business may be negatively impacted. In addition, if Mereo is slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if it is not able to maintain regulatory compliance, Mereo may lose any marketing approval that it may have obtained and may not achieve or sustain profitability.

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

In order to market any products in a country or territory, Mereo 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 Mereo's product candidates in those countries. Satisfying these and other regulatory requirements is costly, time consuming, uncertain, and subject to unanticipated delays. In addition, Mereo's failure to obtain regulatory approval in any country may delay or have negative effects on the process for regulatory approval in other countries. Mereo currently does not have any product candidates approved for sale in the United States, the EU, or any other markets, and Mereo's management team does not have experience in obtaining regulatory approval in markets outside of the United States and the EU. If Mereo seeks regulatory approval in other markets and fail to obtain marketing approval in those markets or, if Mereo's product candidates are approved in such markets but Mereo fails to maintain such approvals, its ability to realize the full market potential of its product candidates will be compromised.

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

Misconduct by Mereo's employees and independent contractors, including principal investigators, CROs, CMOs, consultants, vendors, and any other third parties Mereo may engage in connection with the development and commercialization of Mereo's 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 Mereo's reputation. It is not always possible to identify and deter misconduct by employees and other third parties, and the precautions Mereo take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting Mereo from governmental investigations or other actions or lawsuits stemming from a failure to comply with such laws or regulations. Additionally, Mereo is 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 Mereo, and it is not successful in defending itself or asserting its rights, those actions could have a

significant impact on its 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 Mereo's operations. Mereo is also subject to the data privacy regime in the EU, which imposes obligations and restrictions on the collection and use of personal data relating to individuals located in the EU and includes the General Data Protection Regulation ("the GDPR") and any national laws implementing or supplementing the GDPR. If Mereo does not comply with its obligations under the EU privacy regime, it could be exposed to significant fines and may be the subject of litigation and/or adverse publicity, which could have a material adverse effect on its reputation and business.

Risks Related to Healthcare Laws and Other Legal Compliance Matters

Enacted and future healthcare legislation may increase the difficulty and cost for Mereo to obtain marketing approval of and commercialize its product candidates and may affect the prices it may set.

In the United States, EU and other jurisdictions, there have been, and Mereo expects there will continue to be, a number of legislative and regulatory changes and proposed changes to the healthcare system that could affect Mereo's 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 (as so amended, 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 its 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 its 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 its 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 ("AMP");
- a new methodology by which rebates owed by manufacturers under the Medicaid Drug Rebate Program are calculated for drugs and biologics, including Mereo's 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 the U.S. Congress ("Congress");
- establishment of a Center for Medicare Innovation at the Centers for Medicare & Medicaid Services ("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 ("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. Mereo continues to evaluate the effect that the ACA and its possible repeal and replacement has on its business. It is uncertain the extent to which any such changes may impact Mereo's 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 Mereo's customers and accordingly, Mereo's 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. Mereo expects 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 Mereo's 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 Mereo's 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 its prescription drug and other healthcare programs. This could reduce the ultimate demand for Mereo's product candidates or put pressure on Mereo's product pricing.

In the EU, similar political, economic and regulatory developments may affect Mereo's ability to profitably commercialize its 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 Mereo's 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 Mereo's product candidates, restrict or regulate post-approval activities and affect Mereo's ability to commercialize its 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.

Mereo 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 Mereo or any third parties it may engage are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if Mereo or such third parties are not able to maintain regulatory compliance, Mereo's product candidates may lose any regulatory approval that may have been obtained and Mereo may not achieve or sustain profitability.

Mereo's 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 Mereo to penalties.

Mereo business operations and current and future arrangements with investigators, healthcare professionals, consultants, third-party payors, patient organizations, and customers, may expose

Mereo 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 Mereo conduct its operations, including how it researches, markets, sells, and distributes its 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 (“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 (“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 (“HITECH”) and its 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 its 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 ("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 its immediate family members;
- analogous U.S. state laws and regulations, including: state anti-kickback and false claims laws, which may apply to Mereo's 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 Mereo's 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 Mereo's 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 Mereo's 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 Mereo's 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 it, Mereo 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 Mereo becomes subject to a corporate integrity agreement or similar agreement to resolve allegations of non-compliance with these laws, and curtailment or restructuring of Mereo's operations, any of which could adversely affect Mereo's ability to operate its business and its results of operations. If any of the physicians or other providers or entities with whom Mereo expects to do business are found to not be in compliance with applicable laws, Mereo may be subject to criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs and imprisonment, which could affect Mereo's ability to operate its business. Further, defending

against any such actions can be costly, time-consuming and may require significant personnel resources. Therefore, even if Mereo is successful in defending against any such actions that may be brought against it, its business may be impaired.

Mereo is subject to governmental regulation and other legal obligations related to privacy, data protection and data security. Mereo's actual or perceived failure to comply with such obligations could harm its business.

Mereo is subject to diverse laws and regulations relating to data privacy and security in the EU, and in the future in the European Economic Area, including the GDPR. New global privacy rules are being enacted and existing ones are being updated and strengthened. Mereo is likely to be required to expend capital and other resources to ensure ongoing compliance with these laws and regulations.

The GDPR applies extraterritorially and implements stringent operational requirements for controllers and processors of personal data. For example, the GDPR: (i) requires detailed disclosures to data subjects; (ii) requires disclosure of the legal basis on which personal data is processed; (iii) makes it harder to obtain valid consent for processing; (iv) requires the appointment of a data protection officers where sensitive personal data (i.e. health data) is processed on a large scale; (v) provides more robust rights for data subjects; (vi) introduces mandatory data breach notification through the EU; (vii) imposes additional obligations when contracting with service providers; and (viii) requires an appropriate privacy governance framework to be implemented including policies, procedures, training and data audit. The GDPR permits member state derogations for certain issues and, accordingly, Mereo is also subject to EU national laws relating to the processing of certain data such as genetic data, biometric data and data concerning health. Complying with these numerous, complex and often changing regulations is expensive and difficult. Failure by Mereo, or its partners or service providers, to comply with the GDPR could result in regulatory investigations, enforcement notices and/or fines of up to the higher of 20,000,000 Euros or up to 4% of Mereo's total worldwide annual turnover. In addition to the foregoing, any breach of privacy laws or data security laws, particularly those resulting in any security incident or breach involving the misappropriation, loss or other unauthorized use or disclosure of sensitive or confidential patient or consumer information, could have a material adverse effect on Mereo's business, reputation and financial condition.

As a data controller, Mereo is accountable for any third-party data service providers it engages to process personal data on its behalf. Mereo attempts to address the associated risks by performing security assessments, detailed due diligence and regularly performing privacy and security reviews of its vendors and requiring all such third-party providers with data access to sign agreements, including business associate agreements, and where required under EU law, obligating them to only process data according to Mereo's instructions and to take sufficient security measures to protect such data. There is no assurance that these contractual measures and Mereo's own privacy and security-related safeguards will protect it from the risks associated with the third-party processing, storage and transmission of such information. Any violation of data or security laws by Mereo's third-party processors could have a material adverse effect on Mereo's business and result in the fines and penalties outlined above.

Mereo is also subject to evolving European privacy laws on electronic marketing and cookies. The EU is in the process of replacing the e-Privacy Directive (2002/58/EC) with a new set of rules taking the form of a regulation, which will be directly implemented in the laws of each European member state. The draft e-Privacy Regulation imposes strict opt-in marketing rules with limited exceptions for business-to-business communications, alters rules on third-party cookies, web beacons and similar technology and significantly increases fining powers to the same levels as GDPR (i.e. the greater of 20,000,000 Euros or 4% of total global annual revenue). While the e-Privacy Regulation was originally intended to be adopted on May 25, 2018 (alongside the GDPR), it is still going through the European

legislative process and commentators now expect it to be adopted during the second half of 2020 or during 2021 following a transition period.

Due to Mereo's international operations, it is subject to anti-corruption laws, as well as export control laws, customs laws, sanctions laws and other laws governing its operations. If Mereo fails to comply with these laws, it could be subject to civil or criminal penalties, other remedial measures and legal expenses.

Mereo's operations are subject to anti-corruption laws, including the U.K. Bribery Act 2010 (the "Bribery Act"); the U.S. Foreign Corrupt Practices Act (the "FCPA"); and other anti-corruption laws that apply in countries where Mereo does business and may do business in the future. The Bribery Act, FCPA, and these other laws generally prohibit Mereo, its officers and its 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. Mereo may in the future operate in jurisdictions that pose a high risk of potential Bribery Act or FCPA violations, and it may participate in collaborations and relationships with third parties whose actions could potentially subject it to liability under the Bribery Act, FCPA, or local anti-corruption laws. In addition, Mereo cannot predict the nature, scope, or effect of future regulatory requirements to which any of its international operations might be subject or the manner in which existing laws might be administered or interpreted.

Mereo is also 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 (collectively, the "Trade Control Laws").

There is no assurance that Mereo will be completely effective in ensuring its compliance with all applicable anti-corruption laws, including the Bribery Act, the FCPA, or other legal requirements, including Trade Control Laws. If Mereo is not in compliance with the Bribery Act, the FCPA, and other anti-corruption laws or Trade Control Laws, it 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 Mereo did not violate such laws, could be costly and time-consuming, require significant personnel resources, and harm Mereo's reputation.

Mereo will seek to build and continuously improve its 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 Mereo's employees, consultants, agents, or collaborators and, as a result, Mereo could be subject to fines, penalties, or prosecution.

Risks Related to Commercialization

Mereo operates in a highly competitive and rapidly changing industry, which may result in others acquiring, developing, or commercializing competing products before or more successfully than Mereo does.

The biopharmaceutical and pharmaceutical industries are highly competitive and subject to significant and rapid technological change. Mereo's success is highly dependent on its ability to acquire, develop, and obtain marketing approval for new products on a cost-effective basis and to market them successfully. If BPS-804, MPH-966, BCT-197, or BGS-649 is approved, Mereo 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 Mereo has and conduct similar research; seek patent protection; and establish collaborative arrangements for research, development, manufacturing, and marketing of products that may compete with Mereo's product candidates.

Mereo expects to face competition for each of its current product candidates, including specifically:

- Mereo considers BPS-804's current closest potential competitors in development for the treatment of OI to be denosumab (Prolia) from Amgen Inc. ("Amgen"), an anti-resorptive agent, and UCB S.A. ("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 ("Eli Lilly"); however, Mereo is not aware of any ongoing clinical trials for this product candidate and does not believe this product candidate remains under active development. Additionally, Bone Therapeutics SA ("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.
- Mereo considers MPH-966'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. ("Grifols"), Aralast from Shire plc, now a subsidiary of Takeda Pharmaceutical Company Ltd ("Shire"), Zemaira from CSL Limited ("CSL"), and Glassia from Kamada Ltd. ("Kamada"). Kamada is also investigating an inhaled version of augmentation therapy, Apic Bio, Inc. ("Apic Bio") is in the early stages of developing gene-therapy approaches for AATD and Vertex Pharmaceuticals Inc. ("Vertex") has an early-stage small molecule corrector program for AATD. Santhera Pharmaceuticals ("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 Mereo is 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 ("Verona Pharma"), GlaxoSmithKline plc. ("GlaxoSmithKline"), and AstraZeneca each conducting Phase 2 trials on drugs for the treatment of COPD.
- Mereo considers BGS-649's current closest potential competitors for the treatment of HH to be testosterone replacement therapies ("TRT"). These include Androgel from AbbVie Inc. ("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. ("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. ("Clarus"), and TLANDO from Lipocine, Inc. ("Lipocine"). The FDA held advisory committee meetings in January 2018 for JATENZO and TLANDO. On May 9, 2018, Lipocine announced that it had received a Complete Response Letter from the FDA and is in the process of addressing the issues identified in the letter.

Mereo also anticipates that new companies will enter these markets in the future. If Mereo successfully develops and commercializes any of BPS-804, MPH-966, 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 Mereo's product candidates obsolete, less competitive, or uneconomical. Mereo's competitors may, among other things:

- have significantly greater name recognition, financial, manufacturing, marketing, drug development, technical, and human resources than Mereo does, and future mergers and acquisitions in the biopharmaceutical and pharmaceutical industries may result in even more resources being concentrated in Mereo's 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 Mereo's 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 Mereo 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, Mereo's programs. Mereo's commercial opportunity could be reduced or eliminated if its competitors develop and commercialize products that are more effective, have fewer or less severe side effects, are more convenient or are less expensive than Mereo's product candidates. Mereo's competitors may also obtain FDA, EMA, or other regulatory approval for its product candidates more rapidly than Mereo may obtain approval for its own product candidates, which could result in Mereo's competitors establishing or strengthening its market position before Mereo is able to enter the market.

Mereo has obtained orphan drug designation for BPS-804 for the treatment of OI in the United States and EU, but Mereo may be unable to obtain orphan drug designation for MPH-966 or any future product candidates, and Mereo 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 Mereo obtains 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.

Mereo has obtained orphan drug designation from the FDA and EMA for BPS-804 for the treatment of OI, and plans to seek orphan drug designation for MPH-966 and future product candidates. Even with orphan drug designation, Mereo 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 Mereo from marketing its product candidates if another company is able to obtain orphan drug exclusivity before Mereo does. In addition, exclusive marketing rights in the United States may be unavailable if Mereo seeks 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 Mereo is 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 Mereo obtains orphan drug exclusivity, that exclusivity may not effectively protect Mereo's 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 Mereo intends to seek orphan drug designation for other existing and future product candidates, including MPH-966, Mereo 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 Mereo's 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 Mereo's business.

Mereo may seek and fail to obtain breakthrough therapy designation by the FDA for BPS-804 or MPH-966, or any future product candidates or access to the PRIME scheme by the EMA for MPH-966 or any future product candidates. Even if Mereo obtains 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 Mereo's 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 Mereo believes one of its product candidates meets the criteria for designation as a breakthrough therapy, the FDA may disagree and instead determine not to make such designation. Mereo cannot be sure that its evaluation of its 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 Mereo's 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 Mereo cannot be sure that MPH-966 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 Mereo's product candidates; or that access to the scheme, once granted, will not be revoked.

The successful commercialization of Mereo's 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 Mereo's product candidates, if approved, could limit its ability to market those products and decrease its 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 Mereo's product candidates, assuming approval. Mereo's 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 Mereo's ability to successfully commercialize its product candidates. Assuming Mereo obtains coverage for its 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. Mereo cannot be sure that coverage and reimbursement in the United States, the EU, or elsewhere will be available for its product candidates or any product that Mereo 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 Mereo's product candidates as substitutable and only offer to reimburse patients for the less expensive product. Even if Mereo shows improved efficacy or improved convenience of administration with its product candidates, pricing of existing drugs may limit the amount Mereo will be able to charge for its 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 Mereo to realize an appropriate return on its investment in its product candidates. If reimbursement is not available or is available only at limited levels, Mereo may not be able to successfully commercialize its product candidates, and may not be able to obtain a satisfactory financial return on Mereo's 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 its 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 Mereo's 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 Mereo to provide scientific and clinical support for the use of its 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 Mereo believes that changes in these rules and regulations are likely.

Mereo's 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 Mereo believes 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 its 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 its 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 Mereo is able to charge for Mereo's product candidates. Accordingly, in markets outside the United States, the reimbursement for Mereo's 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 Mereo's product candidates. Mereo expects to experience pricing pressures in connection with the sale of its 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.

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

Even if the FDA, the EMA, or any other regulatory authority approves the marketing of Mereo's product candidates, whether developed on Mereo's own or with a collaborator, physicians, healthcare providers, patients, or the medical community may not accept or use Mereo's product candidates. If Mereo's product candidates do not achieve an adequate level of acceptance, it may not generate significant product revenue or any profits from operations. The degree of market acceptance of Mereo's 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 Mereo's product candidates are approved;
- Mereo's 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 Mereo's product candidates fail to gain market acceptance, Mereo's ability to generate revenues will be adversely affected. Even if Mereo's product candidates achieve market acceptance, the market may prove not to be large enough to allow Mereo to generate significant revenues.

Mereo intends to directly commercialize its product candidates for rare diseases and to seek strategic relationships with third parties for the commercialization of Mereo's product candidates for specialty diseases. If Mereo is unable to develop its own sales, marketing, and distribution capabilities or enter into business arrangements, it may not be successful in commercializing its product candidates.

Mereo has no marketing, sales, or distribution capabilities and it currently has no experience with marketing, selling or distributing pharmaceutical products. Mereo also has no strategic relationships in place for the commercialization of its product candidates. For BPS-804 and MPH-966, if approved, and for any future product candidates for rare diseases, Mereo intends 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. Mereo 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 Mereo's 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, Mereo intends 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, Mereo's revenue from product sales may be lower than if Mereo directly marketed or sold these product candidates. In addition, any revenue Mereo receive will depend upon the terms of such arrangement, which may not be as favorable to Mereo as possible, and the efforts of the other party, which may not be adequate or successful and are likely to be beyond Mereo's control. If Mereo is unable to enter into these arrangements on acceptable terms or at all, it 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 Mereo's product candidates. If Mereo is not successful in commercializing its product candidates, either on its own or through strategic relationships with third parties, Mereo's future product revenue will suffer and it may incur significant losses.

Any product candidates for which Mereo intends 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 (the "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 its 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.

Mereo believes 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 Mereo 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 Mereo's Dependence on Third Parties

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

Mereo has relied upon and plans to continue to rely upon independent clinical investigators and CROs to conduct its clinical trials and to monitor and manage data for its ongoing clinical programs. Mereo relies on these parties for the execution of Mereo's clinical trials and control only certain aspects of these parties' activities. Nevertheless, Mereo is responsible for ensuring that each of its studies and trials is conducted in accordance with the applicable protocol and legal, regulatory and scientific standards, and its reliance on these third parties does not relieve Mereo of its regulatory responsibilities. Mereo and its 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 Mereo's product candidates in clinical development. Regulatory authorities enforce these GxP requirements through periodic inspections of trial sponsors, principal investigators and trial sites. If Mereo fails to exercise adequate oversight over any of its independent investigators or CROs or if Mereo or any of its independent investigators or CROs fail to comply with applicable GxP requirements, the clinical data generated in Mereo's clinical trials may be deemed unreliable and the FDA, the EMA, or comparable foreign regulatory authorities may require Mereo to perform additional clinical trials before approving its marketing applications. Mereo cannot assure you that upon a regulatory inspection of Mereo or its independent investigators or CROs, such regulatory authority will determine that any of Mereo's clinical trials complies with GxP requirements. Mereo's failure to comply with these regulations may require it to repeat clinical trials, which would delay the regulatory approval process.

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

If any of Mereo's relationships with its independent investigators or CROs terminate, it 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 Mereo's 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 Mereo's ability to meet its desired clinical development timelines.

If Mereo's independent investigators or CROs do not successfully carry out its 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 Mereo's clinical protocols, regulatory requirements, or for other reasons, Mereo's clinical trials may be extended, delayed, or terminated and Mereo may not be able to obtain regulatory approval for or successfully commercialize

its product candidates. As a result, Mereo's results of operations and the commercial prospects for its product candidates would be harmed, its costs could increase and its ability to generate revenue could be delayed.

Mereo currently relies on third-party contract manufacturing organizations ("CMOs") for the production of clinical supply of Mereo's product candidates and intend to rely on CMOs for the production of commercial supply of Mereo's product candidates, if approved. Mereo's dependence on CMOs may impair the development of Mereo's product candidates and may impair the commercialization of its product candidates, which would adversely impact its business and financial position.

Mereo has limited personnel with experience in manufacturing, and does not own facilities for manufacturing its product candidates. Instead, Mereo relies on and expect to continue to rely on CMOs for the supply of cGMP grade clinical trial materials and commercial quantities of Mereo's product candidates, if approved. Reliance on CMOs may expose Mereo to more risk than if it were to manufacture its own product candidates. Novartis previously provided clinical supplies for BPS-804, BCT-197, and BGS-649 and certain transitional services. Mereo has moved the clinical supply manufacture for these product candidates to CMOs. Mereo also intends to contract with CMOs for the clinical supply of MPH-966.

The facilities used to manufacture Mereo's product candidates must be approved by the FDA, the EMA, and comparable foreign authorities pursuant to inspections. While Mereo provides oversight of manufacturing activities, it does not and will not control the execution of its manufacturing activities by, and is or will be essentially dependent on, its CMOs for compliance with cGMP requirements for the manufacture of its product candidates. As a result, Mereo is subject to the risk that its product candidates may have manufacturing defects that Mereo has limited ability to prevent. If a CMO cannot successfully manufacture material that conforms to Mereo's specifications and the regulatory requirements, Mereo may not be able to secure or maintain regulatory approval for the use of its investigational medicinal products in clinical trials, or for commercial distribution of its product candidates, if approved. In addition, Mereo has limited control over the ability of its 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 Mereo's product candidates or if it withdraws any such approval in the future, Mereo may need to find alternative manufacturing facilities, which would delay its development program and significantly impact its ability to develop, obtain regulatory approval for or commercialize its product candidates, if approved. In addition, any failure to achieve and maintain compliance with these laws, regulations and standards could subject Mereo to the risk that it may have to suspend the manufacturing of its product candidates or that obtained approvals could be revoked. Furthermore, CMOs may breach existing agreements they have with Mereo because of factors beyond Mereo's control. CMOs may also terminate or refuse to renew its agreement at a time that is costly or otherwise inconvenient for Mereo. 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 Mereo wishes to engage for the manufacture of BPS-804, other than those CMOs that Mereo and Novartis have already agreed upon. If Mereo were to be unable to find an adequate CMO or another acceptable solution in time, Mereo's clinical trials could be delayed or its commercial activities could be harmed.

Mereo relies on and will continue to rely on CMOs to purchase from third-party suppliers the raw materials necessary to produce Mereo's product candidates. Mereo does not and will not have control over the process or timing of the acquisition of these raw materials by Mereo's CMOs. Moreover, Mereo currently does not have any agreements for the production of these raw materials. Supplies of raw material could be interrupted from time to time and Mereo 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 Mereo's product candidates, if approved, or result in a shortage in supply, which would impair Mereo's ability to generate revenues from the sale of its product candidates. Growth in the costs and expenses of raw materials may also impair Mereo's ability to cost effectively manufacture its product candidates. There are a limited number of suppliers for the raw materials that Mereo may use to manufacture its product candidates and Mereo may need to assess alternate suppliers to prevent a possible disruption of the manufacture of its product candidates.

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

As part of its manufacture of Mereo's product candidates, its 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 Mereo, Mereo may have to find alternative CMOs or third-party suppliers or defend against claims of infringement, either of which would significantly impact Mereo's ability to develop, obtain regulatory approval for or commercialize its product candidates, if approved.

Mereo intends to enter into strategic relationships with third parties, based on a product-by-product assessment, for the development of some of its product candidates. If Mereo fails to enter into these arrangements, its business, development and commercialization prospects could be adversely affected.

Mereo's development program for its product candidates, particularly as they enter late-stage development, will require substantial additional funds. Mereo currently intends to enter into a strategic relationship with a pharmaceutical or biopharmaceutical company for the continued development of BCT-197 and for BGS-649, and Mereo may take the same approach for other product candidates.

These types of development arrangements are complex and time-consuming to negotiate and document, and Mereo may not be able to enter into these arrangements on favorable terms or at all. In addition, Mereo faces significant competition from other companies in seeking out these types of development arrangements. If Mereo is successful in entering into such an arrangement, it will be subject to other risks, including its inability to control the amount of time and resources the third party will dedicate to its 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 Mereo.

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

Risks Related to Intellectual Property and Data Protection

Mereo relies on patents and other intellectual property rights to protect its 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 Mereo's ability to compete and impair its business.

Mereo's commercial success depends in part on obtaining and maintaining patents and other forms of intellectual property protection, for example, for compositions-of-matter of its product candidates, formulations of its product candidates, polymorphs, salts and analogs of its product candidates, methods used to manufacture its product candidates, methods for manufacturing of the final drug products, and methods of using its product candidates for the treatment of the indications Mereo is developing or plans to develop, or on in-licensing such rights. Mereo's patent portfolio comprises patents and patent applications which cover its BPS-804, BCT-197, and BGS-649 product candidates acquired or exclusively licensed from Novartis, and patents and patent applications which cover Mereo's MPH-966 product candidate exclusively licensed (with the option to purchase) from AstraZeneca. The assignments of those patents and patent applications which Mereo acquired from Novartis have been registered with the relevant authorities in key territories and the exclusive licenses from AstraZeneca have also been registered with the relevant authorities in key territories. There is no assurance that Mereo's pending patent applications will result in issued patents, or if issued as patents, will include claims with sufficient scope of coverage to protect Mereo's 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 Mereo's ability to develop and market its product candidates, resulting in harm to its business.

The patent prosecution process is expensive and time-consuming. Mereo or its 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 Mereo or its 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 for them. Moreover, depending on the terms of any future in-licenses to which Mereo may become a party, Mereo 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 Mereo's business.

Further, the issuance, scope, validity, enforceability, and commercial value of Mereo's and its current or future licensors' patent rights are highly uncertain. Mereo's and its licensors' pending and future patent applications may not result in issued patents that protect Mereo's 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 Mereo or its licensors to narrow the scope of the claims of Mereo's or its licensors' pending and future patent applications, which may limit the scope of patent protection that may be obtained. Mereo cannot assure that all of the potentially relevant prior art relating to Mereo's 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 Mereo's 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. Mereo's and its 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, Mereo cannot be certain that Mereo or its licensors were the first to file any patent application related to Mereo's 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 Mereo's 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 Mereo's invention was derived from such third parties' product candidates. Even where Mereo has a valid and enforceable patent, Mereo may not be able to exclude others from practicing its invention where the other party can show that they used the invention in commerce before Mereo's filing date or the other party benefits from a compulsory license.

Mereo enjoys only limited geographical protection with respect to certain patents and may not be able to protect its intellectual property rights throughout the world.

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

In addition, Mereo 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 Mereo to stop the infringement of its patents or marketing of competing products in violation of Mereo's proprietary rights generally. Proceedings to enforce Mereo's patent rights in other jurisdictions, whether or not successful, could result in substantial costs and divert Mereo's efforts and attention from other aspects of its business, could put its patents at risk of being invalidated or interpreted narrowly and its patent applications at risk of not issuing as patents, and could provoke third parties to assert claims against Mereo. Mereo may not prevail in any lawsuits that it initiates and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, Mereo's efforts to enforce its intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that Mereo develops or licenses. Furthermore, while Mereo intends to protect its intellectual property rights in its expected significant markets, it cannot ensure that it will be able to initiate or maintain similar efforts in all jurisdictions in which Mereo may wish to market its product candidates. Accordingly, Mereo's efforts to protect its intellectual property rights in such countries may be inadequate, which may have an adverse effect on Mereo's ability to successfully

commercialize its product candidates in all of its expected significant foreign markets. If Mereo or its licensors encounter difficulties in protecting, or are otherwise precluded from effectively protecting, the intellectual property rights important for Mereo's business in such jurisdictions, the value of these rights may be diminished and Mereo 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 Mereo or any of its licensors is forced to grant a license to third parties with respect to any patents relevant to Mereo's business, its competitive position may be impaired.

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

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

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

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

Mereo's commercial success depends, in part, upon its ability to develop, manufacture, market, and sell its 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 (the "USPTO") and foreign patent offices. The various markets in which Mereo plans 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 Mereo is developing product candidates. Some claimants may have substantially greater resources than Mereo has and may be able to sustain the costs of complex intellectual property litigation to a greater degree and for longer periods of time than Mereo could. In addition, patent holding companies that focus solely on extracting royalties and settlements by enforcing patent rights may target Mereo. As the biopharmaceutical and pharmaceutical industries expand and more patents are issued, the risk increases that Mereo's product candidates may be subject to claims of infringement of the intellectual property rights of third parties.

Mereo 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 Mereo believes 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 Mereo's ability to commercialize the applicable product candidate unless Mereo 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 Mereo's compositions, formulations, or methods of treatment, prevention, or use, the holders of any such patents may be able to block Mereo's ability to develop and commercialize the applicable product candidate unless Mereo obtained a license or until such patent expires or is finally determined to be invalid or unenforceable. In addition, defending such claims would cause Mereo to incur substantial expenses and could cause it to pay substantial damages, if it is found to be infringing a third party's patent rights. These damages potentially include increased damages and attorneys' fees if Mereo is found to have infringed such rights willfully. As an example of the foregoing risks, Mereo is aware of a third-party patent family which currently includes a patent granted by the European Patent Office ("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 Mereo, which could present the foregoing risks and impose limitations in Mereo's ability to develop, manufacture or sell BPS-804 for such use in the EU, unless Mereo obtains 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 Mereo or its third-party service providers, Mereo's 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, Mereo 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 Mereo's competitors access to the same intellectual property rights. If Mereo is unable to enter into a license on acceptable terms, it could be prevented from commercializing one or more of its product candidates, or forced to modify such product candidates, or to cease some aspect of Mereo's business operations, which could harm its business significantly. Mereo might, if possible, also be forced to redesign its product candidates so that it no longer infringes the third-party intellectual property rights, which may result in significant cost and delay to Mereo, or which redesign could be technically infeasible. Any of these events, even if Mereo were ultimately to prevail, could require Mereo to divert substantial financial and management resources that Mereo would otherwise be able to devote to its business.

If Mereo were to initiate legal proceedings against a third party to enforce a patent covering one of its product candidates, the defendant could counterclaim that Mereo's 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 Mereo's 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, Mereo cannot be certain that there is no invalidating prior art of which Mereo and the patent examiner were unaware during prosecution. There is a risk that in connection with such proceedings, a court will decide that a Mereo patent is invalid or unenforceable, in whole or in part, and that Mereo does 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, Mereo would lose at least part, and perhaps all, of the patent protection on Mereo's 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 Mereo does not have the right to stop the other party from using the invention at issue on the grounds that Mereo's patent claims do not cover the invention. Even if Mereo establishes 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 Mereo's patents could limit its ability to assert those patents against those parties or other competitors, and may curtail or preclude Mereo's ability to exclude third parties from making and selling similar or competitive products. In addition, if the breadth or strength of protection provided by Mereo's patents is threatened, it could dissuade companies from collaborating with Mereo to license, develop, or commercialize its current or future product candidates. Furthermore, Mereo's patents and other intellectual property rights also will not protect its technology if competitors design around Mereo's protected technology without infringing its 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 Mereo's confidential information could be compromised by disclosure during this type of litigation. Even if resolved in Mereo's favor, litigation or other legal proceedings relating to intellectual property claims may cause Mereo to incur significant expenses and could distract Mereo's technical and management personnel from its normal responsibilities. Such litigation or proceedings could substantially increase Mereo's operating losses and reduce its resources available for development activities. Mereo may not have sufficient financial or other resources to adequately conduct such litigation or proceedings. Some of Mereo's competitors may be able to sustain the costs of such litigation or proceedings more effectively than Mereo can because of its substantially greater financial resources. Uncertainties resulting from the initiation and

continuation of patent litigation or other proceedings could have an adverse effect on Mereo's 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 the Mereo ADSs could be adversely affected.

Mereo 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 Mereo's ability to develop, manufacture and market its product candidates.

Mereo cannot guarantee that any of its, its 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 Mereo be certain that it has 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 Mereo's 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 Mereo's product candidates could have been filed by others without Mereo's knowledge, including any such patent applications that may claim priority from patent applications for patents that Mereo has determined will expire before it commercialize its products. Additionally, pending patent applications that have been published can, subject to certain limitations, be later amended in a manner that could cover Mereo's product candidates or the use of Mereo's product candidates. Moreover, as Mereo studies its product candidates during development, Mereo may learn new information regarding their structure, composition, properties, or functions that may render third-party patent applications or patents that Mereo had not identified as being, or that Mereo had not believed to be, relevant to its product candidates instead to be relevant to or necessary for the commercialization of Mereo's 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. Mereo's interpretation of the relevance or the scope of a patent or a pending patent application may be incorrect. Mereo may incorrectly determine that its 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. Mereo's 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 Mereo considers relevant also may be incorrect. Any of the foregoing circumstances, failures, or errors may negatively impact Mereo's ability to develop and market its product candidates.

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

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

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

Mereo currently owns and has in-licensed rights to intellectual property, including patents, patent applications and know-how, relating to its product candidates, and its success will likely depend on maintaining these rights. Because Mereo's programs may require the use of proprietary rights held by third parties, the growth of Mereo's business will likely depend in part on its ability to continue to acquire, in-license, maintain, or use these proprietary rights. In addition, Mereo's 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. Mereo may be unable to acquire or in-license any compositions, methods of use, processes, or other third-party intellectual property rights that Mereo identifies as necessary for the development and commercialization of its 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 Mereo may consider attractive. These established companies may have a competitive advantage over Mereo due to their size, cash resources, and greater clinical development and commercialization capabilities.

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

Obtaining and maintaining Mereo's patent protection depends on compliance with various procedural, document submission, fee payment, and other requirements imposed by governmental patent agencies, and Mereo's 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 Mereo or its licensors fail to maintain the patents and patent applications covering its product candidates or if it or its licensors otherwise allow its patents or patent applications to be abandoned or lapse, Mereo's competitors might be able to enter the market, which would hurt its competitive position and could impair Mereo's ability to successfully commercialize Mereo's product candidates in any indication for which they are approved.

Mereo may be subject to claims challenging the inventorship of its patents and other intellectual property.

Although Mereo is not currently experiencing any claims challenging the inventorship of its patents and patent applications or ownership of its intellectual property, it may in the future be subject to claims that former employees or other third parties have an interest in its patents or other intellectual property as an inventor or co-inventor. While it is Mereo's policy to require its employees and contractors who may be involved in the conception or development of intellectual property to execute agreements assigning such intellectual property to Mereo, Mereo may be unsuccessful in executing such an agreement with each party who, in fact, conceives or develops intellectual property that Mereo regards as its own. For example, the assignment of intellectual property rights may not be self-executing or the assignment agreements may be breached, or Mereo may have inventorship disputes arise from conflicting obligations of consultants or others who are involved in developing Mereo's product candidates. Litigation may be necessary to defend against these and other claims challenging inventorship. If Mereo fails in defending any such claims, in addition to paying monetary damages, Mereo may lose valuable intellectual property rights, such as exclusive ownership of, or right to use, valuable intellectual property. Even if Mereo is 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 Mereo's ability to protect its product candidates.

As is the case with other biopharmaceutical and pharmaceutical companies, Mereo's 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 (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 Mereo could therefore be awarded a patent covering an invention of its product candidates even if it made the invention before it was made by the third party. This will require Mereo to be cognizant going forward of the time from invention to filing of a patent application, but circumstances could prevent Mereo from promptly filing patent applications on its 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 Mereo's 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 Mereo's 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 Mereo's business. However, the AIA and its implementation could increase the uncertainties and costs surrounding the prosecution of Mereo's or its licensors' patent applications and the enforcement or defense of Mereo's or its 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 Mereo's 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 Mereo's ability to obtain new patents or to enforce its existing patents and patents that it 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 Mereo's ability to obtain new patents in the future that may be important for its business.

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

Depending upon the timing, duration and conditions of FDA marketing approval of Mereo's product candidates, one or more of its 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. A patent term extension cannot extend the remaining term of a patent beyond a total of 14 years from the date of product approval. 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, Mereo may not receive an extension if it fails to apply within applicable deadlines, fails to apply prior to expiration of relevant patents, or otherwise fails to satisfy applicable requirements. Moreover, the length of the extension could be less than Mereo requests. If Mereo is unable to obtain patent term extension or the term of any such extension is less than it requests, the period during which it can enforce its patent rights for that product will be shortened and its competitors may obtain approval to market competing products sooner. As a result, Mereo's revenue from applicable products could be reduced, possibly materially.

If Mereo's trademarks and trade names are not adequately protected, it may not be able to build name recognition in its markets of interest and its competitive position may be adversely affected.

Mereo currently owns registered trademarks. Mereo may not be able to obtain trademark protection in territories that it considers of significant importance. In addition, any of Mereo's 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. Mereo may not be able to protect its rights to these trademarks and trade names, which it will need to build name recognition by potential collaborators or customers in Mereo's markets of interest. Over the long term, if Mereo is unable to establish name recognition based on its trademarks and trade names, it may not be able to compete effectively and its business may be adversely affected.

If Mereo is unable to protect the confidentiality of its trade secrets and know-how, its business and competitive position would be harmed.

Mereo considers proprietary trade secrets and confidential know-how and unpatented know-how to be important to its business. In addition to seeking patents for some of Mereo's technology and product

candidates, Mereo may also rely on trade secrets or confidential know-how to protect its 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, Mereo's policy is to require its employees, consultants, contractors and advisors to enter into confidentiality agreements with Mereo. Mereo also seeks to preserve the integrity and confidentiality of its data, trade secrets, and know-how by maintaining physical security of its premises and physical and electronic security of its information technology systems. Monitoring unauthorized uses and disclosures is difficult, and Mereo cannot know whether the steps it has taken to protect its proprietary technologies will be effective. In addition, current or former employees, consultants, contractors, and advisers may unintentionally or willfully disclose Mereo's confidential information to competitors, and confidentiality agreements may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. Mereo therefore cannot guarantee that its trade secrets and other proprietary and confidential information will not be disclosed or that competitors will not otherwise gain access to its 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 Mereo's trade secrets, Mereo would have no right to prevent such competitor from using that technology or information to compete with it, which could harm its competitive position. Additionally, if the steps taken to maintain Mereo's trade secrets are deemed inadequate, it 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 Mereo's business and its competitive position. Moreover, Mereo's 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, Mereo's competitors could limit Mereo's use of Mereo's own trade secrets or confidential know-how.

Mereo may be subject to claims by third parties asserting that Mereo or Mereo's employees have misappropriated third party intellectual property, or claiming ownership of what Mereo regards as Mereo's own intellectual property. These claims may be costly to defend and if Mereo does not successfully do so, it may be required to pay monetary damages and lose valuable intellectual property rights or personnel.

Some of Mereo's employees, including its senior management, were previously employed at other biopharmaceutical or pharmaceutical companies, including its competitors or potential competitors. Some of these employees executed proprietary rights, non-disclosure and non-competition agreements in connection with such previous employment. Although Mereo tries to ensure that its employees do not use the know-how, trade secrets, or other proprietary information of others in their work for Mereo, Mereo may be subject to claims that it 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 Mereo fails in prosecuting or defending any such claims, in addition to paying monetary damages, it may lose valuable intellectual property rights or personnel. A loss of key research personnel or its work product could hamper or undermine Mereo's ability to develop and commercialize its product candidates, which would severely harm its business. In addition, if such intellectual property rights were to be awarded to a third party, Mereo could be required to obtain a license from such third party to commercialize its technology or products. Such a license may not be available on

commercially reasonable terms or at all, which could hamper or undermine Mereo's ability to develop and commercialize its product candidates, which would severely harm its business. Even if Mereo successfully prosecutes or defends against such claims, litigation could result in substantial costs and distract management from the development and commercialization of Mereo's product candidates.

Mereo's proprietary information may be lost or it may suffer security breaches.

In the ordinary course of Mereo's business, it collects and stores sensitive data, including intellectual property, clinical trial data, proprietary business information, personal data and personally identifiable information of Mereo's clinical trial subjects and employees, in Mereo's data centers and on Mereo's networks. The secure processing, maintenance and transmission of this information is critical to Mereo's operations. Despite Mereo's security measures, its information technology and infrastructure and those of its 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 Mereo's regulatory approval efforts and significantly increase its costs to recover or reproduce the data. Although, to Mereo's knowledge, it has not experienced any such material security breach to date, any such breach could compromise its 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 Mereo's operations; damage its reputation; and cause a loss of confidence in Mereo and its ability to conduct clinical trials, which could adversely affect Mereo's reputation and delay its clinical development of its product candidates.

Risks Related to Employee Matters and Managing Growth

Mereo's future growth and ability to compete depends on retaining its key personnel and recruiting additional qualified personnel.

Mereo's success depends upon the continued contributions of its key management, including all of its senior management team, and scientific and technical personnel, many of whom have been instrumental for Mereo 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 Mereo's acquisition and development activities. In addition, the competition for qualified personnel in the biopharmaceutical and pharmaceutical fields is intense, and Mereo's future success depends upon its ability to attract, retain and motivate highly skilled scientific, technical, and managerial employees. Mereo faces competition for personnel from other companies and organizations. If Mereo's recruitment and retention efforts are unsuccessful in the future, it may be difficult for Mereo to achieve its development objectives, raise additional capital, and implement its business strategy.

Mereo expects to expand its development, regulatory, and sales and marketing capabilities, and as a result, Mereo may encounter difficulties in managing its growth, which could disrupt its operations.

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

Risk Factors Related to OncoMed's Business

OncoMed common stock may be delisted from Nasdaq if OncoMed is unable to maintain compliance with Nasdaq's continued listing standards.

Nasdaq imposes, among other requirements, continued listing standards including minimum bid and public float requirements. The price of OncoMed common stock must trade at or above $1.00 to comply with Nasdaq's minimum bid requirement for continued listing on Nasdaq. On January 23, 2019, OncoMed received notice from Nasdaq indicating that it was not in compliance with Nasdaq Listing Rule 5550(a)(2) because the closing bid price of its common stock had been below $1.00 per share for the previous thirty consecutive business days. In accordance with Nasdaq Listing Rule 5810(c)(3)(A), OncoMed has been provided an initial period of 180 calendar days, or until July 22, 2019, to regain compliance. In order to regain compliance, the bid price of OncoMed common stock must close at $1.00 per share or more for a minimum of ten consecutive business days. If the closing bid price of OncoMed common stock fails to meet such minimum closing bid price requirement, or if OncoMed otherwise fails to meet any other applicable requirements of Nasdaq and OncoMed is unable to regain compliance, Nasdaq may make a determination to delist OncoMed common stock.

Any delisting of OncoMed common stock could adversely affect the market liquidity of OncoMed common stock and the market price of OncoMed common stock could decrease. If OncoMed receives any correspondence from Nasdaq or its staff relating to the delisting or maintenance of listing of OncoMed common stock on Nasdaq, such as the notice that OncoMed received from Nasdaq on January 23, 2019, and if such receipt would reasonably be expected to have a material adverse effect, then OncoMed would be prevented from satisfying a closing condition for the Merger. In such event, Mereo may elect not to consummate the Merger. If the Merger is not completed and OncoMed chooses to reestablish a viable operating business, delisting could adversely affect OncoMed's ability to obtain financing for the continuation of the company's operations and/or result in the loss of confidence by investors, customers, suppliers and employees.

You should read and consider risk factors specific to OncoMed's business that will also affect the Combined Company after the Merger. These risks are described in Part I, Item 1A of OncoMed's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, in Part II, Item 1A of OncoMed's Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2018, June 30, 2018 and September 30, 2018 and in other documents that are incorporated by reference into this document. See "Where You Can Find More Information" included in this proxy statement/prospectus for the location of information incorporated by reference in this proxy statement/prospectus.

THE ONCOMED SPECIAL MEETING

Date, Time and Place of OncoMed Special Meeting

The OncoMed Special Meeting is scheduled to be held at [●], local time, on [●], 2019 at OncoMed's principal executive offices located at 800 Chesapeake Drive, Redwood City, California 94063. On or about [●], 2019, OncoMed commenced mailing this proxy statement/prospectus and the enclosed form of proxy card to its stockholders entitled to vote at the OncoMed Special Meeting.

Check-in will begin at [●] and OncoMed stockholders should allow ample time for the check-in procedures.

Purpose of OncoMed Special Meeting

At the OncoMed Special Meeting, OncoMed stockholders will be asked to consider and vote on:

1. the Merger Proposal;
2. the Advisory Vote Proposal; and
3. the Adjournment Proposal.

Recommendation of the OncoMed Board of Directors

- The OncoMed Board has determined that the transactions contemplated by the Merger Agreement are fair to, advisable and in the best interests of OncoMed and its stockholders, and has approved and declared advisable the merger agreement and such transactions. The OncoMed Board unanimously recommends that OncoMed stockholders vote "**FOR**" the Merger Proposal to adopt the Merger Agreement and thereby approve the transactions contemplated by the Merger Agreement.
- The OncoMed Board has determined and believes that the approval, on a non-binding, advisory basis, of the transaction-related named executive officer compensation is advisable to, and in the best interests of, OncoMed and its stockholders, and has approved and adopted the proposal. The OncoMed Board unanimously recommends that OncoMed stockholders vote "**FOR**" the Advisory Vote Proposal to approve, on a non-binding, advisory basis, of the transaction-related named executive officer compensation.
- The OncoMed Board has determined and believes that adjourning the OncoMed Special Meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of the Merger Proposal is advisable to, and in the best interests of, OncoMed and its stockholders, and has approved and adopted the proposal. The OncoMed Board unanimously recommends that OncoMed stockholders vote "**FOR**" the Adjournment Proposal to adjourn the OncoMed Special Meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes in favor of the Merger Proposal.

The OncoMed Board unanimously recommends that OncoMed stockholders vote "FOR" the Merger Proposal, "FOR" the Advisory Vote Proposal and "FOR" the Adjournment Proposal.

Consummation of the merger is conditioned on approval of the Merger Proposal. If you abstain or fail to vote on the Merger Proposal, it will have the same effect as a vote "AGAINST" the Merger Proposal. Consummation of the Merger is not conditioned on the approval of the Advisory Vote Proposal or the Adjournment Proposal.

Who Can Vote at the OncoMed Special Meeting

Only OncoMed stockholders of record at the close of business on [●], 2019, the record date for the OncoMed Special Meeting, and other persons holding valid proxies for the special meeting are entitled to notice of, to attend and to vote at the OncoMed Special Meeting.

As of the record date, there were [●] shares of OncoMed common stock issued and outstanding, par value $0.001 per share. Each share of common stock is entitled to one vote on each matter properly brought before the meeting.

In accordance with Delaware law, a list of stockholders entitled to vote at the meeting will be available at the meeting, and for 10 days prior to the meeting, at 800 Chesapeake Drive, Redwood City, California 94063, between the hours of 9:00 a.m. and 4:00 p.m., local time.

OncoMed stockholders and their proxies will be admitted to the OncoMed Special Meeting beginning at [●], local time, on [●], 2019. OncoMed stockholders and their proxies should be prepared to present a form of government-issued photo identification, such as a driver's license, state-issued identification card, or passport. In addition, OncoMed stockholders who are record holders will have their ownership verified against the list of record holders as of the record date prior to being admitted to the meeting. OncoMed stockholders who are not record holders but hold shares through a broker or other nominee (i.e., in "street name") should provide proof of beneficial ownership at the close of business on the record date, such as a letter from their broker or other nominee reflecting their stock ownership as of the record date for the meeting. Anyone who does not provide photo identification or comply with the other procedures outlined above upon request will not be admitted to the special meeting.

Vote Required for Approval

Quorum

A quorum will be present if at least a majority in voting power of the stock issued and outstanding and entitled to vote as of the record date is present in person, or by remote communication, if applicable, or represented by proxy at the OncoMed Special Meeting. Your shares will be counted towards the quorum only if you submit a valid proxy (or one is submitted on your behalf by your broker or other nominee) or if you vote in person at the OncoMed Special Meeting. Abstentions and broker non-votes will be counted towards the quorum requirement. If there is no quorum, the chairperson of the special meeting or a majority in voting power of the stockholders entitled to vote at the meeting, present in person, or by remote communication, if applicable, or represented by proxy may adjourn the OncoMed Special Meeting to another time or date.

Required Vote

Approval of the Merger Proposal requires the affirmative vote of holders of a majority of the outstanding shares of OncoMed common stock entitled to vote thereon. Approval of the Advisory Vote Proposal and the Adjournment Proposal each requires the affirmative vote of a majority of the votes cast affirmatively or negatively by holders of shares of OncoMed common stock present in person or represented by proxy at the OncoMed Special Meeting.

Effect of Not Voting and Abstentions

Abstentions and broker "non-votes" count as present for establishing the quorum described above. A broker "non-vote" may occur on an item when a broker is not permitted to vote on that item without instructions from the beneficial owner of the shares, and such instructions have not been provided by the beneficial owner. Under Nasdaq rules, brokers do not have discretionary authority to vote on non-routine matters. A "broker non-vote" occurs when a broker submits a proxy that states that the broker votes for at least one proposal, but does not vote for proposals on non-routine matters because the broker has not received instructions from the beneficial owners on how to vote and thus does not have discretionary authority to vote on those proposals. Because all of the matters to be considered at the OncoMed Special Meeting are non-routine and brokers will not have discretionary authority to vote on any of the proposals to be voted on at the OncoMed Special Meeting, OncoMed does not expect to receive any broker non-votes. If broker non-votes were received, they would have the same effect as a

vote “AGAINST” the Merger Proposal, assuming a quorum is present, but would not have any impact on the outcome of the Advisory Vote Proposal or the Adjournment Proposal.

Failures to attend the OncoMed Special Meeting (in person or by proxy) and vote will also not be counted for purposes of determining whether a quorum is present and will have no effect on the Advisory Vote Proposal or the Adjournment Proposal. An abstention will also have no effect on the Advisory Vote Proposal or the Adjournment Proposal. An abstention or a failure to attend the OncoMed Special Meeting (in person or by proxy) and vote will have the same effect as a vote “AGAINST” the Merger Proposal, assuming a quorum is present.

Adjournments

If there is no quorum, the chairperson of the special meeting or a majority in voting power of the stockholders entitled to vote at the meeting, present in person, or by remote communication, if applicable, or represented by proxy may adjourn the OncoMed Special Meeting to another time or date.

Even if a quorum is present, the OncoMed Special Meeting could be adjourned in order to provide more time to solicit additional proxies in favor of adopting the Merger Proposal if sufficient votes are cast in favor of the Adjournment Proposal. If the adjournment is for more than 30 days or if after the adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting must be given to each stockholder of record entitled to vote at the OncoMed Special Meeting.

Share Ownership of Directors and Executive Officers of OncoMed

At the close of business on the record date for the OncoMed Special Meeting, directors and executive officers of OncoMed (together with certain of their respective affiliates, including Delphi Ventures and The Vertical Group) beneficially owned and were entitled to vote approximately [●]% of the shares of OncoMed common stock outstanding on that date. Simultaneously with the execution and delivery of the Merger Agreement, certain of the directors and executive officers of OncoMed who are stockholders of OncoMed, in their respective capacities as stockholders of OncoMed (together with certain of their respective affiliates, including Delphi Ventures and The Vertical Group), entered into support agreements with Mereo pursuant to which such individuals granted an irrevocable proxy to Mereo, among other things, to vote their respective shares of OncoMed common stock in favor of the adoption of the Merger Agreement.

Voting Procedures

Method of Voting

OncoMed stockholders are being asked to vote both shares held directly in their name as stockholders of record and any shares they hold in “street name” as beneficial owners. Shares of OncoMed common stock held in “street name” are shares held in a stock brokerage account or shares held by a bank or other nominee. The method of voting differs for shares held as a record holder and shares held in street name. Record holders will receive proxy cards. Holders of shares in street name will receive voting instruction cards from their brokers or nominees seeking instruction as to how to vote.

Proxy cards and voting instruction cards are being solicited on behalf of the OncoMed Board from OncoMed stockholders in favor of approval of the Merger Proposal, the Advisory Vote Proposal and the Adjournment Proposal.

Submitting Proxies or Voting Instructions

Whether OncoMed stockholders hold shares of OncoMed common stock directly as stockholders of record or in street name, OncoMed stockholders may direct the voting of their shares without

attending the OncoMed Special Meeting. OncoMed stockholders may vote by granting proxies or, for shares held in street name, by submitting voting instructions to their brokers or nominees.

Record holders of shares of OncoMed common stock may submit proxies by completing, signing and dating their proxy cards for the OncoMed Special Meeting and mailing them in the accompanying pre-addressed envelopes. OncoMed stockholders who hold shares in "street name" may vote by mail by completing, signing and dating the voting instruction cards for the OncoMed Special Meeting provided by their brokers or nominees and mailing them in the accompanying pre-addressed envelopes. Proxies and voting instruction forms submitted by mail must be received no later than [●], 2019 at 11:59 p.m. Eastern Time to be voted at the OncoMed Special Meeting. OncoMed stockholders may also submit proxies over the Internet at the web address shown on the proxy card or by calling the telephone number shown on the proxy card. The Internet and telephone voting facilities will close at 11:59 p.m., Eastern Time, on [●], 2019. The availability of Internet and telephone voting for shares held in "street name" will depend on the voting processes of your broker or other nominee.

If OncoMed stockholders of record do not include instructions on how to vote their properly signed proxy cards for the OncoMed Special Meeting, their shares will be voted "FOR" the Merger Proposal, the Advisory Vote Proposal and the Adjournment Proposal, and in the discretion of the proxy holders on any other business that may properly come before the OncoMed Special Meeting.

If OncoMed stockholders holding shares of OncoMed common stock in "street name" do not provide voting instructions, their shares will not be considered to be votes cast on the Merger Proposal, the Advisory Vote Proposal or the Adjournment Proposal.

Stockholders of record of OncoMed common stock may also vote in person at the OncoMed Special Meeting by attending the meeting and submitting their proxy cards or by filling out a ballot at the special meeting.

If shares of OncoMed common stock are held by OncoMed stockholders in street name, those OncoMed stockholders may not vote their shares in person at the OncoMed Special Meeting unless they bring a signed proxy from the record holder giving them the right to vote their shares and fill out a ballot at the special meeting.

Contact for Questions and Assistance in Voting

Any OncoMed stockholder who has a question about the proposals or how to vote or revoke a proxy, or who wishes to obtain additional copies of this proxy statement/prospectus, should contact:

MACKENZIE PARTNERS, INC.
1407 Broadway, 27th Floor
New York, New York 10018
Call Collect: (212) 929-5500
or
Call Toll Free: (800) 322-2885
Email: proxy@mackenziepartners.com

If you need additional copies of this proxy statement/prospectus or voting materials, you should contact MacKenzie Partners, Inc. as described above or OncoMed Investor Relations at the following address and telephone number:

OncoMed Pharmaceuticals, Inc.
Attention: Investor Relations
800 Chesapeake Drive
Redwood City, California 94063
Telephone number: (650) 995-8200

Revoking Proxies or Voting Instructions

OncoMed stockholders may change their votes at any time prior to the vote at the OncoMed Special Meeting. OncoMed stockholders of record may change their votes by granting new proxies bearing a later date (which automatically revoke any earlier proxy), by filing an instrument in writing revoking the proxy, or by attending the OncoMed Special Meeting and voting in person. Attendance at the OncoMed Special Meeting will not cause previously granted proxies to be revoked, unless the OncoMed stockholder specifically so requests.

For shares held in "street name," OncoMed stockholders may change their votes by submitting new voting instructions to their brokers or nominees or by attending the OncoMed Special Meeting and voting in person, provided that they have obtained a signed proxy from the record holder giving them the right to vote their shares.

Shares Held in "Street Name"

OncoMed stockholders who own shares of OncoMed common stock through a broker or other nominee and attend and vote at the OncoMed Special Meeting should bring proof of beneficial ownership at the close of business on the record date, such as a letter from their broker, trustee or other nominee reflecting their stock ownership as of the record date for the OncoMed Special Meeting.

Tabulation of Votes

Representatives of Computershare Trust Company, N.A., OncoMed's mailing agent and tabulation service, will count the votes and act as the Inspector of Elections. The procedures to be used by the Inspector of Elections are consistent with Delaware law concerning the voting of shares, determination of a quorum and the vote required to take stockholder action.

How You Can Reduce the Number of Copies of OncoMed's Proxy Materials You Receive

The SEC has adopted rules that permit companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for proxy statements and annual reports with respect to two or more stockholders sharing the same address by delivering a single copy of its proxy statement to stockholders. This process, which is commonly referred to as "householding," is intended as a convenience for stockholders and to help reduce printing and mailing costs for companies.

Brokers with account holders who are OncoMed stockholders may be "householding" OncoMed's proxy materials. A single proxy statement may be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker that it will be "householding" communications to your address, "householding" will continue until you are notified otherwise or until you notify your broker or OncoMed that you no longer wish to participate in "householding."

If, at any time, you no longer wish to participate in "householding" and would prefer to receive a separate proxy statement, you may (1) notify your broker, or (2) direct your written request to: General

Counsel, OncoMed Pharmaceuticals, 800 Chesapeake Drive, Redwood City, California 94063. OncoMed will promptly deliver, upon written or oral request to the address or telephone number above, a separate copy of the proxy statement and annual report to a stockholder at a shared address to which a single copy of the documents was delivered.

Cost of Proxy Distribution and Solicitation

OncoMed is soliciting proxies for its special meeting from OncoMed stockholders. OncoMed and Mereo will share equally the fees and costs associated with printing and filing this proxy statement/prospectus and the registration statement on Form F-4, of which it forms a part. The cost of soliciting proxies from OncoMed stockholders will be paid by OncoMed. OncoMed has retained MacKenzie Partners, Inc. to assist it in the solicitation of proxies for approximately $10,000, plus reasonable out-of-pocket expenses. OncoMed has also requested that banks, brokers and other custodians, agents and fiduciaries send these proxy materials to the beneficial owners of OncoMed's common stock they represent and secure their instructions as to the voting of such shares. OncoMed may reimburse such banks, brokers and other custodians, agents and fiduciaries representing beneficial owners of OncoMed's common stock for their expenses in forwarding solicitation materials to such beneficial owners. Certain of OncoMed's directors, officers or employees may also solicit proxies in person, by telephone, or by electronic communications, but they will not receive any additional compensation for doing so.

Other Matters

As of the date of this proxy statement/prospectus, the OncoMed Board does not know of any business to be presented at the OncoMed Special Meeting other than as set forth in the notice accompanying this proxy statement/prospectus. If any other matters should properly come before the OncoMed Special Meeting, it is intended that the shares represented by proxies will be voted with respect to such matters in accordance with the judgment of the persons voting the proxies.

PROPOSAL 1—THE MERGER AGREEMENT AND THE MERGER

As discussed elsewhere in this proxy statement/prospectus, OncoMed stockholders are being asked to vote to approve and adopt the Merger Proposal. OncoMed stockholders should read carefully this proxy statement/prospectus in its entirety for more detailed information concerning the Merger Agreement and the Merger. In particular, OncoMed stockholders are directed to the Merger Agreement, which is attached as Annex A to this proxy statement/prospectus.

Pursuant to the Merger Agreement, approval of the Merger Proposal is a condition to the consummation of the Merger. If the Merger Proposal is not approved, the Merger will not be completed.

Approval of the Merger Proposal requires the affirmative vote of the holders of a majority of the outstanding shares of OncoMed common stock entitled to vote on the matter.

The OncoMed Board unanimously recommends a vote "FOR" the Merger Proposal.

PROPOSAL 2—NON-BINDING, ADVISORY VOTE ON TRANSACTION-RELATED NAMED EXECUTIVE OFFICER COMPENSATION

Golden Parachute Compensation

OncoMed is providing its shareholders with the opportunity to cast a vote, on a non-binding, advisory basis, to approve the transaction-related named executive officer compensation as disclosed in the table titled "OncoMed's Golden Parachute Compensation" and the accompanying footnotes under "The Merger—Interests of OncoMed's Directors and Executive Officers in the Merger" beginning on page 138 of this proxy statement/prospectus, as required by Section 14A of the Exchange Act, which was enacted as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

Through this proposal, OncoMed is asking its shareholders to indicate their approval, on a non-binding, advisory basis, of the various OncoMed change in control-related benefits, equity acceleration and other payments and benefits which OncoMed's named executive officers will or may be eligible to receive in connection with the merger as indicated in the table referred to above.

You should review carefully the information regarding the transaction-related named executive officer compensation disclosed in this proxy statement/prospectus. The OncoMed Board unanimously recommends that OncoMed stockholders approve the following resolution:

"RESOLVED, that the stockholders of OncoMed approve, solely on an advisory, non-binding basis, the transaction-related named executive officer compensation which will or may be paid by OncoMed or Mereo to OncoMed's named executive officers in connection with the merger, as disclosed pursuant to Item 402(t) of Regulation S-K in the table titled "OncoMed's Golden Parachute Compensation" and the accompanying footnotes under "The Merger—Interests of OncoMed's Directors and Executive Officers in the Merger" beginning on page 138 of this proxy statement/prospectus."

The vote on the transaction-related named executive officer compensation is a vote separate and apart from the vote on the approval of the Merger Agreement. Accordingly, you may vote to approve the Merger Agreement and vote not to approve the transaction-related named executive officer compensation and vice versa. Because the vote on the transaction-related named executive officer compensation is advisory only, it will not be binding on either OncoMed or Mereo. Accordingly, if the Merger Agreement is approved and the Merger is completed, the transaction-related named executive officer compensation will or may be paid by OncoMed or Mereo, subject only to the conditions applicable thereto, regardless of the outcome of the non-binding, advisory vote of OncoMed stockholders.

The affirmative vote, in person or by proxy, of holders of a majority of the shares of OncoMed common stock represented at the special meeting and entitled to vote thereon is required to approve, on a non-binding, advisory basis, the transaction-related named executive officer compensation.

The OncoMed Board unanimously recommends a vote "FOR" the Advisory Vote Proposal.

PROPOSAL 3—POSSIBLE ADJOURNMENT TO SOLICIT ADDITIONAL PROXIES, IF NECESSARY OR APPROPRIATE

As discussed elsewhere in this proxy statement/prospectus, OncoMed stockholders are being asked to vote to approve the adjournment of the OncoMed Special Meeting, if necessary or appropriate, to obtain additional proxies if there are not sufficient votes to approve the Merger Proposal at the time of the OncoMed Special Meeting.

If this proposal is approved, the OncoMed Special Meeting could be adjourned to any date. If the OncoMed Special Meeting is adjourned, OncoMed stockholders who have already submitted their proxies will be able to revoke them at any time prior to their use. If you sign and return a proxy and do not indicate how you wish to vote on any proposal, or if you indicate that you wish to vote in favor of the Merger Proposal but do not indicate a choice on the Adjournment Proposal, your shares of OncoMed common stock will be voted "FOR" the Adjournment Proposal.

Approval of the Adjournment Proposal requires that the number of votes properly cast for this proposal exceeds the number of votes properly cast against this proposal from holders of OncoMed common stock present in person or represented by proxy at the OncoMed Special Meeting.

OncoMed does not intend to call a vote on the Adjournment Proposal if the Merger Proposal considered at the OncoMed Special Meeting has been approved at the OncoMed Special Meeting.

The OncoMed Board unanimously recommends a vote "FOR" the Adjournment Proposal.

THE MERGER

The following discussion contains important information relating to the Merger. This summary does not purport to be complete and may not contain all of the information about the Merger that is important to you. You are urged to read this discussion together with the Merger Agreement and the related documents attached as annexes to this proxy statement/prospectus before voting.

Summary of the Merger

On December 5, 2018, Mereo, HoldCo, Merger Sub and OncoMed entered into the Merger Agreement, providing for the Merger of Merger Sub with and into OncoMed, with OncoMed being the surviving corporation in the Merger and a wholly-owned indirect subsidiary of Mereo, all upon the terms and subject to the conditions set forth in the Merger Agreement.

If the Merger is completed, OncoMed stockholders will receive, in exchange for each outstanding share of OncoMed common stock owned immediately prior to completion of the Merger (except for any dissenting shares): (1) a number of Mereo ADSs determined by reference to the Exchange Ratio described below, and (2) one CVR, representing the right to receive contingent payments if specified milestones are achieved within agreed time periods, subject to and in accordance with the terms and conditions of the CVR Agreement, to be entered into at or prior to the Effective Time by and among Computershare Inc., as rights agent, and Mereo.

Under the exchange ratio formula set forth in the Merger Agreement, as of immediately following the Effective Time, former OncoMed stockholders are expected to own approximately 25% of the outstanding equity interests in the Combined Company on an undiluted basis, subject to adjustment for the net cash held by OncoMed at the time of the closing of the Merger. The number of Mereo Shares underlying Mereo ADSs issuable to former OncoMed stockholders in the Merger is also subject to the Share Consideration Cap, as described further below in "—Merger Consideration." No fractional Mereo ADSs or CVRs will be issued in connection with the Merger. Any fractional Mereo ADSs or CVRs will be rounded down to the nearest whole Mereo ADS or CVR, as applicable, with no cash being paid to compensate for such rounding. Mereo intends to apply to list the Mereo ADSs on Nasdaq.

Because the number of Mereo ADSs to be exchanged for each share of OncoMed common stock will be adjusted based on the net cash held by OncoMed at the time of the closing of the Merger and will be unaffected by any increase or decrease in exchange rates or in the share price of Mereo Shares between now and the closing of the Merger, the notional value of the Merger Consideration and the exact number of Mereo ADSs that will be issued to OncoMed stockholders as of the date of the OncoMed Special Meeting and as of the closing date of the Merger cannot be determined with precision in advance of the Effective Time.

Mereo and OncoMed currently anticipate that the Merger will occur in the first half of 2019. However, neither Mereo nor OncoMed can predict the exact timing of the completion of the Merger because the Merger is subject to certain other conditions to closing as set forth in the Merger Agreement. See the section below entitled "—Conditions to Closing."

Background of the Merger

The OncoMed Board and OncoMed's management regularly review and discuss OncoMed's operating and strategic plans, both near-term and long-term, as well as various strategic alternatives in an effort to enhance stockholder value. These reviews and discussions have focused on, among other things, the opportunities and risks associated with OncoMed's business strategy and financial condition, potential collaboration opportunities, potential strategic relationships and other strategic alternatives.

In furtherance of the foregoing, in December 2017, the OncoMed Board reviewed in detail OncoMed's business and corporate development opportunities, including potential collaborations with pharmaceutical and biopharmaceutical companies, and other strategic options to maximize stockholder value.

Throughout 2017 and the first half of 2018, the OncoMed Board met regularly to review cash flow projections prepared by OncoMed management, which were regularly updated to reflect the likelihood of OncoMed receiving potential milestone payments from Celgene and the developments in OncoMed's clinical programs and actions taken by OncoMed to decrease operating expenses. The OncoMed Board also met regularly to discuss updates to OncoMed's ongoing efforts to out-license clinical programs that were not partnered with Celgene, potential in-licensing and collaboration opportunities, and other initiatives to find partnerships for OncoMed's early stage research assets. However, despite OncoMed's discussions with potential partners and investors and the OncoMed Board's consideration of potential collaboration opportunities intended to yield new product opportunities for OncoMed's pipeline, due to market conditions at that time, OncoMed was unable to complete any such transaction.

On January 4, 2018, after the close of trading of OncoMed common stock, OncoMed issued a press release announcing that on January 1, 2018, Paul J. Hastings had informed the OncoMed Board of his decision to resign as a member and Chairman of the OncoMed Board and as OncoMed's President and Chief Executive Officer due to personal reasons. Additionally, the press release provided an update on OncoMed's rosmantuzumab (anti-RSPO3, OMP131-R10) clinical program and stated that OncoMed's clinical experience in treating patients in the clinical program failed to provide compelling evidence of clinical benefit. The press release also announced that OncoMed was advancing its navicixizumab, anti-TIGIT, and GITRL-Fc programs, as well as on-going immuno-oncology discovery efforts to meaningful inflection points in 2018, and that OncoMed anticipated reporting navicixizumab and anti-TIGIT data in 2018 as appropriate pending progress of on-going studies.

On January 31, 2018, after the close of trading of OncoMed common stock, OncoMed filed a Current Report on Form 8-K which stated that on January 28, 2018, Sunil Patel, OncoMed's Executive Vice President and Chief Financial Officer, Principal Accounting Officer and a member of the Office of the President at the time, notified OncoMed of his intention to resign from OncoMed, effective on or about March 9, 2018. The Current Report on Form 8-K also stated that on January 26, 2018, OncoMed distributed retention bonus agreements to all of its employees in order to encourage continued service to OncoMed.

Also on January 31, 2018, the OncoMed Board met, with members of OncoMed management and a representative of Latham & Watkins LLP ("Latham & Watkins") present, OncoMed's outside legal counsel, present. Following discussion, the OncoMed Board directed Dr. Deepika Pakianathan, a member of the OncoMed Board, to request that representatives of Leerink Partners assist in the development of a plan for exploring business development partners for OncoMed. The OncoMed Board requested that Dr. Pakianathan consult with Leerink Partners based on Leerink Partners' qualifications, reputation, experience and expertise in the biopharmaceuticals industry, its knowledge of and involvement in recent transactions in the biopharmaceutical industry, and its longstanding relationship and familiarity with OncoMed and its business, including Leerink Partners' prior engagement as a joint bookrunner in connection with OncoMed's initial public offering of its common stock in July 2013 and as OncoMed's sole bookrunner in connection with OncoMed's follow-on offering of its common stock in August 2016.

On March 1, 2018, the OncoMed Board met, with members of OncoMed management and representatives of Latham & Watkins and Leerink Partners present. During the meeting, the OncoMed Board reviewed an outreach plan that had been prepared by Leerink Partners with input from

OncoMed management that included a broad list of companies with a focus on oncology that might have a potential interest in a strategic transaction with OncoMed. Following discussion, the OncoMed Board authorized and directed management and Leerink Partners to commence a preliminary confidential outreach to the broad list of companies set forth in the plan to ascertain their potential interest in a strategic transaction with OncoMed and also authorized and directed management to negotiate an engagement letter with Leerink Partners to act as OncoMed's exclusive financial advisor in connection with OncoMed's review of possible strategic alternatives. The OncoMed Board also authorized the creation of a Business Development and Strategy Committee (the "Committee"), consisting of directors Drs. Pakianathan and Denise Scots-Knight, the current Chief Executive Officer of Mereo, and Messrs. Perry Karsen, Jack Lasersohn and Rick Winningham. The purpose of the Committee was to assist the OncoMed Board with the identification, review and assessment of OncoMed's business development opportunities. The Committee was not delegated the authority to approve any particular transaction. The members of the Committee were selected by the OncoMed Board based primarily on the members' knowledge of and experience with strategic transactions, operational and executive experience and ability to meet the time commitments of service on such committee.

On March 16, 2018, the OncoMed Board met, with members of OncoMed management and representatives of Latham & Watkins and Leerink Partners present. During the meeting, the OncoMed Board appointed John Lewicki, Ph.D., as OncoMed's President and Chief Executive Officer and as a director on the OncoMed Board. After confirming that Leerink Partners had no conflicts of interest that would prevent it from fulfilling its obligations as OncoMed's financial advisor, the OncoMed Board formally engaged Leerink Partners to act as its exclusive financial advisor in connection with OncoMed's review of possible strategic alternatives. The OncoMed Board selected Leerink Partners to act as OncoMed's financial advisor based on Leerink Partners' qualifications, reputation, experience and expertise in the biopharmaceuticals industry, its knowledge of and involvement in recent transactions in the biopharmaceutical industry, and its longstanding relationship and familiarity with OncoMed and its business. Also during the meeting, the OncoMed Board reviewed and discussed the outreach activities of the Committee.

At the instruction of the OncoMed Board and consistent with the confidential outreach plan approved by the OncoMed Board, management and representatives of Leerink Partners contacted 46 companies with oncology assets regarding their possible interest in a strategic transaction with OncoMed during the spring of 2018. As a result of these contacts, 28 companies expressed preliminary interest in exploring a potential strategic transaction with OncoMed, OncoMed conducted telephonic or in-person discussions with approximately twenty companies, thirteen companies executed mutual confidentiality agreements with OncoMed, none of which included standstill provisions, and six companies submitted non-binding indications of interest. Following receipt of such non-binding indications of interest, OncoMed management conducted initial due diligence on these six companies. During this period, the Committee met regularly and generally on a weekly basis, to discuss management's assessment of such companies' scientific, clinical and business potential and the non-binding indications of interest received. The Committee directed Leerink Partners to focus on those companies that placed value on OncoMed's technology and product candidates and those that may provide therapeutic assets that complement OncoMed's product portfolio as potential strategic partners of OncoMed.

On May 30, 2018, the Committee met, with members of OncoMed management and representatives of Latham & Watkins and Leerink Partners present. During the meeting, at Dr. Pakianathan's request, a representative of Leerink Partners presented an update regarding discussions with potential strategic partners and commented on the feedback received based on follow-up discussions with certain potential business development and strategic partners. A representative of Leerink Partners then reviewed an illustrative transaction structure for a potential acquisition of an early stage private company ("Company A"), which was developing a product that OncoMed viewed as potentially complementary to OncoMed's current product pipeline. Members of

the Committee asked questions regarding the proposed structure, including the projected accounting impact of an option structure with significant contingent consideration payable upon the achievement of certain negotiated milestones intended to align with value creation. Representatives of Leerink Partners addressed the Committee's questions, and along with members of the Committee, discussed valuation considerations related to a possible structure for a potential transaction between Company A and OncoMed. The Committee then requested that Leerink Partners prepare a sensitivity analysis with respect to the proposal regarding Company A.

On June 8, 2018, the Committee met, with members of OncoMed management and representatives of Latham & Watkins and Leerink Partners present. During the meeting, at Dr. Pakianathan's request, a representative of Leerink Partners presented an update regarding discussions with potential strategic partners, with a focus on another proposal received from a private company, and compared the terms of such proposal to proposals received from other companies. Dr. Pakianathan and Dr. Lewicki next commented on due diligence activities and discussions with certain of the companies that had submitted a proposal, or were contemplating submitting a proposal with respect to a potential strategic transaction with OncoMed, and the Committee asked questions regarding each of the received proposals. Representatives of Leerink Partners and members of the Committee then discussed next steps and planned activities in connection with the Committee's evaluation of the proposals received from potential strategic partners.

On June 21, 2018, members of Company B's (as defined below) management met with Dr. Lewicki, Dr. Pakianathan and certain other members of OncoMed management at the headquarters of Company B to discuss a potential transaction between OncoMed and Company B, and the parties shared certain high-level information with each other.

On June 22 and 23, 2018, the OncoMed Board met, with members of OncoMed management and representatives of Latham & Watkins and Leerink Partners present. During the meeting, the OncoMed Board discussed OncoMed's clinical programs and research and development activities in light of the Company's capital resources, ability to raise additional capital and the potential merits and disadvantages of a strategic transaction in the best interests of OncoMed's stockholders. The OncoMed Board also discussed the merits of the non-binding indications of interest and initial due diligence findings of the three companies that the Committee had identified as the most promising potential strategic partners to OncoMed and the potential impact of Celgene's pending decision as to whether to exercise their option to license OncoMed's bispecific antibody navicixizumab. Following such discussion, two companies were selected by the OncoMed Board for further diligence and evaluation as a potential strategic partner of OncoMed, one of which was a privately-held non-public reporting clinical-stage biotechnology company focused on the development of certain oncology antibody therapeutics ("Company B") and the other of which was a clinical-stage oncology biotechnology company focused on the development of certain oncology therapeutics ("Company C").

On July 3, 2018, the OncoMed Board met, with members of OncoMed management and representatives of Latham & Watkins present. The OncoMed Board discussed the merits of pursuing a strategic transaction with Company B or Company C relative to OncoMed's opportunities to maintain its then-current business strategy, which included its partnership with Celgene and the potential impact of Celgene's eventual decision with respect to whether to exercise its option to license navicixizumab. Following discussion, the OncoMed Board authorized Leerink Partners to undertake further discussions with Company B and Company C to assess the possible terms on which such companies would propose a business combination with OncoMed.

On July 27, 2018, the OncoMed Board met, with members of OncoMed management and representatives of Latham & Watkins present. The OncoMed Board discussed the status of OncoMed's clinical programs and research and development activities, including with respect to clinical trials of

navicixizumab and management's expectation that Celgene in September 2018 would likely provide a decision on whether to exercise its option to license navicixizumab. Following discussion with the OncoMed Board regarding the anticipated upcoming decision by Celgene regarding whether Celgene would exercise its option to license navicixizumab and the merits and terms of the non-binding indications of interest received from Company B and Company C, the OncoMed Board determined to place on hold further efforts to enter into a strategic transaction until following Celgene's decision.

On September 20, 2018, after the close of trading of OncoMed common stock, OncoMed filed a Current Report on Form 8-K which announced that Celgene had notified OncoMed that due to strategic product portfolio considerations, Celgene decided not to exercise its option to license OncoMed's navicixizumab. The Current Report on Form 8-K also announced that OncoMed and Celgene were working to formalize the termination of the parties' collaboration agreement with respect to navicixizumab and that OncoMed expected to retain worldwide rights to navicixizumab.

On October 1, 2018, after the close of trading of OncoMed common stock, OncoMed filed a Current Report on Form 8-K which announced that on September 28, 2018, Dr. Scots-Knight informed the OncoMed Board of her decision to resign, effective immediately, as a member of the OncoMed Board due to other professional commitments.

On October 3, 2018, the financial advisors of Company B delivered a preliminary, non-binding proposal to representatives of Leerink Partners, which proposed a reverse triangular merger resulting in OncoMed stockholders owning a pro forma interest of the combined company of 25% to 30% based on an assumed OncoMed cash balance of $55 million as of December 31, 2018.

On October 4, 2018, Dr. Scots-Knight, Chief Executive Officer of Mereo, contacted Dr. Pakianathan, Dr. Lewicki and Mr. Karsen regarding a potential strategic transaction between Mereo and OncoMed and provided certain financial information regarding Mereo, as well as a presentation discussing Mereo's business.

On October 4 and 5, 2018, the OncoMed Board met, with members of OncoMed management and representatives of Leerink Partners and Latham & Watkins present. OncoMed management provided an update on the status of OncoMed's therapeutic candidates in development, capital resources, capital requirements and ability to raise additional capital. The OncoMed Board discussed OncoMed's capital resources and ability to raise additional capital and the evaluation of strategic opportunities to maximize stockholder value, including the possibility of a business combination or other strategic transaction. Following extensive discussion, the OncoMed Board decided to pursue all strategic transaction opportunities and authorized Leerink Partners to re-engage with four of the parties from the outreach earlier in 2018, to engage with Mereo and to further contact a broader range of biopharmaceutical companies, including both oncology and non-oncology focused companies, for the purpose of determining the level of interest in engaging in a potential strategic transaction with OncoMed.

In early October 2018, working with members of OncoMed management, Leerink Partners identified and screened approximately 25 biopharmaceutical companies, and Leerink Partners conducted management calls and meetings with twelve such companies that expressed interest in exploring a potential strategic transaction with OncoMed.

On October 5, 2018, OncoMed and Mereo entered into a mutual confidentiality agreement, which did not include a standstill provision. OncoMed sent to Mereo an initial due diligence request list upon the execution of the confidentiality agreement, largely focused on intellectual property matters, material contracts and historical financial information.

On October 9 and 10, 2018, Dr. Scots-Knight and certain other members of Mereo management met with Dr. Lewicki and certain other members of OncoMed management at OncoMed's headquarters at Redwood City, California to discuss the potential transaction between OncoMed and Mereo, and the parties shared certain scientific, operational and financial information with each other.

On October 10, 2018, following discussions by Dr. Lewicki and other members of OncoMed management with certain members of management from Company B and Mereo, Leerink Partners sent process letters to Company B and Mereo.

On October 12, 2018, the Committee met, with members of OncoMed management and representatives of Leerink Partners and Latham & Watkins present, to discuss the status of Leerink Partners' outreach efforts, the plan and timeline for receiving any additional non-binding proposals, and the plans for reviewing such proposals. Representatives of Leerink Partners summarized for the Committee the differences between Company B's first non-binding indication of interest received earlier in 2018 and Company B's newly submitted non-binding indication of interest that Leerink Partners had received on October 3, 2018. At the invitation of Mr. Karsen, executive chairman of the OncoMed Board, Leerink Partners delivered a presentation on initial public offerings of biopharmaceutical companies comparable to the size and assets of Company B and initial public offerings of clinical-stage biopharmaceutical companies with products in phase one clinical trials. Representatives of Leerink Partners also provided an update to the Committee regarding the potential timing of a hypothetical potential business combination transaction with a private biopharmaceutical company, for planning purposes.

On October 16, 2018, members of Company B's management met with Dr. Lewicki and certain other members of OncoMed management at OncoMed's headquarters at Redwood City, California to discuss a potential transaction between OncoMed and Company B, and the parties shared certain high-level information with each other.

On October 17, 2018, after the close of trading of OncoMed common stock, OncoMed filed a Current Report on Form 8-K announcing that Celgene had notified OncoMed that Celgene decided not to exercise its option to license OncoMed's rosmantuzumab (anti-RSPO3, OMP-131R10), which had failed to provide compelling evidence of clinical benefit in a Phase 1a/b clinical trial in patients with solid tumor. The Current Report on Form 8-K also announced that Celgene had terminated the parties' collaboration agreement with respect to rosmantuzumab, effective February 12, 2019, and that OncoMed would retain worldwide rights to rosmantuzumab upon termination.

Also on October 17, 2018, the OncoMed Board met, with members of OncoMed management and representatives of Leerink Partners and Latham & Watkins present, to discuss the status and nature of ongoing discussions with possible counterparties regarding a potential business combination. Representatives of Latham & Watkins gave a presentation to the OncoMed Board concerning its fiduciary duties under Delaware law in connection with exploration of potential strategic alternatives. At Mr. Karsen's invitation, representatives of Leerink Partners commented on the overall process to assess strategic alternatives and provided the following summary: 25 companies had been identified as potential candidates for a strategic transaction with OncoMed, of which six companies had delivered an initial proposal relating to a strategic transaction, one company had indicated an intention to submit a proposal relating to a strategic transaction, two companies were on hold and sixteen companies had passed on the opportunity. Representatives of Leerink Partners reviewed the status of discussions with potential candidates for a strategic transaction with OncoMed and provided a comparison of the terms of the initial proposals received by OncoMed, including, among others, proposed structure, proposed valuation metrics for each of OncoMed and the applicable transaction candidate, pro forma ownership, the stage of development of the applicable transaction candidate, financing needs and board representation. Representatives of Leerink Partners also reviewed an illustrative timeline to complete a

strategic transaction and the methodology and metrics which Leerink Partners expected to use to evaluate offers for purposes of rendering any fairness opinion with respect to a strategic transaction. Dr. Lewicki then commented on OncoMed management's assessment of certain of such potential counterparties' scientific, clinical and business potential, and discussed the future value of the combined company based on the resources and assets that a merger would bring to such entity. Dr. Lewicki also provided a summary of recent meetings between members of OncoMed management and Mereo management as well as recent meetings between members of OncoMed management and Company B management. The OncoMed Board provided feedback on the process for doing further diligence.

On October 19, 2018, members of OncoMed's management, representatives of Jones Day ("Jones Day"), outside patent counsel for OncoMed, and members of Company B's management met telephonically to discuss outstanding diligence questions regarding intellectual property matters.

Also on October 19, 2018, the OncoMed Board met, with members of OncoMed management and representatives of Leerink Partners and Latham & Watkins present. At the meeting, representatives of Latham & Watkins reviewed with the OncoMed Board its fiduciary duties under Delaware law in connection with exploration of potential strategic alternatives. Representatives of Leerink Partners reviewed with the OncoMed Board summaries of each of the six non-binding indications of interest and a comparison of the terms of each such indication. In evaluating the potential counterparties and narrowing the list of potential counterparties, the OncoMed Board discussed a broad set of criteria, focusing on a range of attributes and characteristics of such parties, such as whether such party found value in OncoMed's product pipeline and the level of interest in continuing the development of such product pipeline, the counterparty's depth of product pipeline and stage of development, upcoming near-term value-creating milestones, experience and expertise of the management and scientific teams, sufficiency of financial resources to achieve potentially meaningful value-creating milestones, the proposed valuation of the strategic counterparty, the valuation of OncoMed ascribed by such counterparty, the anticipated relative ownership of the combined entity immediately following the consummation of a transaction by each of OncoMed's pre-combination stockholders and the stockholders of such party, the counterparty's investment base and capital structure, the counterparty's ability to maintain OncoMed's Nasdaq listing and operate a public company following the closing of a transaction, and the counterparty's ability to quickly consummate a transaction. Following extensive discussion regarding the comparative terms of the indications of interest received and the respective potential counterparties, the OncoMed Board agreed to prioritize further efforts and diligence on Company B and Mereo, and authorized Leerink Partners to distribute OncoMed's form merger agreement to Company B and Mereo for their review and comment as a component of their non-binding proposals.

Also on October 19, 2018, representatives of Evercore Partners International LLP, financial advisor to Mereo ("Evercore"), sent Leerink Partners a non-binding letter of intent, proposing a reverse triangular merger whereby OncoMed would become a wholly-owned subsidiary of Mereo upon consummation of the transaction and whereby in consideration for such transaction, Mereo would issue Mereo ADSs to OncoMed stockholders resulting in OncoMed stockholders with a pro forma ownership interest of the combined company of 24%, on an undiluted basis, as well as CVRs representing the contingent right to receive Mereo ADSs upon the achievement of certain milestones relating to OncoMed's etigilimab (anti-TIGIT) program. Mereo's letter of intent provided that the board of directors of the combined company would be increased by two members, expanding to ten directors to accommodate two non-executive directors who would be proposed by OncoMed. Mereo's letter of intent also stated that the proposed total consideration to be issued to OncoMed stockholders would represent a total value of $116 million and a potential pro forma ownership interest of 31.1% of the combined company (including Mereo ADSs and CVRs) on an undiluted basis, based on Mereo's three-month volume-weighted average price and the prevailing exchange rate as of October 18, 2018.

Mereo's letter of intent further specified that to the extent that OncoMed's cash balance at closing was greater or less than the projected cash balance in the financial model that Mereo had attached to its letter of intent, then the number of Mereo ADSs issued to OncoMed stockholders would be increased or decreased, as appropriate, accordingly.

Later that day, on October 19, 2018, representatives of Leerink Partners delivered OncoMed's form merger agreement to the financial advisors of each of Company B and Mereo.

On October 25, 2018, the financial advisors of Company B delivered a revised non-binding proposal to representatives of Leerink Partners, which proposed a reverse triangular merger resulting in OncoMed stockholders owning a pro forma interest in the combined company of 25% based on an assumed OncoMed cash balance of $55 million as of December 31, 2018. The revised non-binding proposal also contemplated a 30-day exclusivity period.

On October 26, 2018, the OncoMed Board met, with members of OncoMed management and representatives of Leerink Partners and Latham & Watkins present, to discuss the status and nature of ongoing discussions with Company B and Mereo, including the status of due diligence. Representatives of Leerink Partners raised Company B's request for exclusivity, and after discussion, the OncoMed Board decided not to grant exclusivity to any party at that time.

Later that day, on October 26, 2018, representatives of Evercore, on behalf of Mereo, delivered a mark-up of OncoMed's form merger agreement to representatives of Leerink Partners.

On November 1, 2018, members of OncoMed management, representatives of Latham & Watkins, members of Company B's management, and representatives of Company B's outside counsel met telephonically to discuss outstanding diligence questions based on OncoMed's review of the documents in Company B's dataroom.

Also on November 1, 2018, members of OncoMed's management, representatives of Jones Day, members of Mereo's management, and representatives of Mereo's outside patent counsel met telephonically to discuss outstanding diligence questions regarding Mereo's intellectual property.

Also on November 1, 2018, representatives of Company B's financial advisors delivered a mark-up of OncoMed's form merger agreement to representatives of Leerink Partners.

Also on November 1, 2018, after the close of trading of OncoMed common stock, OncoMed filed a Quarterly Report on Form 10-Q, which announced that OncoMed and Celgene had formalized the termination of the collaboration agreement with respect to navicixizumab, and as a result, effective January 23, 2019, OncoMed would retain worldwide rights to navicixizumab.

On November 2, 2018, the OncoMed Board met, with members of OncoMed management and representatives of Leerink Partners and Latham & Watkins present, to discuss the status and nature of ongoing discussions with Company B and Mereo. Dr. Lewicki summarized the activities of the past week, including OncoMed's intensive due diligence review of Company B and Mereo, and addressed questions from the OncoMed Board regarding due diligence findings. After further discussion, the OncoMed Board agreed to hold another meeting to evaluate the strategic alternatives available to OncoMed and determine the strategic alternative to further pursue.

On November 5, 2018, the OncoMed Board met, with members of OncoMed management and representatives of Leerink Partners and Latham & Watkins present. During the meeting, OncoMed management presented a summary of the findings of the due diligence performed on each of Company B and Mereo and provided an update regarding OncoMed's clinical programs and research and

development activities. In evaluating the potential counterparties and narrowing the list of potential counterparties, the OncoMed Board discussed a broad set of criteria, focusing on a range of attributes and characteristics of such parties, such as whether such party finds value in OncoMed's product pipeline and the level of interest in continuing the development of such product pipeline, the depth of product pipeline and stage of development, upcoming near-term value creating milestones, experience and expertise of the management and scientific teams, sufficiency of financial resources to achieve potentially meaningful milestones, the proposed valuation of the strategic counterparty, the valuation of OncoMed ascribed by such counterparty, the anticipated relative ownership of the combined entity immediately following the consummation of a transaction by each of OncoMed's pre-combination stockholders and the stockholders of such party, the counterparty's investment base and capital structure, the counterparty's ability to maintain OncoMed's Nasdaq listing and operate a public company following the closing of a transaction, the counterparty's ability to quickly consummate a transaction, and the potential overall value that could be created by the combined company for OncoMed shareholders. At the meeting, representatives of Leerink Partners presented a summary of potential strategic alternatives available to OncoMed, including whether to "go it alone" and continue OncoMed's current business plan, which would include pursuing out-licensing possibilities and re-partnering OncoMed's products in development, and the related capital requirements and potential dilution resulting from the need to raise additional capital as well as the feasibility of raising this capital; liquidate the business and return the remaining capital after settling all outstanding obligations to stockholders; enter into a strategic transaction with Company B or enter into a strategic transaction with Mereo. Following extensive discussion regarding the potential strategic alternatives available to OncoMed, the OncoMed Board directed OncoMed's management and representatives to prioritize resources on exploring a potential strategic transaction with Mereo while continuing to review potential strategic transactions with other parties.

On November 8, 2018, representatives of Evercore sent representatives of Leerink Partners a revised non-binding letter of intent, which proposed granting an additional contingent value right to receive certain cash payments upon the achievement of certain milestones relating to OncoMed's navicixizumab. Mereo's revised letter of intent stated that the proposed total consideration to be issued to OncoMed stockholders would represent a total value of $115 million and a total pro forma ownership of 25% of the combined company on an undiluted basis, resulting in a potential total pro forma ownership interest (including Mereo ADSs and CVRs) of the combined company to 32.4% on an undiluted basis based on Mereo's three-month volume-weighted average price and the prevailing exchange rate as of November 7, 2018.

On November 9, 2018, the OncoMed Board met, with members of OncoMed management and representatives of Leerink Partners and Latham & Watkins present, to discuss Mereo's revised letter of intent. Following discussions with representatives of Leerink Partners regarding the revised proposal and the exchange ratio, the OncoMed Board proposed modifications to the terms contemplated by Mereo's revised letter of intent, including using Mereo's trailing 20-day volume-weighted average price to calculate the exchange ratio, which would increase OncoMed stockholders' pro forma ownership of the combined company to 30% on an undiluted basis, thereby increasing OncoMed stockholders' total potential pro forma ownership interest (including Mereo ADSs and CVRs) of the combined company to 39.1% on an undiluted basis. The OncoMed Board instructed Leerink Partners to submit such proposal to representatives of Evercore.

Later on November 9, 2018, representatives of Leerink Partners sent representatives of Evercore a revised proposal as instructed by the OncoMed Board.

On November 11, 2018, representatives of Evercore sent representatives of Leerink Partners a response to the OncoMed Board's revised proposal, declining to accept the OncoMed's Board's revised proposal and stating that calculating the exchange ratio based on Mereo's trailing 20-day

volume-weighted average price would increase the premium Mereo would be paying over cash for the value of OncoMed by at least 30% and that this was unacceptable to Mereo.

On November 12, 2018, the OncoMed Board met, with members of OncoMed management and representatives of Leerink Partners and Latham & Watkins present, to discuss Mereo's response to OncoMed's proposal. At the invitation of Mr. Karsen, representatives of Leerink Partners presented an analysis of the value components of Mereo's revised letter of intent, concluding that with the additional contingent right to receive certain cash payments upon the achievement of certain milestones relating to OncoMed's navicixizumab program, the revised Mereo proposal would represent a significant premium to OncoMed's projected cash balance at the closing of the transaction. After discussion, the OncoMed Board authorized representatives of Leerink Partners to accept Mereo's calculation of the exchange ratio based on Mereo's three-month volume-weighted average price.

On November 16, 2018, the OncoMed Board met, with members of OncoMed management and representatives of Leerink Partners and Latham & Watkins present, to discuss the status of ongoing discussion with Mereo. Representatives of Leerink Partners confirmed that Mereo was working on a revision of OncoMed's form merger agreement. Dr. Lewicki, together with Yvonne Li, OncoMed's Vice President of Finance, Controller and Administration, then provided an overview of OncoMed's projected net cash balance assuming that the transaction closed at the end of the first quarter of 2019, including a discussion of the remaining liabilities and incoming cash.

On November 19, 2018, Mereo's outside legal counsel, Davis Polk & Wardwell London LLP ("Davis Polk") delivered a further revised draft of the merger agreement to representatives of Leerink Partners.

Also on November 19, 2018, members of OncoMed's management, representatives of Jones Day, members of Mereo's management, and representatives of Mereo's outside patent counsel met (with certain participants participating telephonically) to discuss outstanding diligence questions regarding Mereo's intellectual property.

Between November 19 and 21, 2018, Dr. Scots-Knight and certain other members of Mereo management met with certain members of OncoMed management at OncoMed's headquarters at Redwood City, California to discuss Mereo's due diligence of OncoMed, and updates regarding OncoMed's operations and financials.

On November 21, 2018, representatives of Latham & Watkins and representatives of Davis Polk met telephonically to discuss the timing of drafting and negotiating the primary transaction documents, including the status of the form CVR agreement and support agreements for certain Mereo stockholders and OncoMed stockholders, and representatives of Davis Polk provided an overview of the U.K. legal issues specific to the proposed transaction, including whether Mereo will be required to obtain shareholder approval to consummate the transaction, the maximum termination fee permitted under U.K. law, and required approvals from the London Stock Exchange.

On November 23, 2018, the OncoMed Board met, with members of OncoMed management and representatives of Leerink Partners and Latham & Watkins present, to discuss the revised merger agreement delivered by Davis Polk. At Mr. Karsen's invitation, representatives of Latham & Watkins led the OncoMed Board through a discussion of the issues presented by the revised merger agreement, including the calculation of the exchange ratio, the net cash definition for purposes of adjusting the ownership share of the pre-combination stockholders of OncoMed, tax treatment of the transaction, certain deal protection provisions, including the execution of support agreements by certain officers, directors and stockholders of OncoMed and Mereo, reciprocal termination provisions including upon either boards of directors' receipt of a superior proposal and a reciprocal termination fee and expense

reimbursement, payable in each case upon certain triggering events. Representatives of Latham & Watkins also discussed with the OncoMed Board its fiduciary duties with respect to evaluating the terms of the potential transaction. At the invitation of Dr. Lewicki, Ms. Li then led the OncoMed Board through a discussion of the current and projected financials of OncoMed through the end of the first quarter of 2019, which included an example of a net cash schedule that the revised merger agreement contemplated. Following extensive discussion, the OncoMed Board authorized representatives of Leerink Partners to propose to representatives of Evercore a collar around the net cash, where there would be no effect to the calculation of the exchange ratio if OncoMed were to deliver a net cash balance between $35 million and $41 million at the closing of the transaction and instructed representatives of Latham & Watkins to propose the same in the next revision of the merger agreement.

On November 26, 2018, representatives of Latham & Watkins delivered a further revised draft of the merger agreement to representatives of Davis Polk.

Also on November 26, 2018, representatives of Davis Polk delivered an initial draft of the form CVR agreement to representatives of Latham & Watkins.

Later that day, on November 26, 2018, the OncoMed Board met, with members of OncoMed management and representatives of Leerink Partners and Latham & Watkins present, to discuss OncoMed's obligations to make performance bonus, retention bonus, severance and change in control payments to its employees and officers under a proposed reduction in force plan, to be implemented immediately upon signing of the merger agreement. Ms. Li provided a summary of the impact of such payments on OncoMed's projected net cash balance through the end of the first quarter of 2019.

On November 27, 2018, representatives of Latham & Watkins and representatives of Davis Polk met telephonically to discuss Latham & Watkins' revisions to the net cash definition and exchange ratio calculations, in addition to an update on the status of the outstanding U.K. legal issues.

Later that day, on November 27, 2018, the OncoMed Board met, with members of OncoMed management and representatives of Leerink Partners and Latham & Watkins present, to further discuss OncoMed's compensation programs. Following discussion led by representatives of Latham & Watkins, including several questions from the OncoMed directors regarding their fiduciary duties with respect to making certain bonus payments, the OncoMed Board agreed to proceed with its obligations to make certain bonus, severance and change in control payments to its employees and officers.

On November 28, 2018, members of Mereo management met with members of OncoMed management at OncoMed's headquarters at Redwood City, California to discuss the potential transaction between OncoMed and Mereo as well as clinical program development matters.

On November 29, 2018, representatives of Davis Polk delivered a revised draft merger agreement to representatives of Latham & Watkins, which, among other things, (i) set the net cash floor used for purposes of establishing the ownership share of the pre-combination stockholders of Mereo to $38 million, (ii) added further reductions based on a dollar for dollar basis if such net cash delivered at the closing of the transaction is less than $38 million but greater than $36.5 million and (iii) included even further reductions of the number of total Mereo ADSs that each OncoMed stockholder would otherwise receive by 50% if the net cash that OncoMed delivers at the closing of the transaction is equal to or less than $36.5 million.

Also on November 29, 2018, representatives of Latham & Watkins delivered a revised draft of the form CVR agreement to representatives of Davis Polk.

On November 30, 2018, the OncoMed Board met, with members of OncoMed management and representatives of Leerink Partners and Latham & Watkins present, to discuss the revised merger agreement delivered by Davis Polk and the status of the other transaction documents in connection with the proposed transaction with Mereo.

Also on November 30, 2018, representatives of Davis Polk delivered the draft forms of support agreement.

On December 1, 2018, the OncoMed Board met, with members of OncoMed management and representatives of Leerink Partners and Latham & Watkins present, to formally adopt the proposed reduction in force plan and discuss the status of the proposed transaction with Mereo. At the invitation of Mr. Karsen, representatives of Latham & Watkins reviewed with the OncoMed Board the outstanding issues remaining in the merger agreement including the definition of net cash, the calculation of the exchange ratio, the treatment of the OncoMed's restricted stock units and options, and certain termination provisions, including the termination fees and expenses. Ms. Li presented updated current and projected financials of OncoMed through the end of the first quarter of 2019, as well as a proposed net cash schedule contemplated by the merger agreement. Representatives of Leerink Partners reviewed Leerink Partners' preliminary financial analysis of the Merger Consideration to be paid to the holders of the outstanding shares of OncoMed common stock (other than the Excluded Shares), and responded to questions from the OncoMed Board regarding its financial analysis.

Between December 1 and 4, 2018, representatives of Latham & Watkins and Davis Polk negotiated and exchanged revised drafts of the form support agreements and the form CVR agreement, which included primarily non-material changes required to finalize proposed execution drafts of each of the agreements.

On December 3, 2018, representatives of Latham & Watkins and Davis Polk and members of OncoMed management and Mereo management held a telephonic meeting to discuss the definition of net cash and the details of the net cash schedule contemplated by the merger agreement.

Between December 3 and 4, 2018, representatives of Latham & Watkins and Davis Polk negotiated and exchanged revised drafts of the merger agreement, which included primarily non-material changes required to finalize proposed execution drafts of each of the agreements.

Later that day, on December 4, 2018, the OncoMed Board met, with members of OncoMed management and representatives of Leerink Partners and Latham & Watkins present. During the meeting, representatives of Latham & Watkins reviewed with the OncoMed Board the final terms of the merger agreement and the fiduciary duties of the OncoMed Board in the context of the proposed transaction. Representatives of Leerink Partners provided the Leerink Partners financial analysis with respect to the proposed business combination. At the conclusion of its financial analysis, a representative of Leerink Partners rendered the oral opinion of Leerink Partners that, as of the date of such opinion and based upon and subject to the assumptions made and limitations upon the review undertaken by Leerink Partners in preparing its opinion, the Merger Consideration to be paid to the holders of the outstanding shares of OncoMed common stock (other than the Excluded Shares) pursuant to the terms of the Merger Agreement, was fair, from a financial point of view, to such holders. Leerink Partners delivered its written opinion, dated December 4, 2018, to the OncoMed Board following the December 4, 2018 meeting of the OncoMed Board. For a detailed discussion of the opinion provided by Leerink Partners, please see "—Opinion of OncoMed's Financial Advisor" beginning on page 129 of this proxy statement/prospectus. During the presentations, the OncoMed Board asked questions and discussed the provisions of the merger agreement and related documentation. After the presentations and discussions, the OncoMed Board unanimously (i) determined that the transactions contemplated by merger agreement are fair to, advisable and in the

best interests of OncoMed and its stockholders, (ii) approved and declared advisable the merger agreement and the transactions contemplated by the merger agreement, and (iii) determined to recommend, upon the terms and subject to the conditions set forth in the merger agreement, that the OncoMed stockholders vote to adopt the merger agreement and thereby approve the transactions contemplated by the merger agreement.

On December 5, 2018, the Merger Agreement was entered into among OncoMed, Mereo, HoldCo and Merger Sub, and the support agreements were entered into by the relevant parties, and OncoMed and Mereo issued a joint press release announcing the execution of Merger Agreement.

OncoMed's Reasons for the Merger

The OncoMed Board considered the following factors in reaching its conclusion to approve the Merger Agreement and the transactions contemplated thereby and to recommend that OncoMed stockholders approve and adopt the Merger Agreement, and thereby approve the Merger and the other transactions contemplated by the Merger Agreement, all of which the OncoMed Board viewed as supporting its decision to approve the business combination with Mereo:

- The OncoMed Board and its financial advisor undertook a comprehensive and thorough process of reviewing and analyzing potential merger candidates to identify the opportunity that would, in the opinion of the OncoMed Board, create the most value for OncoMed stockholders.
- The OncoMed Board believes that, as a result of arm's length negotiations with Mereo, OncoMed and its representatives negotiated the highest Exchange Ratio that Mereo was willing to agree to, and that the terms of the Merger Agreement include the most favorable terms to OncoMed in the aggregate to which Mereo was willing to agree.
- The OncoMed Board believes, after a thorough review of strategic alternatives and discussions with OncoMed's senior management, financial advisors and legal counsel, that the Merger is more favorable to OncoMed stockholders than the potential value that might have resulted from other strategic options available to OncoMed.
- The OncoMed Board believes, based in part on scientific diligence and analysis of Mereo's product pipeline, the potential market opportunity for its products and the expertise of its scientific team, which was conducted by OncoMed's management and reviewed with the OncoMed Board, that Mereo's portfolio of product candidates represent multiple potentially significant market opportunities, and may thereby create value for the stockholders of the Combined Company and an opportunity for OncoMed stockholders to participate in the potential growth of the Combined Company.
- The OncoMed Board also reviewed with the management of OncoMed and the management of Mereo the current plans of OncoMed for the development of etigilimab (anti-TIGIT, OMP-313M32) and navicixizumab (anti-DLL4/VEGF, OMP-305B83), in order to confirm the likelihood that the Combined Company would possess sufficient financial resources to allow members of the combined management team to focus on the continued development and anticipated commercialization of those product candidates through partnerships. The OncoMed Board also considered the possibility that the Combined Company would be able to take advantage of the potential benefits resulting from the Combined Company to raise additional funds in the future, if necessary.
- The OncoMed Board also considered the strength of the balance sheet of the Combined Company resulting from the approximately $37 million of net cash that OncoMed is expected to have immediately prior to the consummation of the Merger and OncoMed's ongoing collaboration with Celgene, including Celgene's option in relation to OncoMed's etigilimab product.

- The OncoMed Board also considered that the Combined Company will be led by an experienced senior management team and a board of directors with representation from each of the current boards of directors of OncoMed and Mereo.
- The OncoMed Board considered the financial analyses of Leerink Partners, including its opinion to the OncoMed Board as to the fairness to OncoMed stockholders, from a financial point of view as of the date of, and subject to the assumptions and limitations set forth in, the opinion, of the Merger Consideration to be paid to the holders of the outstanding shares of OncoMed common stock (other than the Excluded Shares), as more fully described below under the caption "The Merger—Opinion of OncoMed's Financial Advisor."

The OncoMed Board also reviewed various factors impacting the financial condition, results of operations and prospects for OncoMed, including:

- the strategic alternatives to the Merger, including potential transactions that could have resulted from discussions that OncoMed's management conducted with other potential merger partners, the option to "go it alone" and continue OncoMed's current business plan, or the option to liquidate the business and return capital to stockholders;
- the consequences of negative results from the phase 1a/b clinical trial of OncoMed's rosmantuzumab (anti-RSPO3, OMP-131R10) program, which had failed to provide compelling evidence of clinical benefit; the fact that in October 2018, Celgene had notified OncoMed of its decision not to exercise its option to license rosmantuzumab and terminated its collaboration agreement with OncoMed with respect to rosmantuzumab; and the likelihood that the resulting circumstances for OncoMed would not change for the benefit of OncoMed stockholders in the foreseeable future on a stand-alone basis;
- the fact that in September 2018, Celgene had notified OncoMed of its decision not to exercise its option to license navicixizumab and terminated its collaboration agreement with OncoMed with respect to navicixizumab, and the likelihood that the resulting circumstances for OncoMed would be unlikely to change for the benefit of OncoMed stockholders in the foreseeable future on a stand-alone basis;
- the possibility that Celgene could decide not to exercise its option to license etigilimab under its collaboration agreement with OncoMed;
- the potential loss of OncoMed's operational capabilities, and the risks associated with continuing to operate OncoMed on a stand-alone basis, including the need to rebuild infrastructure and management to continue its operations;
- the risks associated with, and the limited value and high costs of, liquidating OncoMed and thereafter distributing the proceeds to OncoMed stockholders; and
- OncoMed's potential inability to maintain its listing on Nasdaq without completing the Merger.

The OncoMed Board also reviewed the terms and conditions of the Merger Agreement and associated transactions, as well as the safeguards and protective provisions included therein intended to mitigate risks, including:

- the fact that the initial Exchange Ratio used to establish the number of Mereo ADSs to be issued to OncoMed stockholders in the Merger was determined based on the relative valuations of the companies, and thus the relative percentage ownership of pre-Merger OncoMed stockholders and pre-Merger Mereo shareholders of Mereo Shares outstanding immediately following the completion of the Merger is subject to adjustment only based on the amount of OncoMed's net cash immediately prior to closing of the Merger;
- the limited number and nature of the conditions to Mereo's obligation to consummate the Merger and the limited risk of non-satisfaction of such conditions as well as the likelihood that the Merger will be consummated on a timely basis;

- the respective rights of, and limitations on, OncoMed and Mereo under the Merger Agreement to consider certain unsolicited acquisition proposals under certain circumstances should OncoMed or Mereo receive a superior offer;
- the reasonableness of the potential termination fee of $1,721,193 and related reimbursement of certain transaction expenses of up to $750,000, which could become payable by either OncoMed or Mereo if the Merger Agreement is terminated in certain circumstances;
- the support agreements, pursuant to which certain directors, officers, stockholders of OncoMed and shareholders of Mereo have agreed, solely in their capacity as stockholders of OncoMed and shareholders of Mereo, to vote all of their shares of OncoMed common stock or Mereo Shares, respectively, in favor of the approval and adoption of the Merger Agreement; and
- the belief that the terms of the Merger Agreement, including the parties' representations, warranties and covenants, and the conditions to their respective obligations, are reasonable under the circumstances.

In the course of its deliberations, the OncoMed Board also considered a variety of risks and other countervailing factors related to entering into the Merger, including:

- the $1,721,193 termination fee and up to $750,000 in related expense reimbursement obligations payable by OncoMed to Mereo upon the occurrence of certain events and the potential effect of such fees in deterring other potential acquirers from proposing an alternative transaction that may be more advantageous to OncoMed stockholders;
- the substantial expenses to be incurred in connection with the Merger, including the costs associated with any related litigation;
- the possible volatility, at least in the short term, of the trading price of OncoMed common stock resulting from the announcement of the Merger;
- the risk that the Merger might not be consummated in a timely manner or at all and the potential adverse effect of the public announcement of the Merger or delay or failure to complete the Merger on the reputation of OncoMed;
- the likely detrimental effect on OncoMed's cash position, stock price and ability to initiate another process and to successfully complete an alternative transaction should the Merger not be completed;
- the risk to OncoMed's business, operations and financial results in the event that the Merger is not consummated, including the diminution of OncoMed's cash and its likely inability to raise additional capital through the public or private sale of equity securities;
- the likelihood of disruptive stockholder litigation following announcement of the Merger;
- the unproven, early-stage nature of Mereo's product candidates, which may not be successfully developed into products that are marketed and sold;
- the strategic direction of the Combined Company following the completion of the Merger, which will be determined by a board of directors initially comprised of a majority of directors designated by Mereo;
- the uncertain and possibly adverse tax consequences to OncoMed stockholders of the Merger (including as a result of the fact that a portion of the Merger Consideration consists of CVRs), and of the ownership and disposition of Mereo ADSs; and
- various other risks associated with the Combined Company and the Merger, including those described in the section entitled "Risk Factors" in this proxy statement/prospectus.

The foregoing information and factors considered by the OncoMed Board are not intended to be exhaustive but are believed to include all of the material factors considered by the OncoMed Board. In view of the wide variety of factors considered in connection with its evaluation of the Merger and the

complexity of these matters, the OncoMed Board did not find it useful to attempt, and did not attempt, to quantify, rank or otherwise assign relative weights to these factors. In considering the factors described above, individual members of the OncoMed Board may have given different weight to different factors. The OncoMed Board conducted an overall analysis of the factors described above, including thorough discussions with, and questioning of, OncoMed's management team and the legal and financial advisors of OncoMed, and considered the factors overall to be favorable to, and to support, its determination.

Opinion of OncoMed's Financial Advisor

Introduction

OncoMed retained Leerink Partners as its financial advisor in connection with the Merger and the other transactions contemplated by the Merger Agreement, which are, collectively, referred to as the "Transaction" throughout this section. In connection with this engagement, OncoMed requested that Leerink Partners evaluate the fairness, from a financial point of view, to the holders (other than the holders of Excluded Shares) of the outstanding shares of OncoMed common stock, of the Merger Consideration proposed to be paid to such holders pursuant to the Merger Agreement. On December 4, 2018, Leerink Partners rendered to the OncoMed Board its oral opinion, which was subsequently confirmed by delivery of a written opinion dated December 4, 2018, that, as of such date and based upon and subject to the assumptions made and limitations upon the review undertaken by Leerink Partners in preparing its opinion, the Merger Consideration to be paid to the holders of the outstanding shares of OncoMed common stock (other than Excluded Shares) pursuant to the terms of the Merger Agreement was fair, from a financial point of view, to such holders. In providing its opinion, Leerink Partners noted that the Exchange Ratio was intended to result in the holders of the outstanding Mereo Shares and the holders of the outstanding shares of OncoMed common stock (other than Excluded Shares) immediately prior to the effective time of the Merger holding, on a fully-diluted basis, approximately 75.24% and 24.76% of the outstanding Mereo Shares, respectively, on a pro forma basis immediately following the effective time of the Merger. Leerink Partners also noted that the Exchange Ratio was based on an assumed amount of net cash and is subject to certain adjustments set forth in the Merger Agreement. At OncoMed's direction, Leerink Partners assumed that the net cash amount would equal $37 million, and Leerink Partners expressed no opinion as to such amount or any adjustment to the Exchange Ratio as set forth in the Merger Agreement.

The full text of the Leerink Partners written opinion, dated December 4, 2018, which describes the assumptions made and limitations upon the review undertaken by Leerink Partners in preparing its opinion, is attached as Annex C and is incorporated herein by reference. The summary of the written opinion of Leerink Partners set forth below is qualified in its entirety by the full text of the written opinion attached as Annex C. **Leerink Partners' financial advisory services and opinion were provided for the information and assistance of members of the OncoMed Board (in their capacity as directors and not in any other capacity) in connection with and for purposes of the OncoMed Board's consideration of the Transaction and the Leerink Partners opinion addressed only the fairness, from a financial point of view, as of the date thereof, to the holders of the outstanding shares of OncoMed common stock (other than Excluded Shares) of the Merger Consideration to be paid to such holders pursuant to the terms of the Merger Agreement. The Leerink Partners opinion did not address any other term or aspect of the Merger Agreement or the Transaction and does not constitute a recommendation to any stockholder of OncoMed as to whether or how such holder should vote with respect to the Merger or otherwise act with respect to the Transaction or any other matter.**

The full text of Leerink Partners' written opinion should be read carefully in its entirety for a description of the assumptions made and limitations upon the review undertaken by Leerink Partners in preparing its opinion.

In connection with rendering the opinion described above and performing its related financial analyses, Leerink Partners reviewed, among other things:

- a draft of the Merger Agreement, dated December 4, 2018;
- a draft of the form of CVR Agreement, dated December 4, 2018;
- the annual report on Form 10-K of OncoMed for the fiscal year ended December 31, 2017, as filed by OncoMed with the SEC;
- the annual report to shareholders of Mereo for the fiscal year ended December 31, 2017, as filed by Mereo with the United Kingdom Companies House;
- quarterly reports on Form 10-Q for the quarterly periods ended March 31, 2018, June 30, 2018 and September 30, 2018, as filed by OncoMed with the SEC;
- interim results for the six month period ended on June 30, 2018, as issued by Mereo;
- certain current reports on Form 8-K, as filed by OncoMed with, or furnished by OncoMed to, the SEC;
- the registration statement on Form F-1 and amendment No. 1 thereto, as filed by Mereo with the SEC on March 23, 2018 and April 9, 2018, respectively;
- certain publicly available research analyst reports for OncoMed and Mereo;
- certain other communications from OncoMed and Mereo to each of its respective stockholders;
- certain internal information relating to the business, operations, earnings, cash flow, assets, liabilities and prospects of OncoMed, including certain financial forecasts, analyses and projections relating to OncoMed prepared by management of OncoMed and furnished to Leerink Partners by OncoMed for purposes of Leerink Partners' analysis (the "Company Forecast" and, collectively, the "Company Internal Data"); and
- certain internal information relating to the business, operations, earnings, cash flow, assets, liabilities and prospects of Mereo, including certain financial forecasts, analyses and projections relating to Mereo prepared by management of Mereo and furnished to Leerink Partners by Mereo for purposes of Leerink Partners' analysis (the "Mereo Forecast" and, collectively, the "Mereo Internal Data").

Leerink Partners also conducted discussions with members of the senior management and representatives of OncoMed regarding their assessment of the OncoMed Internal Data and the Mereo Internal Data and with members of the senior management and representatives of Mereo regarding their assessment of the Mereo Internal Data. In addition, Leerink Partners reviewed publicly available financial and stock market data for OncoMed and Mereo and compared that data with similar data for certain other companies, the securities of which are publicly traded, in lines of business that Leerink Partners deemed relevant. Leerink Partners also compared certain of the proposed financial terms of the Transaction with the financial terms, to the extent publicly available, of certain other transactions that Leerink Partners deemed relevant and conducted such other financial studies and analyses and took into account such other information as Leerink Partners deemed appropriate.

Leerink Partners assumed, without independent verification or any responsibility therefor, the accuracy and completeness of the financial, legal, regulatory, tax, accounting and other information supplied to, discussed with, or reviewed by it for purposes of its opinion and relied, with the consent of the OncoMed Board, upon such information as being complete and accurate. In that regard, Leerink Partners assumed, at the direction of the OncoMed Board, that the OncoMed Internal Data (including, without limitation, the OncoMed Forecast) had been reasonably prepared on bases reflecting the best currently available estimates and judgments of the management of OncoMed as to the matters covered thereby and that the Mereo Internal Data (including, without limitation, the Mereo Forecast) had been reasonably prepared on bases reflecting the best currently available estimates and judgments of the management of Mereo as to the matters covered thereby. Leerink Partners relied, at

the direction of the OncoMed Board, on the OncoMed Internal Data and the Mereo Internal Data for purposes of its analysis and its opinion. Leerink Partners expressed no view or opinion as to the OncoMed Internal Data or the Mereo Internal Data or the respective assumptions on which each was based. In addition, at the direction of the OncoMed Board, Leerink Partners did not make any independent evaluation or appraisal of any of the assets or liabilities (contingent, derivative, off-balance-sheet or otherwise) of OncoMed or Mereo, nor was Leerink Partners furnished with any such evaluation or appraisal, and Leerink Partners was not asked to conduct, and did not conduct, a physical inspection of the properties or assets of OncoMed or Mereo. Leerink Partners assumed, at the direction of the OncoMed Board, that the final executed Merger Agreement and the final executed CVR Agreement would not differ in any respect material to Leerink Partners' analysis or the opinion from the last draft of the Merger Agreement or the last draft of the CVR Agreement reviewed by Leerink Partners. Leerink Partners also assumed, at the direction of the OncoMed Board, that the Transaction would be consummated on the terms set forth in the Merger Agreement and the CVR Agreement and in accordance with all applicable laws and other relevant documents or requirements, without delay or the waiver, modification or amendment of any term, condition or agreement, the effect of which would be material to Leerink Partners' analysis or its opinion and that, in the course of obtaining the necessary governmental, regulatory and other approvals, consents, releases and waivers for the Transaction, no delay, limitation, restriction, condition or other change would be imposed, the effect of which would be material to such analysis or opinion. Leerink Partners did not evaluate and did not express any opinion as to the solvency or fair value of OncoMed or Mereo, or their respective abilities to pay their obligations when they come due, or as to the impact of the Transaction on such matters, under any state, federal or other laws relating to bankruptcy, insolvency or similar matters. Leerink Partners are not legal, regulatory, tax or accounting advisors, and Leerink Partners expressed no opinion as to any legal, regulatory, tax or accounting matters.

Leerink Partners expressed no view as to, and its opinion did not address, OncoMed's underlying business decision to proceed with or effect the Transaction, or the relative merits of the Transaction as compared to any alternative business strategies or transactions that might be available to OncoMed or in which OncoMed might engage. The opinion was limited to and addressed only the fairness, from a financial point of view, as of the date thereof, to the holders of the outstanding shares of OncoMed common stock (other than Excluded Shares) of the Merger Consideration to be paid to such holders pursuant to the terms of the Merger Agreement. Leerink Partners was not asked to, nor did Leerink Partners express any view on, and its opinion did not address, any other term or aspect of the Merger Agreement, the CVR Agreement or the Transaction, including, without limitation, the structure or form of the Transaction, the form or terms of the CVRs with respect to transferability, illiquidity or otherwise, or any other agreements or arrangements contemplated by the Merger Agreement or entered into in connection with or otherwise contemplated by the Transaction, including, without limitation, the fairness of the Transaction or any other term or aspect of the Transaction to, or any consideration to be received in connection therewith by, or the impact of the Transaction on, the holders of any other class of securities, creditors or other constituencies of OncoMed or any other party. In addition, Leerink Partners expressed no view or opinion as to the fairness (financial or otherwise) of the amount, nature or any other aspect of any compensation to be paid or payable to any of the officers, directors or employees of OncoMed or any other party, or class of such persons in connection with the Transaction, whether relative to the Merger Consideration to be paid to the holders of the outstanding shares of OncoMed common stock (other than Excluded Shares) pursuant to the terms of the Merger Agreement or otherwise. The Leerink Partners opinion was necessarily based on financial, economic, monetary, currency, market and other conditions and circumstances as in effect on, and the information made available to Leerink Partners as of, the date of its opinion, and Leerink Partners does not have any obligation or responsibility to update, revise or reaffirm its opinion based on circumstances, developments or events occurring after the date thereof. The Leerink Partners opinion does not constitute a recommendation to any stockholder of OncoMed as to whether or how such holder should vote with respect to the Merger or otherwise act with respect to the Transaction or any

other matter. Leerink Partners provided its financial advisory services and rendered its opinion for the information and assistance of the OncoMed directors (in their capacity as directors and not in any other capacity) in connection with and for purposes of its consideration of the Transaction. The issuance of the Leerink Partners opinion was approved by the Leerink Partners Fairness Opinion Review Committee.

Summary of Financial Analyses

The following is a summary of the material financial analyses prepared by Leerink Partners and reviewed with the OncoMed Board in connection with the rendering by Leerink Partners of its opinion on December 4, 2018. The summary set forth below does not purport to be a complete description of the financial analyses performed or factors considered by, and underlying the opinion of, Leerink Partners, nor does the order of the financial analyses described represent the relative importance or weight given to those financial analyses by Leerink Partners. Leerink Partners may have deemed various assumptions more or less probable than other assumptions, so the reference ranges resulting from any particular portion of the analyses summarized below should not be taken to be the view of Leerink Partners as to the actual value of OncoMed or Mereo. Some of the summaries of the financial analyses set forth below include information presented in tabular format. In order to fully understand the financial analyses, the tables must be read together with the text of each summary, as the tables alone do not constitute a complete description of the financial analyses performed by Leerink Partners. Considering the data in the tables below without considering all financial analyses or factors or the full narrative description of such analyses or factors, including the methodologies and assumptions underlying such analyses or factors, could create a misleading or incomplete view of the processes underlying Leerink Partners' financial analyses and its opinion. In performing its analyses, Leerink Partners made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of OncoMed or any other parties to the Transaction. None of OncoMed, Mereo, Merger Sub, Leerink Partners or any other person assumes responsibility if future results are materially different from those discussed. Any estimates contained in these analyses are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than as set forth below. In addition, analyses relating to the value of OncoMed or Mereo do not purport to be appraisals or reflect the prices at which these companies may actually be sold. Accordingly, the assumptions and estimates used in, and the results derived from, the financial analyses are inherently subject to substantial uncertainty. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before December 4, 2018 (the last trading day before the public announcement of the Transaction) and is not necessarily indicative of current market conditions.

In preparing its analysis, Leerink Partners took into account that the Exchange Ratio contained in the Merger Agreement is intended to result in the holders of the outstanding Mereo Shares and the holders of the outstanding shares of OncoMed common stock (other than Excluded Shares) immediately prior to the effective time of the Merger holding, on a fully-diluted basis, approximately 75.24% and 24.76%, respectively, of the outstanding Mereo Shares on a pro forma basis immediately following the effective time of the Merger. Leerink Partners also took into account that the Exchange Ratio is based upon an amount of OncoMed's net cash and is subject to certain adjustments set forth in the Merger Agreement. Accordingly, such percentages are subject to adjustment. At OncoMed's direction, Leerink Partners assumed that the net cash amount would be $37 million.

OncoMed Valuation Analysis—Selected Publicly Traded Companies

Leerink Partners reviewed publicly available information relating to the equity values of U.S.-listed publicly-traded biopharmaceutical companies that have faced pipeline development setbacks, are

pre-commercial and focused on oncology. The companies meeting these criteria, referred to as the OncoMed Selected Companies, were:

Issuer	Lead Indication	Development Stage	Equity Value	Adjusted Equity Value (in millions)
			(in millions)	
Idera Pharmaceuticals, Inc.	Melanoma	Phase 2	$186.1	$ 174.5
Sesen Bio, Inc.	Bladder Cancer	Phase 3	$132.2	$ 145.2
Sunesis Pharmaceuticals, Inc.	B-Cell Malignancies	Phase 2	$ 18.3	$ 69.0
Immune Design Corp.	Non-Hodgkin's Lymphoma	Phase 2	$ 86.1	$ 49.6
NewLink Genetics Corporation	Melanoma	Phase 2	$ 69.4	$ 24.3
Aduro Biotech, Inc.	Multiple Tumors	Phase 1	$209.2	$ 14.3

Leerink Partners noted that, although the OncoMed Selected Companies had certain financial and operating characteristics that could be considered similar to those of OncoMed, none of such companies had the same management, make-up, technology, size or mix of business as OncoMed. Accordingly, there were inherent limitations on the applicability of the OncoMed Selected Companies to the valuation analysis of OncoMed.

Leerink Partners calculated the aggregate equity value of each of the OncoMed Selected Companies based upon the closing price of the common stock of each such company on December 4, 2018 and the fully-diluted number of shares outstanding, using the treasury stock method. Leerink Partners calculated adjusted equity values for the OncoMed Selected Companies using their respective enterprise values (equity value minus net cash as of the relevant company's most recent public filing) on December 4, 2018 and adding net cash of OncoMed as reported in its latest Form 10-Q dated November 11, 2018. OncoMed had a net cash balance of $70.9 million as of September 30, 2018.

Leerink Partners then compared the adjusted equity values to (i) the implied value of the Mereo Shares to be issued to OncoMed stockholders in the Merger plus the discounted value of the TIGIT CVR and (ii) the implied value of the Mereo Shares to be issued to OncoMed stockholders in the Merger assuming no TIGIT CVR payment, of $89 million and $57 million, respectively. The implied values were based on Mereo's closing share price ending on December 4, 2018 and the number of shares to be issued to stockholders of OncoMed in the Merger. In addition, the TIGIT CVR value was based on the cash payment of $35 million discounted from September 30, 2019 to December 4, 2018 using a discount rate of 12.0%.

The results of this analysis are summarized as follows:

	Adjusted Equity Value (in millions)
Mean	$ 79.5
Median	$ 59.3
75th Percentile	$ 126.1
25th Percentile	$ 30.7

OncoMed Valuation Analysis—Sum-of-the-Parts Net Present Value

Leerink Partners performed a sum-of-the-parts net present value analysis of OncoMed. A discounted cash flow analysis is a traditional valuation methodology used to derive a valuation of an

asset or set of assets by calculating the “present value” of estimated future cash flows of the asset or set of assets. “Present value” refers to the current value of future cash flows or amounts and is obtained by discounting those future cash flows or amounts by a discount rate that takes into account macroeconomic assumptions and estimates of risk, the opportunity cost of capital, expected returns and other appropriate factors.

For purposes of its sum-of-the-parts analysis with respect to OncoMed, Leerink Partners was advised by OncoMed, and Leerink Partners assumed, that, immediately prior to closing of the Transaction and after giving effect to the distribution of the CVRs, OncoMed would not have any material assets other than:

- an estimated cash balance at the time of closing in an amount of $37 million;
- the potential milestone payment of $35 million by Celgene, should Celgene exercise the exclusive option granted by OncoMed to Celgene in relation to OncoMed’s etigilimab product; and
- attributable value involving navicixizumab.

Leerink Partners calculated the sum-of-the-parts present value of OncoMed utilizing (i) OncoMed’s estimated cash balance at time of closing of $37 million, (ii) the TIGIT CVR value and (iii) the estimated net present value, or NPV, of navicixizumab. The TIGIT CVR value was based on a binary probability of success of 0% or 100% and was discounted from September 30, 2019 to December 4, 2018 using a discount rate of 12.0%. To calculate the estimated NPV of navicixizumab, Leerink Partners performed a discounted cash flow analysis of the navicixizumab program to calculate the estimated present value of the standalone unlevered, after-tax free cash flows that navicixizumab was forecasted to generate from the December 4, 2018 through fiscal year 2040, which unlevered, after-tax free cash flows were based on OncoMed management projections. The cash flows were then discounted to present value as of December 4, 2018 using a discount rate of 12.0% and then probability of success adjusted using an assumed probability of success of 16.2% (derived from *Nature*’s “Clinical development success rates for investigational drugs” for ovarian cancer). This NPV analysis of navicixizumab resulted in an intrinsic value for navicixizumab of approximately negative $6.4 million.

The sum-of-the-parts net present value analysis resulted in an intrinsic value of OncoMed ranging from $31 million to $62 million. The sum-of-the-parts analysis was then compared to (i) the implied value of the ordinary shares to be issued to OncoMed stockholders in the Transaction plus the discounted value of the TIGIT CVR and (ii) the implied value of the Mereo Shares to be issued to OncoMed stockholders in the Transaction assuming no TIGIT CVR payment, of $89 million and $57 million, respectively. The implied values were based on Mereo’s closing share price ending on December 4, 2018 and the number of shares to be issued to stockholders of OncoMed in the Transaction.

OncoMed Valuation Analysis – Other Factors

Leerink Partners noted for the OncoMed Board certain additional factors that were not considered part of Leerink Partners’ financial analyses solely for informational purposes, including, among other things, the following:

- Historical intraday trading prices of OncoMed common stock during the 52-week period ended December 4, 2018 (the last trading day before the public announcement of the Transaction), which reflected low and high intraday stock prices for the Company during such period of $1.11 to $5.19 per share;
- Discounted stock price targets for OncoMed common stock in publicly available Wall Street research analyst reports, which indicated low and high stock price targets for OncoMed

ranging from $1.80 to $8.00 per share, as of December 4, 2018 and discounted from the one-year forward date of the last published report to December 4, 2018 using a discount rate of 12.0%; and

- An analysis of premiums paid in selected pre-commercial sub-$1 billion biotechnology transactions since 2013 for which premium data was available. The premiums in this analysis were calculated by comparing the per share acquisition price in each transaction to the closing price of the target company's common stock for the date one day prior to the date on which the trading price of the target's common stock was perceived to be affected by a potential transaction. The mean and median premiums paid in the selected transactions were 79.7% and 78.8%, respectively. Leerink Partners applied an illustrative range of premiums of 58.4% (25th percentile) to 86.4% (75th percentile) to OncoMed's market capitalization based on a closing stock price on December 4, 2018 (the last trading day before the last trading day before the public announcement of the Transaction) of $1.11 and fully-diluted shares outstanding resulting from the treasury stock method, which resulted in an implied equity value range of approximately $69 million to $81 million.

Mereo BioPharma Valuation Analysis—Selected Public Companies

Leerink Partners reviewed publicly available information relating to the equity values of U.S.-listed publicly-traded biopharmaceutical companies focused on genetic diseases and whose lead product was in phase 2 or phase 3 of clinical development. The companies meeting these criteria, referred to as the Mereo Selected Companies, were:

Issuer	Lead Indication	Development Stage	Equity Value (in millions)
Kiniksa Pharmaceuticals Ltd.	Recurrent Pericarditis	Phase 2	$ 1,097.2
Crinetics Pharmaceuticals, Inc.	Acromegaly	Phase 2 Ready	892.0
Principia BioPharma, Inc.	Pemphigus Vulgaris	Phase 2	769.9
Clementia Pharmaceuticals Inc.	Fibrodysplasia Ossificans Progressiva	Phase 3	545.6
Eidos Therapeutics Inc.	Amyloidosis Transthyretin	Phase 2	509.2
KalVista Pharmaceuticals, Inc.	Hereditary Angioedema	Phase 2	411.4
Ovid Therapeutics Inc.	Angelman Syndrome	Phase 2	86.0

Leerink Partners noted that, although the Mereo Selected Companies had certain financial and operating characteristics that could be considered similar to those of Mereo, none of such companies had the same management, make-up, technology, size or mix of business as Mereo. Accordingly, there were inherent limitations on the applicability of the Mereo Selected Companies to the valuation analysis of Mereo.

Leerink Partners calculated the aggregate equity value of each of the Mereo Selected Companies based upon the closing price of the common stock of each such company on December 4, 2018 and the fully-diluted number of shares outstanding, using the treasury stock method. Leerink Partners then calculated the equity value per share based on Mereo's fully-diluted shares outstanding using the treasury stock method and Mereo's December 4, 2018 closing price.

The equity per share values were then compared to Mereo's closing share price ending on December 4, 2018 and Mereo's 90-day volume-weighted average price ("VWAP") ending on December 4, 2018.

The results of this analysis are summarized as follows:

	Equity Value Per Share
Mean	$ 8.03
Median	$ 7.12
75th Percentile	$ 10.84
25th Percentile	$ 6.00

Mereo BioPharma Valuation Analysis—Net Present Value of BPS-804 and MPH-966

Leerink Partners performed a discounted cash flow analysis of Mereo's lead product candidates, BPS-804 and MPH-966, to calculate the estimated present value of the unlevered, after-tax free cash flows that the Company was forecasted to generate from these programs from December 4, 2018 to fiscal year 2038, which unlevered, after-tax free cash flows were based on Mereo management forecasts. The cash flows were then discounted to present value as of December 4, 2018 using discount rates ranging from 11.0% to 13.0%, which were based on an estimate of Mereo's weighted average cost of capital and probability of success adjusted based on academic probabilities of success for clinical trial development. This range of discount rates was based on Leerink Partners' analysis of Mereo's weighted average cost of capital derived using the Capital Asset Pricing Model, taking into account certain metrics including the comparable companies' levered and unlevered betas, a historical equity risk premium, size premia and yields for U.S. treasury notes. The probability of success adjustments used were 19.8% and 16.7% for BPS-804 and MPH-966, respectively (derived from Nature's "Clinical development success rates for investigational drugs" for endocrine and respiratory diseases).

This analysis resulted in an implied per share equity value range for the BPS-804 and MPH-966 programs of approximately $2.43 to $3.19. Leerink Partners then compared this range of implied per share equity values to Mereo's closing share price ending on December 4, 2018 and Mereo's 90-day VWAP ending on December 4, 2018.

Mereo BioPharma Valuation Analysis—Other Factors

Leerink Partners noted for the OncoMed Board certain additional factors that were not considered part of Leerink Partners' financial analyses solely for informational purposes, including, among other things, the following:

- Historical intraday trading prices of Mereo Shares during the 52-week period ended December 4, 2018 (the last trading day before the public announcement of the Transaction), which reflected low and high intraday stock prices for the Company during such period of £1.70 to £3.55 per Share;
- Discounted stock price targets for Mereo Shares in publicly available Wall Street research analyst reports, which indicated low and high stock price targets for the Company ranging from £6.15 to £7.20 per Share, as of December 4, 2018 and discounted from the one-year forward date of the last published report to December 4, 2018 using a discount rate of 12.0%.

General

The preparation of a fairness opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a fairness opinion is not readily susceptible to summary description. In arriving at its opinion, Leerink Partners did not draw, in

isolation, conclusions from or with regard to any factor or analysis that it considered. Rather, Leerink Partners made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all of the analyses.

Leerink Partners' financial analyses and opinion were only one of many factors taken into consideration by the OncoMed Board in its evaluation of the Transaction. Consequently, the analyses described above should not be viewed as determinative of the views of the OncoMed Board or management of OncoMed with respect to the Merger Consideration or as to whether the OncoMed Board would have been willing to determine that different consideration to be received by OncoMed stockholders was fair. The Merger Consideration was determined through arm's-length negotiations between OncoMed and Mereo and was approved by the OncoMed Board. Leerink Partners provided advice to OncoMed during these negotiations. However, Leerink Partners did not recommend any specific form of Merger Consideration or other financial terms to OncoMed or the OncoMed Board or that any specific amount of Merger Consideration or other financial terms constituted the only appropriate consideration for the Transaction.

Leerink Partners is a full-service securities firm engaged in securities trading and brokerage activities as well as investment banking and financial advisory services. In the past two years, Leerink Partners has not been engaged to provide financial advisory or other services to Mereo, and has not received any compensation from Mereo during such period. Subsequent to the rendering of the Leerink Partners opinion, the acquisition of the parent company of Leerink Partners by the parent company of Sillicon Valley Bank was completed. Mereo is party to a loan agreement with Silicon Valley Bank, and Mereo has issued certain warrants to purchase Mereo Shares to Silicon Valley Bank. See "Mereo's Management's Discussion and Analysis of Financial Condition and Results of Operations of Mereo—Indebtedness—Credit Facility." Although Leerink Partners has provided certain investment banking services to OncoMed from time to time, for which it has received customary compensation, in the past two years, Leerink Partners has not been engaged to provide financial advisory or other services to OncoMed except with respect to the Transaction, for which Leerink Partners will receive the compensation described below. In the ordinary course of business, Leerink Partners and its affiliates may, in the future, provide commercial and investment banking services to OncoMed, Mereo or their respective affiliates and would expect to receive customary fees for the rendering of such services. In the ordinary course of their trading and brokerage activities, Leerink Partners or its affiliates have in the past and may in the future hold positions, for their own account or the accounts of their customers, in equity, debt or other securities of Mereo, OncoMed or their respective affiliates. Consistent with applicable legal and regulatory requirements, Leerink Partners has adopted policies and procedures to establish and maintain the independence of its research departments and personnel. As a result, Leerink Partners' research analysts may hold views, make statements or investment recommendations and/or publish research reports with respect to OncoMed and the Transaction and other participants in the Transaction that differ from the views of Leerink Partners' investment banking personnel.

The OncoMed Board selected Leerink Partners to act as OncoMed's financial advisor based on Leerink Partners' qualifications, reputation, experience and expertise in the biopharmaceuticals industry, its knowledge of and involvement in recent transactions in the biopharmaceutical industry, and its longstanding relationship and familiarity with OncoMed and its business. Leerink Partners is an internationally recognized investment banking firm that has substantial experience in transactions similar to the Transaction.

In connection with Leerink Partners' services as a financial advisor to OncoMed, OncoMed has agreed to pay Leerink Partners an aggregate fee of $2.5 million, $500,000 of which was paid upon the rendering by Leerink Partners of its opinion and the remainder of which is payable contingent upon consummation of the Transaction. In addition, OncoMed has agreed to reimburse certain of Leerink Partners' expenses arising, and to indemnify Leerink Partners against certain liabilities that may arise,

out of Leerink Partners' engagement. The terms of the fee arrangement between Leerink Partners and OncoMed, which are customary in transactions of this nature, were negotiated at arm's length between Leerink Partners and OncoMed, and the OncoMed Board was aware of the arrangement, including the fact that a significant portion of the fee payable to Leerink Partners is contingent upon the completion of the Transaction.

Board of Directors and Senior Management of the Combined Company

Immediately following the Effective Time, two members of the existing OncoMed Board, Michael Wyzga and Dr. Deepika Pakianathan, will be appointed to the Mereo Board, Dr. Denise Scots-Knight will continue as Chief Executive Officer of the Combined Company and Richard Jones will continue as the Chief Financial Officer of the Combined Company. Dr. Peter Fellner will continue in his role as Chairman of the Mereo Board.

It is expected that Frank Armstrong, Peter Fellner, Peter Bains, Paul Blackburn, Anders Ekblom, Michael Wyzga and Dr. Deepika Pakianathan will qualify as "independent" under U.S. securities laws and Nasdaq rules.

Accounting Treatment

The merger will be accounted for in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and in particular, with IFRS 3, *Business Combinations* ("IFRS 3"), under which the Merger qualifies as the acquisition of OncoMed by Mereo. On the date of the acquisition, the identifiable assets and liabilities of OncoMed will be recorded by Mereo at their respective fair values. Any excess of the purchase price over the net fair value at date of the acquisition of the identifiable assets acquired and liabilities assumed will be recognized as goodwill. Should the fair value of the assets and liabilities at the date of acquisition exceed the value of the consideration, a gain will be recognized on acquisition in accordance with IFRS 3 and recorded in the statement of operations of the Combined Company.

Interests of OncoMed's Directors and Executive Officers in the Merger

In considering the recommendation of the OncoMed Board to adopt the Merger Agreement and approve the transactions contemplated by the Merger Agreement, OncoMed stockholders should be aware that some of the OncoMed directors and executive officers have interests in the Merger and have arrangements that are different from, or in addition to, those of OncoMed stockholders generally. These interests and arrangements may create potential conflicts of interest. The OncoMed Board was aware of these potential conflicts of interest and considered them, among other matters, in reaching its decision to approve the Merger Agreement and the transactions contemplated by the Merger Agreement.

Special Transaction Bonus

In connection with the Merger Agreement, OncoMed has agreed to pay a performance bonus of $50,000 to Dr. Lewicki upon achievement of the closing of the Merger and the other transactions contemplated by the Merger Agreement. Such performance bonus will be payable upon the closing of the Merger to the extent that OncoMed's net cash (as defined in the Merger Agreement) exceeds $37 million.

Change in Control Agreements with Executive Officers

In connection with signing of the Merger Agreement, OncoMed approved the termination of the employment of: (i) Dr. Lewicki, effective immediately prior to the closing of the Merger; (ii) Dr. Gurney, Ph.D., effective as of December 21, 2018; (iii) Dr. Hager, effective immediately prior to the closing of the Merger; (iv) Yvonne Li, OncoMed's Vice President, Finance, Controller and Administration, effective immediately prior to the closing of the Merger and (v) Robert Stagg, OncoMed's Senior Vice President, Clinical Research and Development, effective immediately prior to the closing of the Merger.

Upon each executive's termination of employment, in exchange for providing a general release of claims against OncoMed and its affiliates, he or she is, or, in the case of Drs. Lewicki, Hager and Stagg and Ms. Li, will be, entitled to receive (i) cash severance payments in the amount of 12 months of base salary (24 months in the case of Dr. Lewicki), payable in accordance with OncoMed's normal payroll procedures, (ii) a one-time cash severance payment equal to 12 months of target bonus (24 months in the case of Dr. Lewicki) payable in a lump sum as soon as practicable following the date the general release becomes effective, (iii) up to 12 months of continued healthcare coverage (24 months in the case of Dr. Lewicki), and (iv) 100% vesting acceleration of outstanding equity awards, including, without limitation, his or her stock options and restricted stock units.

Pursuant to the terms of the change in control and severance agreements with executive officers, with respect to executive officers who are not terminated prior to or in connection with the closing of the Merger, upon the closing of the Merger, the vesting of any equity awards held by such person will automatically accelerate as to 25% of the total number of shares subject thereto.

Former Named Executive Officers

Paul Hastings, OncoMed's former Chairman and Chief Executive Officer & President, resigned on January 1, 2018. In connection with his resignation OncoMed entered into a letter agreement with Mr. Hastings (the "Hastings Severance Agreement"). The Hastings Severance Agreement provides for, among other things, (a) continued payment of Mr. Hastings' base salary through December 31, 2018, (b) up to 12 months of continued health care coverage, (c) $303,119.85, which represents Mr. Hastings' target bonus for fiscal year 2018, less required withholding taxes, and (d) accelerated vesting of the portion of Mr. Hastings' outstanding stock options and restricted stock units that would have otherwise vested through December 31, 2018 had Mr. Hastings' employment continued. In addition, each vested stock option held by Mr. Hastings (after giving effect to vesting acceleration pursuant to the Hastings Severance Agreement) remained exercisable until the earlier of the original expiration date of such stock option or December 31, 2018. Pursuant to the terms of the Hastings Severance Agreement, Mr. Hastings has provided OncoMed with a general release of claims against OncoMed. The Merger will not affect the terms of the Hastings Separation Agreement. Sunil Patel, OncoMed's former Executive Vice President and Chief Financial Officer resigned on March 9, 2018. He did not receive any severance payments in connection with his resignation. Neither Mr. Hastings nor Mr. Patel will receive consideration in connection with the Merger that is different from, or in addition to, those of OncoMed stockholders generally.

Indemnification of Directors and Officers; Directors' and Officers' Insurance

The Merger Agreement provides that Mereo and the surviving corporation honor and fulfill in all respects the obligations of OncoMed in any indemnification agreements of OncoMed with any of its respective directors, officers or employees in effect immediately prior to the effective time of the Merger with respect to claims arising at or prior to the effective time of the Merger. The Merger Agreement also provides that, for a period of six years following the effective time of the Merger, the provisions of the articles of association of Mereo with respect to indemnification, advancement of expenses and exculpation shall not be amended, modified or repealed and that the certificate of incorporation and bylaws of the surviving corporation will include indemnification, advancement of expenses and exculpation provisions at least as favorable as such provisions contained in the organizational documents of OncoMed immediately prior to the effective time of the Merger.

The Merger Agreement further requires that each of Mereo and the surviving corporation, for a period of six years following the effective time of the Merger, indemnify and hold harmless each director or officer of OncoMed against all claims, losses, liabilities, damages, judgments, fines and reasonable fees, costs and expenses, including attorneys' fees and disbursements incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal,

administrative or investigative, arising out of or pertaining to the fact that such individual is or was a director or officer of Mereo or OncoMed, whether asserted or claimed prior to, at or after the effective time of the Merger, in each case, to the fullest extent permitted under applicable law. Prior to the effective time of the Merger, OncoMed will purchase a six year "tail" prepaid policy on the existing OncoMed officers' and directors' liability insurance policy, with coverage and amounts no less favorable than those currently in effect.

Interests of OncoMed Directors

Under the terms of OncoMed's non-employee director compensation policy, all equity awards held by directors are subject to accelerated vesting upon a "Change in Control," as such term is defined in OncoMed's 2013 Equity Incentive Award Plan, provided that the applicable non-employee director continues to provide service as a non-employee director of OncoMed through the date of such "Change in Control." The Merger will constitute a "Change in Control" for purposes of this policy.

Quantification of OncoMed Change in Control and Termination Payments and Benefits to OncoMed's Named Executive Officers

The following table sets forth the information required by Item 402(t) of Regulation S-K regarding the estimated amount of compensation and benefits to which each OncoMed named executive officer could become entitled based on or otherwise related to the Merger. The amounts have been calculated assuming that the completion of the Merger occurred on January 18, 2019 (the latest practicable date, determined pursuant to Item 402(t) of Regulation S-K) and OncoMed's named executive officers experienced a qualifying termination on such date, referred to as a "double-trigger" event, or, in the case of Dr. Gurney and Messrs. Hastings and Patel, prior to such date.

OncoMed's Golden Parachute Compensation

Executive Officer	Cash(1)	Equity Awards(2)	Perquisites / Benefits(3)	Other(4)	Total
John A. Lewicki, Ph.D.	$1,387,110	$36,412	$ 51,408	$1,466,546	1,524,930
Yvonne Li	$ 387,319	$26,444	$ 32,640	$ 440,717	446,403
Alicia J. Hager, J.D., Ph.D.	$ 502,727	$28,598	$ 11,256	$ —	542,581
Austin Gurney, Ph.D.	$ 602,528	$28,610	$ 11,874	$ 571,221	643,012
Robert Stagg	$ 570,118	$27,410	$ 25,752	$ 536,525	623,280
Paul Hastings (5)	$ —	$ —	$ —	$ 440,717	—
Sunil Patel (6)	$ —	$ —	$ —	$ 617,473	—

(1) Other than for Dr. Gurney, reflects the amount of "double-trigger" payments to which each named executive officer would be entitled to receive under the named executive officer's change in control and severance agreement with OncoMed. For Dr. Gurney, reflects the amount paid to Dr. Gurney as severance pursuant to a separation agreement entered into with OncoMed in connection with his termination of employment on December 21, 2018. Under the change in control and severance agreements, in the event the named executive officer terminates employment with us within twelve months following the closing of the Merger, subject to providing us a release of claims, he or she will become entitled to an amount equal to 12 months of base salary and 12 months target bonus (24 months for each in the case of Dr. Lewicki). The separation agreement OncoMed entered into with Dr. Gurney provided for severance in an amount equal to his pro-rated annual discretionary bonus, 12 months of his base salary and 12 months of his target bonus in exchange for a release of claims. The components of cash severance for each eligible named executive officer are as follows:

Named Executive Officer	Base Salary Severance	Target Bonus Severance	Prorated 2018 Bonus
John A. Lewicki, Ph.D.	$924,740	$462,370	
Yvonne Li	$286,903	$100,416	
Alicia J. Hager, J.D., Ph.D.	$359,091	$143,636	
Austin Gurney, Ph.D.	$376,580	$150,632	$75,316
Robert Stagg	$407,227	$162,891	

(2) Other than for Dr. Gurney, the amounts in this column represent the "single-trigger" value of outstanding equity awards the vesting of which will be accelerated upon the Closing pursuant to the merger agreement. With respect to Dr. Gurney this column represents the value of the outstanding equity awards the vesting of which was accelerated in connection with his termination of employment on December 21, 2018. The values were determined using the per share price of OncoMed common stock of $0.95 (the average closing market price of OncoMed common stock over the first five business days following the public announcement of the entry into the merger agreement on December 5, 2018). The components of the equity award value for each eligible named executive officer are as follows:

Named Executive Officer	Value of Restricted Stock Units	Value of Stock Options
John A. Lewicki, Ph.D.	$ 34,438	$1,974
Yvonne Li	$ 26,126	$ 318
Alicia J. Hager, J.D., Ph.D.	$ 28,501	$ 97
Austin Gurney, Ph.D.	$ 28,501	$ 109
Robert Stagg	$ 27,313	$ 97

(3) Other than for Dr. Gurney, the amounts in this column equal the value of the "double-trigger" benefits for continued healthcare coverage that would be paid on behalf of each of the executive officers for up to 12 months (24 months in the case of Dr. Lewicki) as provided under such officer's change in control and severance agreement. With respect to Dr. Gurney this column represents the value of benefits for continued healthcare coverage payable in connection with his termination of employment on December 21, 2018.

(4) Represents a "single-trigger" lump sum cash payment of $50,000 for which Dr. Lewicki is eligible to be paid as a performance bonus upon the closing of the Merger to the extent that OncoMed's net cash (as defined in the merger agreement) exceeds $37 million.

(5) Mr. Hastings was a named executive officer with respect to fiscal year 2017, and as such is included in the table set forth above. Mr. Hastings's employment terminated on January 1, 2018, and in connection with his termination, he received certain payments pursuant to a Hastings Separation Agreement. The Merger will not affect the terms of the Hastings Separation Agreement.

(6) Mr. Patel was a named executive officer with respect to fiscal year 2017, and as such is included in the table set forth above. Mr. Patel resigned on March 9, 2018. He did not receive any severance payments in connection with his resignation.

Narrative to OncoMed's Golden Parachute Compensation Table

The tabular disclosure set forth above assumes that (1) each of the OncoMed named executive officers (other than Mr. Hastings, whose employment terminated January 1, 2018, Mr. Patel, whose employment terminated on March 9, 2018 and Dr. Gurney whose employment terminated December 21, 2018) is entitled to severance payments and benefits under such officer's change in control and severance agreement due to a termination of employment, as of January 18, 2019 (the latest practicable date, determined pursuant to Item 402(t) of Regulation S-K) and (2) Dr. Lewicki is entitled to his performance bonus under the terms of the Merger Agreement. The tabular disclosure set forth above assumes the completion of the merger occurred on January 18, 2019 and that the per share

price of OncoMed common stock is $0.95 (the average closing market price of OncoMed common stock over the first five business days following the public announcement of the entry into the merger agreement on December 5, 2018).

Treatment of OncoMed Options and OncoMed Units

The Merger Agreement provides that, immediately prior to the Effective Time, each OncoMed Option that is outstanding and unexercised, whether vested or not, will be automatically canceled and converted into the right to receive (i) the excess, if any, of the Merger Consideration over the applicable exercise price of such canceled OncoMed Option, multiplied by (ii) the number of shares of OncoMed common stock subject to such OncoMed Option immediately prior to the Effective Time, provided that no fractional Mereo ADSs or CVRs will be issued. Each OncoMed Option that has a per-share exercise price that is higher than the Merger Consideration shall be canceled at the Effective Time for no consideration. No OncoMed Options will remain outstanding following the consummation of the Merger. As of January 18, 2019, there were approximately 4,116,565 million outstanding OncoMed Options, 1,535,751 of which were unvested.

OncoMed Units

The Merger Agreement provides that, immediately prior to the Effective Time and contingent on the occurrence of the Closing, each outstanding OncoMed Unit will be canceled and the holders thereof will be entitled to receive, immediately prior to the Effective Time, the number of shares of OncoMed common stock that were subject to such OncoMed Units (with the tax withholding obligations of each holder of such OncoMed Units being satisfied by OncoMed withholding from issuance that number of shares of OncoMed common stock calculated by multiplying the maximum statutory withholding rate for such holder in connection with such issuance by the number of shares of OncoMed common stock to be issued, rounding up to the nearest whole share, and remitting such withholding in cash to the appropriate tax authority)and such stockholders will thereafter be entitled to receive the Merger Consideration in respect of these shares of OncoMed common stock. No OncoMed Units will remain outstanding following the consummation of the Merger. As of January 18, 2019, there were approximately 290,585 million unvested and outstanding OncoMed Units.

Mereo's Reasons for the Merger

At its meeting on December 5, 2018, the Mereo Board unanimously (1) determined that the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement are advisable and are fair to and in the best interests of Mereo and its shareholders as a whole, (2) approved the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement, and (3) resolved to recommend to Mereo's shareholders that they should approve the transactions contemplated by the Merger Agreement, should such approval be required.

The Mereo Board based its recommendation on its belief that (1) the combination of Mereo's biopharmaceutical portfolio of four assets with OncoMed's two lead assets will create a diversified combined portfolio, resulting in an increased number of potential near-term catalysts with a core focus remaining on Mereo's strategy to develop and commercialize products for rare diseases, (2) the cash position of the Combined Company will provide an extended operational runway, with the potential for such runway to be extended significantly through partnering deals with respect to Mereo's non-Orphan products, OncoMed's navicixzumab products and the potential Celgene Option Exercise, and (3) a Nasdaq listing, in addition to Mereo's existing AIM listing, will provide a diversified international shareholder base for the Combined Company.

The Mereo Board also based its recommendation on its belief that the Merger would:

- combine the skills and expertise of Mereo and a select number of OncoMed employees;

- establish a U.S. operational base for Mereo; and
- diversify and expand the Mereo Board through the addition of two new biopharmaceutical industry-experienced OncoMed independent non-executive directors.

The Mereo Board also considered:

- the risks and costs associated with the Merger not being completed in a timely manner or at all, even if approved by the OncoMed Board, OncoMed's stockholders, the Mereo Board and, if necessary, Mereo's shareholders;
- the risks and costs associated with diverting management and employee attention and resources from other strategic opportunities and operational matters while working to implement the Merger;
- potential litigation arising from the Merger Agreement, the Merger or the CVR Agreement;
- the risk that the value of the consideration payable to OncoMed's shareholders would increase in the event that the value of Mereo Shares increased prior to the Effective Time, as the Exchange Ratio is fixed (subject only to adjustment for the net cash held by OncoMed at the time of the closing of the Merger and the Share Consideration Cap);
- the challenges of completing the Merger and combining the businesses of the two companies, and the risks of not achieving the expected operating efficiencies, growth or cash cost savings from the Merger taking into account the different locations of the two companies;
- the transactional costs and expenses expected to be incurred by Mereo, as well as by OncoMed, in connection with the Merger; and
- restrictions under the Merger Agreement on the conduct of Mereo's business and its ability to pursue other strategic opportunities prior to the completion of the Merger.

A Diversified Combined Portfolio

The Merger would produce a diversified combined portfolio of six assets, resulting in an increased number of potential near-term catalysts both in terms of clinical data and partnering opportunities. The Mereo Board considered its belief that, in addition to Mereo's existing portfolio, potential partnership opportunities for OncoMed's navicixizumab program, which is currently in a Phase 1b clinical study and has shown encouraging data in heavily pre-treated ovarian cancer patients to date, and OncoMed's ongoing collaboration with Celgene (with an option for Celgene to license OncoMed's etigilimab (anti-TIGIT, OMP-313M32) program outstanding), would provide the Combined Company with a broadened asset base and diversification of risk across additional product candidates.

Strengthened Cash Position

The Mereo Board also considered its belief that the Merger would provide a strong position for the Combined Company, extending its operational runway into 2020 with cash resources (defined as cash, cash equivalents and short-term investments), on a pro forma combined basis, of US$115.5 million as of September 30, 2018, incorporating OncoMed's cash resources of US$70.9 million as of September 30, 2018. The Mereo Board further considered the potential for such cash runway to be extended significantly, both through partnership deals and through the possible Celgene Option Exercise by Celgene for OncoMed's etigilimab (anti-TIGIT, OMP-313M32) product.

Nasdaq Listing

The Merger also provides an opportunity for Mereo to establish a Nasdaq listing of Mereo ADSs, in addition to Mereo's existing AIM listing and, with such listing, a diversified international shareholder base including a number of US institutional specialist healthcare investors, supplementing Mereo's existing strong U.K. institutional and corporate investor base. Mereo has previously taken steps towards listing on Nasdaq and the Mereo Board considered its continued belief that such a listing would be beneficial to Mereo and its shareholders.

None of the statements above is intended as a profit forecast or estimate for any period and no statement should be interpreted to mean that earnings or earnings per share for Mereo for its current or future financial years would necessarily match or exceed historical published earnings or earnings per share. See “Risk Factors” and “Cautionary Statements Regarding Forward-Looking Statements.”

The Mereo Board also considered a variety of other factors and risks concerning the Merger, including the risks described in “Risk Factors” elsewhere in this proxy statement/prospectus.

Appraisal Rights

Holders of shares of OncoMed common stock who (1) do not vote in favor of the adoption of the Merger Agreement, (2) properly demand appraisal of their shares and (3) otherwise comply exactly with the requirements of Section 262 of the DGCL (“Section 262”) will be entitled to appraisal rights in connection with the Merger under Section 262.

The following discussion is not a complete statement of the law pertaining to appraisal rights under the DGCL and is qualified in its entirety by the full text of Section 262 which is attached to this proxy statement/prospectus as Annex D. The following summary does not constitute any legal or other advice nor does it constitute a recommendation that stockholders exercise their appraisal rights under Section 262.

FAILURE TO FOLLOW EXACTLY ANY OF THE STATUTORY REQUIREMENTS COULD RESULT IN THE LOSS OF YOUR APPRAISAL RIGHTS.

Under Section 262, holders of shares of OncoMed common stock who do not vote in favor of the proposal to approve and adopt the Merger Agreement and who otherwise follow the procedures set forth in Section 262 will be entitled to have the “fair value” (as defined pursuant to Section 262) of their shares appraised by the Court of Chancery and to receive payment in cash of the “fair value” of such shares, exclusive of any element of value arising from the accomplishment or expectation of the Merger, as determined by the Court of Chancery, together with interest, if any, to be paid upon the amount determined to be the fair value.

Under Section 262, where a merger agreement is to be submitted for adoption at a meeting of stockholders, the corporation, not less than 20 days prior to the meeting, must notify each of its stockholders as of the record date that are entitled to appraisal rights that appraisal rights are available for any or all of the shares of the constituent corporations to which the merger relates and include in the notice a copy of Section 262. This proxy statement/prospectus constitutes that notice, and the full text of Section 262 is attached to this proxy statement/prospectus as Annex D.

ANY HOLDER OF ONCOMED COMMON STOCK WHO WISHES TO EXERCISE APPRAISAL RIGHTS, OR WHO WISHES TO PRESERVE SUCH HOLDER’S RIGHT TO DO SO, SHOULD REVIEW THE FOLLOWING DISCUSSION AND ANNEX D CAREFULLY BECAUSE FAILURE TO TIMELY AND PROPERLY COMPLY WITH THE PROCEDURES SPECIFIED COULD RESULT IN THE LOSS OF APPRAISAL RIGHTS. MOREOVER, BECAUSE OF THE COMPLEXITY OF THE PROCEDURES FOR EXERCISING THE RIGHT TO SEEK APPRAISAL OF SHARES OF COMMON STOCK, ONCOMED BELIEVES THAT IF A STOCKHOLDER CONSIDERS EXERCISING SUCH RIGHTS, THE STOCKHOLDER SHOULD SEEK THE ADVICE OF SUCH STOCKHOLDER’S OWN LEGAL AND FINANCIAL ADVISORS.

Filing Written Demand

Any holder of OncoMed common stock wishing to exercise appraisal rights must deliver to OncoMed, before the vote on the adoption of the Merger Agreement at the OncoMed Special Meeting

at which the proposal to adopt the Merger Agreement will be submitted to the OncoMed stockholders, a written demand for the appraisal of the stockholder's shares, and that stockholder must not vote in favor of the adoption of the Merger Agreement. A holder of shares of OncoMed common stock wishing to exercise appraisal rights must hold of record the shares on the date the written demand for appraisal is made and must continue to hold the shares of record through the effective date of the Merger, since appraisal rights will be lost if the shares are transferred prior to the effective date of the Merger. The holder must not vote in favor of the adoption of the Merger Agreement. A proxy that is submitted and does not contain voting instructions will, unless revoked, be voted in favor of the adoption of the Merger Agreement, and such proxy will constitute a waiver of the stockholder's right of appraisal and will nullify any previously delivered written demand for appraisal. Therefore, a stockholder who submits a proxy and who wishes to exercise appraisal rights must submit a proxy containing instructions to vote against the adoption of the Merger Agreement or abstain from voting on the adoption of the Merger Agreement. Neither voting against the adoption of the Merger Agreement, nor abstaining from voting or failing to vote on the proposal to adopt the Merger Agreement, will in and of itself constitute a written demand for appraisal satisfying the requirements of Section 262. The written demand for appraisal must be in addition to and separate from any proxy or vote against or abstention from the proposal to approve and adopt the Merger Agreement. The demand for appraisal will be sufficient if it reasonably informs OncoMed of the identity of the holder as well as the intention of the holder to demand an appraisal of the "fair value" of the shares held by the holder. A stockholder's failure to make the written demand prior to the taking of the vote on the approval and adoption of the Merger Agreement at the OncoMed Special Meeting will constitute a waiver of such stockholder's appraisal rights.

Only a holder of record of shares of OncoMed common stock, or a person duly authorized and explicitly purporting to act on such holder's behalf, will be entitled to demand an appraisal of the shares registered in that holder's name. A demand for appraisal in respect of shares of OncoMed common stock should be executed by or on behalf of the holder of record, fully and correctly, as the holder's name appears on the holder's stock certificates, should specify the holder's name and mailing address and the number of shares registered in the holder's name and must state that the person intends thereby to demand appraisal of the holder's shares in connection with the Merger. If the shares are owned of record by a person other than the beneficial owners, such as by a bank, brokerage firm or other nominee, or in a fiduciary capacity, such as by a trustee, guardian or custodian, execution of the demand should be made in that capacity and must identify the record owner or owners, and if the shares are owned of record by more than one person, as in a joint tenancy and tenancy in common, the demand should be executed by or on behalf of all joint owners. An authorized agent, including an agent for two or more joint owners, may execute a demand for appraisal on behalf of a holder of record; however, the agent must identify the record owner or owners and expressly disclose that, in executing the demand, the agent is acting as an agent for the record owner or owners. If a stockholder holds shares of OncoMed common stock through a brokerage firm that in turn holds the shares through a central securities depository nominee such as Cede & Co., a demand for appraisal of such shares must be made by or on behalf of the depository nominee and must identify the depository nominee as record holder. If the shares are held in "street name" by a broker, bank or nominee, the broker, bank or nominee may exercise appraisal rights with respect to the shares held for one or more beneficial owners while not exercising the rights with respect to the shares held for other beneficial owners; in such case, however, the written demand should set forth the number of shares as to which appraisal is sought and where no number of shares is expressly mentioned the demand will be presumed to cover all shares of OncoMed common stock held in the name of the record owner. Stockholders who hold their shares in brokerage accounts or other nominee forms and who wish to exercise appraisal rights are urged to consult with their brokers to determine the appropriate procedures for the making of a demand for appraisal by such a nominee.

All written demands for appraisal pursuant to Section 262 should be sent or delivered to OncoMed Pharmaceuticals, Inc., 800 Chesapeake Drive, Redwood City, California 94063, Attn: Alicia Hager.

At any time within 60 days after the Effective Time, any stockholder who has not commenced an appraisal proceeding or joined that proceeding as a named party may withdraw his, her or its demand for appraisal and accept the Merger Consideration by delivering to OncoMed, as the surviving corporation, a written withdrawal of the demand for appraisal. Any such attempt to withdraw the demand made more than 60 days after the Effective Time will require the written approval of OncoMed, as the surviving corporation. No appraisal proceeding in the Court of Chancery will be dismissed as to any stockholder without the approval of the Court of Chancery, and such approval may be conditioned upon such terms as the Court of Chancery deems just; provided, however, that any stockholder who has not commenced an appraisal proceeding or joined that proceeding as a named party may withdraw his, her or its demand for appraisal and accept the Merger Consideration within 60 days after the effective date of the Merger. If the surviving corporation does not approve a request to withdraw a demand for appraisal when that approval is required, or if the Court of Chancery does not approve the dismissal of an appraisal proceeding, the stockholder will be entitled to receive only the appraised value determined in any such appraisal proceeding, which value could be less than, equal to or more than the consideration being offered pursuant to the Merger Agreement.

Notice by the Surviving Corporation. Within ten days after the Effective Time, the surviving corporation must notify each former holder of OncoMed common stock who has made a written demand for appraisal pursuant to Section 262, and who has not voted in favor of the adoption of the Merger Agreement, of the date on which the Merger became effective.

Filing a Petition for Appraisal. Within 120 days after the Effective Time, but not thereafter, the surviving corporation or any holder of OncoMed common stock who has complied with Section 262 and is entitled to appraisal rights under Section 262 may commence an appraisal proceeding by filing a petition in the Court of Chancery demanding a determination of the fair value of the shares held by all dissenting holders. If no such petition is filed within that 120-day period, appraisal rights will be lost for all holders of OncoMed common stock who had previously demanded appraisal of their shares. The surviving corporation is under no obligation to file, and has no present intention to file, a petition and holders should not assume that OncoMed, as the surviving corporation, will file a petition or that OncoMed will initiate any negotiations with respect to the fair value of the shares. Accordingly, it is the obligation of holders of OncoMed common stock that desire to have their shares appraised to initiate all necessary action to perfect their appraisal rights in respect of shares of OncoMed common stock within the time period prescribed in Section 262. Within 120 days after the Effective Time, any holder of OncoMed common stock who has complied with the requirements for exercise of appraisal rights will be entitled, upon written request, to receive from OncoMed, as the surviving corporation, a statement setting forth the aggregate number of shares not voted in favor of the proposal to approve and adopt the merger agreement and with respect to which demands for appraisal have been received and the aggregate number of holders of such shares. Such statement must be mailed within ten days after a written request therefor has been received by OncoMed, as the surviving corporation, or within ten days after the expiration of the period for delivery of demands for appraisal, whichever is later. Notwithstanding the foregoing requirement that a demand for appraisal must be made by or on behalf of the record owner of the shares, a person who is the beneficial owner of shares of OncoMed common stock held either in a voting trust or by a nominee on behalf of such person, and as to which demand has been properly made and not effectively withdrawn, may, in such person's own name, file a petition for appraisal or request from OncoMed the statement described in this paragraph.

If a petition for an appraisal is timely filed by a holder of shares of OncoMed common stock and a copy thereof is duly served upon OncoMed, as the surviving corporation, the surviving corporation will then be obligated within 20 days to file with the Delaware Register in Chancery a duly verified list (the "Verified List") containing the names and addresses of all stockholders who have demanded an appraisal of their shares and with whom agreements as to the value of their shares have not been reached. Upon the filing of any such petition, the Court of Chancery may order that notice of the time

and place fixed for the hearing on the petition be mailed to OncoMed and all of the holders of OncoMed common stock shown on the Verified List. Such notice shall also be published at least one week before the day of the hearing in a newspaper of general circulation published in the City of Wilmington, Delaware, or in another publication determined by the Court of Chancery. The costs of such notices are borne by the OncoMed. After notice to the stockholders as required by the Court of Chancery, the Court of Chancery is empowered to conduct a hearing on the petition to determine those stockholders who have complied with Section 262 and who have become entitled to appraisal rights thereunder. The Court of Chancery may require the stockholders who demanded payment for their shares to submit their stock certificates to the Register in Chancery for notation thereon of the pendency of the appraisal proceeding; and if any stockholder fails to comply with the direction, the Court of Chancery may dismiss the proceedings as to that stockholder.

Determination of Fair Value. After the Court of Chancery determines the former holders of OncoMed common stock entitled to appraisal, the appraisal proceeding shall be conducted in accordance with the rules of the Court of Chancery, including any rules specifically governing appraisal proceedings. Through such proceeding, the Court of Chancery shall determine the "fair value" of the shares, exclusive of any element of value arising from the accomplishment or expectation of the Merger, together with interest, if any, to be paid upon the amount determined to be the fair value. Unless the Court of Chancery in its discretion determines otherwise for good cause shown, interest from the effective date of the Merger through the date of payment of the judgment shall be compounded quarterly and shall accrue at 5% over the Federal Reserve discount rate (including any surcharge) as established from time to time during the period between the effective date of the Merger and the date of payment of the judgment.

In determining fair value, the Court of Chancery will take into account all relevant factors. In Weinberger v. UOP, Inc., the Supreme Court of Delaware discussed the factors that could be considered in determining fair value in an appraisal proceeding, stating that "proof of value by any techniques or methods that are generally considered acceptable in the financial community and otherwise admissible in court" should be considered, and that "fair price obviously requires consideration of all relevant factors involving the value of a company." The Delaware Supreme Court stated that, in making this determination of fair value, the Court of Chancery must consider market value, asset value, dividends, earnings prospects, the nature of the enterprise and any other facts that could be ascertained as of the date of the merger that throw any light on future prospects of the merged corporation. Section 262 provides that fair value is to be "exclusive of any element of value arising from the accomplishment or expectation of the merger." In Cede & Co. v. Technicolor, Inc., the Delaware Supreme Court stated that such exclusion is a "narrow exclusion [that] does not encompass known elements of value," but which rather applies only to the speculative elements of value arising from such accomplishment or expectation. In Weinberger, the Supreme Court of Delaware also stated that "elements of future value, including the nature of the enterprise, which are known or susceptible of proof as of the date of the merger and not the product of speculation, may be considered."

Stockholders considering seeking appraisal should be aware that the fair value of their shares as so determined (which does not include any element of value arising from the merger) could be more than, the same as or less than the value of the shares you would own after the Merger if you did not exercise your appraisal rights (which would include any element of value arising from the merger) or the trading price of such shares following the Merger and that an investment banking opinion as to the fairness, from a financial point of view, of the Merger Consideration payable in a transaction is not an opinion as to, and does not otherwise address, "fair value" under Section 262. Although OncoMed believes that the Merger Consideration is fair, no representation is made as to the outcome of the appraisal of fair value as determined by the Court of Chancery. In addition, the Delaware courts have decided that the statutory appraisal remedy, depending on factual circumstances, may or may not be a dissenting stockholder's exclusive remedy. Stockholders should recognize that such an appraisal could

result in a determination of a value lower or higher than, or the same as, the Merger Consideration. Neither Mereo nor OncoMed anticipate offering more than the Merger Consideration to any stockholder of OncoMed exercising appraisal rights, and reserve the right to assert, in any appraisal proceeding, that for purposes of Section 262, the "fair value" of a share of OncoMed common stock is less than the Merger Consideration.

Upon application by OncoMed, or by any stockholder entitled to participate in the appraisal proceeding, the Court of Chancery may, in its discretion, proceed to trial upon the appraisal prior to the final determination of the stockholders entitled to an appraisal. Any stockholder whose name appears on the Verified List and that has submitted such stockholder's certificates of stock to the Delaware Register in Chancery, if such action is required, may participate fully in all proceedings until it is finally determined that such stockholder is not entitled to appraisal rights. The Court of Chancery shall direct the payment of the fair value of the shares, together with interest, if any, by OncoMed to the stockholders entitled thereto. Payment shall be so made to each such stockholder upon the surrender to OncoMed of such holder's certificates. The Court of Chancery's decree may be enforced as other decrees in such Court may be enforced.

If a petition for appraisal is not timely filed, then the right to an appraisal will cease. The costs of the action (which do not include attorney's fees or the fees and expenses of experts) may be determined by the Court of Chancery and taxed upon the parties as the Court of Chancery deems equitable under the circumstances. Upon application of a stockholder, the Court of Chancery may order all or a portion of the expenses incurred by a stockholder in connection with an appraisal proceeding, including, without limitation, reasonable attorneys' fees and the fees and expenses of experts utilized in the appraisal proceeding, to be charged pro rata against the value of all the shares entitled to be appraised. In the absence of such determination or assessment, each party bears its own expenses.

If any stockholder who demands appraisal of shares of OncoMed common stock under Section 262 fails to perfect, successfully withdraws or loses such holder's right to appraisal, the stockholder's shares of OncoMed common stock will be deemed to have been converted at the Effective Time into the right to receive the Merger Consideration. A stockholder will fail to perfect, or effectively lose, the holder's right to appraisal if no petition for appraisal is filed within 120 days after the Effective Time.

FAILURE TO COMPLY EXACTLY WITH THE PROCEDURES SET FORTH IN SECTION 262 MAY RESULT IN THE LOSS OF A STOCKHOLDER'S STATUTORY APPRAISAL RIGHTS. CONSEQUENTLY, ANY STOCKHOLDER WISHING TO EXERCISE APPRAISAL RIGHTS IS URGED TO CONSULT WITH SUCH STOCKHOLDER'S OWN LEGAL AND FINANCIAL ADVISORS BEFORE ATTEMPTING TO EXERCISE THOSE RIGHTS.

Listing of the Mereo ADSs and Mereo Shares

Pursuant to the Merger Agreement, Mereo has agreed, among other things, to take all reasonable steps within its power to ensure that (1) the Mereo ADSs to be issued in the Merger are approved for listing on Nasdaq and (2) the Mereo Shares underlying the Mereo ADSs to be issued in the Merger are approved for admission to trading on AIM and satisfy any other requirements of London Stock Exchange plc in respect of the Merger Agreement and the transactions contemplated thereby, in each case prior to the Effective Time. The approval for listing of the Mereo ADSs on Nasdaq and of the Mereo Shares for admission to trading on AIM, in each case subject only to official notice of issuance, are each a condition to the obligations of Mereo and OncoMed to complete the Merger. Mereo intends to apply to list the Mereo ADSs on Nasdaq and to list the Mereo Shares underlying the Mereo ADSs on AIM. Mereo expects that the Mereo ADSs will trade on Nasdaq under the symbol "MREO." Mereo ADSs will trade, and be quoted, in U.S. dollars.

Delisting and Deregistration of OncoMed Common Stock

If the Merger is completed, there will no longer be any publicly held shares of OncoMed common stock. Accordingly, OncoMed common stock will be delisted from Nasdaq and will be deregistered under the Exchange Act as soon as practicable following the completion of the Merger, and OncoMed will no longer be required to file periodic reports with the SEC in respect of OncoMed common stock.

Restrictions on Sales of Mereo ADSs Received in the Merger

The Mereo ADSs to be issued in connection with the Merger will be freely transferable under the Securities Act and the Exchange Act, except for Mereo ADSs issued to any holder who may be deemed to be an “affiliate” of Mereo for purposes of Rule 144 under the Securities Act. Persons who may be deemed to be affiliates include individuals or entities that control, are controlled by, or are under common control with Mereo and may include the senior management, directors and significant stockholders of Mereo. Securities held by an affiliate of Mereo may be resold or otherwise transferred without registration in compliance with the volume limitations, manner of sale requirements, notice requirements and other requirements of Rule 144 under the Securities Act or as otherwise permitted under the Securities Act. This proxy statement/prospectus does not cover resales of Mereo ADSs, or the underlying Mereo Shares, received upon completion of the Merger by any person, and no person is authorized to make any use of this proxy statement/prospectus in connection with any resale.

Litigation Related to the Merger

It is a condition to the Merger that no temporary restraining order, preliminary or permanent injunction or other order preventing the consummation of the Merger Agreement or the transactions contemplated thereby shall have been issued by any court of competent jurisdiction or other governmental authority of competent jurisdiction and remain in effect. Neither OncoMed nor Mereo is aware of any lawsuit or proceeding specific to the Merger having been filed to date. If such a lawsuit or other proceeding is commenced and if in any such litigation or proceeding a plaintiff is successful in obtaining a restraining order or injunction prohibiting the consummation of the Merger Agreement or the transactions contemplated thereby, then the closing of the Merger may be delayed or may never occur. Even if the Merger is permitted to occur, the parties may be required to pay damages, fees or expenses in respect of claims related to the Merger or the transactions contemplated thereby.

THE MERGER AGREEMENT

The following discussion summarizes material provisions of the Merger Agreement entered into by Mereo, HoldCo, Merger Sub and OncoMed. This summary does not propose to be complete and is qualified in its entirety by reference to the complete copy of the Merger Agreement which is attached as Annex A to this proxy statement/prospectus. The rights and obligations of the parties are governed by the express terms and conditions of the Merger Agreement and not by this summary. The Merger Agreement should not be read alone, but should instead be read in conjunction with the other information provided elsewhere in this proxy statement/prospectus, including the annexes and the documents incorporated by reference into this proxy statement/prospectus, before making any decisions regarding the Merger.

The Merger Agreement is described in this proxy statement/prospectus only to provide you with information regarding its terms and conditions and this summary is not intended to provide any factual information about Mereo, OncoMed or their respective businesses. The representations, warranties and covenants contained in the Merger Agreement have been made solely for the benefit of the parties to the Merger Agreement. In addition, such representations, warranties and covenants: (1) have been made only for purposes of the Merger Agreement; (2) have been qualified by certain disclosures made by the parties to one another not reflected in the text of the Merger Agreement; (3) may be subject to materiality qualifications contained in the Merger Agreement which may differ from what may be viewed as material by you; (4) were made only as of December 5, 2018 or other specific dates; and (5) have been included in the Merger Agreement for the purpose of allocating risk between the contracting parties rather than establishing matters as facts. Accordingly, the summary of the Merger Agreement is included in this proxy statement/prospectus only to provide you with information regarding the terms of the Merger and not to provide you with any other factual information regarding Mereo, OncoMed or their respective businesses. You should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of Mereo, OncoMed or any of their respective subsidiaries or affiliates. Moreover, information concerning the subject matter of the representations, warranties and covenants may have changed since December 5, 2018, or may in the future change, which subsequent information may or may not be fully reflected in Mereo's or OncoMed's public disclosures.

The Merger

On December 5, 2018, Mereo, HoldCo, Merger Sub and OncoMed entered into the Merger Agreement, providing for the Merger of Merger Sub with and into OncoMed, with OncoMed being the surviving corporation in the Merger and a wholly-owned indirect subsidiary of HoldCo and an indirect wholly-owned subsidiary of Mereo, upon the terms and subject to the conditions set forth in the Merger Agreement. Each of the Mereo Board and OncoMed Board has unanimously approved the Merger Agreement.

After completion of the Merger, the certificate of incorporation set forth as Exhibit A to the Certificate of Merger, which is in the form attached to the Merger Agreement as Exhibit E, and the bylaws of Merger Sub in effect immediately prior to completion of the Merger will be the certificate of incorporation and bylaws, respectively, of OncoMed, as the surviving corporation in the Merger, in each case, until amended in accordance with applicable law and the certificate of incorporation and bylaws, as applicable. The directors and officers of the surviving corporation immediately following completion of the Merger will be the directors and officers, respectively, of Mereo, and will also include two OncoMed directors designated to serve on the Mereo Board as of the Effective Time, in each case, until their successors are duly elected or appointed and qualified in accordance with applicable law.

Merger Consideration

At the Effective Time, each share of OncoMed common stock that is issued and outstanding immediately prior to the Effective Time (excluding any dissenting shares) will be converted (and shall cease to exist) solely into the right to receive: (1) a number of Mereo ADSs representing a number of Mereo Shares equal to the Exchange Ratio, and (2) one CVR, representing the right to receive contingent payments if specified milestones are achieved within agreed time periods, subject to and in accordance with the terms and conditions of the CVR Agreement, to be entered into at or prior to the Effective Time by and among Computershare Inc., as rights agent, and Mereo. If, prior to the Effective Time, the outstanding shares of OncoMed common stock or Mereo Shares underlying the Mereo ADSs shall have been changed into, or exchanged for, a different number of shares or a different class, by reason of any stock dividend, subdivision, reclassification, recapitalization, split, combination or exchange of shares or other like change, the Exchange Ratio shall, to the extent necessary, be equitably adjusted to reflect such change to the extent necessary to provide the holders of OncoMed common stock, OncoMed Options, OncoMed Units and Mereo ADSs with the same economic effect as contemplated by the Merger Agreement prior to such event.

Under the Exchange Ratio set forth in the Merger Agreement, as of immediately following the Effective Time, former security holders of OncoMed are expected to own approximately 25% of the then-outstanding equity interests in the Combined Company on an undiluted basis (or approximately 21% of the then-outstanding equity interests in the Combined Company on a fully-diluted basis), subject to adjustments for net cash held by OncoMed at the time of the closing of the Merger.

Exchange Ratio Formula

The Exchange Ratio is the quotient obtained (rounded to four decimal places) by dividing (a) the OncoMed Adjusted Merger Shares (as defined below) by (b) the OncoMed Outstanding Shares (as defined below), in which:

- "OncoMed Adjusted Merger Shares" means the sum of an amount equal to the number of OncoMed Unadjusted Merger Shares:
  - if Final Net Cash is equal to or greater than OncoMed Target Net Cash, *plus* an amount that is the quotient determined by dividing the OncoMed Closing Cash Variance by the Mereo Dollar VWAP;
  - if Final Net Cash is less than OncoMed Target Net Cash, but equal to or greater than the OncoMed Target Net Cash Collar, *minus* an amount that is the quotient determined by dividing the OncoMed Closing Cash Variance by the Mereo Dollar VWAP; or
  - if Final Net Cash is less than the OncoMed Target Net Cash Collar, *minus* the sum of (1) 455,928 and (2) an amount that is the quotient determined by dividing (a) the OncoMed Missed Target Variance by (b) the product determined by multiplying (x) the Mereo Dollar VWAP by (y) the OncoMed Missed Target Percentage.
- "OncoMed Allocation Percentage" means 0.25.
- "OncoMed Closing Cash Variance" means the absolute sum of (i) Final Net Cash minus (ii) OncoMed Target Net Cash.
- "OncoMed Missed Target Percentage" means 0.50.
- "OncoMed Missed Target Variance" means the absolute sum of (i) Final Net Cash minus (ii) OncoMed Target Net Cash Collar.
- "OncoMed Outstanding Shares" means the total number of shares of OncoMed capital stock outstanding immediately prior to the Effective Time expressed on a fully-diluted and as-converted to OncoMed common stock basis (excluding each underwater OncoMed Option) and assuming, without limitation or duplication, (i) the settlement in shares of each OncoMed Option (other than each underwater OncoMed Option) and OncoMed Unit outstanding as of

the Effective Time, solely to the extent that such OncoMed Options are not exercised prior thereto and (ii) the issuance of OncoMed common stock in respect of all other options (other than each underwater OncoMed Option), warrants or rights to receive such shares that will be outstanding immediately prior to the Effective Time.

- "OncoMed Target Net Cash" means $38,000,000.
- "OncoMed Target Net Cash Collar" means $36,500,000.
- "OncoMed Unadjusted Merger Shares" means the sum of (i) an amount that is the quotient determined by dividing the number of Mereo Outstanding Shares by the Mereo Allocation Percentage minus (ii) an amount equal to the number of Mereo Outstanding Shares.
- "Mereo Allocation Percentage" means 1.00 minus the OncoMed Allocation Percentage.
- "Mereo Dollar VWAP" means $3.29.
- "Mereo Outstanding Shares" means the total number of Mereo Shares issued and outstanding immediately prior to the Effective Time.

Examples

For illustrative purposes only, the examples presented below calculate the Exchange Ratio under various OncoMed net cash scenarios. These examples assume: (i) the Effective Time occurred on December 5, 2018, (ii) 38,630,145 OncoMed outstanding shares at the Effective Time (on a fully-diluted, as-converted basis), and (iii) 71,240,272 Mereo Shares outstanding at the Effective Time.

Net Cash	Implied Exchange Ratio (Mereo Shares per share of OncoMed common stock)	Pro Forma Ownership of the Combined Company by former OncoMed securityholders	Pro Forma Ownership of the Combined Company by existing Mereo securityholders
$30.0 million	0.46	19.9%	80.1%
$32.0 million	0.50	21.4%	78.6%
$34.0 million	0.55	22.8%	77.2%
$35.0 million	0.57	23.5%	76.5%
$36.0 million	0.59	24.2%	75.8%
$38.0 million	0.61	25.0%	75.0%
$40.0 million	0.64	25.6%	74.4%

OncoMed stockholders should note that, if OncoMed's net cash at the time of the closing of the Merger is less than $36.5 million, the Exchange Ratio will be reduced by an amount that is greater than the amount that would otherwise reflect the difference between the target closing net cash and actual closing net cash on a dollar-for-dollar basis. Because the number of Mereo ADSs to be exchanged for each share of OncoMed common stock will be adjusted based on the net cash held by OncoMed at the time of the closing of the Merger and will be unaffected by any increase or decrease in exchange rates or in the share price of Mereo Shares between now and the closing of the Merger, the notional value of the Merger Consideration and the exact number of Mereo ADSs that will be issued to OncoMed stockholders as of the date of the OncoMed Special Meeting and as of the date of the closing of the Merger cannot be determined with precision in advance of the Effective Time.

Determination of OncoMed's Final Net Cash

Pursuant to the terms of the Merger Agreement, OncoMed's "Final Net Cash" means, as of the cash determination time (which is the last business day prior to the anticipated date of the closing of the Merger) (the "Cash Determination Time"), the sum of (without duplication) the following:

- OncoMed's unrestricted cash and cash equivalents, marketable securities and other short term investments (including any accrued cash interest thereon), accounts receivable, interest and other receivables (including tax receivables), deposits (short term and long term), prepaid expenses and other prepaid assets, in each case, as determined in a manner consistent with

the manner in which such items were historically determined and in accordance with U.S. GAAP and OncoMed's preparation of the most recent audited financial statements and unaudited interim balance sheet included in OncoMed's disclosures with the SEC filed prior to December 5, 2018, but *excluding*:

- any assets held for resale,
- any directors' and officers' insurance tail policy purchased by OncoMed,
- any outstanding letters of credit, and
- any prepaid asset in respect of severance, termination, bonus, change in control, dependent care, medical care, or other similar expenses relating to any current or former director, officer or employee of, or independent contractor or consultant to, OncoMed who is not specifically identified as an employee or consultant to be retained by the Combined Company following completion (a "Retained Employee");

- expenses paid, or liabilities incurred, prior to Closing, that are approved in writing (without conditions) to be paid to OncoMed pursuant to any directors' and officers' insurance policy; and
- the aggregate amount of expenditures made by OncoMed between December 5, 2018 and the Cash Determination Time that are contemplated in the operating budget provided to Mereo in a disclosure schedule at the time of the execution of the Merger Agreement;

minus the sum of (without duplication) the following:

- OncoMed's accounts payable and accrued liabilities and expenses, including accrued clinical liabilities and expenses solely with respect to services rendered prior to the Effective Time, and OncoMed's other liabilities (short term and long term), in each case, as determined and in accordance with U.S. GAAP and OncoMed's preparation of the most recent audited financial statements and unaudited interim balance sheet included in OncoMed's disclosures with the SEC filed prior to December 5, 2018, but *excluding:*
  - any liabilities in respect of current and long term deferred revenue or deferred rent, any accrued liabilities in respect of paid time off or vacation for any Retained Employee, and
  - any clinical liabilities or expenses in respect of services to be rendered following the Effective Time;
- any amounts that are owed by OncoMed to current or former employees, officers or directors pursuant to any indemnification, contribution or similar obligations (whether under an indemnification agreement or otherwise);
- any outstanding indebtedness of OncoMed;
- any notice, termination or consent payments, fines or other payments to be made by OncoMed in order to terminate any existing contract to which OncoMed is a party and which termination is expressly required by the terms of the Merger Agreement or to effect the transactions contemplated by the Merger Agreement;
- any brokerage fee, finder's fee, opinion fee, success fee, transaction fee, service fee or other fee, commission or expense owed to any broker, finder, investment bank, auditor, accountant, counsel, advisor or other third party in connection with the transactions contemplated by the Merger Agreement based upon arrangements made by or on behalf of OncoMed;
- all accrued and unpaid taxes of OncoMed (estimated with respect to current tax liabilities);
- any unpaid amounts payable by OncoMed to purchase the directors' and officers' insurance tail policy; and
- any severance, termination, bonus, change in control, dependent care, medical care, or other similar expenses relating to any current or former director, officer or employee of, or independent contractor or consultant to, OncoMed who is not a Retained Employee;

plus the aggregate amount of expenditures made by OncoMed between the date of the Merger Agreement and the Cash Determination Time that are contemplated in the corresponding budget set forth in a confidential disclosure schedule provided to Mereo at the time of the execution of the Merger Agreement.

Not more than ten nor less than five calendar days prior to the anticipated date for closing of the Merger, OncoMed will deliver to Mereo a schedule setting forth its good faith estimated calculation of net cash as of the Cash Determination Time (the date of delivery of such schedule, the "Delivery Date"). If Mereo objects to the net cash calculation, the parties shall attempt in good faith to resolve the disputed items and negotiate an agreed-upon determination of net cash. If the parties are unable to negotiate an agreed-upon determination of net cash or any component thereof, any remaining disagreements will be referred to an independent auditor jointly selected by Mereo and OncoMed. The determination of the amount of net cash made by such accounting firm shall be final and binding on Mereo and OncoMed.

OncoMed's net cash balance is subject to numerous factors, some of which are outside of OncoMed's control. The actual amount of net cash will depend significantly on the timing of the closing of the Merger. In addition, the closing of the Merger could be delayed if Mereo and OncoMed are not able to agree upon the amount of OncoMed's net cash as of the Cash Determination Time.

Share Consideration Cap

The number of Mereo Shares underlying Mereo ADSs issuable to former OncoMed stockholders in the Merger is also subject to the Share Consideration Cap. Pursuant to the terms of the Merger Agreement, the number of Mereo Shares to be allotted and issued by Mereo to the depositary (and the corresponding number of Mereo ADSs to be issued by the depositary to holders of OncoMed common stock) as Share Consideration or pursuant to the CVR Agreement will not, in the aggregate, exceed 66.67% of the Mereo Shares issued and outstanding immediately prior to the Effective Time (approximately 40% of the share capital of the Combined Company) and (i) if the aggregate number of Mereo Shares underlying the Mereo ADSs to be issued at the closing of the Merger would otherwise exceed the Share Consideration Cap, the Exchange Ratio shall be appropriately adjusted so that the Share Consideration Cap is not exceeded, and (ii) if, at any time following the closing of the Merger, the aggregate number of Mereo ADSs to be issued pursuant to the CVR Agreement would require the allotment and issuance of an aggregate number of Mereo Shares (underlying such Mereo ADSs) that, together with the aggregate number of Mereo Shares underlying the Mereo ADSs issued at Closing pursuant to the Merger Agreement (collectively, the "Total Share Consideration"), would otherwise exceed the Share Consideration Cap, then the number of Mereo ADSs to be issued pursuant to the CVR Agreement shall be appropriately reduced so that the Total Share Consideration does not exceed the Share Consideration Cap. For the avoidance of doubt, the Share Consideration Cap shall have no effect on any contingent cash payment which is or becomes payable pursuant to the CVR Agreement.

Fractional Shares

No fractional Mereo ADSs or CVRs will be issued in the Merger. Any fractional Mereo ADSs or CVRs resulting from the application of the Exchange Ratio or the settlement of the OncoMed Options will be rounded down to the nearest whole Mereo ADS or CVR, as applicable, with no cash being paid to compensate for any fractional Mereo ADSs or CVRs eliminated by such rounding.

Treatment of OncoMed Options and OncoMed Units

OncoMed Options

The Merger Agreement provides that each OncoMed Option, whether vested or unvested, outstanding immediately prior to the Effective Time will be automatically canceled in exchange for the

right to receive (i) the excess, if any, of the Merger Consideration over the applicable exercise price of such canceled OncoMed Option, multiplied by (ii) the number of shares of OncoMed common stock subject to such OncoMed Option immediately prior to the Effective Time, where such excess will be determined by subtracting from the Share Consideration a number of Mereo Shares equal to the quotient of the aggregate exercise price applicable to the relevant OncoMed Option, divided by $3.29. Each OncoMed Option that has a per-share exercise price that is higher than the Merger Consideration shall be canceled at the Effective Time for no consideration. No OncoMed Options will remain outstanding following the consummation of the Merger.

OncoMed Units

The Merger Agreement further provides that, as of immediately prior to the Effective Time and contingent on the occurrence of the Closing, each OncoMed Unit will be canceled and the holders thereof will be entitled to receive the number of shares of OncoMed common stock that were subject to such OncoMed Units and such stockholders will thereafter be entitled to receive the Merger Consideration in respect of these shares of OncoMed common stock. The tax withholding obligations for each holder receiving shares of OncoMed common stock in connection with the cancellation of such holder's OncoMed Units will be satisfied by OncoMed withholding from issuance that number of shares of OncoMed common stock calculated by multiplying the maximum statutory withholding rate for such holder in connection with such issuance by the number of shares of OncoMed common stock to be issued (rounded up to the nearest whole share) and remitting such withholding in cash to the appropriate tax authority. No OncoMed Units will remain outstanding following the consummation of the Merger.

OncoMed ESPP

The Merger Agreement provides that the OncoMed 2013 Employee Stock Purchase Plan (the "OncoMed ESPP") will be terminated immediately prior to the Effective Time. The offering period in progress as of December 5, 2018 will be the final offering period under the OncoMed ESPP. Any options under the OncoMed ESPP are required to be exercised on the earlier of (1) the scheduled purchase date for such offering period and (2) the tenth business day prior to the Closing. No individuals who were not participating in the OncoMed ESPP as of December 5, 2018 have been or will be permitted to commence participation since such date, and no participants in the OncoMed ESPP have been or will be permitted to increase their payroll deductions from those in effect as of such date.

Closing and Effective Time

The parties are obligated to effect the Merger only if all of the conditions to the closing of the Merger under the Merger Agreement are either satisfied or waived at or prior to the Effective Time.

The Merger will become effective at such time as the Certificate of Merger is duly filed with the Secretary of State of the State of Delaware on the date of the closing of the Merger, or at such subsequent date or time as OncoMed and Mereo and specify in the Certificate of Merger.

In the Merger Agreement, Mereo and OncoMed have agreed that the date of the closing of the Merger shall be no later than the second business day following the satisfaction or waiver of the last of the conditions to the closing of the Merger (other than those conditions that by their nature are to be satisfied at the closing of the Merger, but subject to the satisfaction or waiver of those conditions), or at such other date and time as OncoMed and Mereo agree in writing.

It is currently anticipated that the Effective Time will occur during the first half of 2019.

Conversion of Shares

The conversion of each share of OncoMed common stock into the right to receive the Merger Consideration will occur automatically at the Effective Time. Mereo has engaged Citibank, N.A. to act

as exchange agent (the "Exchange Agent") to distribute the Share Consideration and to perform other duties pursuant to the Merger Agreement.

Exchange Agent; Letter of Transmittal

At the Effective Time, Mereo shall (1) allot, issue and deposit with the depositary (or its designee), or any successor depositary thereto, for the benefit of the holders of shares of OncoMed common stock, a number of Mereo Shares equal to the aggregate number of Mereo ADSs to be issued as Share Consideration and (2) the depositary shall issue the Mereo ADSs representing such Mereo Shares in accordance with the Merger Agreement and the deposit agreement.

Promptly after the Effective Time, the parties to the Merger Agreement shall cause the Exchange Agent to send a letter of transmittal to each record holder of shares of OncoMed common stock. This mailing will contain instructions on how to surrender such holder's stock certificates representing such shares of OncoMed common stock in exchange for the Merger Consideration. Upon surrender of such holder's stock certificates, together with a duly executed letter of transmittal and any other documents as may reasonably be required by the Exchange Agent or Mereo, the holder of shares of OncoMed common stock will be entitled to receive the Merger Consideration in the form of (1) the number of whole book-entry Mereo ADSs and (2) the number of CVRs, in each case that such holder is entitled to receive as a result of the Merger. Until surrendered, each stock certificate representing shares of OncoMed common stock shall be deemed, from and after the Effective Time, to represent only the right to receive the Merger Consideration.

If any stock certificate representing shares of OncoMed common stock has been lost, stolen or destroyed, Mereo may, in its discretion and as a condition precedent to the delivery of any Mereo ADSs or CVRs, require the owner of such lost, stolen or destroyed stock certificate to provide an affidavit with respect to such stock certificate and post a bond indemnifying Mereo against any claim suffered by Mereo related to the lost, stolen or destroyed stock certificate or any Mereo ADSs or CVRs issued in exchange therefor as Mereo may reasonably request.

No dividends or other distributions declared or made with respect to Mereo ADSs, or Mereo Shares underlying such Mereo ADSs, with a record date after the Effective Time shall be paid to the holder of any unsurrendered stock certificate representing shares of OncoMed common stock until such holder surrenders such stock certificate or provides an affidavit of loss or destruction in lieu thereof (at which time such holder shall be entitled, subject to the effect of applicable abandoned property, escheat or similar laws, to receive all such dividends and distributions, without interest).

Appraisal Rights

OncoMed common stock held by a record holder or beneficial owner who does not vote in favor of adoption of the Merger Agreement or consent in writing to adoption of the Merger Agreement, who is statutorily entitled to exercise appraisal rights and who duly complies exactly with all provisions of Section 262 of the DGCL concerning the right of holders of OncoMed common stock to seek appraisal of their shares of OncoMed common stock will not be converted into a right to receive the Merger Consideration, but instead will be entitled only to such rights as are granted by Section 262 of the DGCL.

If a holder of shares of OncoMed common stock does not vote in favor of, nor consent in writing to, the Merger Proposal, properly demands appraisal and otherwise complies with applicable Delaware law and does not effectively withdraw his, her or its demand for, or lose the right to, appraisal of such OncoMed common stock in compliance with Section 262 of the DGCL, such shares will not be converted into the right to receive the Merger Consideration as described under "—Merger Consideration," but instead, at the effective time of the Merger, will become entitled only to payment of

the fair value of such shares determined in accordance with applicable Delaware law. However, if any such holder votes in favor of, or consents in writing to, the Merger Proposal, fails to properly demand appraisal, fails to comply with applicable Delaware law, or otherwise waives, withdraws or loses the right to payment of the fair value of such dissenting shares under applicable Delaware law, then the right of such holder to be paid the fair value of such holder's dissenting shares will cease and such dissenting shares will be deemed to have been converted as of the effective time of the Merger into, and to have become exchangeable solely for the right to receive, without interest or duplication, the Merger Consideration with respect to such shares.

For additional information about appraisal rights upon completion of the Merger, see "The Merger—Appraisal Rights."

Withholding

Each of the Exchange Agent, Mereo and OncoMed, as the surviving corporation, will be entitled to deduct and withhold from any consideration payable pursuant to the Merger Agreement such amounts as are required to be deducted or withheld from such consideration under applicable law. To the extent such amounts are so deducted or withheld, and remitted to the appropriate tax authority, such amounts shall be treated for all purposes under the Merger Agreement as having been paid to the person to whom such amounts would otherwise have been paid.

Dividends and Distributions

The Merger Agreement provides during the period commencing on December 5, 2018 and continuing until the earlier to occur of the termination of the Merger Agreement and the Effective Time, neither OncoMed nor Mereo may declare, accrue, set aside or pay any dividends or make any other distribution in respect of any shares of their respective capital stock, or repurchase, redeem or otherwise reacquire any shares of their respective capital stock or other securities (except for (1) any shares of terminated employees, directors or consultants, or (2) in connection with the vesting or exercise of any outstanding option, to cover the applicable exercise price or taxes thereon). Neither OncoMed nor Mereo currently pays regular dividends.

Representations and Warranties of Mereo, Merger Sub and OncoMed

The Merger Agreement contains representations and warranties made by Mereo, Merger Sub and OncoMed to, and solely for the benefit of, each other. You should not rely on the representations and warranties in the Merger Agreement as characterizations of the actual state of facts relating to Mereo or OncoMed and should instead read the information provided elsewhere in this proxy statement/prospectus and in the documents that are incorporated by reference into this proxy statement/prospectus for information regarding Mereo and OncoMed and their respective businesses.

The Merger Agreement contains customary representations and warranties made by Mereo, Merger Sub and OncoMed relating to their respective businesses regarding, among other things:

- corporate matters, including organization and power to conduct business, good standing and qualifications and subsidiaries;
- organizational documents;
- corporate authorizations and approvals relative to execution, delivery and performance of the Merger Agreement;
- the requisite vote of stockholders and shareholders;
- the absence of contraventions or conflicts with organizational documents as a result of the Merger;
- capitalization;

- reports and financial statements, including their preparation in accordance with U.S. GAAP or IFRS, as the case may be, filing or furnishing with the relevant governmental entities or regulatory authorities, and compliance with the relevant laws and regulations, and that such reports and financial statements fairly present, in all material respects, the relevant financial position and results of operations;
- maintenance of disclosure controls and procedures and internal control over financial reporting;
- the absence of certain changes since September 19, 2018, with respect to OncoMed and its subsidiaries, and June 30, 2018 with respect to Mereo and its subsidiaries, that have had or would reasonably be expected to have, individually or in the aggregate, a material adverse effect;
- the absence of undisclosed liabilities;
- title to assets;
- title and rights to real property;
- ownership of or right to intellectual property, and absence of infringement;
- the existence of and compliance with material contracts;
- compliance with laws and government regulations, including drug regulatory laws and regulations;
- the possession of material permits and compliance with their terms;
- the absence of certain material litigation, claims and actions;
- the preparation and timely filing of taxes and the accuracy and completeness of certain tax matters;
- compliance with applicable laws related to employee benefits and the Employment Retirement Income Security Act;
- the existence of employee benefit plans;
- the absence of collective bargaining agreements and other employment and labor matters;
- compliance with applicable environmental laws;
- the existence and maintenance of insurance;
- the absence of undisclosed investment banker, broker or finder fees payable in connection with the Merger;
- the absence of related party transactions; and
- in the case of Mereo, the valid allotment and issuance of the Mereo Shares underlying the Mereo ADSs to be allotted and issued at Closing.

The representations and warranties in the Merger Agreement do not survive the Effective Time.

Each of Mereo's, Merger Sub's and OncoMed's representations and warranties are qualified by the information included in confidential disclosure schedules delivered concurrently with the execution of the Merger Agreement on December 5, 2018.

Many of the representations and warranties made by each of Mereo, Merger Sub and OncoMed are qualified by a "material adverse effect" standard (that is, they will not be deemed untrue or incorrect unless their failure to be true or correct, individually or in the aggregate, has had or would reasonably be expected to have a material adverse effect). Certain of the representations and warranties are qualified by a general materiality standard or by a knowledge standard. For the purpose of the Merger Agreement, a "material adverse effect" has the meaning set forth below under "—Material Adverse Effect."

Material Adverse Effect

The Merger Agreement provides that a "material adverse effect" means any effect, change, event, circumstance or development that, considered together with all other effects, changes, events, circumstances or developments that have occurred prior to the date of determining the occurrence of such a material adverse effect, has or would or would reasonably be expected to have a material adverse effect on the business, financial condition, assets, liabilities or results of operations of Mereo and its subsidiaries, taken as a whole, or OncoMed, as the case may be. When determining whether a material adverse effect has occurred, none of the following may be taken into account:

- any rejection or non-acceptance by a governmental authority of a registration statement or filing by Mereo or OncoMed, as the case may be, relating to intellectual property rights;
- the announcement of the Merger Agreement or the pendency of the transactions contemplated thereby;
- any change in the share price or trading volume of Mereo Shares or shares of OncoMed common stock, as the case may be (it being understood, however, that any effect, change, event, circumstance or development causing or contributing to any change in the share price or trading volume of shares may be taken into account in determining whether a material adverse effect has occurred, unless such effect, change, event, circumstance or development is otherwise excepted from this definition of material adverse effect);
- the taking of any action, or the failure to take any action, by Mereo or OncoMed, as the case may be, that is required to comply with the terms of the Merger Agreement or the taking of any action expressly permitted pursuant to the relevant disclosure schedule provided by each of Mereo and OncoMed to the other concurrently with the execution of the Merger Agreement;
- any natural disaster or any act or threat of terrorism or war anywhere in the world, any armed hostilities or terrorist activities anywhere in the world, any threat or escalation or armed hostilities or terrorist activities anywhere in the world or any governmental or other response or reaction to any of the foregoing;
- any change in IFRS (in the case of Mereo) or U.S. GAAP (in the case of OncoMed) or applicable law or the interpretation thereof;
- general economic or political conditions or conditions generally affecting the industries in which Mereo and its subsidiaries, or OncoMed, as the case may be, operate; or
- in the case of Mereo only, any change in the cash position of Mereo and its subsidiaries which results from operations in the ordinary course of business;

except, in the case of the effects, changes, events, circumstances or developments referred to in the fifth, sixth and seventh bullets in the immediately preceding list, to the extent disproportionately affecting Mereo and its subsidiaries, taken as a whole, or OncoMed, as the case may be, relative to other similarly situated companies in the industries in which Mereo and its subsidiaries, or OncoMed, as applicable, operate.

Restrictions on OncoMed's Business Pending the Closing

OncoMed has agreed that, except as (i) expressly contemplated or permitted by the Merger Agreement, (ii) required by applicable law or (iii) consented to by Mereo in writing (which consent shall not be unreasonably withheld, delayed or conditioned), it will, in the period prior to Closing, (1) conduct its business and operations in the ordinary course of business consistent with past practices and with all applicable law and the requirements of its material contracts and (2) take certain actions, and refrain from taking certain actions, as set forth in a confidential disclosure schedule provided to Mereo at the time of the execution of the Merger Agreement.

In particular, and except (i) as expressly contemplated or permitted by the Merger Agreement, (ii) as set forth in a confidential disclosure schedule provided to Mereo at the time of the execution of

the Merger Agreement, (iii) as required by applicable law or (iv) with the prior written consent of Mereo (which consent shall not be unreasonably withheld, delayed or conditioned), OncoMed has agreed to certain restrictions on its ability to, among other things:

- declare, accrue, set aside or pay any dividends or make any other distribution in respect of any shares of OncoMed capital stock, or repurchase, redeem or otherwise reacquire any shares of such stock or other securities (except for (1) any shares of terminated employees, directors or consultants, or (2) in connection with the vesting or exercise of any outstanding option, to cover the applicable exercise price or taxes thereon);
- amend its organizational documents, or effect or be a party to any merger, consolidation, share exchange, business combination, recapitalization, reclassification of shares, stock split, reverse stock split or similar transaction except, for the avoidance of doubt, in connection with the Merger Agreement or the transactions contemplated thereby;
- sell, issue, grant, pledge or otherwise dispose of or encumber or authorize any of the foregoing actions with respect to (1) any share of capital stock or other security of OncoMed (except for shares issued upon the valid exercise of OncoMed Options), (2) any option, warrant or right to acquire any capital stock or any other security, or (3) any instrument convertible into or exchangeable for any capital stock or other security of OncoMed;
- form any subsidiary or acquire any equity interest or other interest in any other entity or enter into a joint venture with any other entity;
- lend money to any person, incur or guarantee any indebtedness for borrowed money, other than in the ordinary course of business, guarantee any debt securities of others, or make any capital expenditure or commitment in excess of $200,000;
- except as required by an OncoMed employee benefit plan as in effect on the date of the Merger Agreement, (1) adopt, establish or enter into any OncoMed employee benefit plan, collective bargaining agreement or other contract with a labor organization representing any director, officer, employee or consultant of OncoMed, (2) cause or permit any OncoMed employee benefit plan to be amended or terminated, (3) increase the compensation or benefits provided to any director, officer, employee or consultant of OncoMed, (4) grant any severance, retention or termination pay to, enter into or amend any severance, retention, termination, employment, consulting, bonus, change in control or severance agreement with, or pay any bonus, incentive or similar payment to, any director, officer, employee or consultant of OncoMed, (5) grant any equity or equity-based awards to, or discretionarily accelerate the vesting or payment of any such awards held by, any director, officer, employee or consultant of OncoMed, or (6) hire any director, officer, employee or consultant;
- enter into any material transaction outside the ordinary course of business;
- acquire any material asset or sell, lease or otherwise irrevocably dispose of any of its assets or properties, or grant any encumbrance with respect to such assets or properties, except in the ordinary course of business;
- sell, assign, transfer, license, sublicense or otherwise dispose of, abandon or permit to lapse, fail to take any action to maintain, enforce or protect, or create any encumbrance (other than permitted encumbrances) on, any material OncoMed intellectual property rights (other than pursuant to non-exclusive licenses in the ordinary course of business);
- make, change or revoke any material tax election, file any material amendment to any tax return, adopt or change any accounting method in respect of taxes, enter into any closing agreement, settle any tax claim or assessment, surrender any right to claim a tax refund, offset or other reduction in tax liability, consent to any extension or waiver of the limitations period applicable to any tax claim or assessment or, if it would have an effect of increasing the tax liability of OncoMed, take or omit to take any action outside the ordinary course of business;
- enter into, amend or terminate any material contract;

- materially change pricing or royalties or other payments set or charged by OncoMed to its customers or licensees, or agree to materially change pricing or royalties or other payments set or charged by persons who have licensed intellectual property to OncoMed; or
- agree, resolve or commit to do any of the foregoing.

Without limiting the generality of the foregoing, except (i) as required by applicable law or (ii) with the prior written consent of Mereo (which consent may be withheld in Mereo's sole discretion), from the Delivery Date to the Effective Time, OncoMed is not permitted to take or omit to take any action resulting in, or reasonably likely to result in, OncoMed's actual net cash balance deviating by more than $100,000 from the projections detailed in the net cash calculation as of the Effective Time.

These restrictions, which are subject to various exceptions and qualifications agreed by Mereo and OncoMed, are described in more detail in the Merger Agreement. In addition, some of the restrictions on OncoMed's business are qualified by confidential disclosures made by OncoMed to Mereo.

Restrictions on Mereo's Business Pending the Closing

Mereo has agreed that, except as (i) expressly contemplated or permitted by the Merger Agreement, (ii) required by applicable law or (iii) consented to by OncoMed in writing (which consent shall not be unreasonably withheld, delayed or conditioned), it will, in the period prior to Closing, conduct its business and operations in the ordinary course of business consistent with past practices and with all applicable law and the requirements of its material contracts.

In particular, and except (i) as expressly contemplated or permitted by the Merger Agreement, (ii) as set forth in a confidential disclosure schedule provided to OncoMed at the time of the execution of the Merger Agreement, (iii) as required by applicable law or (iv) with the prior written consent of OncoMed (which consent shall not be unreasonably withheld, delayed or conditioned), Mereo has agreed to certain restrictions on its ability to, among other things:

- declare, accrue, set aside or pay any dividends or make any other distribution in respect of any shares of Mereo capital stock, or repurchase, redeem or otherwise reacquire any shares of such stock or other securities (except for (1) any shares of terminated employees, directors or consultants, or (2) in connection with the vesting or exercise of any outstanding option, to cover the applicable exercise price or taxes thereon);
- sell, issue, grant, pledge or otherwise dispose of or encumber or authorize the issuance of (1) any share or other security of Mereo (except for Mereo Shares issued upon the valid exercise of outstanding options), (2) any option, warrant or right to acquire any share capital or any other security, or (3) any instrument convertible into or exchangeable for any share capital or other security;
- amend its organizational documents, or effect or be a party to any merger, consolidation, share exchange, business combination, recapitalization, reclassification of shares, stock split, reverse stock split or similar transaction except, for the avoidance of doubt, in connection with the Merger Agreement or the transactions contemplated thereby;
- form any subsidiary or acquire any equity interest or other interest in any other entity or enter into a joint venture with any other entity;
- lend money to any person, incur or guarantee any indebtedness for borrowed money, other than in the ordinary course of business, guarantee any debt securities of others, or make any capital expenditure or commitment other than in the ordinary course of business;
- enter into any material transaction outside the ordinary course of business;
- acquire any material asset or sell, lease or otherwise irrevocably dispose of any of its assets or properties, or grant any encumbrance with respect to such assets or properties, except in the ordinary course of business;

- make, change or revoke any material tax election, file any material amendment to any tax return, adopt or change any accounting method in respect of taxes, enter into any closing agreement, settle any tax claim or assessment, surrender any right to claim a tax refund, offset or other reduction in tax liability, consent to any extension or waiver of the limitations period applicable to any tax claim or assessment or, if it would have an effect of increasing the tax liability of OncoMed, take or omit to take any action outside the ordinary course of business;
- enter into, enter into any material amendment to or terminate any material contract; or
- agree, resolve or commit to do any of the foregoing.

These restrictions, which are subject to various exceptions and qualifications agreed by Mereo and OncoMed, are described in more detail in the Merger Agreement. In addition, some of the restrictions on Mereo's business are qualified by confidential disclosures made by Mereo to OncoMed.

Agreement Not to Solicit Other Offers

Subject to the exceptions described below and in the Merger Agreement, each of Mereo and OncoMed has agreed, among other things, that it will not, directly or indirectly:

- solicit, initiate or knowingly encourage, induce or facilitate the communication, making, submission or announcement of any proposal or offer that constitutes, or would reasonably be expected to result in, an acquisition proposal or acquisition inquiry from any third party;
- furnish any non-public information regarding the other party to any person in connection with or in response to, or engage in discussions or negotiations with any person with respect to, any proposal or offer that constitutes, or would reasonably be expected to result in, any acquisition proposal or acquisition inquiry;
- approve, endorse or recommend any acquisition proposal; or
- execute or enter into any letter of intent or any acquisition agreement, merger agreement or similar definitive agreement (other than a confidentiality agreement containing provisions (including nondisclosure provisions, use restrictions, non-solicitation provisions and no hire provisions) at least as favorable to such party as those contained in the existing confidentiality agreement between OncoMed and Mereo) relating to an acquisition proposal.

Each of Mereo and OncoMed has further agreed (1) subject to any regulatory obligations of such party under applicable law, to promptly advise the other party orally and in writing upon receipt of any acquisition proposal or acquisition inquiry, and (2) to cease any discussions, negotiations or communications with any person with respect to any acquisition proposal as of the date of the Merger Agreement.

However, at any time prior to the approval and adoption of the Merger Agreement by OncoMed stockholders, in the case of OncoMed, or Mereo shareholders, in the case of Mereo, each party may furnish non-public information regarding such party and its subsidiaries to, and enter into discussions or negotiations with, any person in response to a bona fide written acquisition proposal which such party's board of directors determines in good faith, after consultation with such party's financial advisors and outside legal counsel, constitutes or is reasonably likely to result in a superior offer, provided that:

- neither party nor any representative of such party has breached the obligations outlined above;
- the board of directors of such party concludes in good faith having consulted with its outside legal counsel that the failure to take such action is reasonably likely to be inconsistent with the duties or obligations of the board of directors of such party under applicable law; and
- such party receives from such third party an executed confidentiality agreement containing provisions (including nondisclosure provisions, use restrictions, non-solicitation provisions and

no hire provisions) at least as favorable to such party as those contained in the existing confidentiality agreement between OncoMed and Mereo.

In addition, (1) Mereo's obligation not to solicit offers shall not require Mereo to take any action, or prevent Mereo from taking any action, which Mereo reasonably determines, having consulted with its outside legal counsel, would be inconsistent with or in breach of the U.K. City Code on Takeovers and Mergers (the "U.K. City Code"), and (2) OncoMed's obligation not to solicit offers shall not require OncoMed to take any action, or prevent OncoMed from taking any action, which OncoMed reasonably determines, having consulted with its outside legal counsel, would be inconsistent with or in breach of OncoMed's obligations under the DGCL.

The Merger Agreement provides that the term "acquisition proposal" means, with respect to any party to the Merger Agreement, an offer or proposal, whether written or oral (other than an offer or proposal made or submitted by or on behalf of OncoMed or any of its affiliates, on the one hand, or by or on behalf of Mereo or any of its affiliates, on the other hand, to the other party) contemplating or otherwise relating to any acquisition any transaction or series of related transactions involving: (a) any merger, consolidation, amalgamation, share exchange, business combination, issuance of securities, acquisition of securities, reorganization, recapitalization, tender offer, exchange offer or other similar transaction (i) in which a party is a constituent entity, (ii) in which a person or "group" (as defined in the Exchange Act and the rules promulgated thereunder) of persons directly or indirectly acquires beneficial or record ownership of securities representing more than 20% of the outstanding securities of any class of voting securities of a party or any of its subsidiaries, or (iii) in which a party or any of its subsidiaries issues securities representing more than 20% of the outstanding securities of any class of voting securities of such party or any of its subsidiaries; or (b) any sale, lease, exchange, transfer, acquisition or disposition of any business or businesses or assets that constitute or account for 20% or more of the consolidated book value or the fair market value of the assets of a party and its subsidiaries, taken as a whole. For the avoidance of doubt, a licensing transaction will not be considered an "acquisition transaction."

The Merger Agreement provides that the term "superior offer" means an unsolicited bona fide written acquisition proposal (with all references to 20% in the definition of acquisition transaction being treated as references to 50% for these purposes) that: (a) was not obtained or made as a direct or indirect result of a breach of (or in violation of) the Merger Agreement and (b) is on terms and conditions that the Mereo Board or the OncoMed Board, as applicable, determines in good faith, based on such matters that it deems relevant (including the likelihood of consummation thereof and the financing terms thereof), as well as any written offer by the other party to the M Merger Agreement to amend the terms of the Merger Agreement, and following consultation with its outside legal counsel and financial advisors, if any, are more favorable, from a financial point of view, to Mereo's shareholders or OncoMed's stockholders, as applicable, than the terms of the transactions contemplated by the Merger Agreement and is not subject to any financing conditions (and if financing is required, such financing is then fully committed to the third party).

OncoMed's Board Recommendation

Subject to the exceptions described below and in the Merger Agreement, OncoMed has agreed:

- that the OncoMed Board will recommend that OncoMed's stockholders vote to approve and adopt the Merger Agreement and the transactions contemplated thereby;
- that the OncoMed Board will not withdraw or modify the OncoMed Board Recommendation in any manner adverse to Mereo; and
- that no resolution by the OncoMed Board or any committee thereof to withdraw or modify the OncoMed Board Recommendation in any manner adverse to Mereo or to adopt, approve or

recommend (or publicly propose to adopt, approve or recommend) any acquisition proposal shall be adopted or proposed.

Notwithstanding the above, the OncoMed Board may make an OncoMed Adverse Recommendation Change (so long as OncoMed has provided prior written notice to Mereo of the OncoMed Board's intention to make an OncoMed Adverse Recommendation Change within the Notice Period) if, and only if, following receipt of a superior offer:

- OncoMed has, and has caused its financial advisors and outside legal counsel to, during the Notice Period, negotiate with Mereo in good faith to make such adjustments to the terms and conditions of the Merger Agreement so that such acquisition proposal ceases to constitute a superior offer; and
- the OncoMed Board shall have determined in good faith, having consulted with its outside legal counsel, that the failure to withhold, amend, withdraw or modify the OncoMed Board Recommendation would result in a breach of its fiduciary duties under applicable law.

Mereo's Board Recommendation

Subject to the exceptions described below and in the Merger Agreement, Mereo has agreed:

- that, if a vote of Mereo's shareholders is required, the Mereo Board will recommend that Mereo's shareholders vote to approve and adopt the Merger Agreement and the transactions contemplated thereby;
- that the Mereo Board will not withdraw or modify the Mereo Board Recommendation in any manner adverse to OncoMed; and
- that no resolution by the Mereo Board or any committee thereof to withdraw or modify the Mereo Board Recommendation in any manner adverse to OncoMed or to adopt, approve or recommend (or publicly propose to adopt, approve or recommend) any acquisition proposal shall be adopted or proposed.

Notwithstanding the above, the Mereo Board may make a Mereo Adverse Recommendation Change (so long as Mereo has provided prior written notice to OncoMed of the Mereo Board's intention to make a Mereo Adverse Recommendation Change at least four business days in advance of taking such action) if, and only if, following receipt of a superior offer:

- Mereo has, and has requested its financial advisors and outside legal counsel to, during the Notice Period, negotiate with OncoMed in good faith to make such adjustments to the terms and conditions of the Merger Agreement so that such acquisition proposal ceases to constitute a superior offer; and
- the Mereo Board shall have determined in good faith, having consulted with its outside legal counsel, that the failure to withhold, amend, withdraw or modify the Mereo Board Recommendation would result in a breach of its fiduciary duties under applicable law.

Preparation of the Form F-4 and the Proxy Statement/Prospectus; OncoMed Special Meeting

Mereo and OncoMed have agreed to jointly prepare and file with the SEC this proxy statement/prospectus (as part of the Form F-4) that includes (1) a prospectus for the allotment and issuance of the Mereo Shares in connection with the Merger and (2) a proxy statement of OncoMed for use in the solicitation of proxies for the OncoMed Special Meeting.

OncoMed has agreed to use commercially reasonable efforts to cause this proxy statement/prospectus to be mailed to OncoMed's stockholders as promptly as practicable following the date this

proxy statement/prospectus is declared effective under the Securities Act. OncoMed has agreed to call, give notice of, and hold the OncoMed Special Meeting for the purpose of obtaining the OncoMed Stockholder Approval as promptly as practicable following the date this proxy statement/prospectus is declared effective, and in any event no later than 45 days after the effective date of this proxy statement/prospectus.

OncoMed has agreed to use commercially reasonable efforts to solicit the approval by its stockholders of the Merger.

Mereo Shareholder Meeting

Mereo has agreed, should a meeting of its shareholders be considered by the Mereo Board to be necessary in connection with the Merger Agreement or the transactions contemplated thereby or otherwise required by applicable law, the depositary, or otherwise required in connection with the issuance or trading of the Mereo ADSs including (i) the issuance of the Mereo ADSs and the allotment and issuance of the Mereo Shares underlying the Mereo ADSs to be issued in the Merger, and (ii) the grant of the CVRs to OncoMed's stockholders pursuant to the terms of the Merger Agreement, to take all action necessary under applicable law to call, give notice of and hold a meeting of the holders of Mereo Shares for the purpose of obtaining the Mereo Shareholder Approval. Mereo has agreed to hold such a meeting of its shareholders, if required, as promptly as practicable after this proxy statement/prospectus is declared effective, and in any event no later than 45 days after the effective date of this proxy statement/prospectus.

Mereo has agreed to use commercially reasonable efforts to solicit the approval by its shareholders of the Merger.

Board of Directors of Combined Company

Immediately following the Effective Time, two members of the existing OncoMed Board, Michael Wyzga and Dr. Deepika Pakianathan, will be appointed to the Mereo Board.

Indemnification and Insurance

Mereo has agreed to, and has agreed to cause the surviving corporation to, indemnify and hold harmless, all present or former directors or officers of Mereo or OncoMed, respectively, or any person who becomes a director or officer of Mereo or OncoMed, respectively, prior to the Effective Time, against all claims, losses, liabilities, damages, judgments, fines and reasonable fees, costs and expenses, including attorneys' fees and disbursements, incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of or pertaining to the fact that such person is or was a director or officer of Mereo or of OncoMed, whether asserted or claimed prior to, at or after the Effective Time, in each case, to the fullest extent permitted under applicable law. Each indemnified director or officer will be entitled to advancement of expenses incurred in the defense of any such claim, action, suit, proceeding or investigation from each of Mereo and the surviving corporation, jointly and severally, upon receipt by Mereo or the surviving corporation from the indemnified director or officer of a request therefor; provided that any such person to whom expenses are advanced provides an undertaking to Mereo, to the extent then required by applicable law, to repay such advances if it is ultimately determined that such person is not entitled to indemnification.

The Merger Agreement provides that, from and after the Effective Time, Mereo shall maintain directors' and officers' liability insurance policies, with an effective date as of the date of the closing of the Merger, on commercially available terms and conditions and with coverage limits customary for public limited companies similarly situated to Mereo. In addition, OncoMed is required to purchase,

prior to the Effective Time, a six-year prepaid "D&O tail policy" for the non-cancellable extension of the directors' and officers' liability coverage of OncoMed's existing directors' and officers' insurance policies for a claims reporting or discovery period of at least six years from and after the Effective Time with respect to any claim related to any period of time at or prior to the Effective Time with terms, conditions, retentions and limits of liability that are no less favorable than the coverage provided under OncoMed's existing policies as of the date of the Merger Agreement with respect to any actual or alleged error, misstatement, misleading statement, act, omission, neglect, breach of duty or any matter claimed against a director or officer of OncoMed by reason of him or her serving in such capacity that existed or occurred at or prior to the Effective Time (including in connection with the Merger Agreement or the transactions contemplated thereby, or in connection with OncoMed's initial public offering of shares of OncoMed common stock).

The Merger Agreement also provides that the provisions of the articles of association of Mereo with respect to indemnification, advancement of expenses and exculpation of present and former directors and officers of Mereo that were set forth in the articles of association of Mereo as of December 5, 2018 shall not be amended, modified or repealed for a period of six years from the Effective Time in a manner that would adversely affect the rights thereunder of individuals who, at or prior to the Effective Time, were officers or directors of Mereo, unless such modification is required by applicable law. The certificate of incorporation and bylaws of the surviving corporation shall contain, and Mereo shall cause the certificate of incorporation and bylaws of the surviving corporation to so contain, provisions no less favorable with respect to indemnification, advancement of expenses and exculpation of present and former directors and officers as those set forth in the certificate of incorporation and bylaws of OncoMed as of December 5, 2018.

Regulatory Filings

The Merger Agreement requires each party to use commercially reasonable efforts to file or otherwise submit, as soon as practicable, all applications, notices, reports and other documents reasonably required to be filed by such party with, or otherwise submitted by such party to, any governmental authority with respect to the transactions contemplated by the Merger Agreement, and to submit promptly any additional information requested by any such governmental authority. Without limiting the generality of the foregoing, the parties have agreed to promptly prepare and file, if applicable, any notification or other document required to be filed in connection with the Merger under any applicable foreign law relating to antitrust or competition matters. Each of OncoMed and Mereo shall respond as promptly as is practicable to respond in compliance with: (i) any inquiries or requests received from the U.S. Federal Trade Commission or the U.S. Department of Justice for additional information or documentation; and (ii) any inquiries or requests received from any state attorney general, foreign antitrust or competition authority or other governmental authority in connection with antitrust or competition matters.

Establishment of ADS Facility; Nasdaq Listing

The Merger Agreement provides that Mereo will cause a facility to be established with a depositary for the purpose of issuing the Mereo ADSs, and that Mereo will enter into a customary deposit agreement with such depositary. Mereo has appointed Citibank, N.A. to act as depositary.

Mereo has agreed to (1) cause the depositary to prepare and file with the SEC, no later than the date prescribed by the rules and regulations under the Securities Act, a registration statement, or pre-effective or post-effective amendment thereto, as applicable, on Form F-6 with respect to the registration under the Securities Act of the Mereo ADSs to be issued by virtue of the Merger and the change in Mereo's SEC reporting status, and (2) in cooperation with OncoMed, prepare and file with the SEC a registration statement on Form 8-A relating to the registration under the Exchange Act of the Mereo ADSs to be issued by virtue of the Merger.

The Merger Agreement also provides that Mereo will take all reasonable steps within its power to ensure that (1) the Mereo ADSs to be issued in the Merger are approved for listing on Nasdaq and (2) the Mereo Shares underlying the Mereo ADSs to be issued in the Merger are approved for admission to trading on AIM and satisfy any other requirements of London Stock Exchange plc in respect of the Merger Agreement and the transactions contemplated thereby, in each case prior to the Effective Time.

Net Cash and Management Accounts

The Merger Agreement provides that OncoMed will, within 15 calendar days of the end of each calendar month following the execution of the Merger Agreement, provide to Mereo in writing (i) management accounts, in a form consistent with the monthly management accounts prepared by OncoMed and delivered to Mereo prior to the date of the Merger Agreement, and (ii) a detailed calculation and accounting of net cash, calculated in accordance with the definition described above in "—Merger Consideration." OncoMed will, from time to time upon request by Mereo, promptly make available its principal financial and accounting officer to discuss any such calculation and accounting with representatives of Mereo.

Other Agreements

The Merger Agreement also contains other covenants and agreements, including with respect to access to information of the other company, public announcements with respect to the transactions contemplated by the Merger Agreement, compliance by OncoMed with its employment, change of control and similar agreements, and obtaining third party consents under each Mereo's and OncoMed's business contracts.

Conditions to Closing

Each party's obligation to effect the Merger is subject to satisfaction or, to the extent permitted by applicable law, mutual written waiver by each of the parties of the following conditions:

- the OncoMed Stockholder Approval and, if necessary, the Mereo Shareholder Approval shall have been obtained;
- no temporary restraining order, preliminary or permanent injunction or other order preventing the consummation of the Merger Agreement or the transactions contemplated thereby shall have been issued by any court of competent jurisdiction or other governmental authority of competent jurisdiction and remain in effect and there shall not be any law which has the effect of making the consummation of the Merger Agreement or the transactions contemplated thereby illegal;
- the Form F-4 shall have become effective under the Securities Act and shall not be the subject of any stop order or proceeding (or threatened proceeding by the SEC);
- the Mereo ADSs issuable to the OncoMed stockholders as contemplated by the Merger Agreement shall have been approved for listing on Nasdaq, subject to official notice of issuance, and the Mereo Shares underlying the Mereo ADSs issuable to the OncoMed stockholders pursuant to the Merger Agreement shall have been approved for admission to trading on AIM and any other requirements of London Stock Exchange plc in respect of the Merger Agreement or the transactions contemplated thereby shall have been satisfied.

The obligations of Mereo, HoldCo and Merger Sub to effect the Merger is further subject to the satisfaction or waiver of the following conditions:

- the representations and warranties of OncoMed contained in the Merger Agreement relating to corporate organization, subsidiaries, organizational documents, corporate authority and

approvals, required vote, and brokers and finders (the "OncoMed Specified Representations"), will be true and correct on and as of the closing date of the Merger with the same force and effect as if made on and as of such date (except to the extent such representations and warranties are specifically made as of a particular date, in which case such representations and warranties shall be true and correct as of such date);

- the representations and warranties of OncoMed relating to capital structure will be true and correct on and as of the closing date of the Merger, except, in each case, (x) for such inaccuracies which are de minimis, individually or in the aggregate, (y) for those representations and warranties which address matters only as of a particular date (which representations and warranties shall have been true and correct, subject to the qualifications as set forth in the preceding clause (x), as of such particular date) or (z) as expressly required or permitted by the Merger Agreement;
- the representations and warranties of OncoMed contained in the Merger Agreement (other than with respect to capital structure and the OncoMed Specified Representations) will be true and correct on and as of the closing date of the Merger except (a) in each case, or in the aggregate, where the failure to be so true and correct would not reasonably be expected to have a material adverse effect on OncoMed (without giving effect to any references therein to any material adverse effect or other materiality qualifications), or (b) for those representations and warranties which address matters only as of a particular date (which representations shall have been true and correct, subject to the qualifications as set forth in the preceding clause (a), as of such particular date);
- OncoMed shall have performed in all material respects its covenants required to be performed by it under the Merger Agreement at or prior to the closing date of the Merger;
- Mereo shall have received a certificate signed on behalf of OncoMed by the chief executive officer and chief financial officer (or if there is no chief financial officer at such time, the principal financial and accounting officer) of OncoMed to the effect that the conditions related to OncoMed's representations, warranties and covenants described above have been satisfied;
- Mereo shall have received from OncoMed a form of notice to the IRS in accordance with the requirements of Treasury Regulation Section 1.897-2(h) and in form and substance reasonably acceptable to Mereo;
- since December 5, 2018, a Material Adverse Effect with respect to OncoMed shall not have occurred; and
- the calculation of OncoMed's net cash as of the closing date of the Merger shall have been finally determined.

OncoMed's obligation to effect the Merger is further subject to the satisfaction or waiver of the following conditions:

- the representations and warranties of Mereo and Merger Sub contained in the Merger Agreement relating to corporate organization, subsidiaries, organizational documents, corporate authority and approvals, required vote, and brokers and finders (the "Mereo Specified Representations"), will be true and correct on and as of the closing date of the Merger with the same force and effect as if made on and as of such date (except to the extent such representations and warranties are specifically made as of a particular date, in which case such representations and warranties shall be true and correct as of such date);
- the representations and warranties of Mereo and Merger Sub relating to capital structure will be true and correct on and as of the closing date of the Merger, except, in each case, (x) for such inaccuracies which are de minimis, individually or in the aggregate, (y) for those representations and warranties which address matters only as of a particular date (which representations and warranties shall have been true and correct, subject to the qualifications

as set forth in the preceding clause (x), as of such particular date) or (z) as expressly required or permitted by the Merger Agreement;

- the representations and warranties of Mereo and Merger Sub contained in the Merger Agreement (other than with respect to capital structure and the Mereo Specified Representations) will be true and correct on and as of the closing date of the Merger except (a) in each case, or in the aggregate, where the failure to be so true and correct would not reasonably be expected to have a material adverse effect on Mereo (without giving effect to any references therein to any material adverse effect or other materiality qualifications), or (b) for those representations and warranties which address matters only as of a particular date (which representations shall have been true and correct, subject to the qualifications as set forth in the preceding clause (a), as of such particular date);
- each of Mereo and Merger Sub shall have performed in all material respects its respective covenants required to be performed by each under the Merger Agreement at or prior to the closing date of the Merger;
- OncoMed shall have received a certificate signed on behalf of Mereo by the chief executive office and chief financial officer of Mereo to the effect that the conditions related to Mereo's and Merger Sub's representations, warranties and covenants described above have been satisfied; and
- since December 5, 2018, a Material Adverse Effect with respect to Mereo shall not have occurred.

Any or all of the conditions described above may be waived in writing, in whole or in part, by Mereo or OncoMed, to the extent permitted by applicable law.

Termination Events

The Merger Agreement may be terminated at any time prior to the Effective Time by mutual written consent of Mereo and OncoMed, and either party may terminate the Merger Agreement in the following circumstances:

- if the Merger shall not have been consummated by September 4, 2019 (the "End Date"), except that the right to terminate the Merger Agreement on this basis shall not be available to OncoMed or Mereo if such party's action or failure to act has been a principal cause of the failure of the Merger to occur on or before the End Date and such action or failure to act constitutes a breach of the Merger Agreement and except that, in the event that the SEC has not declared this Form F-4 effective under the Securities Act by the date which is sixty days prior to the End Date, then either OncoMed or Mereo shall be entitled to extend the End Date for an additional sixty days;
- if a court of competent jurisdiction or other governmental authority shall have issued a final and nonappealable order, or shall have taken any other action, having the effect of permanently restraining, enjoining or otherwise prohibiting the Merger Agreement or the transactions contemplated thereby;
- if the OncoMed Special Meeting shall have been held and completed and OncoMed's stockholders shall have taken a final vote on the Merger Agreement and (ii) the Merger Agreement shall not have been adopted and approved at the OncoMed Special Meeting, except that the right to terminate the Merger Agreement on this basis shall not be available to OncoMed where the failure to obtain the approval of OncoMed's stockholders shall have been caused by the action or failure to act of OncoMed and such action or failure to act constitutes a material breach by OncoMed of the Merger Agreement; and
- if the Mereo Shareholder Meeting, if necessary, shall have been held and completed and Mereo's shareholders shall have taken a final vote on the matters requiring such shareholders'

approval and (ii) such matters shall not have been approved at the Mereo Shareholder Meeting, except that the right to terminate the Merger Agreement on this basis shall not be available to Mereo where the failure to obtain the approval of Mereo's shareholders shall have been caused by the action or failure to act of Mereo and such action or failure to act constitutes a material breach by Mereo of the Merger Agreement.

OncoMed may terminate the Merger Agreement at any time prior to the Effective Time as follows:

- if the Mereo Board or any committee thereof shall have made a Mereo Board Adverse Recommendation Change or approved, endorsed or recommended any acquisition proposal;
- if (a) Mereo shall have failed to include in this proxy statement/prospectus the Mereo Board Recommendation, (b) the Mereo Board or any committee thereof shall have made a Mereo Board Adverse Recommendation Change or approved, endorsed or recommended any acquisition proposal, or (c) Mereo shall have entered into any letter of intent or similar document or any contract relating to any acquisition proposal (other than a confidentiality agreement containing provisions (including nondisclosure provisions, use restrictions, non-solicitation provisions and no hire provisions) at least as favorable to Mereo as those contained in the existing confidentiality agreement between OncoMed and Mereo or any action required to be taken by Mereo pursuant to the UK City Code); or
- upon a breach of any representation, warranty, covenant or agreement set forth in the Merger Agreement by Mereo or Merger Sub, or if any representation or warranty of Mereo or Merger Sub becomes inaccurate such that the conditions to closing of the Merger would not be satisfied, provided that (1) OncoMed is not then in material breach of any representation, warranty, covenant or agreement under the Merger Agreement and (2) that if such inaccurancy in Mereo's or Merger Sub's representations and warranties or breach by Mereo or Merger Sub is curable by Mereo or Merger Sub, then the Merger Agreement shall not terminate as a result of such particular breach or inaccuracy until the earlier of (i) the expiration of a 30-day period commencing upon delivery of written notice from OncoMed to Mereo or Merger Sub of such breach or inaccuracy and its intention to terminate the Merger Agreement and (ii) Mereo or Merger Sub (as applicable) ceasing to exercise commercially reasonable efforts to cure such breach following delivery of written notice from OncoMed to Mereo or Merger Sub of such breach or inaccuracy and its intention to terminate.

Mereo may terminate the Merger Agreement at any time prior to the Effective Time as follows:

- if the OncoMed Board or any committee thereof shall have made an OncoMed Board Adverse Recommendation Change or approved, endorsed or recommended any acquisition proposal;
- if (a) OncoMed shall have failed to include in this proxy statement/prospectus the OncoMed Board Recommendation, (b) the OncoMed Board or any committee thereof shall have made an OncoMed Board Adverse Recommendation Change or approved, endorsed or recommended any acquisition proposal, or (c) OncoMed shall have entered into any letter of intent or similar document or any contract relating to any acquisition proposal (other than a confidentiality agreement containing provisions (including nondisclosure provisions, use restrictions, non-solicitation provisions and no hire provisions) at least as favorable to OncoMed as those contained in the existing confidentiality agreement between OncoMed and Mereo or any action required to be taken by OncoMed pursuant to the DGCL); or
- upon a breach of any representation, warranty, covenant or agreement set forth in the Merger Agreement by OncoMed, or if any representation or warranty of OncoMed becomes inaccurate such that the conditions to closing of the Merger would not be satisfied, provided that (1) Mereo is not then in material breach of any representation, warranty, covenant or agreement under the Merger Agreement and (2) that if such inaccurancy in OncoMed's

representations and warranties or breach by OncoMed is curable by OncoMed, then the Merger Agreement shall not terminate as a result of such particular breach or inaccuracy until the earlier of (i) the expiration of a 30-day period commencing upon delivery of written notice from Mereo to OncoMed of such breach or inaccuracy and its intention to terminate the Merger Agreement and (ii) OncoMed ceasing to exercise commercially reasonable efforts to cure such breach following delivery of written notice from Mereo to OncoMed of such breach or inaccuracy and its intention to terminate.

Termination Fees

OncoMed will be required to pay to Mereo a termination fee of $1,721,193 (subject to any adjustments for VAT) in cash if the Merger Agreement is terminated by Mereo in the event that:

- the OncoMed Stockholder Approval was not obtained after OncoMed stockholders voted at the OncoMed Special Meeting, where the failure to obtain the OncoMed Stockholder Approval was not caused by the action or failure to act of OncoMed and such action or failure to act did not constitute a material breach by OncoMed of the Merger Agreement, and within twelve months after the date of such termination, OncoMed enters into a definitive agreement with respect to a subsequent transaction or consummates a subsequent transaction;
- at any time prior to obtaining OncoMed Stockholder Approval, an acquisition proposal with respect to OncoMed has been publicly announced, disclosed or otherwise communicated to the OncoMed Board (and has not been withdrawn), and if (a) OncoMed shall have failed to include in this proxy statement/prospectus the OncoMed Board Recommendation, (b) the OncoMed Board or any committee thereof shall have made an OncoMed Board Adverse Recommendation Change or approved, endorsed or recommended any acquisition proposal, or (c) OncoMed shall have entered into any letter of intent or similar document or any contract relating to any acquisition proposal (other than a confidentiality agreement permitted by the Merger Agreement or any action required to be taken by OncoMed pursuant to the DGCL); or
- upon a breach of any representation, warranty, covenant or agreement set forth in the Merger Agreement by OncoMed, or if any representation or warranty of OncoMed becomes inaccurate such that the conditions to closing of the Merger would not be satisfied, provided that (1) Mereo is not then in material breach of any representation, warranty, covenant or agreement under the Merger Agreement and (2) that if such inaccurancy in OncoMed's representations and warranties or breach by OncoMed is curable by OncoMed, then the Merger Agreement shall not terminate as a result of such particular breach or inaccuracy until the earlier of (i) the expiration of a 30-day period commencing upon delivery of written notice from Mereo to OncoMed of such breach or inaccuracy and its intention to terminate the Merger Agreement and (ii) OncoMed ceasing to exercise commercially reasonable efforts to cure such breach following delivery of written notice from Mereo to OncoMed of such breach or inaccuracy and its intention to terminate.

In addition to the payment of the termination fee, OncoMed shall reimburse Mereo for all reasonable out-of-pocket fees and expenses incurred by Mereo in connection with the Merger Agreement and the transactions contemplated by the Merger Agreement up to a maximum of $750,000 (subject to any adjustments for VAT) if the Merger Agreement is terminated by Mereo in the event that:

- (a) OncoMed have failed to include in this proxy statement/prospectus the OncoMed Board Recommendation, (b) the OncoMed Board or any committee thereof has made an OncoMed Board Adverse Recommendation Change or approved, endorsed or recommended any acquisition proposal, or (c) OncoMed shall have entered into any letter of intent or similar document or any contract relating to any acquisition proposal (other than a confidentiality agreement containing provisions (including nondisclosure provisions, use restrictions,

non-solicitation provisions and no hire provisions) at least as favorable to OncoMed as those contained in the existing confidentiality agreement between OncoMed and Mereo or any action required to be taken by OncoMed pursuant to the DGCL); or

- upon a breach of any representation, warranty, covenant or agreement set forth in the Merger Agreement by OncoMed, or if any representation or warranty of OncoMed becomes inaccurate such that the conditions to closing of the Merger would not be satisfied, provided that (1) Mereo is not then in material breach of any representation, warranty, covenant or agreement under the Merger Agreement and (2) that if such inaccurancy in OncoMed's representations and warranties or breach by OncoMed is curable by OncoMed, then the Merger Agreement shall not terminate as a result of such particular breach or inaccuracy until the earlier of (i) the expiration of a 30-day period commencing upon delivery of written notice from Mereo to OncoMed of such breach or inaccuracy and its intention to terminate the Merger Agreement and (ii) OncoMed ceasing to exercise commercially reasonable efforts to cure such breach following delivery of written notice from Mereo to OncoMed of such breach or inaccuracy and its intention to terminate.

Mereo will be required to pay to OncoMed a termination fee of $1,721,193 (subject to any adjustments for VAT) in cash if the Merger Agreement is terminated by Mereo or OncoMed in the event that:

- the Mereo Shareholder Approval, if necessary, was not obtained after Mereo shareholders voted at the Mereo Shareholder Meeting, where the failure to obtain the Mereo Shareholder Approval was not caused by the action or failure to act of Mereo and such action or failure to act did not constitute a material breach by Mereo of the Merger Agreement, and within twelve months after the date of such termination, Mereo enters into a definitive agreement with respect to a subsequent transaction or consummates a subsequent transaction.

Mereo will be required to pay to OncoMed a termination fee of $1,721,193 (subject to any adjustments for VAT) in cash if the Merger Agreement is terminated by OncoMed in the event that:

- at any time prior to obtaining Mereo Shareholder Approval, an acquisition proposal with respect to Mereo has been publicly announced, disclosed or otherwise communicated to the Mereo Board (and has not been withdrawn), and if (a) Mereo shall have failed to include in this proxy statement/prospectus the Mereo Board Recommendation, (b) the Mereo Board or any committee thereof shall have made a Mereo Board Adverse Recommendation Change or approved, endorsed or recommended any acquisition proposal, or (c) Mereo shall have entered into any letter of intent or similar document or any contract relating to any acquisition proposal (other than a confidentiality agreement permitted by the Merger Agreement or any action required to be taken by Mereo pursuant to the UK City Code); or
- upon a breach of any representation, warranty, covenant or agreement set forth in the Merger Agreement by Mereo or Merger Sub, or if any representation or warranty of Mereo or Merger Sub becomes inaccurate such that the conditions to closing of the Merger would not be satisfied, provided that (1) OncoMed is not then in material breach of any representation, warranty, covenant or agreement under the Merger Agreement and (2) that if such inaccurancy in Mereo's or Merger Sub's representations and warranties or breach by Mereo or Merger Sub is curable by Mereo or Merger Sub, then the Merger Agreement shall not terminate as a result of such particular breach or inaccuracy until the earlier of (i) the expiration of a 30-day period commencing upon delivery of written notice from OncoMed to Mereo or Merger Sub of such breach or inaccuracy and its intention to terminate the Merger Agreement and (ii) Mereo or Merger Sub (as applicable) ceasing to exercise commercially reasonable efforts to cure such breach following delivery of written notice from OncoMed to Mereo or Merger Sub of such breach or inaccuracy and its intention to terminate.

In addition to the payment of the termination fee, Mereo shall reimburse OncoMed for all reasonable out-of-pocket fees and expenses incurred by OncoMed in connection with the Merger Agreement and the transactions contemplated by the Merger Agreement up to a maximum of $750,000 (subject to any adjustments for VAT) if the Merger Agreement is terminated by OncoMed in the event that:

- (a) Mereo shall have failed to include in this proxy statement/prospectus the Mereo Board Recommendation, (b) the Mereo Board or any committee thereof shall have made a Mereo Board Adverse Recommendation Change or approved, endorsed or recommended any acquisition proposal, or (c) Mereo shall have entered into any letter of intent or similar document or any contract relating to any acquisition proposal (other than a confidentiality agreement permitted by the Merger Agreement or any action required to be taken by Mereo pursuant to the UK City Code); or
- upon a breach of any representation, warranty, covenant or agreement set forth in the Merger Agreement by Mereo or Merger Sub, or if any representation or warranty of Mereo or Merger Sub becomes inaccurate such that the conditions to closing of the Merger would not be satisfied, provided that (1) OncoMed is not then in material breach of any representation, warranty, covenant or agreement under the Merger Agreement and (2) that if such inaccurancy in Mereo's or Merger Sub's representations and warranties or breach by Mereo or Merger Sub is curable by Mereo or Merger Sub, then the Merger Agreement shall not terminate as a result of such particular breach or inaccuracy until the earlier of (i) the expiration of a 30-day period commencing upon delivery of written notice from OncoMed to Mereo or Merger Sub of such breach or inaccuracy and its intention to terminate the Merger Agreement and (ii) Mereo or Merger Sub (as applicable) ceasing to exercise commercially reasonable efforts to cure such breach following delivery of written notice from OncoMed to Mereo or Merger Sub of such breach or inaccuracy and its intention to terminate.

Effect of Termination

In the event of a termination as described above under "—Termination Events," the Merger Agreement will be of no further force or effect except for certain sections of the Merger Agreement, including provisions regarding termination, termination fees and expenses, and miscellaneous provisions including governing law, jurisdiction, no third party beneficiaries and remedies (including specific performance). Such termination will not relieve any party to the Merger Agreement of any liability for fraud or for any willful and material breach of any representation, warranty, covenant, obligation or other provision contained in the Merger Agreement.

Expenses

Other than as described above, whether or not the Merger is consummated, all fees and expenses incurred in connection with the Merger Agreement, the Merger, and the other transactions contemplated by the Merger Agreement will be paid by the party incurring such fees and expenses, except that Mereo and OncoMed will share equally all fees and expenses incurred in relation to the printing and filing with the SEC of this proxy statement/prospectus (including any financial statements and exhibits hereto) and any amendments or supplements hereto and paid to a financial printer or the SEC.

Amendment

The Merger Agreement may be amended with the approval of the respective boards of directors of OncoMed, HoldCo, Merger Sub, and Mereo at any time except that, after any such approval and adoption of the Merger Agreement by a party's equityholders, no amendment shall be made which by law requires further approval of such equityholders without the further approval of such equityholders. The Merger Agreement may not be amended except by an instrument in writing signed on behalf of each of OncoMed, HoldCo, Merger Sub and Mereo.

Governing Law; Jurisdiction; Waiver of Trial by Jury

The Merger Agreement will be governed by, and construed in accordance with, the laws of the State of New York, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws. The Merger Agreement further provides that exclusive jurisdiction over any action or proceeding between the parties is vested in the Supreme Court of the State of New York, County of New York, or, if under applicable law exclusive jurisdiction is vested in the Federal courts, the United States District Court for the Southern District of New York (and appellate courts thereof), and includes a waiver of trial by jury.

Specific Performance

The parties to the Merger Agreement have agreed that irreparable damage would occur in the event that any of the provisions of the Merger Agreement were not performed in accordance with its specific terms or were otherwise breached. The parties have accordingly agreed that each party shall be entitled to an injunction or injunctions to prevent breaches of the Merger Agreement and to enforce specifically the terms and provisions hereof in any court of the United States or any state having jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity, and each of the parties has waived any bond, surety or other security that might be required of any other party to the Merger Agreement with respect thereto.

THE CVR AGREEMENT

The following discussion summarizes material provisions of the CVR Agreement, which will be entered into at or prior to the Effective Time by Mereo and Computershare, Inc., as rights agent, substantially in the form attached as Annex B. This summary does not propose to be complete and is qualified in its entirety by reference to the complete copy of the form of the CVR Agreement which is attached as Annex B to this proxy statement/prospectus. The rights and obligations of the parties and of holders of CVRs are governed by the express terms and conditions of the CVR Agreement and not by this summary. The CVR Agreement should not be read alone, but should instead be read in conjunction with the other information provided elsewhere in this proxy statement/prospectus, including the annexes and the documents incorporated by reference into this proxy statement/prospectus. The CVR Agreement is described in this proxy statement/prospectus only to provide you with information regarding its terms and conditions and this summary is not intended to provide any factual information about Mereo, OncoMed or their respective businesses.

CVR Agreement

The CVRs will be governed by the terms of the CVR Agreement, which will be entered into at or prior to the effective time by Mereo and Computershare, Inc., as rights agent.

As provided in the Merger Agreement, each share of OncoMed common stock outstanding immediately prior to the Effective Time (except for any dissenting shares) will be converted automatically into the right to receive, in addition to the Share Consideration, one CVR. The CVRs represent the non-transferable contractual right to receive certain stock and cash payments from Mereo if specified milestones are achieved within agreed time periods.

Characteristics of the CVRs; Restrictions on Transfer

The CVRs may not be transferred, pledged, hypothecated, encumbered, assigned or otherwise disposed of (whether by sale, merger, consolidation, liquidation, dissolution, dividend, distribution or otherwise), in whole or in part, other than pursuant to any of the following permitted transfers: (i) upon death, by will or intestacy; (ii) by instrument to an inter vivos or testamentary trust in which the CVRs are to be passed to beneficiaries upon the death of the trustee; (iii) pursuant to a court order of a court of competent jurisdiction (such as in connection with divorce, bankruptcy or liquidation); (iv) by operation of law (including a consolidation or merger) or without consideration in connection with the dissolution, liquidation or termination of any corporation, limited liability company, partnership or other entity; (v) if the CVR is held by a partnership, a distribution from the transferring partnership to its partners or former partners in accordance with their partnership interests; (vi) in the case of CVRs payable to a nominee, from a nominee to a beneficial owner (and, if applicable, through an intermediary) or from such nominee to another nominee for the same beneficial owner, in each case as permitted by The Depository Trust Company (“DTC”); (vii) to Mereo or its affiliates; or (viii) upon abandonment of a CVR by the holder thereof in accordance with the CVR Agreement.

The CVRs will not be evidenced by a certificate or any other instrument. The CVRs will not have any voting or dividend rights, and interest will not accrue on any amounts payable in respect of the CVRs. The CVRs will not represent any equity or ownership interest in Mereo, any constituent company to the Merger, or any of its respective affiliates. The rights agent will maintain an up-to-date register (the “CVR Register”) for the purposes of (i) identifying the holders of CVRs, (ii) determining holders’ entitlement to CVRs and (iii) registering the CVRs and permitted transfers thereof. Mereo’s obligation to make the CVR payment, if any becomes due, is neither secured nor guaranteed. Mereo’s obligation to make the CVR payment, if any becomes due, is an unsecured general obligation of Mereo and is not guaranteed by Mereo or any of its affiliates.

Milestone Events and Payments

The CVR milestones relate to OncoMed's etigilimab (anti-TIGIT, OMP-313M32) and navicixizumab (anti-DLL4/VEGF, OMP-305B83) therapeutic candidates. The contingent payments become payable to the rights agent, for subsequent distribution to the holders of the CVRs, upon the achievement of the milestones as follows:

The TIGIT Milestone

A payment, in the form of Mereo ADSs, will be made to CVR holders if, following the Effective Time but prior to December 31, 2019, the following milestone is achieved:

- Celgene exercises the exclusive option granted by OncoMed to Celgene in relation to OncoMed's etigilimab product pursuant to the Master Research and Collaboration Agreement by and among Celgene and OncoMed, dated December 2, 2013; and
- OncoMed actually receives the cash payment payable by Celgene pursuant to such Celgene Option Exercise.

If the TIGIT Milestone is achieved, holders of CVRs would be entitled to receive a number of Mereo ADSs equal to (x) the amount of the cash payment actually received by OncoMed upon the Celgene Option Exercise, net of any tax and other reasonable expenses, divided by (y) the volume-weighted average price per Mereo ADS for the ten trading day period immediately following the date of the announcement by Mereo of the receipt of such cash payment. The TIGIT Milestone payment is subject to the Share Consideration Cap, such that the number of Mereo Shares underlying the Mereo ADSs to be issued pursuant to the CVR Agreement, when aggregated with the number of Mereo Shares underlying the Mereo ADSs issued as Share Consideration pursuant to the Merger Agreement, cannot exceed the Share Consideration Cap. No fractional Mereo Shares or Mereo ADSs shall be issued in connection with the TIGIT Milestone payment, and no certificates or scrip for any such fractional shares shall be issued. Any fractional share resulting from the application of the ratio described in this paragraph shall be rounded down to the nearest whole share, with no cash being paid for any fractional share eliminated by such rounding.

If the TIGIT Milestone occurs at any time following the Effective Time but prior to December 31, 2019, then, thirty days following the achievement thereof, (i) Mereo, or a person nominated by Mereo (with written notice thereof from Mereo to the rights agent), as the case may be, will (A) deliver to the rights agent, a certificate certifying the date of satisfaction of the TIGIT Milestone and that the holders of CVRs are entitled to receive the TIGIT Milestone payment, (B) allot and issue to the depositary, or as the depositary directs, the Mereo Shares underlying the Mereo ADSs comprising the TIGIT Milestone payment, (C) deliver to the depositary, for the benefit of the holders of CVRs, evidence of book-entry shares representing Mereo Shares underlying the Mereo ADSs comprising the TIGIT Milestone payment and (D) take all steps necessary to ensure that the Mereo Shares underlying the Mereo ADSs comprising the TIGIT Milestone payment are admitted to trading on AIM and (ii) Mereo shall procure that the depositary shall promptly (and in any event, within 10 business days) issue and deliver to the holders of CVRs, by first-class postage prepaid mail, to the address of each holder set forth in the CVR Register at such time or by other method of delivery as specified by the applicable holder in writing to the rights agent, the number of whole Mereo ADSs equal to the product determined by multiplying (A) the quotient determined by dividing (x) the TIGIT Milestone payment by (y) the total number of CVRs registered in the CVR Register at such time, by (B) the number of CVRs registered to such holder in the CVR Register at such time.

In the event that the cash payment payable by Celgene pursuant to the Celgene Option Exercise is actually received by OncoMed prior to the Effective Time, OncoMed stockholders will receive value for such cash payment in the form of additional Mereo ADSs issued at the Effective Time pursuant to the

application of the Exchange Ratio set forth in the Merger Agreement. In such event, the CVR Agreement will be amended to delete the TIGIT Milestone and all related payment mechanics.

The NAVI Milestones

A cash payment will be made to CVR holders if, (1) within eighteen months following the closing of the Merger, Mereo or any of its subsidiaries enters into a definitive partnership agreement, collaboration agreement, joint venture agreement, profit sharing agreement, license or sublicense agreement, asset sale agreement, stock sale agreement, investment agreement or similar agreement duly approved by the Mereo Board with one or more third parties regarding the navicixizumab products and (2) within five years of the closing of the Merger, Mereo or any of its subsidiaries actually receives certain eligible cash milestone payments.

It is anticipated that, prior to the Effective Time, OncoMed will establish a wholly-owned subsidiary to hold all of right, title and interest in and to the navicixizumab products (such subsidiary, "NAVI Sub"). For a period of 18 months following the closing of the Merger, Mereo will permit certain individuals associated with NAVI Sub and identified on a confidential schedule to the CVR Agreement (the "NAVI Team") to (i) solicit third party interest with respect to a NAVI Agreement, such that the NAVI Sub or a third party, as applicable, will advance the navicixizumab products, and (ii) recommend, by written notice to the chief executive officer of Mereo, that Mereo enter into discussions with one or more such third parties that have expressed interest with respect to a NAVI Agreement; provided that, notwithstanding anything to the contrary in the CVR Agreement, Mereo will have no obligation or liability to fund or otherwise support or incur any cost or expense relating to NAVI Sub or the navicixizumab products in excess of the commitments provided for on a confidential schedule to the CVR Agreement (except in respect of clinical trials commenced prior to the date hereof).

The entry into a NAVI Agreement by Mereo or any of its subsidiaries (including NAVI Sub) shall be subject to, and contingent upon, a determination by the Mereo Board, having consulted with outside counsel, that the NAVI Agreement is fair to, advisable and in the best interests of Mereo and its shareholders. Without limiting the foregoing, neither Mereo nor any of its subsidiaries (including NAVI Sub) shall be compelled to enter into any investment agreement, stock sale agreement, or similar agreement with respect to NAVI Sub or the navicixizumab products if, immediately following the execution of such agreement, Mereo or one or more of its subsidiaries (other than NAVI Sub) would hold less than 19.5% of the issued and outstanding equity interests of NAVI Sub on a fully-diluted basis.

Eligible cash milestone payments will include each cash milestone payment payable to Mereo or one or more of its subsidiaries pursuant to a NAVI Agreement (or any agreement contemplated by such NAVI Agreement), except for any (i) royalty or similar sales-based payment that is measured, in whole or in part, by reference to the quantity of navicixizumab product that is produced or sold or the revenues (or a formula that makes reference to such revenues) derived therefrom and (ii) for the avoidance of doubt only, any fees for service, research and development funding, reimbursement of intellectual property filing, prosecution, litigation and maintenance-related expenses or reimbursement of manufacturing expenses received from a counterparty pursuant to a NAVI Agreement.

If a NAVI Milestone is achieved, holders of CVRs would be entitled to receive an amount in cash equal to 70% of the aggregate principal amount actually received by Mereo or one or more of its subsidiaries (other than NAVI Sub), net of (A) any tax (including any applicable value added or sales taxes and including any tax which would be payable but for the utilization of a relief), (B) 50% of any expenditure by Mereo or its subsidiaries pursuant to the budget set forth on a confidential schedule to the CVR Agreement, and (C) any other reasonable cost or expense attributable to the receipt of such payment (which, for the avoidance of doubt, shall include (x) any costs, reasonable out-of-pocket fees, expenses or charges incurred by Mereo or its subsidiaries in excess of the commitments provided for

in the budget set forth on a confidential schedule to the CVR Agreement, (y) any costs, reasonable out-of-pocket fees, expenses or charges incurred by Mereo or its subsidiaries under the NAVI Agreement, and (z) any costs, reasonable out-of-pocket fees, expenses or charges incurred by Mereo or its subsidiaries, or for which Mereo or one or more of its subsidiaries is responsible, in connection with the preparation, negotiation and execution of the relevant NAVI Agreement, in each case to the extent such costs, out-of-pocket fees, expenses or charges have not been previously accounted for in the calculation of a prior NAVI Milestone payment).

The NAVI milestone payments are subject to a cash consideration cap, pursuant to which the aggregate principal amount of all cash payments made to holders of CVRs by Mereo shall in no case exceed $79.7 million. If the aggregate principal amount to be paid to holders of CVRs by Mereo pursuant to the CVR Agreement would, together with the aggregate principal amount of any prior such cash payments, otherwise exceed $79.7 million, then the applicable NAVI Milestone payment will be appropriately reduced.

If a NAVI Milestone occurs at any time prior to the fifth anniversary of the closing of the Merger, and on each such occurrence, then, thirty days following the achievement thereof, Mereo, or a person nominated by Mereo (with written notice thereof from Mereo to the rights agent), as the case may be, will deliver to the rights agent (i) a certificate certifying the date of satisfaction of the applicable NAVI Milestone and that the holders of CVRs are entitled to receive a NAVI Milestone payment, and (ii) the applicable NAVI Milestone payment, by wire transfer of immediately available funds to an account designated by the rights agent. Upon receipt of the wire transfer referred to in the foregoing sentence, the rights agent will promptly (and in any event, within 10 business days) pay, by check mailed, first-class postage prepaid, to the address of each holder set forth in the CVR Register at such time or by other method of delivery as specified by the applicable holder in writing to the rights agent, an amount in cash equal to the product determined by multiplying (A) the quotient determined by dividing (x) the applicable NAVI Milestone payment by (y) the total number of CVRs registered in the CVR Register at such time, by (B) the number of CVRs registered to such holder in the CVR Register at such time.

Withholding

Mereo and the rights agent will be entitled to deduct and withhold, or cause to be deducted and withheld, from any milestone payment otherwise payable pursuant to the CVR Agreement, such amounts as each is required to deduct and withhold with respect to the making of such payment under any provision of applicable law relating to taxes. To the extent that amounts are so deducted and withheld, such deducted and withheld amounts will be treated for all purposes of the CVR Agreement as having been paid to the holder of CVRs in respect of which such deduction and withholding was made. Prior to making any such tax deductions or withholdings or causing any such tax deductions or withholdings to be made with respect to any holder, the rights agent will, to the extent reasonably practicable, provide notice to the holder of such potential tax deduction or withholding and a reasonable opportunity for the holder to provide any necessary tax forms in order to avoid or reduce such withholding amounts; provided, that in no event will the time period for payment of any amount payable to such holder be extended for more than 10 business days, unless otherwise (1) requested by the holder for the purpose of delivering such forms and (2) agreed to by the rights agent.

Milestone Non-Achievement

If a milestone is not attained at any time prior to the expiration of the applicable milestone period then, on or before the date that is 10 business days after the end of such milestone period, Mereo will deliver to the rights agent an officer’s certificate certifying that the applicable milestone has not occurred and that Mereo has complied in all material respects with its obligations under the CVR Agreement. The rights agent will promptly (and in any event, within 10 business days after receipt) deliver a copy of such certificate to the holders of CVRs. If the rights agent does not receive from the

holders of not less than a majority of the outstanding CVRs a written objection to such certificate within 30 business days after the date of delivery, the holders will be deemed to have accepted such certificate, and Mereo and its subsidiaries will have no further obligation or liability with respect to the determination of the applicable milestone payment.

Efforts Covenant

With respect to the TIGIT Milestone, the CVR Agreement provides that Mereo will, and will cause its subsidiaries to, use "diligent efforts" (as defined below) to obtain and receive the cash payment payable by Celgene pursuant to the Celgene Option Exercise. Mereo will not, and will cause its subsidiaries to not, breach any of the material terms and conditions under the Master Research and Collaboration Agreement by and among Celgene and OncoMed, dated December 2, 2013 relating to the etigilimab program.

With respect to the NAVI Milestone, the CVR Agreement provides that Mereo will use "diligent efforts" to promptly and in good faith evaluate any expression of interest recommended by the NAVI Team by written notice to the chief executive officer of Mereo and will, if determined by Mereo in good faith to be reasonably likely to result in a NAVI Agreement reasonably acceptable to Mereo, use "diligent efforts" to negotiate (with the assistance of the NAVI Team, as requested by Mereo) with the relevant third party, the definitive documentation for a NAVI Agreement.

The CVR Agreement defines "diligent efforts" as the carrying out those obligations and tasks that comprise a level of effort and expenditure of resources that is consistent with commercially reasonable practices normally and typically devoted by a company within the bio-pharmaceutical industry of comparable size and resources to a product or product candidate at a similar stage in its development or product life, as applicable, taking into account, without limitation, issues of safety and efficacy, market potential, anticipated pricing and reimbursement rates, costs, labeling, pricing reimbursement, the competitiveness of alternative products, the patent and other proprietary position of the product, and the likelihood of regulatory approval given the regulatory structure involved. Such "diligent efforts" shall not include, and Mereo shall have no obligation or liability to, (i) fund or otherwise support or incur any cost or expense relating to the navicixizumab (anti-DLL4/VEGF, OMP-305B83) products or the etigilimab program (except, in each case, in respect of clinical trials commenced prior to the date hereof) in excess of the commitments provided for in the budgets set forth on confidential schedules to the CVR Agreement, (ii) enroll any additional subjects in any currently ongoing trial of the navicixizumab (anti-DLL4/VEGF, OMP-305B83) products and the etigilimab program or (iii) commit to any additional development activities of the navicixizumab products or the etigilimab program not provided for in such applicable budget. For the avoidance of doubt, a failure to achieve the TIGIT Milestone or the NAVI Milestone in and of itself may be consistent with "diligent efforts."

Amendment and Termination of the CVR Agreement

Mereo may, at any time and from time to time, unilaterally enter into one or more amendments to the CVR Agreement for any of the following purposes, without the consent of any of the holders of CVRs or the rights agent:

- to evidence the appointment of another person as a successor rights agent and the assumption by any successor rights agent of the covenants and obligations of the rights agent pursuant to the CVR Agreement;
- to evidence the succession of another person to Mereo and the assumption of any such successor of the covenants of Mereo pursuant to the CVR Agreement;
- to add to the covenants of Mereo further covenants, restrictions, conditions or provisions for the protection and benefit of the holders of CVRs, provided that in each case, such provisions shall not adversely affect the interests of the holders of CVRs;

- to cure any ambiguity, to correct or supplement any provision in the CVR Agreement that may be defective or inconsistent with any other provision in the CVR Agreement, or to make any other provisions with respect to matters or questions arising under the CVR Agreement, provided that in each case, such provisions shall not adversely affect the interests of the holders of CVRs;
- as may be necessary or appropriate to ensure that CVRs are not subject to registration under the Securities Act or the Exchange Act and the rules and regulations made thereunder, or any applicable state securities or “blue sky” laws;
- as may be necessary or appropriate to ensure that Mereo is not required to produce a prospectus or an admission document in order to comply with applicable law;
- to cancel CVRs (i) in the event that any holder of CVRs has abandoned its rights to such CVRs, (ii) in order to give effect to the Share Consideration Cap or (iii) following a transfer of such CVRs to Mereo or its affiliates;
- as may be necessary or appropriate to ensure that Mereo complies with applicable law; or
- to effect any other amendment to the CVR Agreement that would provide any additional rights or benefits to the holders of CVRs or that does not adversely affect the legal rights under the CVR Agreement of any such holder of CVRs.

With the consent of the holders of not less than a majority of the outstanding CVRs, Mereo and the rights agent may enter into any amendment to the CVR Agreement, even if such amendment is adverse to the interests of the holders of the CVRs.

Mereo will (or will cause the rights agent to) provide notice of any amendment to the CVR Agreement to the holders of the CVRs promptly after execution by Mereo and the rights agent, if applicable, of such amendment.

The CVR Agreement will automatically terminate and of no force or effect, and the parties will have no liability thereunder, upon the earlier to occur of (i) payment by Mereo of each of the TIGIT Milestone payment and each NAVI Milestone payment eligible to be attained and (ii) the expiration of each of the TIGIT Milestone period and the NAVI Milestone period.

Other Provisions of the CVR Agreement

The CVR Agreement also provides, among other things, for:

- the duties, responsibilities, rights and immunities of the rights agent, and procedures for the resignation or removal of the rights agent and appointment of a successor;
- a prohibition on Mereo taking any action for the principal purpose of (i) reducing the amount of any milestone payments payable under the CVR Agreement or (ii) restricting Mereo’s ability to pay any of the milestone payments thereunder.
- the application of laws of the State of New York, exclusive jurisdiction over the parties by the Supreme Court of the State of New York, County of New York, or, if under applicable law exclusive jurisdiction is vested in the Federal courts, the United States District Court for the Southern District of New York (and appellate courts thereof), and waiver of trial by jury.

THE SUPPORT AGREEMENTS

The following discussion summarizes material provisions of the certain equityholder support agreements entered into on or after the execution and delivery of the Merger Agreement. This summary does not propose to be complete and is qualified in its entirety by reference to the complete copies of the relevant equityholder support agreements which are incorporated by reference into this proxy statement/prospectus. The rights and obligations of the parties are governed by the express terms and conditions of the relevant equityholder support agreements and not by this summary. The equityholder support agreements are described in this proxy statement/prospectus only to provide you with information regarding its terms and conditions and this summary is not intended to provide any factual information about Mereo, OncoMed or their respective businesses.

OncoMed Support Agreements

In order to induce Mereo to enter into the Merger Agreement, each of the officers and directors of OncoMed who are stockholders of OncoMed (together with certain of their respective affiliates, the "Supporting Stockholders") entered into Stockholder Support Agreements (the "OncoMed Support Agreements") with Mereo with respect to the shares of OncoMed common stock beneficially owned by the Supporting Stockholders. As of December 5, 2018, such stockholders collectively controlled 4,130,907 Shares, representing approximately 10.7% of the issued and outstanding shares of OncoMed common stock. Pursuant to the OncoMed Support Agreements, the Supporting Stockholders have agreed, among other things, to vote their respective shares in OncoMed (i) in favor of the adoption and approval of the Merger Agreement and approval of the Merger and other transactions contemplated thereby, (ii) in favor of any proposal to adjourn or postpone any meeting of the stockholders of OncoMed at which any of the foregoing matters are submitted for consideration to solicit additional votes, and (iii) against any alternative proposal and against any action or agreement that would reasonably be expected to frustrate the purposes, prevent, delay or otherwise adversely affect the consummation of, the transactions contemplated by the Merger Agreement. Pursuant to the OncoMed Support Agreements, each Supporting Stockholder has waived appraisal rights and granted an irrevocable proxy appointing Mereo or any designee of Mereo as such Supporting Stockholder's proxy and attorney-in-fact to vote such Supporting Stockholder's shares in OncoMed in accordance with the foregoing. The OncoMed Support Agreements do not limit or restrict any Supporting Stockholder in his or her capacity as a director or officer of OncoMed from acting in such capacity or voting in such capacity in such person's sole discretion on any matter.

The OncoMed Support Agreements and the irrevocable proxies granted pursuant to the OncoMed Support Agreements terminate upon the earlier to occur of: (i) the effective time of the Merger and (ii) termination of the Merger Agreement in accordance with its terms.

To the extent that any Supporting Stockholder acquires beneficial ownership of any additional shares of OncoMed common stock during the term of the applicable OncoMed Support Agreement, such shares will become subject to the terms of the applicable OncoMed Support Agreement to the same extent as though such shares were owned by such Supporting Stockholder as of the date of the OncoMed Support Agreements.

Until the earlier of (1) the termination of the OncoMed Support Agreement and (2) the date on which the Merger Agreement is adopted by OncoMed's stockholders, each Supporting Stockholder is prohibited from transferring any shares of OncoMed common stock beneficially owned by such Supporting Stockholder, subject to certain exceptions. Each Supporting Stockholder has also agreed not to (i) take any action to solicit, initiate or knowingly encourage, induce or facilitate any competing acquisition proposal or any inquiry, proposal or offer that may reasonably be expected to lead to such an acquisition proposal, (ii) furnish or disclose any nonpublic information relating to Mereo or any of its

subsidiaries or afford access to the properties, books or records of Mereo or any of its subsidiaries to, or otherwise knowingly cooperate in any way with, any person that may be considering making, is otherwise seeking to make, or has made, a competing acquisition proposal or has agreed to endorse such an acquisition proposal, or (iii) participate in any discussions or negotiations with any third party that is reasonably expected to make, or has made, a competing acquisition proposal, regarding such an acquisition proposal.

The foregoing description of the OncoMed Support Agreements does not purport to be complete and is qualified in its entirety by reference to the form of OncoMed Support Agreement filed as Exhibit 10.1 to OncoMed's Current Report on Form 8-K filed on December 6, 2018.

Mereo Support Agreements

In order to induce OncoMed to enter into the Merger Agreement, each of the officers and directors of Mereo holding Mereo Shares or options to acquire Mereo Shares, together with certain of Mereo's largest shareholders (collectively, the "Supporting Shareholders") entered into Shareholder Support Agreements (the "Mereo Support Agreements") with OncoMed with respect to the Mereo Shares and options to acquire Mereo Shares, as applicable, beneficially owned by the Supporting Shareholders. As of December 5, 2018, such shareholders collectively controlled 65,722,239 Shares, representing approximately 92.3% of the issued and outstanding Mereo Shares.

Pursuant to the Mereo Support Agreements and subject, in the case of each Mereo Support Agreement, to the terms and conditions of such Mereo Support Agreement, which may vary from the terms and conditions of each other Mereo Support Agreement, each Supporting Shareholder has agreed, among other things, to vote its respective Mereo Shares (i) in favor of the adoption and approval of the Merger Agreement and approval of the Merger and other transactions contemplated thereby, (ii) in favor of any proposal to adjourn or postpone any meeting of the stockholders of Mereo at which any of the foregoing matters are submitted for consideration to solicit additional votes, (iii) in favor of the adoption and approval of any "whitewash" resolution sought pursuant to the U.K. City Code as it relates to the issuance of Mereo Shares underlying the Share Consideration to any person (including any persons acting in concert with such person), (iv) to adopt and approve any amendments to the articles of association of Mereo deemed by the Mereo Board to be necessary in connection with the Merger and (v) against any alternative proposal and against any action or agreement that would reasonably be expected to frustrate the purposes, prevent, delay or otherwise adversely affect the consummation of, the transactions contemplated by the Merger Agreement. The Mereo Support Agreements do not limit or restrict any Supporting Shareholder in his or her capacity as a director or officer of Mereo from acting in such capacity or voting in such capacity in such person's sole discretion on any matter.

The Mereo Support Agreements terminate upon the earlier to occur of: (i) the effective time of the Merger and (ii) termination of the Merger Agreement in accordance with its terms.

To the extent that any Supporting Shareholder acquires beneficial ownership of any additional Mereo Shares during the term of the applicable Mereo Support Agreement, such shares will become subject to the terms of the applicable Mereo Support Agreement to the same extent as though such shares were owned by such Supporting Shareholder as of the date of the Mereo Support Agreements.

Until the earlier of (1) the termination of the Mereo Support Agreement and (2) the date on which the Merger Agreement is adopted by Mereo's shareholders, each Supporting Shareholder is prohibited from transferring any Mereo Shares beneficially owned by such Supporting Shareholder, subject to certain exceptions. Each Supporting Shareholder has also agreed, subject to certain exceptions set forth in the applicable Mereo Support Agreement, not to (i) take any action to solicit, initiate or knowingly encourage, induce or facilitate any competing acquisition proposal or any inquiry, proposal

or offer that may reasonably be expected to lead to such an acquisition proposal, (ii) furnish or disclose any nonpublic information relating to Mereo or any of its subsidiaries or afford access to the properties, books or records of Mereo or any of its subsidiaries to, or otherwise knowingly cooperate in any way with, any person that may be considering making, is otherwise seeking to make, or has made, a competing acquisition proposal or has agreed to endorse such an acquisition proposal, or (iii) participate in any discussions or negotiations with any third party that is reasonably expected to make, or has made, a competing acquisition proposal, regarding such an acquisition proposal.

The foregoing description of the Mereo Support Agreements does not purport to be complete and is qualified in its entirety by reference to the form of Mereo Support Agreement by and between OncoMed and certain officers and directors of Mereo filed as Exhibit 10.2, and the Mereo Support Agreements filed as Exhibits 10.3, 10.4, 10.5, and 10.6, to OncoMed's Current Report on Form 8-K filed on December 6, 2018, and to the Mereo Support Agreement filed herewith as Exhibit 10.1.

BUSINESS OF MEREO AND CERTAIN INFORMATION ABOUT MEREO

Overview

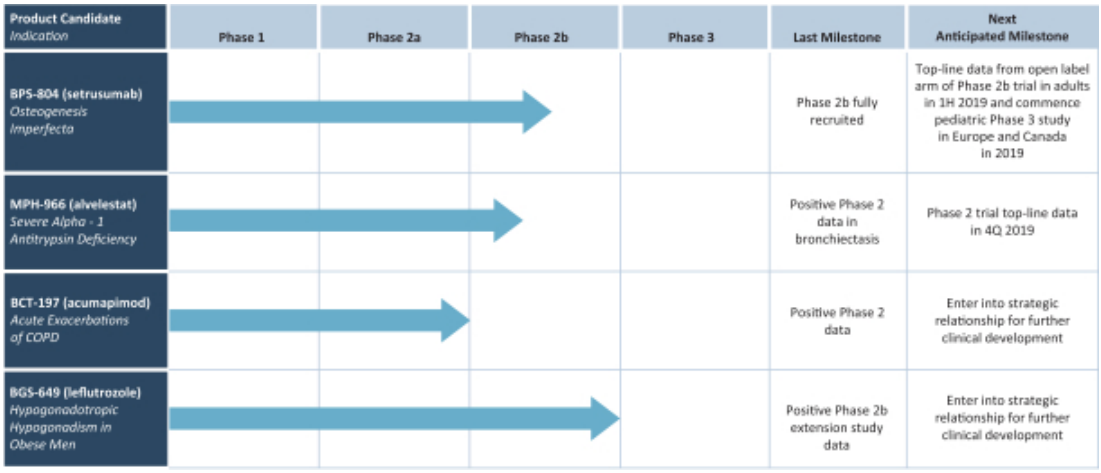
Mereo is a biopharmaceutical company focused on the development and commercialization of innovative therapeutics that aim to improve outcomes for patients with rare diseases. Mereo's portfolio consists of four clinical-stage product candidates, each of which it acquired from large pharmaceutical companies. Mereo is developing BPS-804 for the treatment of osteogenesis imperfecta ("OI"), MPH-966 for the treatment of severe alpha-1 antitrypsin deficiency ("AATD"), BCT-197 for the treatment of acute exacerbations of chronic obstructive pulmonary disease ("AECOPD"), and BGS-649 for the treatment of hypogonadotropic hypogonadism ("HH"), in obese men. Each of Mereo's product candidates has generated positive clinical data for its target indication or for a related indication. Mereo believes its portfolio is well diversified because each of its product candidates employs a different mechanism of action and targets a separate indication. Mereo intends to develop and directly commercialize its rare disease product candidates. For its specialty disease product candidates, Mereo intends to seek strategic relationships for further clinical development and commercialization.

Mereo's 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 Mereo's formation in March 2015, it has successfully executed on this strategy by acquiring its current product candidates from Novartis Pharma AG ("Novartis"), and AstraZeneca AB ("AstraZeneca"). Mereo has commenced or completed large, randomized, placebo-controlled Phase 2 clinical trials for all four of its product candidates.

Mereo's 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. Mereo's senior management team has long-standing relationships with senior executives of large pharmaceutical companies, which Mereo believes enhances its ability to identify and acquire additional product candidates.

Mereo Pipeline

The following table summarizes Mereo's pipeline. Mereo has global commercial rights to all of its product candidates.



Mereo's portfolio consists of the following product candidates:

- **BPS-804**: BPS-804, or setrusumab, is a novel antibody Mereo is 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 FDA 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. Mereo believes 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, Mereo obtained orphan drug designation in OI for BPS-804 in the United States and the European Union ("EU"), and in February 2017, BPS-804 was accepted into the adaptive pathways program in the EU and, in November 2017, into the PRIME scheme of the EMA. Prior to Mereo's 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, Mereo initiated a Phase 2b clinical trial for BPS-804 in adults in the United States, Europe and Canada. The trial is randomized with three blinded arms to establish the dose response curve and an open label arm at the top dose. Mereo expects to report top-line 6-month data from the open label arm in the first half of 2019 and top-line 12-month data from the three blinded arms by the end of 2019. Mereo expects the results from this trial, if favorable, along with validation of its use of high resolution peripheral quantitative computerized tomography ("HRpQCT") as a biomarker for fracture, may be sufficient to support the submission of a Conditional Marketing Authorisation ("CMA"), to the EMA for BPS-804 for the treatment of adults with OI in the EU. Mereo has also agreed a Pediatric Investigational Plan for BPS-804 with the EMA and intends to commence a Phase 3 clinical trial of BPS-804 in children with OI in 2019 in Europe and Canada, with fracture rate as the primary endpoint. Mereo expects the results from this trial, if favorable, may be sufficient to validate the use of HRpQCT and support the submission of a MAA, to the EMA for BPS-804 for the treatment of children with severe OI in the EU.

  In the United States, the FDA in the first quarter of 2018 denied Mereo's request for a Type C meeting to discuss the initiation of a pediatric Phase 3 study for BPS-804 for the treatment of patients with severe OI. The FDA cited a serious cardiovascular safety concern in adults treated with sclerostin inhibitors that had yet to be resolved and informed Mereo that a risk/benefit assessment for sclerostin inhibitors could not be completed at that time. The FDA further recommended that Mereo not submit its proposed pediatric protocol until the cardiovascular safety issue had been adequately addressed and favorably resolved. In January 2019 the FDA held an Advisory Committee meeting, which voted 18-1 to approve another sclerostin inhibitor. Mereo believes the FDA now has fuller data on the cardiovascular safety issue and plans to re-engage with the FDA in 2019 to discuss the expansion of the pediatric Phase 3 study for BPS-804 for the treatment of patients with severe OI to include sites in the United States. Mereo does not believe the FDA's previous concern was related to BPS-804. In any case, the FDA's position does not impact Mereo's ability to conduct its clinical development activities of BPS-804 in Europe and Canada for children with severe OI or Mereo's clinical development activities of BPS-804 in Europe, the United States and Canada for adults with OI.
- **MPH-966**: MPH-966, or alvelestat, is a novel, oral small molecule Mereo is developing for the treatment of severe AATD, a potentially life-threatening rare, genetic condition caused by a lack of alpha-1 antitrypsin ("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. MPH-966 is designed to inhibit neutrophil elastase ("NE"), a neutrophil protease, which is a key enzyme involved in the destruction of lung tissue. Mereo believes the inhibition of NE has the potential to protect AATD patients from further lung damage.

Prior to Mereo's license of MPH-966, AstraZeneca conducted 12 clinical trials involving 1,776 subjects, including trials in bronchiectasis and cystic fibrosis ("CF"). Although these trials were conducted in diseases other than AATD, Mereo believes the data demonstrated potential clinical benefit and biomarker evidence of treatment effect for AATD patients. Mereo has initiated a Phase 2 proof-of-concept clinical trial in patients with severe AATD in the United States and the EU and expects to report top-line data from this trial in the fourth quarter of 2019.

- **BCT-197**: BCT-197, or acumapimod, is a p38 MAP kinase inhibitor Mereo is developing as an oral first-line acute therapy for patients with AECOPD. Chronic obstructive pulmonary disease ("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. Mereo believes 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, Mereo believes that there is significant medical need for a drug which is disease-modifying. Mereo believes 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 Mereo's 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.

  Mereo conducted a Phase 2 dose-ranging clinical trial for BCT-197 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. In addition, dose-dependent, statistically significant reductions in high sensitivity C-reactive protein ("hsCRP") and fibrinogen were shown with treatment with BCT-197, with hsCRP remaining suppressed through the 26-week observation period. Treatment with BCT-197 also showed a statistically significant reduction in the number of COPD exacerbations that required hospitalization. Consistent with these results, there was a significant reduction in the use of corticosteroid and antibiotics in the follow-up portion of the study. In addition, BCT-197 was reported to be safe and well tolerated. Based on these results, Mereo plans 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 Mereo is 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 ("WHO"), estimates and scientific data, Mereo estimates 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 ("LH"), or follicular stimulating hormone ("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, Mereo believes that BGS-649, by preserving sperm formation through LH and FSH production, may present a benefit to patients.

Prior to Mereo's 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, Mereo reported top-line data from its 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 143 patients entered into a six-month safety extension study, with 88 patients completing the additional six months of treatment. The safety extension study was designed to examine if BGS-649 resulted in a pre-specified reduction in bone mineral density (BMD) at 48 weeks following the initial 24 weeks treatment. In December 2018, Mereo reported positive results from the safety extension study for BGS-649. The study was successful in demonstrating that none of the doses of BGS-649 met the lower bound (95% confidence interval) of the pre-specified safety criterion of a greater than 3% reduction in lumbar spine BMD after 48 weeks of treatment. In addition, there was no shift into clinical categories of osteopenia or osteoporosis, with no evidence of development of new osteopenia. The efficacy end points of testosterone, LH and FSH also showed improvements consistent with the main Phase 2B study. Mereo intends to explore strategic relationships with third parties for the further development and/or commercialization of BGS-649.

Mereo's Strategy

Mereo intends to become a leading biopharmaceutical company developing innovative therapeutics that aim to improve outcomes for patients with rare bone, respiratory and endocrine diseases. The key elements of Mereo's strategy to achieve this goal include:

- ***Rapidly develop and directly commercialize Mereo's rare disease product candidates.*** Mereo has 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 Mereo's use of HRpQCT as a biomarker for fracture is validated, Mereo intends to submit a CMA to the EMA for the treatment of adults with OI in the EU. Mereo also intends to commence a Phase 3 clinical trial of BPS-804 for the treatment of OI in children in 2019 in Europe and Canada. Mereo expects that the results from this trial, if favorable, will be sufficient to validate its use of HRpQCT and support the submission of a MAA to the EMA for BPS-804 for the treatment of children with severe OI in the EU. Mereo has commenced a Phase 2 clinical trial of MPH-966 for the treatment of severe AATD and expect to report top-line data in the fourth quarter of 2019. If the results are favorable and pending regulatory feedback, Mereo intends to continue to develop MPH-966 toward approval and commercialization. For BPS-804 and MPH-966, if approved, and for any future product candidates for rare diseases, Mereo intends 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.

- ***Efficiently advance Mereo's specialty disease product candidates and explore strategic relationships with third parties for further clinical development and/or commercialization.*** Based on the results from Mereo's Phase 2 clinical trial of BCT-197, Mereo plans 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, Mereo reported top-line Phase 2b data for BGS-649 for the treatment of HH and in December 2018, Mereo reported positive results from the safety extension study for BGS-649. Mereo intends to explore strategic relationships with third parties for the further development and commercialization of BGS-649.
- ***Leverage Mereo's expertise in business development to expand its pipeline of product candidates.*** Mereo's senior management team has extensive relationships with large pharmaceutical and biotechnology companies, as evidenced by the acquisition of Mereo's four clinical-stage product candidates. Mereo intends to leverage these relationships to grow its pipeline with a focus on rare bone, endocrine, and respiratory diseases. Mereo intends to continue to identify, acquire, develop, and ultimately commercialize novel product candidates that have received significant investment from large pharmaceutical companies. Mereo will continue to focus on acquiring product candidates with either proof-of-concept clinical data in its target indication or with clinical data in a related disease and a strong scientific rationale that supports development in its target indication. Using a disciplined approach, Mereo intends to continue building a diverse portfolio of product candidates that it believes 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.*** Mereo believes that it is a preferred partner for large pharmaceutical and biotechnology companies as it seeks to unlock the potential in its development pipelines and deliver therapeutics to patients in areas of high unmet medical need. Mereo has strong relationships with these companies, as evidenced by its agreements with Novartis and AstraZeneca, and a track record of structuring transactions that enable Mereo to leverage its core development capabilities while creating value for all stakeholders. Mereo intends to continue to enter into strategic relationships that align its interests with those of large pharmaceutical and biotechnology companies and that it believes to be mutually beneficial.

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

Overview

Mereo is 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. Mereo believes 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. 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 therapies approved by the FDA or EMA for the treatment of OI. 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.

Some 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. Mereo is 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, Mereo believes 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.

Mereo's Approach

Mereo's 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. Mereo believes 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	Enrollment	Phase	Population	Planned Enrollment	Target Start
Phase 1	Healthy Volunteers (postmenopausal women)	30	Phase 2b	OI (adult)	112	Phase 3	OI (pediatrics)	~160	2019
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 (“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 (“P1NP”), procollagen 1 C terminal propeptide (“P1CP”), osteocalcin (“OC”) and bone-specific alkaline phosphatase (“BSAP”); and
  - serum bone resorption markers, including C-telopeptides of type I collagen cross-links (“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 a low, medium and high dose 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(1)	4(2)	1.01	0.138

(1) Statistically significant, meaning a less than 5% chance (or p-value less than 0.05) that the observed results occurred by chance alone.
(2) 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(1)	5	1.06	0.651	1.75
P1CP	9	1.53	0.003(1)	5	1.05	0.600	1.45
BSAP	9	1.59	0.001(1)	5	0.87	0.582	1.83
OC	9	1.44	0.012(1)	5	0.81	0.436	1.78

(1) 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.

Mereo believes 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 a low, medium and high dose.

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, Mereo 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 trial with three blinded arms to

establish the dose response curve and an open label arm at the top dose. The trial has completed enrollment of 112 patients. Similar to the Phase 2 clinical trial conducted by Novartis, Mereo enrolled patients with type I, III and IV OI. Mereo expects top-line 6-month data from the open label arm in the first half of 2019 and top-line 12-month data from the blinded arms by the end of 2019.

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 ("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 Mereo's interactions with the EMA, Mereo believes that the results from this trial, if favorable, and validation of its use of HRpQCT as a biomarker for fracture, from its planned Phase 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, Mereo has agreed a Pediatric Investigational Plan for BPS-804 with the EMA, and Mereo intends to commence a Phase 3 clinical trial of BPS-804 for the treatment of OI in children aged 5 to 18 in Europe and Canada in 2019. Mereo intends to enroll approximately 160 patients in this trial, with fracture rate as the primary endpoint. Based on Mereo's interactions with the EMA, it expects the results from this trial, if favorable, will be sufficient to validate Mereo's use of HRpQCT and support the submission of a MAA for BPS-804 for the treatment of children with severe OI in the EU.

In the United States, the FDA in the first quarter of 2018 denied Mereo's request for a Type C meeting to discuss the initiation of a pediatric Phase 3 study for BPS-804 for the treatment of patients with severe OI. The FDA cited a serious cardiovascular safety concern in adults treated with sclerostin inhibitors that had yet to be resolved and informed Mereo that a risk/benefit assessment for sclerostin inhibitors could not be completed at that time. The FDA further recommended that Mereo not submit its proposed pediatric protocol until the cardiovascular safety issue had been adequately addressed and favorably resolved. In January 2019 the FDA held an Advisory Committee meeting, which voted 18-1 to approve another sclerostin inhibitor. Mereo believes the FDA now has fuller data on the cardiovascular safety issue and plans to re-engage with the FDA in 2019 to discuss the expansion of the pediatric Phase 3 study for BPS-804 for the treatment of patients with severe OI to include sites in the United States. Mereo does not believe the FDA's previous concern was related to BPS-804. In any case, the FDA's position does not impact Mereo's ability to conduct its clinical development activities of BPS-804 in Europe and Canada for children with severe OI or Mereo's clinical development activities of BPS-804 in Europe, the United States and Canada for adults with OI.

MPH-966 (alvelestat) for the Treatment of Severe Alpha-1-Antitrypsin Deficiency

Overview

Mereo is developing MPH-966 (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. MPH-966 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. Mereo believes that by inhibiting NE, MPH-966 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 Mereo defines as AATD in patients with either a PiZZ genotype or

Null/Null 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 severe 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 Null/Null 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 ("FEV1"), a standard measure of exhalation. The annual mortality rate in this genotype estimated to be 4%. Given that individuals with the Null/Null genotype do not produce any AAT, Mereo believes 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, meaning 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.

Mereo believes 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.

Mereo's Approach

Mereo's product candidate for treating severe AATD is MPH-966, a potent, specific oral small molecule that is designed to inhibit NE. Mereo believes that by inhibiting NE, MPH-966 has the potential to reduce the enzymatic destruction of lung tissue. Furthermore, Mereo believes that convenient oral dosing of MPH-966 could provide a significant advantage compared to the current treatments for AATD of surgery or weekly intravenous AAT augmentation therapy.

Clinical Development of MPH-966

The following table summarizes the historical and planned clinical trials of MPH-966:

Historical Trials				Current Trials			
Phase	# of Studies	Population	Subjects Treated with MPH-966	Phase	Population	Enrollment	Trial Started
Phase 1	7	Healthy Volunteers / COPD	143	Phase 2	AATD	165	Q4 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 MPH-966 were in indications other than AATD, Mereo believes that the clinical benefit observed in these trials and the biomarker evidence of treatment effect make MPH-966 a promising potential product candidate for treating severe AATD. In particular, Mereo believes the results from the Phase 2 clinical trials in bronchiectasis and CF are most relevant in assessing MPH-966'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 MPH-966, using a 60 mg dose of MPH-966 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 MPH-966 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.

Mereo believes 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 MPH-966 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 MPH-966, using a 60 mg dose of MPH-966 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 MPH-966 and its effect on the biomarkers of lung damage. The trial did not demonstrate a statistically significant benefit in lung function, which Mereo believes was due to the anti-proteolytic mechanism of action of MPH-966 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. As the proposed mechanism of action of MPH-966 is to inhibit the neutrophil elastase activity in severe AATD patients, Mereo believes this supports the utility of desmosine as a clinical biomarker in its Phase 2 proof-of-concept study.

Mereo believes 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 MPH-966, 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.

Phase 2 Clinical Trial in Severe AATD

Mereo is conducting a Phase 2 proof-of-concept clinical trial of MPH-966 in 165 patients with severe AATD in the United States and the EU and expect to report top-line data in the fourth quarter of 2019. The trial is a 12-week, double-blind, placebo-controlled clinical trial examining two doses of MPH-966 compared to placebo with primary endpoints of elastin breakdown as measured by the biomarker desmosine. Mereo believes that by inhibiting NE, MPH-966 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.

Mereo plans to enroll only patients with PiZZ or Null/Null genotypes with confirmed emphysema, who have not received AAT augmentation therapy or have undergone a wash-out period following AAT augmentation therapy.

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

Mereo received an investment from, and is collaborating with, the venture philanthropy arm of the Alpha-1 Foundation, The Alpha-1 Project, Inc. ("TAP") with respect to Mereo's MPH-966 development program. TAP is investing in the program subject to Mereo meeting agreed-upon development milestones. Mereo also agreed to issue warrants to TAP to subscribe for shares in Mereo, at certain future dates and subject to TAP making agreed-upon investments in the MPH-966 development program.

BCT-197 (acumapimod) for the Treatment of AECOPD

Overview

Mereo is 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. Mereo believes 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 its 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

Mereo is 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 its 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.

Mereo believes that 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, Mereo believes 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.

Mereo's Approach

Mereo's 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. 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 ("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.

Mereo believes 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. Mereo plans 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	5(1)	Healthy Volunteers	168
Phase 2	1	AECOPD	108
Phase 2	1	Acute Kidney Injury	50
Phase 2	1	AECOPD	188

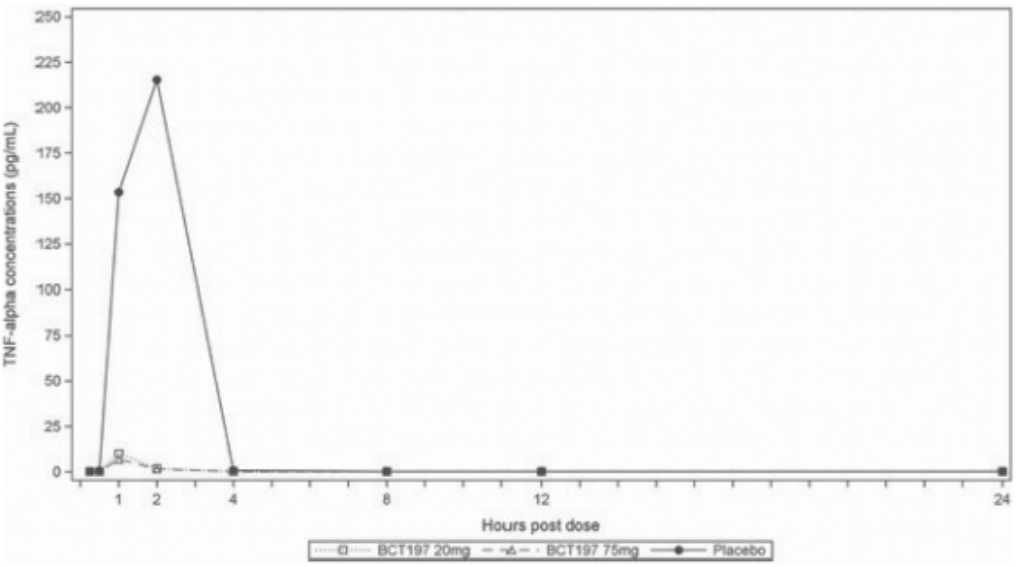
(1) Includes two company-initiated 16-patient drug-drug interaction studies.

Phase 1 Clinical Trials

Prior to Mereo's 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 ("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. Mereo believes that the results of this trial suggest that BCT-197 has pharmacology appropriate for an oral drug taken either once a day or on alternate days.

Phase 2 Clinical Trial in AECOPD

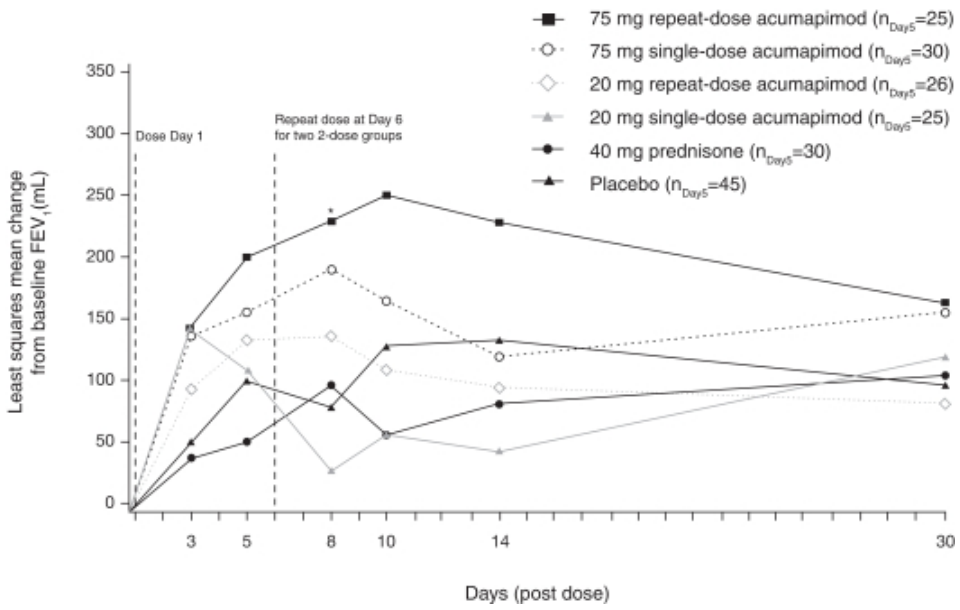
Novartis conducted a double-blind, Phase 2 clinical trial in Europe comparing BCT-197 to the steroid prednisolone and a placebo control. The trial was designed to assess the effect of single and repeated dose of BCT-197 in AECOPD patients. The primary endpoint was to demonstrate an improvement in FEV1 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 in FEV1 from Baseline (ml)



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

Mereo conducted a 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, each 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 biomarkers hsCRP and fibrinogen, 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:

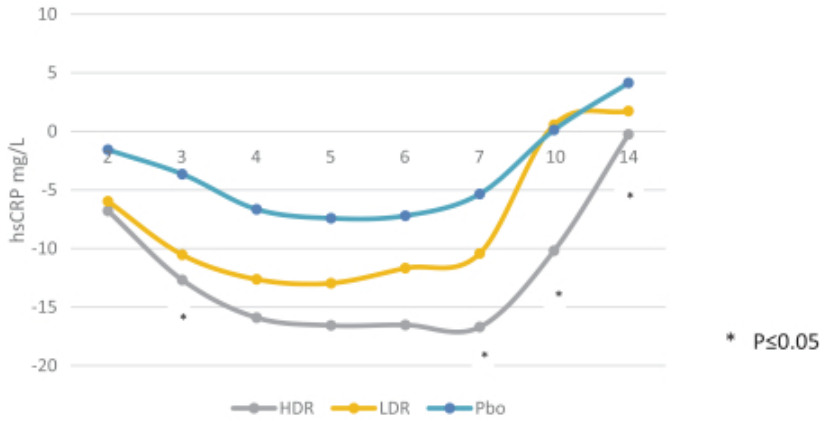
- hospitalization or re-hospitalization due to worsening respiratory symptoms;

- 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.

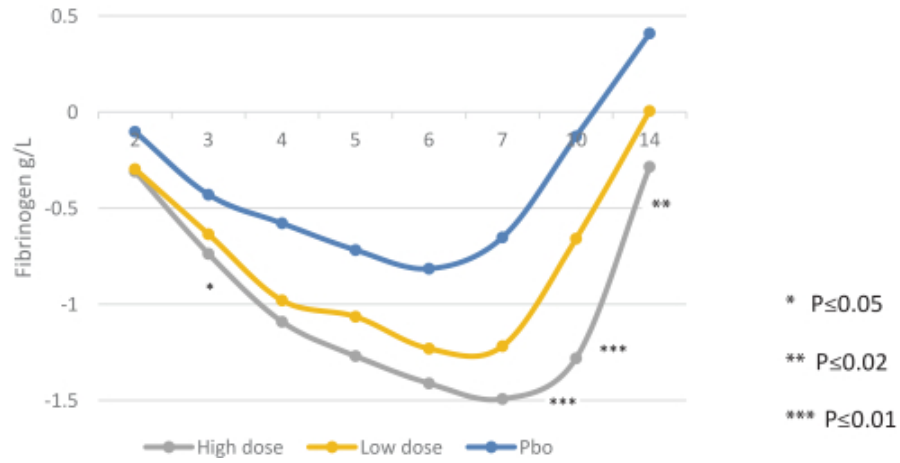
Both dosing regimens of BCT-197 showed a statistically significant change in FEV1 from baseline to Day 7 (p=0.012 and p £ 0.001), meeting the trial's primary endpoint on an intent-to-treat patient population basis. The standard of care plus placebo group did not show a significant change from baseline (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.

Dose-dependent, statistically significant reductions in both hsCRP and fibrinogen were shown with treatment with BCT-197, with hsCRP remaining suppressed through the 26-week observation period. The graphs below show these reductions during the period when patients were experiencing its first occurrence of AECOPD, or its index AECOPD.

Absolute Change from Baseline in hsCRP During the First 14 days of the Study While Patients Were Experiencing their Index AECOPD

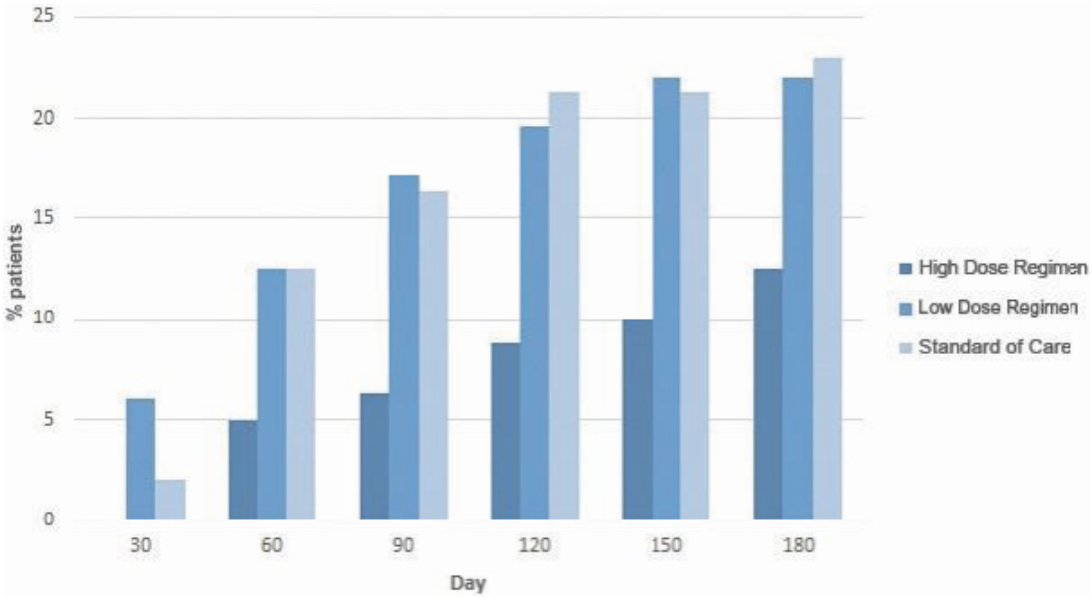


Absolute Change from Baseline in Fibrinogen During First 14 Days of the Study While Patients were Experiencing their Index AECOPD



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.

Percentage of Patients Rehospitalized

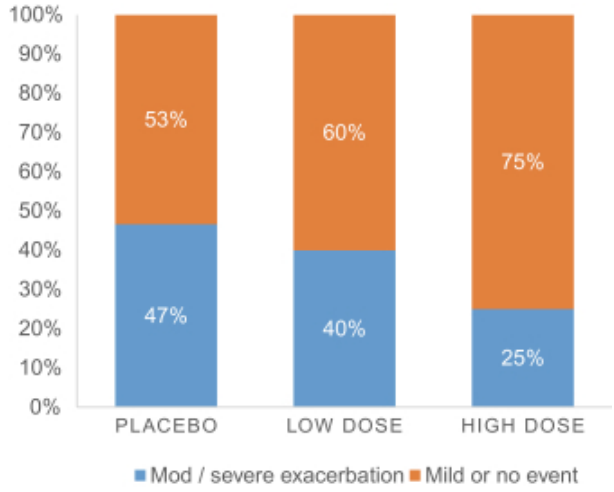


In a prespecified subgroup analysis of patients with low blood eosinophils of less than 2%, which comprised 68% of the patients in this trial, BCT-197 showed a trend toward improvement of FEV1 from

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.

Further analysis of the most severe patients, defined as patients who experienced two or more exacerbations in the previous year, showed a 46% reduction in the number of patients who suffered a subsequent moderate or severe re-exacerbation. The results from the analysis of these patients with the highest unmet need are shown in the graph below.

Percentage of Patients Who Suffered a Subsequent Exacerbation



Consistent with the results from this trial, there was a reduction in antibiotic and systemic steroid use in the high-dose group versus placebo of 46% observed in the long-term follow-up portion of the trial.

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. With these positive results Mereo is seeking regulatory advice on the development plan for BCT-197 in parallel with exploring strategic relationships.

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

Overview

Mereo is 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 (“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 ("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 WHO estimates and scientific data, Mereo believes that there are approximately seven million cases of HH in obese men, generally defined as men with a body mass index ("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.

Mereo's Approach

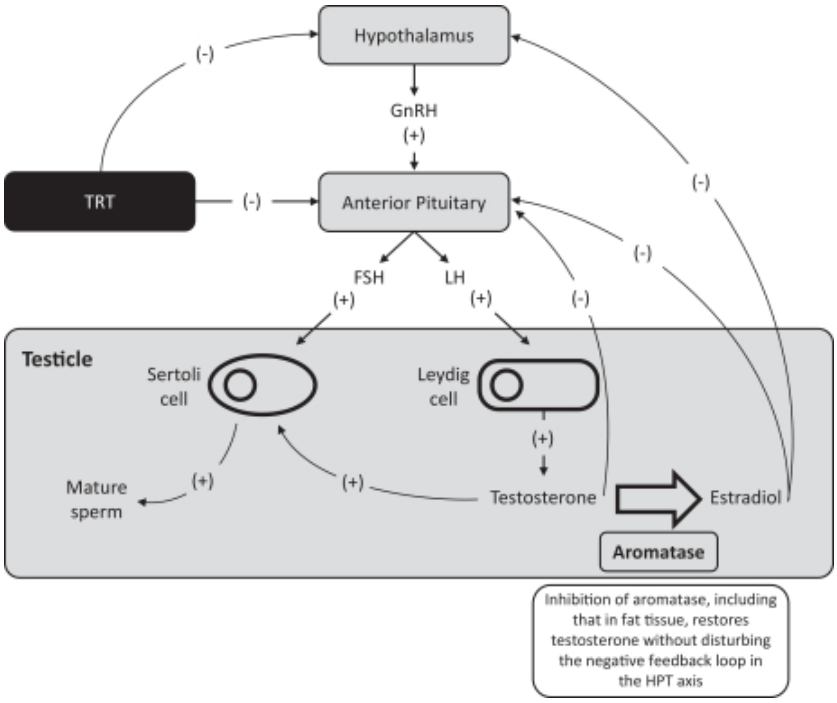
Mereo's product candidate for treating HH in obese men is BGS-649, which is intended for once-weekly oral administration and is designed to inhibit the aromatase enzyme, instead of directly replacing testosterone. The aromatase enzyme converts testosterone to estradiol, thereby reducing testosterone 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, Mereo believes 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 (“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 and planned clinical trials of BGS-649:

Historical Trials				Planned Trials	
Phase	# of Studies	Population	Subjects Treated with BGS-649	Phase	Population
Phase 1	5	Healthy Women / Endometriosis	95	Phase 3	HH obese men
Phase 2	1	Endometriosis	12		
Phase 2	1	HH obese men	24		
Phase 2b	1	HH obese men	200		
Phase 2b (ext)	1	HH obese men	143		

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 (“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. Its 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.

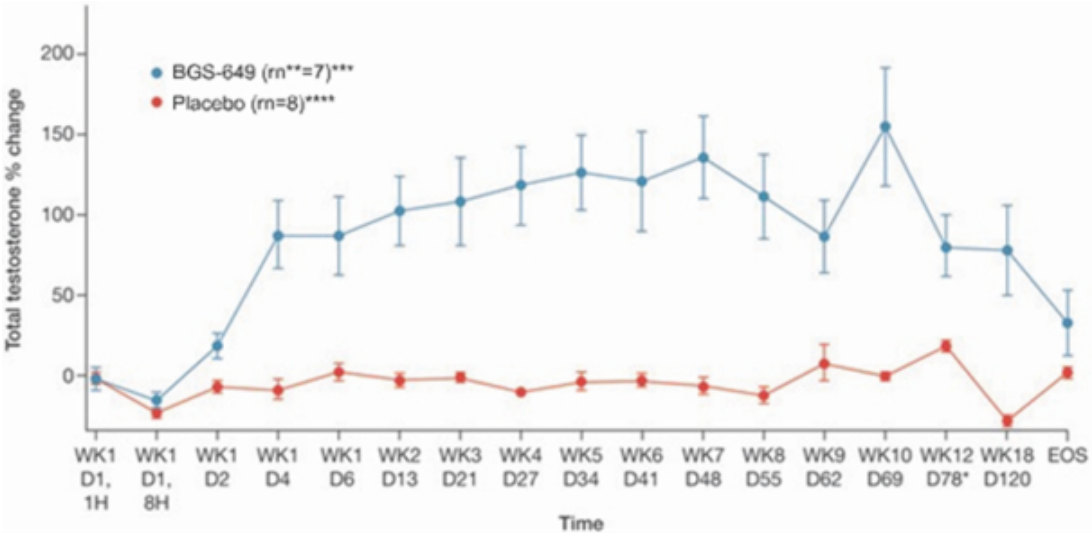
Of the seven patients treated with BGS-649, five completed all 11 doses, one completed week eight and one completed week six prior to termination of the trial. Its subsequent testosterone levels were recorded and included in efficacy analyses, though one patient missed the end-of-trial blood test as 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. Mereo is 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, Mereo announced top-line data from its Phase 2b clinical trial of BGS-649 for the treatment of HH in obese men. Mereo 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.

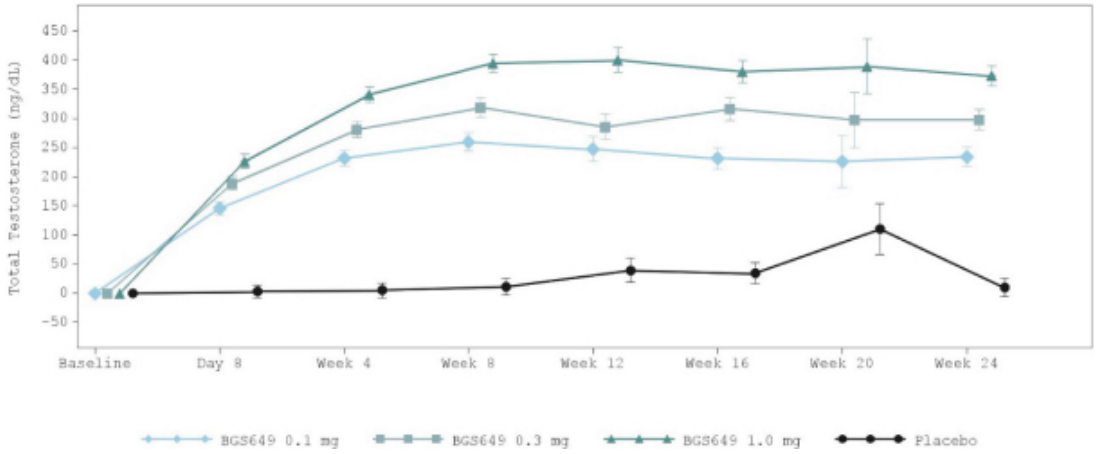
The primary endpoint of the trial was to measure the percentage of patients whose testosterone levels normalized. The trial was designed to detect whether at least 75% of patients had normalized testosterone levels at week 24.

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 (“PROs”), including the Patient Reported Outcomes Measurement Information System (“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.

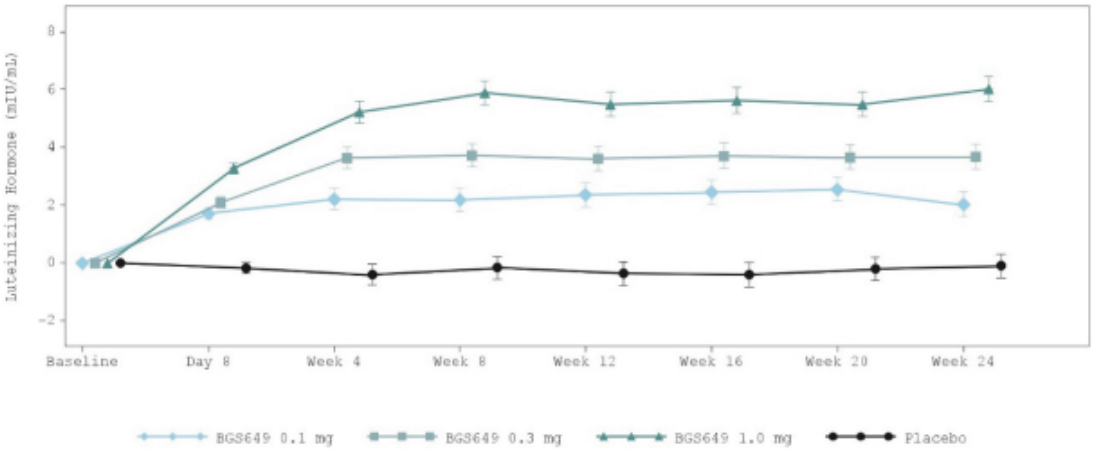
The trial involved a four-week screening phase followed by a 24-week treatment phase and a 12-week follow-up period. All doses of BGS-649 met the primary endpoint, normalizing total testosterone levels in over 75% of subjects after 24 weeks of treatment (p<0.001 versus placebo). Normalization of testosterone 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

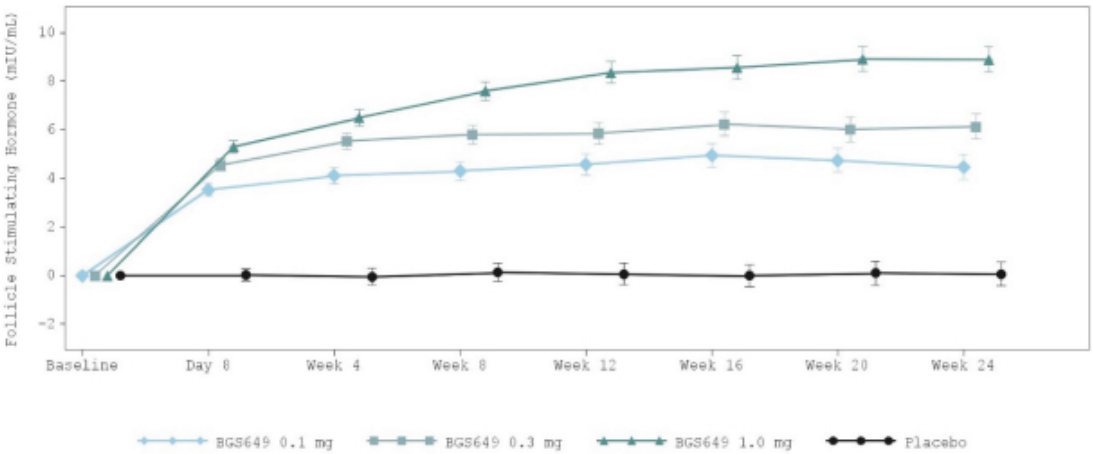


The two highest doses also met the secondary endpoint of normalizing testosterone in 90% of patients at week 24 with the lowest dose normalizing testosterone in 88% of patients at week 24. All three doses of BGS-649 met the remaining secondary endpoints, including the improvement of LH and FSH levels. 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.

Safety Extension Study to the Phase 2b Clinical Trial in Hypogonadotropic Hypogonadism

A subset of 143 patients entered into a six-month extension study to the Phase 2b Clinical Trial for BGS-649, to gain long-term data on both efficacy and safety. 88 patients completed the additional six months of treatment.

The safety extension study was designed to examine if BGS-649 resulted in a pre-specified reduction in bone mineral density (BMD) at 48 weeks following the initial 24 weeks treatment. The primary end point of this safety extension study was decrease in BMD. In December 2018, Mereo reported positive results from the safety extension study for BGS-649. The study was successful in demonstrating that none of the doses of BGS-649 met the lower bound (95% confidence interval) of the pre-specified safety criterion of a greater than 3% reduction in lumbar spine BMD after 48 weeks of treatment. Consistent with this finding, none of the doses of BGS-649 met the secondary safety endpoint criterion of a greater than 3% reduction in bone mineral density in the hip (total or femoral neck). In addition, there was no shift into clinical categories of osteopenia or osteoporosis, with no evidence of development of new osteopenia.

Consistent with the top-line data announced by Mereo in March 2018, treatment with BGS-649 resulted in normalization of total testosterone levels in over 75% of subjects at all three doses tested at the end of the six months extension study period (this measure was the primary endpoint in the placebo-controlled portion of the trial). Similarly, normalization of testosterone in at least 90% of patients (a key secondary endpoint of the placebo-controlled portion of the trial) occurred at all three doses (versus at the two highest doses in the initial 6 months). All three doses also continued to meet all other secondary endpoints, including the improvement of testosterone luteinising hormone (LH) and follicle stimulating hormone (FSH) levels. The extension study continued to demonstrate a clear dose-response in both the primary and secondary endpoints. The total motile sperm count was not determined in this extension study and Mereo is continuing to analyze the data from the exploratory patient reported outcomes (PROs) to assist in developing Mereo's clinical strategy for BGS-649. Mereo intends to explore strategic relationships with third parties for the further development and commercialization of BGS-649.

Material Agreements

Novartis Agreements

In July 2015, Mereo's wholly-owned subsidiaries, Mereo BioPharma 3 Limited, Mereo BioPharma 2 Limited, and Mereo BioPharma 1 Limited entered into asset purchase agreements (the "Purchase Agreements") to acquire from Novartis rights to, respectively, BPS-804, BCT-197, and BGS-649 (the "Compounds") and certain related assets, which, together with the Compounds, Mereo refers to as the "Novartis Assets." In connection with the acquisition of the Novartis Assets, Mereo issued 3,849,000 ordinary shares to Novartis pursuant to a subscription agreement. See "Related Party Transactions—Subscription Agreement" for more information. In addition, Mereo 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, Mereo has agreed to make tiered royalty payments to Novartis based on annual worldwide net sales of products that include the Compounds (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 Mereo require third-party intellectual property rights to exploit the Acquired Novartis Products, Mereo is 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. Mereo 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, Mereo will pay Novartis a percentage of the proceeds of such transaction, with the majority of the proceeds being retained by Mereo. No payment, however, is required with respect to any transaction of Mereo involving its equity interests, a merger or consolidation of it, or a sale of any of its assets.

Mereo 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. Mereo has 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.

Mereo also entered into a sublicense agreement with Novartis (the "Sublicense Agreement"), pursuant to which Novartis granted Mereo an exclusive, worldwide, royalty-bearing sublicense for certain therapeutic antibody products directed against sclerostin (the "Antibody Products"), including BPS-804. Under the Sublicense Agreement, Mereo has 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. Mereo has 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 Mereo a sublicense (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. Mereo 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, Mereo's wholly-owned subsidiary Mereo BioPharma 4 Limited entered into an exclusive license and option agreement (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 MPH-966, with an option to acquire such intellectual property rights following commencement of a pivotal trial and payment of related milestone payments (the "Option"), together with the acquisition of certain related assets.

Upon entering into the License Agreement, Mereo 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, Mereo has agreed to make payments of up to $115.5 million in the aggregate and issue additional ordinary shares to AstraZeneca for licensed products containing MPH-966. In addition, Mereo has agreed to make payments to AstraZeneca based on specified commercial milestones of the product. In the event that Mereo sub-licenses MPH-966, Mereo has also agreed to pay a specified percentage of sublicensing revenue to AstraZeneca. Otherwise, Mereo has agreed to make royalty payments to AstraZeneca equal to ascending specified percentages of tiered annual worldwide net sales by Mereo or its 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, Mereo may freely grant sub-licenses to affiliates upon notice to AstraZeneca and Mereo must obtain AstraZeneca's consent, not be unreasonably withheld, to grant sub-licenses to a third party. Mereo has 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 Mereo for such product in such country will become fully-paid and irrevocable. Prior to exercise of the Option, if at all, Mereo 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 Mereo.

Manufacturing

Mereo does not own or operate manufacturing facilities for the production of its product candidates, nor does it have plans to develop its own manufacturing operations in the foreseeable future. Mereo has 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 Mereo intends to enter into additional manufacturing agreements as necessary. Following Mereo's license of MPH-966, Mereo acquired certain clinical trial materials and plans to outsource production of further clinical supplies to its own manufacturing suppliers. Mereo also intends to outsource certain product formulation trials. Mereo expects that drug product pre-validation and validation batches will be manufactured to satisfy regulatory requirements where it progresses products to late stage trials.

Mereo does not yet have any contractual relationships for the manufacture of commercial supplies of BPS-804, MPH-966, BCT-197, or BGS-649, and Mereo intends 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 Mereo is seeking approval. Mereo employs internal resources to manage its manufacturing contractors and ensure they are compliant with current good manufacturing practices.

Commercialization, Sales and Marketing

Mereo does not have its own marketing, sales, or distribution capabilities. In order to commercialize Mereo's product candidates, if approved for commercial sale, Mereo must either develop a sales and marketing infrastructure or collaborate with third parties that have sales and marketing experience. For BPS-804 and MPH-966, if approved, and for any future product candidates for rare diseases, Mereo intends 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. Mereo intends 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

Mereo competes directly with other biopharmaceutical and pharmaceutical companies that focus on the treatment of OI, AATD, AECOPD or HH. Mereo may also face competition from academic

research institutions, governmental agencies and other various public and private research institutions. Mereo expects to face increasingly intense competition as new technologies become available. Any product candidates, including BPS-804, MPH-966, BCT-197, and BGS-649 that Mereo successfully develops and commercializes will compete with existing therapies and new therapies that may become available in the future.

Mereo considers 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, which was approved in Japan in January 2019. Blosozumab, an anti-sclerostin antibody, was in Phase 1 development for osteoporosis by Eli Lilly; however, Mereo is not aware of any ongoing clinical trials for this product candidate and does 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.

Mereo considers MPH-966'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' Prolastin-C, Shire's Aralast, CSL's Zemaira and Kamada's Glassia. Kamada is also investigating an inhaled version of augmentation therapy, Apic Bio, Inc. ("Apic Bio") is in the early stages of developing gene-therapy approaches for AATD and Vertex Pharmaceuticals Inc. ("Vertex") has an early-stage small molecule corrector program 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, Mereo is 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. Mereo considers 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 nemiralisib, a PI3Kd inhibitor, for the treatment of acute and long term use in COPD and asthma, which Mereo believes to be an anti-inflammatory. Nemiralisib is currently being studied in a Phase 2 clinical trial.

Mereo considers 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. On May 9, 2018, Lipocine announced that it had received a Complete Response Letter from the FDA and is in the process of addressing the issues identified in the letter.

Mereo 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 pipelines. Many of Mereo's competitors have significantly greater financial, manufacturing, marketing, drug development, technical and human resources than Mereo does. Mergers and acquisitions in the pharmaceutical and

biotechnology industries may result in even more resources being concentrated among a smaller number of Mereo's 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 Mereo 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, MPH-966, 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.

Mereo's commercial opportunity could be reduced or eliminated if its 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 Mereo may develop. Mereo's competitors may also obtain FDA, EMA or other regulatory approval for their products more rapidly than Mereo may obtain approval for its own product candidates, which could result in Mereo's competitors establishing a strong market position before Mereo is able to enter the market. Even if BPS-804, MPH-966, 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

Mereo has acquired or exclusively licensed a comprehensive intellectual property portfolio from Novartis and AstraZeneca, respectively. Mereo strives to protect and enhance the proprietary technologies, inventions and improvements that it believes are important to its business, including seeking, maintaining and defending patent rights, whether developed internally or acquired or licensed from third parties. Mereo's policy is to seek to protect its 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 Mereo's proprietary technology, inventions, improvements, platforms and its product candidates that are important to the development and implementation of its business.

Mereo's intellectual property is held by Mereo BioPharma 1 Limited, Mereo BioPharma 2 Limited, Mereo BioPharma 3 Limited and Mereo BioPharma 4 Limited, each of which is a wholly-owned subsidiary of Mereo and holds the intellectual property for Mereo's product candidates BCT-197, BGS-649, BPS-804 and MPH-966, respectively. As of January 24, 2019, Mereo's patent portfolio comprises approximately 353 issued patents and approximately 87 pending patent applications on a global basis.

BPS-804 (setrusumab)

As of January 24, 2019, Mereo's patent portfolio relating to its product candidate BPS-804 consisted of three issued U.S. patents, one pending U.S. patent application, 86 issued foreign patents, four pending foreign patent applications and two pending international patent applications filed under the Patent Cooperation Treaty ("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; the use of a specific anti-sclerostin antibody in the treatment of OI; and use of a sclerostin antagonist in the treatment of a myopathy with expected expiry dates not earlier than between 2028 and 2039.

The patent portfolio relating to Mereo's product candidate BPS-804 includes three 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 January 24, 2019, 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. Mereo expects 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 January 24, 2019, this patent family included one U.S. non-provisional application and two pending international patent applications filed under the PCT. Mereo expects patents emanating from this family to expire in 2036/2037.
- The third of these patent families relates to the use of an anti-sclerostin antagonist in the treatment of a myopathy. As of January 24, 2019, this patent family included one U.K. patent application. Mereo expects patents emanating from this family to expire in 2039.

MPH-966 (alvelestat)

As of January 24, 2019, Mereo's patent portfolio relating to its product candidate MPH-966 consisted of three issued U.S. patents, no pending U.S. patent applications, 34 issued foreign patents and six pending foreign patent applications. These patents have all been licensed under Mereo's 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. Mereo's patent portfolio also consists of two pending foreign applications which have been filed subsequent to the license agreement with AstraZeneca. These patent applications include claims directed to dosage regimens of MPH-966 with expected expiry dates not earlier than 2039.

The patent portfolio relating to Mereo's product candidate MPH-966 includes three patent families:

- The first of these patent families relates to 2-pyridone derivatives as NE inhibitors and their use. As of January 24, 2019, 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. Mereo expects 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 January 24, 2019, 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. Mereo expects patents in this family to expire in 2030.
- The third of these patent families relates to dosage regiments of MPH-966. As of January 24, 2019, this patent family includes two pending U.K. patent applications. Mereo expects patents emanating from this family to expire in 2039.

BCT-197 (acumapimod)

As of January 24, 2019, Mereo's patent portfolio relating to its product candidate BCT-197 consisted of five issued U.S. patents, four pending U.S. patent applications, 130 issued foreign patents, 56 pending foreign applications, and two 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, methods of producing specific polymorphs of BCT-197 and synthetic methods of production of BCT-197 with expected expiry dates not earlier than between 2024 and 2038.

The patent portfolio relating to Mereo's product candidate BCT-197 includes six 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 January 24, 2019, this patent family included granted patents in Algeria, Australia, Brazil, 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. Mereo expects 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 January 24, 2019, 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. Mereo expects patents in this family to expire in 2033.
- The third of these patent families relates to dosage regimens of BCT-197. As of January 24, 2019, this patent family included two pending U.S. patent applications and seventeen pending foreign patent applications. Mereo expects patents emanating from this family to expire in 2036.
- The fourth of these patent families relates to specific polymorphs of BCT-197. As of January 24, 2019, this patent family included two pending U.S. patent applications and twenty-eight pending foreign patent applications. Mereo expects 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 January 24, 2019, this patent family included two PCT patent applications. Mereo expects patents emanating from this family to expire in 2038.
- The sixth of these patent families relates to synthetic methods for the production of BCT-197. As of January 24, 2019, this patent family included three U.K. national patent applications. Mereo expects patents emanating from this family to expire in 2039.

BGS-649 (leflutrozole)

As of January 24, 2019, Mereo's patent portfolio relating to its product candidate BGS-649 consisted of four issued U.S. patents, 88 issued foreign patents, 11 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 and combination drug regimens of BGS-649, with expected expiry dates not earlier than between 2032 and 2039. 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 Mereo's product candidate BGS-649 includes three 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 January 24, 2019, this patent family included granted patents in Algeria, Australia, Canada, 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), GCC, Hong Kong, Indonesia, Israel, Japan, Mexico, New Zealand, Russia, Singapore, South Africa, South Korea and the United States. Mereo expects 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 January 24, 2019, this patent family included a single PCT patent application. Mereo expects patents emanating from this family to expire in 2037.
- The third of these patent families relates to combination drug regimens of BGS-649. As of January 24, 2019 this patent family included two U.K. national patent applications. Mereo expects patents emanating from this family to expire in 2039.

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

Mereo's 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 Mereo to alter its development or commercial strategies, or Mereo product candidates or processes, obtain licenses or cease certain activities. Mereo's breach of any license agreements or failure to obtain a license to proprietary rights that Mereo may require to develop or commercialize its product candidates may have

an adverse impact on Mereo. If third parties have prepared and filed patent applications prior to March 16, 2013 in the United States that also claim technology to which Mereo has rights, Mereo 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, 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 Mereo is 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 Mereo’s product candidates.

U.S. Government Regulation

In the United States, the FDA regulates drugs under the Federal Food, Drug, and Cosmetic Act (the “FDCA”) and its implementing regulations, and biological products, or biologics, under both the FDCA and the Public Health Service Act (the “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 (an “IRD”), which must become effective before human clinical trials may begin;
- approval by an independent institutional review board (an “IRB”) at each clinical site before each trial may be initiated;
- performance of adequate and well-controlled human clinical trials in accordance with 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 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 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 website, www.clinicaltrials.gov.

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 ("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. Mereo has been granted Orphan Product Designation by the FDA for Mereo's 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 ("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

Mereo's 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 Mereo's future products in the European Economic Area (which is comprised of the 28 Member States of the EU plus Norway, Iceland and Liechtenstein) (the "EEA"), and many other foreign jurisdictions, Mereo must obtain separate regulatory approvals. More concretely, in the EEA, medicinal products can only be commercialized after obtaining a Marketing Authorization ("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 ("PIP"), agreed with the EMA's Pediatric Committee ("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, Mereo 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 ("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 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.

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.

Mereo may also be subject to data privacy and security regulation by both the federal government and the states in which it conducts its business. HIPAA, as amended by 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.

Privacy and Data Protection Laws in Europe

Mereo is subject to European laws relating to its and its suppliers', partners' and subcontractors' collection, control, processing and other use of personal data (i.e. any data relating to an identifiable living individual, whether that individual can be identified directly or indirectly). Mereo is subject to the supervision of local data protection authorities in those jurisdictions where Mereo is established, where Mereo offers goods or services to EU residents and where Mereo monitors the behavior of individuals in the EU (i.e. undertaking clinical trials). Mereo and its suppliers, partners and subcontractors process personal data including in relation to Mereo's employees, employees of customers, clinical trial patients, healthcare professionals and employees of suppliers including health and medical information. The data privacy regime in the EU includes the GDPR, the e-Privacy Directive (2002/58/EC) and the e-Privacy Regulation (once in force) and the national laws and regulations implementing or supplementing each of them.

The GDPR requires that personal data is only collected for specified, explicit and legal purposes as set out in the GDPR or local laws, and the data may then only be processed in a manner consistent with those purposes. The personal data collected and processed must be adequate, relevant and not

excessive in relation to the purposes for which it is collected and processed, it must be held securely, not transferred outside of the EEA (unless certain steps are taken to ensure an adequate level of protection), and must not be retained for longer than necessary for the purposes for which it was collected. In addition, the GDPR requires companies processing personal data to take certain organizational steps to ensure that they have adequate records, policies, security, training and governance frameworks in place to ensure the protection of data subject rights, including as required to respond to complaints and requests from data subjects. For example, the GDPR requires Mereo to make more detailed disclosures to data subjects, requires disclosure of the legal basis on which Mereo can process personal data, makes it harder for Mereo to obtain valid consent for processing, will require the appointment of a data protection officer where sensitive personal data (i.e. health data) is processed on a large scale, introduces mandatory data breach notification throughout the EU and imposes additional obligations on Mereo when it is contracting with service providers.

In addition, to the extent a company processes, controls or otherwise uses “special category” personal data (including patients’ health or medical information, genetic information and biometric information), more stringent rules apply, further limiting the circumstances and the manner in which a company is legally permitted to process that data. Finally, the GDPR provides a broad right for EU member states to create supplemental national laws which may result in divergence across Europe making it harder to maintain a consistent operating model or standard operating procedures. Such laws, for example, may relate to the processing of health, genetic and biometric data, which could further limit Mereo’s ability to use and share such data or could cause its costs to increase, and harm its business and financial condition.

Mereo depends on a number of third parties in relation to the provision of its services, a number of which process personal data on Mereo’s behalf. With each such provider Mereo enters into contractual arrangements to ensure that they only process personal data according to Mereo’s instructions, and that they have sufficient technical and organizational security measures in place. Where Mereo transfer personal data outside the EU, it does so in compliance with the relevant data export requirements from time to time. Mereo takes its data protection obligations seriously, as any improper, unlawful or accidental disclosure, loss, alteration or access to, personal data, particularly sensitive personal data (i.e. special category), could negatively impact its business and/or its reputation.

Mereo is also subject to EU laws on personal data export, as it may transfer personal data from the EU to other jurisdictions which are not considered by the European Commission to offer adequate protection of personal data. Such transfers need to be legitimized by a valid transfer mechanism under the GDPR. There is currently ongoing litigation challenging the commonly used transfer mechanisms, the EU Commission approved model clauses. In addition, the U.S. Privacy Shield is currently under review by the European Commission. As such, it is uncertain whether the Privacy Shield framework and/or model clauses will be invalidated in the near future. These changes may require Mereo to find alternative bases for the compliant transfer of personal data from the EU to the United States and Mereo is monitoring developments in this area. Invalidation of any mechanism on which Mereo relies could require operational changes and increased costs and may lead to governmental enforcement actions, litigation, fines and penalties or adverse publicity that could have an adverse effect on Mereo’s business.

The EU is in the process of replacing the e-Privacy Directive with a new set of rules taking the form of a regulation, which will be directly implemented in the laws of each European member state, without the need for further enactment. The draft e-Privacy Regulation imposes strict opt-in marketing rules with limited exceptions for business-to-business communications and alters rules on third-party cookies, web beacons and similar technology. Regulation of cookies and web beacons may lead to broader restrictions on online research activities, including efforts to understand users’ internet usage. The current draft also significantly increases fining powers to the same levels as GDPR (i.e. the greater

of 20 million Euros or 4% of total global annual revenue). While no official timeframe has been provided, commentators have stated that the e-Privacy Regulation is likely to be agreed in 2019 and to come into force during the second half of 2020 or during 2021 following a transition period.

There are costs and administrative burdens associated with compliance with the GDPR and the resultant changes in the EU and EEA member states' national laws and the introduction of the e-Privacy Regulation once it takes effect. Any failure or perceived failure to comply with global privacy laws carries with it the risk of significant penalties and sanctions of up to €20 million or 4% of global turnover. These laws or new interpretations, enactments or supplementary forms of these laws, could create liability for Mereo, could impose additional operational requirements on Mereo's business, could affect the manner in which it uses and transmits patient information and could increase its cost of doing business. Claims of violations of privacy rights or contractual breaches, even if Mereo is not found liable, could be expensive and time-consuming to defend and could result in adverse publicity that could harm Mereo's business.

Coverage and Reimbursement

Significant uncertainty exists as to the coverage and reimbursement status of any pharmaceutical or biological product for which Mereo obtains 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 Mereo's products unless coverage is provided and reimbursement is adequate to cover a significant portion of the cost of Mereo's products. Sales of any products for which Mereo receives 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 Mereo's product candidates could reduce physician utilization of its products once approved and have a material adverse effect on Mereo's 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 Mereo to maintain price levels sufficient to realize an appropriate return on Mereo's 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 Mereo to provide scientific and clinical support for the use of its 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 Mereo's products to be cost effective compared to other available therapies, they may not cover Mereo's products after approval, if any, or, if they do, the level of payment may not be sufficient to allow Mereo to sell its 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 Mereo expects there will be additional challenges and amendments to the ACA in the future.

Mereo expects 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 Mereo receives 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 Mereo from being able to generate revenue, attain profitability or commercialize Mereo's 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.

Mereo expects 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 Mereo's products once approved or additional pricing pressures.

Employees

As of December 31, 2018, Mereo had 37 employees. None of Mereo's employees is subject to a collective bargaining agreement or represented by a trade or labor union. Mereo considers its relationship with its employees to be good.

Facilities

Mereo's principal office is located at 4th Floor, One Cavendish Place, London W1G 0QF, United Kingdom, where Mereo leases approximately 4,000 square feet of office space. Mereo leases this office space under a lease that terminates on August 16, 2025. Mereo intends to add new facilities as it adds employees, and believes that suitable additional or substitute space will be available as needed to accommodate any such expansion of its operations.

Legal Proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Mereo is aware) that may have, or have had in the recent past (covering the 12 months immediately preceding the date of this proxy statement/prospectus), significant effects on Mereo's financial position or profitability.

MEREO MANAGEMENT

Executive Officers and Directors

The following table presents information about Mereo's executive officers and directors, including their ages, as of the date of this proxy statement/prospectus:

Name	Age	Position
Executive Officers		
Denise Scots-Knight, Ph.D.	59	Chief Executive Officer and Director
Richard Jones	52	Chief Financial Officer and Director
Alastair MacKinnon, MBBS	48	Chief Medical Officer
John Richard	61	Head of Corporate Development
Charles Sermon	49	General Counsel
Alexandra (Wills) Hughes-Wilson	47	Head of Patient Access and Commercial Planning
Non-Executive Directors		
Peter Fellner, Ph.D.	75	Chairman of the Board
Frank Armstrong, MBChB	62	Director
Peter Bains	61	Director
Paul Blackburn	64	Director
Anders Ekblom, M.D., Ph.D.	64	Director
Kunal Kashyap	53	Director
Deepika R. Pakianathan, Ph.D.	54	Director*
Michael S. Wyzga	63	Director*

* Not currently serving on the Mereo Board; expected to be appointed as directors of Mereo as of the Effective Time.

The current business addresses for Mereo's executive officers and directors is c/o Mereo BioPharma Group plc, 4th Floor, One Cavendish Place, London, W1G 0QF, United Kingdom.

The following are brief biographies of Mereo's executive officers and directors:

Denise Scots-Knight, Ph.D. Dr. Scots-Knight has served as Mereo's Chief Executive Officer since July 2015 and as a member of the Mereo Board since Mereo's formation. From 2010 until joining Mereo, Dr. Scots-Knight was the Managing Partner of Phase4 Partners Ltd. ("Phase4"), a global life science venture capital firm. Dr. Scots-Knight is currently a board member of Phase4. Dr. Scots-Knight holds a B.Sc. (Hons.) and a Ph.D. from Birmingham University.

Richard Jones. Mr. Jones has served as Mereo's Chief Financial Officer and as a member of the Mereo Board 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 serves as a non-executive director on the board of Alliance Pharma plc. 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 Mereo's 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 Mereo's 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 Mereo's 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.

Alexandra (Wills) Hughes-Wilson. Ms. Hughes-Wilson has served as Mereo's Head of Patient Access and Commercial Planning since March 2018. Prior to joining Mereo, Ms. Hughes-Wilson was Senior Vice President, Chief Patient Access Officer at Swedish Orphan Biovitrum (publ.) AB, a biotechnology company, from 2012 to 2018, and prior to that served as Vice President Health & Market Access Policy EMEA at Genzyme (now Sanofi Genzyme), a biotechnology company. Ms. Hughes-Wilson holds a Bachelor's Degree in Law and Politics (Hons.) from the University of Durham, U.K.

Peter Fellner, Ph.D. Dr. Fellner has been Chairman of the Mereo Board since July 2015. He also serves as Chairman of the board of directors of Consort Medical plc, and was Chairman of the board of directors of Ablynx NV until January 2018 and Vernalis plc until October 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 the Mereo Board 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 the Mereo Board since July 2015. Mr. Bains was Representative Executive Officer and Chief Executive Officer of Sosei Group Corporation, a biotechnology company until 31 December 2018. Previously, he was Chief Executive Officer of Syngene International Ltd. ("Syngene"), and served as a Non-Executive Director until 2016. Mr. Bains currently serves as Non-Executive Director for Phase4 and MiNA Therapeutics Ltd. Mr. Bains served as Non-Executive Chairman of Fermenta Biotech Ltd. until April 2018. Mr. Bains holds a B.Sc. (Hons.) from Sheffield University.

Paul Blackburn. Mr. Blackburn has served on the Mereo Board 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 is a member of the Chartered Institute of Managed Accountants. Mr. Blackburn holds a B.Sc. from Warwick University.

Anders Ekblom, M.D., Ph.D. Dr. Ekblom has served on the Mereo Board 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 of Elypta AB and TFS International AB, and on the boards of directors of Alligator Bioscience AB, AnaMar AB, Infant Bacterial Therapeutics AB and LEO Pharma A/S. Dr. Ekblom is a board-certified medical doctor and an Associate Professor at the Karolinska Institutet. Dr. Ekblom holds a D.D.S., M.D. and Ph.D. from Karolinska Institutet.

Kunal Kashyap. Mr. Kashyap has served on the Mereo Board 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 was a partner with Arthur Andersen responsible for establishing and managing their operations in South India. Mr Kashyap is also the Founder and was the Executive Director of Celstream Technologies Private Limited. Mr. Kashyap is a Chartered Accountant from the Institute of Chartered Accountants of India.

Deepika R. Pakianathan, Ph.D. Dr. Pakianathan has served as a director of OncoMed since December 2008. Since 2001, Dr. Pakianathan has been a Managing Member at Delphi Ventures, a venture capital firm focused on biotechnology and medical device investments. Dr. Pakianathan serves on the boards of directors of Alder Biopharmaceuticals, Inc., Karyopharm Therapeutics, Inc., and Calithera Biosciences, Inc. Dr. Pakianathan previously served on the boards of directors of Alexza Pharmaceuticals, Inc., PTC Therapeutics, Inc. and Relypsa, Inc. Dr. Pakianathan received a B.Sc. from the University of Bombay, India, a M.Sc. from The Cancer Research Institute at the University of Bombay, India, and an M.S. and Ph.D. from Wake Forest University.

Michael S. Wyzga. Mr. Wyzga has served as a director of OncoMed since October 2013. Mr. Wyzga is currently the President of MSW Consulting Inc., a strategic consulting group focused in the lifesciences area. From December 2011 until November 2013, Mr. Wyzga served as President and Chief Executive Officer and a member of the board of directors of Radius Health, Inc. Prior to that, Mr. Wyzga served in various senior management positions at Genzyme Corporation, including as Chief Financial Officer from July 1999 until November 2011. Mr. Wyzga is a member of the boards of directors of Exact Sciences Corporation and LogicBio, and is Chairman of the board of directors of GenSight Biologics S.A. and of X4 Biologics. Mr. Wyzga previously served as a member of the boards of directors of Idenix Pharmaceuticals, Inc. and Altus Pharmaceuticals, Inc., and as a member of the supervisory board of Prosensa Holding B.V. He received an M.B.A. from Providence College and a B.S. from Suffolk University.

In accordance with Mereo's articles of association, its directors serve for three-year terms. The current term for all of its directors expires in 2021, except for Mr. Jones, whose current term expires in 2020. Mereo's shareholders elect directors in accordance with Mereo's articles of association. If Mereo's shareholders do not elect a new director, then the retiring director may, if willing to serve, continue as a director. See "Description of Mereo Shares 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, Mereo is permitted to follow home country corporate governance practices, instead of certain corporate governance practices required by Nasdaq for U.S. domestic issuers. While Mereo intends to follow most Nasdaq corporate governance rules, it intends to follow U.K. corporate governance practices in lieu of Nasdaq corporate governance rules as follows:

- Mereo does 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, Mereo's articles of association provide alternative quorum requirements that are generally applicable to meetings of shareholders.

- Mereo does 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. Mereo's independent directors may choose to meet in executive session at its discretion.

Although Mereo may rely on certain home country corporate governance practices, Mereo must comply with Nasdaq Rule 5640 Notification of Noncompliance and Rule 5640 Voting Rights. Further, Mereo 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).

Mereo intends to take all actions necessary for it 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 Mereo is a foreign private issuer, Mereo's directors and senior management are not subject to short-swing profit and insider trading reporting obligations under Section 16 of the Exchange Act. Mereo will, however, be subject to the obligations to report changes in share ownership under Section 13 of the Exchange Act and related SEC rules.

Compliance with the Quoted Companies Alliance Corporate Governance Code

All companies with securities admitted to trading on AIM are required to include on their website details of a recognized corporate governance code that the board of directors of the company has decided to apply, how the company complies with that code, and where it departs from its chosen corporate governance code an explanation of the reasons for doing so. This information is required to be reviewed annually.

Mereo applies the Corporate Governance Code published by the Quoted Companies Alliance (the "QCA Code"). The QCA Code sets out a standard of minimum best practice for small and midsize quoted companies in the U.K.

Composition of the Mereo Board

The Mereo Board currently consists of eight members. Five of Mereo's eight directors, Frank Armstrong, 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 each is "independent" as that term is defined under the rules of Nasdaq. As a foreign private issuer, Mereo is not required to meet the Nasdaq rule that the Mereo Board be comprised of a majority of independent directors. However, Mereo intends to comply with this requirement. There are no family relationships among any of Mereo's directors or senior management.

In accordance with Mereo's articles of association, each of its directors serves for a term of three years. 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 Mereo Shares and Articles of Association—Articles of Association—Directors—Appointment of Directors."

Committees of the Mereo Board

The Mereo Board 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 Mereo's accounting and financial reporting processes and the audits of Mereo's financial statements. Mr. Blackburn serves as Chairman of the committee. The audit and risk committee consists exclusively of members of the Mereo 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. The Mereo Board expects that all of the members of the audit and risk committee will satisfy the "independence" requirements set forth in Rule 10A-3 under the Exchange Act. The audit and risk committee is expected to be governed by a charter that complies with Nasdaq rules, effective upon the closing of the Merger.

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 Mereo's 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 Mereo's financial statements and Mereo's financial reporting process; and
- approving or ratifying any related person transaction (as defined in Mereo's related person transaction policy) in accordance with Mereo's 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 Mereo's independent accountant, without Mereo's 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 Mereo other than standard board member fees. However, foreign private issuers are not required to meet this heightened standard. Nonetheless, the Mereo Board expects that Mr. Armstrong, Mr. Bains and Dr. Ekblom will meet this heightened standard, and Mereo intends for all members of Mereo's remuneration committee to comply with this heightened standard within 12 months of the listing of the Mereo ADSs with Nasdaq. The remuneration committee is expected to be governed by a charter that complies with Nasdaq rules, effective upon the closing of the Merger.

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 Mereo's senior management compensation and benefits policies generally; and
- reviewing and assessing risks arising from Mereo's compensation policies and practices.

Nomination Committee

The nomination committee, which consists of Peter Bains, Anders Ekblom, and Peter Fellner, assists the Mereo Board in identifying individuals qualified to become members of the Mereo Board and senior management consistent with criteria established by the Mereo Board and in developing Mereo's corporate governance principles. Dr. Fellner serves as Chairman of the nomination committee. The nomination committee is expected to be governed by a charter that complies with Nasdaq rules, effective upon the closing of the Merger.

The nomination committee's responsibilities include:

- drawing up selection criteria and appointment procedures for board members;
- reviewing and evaluating the size and composition of the Mereo Board and making a proposal for a composition profile of the board at least annually;
- recommending nominees for election to the Mereo 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 Mereo's senior management with oversight and guidance related to research and development matters and provides guidance and makes recommendations to the Mereo 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:

- Mereo's 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 itself informed of strategic issues and commercial changes affecting Mereo's development programs and potential product acquisitions.

Code of Business Conduct and Ethics and Anti-Bribery and Anti-Corruption Policy

Mereo intends to adopt a Code of Business Conduct and Ethics and an Anti-Bribery and Anti-Corruption Policy, effective upon the closing of the Merger, that will cover 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, 2018, 2017 and 2016 to Mereo's current executive officers.

Name and Principal Position	Year	Salary (£)	Cash Bonus(1) (£)	All Other Compensation(2) (£)	Total(3) (£)
Denise Scots-Knight, Ph.D.	2018	379,600	303,680	64,560	747,840
Chief Executive Officer	2017	365,000	242,725	64,196	671,921
	2016	340,000	166,600	56,863	563,463
Richard Jones(4)	2018	260,000	208,000	33,481	501,481
Chief Financial Officer	2017	231,090	166,250	29,224	426,564
	2016	—	—	—	—
Alastair MacKinnon, MBBS	2018	281,600	225,280	30,698	537,578
Chief Medical Officer	2017	256,000	170,240	27,916	454,156
	2016	230,000	112,700	25,071	367,771
John Richard(5)	2018	277,861	230,053	—	507,914
Head of Corporate Development	2017	275,338	218,727	—	494,065
	2016	259,745	158,589	—	418,334
Charles Sermon	2018	282,490	225,992	34,975	543,457
General Counsel	2017	271,625	180,631	33,164	485,420
	2016	265,000	129,850	31,847	426,697
Alexandra Hughes-Wilson	2018	63,750	30,000	6,375	100,125
Head of Patient Access and Commercial Planning	2017	—	—	—	—
	2016	—	—	—	—

(1) Amount shown reflects cash bonuses awarded for achievement of performance goals. In 2016 and 2017, 30% of the annual bonus was deferred under the 2016 DBSP (as defined below), except in respect of John Richard who was not an employee in 2016 or 2017 and therefore not eligible to participate in the 2016 DBSP. In 2018, 30% of the annual cash bonus awarded was made (after deduction of income tax and the relevant employee's national insurance contributions) to Mereo's current executive officers to acquire Mereo shares under the 2019 DBSP (as defined beloow). See "—Equity Compensation Arrangements."

(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 the 2016 DBSP or the value of options to acquire Mereo Shares or awards granted to or held by current senior management, which is described in "—Equity Compensation Arrangements."

(4) Mr. Jones commenced employment with Mereo in January 2017.

(5) Mr. Richard provided services to Mereo in 2018 under a consultancy agreement and currently provides services to Mereo 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.

Mereo 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 Mereo's annual bonus plan. Mereo currently contributes 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, Mereo 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 Mereo may terminate Dr. Scots-Knight at any time with immediate effect for cause or by giving written notice to Dr. Scots-Knight that Mereo 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 Mereo or soliciting Mereo's key employees for a period of six months following her termination of employment or soliciting Mereo's customers for a period of nine months following her termination of employment.

Richard Jones

Mereo entered into an employment agreement with Mr. Jones on November 7, 2016 pursuant to which he commenced employment with Mereo 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 Mereo's annual bonus plan. Mr. Jones is also eligible to participate in Mereo's group personal pension scheme and Mereo has 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, Mereo 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 Mereo may terminate Mr. Jones at any time with immediate effect for cause or by giving written notice to Mr. Jones that Mereo 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 Mereo or soliciting Mereo's key employees for a period of six months following his termination of employment or soliciting Mereo's customers for a period of nine months following his termination of employment.

Alastair MacKinnon, MBBS

Mereo 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 Mereo's annual bonus plan.

Dr. MacKinnon is also eligible to participate in Mereo's group personal pension scheme and Mereo has 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, Mereo 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 Mereo may terminate Dr. MacKinnon at any time with immediate effect for cause or by giving written notice to Dr. MacKinnon that Mereo 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 Mereo for a period of three months following his termination of employment, soliciting Mereo's key employees for a period of six months following his termination of employment, or soliciting Mereo's customers for a period of nine months following his termination of employment.

John Richard

Mereo entered into a consultancy agreement with Mr. Richard on February 1, 2018, pursuant to which he provided services to Mereo during 2018 and which has subsequently expired. Mr. Richard currently provides services to Mereo pursuant to an employment agreement dated February 26, 2018 (the "Richard Employment Agreement"), and a consultancy agreement dated January 23, 2019 (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 Mereo's annual bonus plan. Mr. Richard is also eligible to participate in Mereo's group personal pension scheme and Mereo has 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, Mereo 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 Mereo may terminate Mr. Richard at any time with immediate effect for cause or by giving written notice to Mr. Richard that Mereo 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 Mereo or soliciting Mereo's key employees for a period of six months following his termination of employment, or soliciting Mereo's customers for a period of nine months following his termination of employment.

Pursuant to the Richard Consulting Agreement, Mr. Richard also provides services to Mereo as a consultant. The Richard Consulting Agreement is expected to remain in effect until January 31, 2020. 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 Mereo based upon the achievement of agreed-upon performance goals with regard to the preceding 12-month period.

Charles Sermon

Mereo 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 Mereo's annual bonus plan. Mereo has 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, Mereo 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 Mereo may terminate Mr. Sermon at any time with immediate effect for cause or by giving written notice to Mr. Sermon that Mereo 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 Mereo or soliciting Mereo's key employees for a period of six months following his termination of employment or soliciting Mereo's customers for a period of nine months following his termination of employment.

Alexandra (Wills) Hughes-Wilson

Mereo entered into a part-time employment agreement with Ms. Alexandra (Wills) Hughes-Wilson on February 19, 2018, and subsequently amended the agreement on May 29, 2018. Ms. Hughes-Wilson commenced part-time employment with Mereo as its Head of Patient Access and Commercial Planning on March 5, 2018. The employment agreement entitles Ms. Hughes-Wilson to receive an

initial annual base salary of £90,000 and an opportunity to earn an annual discretionary performance-based bonus, subject to the achievement of performance goals determined in accordance with Mereo's annual bonus plan.

Ms. Hughes-Wilson is also eligible to participate in Mereo's group personal pension scheme and Mereo has agreed to contribute to the pension scheme an amount equal to 10% of Ms. Hughes-Wilson annual salary provided that she contributes 4% or more of her annual salary to that scheme. In lieu of a pension contribution, Mereo may, at Ms. Hughes-Wilson'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 three months' written notice, provided that Mereo may terminate Ms. Hughes-Wilson at any time with immediate effect for cause or by giving written notice to Ms. Hughes-Wilson that Mereo instead pay her basic salary for any remaining notice period. Ms. Hughes-Wilson's employment agreement also contains restrictive covenants pursuant to which she has agreed to refrain from competing with Mereo or soliciting its key employees for a period of six months following her termination of employment or soliciting Mereo customers for a period of nine months following her termination of employment.

Equity Compensation Arrangements

Mereo has granted or may grant or intend to grant share options and awards under the following five equity award plans (the "Mereo Share Plans"): (i) the 2015 Plan; (ii) the Share Option Plan; (iii) the LTIP; (iv) the 2016 DBSP; (v) the 2019 DBP; and (vi) the Share Option Scheme for Non-Executive Directors (each as defined below).

The 2015 Plan

Prior to the admission of Mereo Shares to trading on AIM ("Admission"), Mereo 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 Mereo Share to £2.21 per Mereo 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 the Mereo Board 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 Mereo's share capital, the number of Mereo Shares subject to an option and the exercise price applying to an option may be varied in such manner as the Mereo Board may determine.

Amendment and Termination

The Mereo Board 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 Mereo 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 the Mereo Board without the consent of option holders.

The Mereo Share Option Plan (the "Share Option Plan")

The Mereo Board adopted the Share Option Plan on June 9, 2016, and has subsequently amended it. Except where the context indicates otherwise, references to Mereo Shares shall be deemed to include a number of Mereo ADSs representing the right to receive such Mereo Shares.

Eligibility, Awards and Administration

The Share Option Plan provides for the grant of options to acquire Mereo 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 the Mereo Board 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 the Mereo Board.

Vesting and Exercise

Under the Share Option Plan, the Mereo Board 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 Mereo. 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. The Mereo Board may determine that an option 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 Mereo 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 Mereo 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 the Mereo Board 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 the Mereo Board 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, Mereo Shares (including any variation of share capital, demerger, delisting, special dividend, rights issue or any other event, which may, in the opinion of the Mereo Board affect the current or future value of Mereo Shares), the number of shares subject to an option or the exercise price of an option may be adjusted as determined by the Mereo Board. In addition, upon such an event, the Mereo Board 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 the Mereo Board, after which they will be exercisable for one month (or such longer period as determined by the Mereo Board, but not exceeding six months), following which they will lapse. However, if there is an internal reorganization, unless the Mereo Board determines otherwise, an option will generally be exchanged in consideration of the grant of a new option which, as determined by the Mereo Board, 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

The Mereo Board 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 Mereo's Admission.

The Mereo Long Term Incentive Plan (the "LTIP")

In order to further incentivize Mereo's employees and align their interests with shareholders, the Mereo Board 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 (the "LTIP Awards"), to Mereo's 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.

The Mereo Board 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 the Mereo Board. 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 Mereo's 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 Mereo's 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 Mereo, or for any other reason at the Mereo Board's discretion, except where the participant is summarily dismissed, in which case any unvested LTIP Awards will usually continue until the normal vesting date, unless the Mereo Board determines otherwise.

Certain Transactions

Under the LTIP, if certain changes are made in or events occur with respect to Mereo Shares (including any variation of share capital, any demerger, delisting, special dividend, rights issue or other event which may, in the opinion of the Mereo Board, affect the current or future value of Mereo Shares), the number of shares subject to a LTIP Award, or any performance condition, may be adjusted as determined by the Mereo Board. In addition, upon such an event, the Mereo Board 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 the Mereo Board (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 the Mereo Board), 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 the Mereo Board, 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

The Mereo Board 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 Deferred Bonus Share Plan (the "2016 DBSP")

The Mereo Board adopted the 2016 DBSP on June 9, 2016 and has subsequently amended it. Following the adoption of the 2019 DBP in January 2019, no further grants are expected to be made under the 2016 DBSP.

Eligibility, Awards and Administration

The 2016 DBSP provides for the deferral of a percentage (currently 30%) of the annual bonuses awarded to Mereo's employees into the right to acquire shares equal in value to the amount deferred, free of charge.

Under the 2016 DBSP, conditional awards or nil-cost options (the "2016 DBSP Awards") may only be granted to participants who have earned a bonus, pursuant to Mereo's annual bonus plan, for the financial year immediately preceding the financial year in which the grant date occurs. A 2016 DBSP Award will be granted over such number of shares as have at the grant date a market value, as determined by the Mereo Board, 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 2016 DBSP Awards will generally vest three years after the date of grant and have no performance conditions or service condition. The 2016 DBSP Awards may be settled in cash if determined by the Mereo Board. The shares used to satisfy the 2016 DBSP Awards are currently delivered through the Mereo BioPharma Group plc Employee Benefit Trust, which is based in Jersey.

If on the date a 2016 DBSP Award is due to vest or be exercisable a restriction on share dealing (as may be imposed by Mereo's 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 the Mereo Board determines, after which time it will lapse.

Limitation on Awards

No eligible employee may be granted 2016 DBSP Awards that, at the time they are granted, would cause the market value of shares subject to the 2016 DBSP Awards granted to the employee in respect of a financial year to exceed 100% of the employee's salary.

The 2016 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 2016 DBSP Award (as applicable), clawed back, where there has been a material misstatement of Mereo's 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 2016 DBSP, if certain changes are made in or events occur with respect to Mereo Shares (including any variation of share capital, any demerger, delisting, special dividend, rights issue or other event which may in the opinion of the Mereo Board, affect the current or future value of Mereo Shares), the number of shares subject to a 2016 DBSP Award may be adjusted as determined by the Mereo Board. In addition, upon such an event, the Mereo Board will determine: (i) whether and to what extent 2016 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 2016 DBSP Awards will accelerate to the extent determined by the Mereo Board, after which, the 2016 DBSP Awards will be exercisable for one month (or such other period as or determined by the Mereo Board), following which they will lapse. However, if there is an internal reorganization, a 2016 DBSP Award will be exchanged in consideration of the grant of a new award which, as determined by the Mereo Board, is equivalent to the 2016 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 2016 DBSP Awards usually will continue upon cessation of office or employment with Mereo 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

The Mereo Board may, at any time, amend the rules of the 2016 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 2016 DBSP from being an employees' share scheme in accordance with the Companies Act 2006.

No 2016 DBSP Awards may be granted pursuant to the 2016 DBSP after the tenth anniversary of the date of Admission.

Mereo's Remuneration Committee has approved awards under the 2016 DBSP in respect of bonuses awarded to certain of Mereo's executive officers for 2017. These awards are in the form of nil-cost option grants under the 2016 DBSP in the following amounts: Dr. Scots-Knight: 32,205 shares subject to the option; Mr. Jones: 22,058 shares subject to the option; Dr. MacKinnon: 22,588 shares subject to the option; and Mr. Sermon: 23,966 shares subject to the option. The options are scheduled to vest on the third anniversary of the date of grant.

The Mereo New Deferred Bonus Plan (the "2019 DBP")

The Mereo Board adopted Mereo's New Deferred Bonus Plan (the "2019 DBP") on January 15, 2019.

Holding of Deferred Shares

Under the 2019 DBP, Mereo Shares may be purchased by participants using an after-tax bonus amount paid to them pursuant to Mereo's annual bonus plan ("Deferred Shares").

Restrictions on Deferred Shares

The participants must hold the Deferred Shares for two years (or such other period as the Mereo Board may determine in advance) beginning on the date or dates on which a participant purchases those shares with the bonus. Participants must not transfer, assign, charge, sell or dispose of or encumber any Deferred Shares during this period except as permitted under the 2019 DBP or by the Mereo Board. The 2019 DBP permits participants to transfer Deferred Shares to an immediate family member or nominee to hold for them or as a beneficiary, or to a personal representative in the event of the participant's death.

Cessation of Employment

If a participant ceases employment with Mereo, he or she must continue to hold the Deferred Shares in accordance with the restrictions under the 2019 DBP unless the Mereo Board disapply some or all of the restrictions in respect of some or all of that participant's Deferred Shares. The Mereo Board will not have discretion to disapply any of the restrictions in the case of a participant who has been dismissed lawfully without notice or could have been so dismissed if he or she had not resigned.

Certain Transactions

Under the 2019 DBP, if any person obtains control of Mereo (by means of holding shares, the possession of voting power, or as a result of any powers conferred by Mereo's articles of association or other document relating to Mereo), the restrictions on Deferred Shares under the 2019 DBP will cease to apply from that date unless the Mereo Board determines otherwise. The Mereo Board may not extend the restrictions under the 2019 DBP.

If an internal reorganization occurs (whereby immediately after a change of control of Mereo, 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 Mereo before the change of control) and the Deferred Shares are exchanged for shares in another company, the rules of the 2019 DBP will apply to those shares as if they were Deferred Shares.

Regulatory Issues

The purchase or transfer of Mereo Shares under the 2019 DBP will be subject to obtaining any approval or consent required by AIM or Nasdaq (or any other relevant authority) and any restrictions imposed by Mereo's share dealing code, the AIM rules, or any applicable laws or regulations which impose restrictions on share dealing.

Amendment and Termination

The Mereo Board may, at any time, amend the rules of the 2019 DBP or the terms of the Deferred Shares, 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 2019 DBP from being an employees' share scheme in accordance with the Companies Act 2006.

The 2019 DBP will terminate on the tenth anniversary of its adoption by the Mereo Board or at any earlier time by resolution of the Mereo Board. Termination of the 2019 DBP will be without prejudice to the existing rights of participants.

The Mereo Share Option Scheme for Non-Executive Directors (the "NED Plan")

The Mereo Board adopted the NED Plan on March 20, 2018. Except where the context indicates otherwise, references to Mereo Shares shall be deemed to include a number of Mereo ADSs representing the right to receive such Mereo Shares. No awards have been made to date under the NED Plan.

Eligibility, Awards and Administration

The NED Plan provides for the grant of options to acquire Mereo Shares to non-executive directors. The NED Plan is administered by the Mereo Board 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 the Mereo Board.

Vesting and Exercise

Under the NED Plan, the Mereo Board 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. The Mereo Board 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 Mereo 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 Mereo 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 the Mereo Board 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 Mereo 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 Mereo Shares (including any variation of share capital, demerger, delisting, special dividend, rights issue or any other event, which may, in the opinion of the Mereo Board affect the current or future value of Mereo Shares), the number of shares subject to an option or the exercise price of an option may be adjusted as determined by the Mereo Board. In addition, upon such an event, the Mereo Board 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 the Mereo Board, after which they will be exercisable for one month (or such longer period as determined by the Mereo Board, but not exceeding six months), following which they will lapse. However, if there is an internal reorganization, unless the Mereo Board determines otherwise, an option will generally be exchanged in consideration of the grant of a new option which, as determined by the Mereo Board, 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

The Mereo Board 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.

Equity Compensation Awards to Directors and Executive Officers of Mereo

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 December 31, 2018:

Name	Ordinary Shares	Ordinary Shares Underlying Options	Exercise Price Per Ordinary Share (£)	Grant Date	Expiration Date
Denise Scots-Knight, Ph.D.		1,544,745	1.29	September 25, 2015	September 25, 2025
		461,538	nil	June 9, 2016	June 9, 2026
		25,319	nil	April 4, 2017	April 4, 2021
		32,205	nil	April 26, 2018	January 31, 2022
	844,199	N/A	N/A	N/A	N/A
Richard Jones	—	650,000	3.02	April 4, 2017	April 4, 2027
		185,950	nil	April 4, 2017	June 9, 2026
		22,058	nil	April 26, 2018	January 31, 2022
Alastair MacKinnon, MBBS		772,371	1.29	September 25, 2015	September 25, 2025
		234,162		June 9, 2016	June 9, 2026
		17,127		April 4, 2017	April 4, 2021
		22,588		April 26, 2018	January 31, 2022
	425,974	N/A	N/A	N/A	N/A
John Richard		772,371	1.29	September 25, 2015	September 25, 2025
		50,000	2.321	June 1, 2016	June 1, 2026
	249,658	N/A	N/A	N/A	N/A
Charles Sermon		772,371	1.29	September 25, 2015	September 25, 2025
		269,796	nil	June 9, 2016	June 9, 2026
		19,734	nil	April 4, 2017	April 4, 2021
		23,966	nil	April 26, 2018	January 31, 2022
	524,504	N/A	N/A	N/A	N/A
Alexandra (Wills) Hughes-Wilson	—	30,769	3.25	May 2, 2018	May 2, 2028
		9,231	3.25	May 2, 2018	May 2, 2028
Peter Fellner		1,692,673	1.29	September 29, 2015	September 29, 2025
	10,000	N/A	N/A	N/A	N/A
Frank Armstrong		216,264	1.29	September 29, 2015	September 29, 2025
	256,444	N/A	N/A	N/A	N/A
Peter Bains		710,583	1.29	September 29, 2015	September 29, 2025
	107,906	N/A	N/A	N/A	N/A
Paul Blackburn		236,974	1.84	May 11, 2016	May 11, 2026
	22,624	N/A	N/A	N/A	N/A
Anders Ekblom		216,264	1.29	September 29, 2015	September 29, 2025
	93,002	N/A	N/A	N/A	N/A
Kunal Kashyap		216,264	1.29	September 29, 2015	September 29, 2025
	1,497,735	N/A	N/A	N/A	N/A

Non-Employee Directors Remuneration

The following table sets forth the remuneration paid during 2018 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 the Mereo Board as a whole, based on a review of current practices in other companies. Mereo has entered into service contracts with Mereo's 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 or her appointment.

Pension, Retirement or Similar Benefits

Mereo operates a defined contribution pension scheme which is available to all employees. Mereo makes payments of up to 10% of basic salary for executives (up to 15% for Mereo's 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 Mereo to provide pension, retirement or similar benefits to Mereo's current directors and Mereo's senior management with respect to 2018 was £145,724, which represents contributions made by Mereo in 2018 in respect of a defined contribution scheme.

Employees

As of December 31, 2018, 2017 and 2016, Mereo had 37, 31 and 24 employees, respectively. All of Mereo's employees were based in the United Kingdom. All of Mereo's employees were engaged in either general and administrative or research and development functions. None of Mereo's employees is covered by a collective bargaining agreement.

Insurance and Indemnification

To the extent permitted by the U.K. Companies Act 2006, Mereo is empowered to indemnify its directors against any liability they incur by reason of their directorship. Mereo maintains directors' and officers' insurance to ensure such persons against certain liabilities. Mereo has entered into a deed of indemnity with each of its directors and expects to enter into a new deed of indemnity with each of its directors and executive officers in connection with the Merger.

Insofar as indemnification of liabilities arising under the Securities Act may be permitted to the Mereo Board, executive officers, or persons controlling Mereo pursuant to the forgoing provisions, Mereo has 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.

BENEFICIAL OWNERSHIP OF CERTAIN SHAREHOLDERS OF MEREO AND THE MEREO BOARD

The following table sets forth information relating to the beneficial ownership of Mereo Shares as of December 31, 2018 by:

- each person, or group of affiliated persons, known by Mereo to own beneficially 3% or more of the outstanding Mereo Shares; and
- each member of the Mereo Board and each of Mereo's other executive officers.

The number of Mereo 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 December 31, 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 Mereo Shares held by that person.

The percentage of Mereo Shares beneficially owned before the Merger is computed on the basis of 71,240,272 Mereo Shares outstanding as of December 31, 2018. As of the date of this proxy statement/prospectus, Mereo's share capital (fully subscribed and paid up) is 71,240,272 Mereo Shares. Mereo Shares that a person has the right to acquire within 60 days of December 31, 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, 4th Floor, One Cavendish Place, London W1G 0QF, United Kingdom.

Name and address of beneficial owner	Number of Ordinary Shares Beneficially Owned	Percentage of Ordinary Shares Beneficially Owned as of December 31, 2018
3% or Greater Shareholders:		
Woodford Investment Management(1)	29,843,946	41.9
Invesco Asset Management(2)	19,149,176	26.9
Novartis Pharma AG(3)	13,891,853	19.5
Canaccord Genuity Wealth Management(4)	2,870,000	4.0
Executive Officers and Directors:		
Denise Scots-Knight, Ph.D.(5)	2,234,296	3.08
Richard Jones	—	—
Alastair MacKinnon, MBBS(6)	1,117,899	1.55
John Richard(7)	975,965	1.36
Charles Sermon(8)	1,216,429	1.69
Peter Fellner, Ph.D.(9)	1,702,673	2.33
Frank Armstrong, MBChB(10)	472,708	*
Peter Bains(11)	818,489	1.14
Paul Blackburn(12)	180,608	*
Anders Ekblom, M.D., Ph.D.(13)	309,266	*
Kunal Kashyap(14)	1,713,999	2.40
Alexandra (Wills) Hughes-Wilson	—	—

* Indicates beneficial ownership of less than 1% of the total outstanding Mereo Shares.

(1) Consists of (i) 16,853,667 Mereo Shares held LF Woodford Equity Income Fund, a sub fund of LF Woodford Investment Fund ("WEIF"), (ii) 2,023,636 Mereo Shares held by Omnis Income & Growth Fund, a sub fund of Omnis Portfolio Investments ICVC ("OIGF"), (iii) 1,070,770 Mereo Shares held by Old Mutual Woodford Equity Income Fund ("OMWEIF"), and (iv) 9,895,873 Mereo Shares held by Woodford Patient Capital Trust, Plc ("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 Mereo Shares. Neil Woodford is Head of Investments for Woodford Investment Management Limited and may be deemed to share beneficial ownership of these Mereo Shares with Woodford Investment Management Limited. Mr. Woodford expressly disclaims beneficial ownership of these Mereo Shares, except to the extent of any pecuniary interest therein. Beneficial ownership information is based on information known to Mereo and a Form TR 1 provided to Mereo 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 Mereo Shares beneficially owned by Invesco Perpetual High Income Fund; (ii) 3,579,658 Mereo Shares beneficially owned by Invesco Perpetual Income Fund; and (iii) 2,040,141 Mereo Shares beneficially owned by Invesco Perpetual UK Strategic Income Fund. Beneficial ownership information is based on information known to Mereo and a Form TR 1 provided to Mereo 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 Mereo Shares held by Novartis Pharma AG ("Novartis") and 124,012 Mereo Shares that Novartis is able to acquire pursuant to the Novartis Notes within 60 days of December 31, 2018. Under the terms of the Novartis Notes, Novartis may only convert its notes into Mereo Shares if, following such conversion, it owns no more than 19.5% of the aggregate voting power of Mereo. As a result, after giving effect to the Merger, Novartis is able to acquire up to an additional 1,918,418 Mereo Shares pursuant to the Novartis Notes within 60 days of December 31, 2018. Novartis AG is the publicly owned parent company of Novartis and may be deemed to beneficially own the Mereo Shares held by Novartis. Beneficial ownership information is based on information known to Mereo and a Form TR 1 provided to Mereo on April 28, 2017. The address of Novartis AG is Lichtstrasse 35, 4056 Basel, Switzerland.

(4) Consists of 1,250,000 Mereo Shares held by Marlborough Special Situations Fund and 1,620,000 Mereo Shares held by Marlborough UK Micro Cap Growth Fund, for which Canaccord Genuity Wealth Management acts as manager. Beneficial ownership information is based on information known to us.

(5) Includes 6,300 Mereo Shares held by Dr. Scots-Knight's husband and options to purchase 1,383,797 Mereo Shares that are or will be immediately exercisable within 60 days of December 31, 2018.

(6) Includes options to purchase 691,925 Mereo Shares that are or will be immediately exercisable within 60 days of December 31, 2018.

(7) Includes options to purchase 726,307 Mereo Shares that are or will be immediately exercisable within 60 days of December 31, 2018.

(8) Includes options to purchase 691,925 Mereo Shares that are or will be immediately exercisable within 60 days of December 31, 2018.

(9) Includes options to purchase 1,692,673 Mereo Shares that are or will be immediately exercisable within 60 days of December 31, 2018.

(10) Includes options to purchase 216,264 Mereo Shares that are or will be immediately exercisable within 60 days of December 31, 2018.

(11) Includes options to purchase 710,583 Mereo Shares that are or will be immediately exercisable within 60 days of December 31, 2018.
(12) Includes options to purchase 157,984 Mereo Shares that are or will be immediately exercisable within 60 days of December 31, 2018.
(13) Includes options to purchase 216,264 Mereo Shares that are or will be immediately exercisable within 60 days of December 31, 2018.
(14) Includes options to purchase 216,264 Mereo Shares that are or will be immediately exercisable within 60 days of December 31, 2018.

To Mereo's knowledge, and other than changes in percentage ownership as a result of the shares issued in connection with Mereo's 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" elsewhere in this proxy statement/prospectus.

RELATED PARTY TRANSACTIONS

The following is a description of related party transactions Mereo has entered into with the beneficial owners of 3% or more of the Mereo Shares, which are Mereo's only voting securities, and senior management and members of the Mereo Board, since Mereo's incorporation.

Subscription Agreement

On July 28, 2015, Mereo entered into a subscription agreement for Mereo Shares (the "Subscription Agreement") with Invesco Perpetual High Income Fund, Woodford Patient Capital Trust plc and LF Woodford Equity Income Fund (collectively, the "Existing Investors") and Novartis. Under the Subscription Agreement, Mereo initially issued 10,869,566 Mereo Shares to the Existing Investors at a price per Mereo Share of £1.84 for total aggregate cash proceeds of £20.0 million, and 3,849,000 Mereo Shares to Novartis in connection with the asset purchase agreements described under "—Other Transactions with Novartis."

The Subscription Agreement provided for Mereo to draw down additional investments from the Existing Investors. The Subscription Agreement also obligated Mereo, upon the issuance of additional Mereo Shares, to issue to Novartis the number of Mereo Shares required to maintain Novartis' percentage ownership of Mereo at 19.5%, with the maximum aggregate number of Mereo Shares that may be issued to Novartis under the Subscription Agreement set at 14,000,000. On June 9, 2016, Mereo issued an additional 30,727,361 Mereo Shares to the Existing Investors pursuant to the drawdown and 8,697,480 Mereo Shares to Novartis to maintain its percentage ownership following the drawdown and an additional private placement of Mereo Shares, for aggregate cash proceeds to Mereo of £72.6 million. In accordance with its terms, the Subscription Agreement was terminated upon the admission of Mereo Shares to trading on AIM on June 9, 2016. In lieu of the remaining Mereo Shares that Mereo was 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, Mereo 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, Mereo issued 3,849,000 Mereo Shares to Novartis.

Novartis Notes

On June 3, 2016, Mereo issued 3,463,563 Novartis Notes to Novartis, for aggregate proceeds to Mereo 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 Mereo Shares at a conversion price of £2.21 per Mereo Share as long as, following such conversion, Novartis holds no more than 19.5% of the aggregate voting rights of Mereo. 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, Mereo is obligated to pay Novartis the principal amount of such outstanding Novartis Notes together with any accrued interest.

On April 6, 2017, Novartis delivered to Mereo 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 Mereo Shares. Additionally, in connection with such conversion, Mereo issued 588,532 Bonus Shares to Novartis.

As of the date of this proxy statement/prospectus, the outstanding principal and accrued interest of the Novartis Notes is £2.3 million.

Supply Payments

In 2016, Mereo paid Novartis a total of £968,219. In 2017, Mereo paid Novartis a total of £4,610,106 for the manufacture and supply of clinical trial material. No payments were made from Mereo to Novartis in 2018.

Novartis Board Observer Rights

Pursuant to Mereo's articles of association, for as long as Novartis holds not less than one percent of Mereo's issued share capital, Novartis may appoint one observer who may attend, but not participate or vote in, any meeting of the Mereo Board.

Transactions with Mereo's Executive Officers and Directors

Frank Armstrong, a member of the Mereo Board, is a director of Dr. Frank M Armstrong Consulting Ltd. ("Armstrong Consulting"). In 2015, Mereo 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, Mereo paid Phase4 a total of £458,359 for reimbursement of pre-establishment third-party consultancy services and for office and travel costs.

Mereo has entered into employment agreements or consultancy agreements with certain of its executive officers. See "Management—Compensation—Executive Officer Employment and Consultancy Agreements."

Indemnity Agreements

Mereo has entered into deeds of indemnity with each of its directors and expects to enter into a new deed of indemnity with each of its directors and executive officers in connection with the Merger. See "Management—Insurance and Indemnification."

Related Person Transaction Policy

The Mereo Board expects to adopt a written related person transaction policy, to be effective upon the closing of the Merger, 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 transaction between Mereo and a related person that is material to Mereo 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 Mereo of a related person. In reviewing and approving any such transactions, Mereo's 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.

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

You should read the following discussion and analysis of Mereo's financial condition and results of operations together with the information in "Selected Consolidated Financial Information of Mereo" and Mereo's Consolidated Financial Statements, including the notes thereto. The following discussion is based on Mereo's 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. Mereo's 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 proxy statement/prospectus.

Mereo's financial statements are presented in pound sterling. For the convenience of the reader, the information in the tables below has been translated from pound sterling into U.S. dollars at the noon buying rate of the Federal Reserve Bank of New York on June 29, 2018, which was £1.00 to $1.3197. 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 pound sterling at the dates indicated as of that or any other date, and such 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

Mereo is a biopharmaceutical company focused on the development and commercialization of innovative therapeutics that aim to improve outcomes for patients with rare diseases. Mereo's portfolio consists of four clinical-stage product candidates, each of which they acquired from large pharmaceutical companies. Mereo is developing BPS-804 for the treatment of OI, MPH-966 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 Mereo's product candidates has generated positive clinical data for Mereo's target indication or for a related indication. Mereo believes its portfolio is well diversified because each of its product candidates employs a different mechanism of action and targets a separate indication. Mereo intends to develop and directly commercialize Mereo's rare disease product candidates. For its specialty disease product candidates, Mereo intends to seek strategic relationships for further clinical development and commercialization.

Mereo's 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 Mereo's formation in March 2015, it has successfully executed on this strategy by acquiring its current product candidates from Novartis and AstraZeneca. Mereo has commenced or completed large, randomized, placebo-controlled Phase 2 clinical trials for all of its product candidates.

Mereo does not have any approved products and, as a result, has not generated any revenue from product sales. Mereo's ability to generate revenue sufficient to achieve profitability will depend on its successful development and eventual commercialization of its product candidates, if approved. Since Mereo's formation, it has incurred significant operating losses. For the years ended December 31, 2016 and 2017, Mereo incurred net losses of £28.4 million and £38.8 million, respectively. For the six months ended June 30, 2017 and 2018, Mereo incurred net losses of £22.7 million and £17.0 million, respectively. As of June 30, 2018, Mereo had an accumulated loss of £96.2 million.

Mereo expects to continue to incur significant expenses and operating losses for the foreseeable future as it advances the clinical development of its product candidates and seeks regulatory approval. In addition, if Mereo obtains regulatory approval for any of its product candidates and does not enter into a third-party commercialization relationship, Mereo expects to incur significant commercialization expenses related to product manufacturing, marketing, sales, and distribution. Mereo also expects 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 Merger, Mereo expects to incur additional costs associated with operating as a U.S. public company listed on Nasdaq in addition to operating as a U.K. public company admitted for trading on AIM, including significant legal, accounting, investor relations, and other expenses that it did not previously incur.

As a result of these anticipated expenditures, Mereo will need additional financing to support its continuing operations. Until such time as Mereo can generate significant revenue from product sales, if ever, Mereo expects to finance its 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 Mereo on acceptable terms, or at all. Mereo's inability to raise capital as and when needed would have a negative impact on its financial condition and its ability to pursue its business strategy. Mereo will need to generate significant revenue to achieve profitability, and it may never do so.

Mereo was incorporated in March 2015 and is headquartered in London, United Kingdom. Since June 9, 2016, Mereo Shares have traded on AIM under the symbol "MPH." Since its formation, Mereo has raised a total of £102.9 million in gross proceeds from private and public placements of its ordinary shares to institutional investors and £3.5 million from the issuance of the Novartis Notes. In August 2017, Mereo also entered into a credit facility in the amount of £20.0 million which was fully drawn by December 31, 2017. As of June 30, 2018, Mereo had cash and short-term deposits and short-term investments of £36.9 million.

Mereo is 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. Mereo's financing is managed and monitored on a consolidated basis.

Asset Purchase Agreements with Novartis

In July 2015, three of Mereo's wholly-owned subsidiaries, Mereo BioPharma 3 Limited, Mereo BioPharma 2 Limited, and Mereo BioPharma 1 Limited entered into the Purchase Agreements to acquire from Novartis rights to the Novartis Assets.

In connection with the acquisition of the Novartis Assets, Mereo issued 3,849,000 Mereo Shares to Novartis pursuant to a subscription agreement. See "Related Party Transactions—Subscription Agreement." In addition, Mereo 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, Mereo has agreed to make tiered royalty payments to Novartis based on annual worldwide net sales of 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 Mereo require third-party intellectual property rights to exploit the Acquired Novartis Products, Mereo is 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.

Mereo 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, Mereo will pay Novartis a percentage of the proceeds of such transaction, with the majority of the proceeds being retained by Mereo. No payment, however, is required with respect to any transaction of Mereo involving its equity interests, a merger or consolidation of it, or a sale of any of its assets.

Mereo also entered into the Sublicense Agreement, pursuant to which Novartis granted Mereo an exclusive, worldwide, royalty-bearing sublicense for the Antibody Products, including BPS-804. Under the Sublicense Agreement, Mereo has agreed to pay Novartis royalties in the low single digits on worldwide net sales of Antibody Products. Mereo has 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, Mereo's wholly-owned subsidiary Mereo BioPharma 4 Limited entered into 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 MPH-966, with an option to acquire such intellectual property rights, following commencement of a pivotal trial and payment of related milestone payments, together with the acquisition of certain related assets.

Upon entering into the License Agreement, Mereo made an upfront payment of $3.0 million to AstraZeneca in cash and issued 490,798 new Mereo Shares for an aggregate upfront payment equal to $5.0 million. In connection with certain development and regulatory milestones, Mereo has agreed to make payments of up to $115.5 million in the aggregate and issue additional Mereo Shares to AstraZeneca for licensed products containing MPH-966. In addition, Mereo has agreed to make payments to AstraZeneca based on specified commercial milestones of the product. In the event that Mereo sub-license MPH-966, it has also agreed to pay a specified percentage of sublicensing revenue to AstraZeneca. Otherwise, Mereo has agreed to make royalty payments to AstraZeneca equal to ascending specified percentages of tiered annual worldwide net sales by Mereo or its affiliates of licensed products (subject to certain reductions), ranging from the high single digits to low double digits.

Financial Operations Overview

Revenue

Mereo does not currently have any approved products. Accordingly, Mereo has not generated any revenue and does not expect to do so unless it obtains regulatory approval and commercializes any of its product candidates or until it receives 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 Mereo's research and development personnel;
- costs for production of drug substance and drug product and development of Mereo's manufacturing processes by CMOs;
- fees and other costs paid to CROs, consultants, and other suppliers to conduct Mereo's clinical trials and pre-clinical and non-clinical studies; and

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

Mereo's direct research and development expenses are allocated on a product-by-product basis. Mereo allocates employee-related expenses for Mereo's 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. Mereo expects that its research and development expense will increase substantially as it continues to advance the clinical development of its product candidates, including through its ongoing Phase 2b clinical trial of BPS-804 in adults and its planned Phase 3 clinical trial of BPS-804 in children, its ongoing Phase 2 proof-of-concept trial for MPH-966; hire additional clinical, scientific, and commercial personnel; and acquire or in-license future product candidates and technologies. As a result, Mereo expects its research and development expenses will increase for the foreseeable future.

The successful development, approval, and commercialization of Mereo's product candidates is highly uncertain. At this time, Mereo 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 Mereo's product candidates.

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

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

Any of these variables with respect to the development of Mereo's product candidates or any other future candidate that Mereo 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 Mereo to conduct pre-clinical studies and clinical trials beyond those Mereo currently anticipates will be required for the completion of clinical development or if Mereo experiences significant delays in enrollment in any clinical trials, Mereo could be required to expend significant additional financial resources and time on the completion of Mereo's clinical development programs. Mereo may never succeed in obtaining regulatory approval for any of its product candidates.

General and Administrative Expenses

Mereo's general and administrative expenses principally consist of salaries and related benefits, including share-based compensation, for personnel in Mereo's 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 Mereo's requirements of being a listed public company on AIM and costs incurred relating to the issue of equity to the extent not capitalized, including the costs associated with the postponed initial public offering in the United States of Mereo Shares in 2018.

Mereo expects that its general and administrative costs will increase in the future as its business expands and increases its headcount to support the expected growth in its 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, Mereo expects to continue to grant share-based compensation awards to existing and future key management personnel and other employees. Additionally, Mereo anticipates 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 Mereo's product candidates that Mereo intends to directly commercialize obtains regulatory approval, Mereo expects that it will incur expenses associated with building a sales and marketing team.

Finance Income

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

Finance Charge

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

Net Foreign Exchange Gain/(Loss)

Mereo's functional currency is pound sterling. Mereo initially records 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 Mereo's foreign currencies, which are primarily held in U.S. dollars.

Taxation

As a U.K. resident trading entity, Mereo is subject to U.K. corporate taxation. Due to the nature of Mereo's business, it has generated losses since formation. As of December 31, 2016 and 2017, Mereo had cumulative carryforward tax losses of £16.3 million and £36.0 million, respectively. Subject to any relevant restrictions, Mereo expects 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, Mereo benefits from the U.K. R&D small or medium-sized enterprise tax credit regime and is able to surrender some of its trading losses that arise from its 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%. Mereo's effective cash rebate on qualifying R&D expenditure in 2017 was £8.2 million, which it received in August 2018. Mereo's cash rebate for 2016 was £5.3 million, which it received in May 2017. The cash rebate Mereo received in 2018 with respect to 2017 increased by £2.9 million, reflecting the higher level of qualifying R&D spend

in 2017. Mereo may not be able to continue to claim payable R&D tax credits in the future because it may no longer qualify as a small or medium-sized company.

In the event Mereo generates revenues in the future, it 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 Mereo’s R&D expenditures, Mereo expects a long-term lower rate of corporation tax to apply to Mereo. 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 Mereo is unable to qualify for such advantageous tax legislation, or is unable to use net operating loss and tax credit carryforwards and certain built-in losses to reduce future tax payments, its business, results of operations, and financial condition may be adversely affected.

Results of Operations

The following table sets forth Mereo’s results of operations for the years ended December 31, 2016 and 2017 for the six months ended June 30, 2017 and 2018.

	Year Ended December 31,				Six Months Ended June 30,			
	2016		2017		2017		2018	
	(£)	($)	(£)	($)	(£)	($)	(£)	($)
	(in thousands)							
Research and development expenses	(24,563)	(32,415)	(34,607)	(45,670)	(21,407)	(28,250)	(10,864)	(14,338)
General and administrative expenses	(11,617)	(15,331)	(10,697)	(14,117)	(5,041)	(6,652)	(7,102)	(9,372)
Operating loss	(36,180)	(47,746)	(45,304)	(59,787)	(26,448)	(34,902)	(17,966)	(23,710)
Finance income	375	495	827	1,091	269	355	151	200
Finance charge	(180)	(237)	(1,090)	(1,438)	(69)	(92)	(1,587)	(2,095)
Net foreign exchange gain/(loss)	2,263	2,986	(1,384)	(1,827)	(1,040)	(1,373)	49	65
Net loss before tax	(33,722)	(44,502)	(46,951)	(61,961)	(27,288)	(36,012)	(19,353)	(25,540)
Income tax benefit	5,331	7,036	8,152	10,758	4,546	5,999	2,365	3,121
Loss attributable to equity holders of Mereo	(28,391)	(37,466)	(38,799)	(51,203)	(22,742)	(30,013)	(16,988)	(22,419)

Comparison of the Six Months Ended June 30, 2017 and 2018

Research and Development Expenses

The following table sets forth Mereo’s research and development expenses by product development program for the six months ended June 30, 2017 and 2018.

	Six Months Ended June 30,			
	2017		2018	
	(£)	($)	(£)	($)
	(in thousands)			
BPS-804	7,777	10,263	3,621	4,779
BGS-649	6,705	8,849	3,515	4,639
BCT-197	5,275	6,961	1,492	1,969
MPH-966	—	—	650	858
Unallocated costs	1,650	2,177	1,586	2,093
Total research and development expenses	21,407	28,250	10,864	14,338

Mereo's total research and development expenses decreased by £10.5 million, or 49%, from £21.4 million for the six months ended June 30, 2017 to £10.9 million for the six months ended June 30, 2018. The decrease was primarily a result of a decrease in manufacturing costs related to BPS-804 and the completion of the Phase 2 trials for BGS-649 and BCT-197 in the first half of 2018.

Direct research and development expenses for BPS-804 decreased by £4.2 million, from £7.8 million for the six months ended June 30, 2017 to £3.6 million for the six months ended June 30, 2018, due to higher costs related to the transfer of production of BPS-804 from Novartis to Mereo's CMO and to the manufacture of clinical trial supplies in preparation for the start of the adult Phase 2b trial during the six months ended June 30, 2017.

Direct research and development expenses for BGS-649 decreased by £3.2 million, from £6.7 million for the six months ended June 30, 2017 to £3.5 million for the six months ended June 30, 2018, due to the completion of the Phase 2 trial in the first half of 2018.

Direct research and development expenses for BCT-197 decreased by £3.8 million, from £5.3 million for the six months ended June 30, 2017 to £1.5 million for the six months ended June 30, 2018, due to the completion of the Phase 2 trial in the first half of 2018.

Direct research and development expenses for MPH-966 for the six months ended June 30, 2018 were £0.7 million and related to supplier costs for the Phase 2b trial. Because Mereo acquired this product in October 2017, no costs were incurred during the six months ended June 30, 2017.

Unallocated research and development expenses consisted primarily of costs related to employees and associated payroll costs, including costs related to external research and development contractors. These costs decreased by £0.1 million, from £1.7 million for the six months ended June 30, 2017 to £1.6 million for the six months ended June 30, 2018, due to higher costs in the six months ended June 30, 2017 related to share-based payments partially offset against a higher average headcount in the six months ended June 30, 2018.

General and Administrative Expenses

Administrative expenses increased by £2.1 million, from £5.0 million for the six months ended June 30, 2017 to £7.1 million for the six months ended June 30, 2018. This increase was mainly due to an increase in legal and other professional fees and expenses of £2.2 million relating to costs incurred relating to the issue of equity, including the costs incurred in respect of the postponed initial public offering in the United States of Mereo Shares earlier in 2018, that were written off in the unaudited consolidated interim statement of comprehensive loss for the six months ended June 30, 2018, some of which were incurred in the period ended December 31, 2017, partially offset by a lower share-based payment charge of £1.1 million for the six months ended June 30, 2018 compared to £1.5 million in the six months ended June 30, 2017. Other administrative expenses increased by £0.4 million in the six months ended June 30, 2018 as compared to the six months ended June 30, 2017.

Finance Charge

Finance charges increased by £1.5 million from £0.1 million for the six months ended June 30, 2017 to £1.6 million for the six months ended June 30, 2018, primarily reflecting the interest costs on the bank loan Mereo entered into in the second half of 2017.

Net Foreign Exchange Gains/(Losses)

Net foreign exchange gains/(losses) were negligible for the six months ended June 30, 2018, compared to a £1.0 million loss for the six months ended June 30, 2017, which represented losses on the translation of foreign denominated cash balances at the period end.

Income Tax Benefit

Mereo recorded a tax credit of £4.5 million for the six months ended June 30, 2017 and £2.4 million for the six months ended June 30, 2018. The tax credit represents the cash rebate from the U.K. tax authorities Mereo qualified for in respect of eligible research and development activities during the periods. The reduction in the tax credit accrued is due to the reduction in qualifying research and development expenditure in the six months ended June 30, 2018 compared to the prior period. The tax credit for 2017 was received in 2018 and Mereo expects to receive the tax credit for 2018 in 2019.

Comparison of the Years Ended December 31, 2016 and 2017

Research and Development Expenses

The following table sets forth Mereo's 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	6,340	13,380	17,658
BCT-197	9,734	12,846	10,014	13,215
BGS-649	9,432	12,446	10,801	14,254
MPH-966	—	—	2	2
Unallocated costs	593	783	410	541
Total research and development expenses	24,563	32,415	34,607	45,670

Mereo's 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 Mereo 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 Mereo 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, Mereo's 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. Mereo's payments to CMOs for the provision of drug substance and drug product and associated manufacturing development to support Mereo's 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 MPH-966 in October 2017.

Finance Income

Interest earned on Mereo's 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 Mereo's 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 pound sterling during the year. In 2017, net foreign exchange loss was £1.4 million, reflecting a weakening of the U.S. dollar against pound sterling during the year which negatively impacted the translation of Mereo's foreign deposits and investments at December 31, 2017.

Income Tax Benefit

Mereo 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 Mereo 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. The 2017 tax credit of £8.2 million was received in August 2018.

Liquidity and Capital Resources

Overview

Since Mereo's formation, it has incurred significant operating losses. Mereo expects to incur significant expenses and operating losses for the foreseeable future as it advances the clinical development of its product candidates. Mereo expects that its research and development and general and administrative costs will increase in connection with conducting clinical trials for its product candidates and any new product candidates it acquires and due to the costs in seeking marketing approval for its product candidates in Europe and the United States as well as other jurisdictions. As a result, Mereo will need additional capital to fund its operations, which it may obtain from additional debt or equity financings, collaborations, licensing arrangements, or other sources.

Mereo does not currently have any approved products and has never generated any revenue from product sales or otherwise. To date, Mereo has financed its operations primarily through the issuances of its equity securities and convertible debt and its credit facility, which Mereo entered into in August 2017. Since its incorporation, Mereo has raised a total of £102.9 million in gross proceeds from private

and public placements of Mereo Shares to institutional investors and £3.5 million from the issuance of the Novartis Notes. In August 2017, Mereo also entered into a credit facility in the amount of £20.0 million which it has fully drawn down during 2017. On September 28, 2018 Mereo completed a revision to the terms of such credit facility. As of June 30, 2018, Mereo had cash and short term deposits and short term investments of £36.9 million.

Cash Flows

The table below summarizes Mereo's cash flows for the periods presented.

	Year Ended December 31,				Six Months Ended June 30,			
	2016		2017		2017		2018	
	(£)	($)	(£)	($)	(£)	($)	(£)	($)
	(in thousands)							
Net cash used in operating activities	(29,662)	(39,145)	(32,148)	(42,426)	(10,489)	(13,843)	(15,031)	(19,836)
Net cash from (used in) investing activities	373	492	(3,745)	(4,942)	(4,243)	(5,600)	107	141
Net cash from (used in) financing activities	68,356	90,210	33,744	44,532	14,270	18,833	(757)	(999)
Net increase (decrease) in cash and cash equivalents	39,067	51,557	(2,149)	2,836	(462)	(610)	(15,681)	(20,694)

Operating Activities

The increase in net cash used in operating activities was £4.5 million, from £10.5 million for the six months ended June 30, 2017 to £15.0 million for the six months ended June 30, 2018. This was due to a reduction in the loss before taxation of £7.9 million, reflecting lower research and development activity, offset in part by the inclusion in the six months ended June 30, 2017 of the receipt of research and development tax credits of £5.3 million with no corresponding receipt in the six months ended June 30, 2018, as the 2017 amount was received after the end of the period. In addition there was a decrease in payables from £8.7 million to £1.1 million as the payables balance during the six months ended June 30, 2017 unwound due to lower levels of activity in the six months ended June 30, 2018 and due to timing differences on cash payments to suppliers.

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

Mereo's net cash from investing activities was £0.1 million for the six months ended June 30, 2018, compared to net cash used in investing activities of £4.2 million in the six months ended June 30, 2017 due to the investment of cash.

Mereo's 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 MPH-966 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 Mereo's short-term deposits.

Financing Activities

Mereo's net cash from financing activities for the six months ended June 30, 2017 was £14.3 million due to an equity financing in the period. There was no significant financing activity during the six months ended June 30, 2018, other than £0.9 million of interest Mereo paid on the bank loan offset by £0.1 million of proceeds from the issue of Mereo Shares.

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

Operating and Capital Expenditure Requirements

As of June 30, 2018, Mereo had an accumulated loss of £96.2 million. Mereo expects to continue to report significant operating losses in 2018 and for the foreseeable future as it continues its research and development efforts and seeks to obtain regulatory approval of its current product candidates and any future product candidate Mereo may develop.

Mereo expects its expenses to increase substantially in connection with its ongoing development activities related to its product candidates. In addition, upon the closing of the Merger, Mereo expects to incur additional costs associated with operating as a U.S. public company listed on Nasdaq in addition to operating as a U.K. public company listed on AIM.

Mereo anticipates that its expenses will increase substantially due to the costs associated with its current and planned clinical trials, Mereo's outsourced manufacturing activities and other associated costs including the management of its intellectual property portfolio. These costs will increase further if Mereo:

- seeks to develop additional product candidates;
- seeks regulatory approvals for any of Mereo's product candidates that successfully completes clinical trials;
- potentially establishes a sales, marketing, and distribution infrastructure and scale-up manufacturing capabilities to commercialize any products for which Mereo may obtain regulatory approval and chose to commercialize directly;
- expands Mereo's intellectual property portfolio;
- adds further central clinical, scientific, operational, financial and management information systems, and personnel, including personnel to support Mereo's development and to support Mereo's operations as a U.S. public company listed on Nasdaq; or

- experiences 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.

Mereo expects that its existing cash resources, together with the anticipated net cash to be held by OncoMed at the time of the closing of the Merger, will enable it to fund its currently committed clinical trials and operating expenses and capital expenditure requirements into early 2020. Mereo has based these estimates on assumptions that may prove to be wrong, and it may use its available capital resources sooner than it currently expects. Because of the numerous risks and uncertainties associated with the development of Mereo's product candidates and any future product candidates and because the extent to which Mereo may enter into collaborations with third parties for development of any of Mereo's product candidates is unknown, Mereo is unable to estimate the amounts of increased capital outlays and operating expenses associated with completing the research and development of its product candidates. Mereo's future capital requirements will depend on many factors, including:

- the costs, timing, and results of Mereo's ongoing Phase 2b clinical trial for BPS-804, its planned pediatric Phase 3 study for BPS-804 in Europe, and its ongoing Phase 2 clinical trial for MPH-966;
- the costs and timing of manufacturing clinical supplies of Mereo's product candidates;
- the costs, timing, and outcome of regulatory review of Mereo's 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 Mereo's product candidates that Mereo commercialize directly;
- the timing and amount of revenue, if any, received from commercial sales of Mereo's product candidates;
- the costs and timing of preparing, filing, and prosecuting patent applications, maintaining and enforcing Mereo's intellectual property rights and defending any intellectual property-related claims, including any claims by third parties that Mereo is infringing upon their intellectual property rights;
- the sales price and availability of adequate third-party coverage and reimbursement for Mereo's product candidates;
- the effect of competitors and market developments;
- the extent to which Mereo is able to acquire new product candidates or enter into licensing or collaboration arrangements for its product candidates, although Mereo currently have no commitments or agreements to complete any such transactions; and
- milestone and deferred payments under Mereo's license and option agreement with AstraZeneca.

Mereo's revenues, if any, will be derived from sales of any products that it is able to successfully develop, receive regulatory approval for, and commercialize in future years. In the meantime, Mereo will need to obtain substantial additional funds to achieve its business objective.

Adequate additional funds may not be available to Mereo on acceptable terms, or at all. To the extent that Mereo 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 Mereo's 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 Mereo raised additional funds through collaborations, strategic alliances, or licensing arrangements with third parties, Mereo may have to relinquish valuable rights to its technologies, future revenue streams, research programs or product candidates or grant licenses on terms that may not be favorable to Mereo. If Mereo is unable to raise additional funds through equity or debt financings when needed, Mereo may be required to delay, limit, reduce, or terminate Mereo's product development programs or any future commercialization efforts or grant rights to develop and market product candidates that Mereo would otherwise prefer to develop and market itself.

Indebtedness

Novartis Notes

On June 3, 2016, as part of the fundraising for Mereo's product development programs and for general corporate purposes and in connection with Mereo Shares being admitted to trading on AIM, Mereo issued 3,463,563 unsecured convertible loan notes to Novartis (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 Mereo may have. Novartis may at any time convert all or some of the Novartis Notes, together with accrued interest, into Mereo Shares at a conversion price of £2.21 per Mereo Share as long as, following such conversion, Novartis holds no more than 19.5% of the aggregate voting rights of Mereo. In addition, upon conversion, Novartis is entitled to receive an additional number of Mereo Shares equal to the number of shares into which such Novartis Notes and accrued interest are converted multiplied by 0.93 (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 Mereo 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 Mereo Shares. Additionally, in connection with such conversion, Mereo issued 588,532 Bonus Shares to Novartis. At June 30, 2018, 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, Mereo is obligated to pay Novartis the principal amount of such outstanding Novartis Notes together with any accrued interest.

Credit Facility

On August 7, 2017, Mereo entered into a loan agreement (the "Original Loan Agreement") with Silicon Valley Bank and Kreos Capital V (UK) Limited, which provided for total borrowings of £20.0 million. Mereo borrowed £10.0 million on each of August 21, 2017 and December 29, 2017, for general working capital purposes. Under the Original Loan Agreement, Mereo was obligated to make interest-only payments on the loan amount until September 30, 2018, and thereafter Mereo was obligated to pay interest and principal in 30 equal monthly installments until March 2021. The loan bore interest at an annual fixed rate equal to 9.0%. On September 28, 2018, Mereo, Silicon Valley Bank and Kreos Capital V (UK) Limited entered into a new loan agreement (the "New Loan Agreement"), which replaced the Original Loan Agreement in its entirety and (i) increased the total commitments of the lenders to £20,455,000, (ii) extended the interest-only period from September 30, 2018 to April 30, 2019, and (iii) reduced the interest rate from 9.0% to 8.5%. Under the New Loan Agreement, both the interest-only period and the maturity date may be further extended subject to the achievement by Mereo of certain conditions set forth in the New Loan Agreement. The New Loan Agreement is secured by substantially all of Mereo's assets, including intellectual property rights owned or controlled by Mereo.

In connection with the New Loan Agreement, Mereo has issued warrants giving the lenders the right to subscribe for 225,974 Mereo Shares at an exercise price of £2.31 per Mereo Share. These warrants will be capable of exercise until October 1, 2028.

Contractual Obligations and Commitments

The table below summarizes Mereo's 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 Mereo's office lease under a lease agreement that expires in August 2025. Mereo 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, Mereo has agreed to make milestone payments and pay royalties. Mereo has 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, Mereo enters into contracts in the ordinary course of business with CROs, CMOs, and other vendors to assist in the performance of its 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

Mereo did not have during the period presented, and does not currently have, any off-balance sheet arrangements.

Quantitative and Qualitative Disclosures about Market Risk

Mereo is exposed to a variety of financial risks. Mereo's overall risk management program seeks to minimize potential adverse effects of these financial risks on its financial performance.

Interest Rate Risk

Mereo manages 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. Mereo has a committed borrowing facility in an amount of £20.0 million which was fully drawn as of the date of this proxy statement/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

Mereo considers all of its material counterparties to be creditworthy. Mereo considers the credit risk for each of its major counterparties to be low. Mereo is, however, dependent on a number of third

parties for the delivery of its programs and, in addition, where appropriate it pays upfront deposits and fees in advance of the delivery of services where required. Mereo continues to assess credit risk as part of its management of these third-party relationships.

Liquidity Risk

Mereo manages its liquidity risk by maintaining adequate cash reserves at banking facilities and invested in short term money market accounts, and by continuously monitoring its cash forecasts, its 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 Mereo's operating costs are denominated in pound sterling, Euros, and U.S. dollars. Mereo's financial position, as expressed in pound sterling, is exposed to movements in foreign exchange rates against the U.S. dollar and the euro. Mereo's main trading currencies are pound sterling and U.S. dollars. Mereo is exposed to foreign currency risk as a result of operating transactions and the translation of foreign currency bank accounts and short-term deposits. Mereo monitors its exposure to foreign exchange risk. Mereo has 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, Mereo 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 Mereo's 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

Mereo's financial statements have been prepared in accordance with IFRS as issued by the IASB. In the application of Mereo's accounting policies, it is 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 Mereo considered to be relevant. Actual results may differ from these estimates. Mereo reviews its 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 Mereo's critical judgments and estimates that it has made in the process of applying its accounting policies and that have the most significant effect on the amounts recognized in its consolidated financial statements included elsewhere in this proxy statement/prospectus.

Measurement of Share-Based Compensation

Through June 30, 2018, Mereo granted share options and awards under the following four equity award plans: (i) the 2015 Plan; (ii) the Share Option Plan; (iii) the LTIP; and (iv) the 2016 DBSP.

Mereo measures share options at fair value at its grant date in accordance with IFRS 2, "Share-based Payment." Mereo calculates the fair value of the share options using either the Black-Scholes model, or for options with performance conditions, a simulation model. Mereo charges the fair value to the statement of comprehensive income over the expected vesting period.

2015 Plan

Under the 2015 Plan, Mereo has granted share options to its employees, including its senior executives, and its 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.

Mereo measures the share options under the 2015 Plan at fair value at its 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 Mereo 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, Mereo has granted 1,896,188 share options to executive officers and other employees and 15,000 options have lapsed. The weighted-average remaining contractual life for the share options outstanding as of December 31, 2017 and June 30, 2018 was 9.4 years and 9.1, respectively. The weighted-average fair value of options granted during the year ended December 31, 2017 and the six months ended June 30, 2018 was £1.85 and £2.38 per share, respectively. Share options outstanding as of December 31, 2017 had an exercise price of between £3.03 and £3.23, respectively per share and as of June 30, 2018, between £3.03 and £3.25 per share.

The weighted-average inputs to the models used for the fair value of share options were as follows:

	Year ended December 31, 2017	Six months ended June 30, 2018
Expected volatility (%)	49-51	67
Risk-free interest rate (%)	1.06-1.33	1.53
Expected life of share options (years)	10	10
Market price of ordinary shares (£)	3.03-3.23	3.25
Model used	Black Scholes	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 Mereo 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

Mereo measures the fair value of the share price element of the LTIP share options at its 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 Mereo Share and have an exercise price of £nil. Mereo measures 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 2016 DBSP, 100,817 share options were granted to executive officers on April 26, 2018 in respect of the year ended December 31, 2017 and 62,180 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 2016 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 2016 DBSP for the years ended December 31, 2016 and 2017 were £0.2 million and £0.3 million respectively. The expense under the 2016 DBSP for the periods ended June 30, 2017 and June 30, 2018 were £0.1 million and £0.1 million, respectively.

Mereo accounts for related social security contributions on all share options as cash-settled share-based payment transactions. Mereo recognizes 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.

Mereo expects to grant additional share options that will result in additional share-based compensation expense.

Measuring the Fair Value of Mereo's Intangible Assets

At each year-end reporting date, Mereo reviews the carrying value of its 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.

Mereo considers 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 Mereo receives upfront fees, milestone payments, and royalties on sales; therefore, Mereo does not incur any costs of commercialization after out-licensing.

Key assumptions Mereo has 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. Mereo's directors have developed cost estimates based on Mereo's previous experience and in conjunction with the expertise of Mereo's clinical development partners;
- launch dates of products—these reflect Mereo's expected date of launch for products based on the timeline of development programs required to obtain regulatory approval. The assumptions are based on Mereo's directors' prior experience together with the outcome of discussions with regulators;
- probability of successful development—Mereo 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—Mereo 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 Mereo's internal projections using external market data and market research commissioned by us;
- profit margins and other operational expenses—these are based on Mereo's internal projections of current product manufacturing costings, with input from manufacturing partners where applicable, and estimates of operating costs based on Mereo'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;
  - BPS-804—14 years; and
  - MPH-966—16 years
- discount rates—the discount rate is estimated on a pre-tax basis reflecting Mereo's 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, Mereo believes 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, Mereo issued to the lenders warrants to subscribe for an aggregate of 363,156 Mereo Shares at an exercise price of £3.029 per Mereo Share and warrants to subscribe for an aggregate of 333,334 Mereo Shares at an exercise price of £3.30 per Mereo 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 periods ended December 31, 2017 and June 30, 2018 were as follows:

	Year ended December 31, 2017	Six months ended June 30, 2018
Expected volatility (%)	50-51	67
Risk-free interest rate (%)	1.10-1.25	1.38
Expected life of share options (years)	9.6-10	9.3
Market price of ordinary shares (£)	3.00-3.25	3.12
Model used	Black Scholes	Black Scholes

The fair value of the warrants at June 30, 2018 was £1.5 million and at December 31, 2017 was £1.3 million. The carrying value of the loan at June 30, 2018 was £19.0 million and 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 MPH-966 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 Mereo 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 June 30, 2018 was £2.0 million and 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 ongoing Phase 2 study for MPH-966
- 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.

Mereo 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 it becomes a U.S. public company because it may no longer qualify as a small or medium-sized company. However, Mereo 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 Mereo's losses carried forward because there is currently no indication that Mereo will make sufficient profits to utilize these tax losses.

Revenue from Contracts with Customers

In the period ended June 30, 2018, Mereo adopted IFRS 15 Revenue from Contracts with Customers ("IFRS 15"). The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. There has been no impact from IFRS 15 to Mereo's financial reporting in the period ended June 30, 2018.

Recent Accounting Pronouncements

Mereo refers to Note 3 to its consolidated financial statements for the year ended December 31, 2017 included elsewhere in this proxy statement/prospectus for a discussion of new standards and interpretations not yet adopted by Mereo.

During the period ended June 30, 2018, Mereo adopted IFRS 9 Financial Instruments (as revised in July 2014, "IFRS 9") and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities, (ii) impairment for financial assets, (iii) general hedge accounting and (iv) new accounting for certain

modifications and exchanges of financial liabilities measured at amortised cost. The only impact on Mereo is in relation to the non-substantial modification of the convertible loan notes, as detailed below. Mereo has applied IFRS 9 in full without restating comparatives with an initial date of application of January 1, 2018.

In relation to the non-substantial modification of financial liabilities, IFRS 9 requires the recognition of a modification gain or loss for exchanges or modifications of financial liabilities that do not result in derecognition of the financial liability. As a result, under IFRS 9 the carrying value of the convertible loan notes at the date of modification, as more fully described in Mereo's unaudited consolidated interim financial statements for the period ended June 30, 2018 included elsewhere in this proxy statement/prospectus, was adjusted to recognize the modification gain in the retained earnings as of the date of initial application of IFRS 9 (January 1, 2018).

Interest bearing loans and borrowings—Convertible loan notes

	£
At January 1, 2018 calculated under IAS 39	1,977,393
Amounts restated through retained earnings	(123,865)
At January 1, 2018 under IFRS 9	1,853,528

JOBS Act

In April 2012, the U.S. Jumpstart Our Business Startups Act of 2012 (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 Mereo currently reports and expects to continue to report under IFRS as issued by the IASB, it has irrevocably elected not to avail itself of this extended transition period, and, as a result, it will adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies.

ONCOMED SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table presents information as to the beneficial ownership of OncoMed common stock as of December 31, 2018 for:

- each person, or group of affiliated persons, known by us to beneficially own more than five percent of OncoMed common stock;
- each named executive officer as identified in OncoMed's definitive proxy statement filed with the SEC on April 27, 2018;
- each of the OncoMed directors as of December 31, 2018; and
- all current executive officers and directors of OncoMed as a group.

Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Unless otherwise indicated below, to OncoMed's knowledge, the persons and entities named in the table have sole voting and sole investment power with respect to all shares beneficially owned, subject to community property laws where applicable. Shares of OncoMed common stock subject to options that are currently exercisable or exercisable within 60 days of December 31, 2018, and restricted stock units that vest within 60 days of December 31, 2018, are deemed to be outstanding and to be beneficially owned by the person holding the options or restricted stock units for the purpose of computing the percentage ownership of that person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

Percentage ownership of OncoMed common stock in the table is based on 38,660,146 shares of OncoMed common stock issued and outstanding on December 31, 2018. Unless otherwise indicated, the address of each of the individuals and entities named below is c/o OncoMed Pharmaceuticals, Inc., 800 Chesapeake Drive, Redwood City, California 94063.

	Shares of Common Stock Beneficially Owned(1)			
Name of Beneficial Owner	Common Stock	Securities Exercisable Within 60 Days	Number of Shares Beneficially Owned	Percent
5% Stockholders:				
PRIMECAP Management Company(2)	5,565,600	—	5,565,600	14.40%
Biotechnology Value Fund, L.P.(3)	4,271,289	—	4,271,289	11.05%
Celgene Corporation(4)	2,970,588	—	2,970,588	7.68%
Perceptive Advisors LLC(5)	2,620,897	—	2,620,897	6.78%
GlaxoSmithKline LLC(6)	2,607,546	—	2,607,546	6.74%
Entities Affiliated with Delphi Ventures(7)	2,010,542	—	2,010,542	5.20%
Entities Affiliated with HarbourVest(8)	1,941,098	—	1,941,098	5.02%
Named Executive Officers and Directors:				
John A. Lewicki, Ph.D.(9)	119,104	349,864	468,968	1.21%
Austin Gurney, Ph.D.(10)	66,807	385,075	451,882	1.17%
Alicia J. Hager, J.D., Ph.D.(11)	21,753	271,658	293,411	*
Perry A. Karsen(12)	80,500	180,189	260,689	*
Jack W. Lasersohn, J.D.(13)	1,685,913	60,000	1,745,913	4.52%
Deepika R. Pakianathan, Ph.D.(14)	2,010,542	60,000	2,070,542	5.36%
Jonathan D. Root, M.D.(15)	121,020	60,000	181,020	*
Rick E Winningham(16)	—	60,000	60,000	*
Michael S. Wyzga(17)	—	87,853	87,853	*
All directors and current executive officers as a group (9 persons)(18)	4,082,984	1,447,281	5,530,265	14.30%

* Represents beneficial ownership of less than one percent of the issued and outstanding shares of common stock of OncoMed.

(1) Represents shares of OncoMed common stock held and restricted stock units held by such individuals that may vest within 60 days of December 31, 2018, and options held by such individuals that are exercisable within 60 days of December 31, 2018. Includes shares held in the beneficial owner's name or jointly with others, or in the name of a bank, nominee or trustee for the beneficial owner's account. Reported numbers do not include restricted stock units or options that vest more than 60 days after December 31, 2018.

(2) As reported on Schedule 13G/A filed with the SEC on February 27, 2018 by PRIMECAP Management Company. The address of PRIMECAP Management Company is 177 E. Colorado Blvd., 11th Floor, Pasadena, CA 91105.

(3) As reported on Schedule 13G/A filed with the SEC on February 14, 2018 by Biotechnology Value Fund, L.P. ("BVF"), Biotechnology Value Fund II, L.P. ("BVF2"), Biotechnology Value Trading Fund OS LP ("Trading Fund OS"), BVF Partners OS Ltd. ("Partners OS"), BVF Partners L.P. ("Partners"), BVF Inc., and Mark N. Lampert ("Mr. Lampert"). Partners OS as the general partner of Trading Fund OS may be deemed to beneficially own the 370,183 shares of OncoMed common stock beneficially owned by Trading Fund OS. Partners, as the general partner of BVF, BVF2, the investment manager of Trading Fund OS, and the sole member of Partners OS, may be deemed to beneficially own the 4,271,289 shares of OncoMed common stock beneficially owned in the aggregate by BVF, BVF2, Trading Fund OS, and certain Partners managed accounts (the "Partners Managed Accounts"), including 531,126 shares of OncoMed common stock held in the Partners Managed Accounts. BVF Inc., as the general partner of Partners, may be deemed to beneficially own the 4,271,289 shares of OncoMed common stock beneficially owned by Partners. Mr. Lampert, as a director and officer of BVF Inc., may be deemed to beneficially own the 4,271,289 shares of OncoMed common stock beneficially owned by BVF Inc. Partners OS disclaims beneficial ownership of the OncoMed common stock beneficially owned by Trading Fund OS. Each of Partners, BVF Inc. and Mr. Lampert disclaims beneficial ownership of the OncoMed common stock beneficially owned by BVF, BVF2, Trading Fund OS, and the Partners Managed Accounts. The address for BVF, BVF2, Partners, BVF Inc., and Mr. Lampert is 1 Sansome Street, 30th Floor, San Francisco, California 94104. The address for Trading Fund OS and Partners OS is PO Box 309 Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

(4) As reported on Schedule 13G filed with the SEC on August 24, 2016 by Celgene Corporation. The address of Celgene Corporation is 86 Morris Avenue, Summit, New Jersey 07901.

(5) As reported on Schedule 13G/A filed with the SEC on February 14, 2018 by Perceptive Advisors LLC ("Perceptive Advisors"), Joseph Edelman ("Mr. Edelman"), and Perceptive Life Sciences Master Fund, Ltd. (the "Master Fund"). Perceptive Advisors serves as the investment manager to the Master Fund and may be deemed to beneficially own the securities directly held by the Master Fund. Mr. Edelman is the managing member of Perceptive Advisors and may be deemed to beneficially own the securities directly held by the Master Fund. The address for such entities and persons is 51 Astor Place, 10th Floor, New York, NY 10003.

(6) As reported on Schedule 13G filed with the SEC on February 14, 2014 by GlaxoSmithKline plc, with respect to shares held by GlaxoSmithKline LLC. GlaxoSmithKline plc has sole voting and dispositive power over the shares held by GlaxoSmithKline LLC. The address of GlaxoSmithKline plc is 980 Great West Road, Brentford, Middlesex, TW8 9GS, England.

(7) As reported on Schedule 13G/A filed with the SEC on February 13, 2018 by Delphi Ventures VIII, L.P., a Delaware limited partnership ("DV VIII"), Delphi BioInvestments VIII, L.P., a Delaware limited partnership ("DBI VIII"), Delphi Management Partners VIII, L.L.C., a Delaware limited liability company ("DMP VIII") and the general partner of DV VIII and DBI VIII, and James J. Bochnowski ("Bochnowski"), David L. Douglass ("Douglass"), Douglas A. Roeder ("Roeder") and Deepika R. Pakianathan, Ph.D. ("Pakianathan"), the managing members of DMP VIII. DMP VIII is the general partner of DV VIII and DBI VIII and may be deemed to have sole power to vote and

sole power to dispose of shares of the issuer directly owned by DV VIII and DBI VIII. Bochnowski, Douglass, Roeder and Pakianathan are the managing members of DMP VIII and may be deemed to have shared power to vote and shared power to dispose of the shares of the issuer directly owned by DV VIII and DBI VIII. Bochnowski, Douglass, Roeder and Pakianathan disclaim beneficial ownership of the reported securities directly owned by DV VIII and DBI VIII, except to the extent of any pecuniary interest therein. The address for such entities and persons is Delphi Ventures, 160 Bovet Rd., #408, San Mateo, CA 94402.

(8) As reported on Schedule 13G filed with the SEC on December 17, 2018 by HarbourVest Partners, LLC (“HarbourVest”), Dover VII Associates LLC (“Dover LLC”), Dover VII Associates L.P. (“Dover LP”) and Dover Street VII L.P. (“Dover Street”). HarbourVest is the managing member of Dover LLC, which is the general partner of Dover LP, which is the general partner of Dover Street. Each of HarbourVest, Dover LLC and Dover LP may be deemed to have a beneficial interest in the shares of OncoMed common stock held by Dover Street. Each of HarbourVest, Dover LLC, Dover LP and the members of the HarbourVest Investment Committee disclaim beneficial ownership of the shares held directly by Dover Street. The address for HarbourVest, Dover LLC, Dover LP and Dover Street is One Financial Center, Boston, MA 02111.

(9) Consists of: (i) 99,388 shares held by John Allan Lewicki and Jenniffer Joan Lewicki, Trustees of the Lewicki Family Trust dated December 6, 2000 (“The Lewicki Trust”), (ii) 19,716 shares directly owned by Dr. Lewicki, and (iii) 349,864 shares that may be acquired pursuant to the exercise of stock options within 60 days of December 31, 2018 by Dr. Lewicki. Dr. Lewicki has shared voting and dispositive power over the shares held by The Lewicki Trust.

(10) Consists of (i) 66,807 shares directly owned by Dr. Gurney, and (ii) 385,075 shares that may be acquired pursuant to the exercise of stock options within 60 days of December 31, 2018 by Dr. Gurney.

(11) Consists of (i) 21,753 shares directly owned by Dr. Hager, and (ii) 271,658 shares that may be acquired pursuant to the exercise of stock options within 60 days of December 31, 2018 by Dr. Hager.

(12) Consists of: (i) 80,500 shares directly owned by Mr. Karsen, and (ii) 180,189 shares that may be acquired pursuant to the exercise of a stock option within 60 days of December 31, 2018 by Mr. Karsen.

(13) Consists of (i) 185,709 shares held directly by Mr. Lasersohn, (ii) 60,000 shares that may be acquired pursuant to the exercise of a stock option within 60 days of December 31, 2018 by Mr. Lasersohn, and (iii) 1,500,204 shares reported on Schedule 13G/A filed with the SEC on January 13, 2017 by Vertical Fund I, L.P. (“VFI”) and Vertical Fund II, L.P. (“VFII”). The Vertical Group, L.P., a Delaware limited partnership, is the sole general partner of each of VFI and VFII, and The Vertical Group GP, LLC, a Delaware limited liability company, controls The Vertical Group, L.P. Mr. Lasersohn is a member and manager of The Vertical Group GP, LLC. Mr. Lasersohn disclaims beneficial ownership of such shares except to the extent of his pecuniary interest therein. The address for such entities and persons is 106 Allen Road, Suite 207, Basking Ridge, New Jersey 07920.

(14) Consists of (i) the shares described in Note (7) above, and (ii) 60,000 shares that may be acquired pursuant to the exercise of a stock option within 60 days of December 31, 2018 by Dr. Pakianathan.

(15) Consists of (i) 121,020 shares held directly by Dr. Root, and (ii) 60,000 shares that may be acquired pursuant to the exercise of a stock option within 60 days of December 31, 2018 by Dr. Root.

(16) Consists of 60,000 shares that may be acquired pursuant to the exercise of stock options within 60 days of December 31, 2018 by Mr. Winningham.

(17) Consists of 87,853 shares that may be acquired pursuant to the exercise of a stock option within 60 days of December 31, 2018 by Mr. Wyzga.

(18) Includes: (i) 3,897,975 shares held by OncoMed's non-employee directors and entities affiliated with certain of OncoMed's directors, (ii) 185,009 shares held by OncoMed's current executive officers, and (iii) 1,447,281 shares that may be acquired by OncoMed's current executive officers and directors pursuant to the exercise of stock options within 60 days of December 31, 2018.

MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion describes the material U.S. federal income tax consequences of the Merger to U.S. Holders (as described below), as well as the material U.S. federal income tax consequences to U.S. Holders of owning and disposing of Mereo ADSs or Mereo Shares received in the Merger or with respect to a CVR.

This discussion applies only to a U.S. Holder of OncoMed common stock that holds OncoMed common stock as a capital asset and that receives Mereo ADSs or Mereo Shares as Merger Consideration or with respect to a CVR and holds such Mereo ADSs or Mereo Shares as capital assets within the meaning of Section 1221 of the U.S. Internal Revenue Code of 1986, as amended (the "Code") for U.S. federal income tax purposes. No state, local or non-U.S. tax considerations are addressed herein. In addition, this discussion does not address the tax consequences of transactions effectuated prior to or after the Merger (whether or not such transactions occur in connection with the Merger), nor does it address the tax consequences to holders of OncoMed common stock who exercise appraisal rights. Finally, this discussion does not describe all of the tax consequences that may be relevant in light of a U.S. Holder's particular circumstances, including any alternative minimum or Medicare contribution tax consequences and any tax consequences applicable to U.S. Holders subject to special rules, such as:

- banks, insurance companies and other financial institutions;
- mutual funds, real estate investment trusts or regulated investment companies;
- brokers, dealers or traders in securities that use a mark-to-market method of tax accounting;
- persons holding OncoMed common stock, Mereo ADSs or Mereo Shares as part of a straddle, integrated transaction or similar transaction;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- S corporations, or entities or arrangements treated as partnerships for U.S. federal income tax purposes and their partners or investors;
- tax-exempt entities, including "individual retirement accounts" or "Roth IRAs";
- persons who received OncoMed common stock upon exercise of employee stock options or in other compensatory transactions, or persons receiving Mereo ADSs or Mereo Shares in exchange for OncoMed Options, OncoMed Units or otherwise as compensation;
- persons holding OncoMed common stock as qualified small business stock within the meaning of Sections 1202 and/or 1045 of the Code;
- persons that own or are deemed to own 10% or more of Mereo's capital stock (by vote or value); or
- persons holding OncoMed common stock, Mereo ADSs or Mereo Shares in connection with a trade or business outside the United States.

If a partnership (or other entity that is classified as a partnership for U.S. federal income tax purposes) owns OncoMed common stock, Mereo ADSs or Mereo Shares, 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 OncoMed common stock, Mereo ADSs or Mereo Shares and partners in such partnerships should consult their tax advisers as to the particular U.S. federal income tax consequences of the Merger and of owning and disposing of such securities.

This discussion is based on the Code, administrative pronouncements, judicial decisions, and final, temporary and proposed Treasury regulations, all as of the date hereof, any of which is subject to change, possibly with retroactive effect.

As used herein, a “U.S. Holder” is a beneficial owner of OncoMed common stock, Mereo ADSs or Mereo Shares that is, for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- 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;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust that (A) is subject to the primary supervision of a court within the United States and all substantial decisions of which are subject to the control of one or more “United States persons” (within the meaning of Section 7701(a)(30) of the Code) or (B) has a valid election in effect to be treated as a United States person for U.S. federal income tax purposes.

This summary does not discuss any U.S. federal income tax considerations to persons who are not U.S. Holders (as described above), and non-U.S. Holders should consult their tax advisers as to the consequences under U.S. federal, state, local and non-U.S. tax laws with respect to the Merger and of receiving, owning and disposing of Mereo ADSs or Mereo Shares.

All holders are urged to consult their tax advisers concerning the U.S. federal, state, local and non-U.S. tax consequences of the Merger and of receiving, owning and disposing of Mereo ADSs or Mereo Shares in their particular circumstances.

Material U.S. Federal Income Tax Considerations of the Merger for OncoMed Stockholders

General

The exchange of OncoMed common stock for Merger Consideration in the Merger is expected to be, and this discussion assumes such exchange will be, a taxable transaction for U.S. federal income tax purposes. Assuming the Merger will be a taxable transaction for U.S. federal income tax purposes, the amount of gain or loss a holder of OncoMed common stock recognizes, and the timing and potentially the character of a portion of such gain or loss, depends in part on the U.S. federal income tax treatment of the CVRs, with respect to which there is substantial uncertainty.

The receipt of the Merger Consideration may be treated as either an “open transaction” or a “closed transaction” for U.S. federal income tax purposes. There is no authority directly on point addressing whether a sale of property for, in whole or in part, contingent value rights with characteristics similar to the CVRs should be taxed as “open transactions” or “closed transactions,” and the issue is inherently factual in nature. Accordingly, U.S. Holders are urged to consult their tax advisers regarding this issue. The installment method of reporting will not be available with respect to any gain attributable to the receipt of a CVR because OncoMed common stock is traded on an established securities market.

The following sections discuss the tax consequences of the Merger if the receipt of the Merger Consideration is treated as an open transaction or, alternatively, as a closed transaction. You are urged to consult your tax adviser with respect to the tax considerations relating to the CVRs.

Treatment of Consideration Received Upon the Closing of the Merger

Under either “open” or “closed” transaction treatment, gain or loss recognized in the transaction must be determined separately for each identifiable block of OncoMed common stock surrendered in the Merger (i.e., shares of OncoMed common stock acquired at the same cost in a single transaction).

Any such gain or loss will be long-term if OncoMed common stock is held for more than one year before such disposition. For U.S. Holders that are individuals, estates or trusts, long-term capital gain generally is taxed at preferential rates. The deductibility of both long-term and short-term capital loss is subject to certain limitations.

Treatment as Open Transaction. If the value of the CVRs cannot be "reasonably ascertained," the receipt of the CVRs would generally qualify as an "open transaction." If the receipt of the Merger Consideration is treated as an "open transaction" for U.S. federal income tax purposes, a U.S. Holder would generally recognize capital gain for U.S. federal income tax purposes in the year of the Merger if and to the extent the fair market value of the Mereo ADSs received upon the closing of the Merger exceeds such U.S. Holder's adjusted tax basis in the OncoMed common stock surrendered pursuant to the Merger (but would not recognize loss for U.S. federal income tax purposes in the year of the Merger if such adjusted tax basis exceeds the fair market value of the Mereo ADSs received upon the closing of the Merger). Under such treatment, a U.S. Holder's initial tax basis in the Mereo ADSs will equal the fair market value of the Mereo ADSs on the date of the closing of the Merger, and the holding period of the Mereo ADSs should begin on the day following the date of the closing of the Merger.

A U.S. Holder would take no tax basis in the CVRs but would, subject to the imputed interest rules discussed below, recognize capital gain as payments with respect to the CVRs are made or deemed made in accordance with the U.S. Holder's regular method of accounting, but only to the extent the sum of such payments (and all previous payments under the CVRs), together with the amount of fair market value of the Mereo ADSs received upon closing of the Merger, exceeds such U.S. Holder's adjusted tax basis in the OncoMed common stock surrendered pursuant to the Merger.

Subject to the imputed interest rules discussed below, a U.S. Holder who does not receive an amount of Mereo ADSs and cash (if any) pursuant to the Merger (including for this purpose any ADSs or cash received as payments on the CVRs) at least equal to such U.S. Holder's adjusted tax basis in the OncoMed common stock surrendered pursuant to the Merger will recognize a capital loss in the year that the U.S. Holder's right to receive further payments under the CVRs terminates.

Treatment as Closed Transaction. If the value of the CVRs can be "reasonably ascertained," the transaction should generally be treated as "closed" for U.S. federal income tax purposes, in which event a U.S. Holder should generally recognize capital gain or loss for U.S. federal income tax purposes upon closing of the Merger equal to the difference between (x) the sum of (i) the fair market value (determined as of the closing of the Merger) of the Mereo ADSs received upon the closing of the Merger and (ii) the fair market value (determined as of the closing of the Merger) of the CVRs received, and (y) such U.S. Holder's adjusted tax basis in the OncoMed common stock surrendered pursuant to the Merger. Mereo and its affiliates and OncoMed do not intend to obtain or report any valuation of the CVRs that may be used by OncoMed stockholders for this purpose, and the CVRs will not be listed on any exchange and may not be sold, assigned, pledged, encumbered or in any other manner transferred or disposed of, in whole or in part, except in the limited circumstances specified in the CVR agreement.

Future Payments on the CVRs

Treatment as Open Transaction. If the transaction is treated as an "open transaction," a payment pursuant to a CVR (whether in cash or in Mereo ADSs) to a U.S. Holder of a CVR should be treated as a payment under a contract for the sale or exchange of OncoMed common stock. A portion of the payments made pursuant to a CVR may be treated as imputed interest, which would be ordinary income to the U.S. Holder of a CVR. The imputed interest amount would equal the excess of the amount of the CVR payment (i.e., the amount of cash paid or the fair market value of the Mereo ADSs issued) over its present value at the closing of the Merger, calculated using the applicable federal rate as the discount rate. A U.S. Holder must include in its taxable income imputed interest in accordance

with such U.S. Holder's regular method of accounting. The portion of the payment pursuant to a CVR that is not treated as imputed interest would generally be treated as a payment with respect to the sale of OncoMed common stock, as discussed above under "Treatment of Consideration Received Upon Closing of the Merger—Treatment as Open Transaction."

Except to the extent any portion of any payment pursuant to the CVRs is required to be treated as imputed interest, the parties to the CVR agreement will agree to treat the CVRs and all payments on the CVRs for all tax purposes as consideration for shares of OncoMed common stock pursuant to the Merger Agreement, and will not take any position to the contrary on any tax return or for other tax purposes except as required by applicable law.

Treatment as Closed Transaction. If the transaction is treated as a "closed transaction," there is no direct authority with respect to the tax treatment of holding and receiving payments with respect to property similar to the CVRs. Payments received with respect to a CVR, whether such payments are received in cash or in additional Mereo ADSs, up to the amount of the U.S. Holder's adjusted tax basis in the CVR, may be treated as a non-taxable return of a U.S. Holder's adjusted tax basis in the CVR, with any amount received in excess of basis treated as gain from the disposition of the CVR. Additionally, a portion of any payment received with respect to a CVR may constitute imputed interest. If not treated as described above, payments with respect to a CVR may be treated as either (i) payments with respect to a sale of a capital asset, (ii) ordinary income or (iii) dividends.

The U.S. federal income tax treatment of the CVRs is not certain. There is no legal authority directly addressing the U.S. federal income tax consequences of the receipt of CVRs or Mereo ADSs or cash in accordance with the terms of the CVRs, and U.S. Holders are urged to consult their tax advisers regarding the tax treatment of the issuance of the CVRs and any future payments under the CVRs. Neither Mereo nor OncoMed intends to seek a ruling from the IRS regarding the tax treatment of the CVRs. Due to the legal and factual uncertainty regarding the valuation and tax treatment of the CVRs, U.S. Holders are urged to consult their tax advisers concerning the recognition, timing and character of any gain or loss resulting from the Merger, including the receipt of the CVRs in the Merger, the tax consequences of the receipt of any payments in Mereo ADSs or cash under the CVRs after the Merger, and the determination of such U.S. Holder's adjusted tax basis and holding period with respect to any Mereo ADSs received.

Additional Consequences

Additional U.S. federal income tax consequences of the Merger are described below under "Information Reporting and Backup Withholding."

We have not sought and will not seek any opinion of counsel or any ruling from the IRS with respect to the matters discussed herein. We urge U.S. Holders of shares of OncoMed common stock to consult their tax advisers with respect to the specific tax consequences to them in connection with the Merger in light of their own particular circumstances, including the tax consequences under state, local, non-U.S. and other tax laws.

Material U.S. Federal Income Tax Considerations of Owning Mereo ADSs or Mereo Shares

In general, if U.S. Holders own Mereo ADSs they will be treated as owning the underlying Mereo Shares represented by those Mereo ADSs for U.S. federal income tax purposes. Accordingly, no gain or loss will be recognized if a U.S. Holder exchanges Mereo ADSs for the underlying Mereo Shares.

Taxation of Distributions

Except as described under "—Passive Foreign Investment Company Rules" below, distributions paid on Mereo ADSs or Mereo Shares, other than certain pro rata distributions of Mereo Shares, will be treated as dividends to the extent paid out of Mereo's current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Because Mereo does not maintain calculations of its earnings and profits under U.S. federal income tax principles, it is expected that any distributions generally will be reported to U.S. Holders as dividends. Dividends will not be eligible for the dividends-received deduction generally available to U.S. corporations under the Code. Subject to applicable limitations, dividends paid to certain non-corporate U.S. Holders may be eligible for taxation at a preferential tax rate. Non-corporate U.S. Holders should consult their tax advisers regarding the availability of this preferential rate in their particular circumstances.

Dividends will be included in a U.S. Holder's income on the date of the U.S. Holder's, or in the case of Mereo ADSs, the depositary's, receipt. Dividends received generally will be income from non-U.S. sources, which may be relevant in calculating a U.S. Holder's foreign tax credit limitation. The amount of any dividend income paid in pound sterling will be the U.S. dollar amount calculated by reference to the spot rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars on such date. If the dividend is converted into U.S. dollars on the date of receipt, a U.S. Holder generally should not be required to recognize foreign currency gain or loss in respect of the dividend. 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. U.S. Holders of Mereo ADSs should consult their tax advisers regarding the application of these rules to the amount of any dividend paid by Mereo in pound sterling that is converted into U.S. dollars by the depositary.

Sale or Other Taxable Disposition

Except as described under "—Passive Foreign Investment Company Rules" below, a U.S. Holder will generally recognize capital gain or loss on a sale or other taxable disposition of Mereo ADSs or Mereo Shares in an amount equal to the difference between the amount realized on the sale or disposition and the U.S. Holder's tax basis in the Mereo ADSs or Mereo Shares disposed of, in each case as determined in U.S. dollars. A U.S. Holder's tax basis in its Mereo ADSs or Mereo Shares generally will be equal to their fair market value on the closing date of the Merger. Except as described under "– Passive Foreign Investment Company Rules" below, any gain or loss will be long-term capital gain or loss if at the time of the sale or disposition the U.S. Holder has owned Mereo ADSs or Mereo Shares for more than one year. Long-term capital gains recognized by non-corporate U.S. Holders may be subject to a tax rate that is lower than the rate applicable to ordinary income. The deductibility of capital losses is subject to limitations.

Passive Foreign Investment Company Rules

In general, a non-U.S. corporation will be a PFIC for any taxable year in which (i) 75% or more of its gross income consists of passive income or (ii) 50% or more of the average quarterly value of its assets consists of assets that produce, or are held for the production of, passive income (the "asset test"). For purposes of the above calculations, a non-U.S. corporation that directly or indirectly owns at least 25% by value of the shares of another corporation is treated as if it held its proportionate share of the assets of the other corporation and received directly its proportionate share of the income of the other corporation. Passive income generally includes interest, dividends, gains from certain property transactions, rents and royalties (other than certain rents or royalties derived in the active conduct of a trade or business). Cash is a passive asset for PFIC purposes. Goodwill is an active asset under the PFIC rules to the extent attributable to activities that produce active income.

The assets shown on Mereo's consolidated balance sheet (taking into account OncoMed assets acquired as a result of the Merger) are expected to include a significant amount of cash and cash equivalents for the foreseeable future. Therefore, whether Mereo will satisfy the assets test for the current or any future taxable year generally will depend largely on the quarterly value of Mereo's goodwill, and on how quickly Mereo utilizes the cash in its business. Because (i) the value of Mereo's goodwill may be determined by reference to the market price of the Mereo Shares or Mereo ADSs, which may be volatile given the nature and early stage of its business, (ii) Mereo expects to continue to hold a significant amount of cash, and (iii) a company's PFIC status is an annual determination that can be made only after the end of each taxable year, Mereo cannot express a view as to whether it will be a PFIC for the current or any future taxable year. For the reasons described above, it is possible that Mereo may be a PFIC for its current or any future taxable year.

If Mereo were a PFIC for any taxable year and any of its non-U.S. subsidiaries or other companies in which it owns equity interests were also a PFIC (any such entity, a "Lower-tier PFIC"), U.S. Holders would be deemed to own a proportionate amount (by value) of the shares of each Lower-tier PFIC and would be subject to U.S. federal income tax according to the rules described in the subsequent paragraph on (i) certain distributions by a Lower-tier PFIC and (ii) dispositions of shares of Lower-tier PFICs, in each case as if the U.S. Holders held such shares directly, even though the U.S. Holders had not received the proceeds of those distributions or dispositions.

Generally, if Mereo is a PFIC for any taxable year during which a U.S. Holder holds Mereo ADSs or Mereo Shares, gain recognized upon a disposition (including, under certain circumstances, a pledge) of Mereo ADSs or Mereo Shares by the U.S. Holder will be allocated ratably over the U.S. Holder's holding period for such Mereo ADSs or Mereo Shares. The amounts allocated to the taxable year of disposition and to years before Mereo became a PFIC will be taxed as ordinary income. The amount allocated to each other taxable year will be subject to tax at the highest rate in effect for that taxable year for individuals or corporations, as appropriate, and an interest charge will be imposed on the resulting tax liability for each relevant taxable year. Further, to the extent that any distribution received by a U.S. Holder on its Mereo ADSs or Mereo Shares exceeds 125% of the average of the annual distributions received on such securities during the preceding three years or the U.S. Holder's holding period, whichever is shorter (an "excess distribution"), such excess distribution will be subject to taxation in the same manner.

If Mereo is a PFIC for any taxable year during which a U.S. Holder owns Mereo ADSs or Mereo Shares, Mereo will generally continue to be treated as a PFIC with respect to such U.S. Holder for all succeeding years during which such U.S. Holder owns Mereo ADSs or Mereo Shares, even if Mereo ceases to meet the threshold requirements for PFIC status. If Mereo is a PFIC for any taxable year but ceases to be PFIC for subsequent years, U.S. Holders should consult their tax advisers regarding the advisability of making a "deemed sale" election that would allow them to eliminate the continuing PFIC status under certain circumstances.

Alternatively, if Mereo is a PFIC and if Mereo ADSs or Mereo Shares are "regularly traded" on a "qualified exchange," a U.S. Holder could make a mark-to-market election that would result in tax treatment different from the general tax treatment described in the preceding paragraphs. Mereo Shares would be treated as "regularly traded" in any calendar year in which more than a *de minimis* quantity of the Mereo Shares are traded on a qualified exchange on at least 15 days during each calendar quarter. The Nasdaq is a qualified exchange for this purpose. The IRS has not identified specific non-U.S. exchanges that are "qualified" for this purpose. If a U.S. Holder makes the mark-to-market election, the U.S. Holder generally will recognize as ordinary income any excess of the fair market value of the Mereo ADSs or Mereo Shares at the end of each taxable year over their adjusted tax basis, and will recognize an ordinary loss in respect of any excess of the adjusted tax basis of the Mereo ADSs or Mereo Shares over their fair market value at the end of the taxable year

(but only to the extent of the net amount of income previously included as a result of the mark-to-market election). If a U.S. Holder makes the election, the U.S. Holder's tax basis in the Mereo ADSs or Mereo Shares will be adjusted to reflect these income or loss amounts. Any gain recognized on the sale or other disposition of Mereo ADSs or Mereo Shares in a year in which Mereo is a PFIC will be treated as ordinary income and any loss will be treated as an ordinary loss (but only to the extent of the net amount of income previously included as a result of the mark-to-market election). U.S. Holders will not be able to make a mark-to-market election with respect to Lower-tier PFICs, if any. U.S. Holders should consult their tax advisers as to the availability and desirability of a mark-to-market election in their particular circumstances if Mereo is a PFIC for any taxable year.

A qualified electing fund election, if available, could materially affect the tax consequences of the ownership and disposition of Mereo ADSs or Mereo Shares if Mereo were a PFIC for any taxable year. However, Mereo does not intend to provide the information necessary for U.S. Holders to make qualified electing fund elections. Therefore, U.S. Holders will not be able to make such elections.

If a U.S. Holder owns Mereo ADSs or Mereo Shares during any year in which Mereo is a PFIC, the U.S. Holder generally will be required to file annual reports on IRS Form 8621 (or any successor form) with respect to us, generally with the U.S. Holder's federal income tax return for that year. U.S. Holders should consult their tax advisers regarding Mereo's PFIC status for any taxable year and the potential application of the PFIC rules to Mereo.

Information Reporting and Backup Withholding

In general, cash payments made to U.S. Holders pursuant to a CVR, and payments of dividends and proceeds from the sale or other disposition of Mereo ADSs or Mereo Shares that are made within the United States or through certain U.S.-related financial intermediaries may be subject to information reporting and backup withholding, unless (i) the U.S. Holder is a corporation or other "exempt recipient" and (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. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. 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.

Certain U.S. Holders who are individuals (or certain specified entities) may be required to report information relating to their ownership of Mereo ADSs or Mereo Shares, or non-U.S. accounts through which Mereo ADSs or Mereo Shares are held. U.S. Holders should consult their tax advisers regarding their reporting obligations with respect to Mereo ADSs or Mereo Shares.

MATERIAL U.K. TAX CONSIDERATIONS

The following is a general summary of material U.K. tax considerations relating primarily to the ownership and disposal of Mereo ADSs. The comments set out below are based on current U.K. tax law as applied in England and Wales, and HM Revenue & Customs ("HMRC") practice (which may not be binding on HMRC) as at the date of this summary, both of which are subject to change, possibly with retrospective effect. They are intended as a general guide and, save where otherwise stated, only apply to you if you are not resident in the U.K. for U.K. tax purposes and do not hold Mereo ADSs for the purposes of a trade, profession or vocation that you carry on in the U.K. through a branch, agency or permanent establishment in the U.K. and if you hold Mereo ADSs as an investment for U.K. tax purposes and are not subject to special rules.

This summary does not address all possible tax consequences relating to an investment in Mereo ADSs. In particular it does not cover the U.K. inheritance tax consequences of holding Mereo ADSs. It assumes that DTC has not made an election under section 97A(1) of the Finance Act 1986. This summary is for general information only and is not intended to be, nor should it be considered to be, legal or tax advice to any particular holder. Holders of Mereo ADSs are strongly urged to consult their tax advisers in connection with the U.K. tax consequences of their investment in Mereo ADSs.

U.K. Taxation of Dividends

Mereo will not be required to withhold amounts for or on account of U.K. tax at source when paying a dividend in respect of the Mereo Shares.

Holders who hold their Mereo ADSs as an investment, who are not resident in the U.K. for U.K. tax purposes and who do not hold their Mereo ADSs in connection with any trade, profession or vocation carried on by them in the U.K. through a branch, agency or permanent establishment in the U.K. should not be subject to U.K. tax in respect of any dividends on the Mereo Shares.

U.K. Taxation of Capital Gains

An individual holder who is not resident in the U.K. for U.K. tax purposes should not be liable to U.K. capital gains tax on capital gains realized on the disposal of their Mereo ADSs unless such holder carries on a trade, profession or vocation in the U.K. through a branch or agency in the U.K. to which the Mereo ADSs are attributable.

Any such individual holder of Mereo ADSs who is temporarily non-resident for U.K. tax purposes will, in certain circumstances, become liable to U.K. tax on capital gains in respect of gains realized while they were not resident in the U.K.

A corporate holder of Mereo ADSs which is not resident in the U.K. for U.K. tax purposes should not be liable for U.K. corporation tax on chargeable gains realized on the disposal of Mereo ADSs unless it carries on a trade in the U.K. through a permanent establishment in the U.K. to which the Mereo ADSs are attributable.

U.K. Withholding Tax in Respect of CVRs

Mereo is not expecting to withhold amounts for or on account of U.K. tax at source in respect of any payments made to CVR holders pursuant to the CVR Agreement.

Stamp Duty and Stamp Duty Reserve Tax

The following statements apply to all holders, regardless of their jurisdiction of tax residence.

It is assumed for the purposes of the following statements that at all times (i) the Mereo 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 Finance Act 1986); and (ii) AIM continues to be accepted as a "recognised growth market" (as construed in accordance with section 99A of the Finance Act 1986).

No stamp duty is payable on the issue of Mereo Shares into a depositary receipt system (such as, Mereo understands, that operated by Citibank) or a clearance service (such as, Mereo understands, DTC). No stamp duty reserve tax ("SDRT") should be payable on the issue of Mereo Shares into a depositary receipt system or a clearance service. Accordingly, no stamp duty or SDRT should be payable on the creation and issue of Mereo ADSs pursuant to the issue of Mereo Shares to Citibank's custodian.

No stamp duty or SDRT should be payable on transfers of, or agreements to transfer, Mereo Shares into a depositary receipt system or a clearance service.

No SDRT or stamp duty should be payable on paperless transfers of, or agreements to transfer, Mereo ADSs through the facilities of DTC.

No stamp duty should be payable on a written instrument transferring, or a written agreement to transfer, Mereo ADSs provided the instrument or agreement is executed and remains at all times outside the U.K. No SDRT should be payable in respect of agreements to transfer Mereo ADSs.

No stamp duty or SDRT should be payable on transfers of, or agreements to transfer, Mereo Shares outside of a depositary receipt system or a clearance service.

DESCRIPTION OF THE MEREO SHARES AND ARTICLES OF ASSOCIATION

General

Mereo was 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, Mereo was re-registered as a public limited company with the legal name Mereo BioPharma Group plc. Mereo's registered office is 4th Floor, One Cavendish Place, London, W1G 0QF, United Kingdom. The principal legislation under which Mereo operates and the Mereo Shares are issued is the U.K. Companies Act 2006.

Share Capital

As of December 31, 2018, Mereo's issued share capital was £213,721. The nominal value of the Mereo Shares is £0.003 per Mereo Share. Each issued Mereo Share is fully paid.

Options

As of December 31, 2018, there were options to purchase 12,016,134 Mereo Shares outstanding under Mereo's equity incentive plans with a weighted average exercise price of £1.47 per Mereo Share. The options generally lapse after 10 years from the date of the grant. As of December 31, 2018, there were nil-cost options to purchase 162,997 Mereo Shares outstanding under the 2016 DBSP, which generally lapse one year after vesting.

Novartis Notes

On June 3, 2016, Mereo issued 3,463,563 Novartis Notes to Novartis. As of the date of this proxy statement/prospectus, the outstanding principal and accrued interest on the Novartis Notes was £2,302,055, which may be converted into 1,041,654 Mereo Shares at a conversion price of £2.21 per Mereo Share at any time until they mature. In connection with any such conversion, Mereo is 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, Mereo has issued 588,532 Bonus Shares. The Novartis Notes mature on March 2, 2021, at which time Mereo will be obligated to pay any outstanding principal together with any accrued interest.

Mereo Shares

The following summarizes the rights of holders of Mereo Shares:

- each holder of Mereo Shares is entitled to one vote per Mereo Share at a meeting of shareholders (provided that certain shareholders each have its votes on a poll limited to 19.5% of the total voting share capital and any votes which would have otherwise been exercisable by Mereo 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 Mereo Shares shall be entitled to receive notice of, attend, speak, and vote at Mereo's general meetings; and
- holders of Mereo Shares are entitled to receive such dividends as are recommended by Mereo's directors and declared by Mereo's shareholders.

Registered Shares

Mereo is required by the U.K. Companies Act 2006 to keep a register of its shareholders. Under English law, the Mereo Shares are deemed to be issued when the name of the shareholder is entered in Mereo's share register. The share register therefore is prima facie evidence of the identity of Mereo's shareholders, and the shares that they hold. The share register generally provides limited, or no, information regarding the ultimate beneficial owners of Mereo Shares. Mereo's share register is maintained by its registrar, Link Asset Services.

Holders of the Mereo ADSs will not be treated as shareholders and their names will therefore not be entered in Mereo's share register. The depositary, the custodian or their nominees will be the holder of the Mereo Shares underlying Mereo ADSs. For a discussion of the Mereo ADSs and ADS holder rights see "Description of the Mereo ADSs" elsewhere in this proxy statement/prospectus. Holders of Mereo ADSs have a right to receive the Mereo Shares underlying their Mereo ADSs as discussed in "Description of the Mereo ADSs" elsewhere in this proxy statement/prospectus.

Under the U.K. Companies Act 2006, Mereo must enter an allotment of Mereo Shares in its share register as soon as practicable and in any event within two months of the allotment. Mereo will perform all procedures necessary to update the share register to reflect the Mereo Shares being issued in the Merger, including updating the share register with the number of Mereo Shares to be issued to the depositary upon the closing of the Merger. Mereo is also required by the U.K. Companies Act 2006 to register a transfer of Mereo Shares (or give the transferee notice of and reasons for refusal as the transferee may reasonably request) as soon as practicable and in any event within two months of receiving notice of the transfer.

Mereo, any of Mereo's 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 entered in or omitted from Mereo's register of members; or
- a default is made or unnecessary delay takes place in entering on the register the fact of any person having ceased to be a member or on which Mereo has 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 by special resolution, 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 Mereo's shareholders upon its expiration (i.e., at least every five years). On June 2, 2016, Mereo's 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 Mereo 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 Mereo's articles of association (the "Articles") as of the date hereof.

Shares and Rights Attaching to Them

Objects

The objects of Mereo's company are unrestricted.

Share Rights

Subject to any special rights attaching to shares already in issue, Mereo Shares may be issued with or have attached to them any rights or restrictions as Mereo 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 Mereo's 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 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 shareholders subject to such cap whose voting rights have already been capped, 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 "Comparison of Shareholder Rights" elsewhere in this proxy statement/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 such shareholder unless all sums payable by such shareholder 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, her or its shares.

Dividends

Mereo may, subject to the provisions of the U.K. Companies Act 2006 and Mereo's Articles, 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 Mereo's financial position but, if at any time, Mereo's 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 Mereo on or in respect of any share shall bear interest against Mereo unless otherwise provided by the rights attached to the share or the provisions of another agreement between the shareholder and Mereo. 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 Mereo Shares the right to elect to receive in lieu of a dividend, or part of a dividend, an allotment of Mereo Shares credited as fully paid up.

Change of Control

There is no specific provision in Mereo's Articles that would have the effect of delaying, deferring, or preventing a change of control.

Distributions on Winding Up

If Mereo is in liquidation, the liquidator may, if authorized by a special resolution of shareholders and any other authority required at law, divide among shareholders (excluding Mereo to the extent it is a shareholder by virtue only of holding treasury shares) in specie or in kind the whole or any part of Mereo's 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 Mereo may be closed and Mereo 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

Mereo may, by ordinary resolution of shareholders, consolidate all or any of its share capital into shares of larger amount than Mereo's existing shares, or sub-divide Mereo's shares or any of them into shares of a smaller amount. Mereo may, by special resolution of shareholders, confirmed by the court, reduce Mereo's share capital or any capital redemption reserve or any share premium account in any manner authorized by the U.K. Companies Act 2006. Mereo may redeem or purchase all or any of the Mereo Shares as described in "—Other U.K. Law Considerations—Purchase of Own Shares."

Preemption Rights

In certain circumstances, Mereo's 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 "Comparison of Shareholder Rights" elsewhere in this proxy statement/prospectus.

Transfer of Shares

Any shareholder holding shares in certificated form may transfer all or any such 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 Mereo's 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, Mereo is 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 "Comparison of Shareholder Rights" elsewhere in this proxy statement/prospectus.

Notice of General Meetings

The arrangements for the calling of general meetings are described in "Comparison of Shareholder Rights" elsewhere in this proxy statement/prospectus.

Quorum of General Meetings

No business, other than the appointment of the chair of the meeting, 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

Mereo may not have less than two directors on the board of directors and not more than nine. Mereo 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, Mereo 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 Mereo 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 such director must retire. In addition, a director 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 Mereo's 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 Mereo), 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 or her duties as a director on such terms as the board may determine.

A director shall not be accountable to Mereo 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 Mereo 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 or hers 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 Mereo;
- an ordinary resolution of Mereo 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 Mereo or any of its subsidiaries;
  - a subscription, or agreement to subscribe, for shares or other securities of Mereo or any of its subsidiaries, or to underwrite, sub-underwrite or guarantee an offer of any such shares or securities by Mereo or any of its subsidiaries for subscription, purchase or exchange;
  - arrangements pursuant to which benefits are made available to employees and directors, or former employees and directors, of Mereo or any of its subsidiaries which do not provide special benefits for directors or former directors;
  - the purchase or maintenance of insurance which Mereo 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 or her 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 her or in connection with any application under certain provisions of the U.K. Companies Act 2006 or otherwise enabling him or her 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 or her do not to his or her 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 her or its 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 or she is not entitled to vote by reason of his or her interest.

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 or her 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 Mereo.

Each director may be paid his or her 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 Mereo.

Indemnity

Every director, officer or former director or officer of Mereo's group may be indemnified against all costs, charges, losses, expenses and liabilities incurred by him or her in connection with any negligence, default, breach of duty, or breach of trust by him or her in relation to Mereo or in connection with Mereo's activities as a trustee of an occupational pension scheme, in the actual or purported exercise of his or her powers or duties or otherwise as Mereo's 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 Mereo's issued share capital, Novartis may appoint one observer who may attend, but not participate or vote in, any meeting of the Mereo Board.

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 Mereo of the percentage of his or her voting rights if the percentage of voting rights which he holds as a shareholder or through his or her 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 Mereo 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 compulsory acquisition of the minority shareholders' shares 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

compulsory acquisition 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 Mereo, 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 Mereo's minority shareholders a right to be bought out in certain circumstances by an offeror who has made a takeover offer for all of the Mereo Shares. The holder of shares to which the offer relates, and who has not otherwise accepted the offer, may require the offeror to acquire such 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 such shareholder's rights to be bought out, the offeror is required to acquire those shares on the terms of the 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, Mereo is empowered to give notice in writing to any person whom they know or have reasonable cause to believe to be interested in Mereo 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 Mereo particulars of that person's interest and (so far as is within such person's knowledge) particulars of any other interest that subsists or subsisted in those shares.

Under Mereo's Articles, if a person defaults in supplying Mereo 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 Mereo without liability to pay interest and, in circumstances where an option to elect to receive Mereo Shares instead of cash in respect of any dividend is provided to Mereo's shareholders, any notice of election to receive such Mereo Shares exercised in respect of the default shares shall not be effective and/or (b) no transfers by the relevant shareholder of any default shares may be registered (unless the shareholder himself is not in default, the relevant transfer is in respect of part only of such 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 transferred is a default share); and
- any share 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 or her 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 is a default share.

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, Mereo may purchase its own shares in the manner prescribed below. Mereo may make a market purchase of its 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.

Mereo may purchase its 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 Mereo proposes 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 Mereo and to each of its subsidiaries that has been incorporated under English law

It is not sufficient that Mereo, as a public company, has made a distributable profit for the purpose of making a distribution. An additional capital maintenance requirement is imposed on Mereo 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 Mereo's registered office in England and Wales which has shares admitted to AIM, Mereo is subject to the U.K. City Code, which is issued and administered by the U.K. Panel on Takeovers and Mergers (the "Panel"). The U.K. City Code provides a framework within which takeovers of companies subject to it are conducted. In particular,

the U.K. City Code contains certain rules in respect of mandatory offers. Under Rule 9 of the U.K. City Code, if a person:

- acquires an interest in Mereo Shares which, when taken together with shares in which such person, or persons acting in concert with such person, are interested, carries 30% or more of the voting rights of Mereo's share capital; 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 Mereo's share capital, 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, their concert parties, would be required (except with the consent of the Panel) to make a cash offer for Mereo's 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 Mereo, or that may affect the remittance of dividends, interest, or other payments by Mereo to non-resident holders of Mereo Shares or Mereo 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.

DESCRIPTION OF THE MEREO ADSs

American Depositary Shares

Citibank, N.A. ("Citibank") has agreed to act as the depositary for the Mereo ADSs. Citibank's depositary offices are located at 388 Greenwich Street, New York, New York 10013. Mereo ADSs represent ownership interests in securities that are on deposit with the depositary. Mereo ADSs may be represented by certificates that are commonly known as American Depositary Receipts ("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.

Mereo has appointed Citibank as depositary pursuant to a deposit agreement. A copy of the deposit agreement is 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 website (www.sec.gov). Please refer to registration number 333-223890 when retrieving such copy.

Mereo is providing you with a summary description of the material terms of the Mereo ADSs and of your material rights as an owner of Mereo 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 Mereo ADSs will be determined by reference to the terms of the deposit agreement and not by this summary. Mereo urges you to review the deposit agreement in its entirety.

Each Mereo ADS represents the right to receive, and to exercise the beneficial ownership interests in, five Mereo Shares that are on deposit with the depositary and/or custodian. A Mereo 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 Mereo ADS but that has not been distributed to the owners of Mereo ADSs because of legal restrictions or practical considerations. Mereo and the depositary may agree to change the Mereo ADS-to-Mereo Share ratio by amending the deposit agreement. This amendment may give rise to, or change, the depositary fees payable by Mereo 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 Mereo 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 Mereo ADSs. The depositary, the custodian and their respective nominees will be the record holders of the deposited property represented by the Mereo ADSs for the benefit of the holders and beneficial owners of the corresponding Mereo ADSs. A beneficial owner of Mereo ADSs may or may not be the holder of Mereo ADSs. Beneficial owners of Mereo ADSs will be able to receive, and to exercise beneficial ownership interests in, the deposited property only through the registered holders of the Mereo ADSs, the registered holders of the Mereo ADSs (on behalf of the applicable Mereo ADS owners) only through the depositary, and the depositary (on behalf of the owners of the corresponding Mereo 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 Mereo 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 Mereo ADSs. The deposit agreement and the ADR specify Mereo's rights and obligations as well as your rights and obligations as an owner of Mereo ADSs and those of the depositary. As a Mereo 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, Mereo's obligations to the holders of Mereo 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 Mereo, the depositary, the custodian or any of their 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.

The manner in which you own the Mereo ADSs (e.g., in a brokerage account vs. as registered holder, or as holder of certificated vs. uncertificated ADSs) may affect your rights and obligations, and the manner in which, and extent to which, the depositary's services are made available to you. As an owner of Mereo ADSs, Mereo will not treat you as one of its shareholders and you will not have direct shareholder rights. The depositary will hold on your behalf the shareholder rights attached to the Mereo Shares underlying your Mereo ADSs. As an owner of Mereo ADSs you will be able to exercise the shareholders rights for the Mereo Shares represented by your Mereo 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 a Mereo ADS owner, need to arrange for the cancellation of your Mereo ADSs and become a direct shareholder.

As an owner of Mereo ADSs, you may hold your Mereo 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 Mereo 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 Mereo ADSs by the depositary. Under the direct registration system, ownership of Mereo ADSs is evidenced by periodic statements issued by the depositary to the holders of the Mereo ADSs. The direct registration system includes automated transfers between the depositary and The Depository Trust Company ("DTC"), the central book-entry clearing and settlement system for equity securities in the United States. If you decide to hold your Mereo ADSs through your brokerage or safekeeping account, you must rely on the procedures of your broker or bank to assert your rights as a Mereo ADS owner. Banks and brokers typically hold securities such as the Mereo 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 Mereo ADSs. Please consult with your broker or bank if you have any questions concerning these limitations and procedures. All Mereo 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 Mereo ADSs directly by means of a Mereo ADS registered in your name and, as such, Mereo will refer to you as the "holder." When Mereo refers to "you," Mereo assumes the reader owns Mereo ADSs and will own Mereo ADSs at the relevant time.

The registration of the Mereo 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 Mereo Shares with the beneficial ownership rights and interests in such Mereo Shares being at all times vested with the beneficial owners of the Mereo ADSs representing the Mereo 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 Mereo ADSs representing the deposited property.

Dividends and Other Distributions

As a holder of Mereo ADSs, you generally have the right to receive the distributions Mereo makes on the securities deposited with the custodian. Your receipt of these distributions may be limited, however, by practical considerations and legal limitations. Holders of Mereo ADSs will receive such distributions under the terms of the deposit agreement in proportion to the number of Mereo ADSs held as of the specified record date, after deduction of applicable fees, taxes, and expenses.

Distributions of Cash

Whenever Mereo makes a cash distribution for the securities on deposit with the custodian, it 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 received in a currency other than U.S. dollars 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 Mereo 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 Mereo makes a free distribution of Mereo Shares for the securities on deposit with the custodian, it will deposit the applicable number of Mereo Shares with the custodian. Upon receipt of confirmation of such deposit, the depositary will either distribute to holders new Mereo ADSs representing the Mereo Shares deposited or modify the Mereo ADS-to-Mereo Shares ratio, in which case each Mereo ADS you hold will represent rights and interests in the additional Mereo Shares so deposited. Only whole new Mereo 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 Mereo ADSs or the modification of the Mereo ADS-to-Mereo Shares ratio upon a distribution of Mereo 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 Mereo Shares so distributed.

No such distribution of new Mereo 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 Mereo ADSs as described above, it may sell the Mereo 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 Mereo intends to distribute rights to subscribe for additional Mereo Shares, it will give prior notice to the depositary and it will assist the depositary in determining whether it is lawful and reasonably practicable to distribute rights to subscribe for additional Mereo ADSs to holders.

The depositary will establish procedures to distribute rights to subscribe for additional Mereo 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 Mereo ADSs, and if Mereo provides 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 Mereo 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 subscribe for new Mereo Shares other than in the form of Mereo ADSs.

The depositary will *not* distribute the rights to you if:

- Mereo does not timely request that the rights be distributed to you or Mereo requests that the rights not be distributed to you; or
- Mereo fails 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 Mereo intends to distribute a dividend payable at the election of shareholders either in cash or in additional shares, it will give prior notice thereof to the depositary and will indicate whether Mereo wishes the elective distribution to be made available to you. In such case, Mereo 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 Mereo has 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 Mereo 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 Mereo 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 Mereo intends to distribute property other than cash, Mereo Shares, or rights to purchase additional Mereo Shares, it will notify the depositary in advance and will indicate whether it wishes such distribution to be made to you. If so, Mereo 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 Mereo provides to the depositary 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:

- Mereo do not request that the property be distributed to you or if Mereo requests that the property not be distributed to you; or
- Mereo does 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 Mereo decides to redeem any of the securities on deposit with the custodian, it will notify the depositary in advance. If it is practicable and if Mereo provides 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 into U.S. dollars upon the terms of the deposit agreement the redemption funds received in a currency other than U.S. dollars and will establish procedures to enable holders to receive the net proceeds from the redemption upon surrender of their Mereo ADSs to the depositary. You may have to pay fees, expenses, taxes, and other governmental charges upon the redemption of your Mereo ADSs. If less than all Mereo ADSs are being redeemed, the Mereo ADSs to be retired will be selected by lot or on a pro rata basis, as the depositary may determine.

Changes Affecting Mereo Shares

The Mereo Shares held on deposit for your Mereo 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 Mereo Shares or a recapitalization, reorganization, merger, consolidation, or sale of assets of Mereo.

If any such change were to occur, your Mereo ADSs would, to the extent permitted by law and the deposit agreement, represent the right to receive the property received or exchanged in respect of the Mereo Shares held on deposit. The depositary may in such circumstances deliver new Mereo 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 Mereo ADSs for new Mereo ADSs and take any other actions that are appropriate to reflect as to the Mereo ADSs the change affecting the Mereo 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 Mereo ADSs upon Deposit of Mereo Shares

Upon completion of the Merger, the Mereo Shares being offered pursuant to this proxy statement/prospectus will be deposited by Mereo with the custodian. Upon receipt of confirmation of such deposit, the depositary will issue Mereo ADSs in accordance with the Merger Agreement. See “The Merger Agreement—Exchange Agent; Letter of Transmittal” elsewhere in this proxy statement/prospectus.

After the closing of the Merger, the depositary may create Mereo ADSs on your behalf if you or your broker deposit Mereo Shares with the custodian. The depositary will deliver these Mereo 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 Mereo Shares to the custodian. Your ability to deposit Mereo Shares and receive Mereo 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 Mereo ADSs may be delayed until the depositary or the custodian receives confirmation that all required approvals have been given and that the Mereo Shares have been duly transferred to the custodian. The depositary will only issue Mereo ADSs in whole numbers.

When you make a deposit of Mereo 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 Mereo Shares are duly authorized, validly issued, fully paid, non-assessable, and legally obtained;

- all preemptive (and similar) rights, if any, with respect to such Mereo Shares have been validly waived or exercised;
- you are duly authorized to deposit the Mereo Shares;
- the Mereo Shares presented for deposit are free and clear of any lien, encumbrance, security interest, charge, mortgage, or adverse claim, and are not, and the Mereo ADSs issuable upon such deposit will not be, “restricted securities” (as defined in the deposit agreement); and
- the Mereo Shares presented for deposit have not been stripped of any rights or entitlements.

If any of the representations or warranties is incorrect in any way, Mereo and the depositary may, at your cost and expense, take any and all actions necessary to correct the consequences of the misrepresentation.

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 Mereo 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 Mereo Shares Upon Cancellation of Mereo ADSs

As a holder, you will be entitled to present your Mereo ADSs to the depositary for cancellation and then receive the corresponding number of underlying Mereo Shares at the custodian’s offices. Your ability to withdraw the Mereo Shares held in respect of the Mereo 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 Mereo Shares represented by your Mereo ADSs, you will be required to pay to the depositary the fees for cancellation of Mereo ADSs and any charges and taxes payable upon the transfer of the Mereo Shares.

You assume the risk for delivery of all funds and securities upon withdrawal. Once canceled, the Mereo ADSs will not have any rights under the deposit agreement.

If you hold Mereo 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 Mereo ADSs. The withdrawal of the Mereo Shares represented by your Mereo 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 Mereo ADSs for cancellation that represent a whole number of securities on deposit.

You will have the right to withdraw the securities represented by your Mereo ADSs at any time except for:

- temporary delays that may arise because (i) the transfer books for the Mereo Shares or Mereo ADSs are closed, or (ii) Mereo 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 Mereo 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 Mereo 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 Mereo Shares represented by your Mereo ADSs. The voting rights of holders of Mereo Shares are described in "Description of the Mereo Shares and Articles of Association—Articles of Association" elsewhere in this proxy statement/prospectus.

At Mereo's request, the depositary will distribute to you any notice of shareholders' meeting received from Mereo together with information explaining how to instruct the depositary to exercise the voting rights of the securities represented by Mereo ADSs.

If the depositary timely receives voting instructions from a holder of Mereo ADSs, it will endeavor to vote the securities (in person or by proxy) represented by the holder's Mereo 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 Mereo ADSs who provide timely voting instructions.
- *In the event of voting by poll*, the depositary will vote (or cause the custodian to vote) the Mereo Shares held on deposit in accordance with the voting instructions received from the holders of Mereo ADSs. The depositary will give a discretionary proxy to a person designated by Mereo to vote any Mereo Shares held on deposit for which voting instructions were not received from the holders of Mereo ADSs, unless Mereo informs the depositary that (a) Mereo does not wish such proxy to be given, (b) substantial opposition exists, or (c) the rights of holders of Mereo ADSs may be adversely affected.

Securities for which no voting instructions have been received will not be voted (except as otherwise contemplated in the Deposit Agreement). 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. Mereo 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 a Mereo ADS holder, you will be required to pay the following fees under the terms of the deposit agreement:

Service	Fee
Issuance of Mereo ADSs (e.g., an issuance of Mereo ADSs upon a deposit of Mereo Shares, upon a change in the Mereo ADS-to-Mereo Shares ratio), excluding Mereo ADS issuances as a result of distributions of Mereo Shares	Up to $5.00 per 100 Mereo ADSs (or fraction thereof) issued
Cancellation of Mereo ADSs (e.g., a cancellation of Mereo ADSs for delivery of deposited property, upon a change in the Mereo ADS-to-Mereo Shares ratio, or for any other reason)	Up to $5.00 per 100 Mereo ADSs (or fraction thereof) cancelled
Distribution of cash dividends or other cash distributions (e.g., upon a sale of rights and other entitlements)	Up to $5.00 per 100 Mereo ADSs (or fraction thereof) held
Distribution of Mereo ADSs pursuant to (i) stock dividends or other free stock distributions, or (ii) exercise of rights to purchase additional Mereo ADSs	Up to $5.00 per 100 Mereo ADSs (or fraction thereof) held
Distribution of securities other than Mereo ADSs or rights to purchase additional Mereo ADSs (e.g., upon a spin-off)	Up to $5.00 per 100 Mereo ADSs (or fraction thereof) held
Mereo ADS Services	Up to $5.00 per 100 Mereo ADSs (or fraction thereof) held on the applicable record date(s) established by the depositary
Registration of Mereo ADS Transfers (e.g., upon a registration of the transfer of registered ownership of Mereo ADSs, upon a transfer of Mereo ADSs into DTC and vice versa, or for any other reason)	Up to $5.00 per 100 Mereo ADSs (or fraction thereof) transferred
Conversion of Mereo ADSs of one series for Mereo ADSs of another series (e.g., upon conversion of Partial Entitlement ADSs for Full Entitlement ADSs, or upon conversion of Restricted ADSs (each as defined in the Deposit Agreement) into freely transferable Mereo ADSs, and vice versa)	Up to $5.00 per 100 Mereo ADSs (or fraction thereof) converted

As a Mereo 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 Mereo Shares on the share register and applicable to transfers of Mereo 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 Mereo Shares, Mereo ADSs, and ADRs; and
- the fees, charges, costs and expenses incurred by the depositary, the custodian, or any nominee in connection with the ADR program.

Mereo ADS fees and charges for (i) the issuance of Mereo ADSs, and (ii) the cancellation of Mereo ADSs are charged to the person for whom the Mereo ADSs are issued (in the case of Mereo ADS

issuances) and to the person for whose Mereo ADSs are cancelled (in the case of Mereo ADS cancellations). In the case of Mereo ADSs issued by the depositary into DTC, the Mereo 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 Mereo ADSs being issued or the DTC participant(s) holding the Mereo 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. Mereo ADS fees and charges in respect of distributions and the Mereo ADS service fee are charged to the holders as of the applicable Mereo ADS record date. In the case of distributions of cash, the amount of the applicable Mereo ADS fees and charges is deducted from the funds being distributed. In the case of (i) distributions other than cash and (ii) the Mereo ADS service fee, holders as of the Mereo ADS record date will be invoiced for the amount of the Mereo ADS fees and charges and such Mereo ADS fees and charges may be deducted from distributions made to holders of Mereo ADSs. For Mereo ADSs held through DTC, the Mereo ADS fees and charges for distributions other than cash and the Mereo 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 Mereo ADS fees and charges to the beneficial owners for whom they hold Mereo ADSs. In the case of (i) registration of Mereo ADS transfers, the Mereo ADS transfer fee will be payable by the Holders of Mereo ADS whose Mereo ADSs are being transferred or by the person to whom the Mereo ADSs are transferred, and (ii) conversion of Mereo ADSs of one series for Mereo ADSs of another series, the Mereo ADS conversion fee will be payable by the Holder whose Mereo ADSs are converted or by the person to whom the converted Mereo ADSs are delivered.

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 Mereo ADS holder. Certain of the depositary fees and charges (such as the Mereo ADS services fee) may become payable shortly after the closing of the Merger. Note that the fees and charges you may be required to pay may vary over time and may be changed by Mereo and by the depositary. You will receive prior notice of such changes. The depositary may reimburse Mereo for certain expenses incurred by Mereo in respect of the ADR program, by making available a portion of the Mereo ADS fees charged in respect of the ADR program or otherwise, upon such terms and conditions as Mereo and the depositary agree from time to time.

Amendments and Termination

Mereo may agree with the depositary to modify the deposit agreement at any time without your consent. Mereo undertakes to give holders 30 days' prior notice of any modifications that would materially prejudice any of their substantial rights under the deposit agreement. Mereo will not consider to be materially prejudicial to your substantial rights any modifications or supplements that are reasonably necessary for the Mereo 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, Mereo 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 Mereo ADSs after the modifications to the deposit agreement become effective. The deposit agreement cannot be amended to prevent you from withdrawing the Mereo Shares represented by your Mereo ADSs (except as permitted by law).

Mereo has 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 Mereo 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 Mereo 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 Mereo ADSs still outstanding (after deduction of applicable fees, taxes and expenses).

In connection with any termination of the deposit agreement, the depositary may, independently and without the need for any action by Mereo, make available to owners of Mereo ADSs a means to withdraw the Mereo Shares and other deposited securities represented by their Mereo ADSs and to direct the depositary of such Mereo 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 Mereo 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 Mereo 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 Mereo 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 Mereo as a holder of deposited securities that Mereo makes 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 Mereo asks it to.

Limitations on Obligations and Liabilities

The deposit agreement limits Mereo's obligations and the depositary's obligations to you. Please note the following:

- Mereo 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 Mereo's behalf or for the accuracy of any translation of such a document, for the investment risks associated with

investing in Mereo Shares, for the validity or worth of the Mereo Shares, for any tax consequences that result from the ownership of Mereo 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 Mereo's notices, or for Mereo's failure to give notice.

- Mereo and the depositary will not be obligated to perform any act that is inconsistent with the terms of the deposit agreement.
- Mereo and the depositary disclaim any liability if either is 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 Mereo's Articles, or any provision of or governing the securities on deposit, or by reason of any act of God or war or other circumstances beyond Mereo's control.
- Mereo 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 Mereo's Articles or in any provisions of or governing the securities on deposit.
- Mereo 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 Mereo Shares for deposit, any holder of Mereo ADSs or authorized representatives thereof, or any other person believed by either of Mereo or the depositary in good faith to be competent to give such advice or information.
- Mereo 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 Mereo Shares but is not, under the terms of the deposit agreement, made available to you.
- Mereo 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.
- Mereo 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.
- Nothing in the deposit agreement gives rise to a partnership or joint venture, or establishes a fiduciary relationship, among Mereo, the depositary and you as Mereo ADS holder.
- Nothing in the deposit agreement precludes Citibank (or its affiliates) from engaging in transactions in which parties adverse to Mereo or the Mereo ADS owners have interests, and nothing in the deposit agreement obligates Citibank to disclose those transactions, or any information obtained in the course of those transactions, to Mereo or to the Mereo ADS owners, or to account for any payment received as part of those transactions.

Taxes

You will be responsible for the taxes and other governmental charges payable on the Mereo ADSs and the securities represented by the Mereo 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 Mereo 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 Mereo, 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 Mereo Shares (including Mereo Shares represented by Mereo ADSs) is governed by the laws of England and Wales.

AS A PARTY TO THE DEPOSIT AGREEMENT, YOU IRREVOCABLY WAIVE YOUR RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING AGAINST MEREO AND/OR THE DEPOSITARY ARISING OUT OF THE DEPOSIT AGREEMENT OR THE ADRs.

COMPARISON OF SHAREHOLDER RIGHTS

The rights of Mereo shareholders are currently governed by the laws of England and Wales and Mereo's Articles. The rights of OncoMed stockholders are currently governed by Delaware law and OncoMed's certificate of incorporation and bylaws. As a result of the Merger, OncoMed stockholders will be entitled to receive a portion of the Merger Consideration in Mereo ADSs. Each Mereo ADS represents five Mereo Shares. Following completion of the Merger, the rights of OncoMed stockholders who become holders of Mereo ADSs in the Merger will be governed by the laws of England and Wales and Mereo's Articles. The rights of a holder of Mereo ADSs will also be governed by the deposit agreement.

The following discussion summarizes the material differences between the current rights of Mereo shareholders and the current rights of OncoMed stockholders. These differences arise from differences between Delaware law and the laws of England and Wales, the governing instruments of the two companies, and the securities laws and regulations governing the two companies.

Although it is impracticable to compare all of the aspects in which Delaware law and the laws of England and Wales, and Mereo's and OncoMed's governing instruments, differ with respect to equityholder rights, the following discussion summarizes certain material differences between them. This summary is not intended to be complete, and it is qualified in its entirety by reference to Delaware law, the laws of England and Wales, Mereo's Articles and OncoMed's certificate of incorporation and bylaws. In addition, the identification of some of the differences in the rights of equityholders as material is not intended to indicate that other differences that are equally important do not exist. Mereo and OncoMed urge you to carefully read this entire proxy statement/prospectus, the relevant provisions of Delaware law and the laws of England and Wales and the other documents to which Mereo and OncoMed refer in this proxy statement/prospectus for a more complete understanding of the differences between the rights of a Mereo shareholder and the rights of an OncoMed stockholder. For a description of the rights of holders of Mereo ADSs, see "Description of the Mereo ADSs." For information on how to obtain the governing instruments of Mereo and OncoMed, see "Where You Can Find More Information." OncoMed stockholders are encouraged to obtain and read these documents.

Mereo Shareholder Rights	OncoMed Stockholder Rights
Authorized Stock	
Mereo's Articles do not specify an amount of authorized share capital, as the concept of authorized share capital is not applicable under the provisions of the U.K. Companies Act 2006. As of November 30, 2018, the issued and outstanding capital of Mereo was 71,240,272 ordinary shares, with a nominal value of £0.003 each.	OncoMed is authorized to issue 150,000,000 shares, of which 145,000,000 are shares of common stock, each having a par value of $0.001 per share, and 5,000,000 are shares of preferred stock, each having a par value of $0.001 per share.
Preferred Stock	
Mereo's Articles provide that, without prejudice to any rights attached to any existing shares or class of shares, any share may be issued with such rights or restrictions as Mereo may by ordinary resolution (as described below) determine or,	No shares of preferred stock are outstanding as of the date of this proxy statement/prospectus. Under OncoMed's certificate of incorporation, the OncoMed Board has the authority to issue preferred stock in one or more series, and to establish the designation of such series and the

Mereo Shareholder Rights	OncoMed Stockholder Rights
subject to and in default of such determination, as the Mereo Board shall determine. As of November 30, 2018, there were no preferred shares in issue.	number of shares to be included in such series and fixing the voting powers (full or limited, or no voting power), preferences and relative, participating, optional or other special rights, and the qualifications, limitations and restrictions thereof, of the shares of each such series.
Dividends	
For a description of Mereo shareholders' rights in respect of dividends see "—Description of the Mereo Shares and Articles of Association—Articles of Association—Shares and Rights Attaching to them—Dividends" in this proxy statement/prospectus.	The OncoMed Board, subject to any restrictions contained in either the DGCL or the Amended and Restated Certificate of Incorporation, may declare and pay dividends upon the shares of its capital stock. Dividends may be paid in cash, in property or in shares of OncoMed's capital stock. The OncoMed Board may set apart out of any funds of OncoMed available for dividends a reserve or reserves for any proper purpose and may abolish any such reserve. Such purposes shall include but not be limited to equalizing dividends, repairing or maintaining any property of OncoMed, and meeting contingencies.
Purchase and Redemption Rights	
Under the U.K. Companies Act 2006, a public limited company may issue redeemable shares if authorized by its articles of association, subject to any conditions stated therein. No redeemable shares may be issued at a time when there are no issued shares of the company existing which are not redeemable. Under the U.K. Companies Act 2006, a company may redeem shares only if the shares are fully paid and, in the case of public limited companies, only out of: (1) distributable profits; or (2) the proceeds of a new issue of shares made for the purpose of such redemption. Mereo's Articles permit the issuance of redeemable shares. The Mereo Shares are not redeemable and there are no redeemable shares currently in issue.	Under the DGCL, any stock of any class or series of a Delaware corporation may be made subject to redemption by such corporation at its option or at the option of the holders of such stock or upon the happening of a specified event; provided however, that immediately following any such redemption the corporation shall have outstanding one or more shares of one or more classes or series of stock, which share, or shares together, shall have full voting powers There are no redemption rights applicable to shares of OncoMed common stock. The OncoMed Board has the authority to grant redemption rights in connection with shares of OncoMed preferred stock.
Preemptive Rights	
Under the U.K. Companies Act 2006, the issuance of "equity securities" (being (1) shares in a 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 or (2) rights to subscribe for, or to convert securities into, such shares) that are to be paid for wholly in	Under the DGCL, a Delaware corporation's certificate of incorporation may contain provisions granting to the holders of the stock of such corporation, or the holders of any class or series of a class thereof, the preemptive right to subscribe to any or all additional issues of stock of the corporation of any or all classes or series

Mereo Shareholder Rights	OncoMed Stockholder Rights
cash must be offered first to the existing holders of Mereo Shares in proportion to the respective nominal values (i.e., par values) of their holdings on the same or more favorable terms, unless an exception applies or a special resolution to the contrary has been passed or the articles of association otherwise provide, in each case in accordance with the provisions of the U.K. Companies Act 2006 and Mereo's Articles. An exclusion of pre-emptive rights can be granted for a maximum of five years from the date that Mereo's directors are granted authority to allot the relevant Mereo Shares, after which shareholders' approval would be required to renew such exclusion.	thereof, or to any securities of such corporation convertible into such stock. No stockholder shall have any preemptive right to subscribe to an additional issue of stock or to any security convertible into such stock unless, and except to the extent that, such right is expressly granted to such stockholder in the certificate of incorporation. OncoMed's certificate of incorporation does not provide that holders of OncoMed shares shall have preemptive rights.
Inspection Rights	
Under English law, a company must retain and keep available for inspection by shareholders, free of charge, and by any other person on payment of a prescribed fee, its register of members. It must also keep available for inspection by shareholders, free of charge, records of all resolutions passed by and minutes of meetings of shareholders for a period of at least ten years from the date of the relevant resolution or meeting, and for a fee, provide copies of such records to shareholders who request them.	Under the DGCL, any stockholder in person or by attorney or other agent, upon written demand under oath stating the purpose thereof, during the usual hours for business may inspect for any proper purpose, and to make copies and extracts from: (1) the corporation's stock ledger, a list of its stockholders, and its other books and records; and (2) a subsidiary's books and records, to the extent that: (i) the corporation has actual possession and control of such records of such subsidiary; or (ii) the corporation could obtain such records through the exercise of control over such subsidiary, provided that as of the date of the making of the demand (1) the stockholder inspection of such books and records of the subsidiary would not constitute a breach of an agreement between the corporation or the subsidiary and a person or persons not affiliated with the corporation; and (2) the subsidiary would not have the right under the law applicable to it to deny the corporation access to such books and records upon demand by the corporation. Delaware law also allows any stockholder the right to inspect a complete list of the stockholders entitled to vote at a meeting of

Mereo Shareholder Rights	OncoMed Stockholder Rights
	stockholders, both during the time of the meeting and during the ten days preceding the meeting, for a purpose germane to the meeting.
Appraisal Rights	
There is no mandatory provision in English law for appraisal rights. Such rights could, in theory, be provided for in the articles of association or in a shareholders' agreement. Mereo's Articles do not provide for appraisal/dissenters' rights. However, English law provides dissenters' rights which would permit a shareholder to object to a court of England and Wales in the context of the compulsory acquisition of minority shares.	Under Section 262, any stockholder of a Delaware corporation who holds shares of stock on the date of the making of a demand with respect to such shares, who continuously holds such shares through the effective date of the merger or consolidation, and who has neither voted in favor of the merger or consolidation nor consent thereto in writing shall be entitled to an appraisal by the Court of Chancery of the fair value of the stockholders' shares of stock. A summary description of the appraisal rights available to holders of OncoMed common stock under the DGCL and the procedures required to exercise statutory appraisal rights is included in "The Merger—Appraisal Rights." The full text of Section 262 of the DGCL is attached as Annex D to this proxy statement/prospectus.
Voting Rights	
For a description of the voting rights contained in Mereo's Articles see "—Description of the Mereo Shares and Articles of Association—Articles of Association—Shares and Rights Attaching to them—Voting Rights" in this proxy statement/prospectus.	Under OncoMed's bylaws, the holders of voting stock are entitled to vote on each matter properly submitted to the stockholders at a meeting of the stockholders, and shall be entitled to cast one vote in person or by proxy for each share of voting stock held by them respectively as of the record date fixed by the secretary at least 10 days and not more than 60 days before the meeting of the stockholders.
Votes on Certain Transactions	
The Companies Acts provide 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: (1) the approval, at a shareholders' or creditors' meeting convened by order of a court of England and Wales, of a majority in number representing 75% in value of the creditors or class of creditors or members or class of members (as the case may be) present and voting, either in person or by proxy; and (2) the approval of a court of England and Wales.	Generally, under the DGCL, unless the Delaware corporation's certificate of incorporation provides for the vote of a larger portion of the stock, completion of a merger or consolidation or sale of substantially all of a corporation's assets or dissolution requires the approval of the board of directors and the affirmative vote of a majority of the outstanding stock of the corporation entitled to vote thereon or, if the certificate of incorporation provides for more or less than one vote per share, a majority of the corporation's voting power.

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Amendment of Corporate Governance Documents	
Under the U.K. Companies Act 2006, a company incorporated in England and Wales may amend its articles of association by way of a special resolution. Additional steps must be taken in the event that Mereo has separate classes of shares, see "—Description of the Mereo Shares and Articles of Association—Articles of Association—Shares and Rights Attaching to them—Variation of Rights" in this proxy statement/prospectus.	OncoMed's certificate of incorporation provides that only the affirmative vote of at least 66-2/3% of the voting power of all of the then-outstanding shares of voting stock, voting together as a single class, shall be required to alter, amend or repeal Articles V, VI, VII, VIII and IX of OncoMed's certificate of incorporation. All other amendments to OncoMed's certificate of incorporation require a vote of a majority of the outstanding voting stock of OncoMed pursuant to Delaware law. OncoMed's bylaws provide that the OncoMed Board is expressly empowered to adopt, amend or repeal the bylaws of OncoMed with the approval of a majority of the authorized number of directors. OncoMed's stockholders also shall have the power to adopt, amend or repeal the bylaws of OncoMed, provided, however, that in addition to any vote of the holders of any class or series of stock of OncoMed required by law or by the certificate of incorporation, such action by stockholders shall require the affirmative vote of the holders of at least 66-2/3% of the voting power of all of the then-outstanding shares of the capital stock of OncoMed entitled to vote at an election of directors.
Shareholder Action by Written Consent	
Under the U.K. Companies Act 2006, a resolution of the members (or of a class of members) of a public company must be passed at a general meeting of the members. Written resolutions are not permitted. Notwithstanding the foregoing: (1) English law currently provides that certain matters could be effected by a company otherwise than by passing a resolution where it can be shown that all shareholders of that company have provided unanimous informed consented to the relevant matter; and (2) under the U.K. Companies Act 2006, rights attached to a class of the company's shares may, where the company's articles contain no provision for the variation of the relevant rights, be carried by consent in writing from the holders of at least three-quarters in nominal value of the issued shares of that class.	OncoMed's certificate of incorporation and bylaws provide that no action shall be taken by the stockholders except at an annual or special meeting of the stockholders and that no action shall be taken by the stockholders by written consent.

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Shareholder Meetings	
The U.K. Companies Act 2006 requires that a public limited company, such as Mereo, must convene an annual general meeting within six months following its accounting reference date. Subject to the notice requirements of the U.K. Companies Act 2006 outlined below, a general meeting of the shareholders of Mereo may be called by the Mereo Board whenever and at such times and places as it shall determine. A general meeting may also be convened by the Mereo Board on the requisition of Mereo shareholders who hold at least 5% of the paid-up capital of Mereo carrying voting rights at a general meeting. General meetings at which special resolutions are proposed and passed generally involve proposals to change the name of the company, permit the company to issue new shares for cash without the shareholders' pre-emptive right, amend the company's articles of association, or carry out other matters where either the company's articles of association or the U.K. Companies Act 2006 prescribe that a special resolution is required. Other proposals relating to the ordinary course of the company's business, such as the election of directors, would generally be the subject of an ordinary resolution. 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 that meeting. 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.	Under Delaware law, any stockholder may petition the Court of Chancery to order a meeting to elect directors if such meeting, or action to elect directors by written consent in lieu of a meeting, has not been held within thirteen months. OncoMed's bylaws provide that in addition to the annual meeting of the stockholders, special meetings of stockholders may be called at any time by the board of directors, the chairperson of the board of directors, the chief executive officer or the president (in the absence of a chief executive officer). Such special meetings may not be called by any other person or persons.
Shareholder Quorum	
Mereo's Articles provide that no business shall be transacted at any general meeting unless a quorum is present. Two qualifying persons present at a meeting and entitled to vote on the business to be transacted shall be a quorum, unless (1) each is a qualifying person only because he or she is authorized under the Companies Act to act as a representative of a corporation in relation to the meeting, and they are representatives of the same	OncoMed's bylaws provide that the holders of a majority in voting power of the stock issued and outstanding and entitled to vote, present in person, or by remote communication, if applicable, or represented by proxy, shall constitute a quorum for the transaction of business at all meetings of the stockholders.

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corporation, or (2) each is a qualifying person only because he or she is appointed as proxy of a shareholder in relation to the meeting, and they are proxies of the same shareholder. A "qualifying person" means (1) a person who is a shareholder of Mereo, (2) a person authorized under the U.K. Companies Act 2006 to act as a representative of the corporation in relation to the meeting, or (3) a person appointed as proxy of a shareholder in relation to the meeting.	
Shareholder Proposals and Shareholder Nomination of Directors	
Under the U.K. Companies Act 2006, shareholders of a company may require the directors to call a general meeting of the company and may specify the text of a resolution to be voted on at that meeting if the request is made by shareholders holding at least 5% of the paid-up capital of Mereo carrying voting rights at a general meeting. In certain circumstances, shareholders may also require the company to circulate to shareholders that are entitled to receive notice of a general meeting, a statement of not more than 1,000 words with respect to (1) a matter referred to in a proposed resolution to be dealt with at that meeting, or (2) other business to be deal with at that meeting. A company is required to circulate a statement once it has received requests to do so from (1) shareholders representing at least 5% of the total voting rights of all shareholders who have a relevant right to vote, or (2) by at least 100 shareholders who have a relevant right to vote and hold shares in the company on which there has been paid up an average sum, per shareholder, of at least £100. Resolutions to appoint or re-appoint directors to a public limited company such as Mereo must generally be put to shareholders on the basis of one resolution for each nominated director.	OncoMed's bylaws provide that in order for a stockholder to make a director nomination or propose business at an annual meeting of stockholders, the stockholder must give timely written notice to OncoMed. To be timely, a stockholder's notice must be delivered to, or mailed and received at, the principal executive offices of OncoMed not less than ninety (90) days nor more than one hundred twenty (120) days prior to the one-year anniversary of the preceding year's annual meeting; provided, however, that if the date of the annual meeting is more than thirty (30) days before or more than sixty (60) days after such anniversary date, notice by the stockholder to be timely must be so delivered, or mailed and received, not later than the ninetieth (90) day prior to such annual meeting or, if later, the tenth (10) day following the day on which public disclosure of the date of such annual meeting was first made.
Number of Directors	
Under the U.K. Companies Act 2006, a public limited company must have at least two directors. Mereo's Articles further provide that, unless otherwise determined by an ordinary resolution, the number of Mereo directors shall be not less than two nor more than nine in number. The Mereo Board currently consists of eight members.	OncoMed's certificate of incorporation and bylaws provide that the authorized number of directors shall be determined from time to time by resolution of the board or directors. The OncoMed Board has currently set the authorized number of directors to eight directors.

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For as long as Novartis holds not less than one percent of Mereo's issued share capital, Novartis may appoint one observer who may attend, but not participate or vote in, any meeting of Mereo's board of directors.	
Classification of the Board	
Under the U.K. Companies Act 2006, a company may not enter into a service contract with a fixed term of more than two years with a director or (where the director is a director of a holding company) with a member of the group consisting of that company and its subsidiaries unless such contract has been approved by an ordinary resolution of the shareholders of the company or (in the case of a director of a holding company) of the shareholders of the holding company. Such a resolution must not be passed unless a memorandum setting out the proposed contract incorporating the provision is made available to members of the company both (1) at the company's registered office for not less than 15 days ending with the date of the meeting; and (2) at the meeting itself. Mereo's Articles provide that, at every annual general meeting (1) if any director has at the start of the annual general meeting been in office for more than three years since his or her last appointment or reappointment, he or she shall retire; and (2) if a director has been appointed by the Mereo Board since the previous annual general meeting, he or she shall retire. If Mereo does not fill the vacancy at the meeting at which a director retires by rotation or otherwise, the retiring director shall, if willing to act, be deemed to have been reappointed unless at the meeting it is resolved not to fill the vacancy or unless a resolution for the reappointment of the director is put to the meeting and lost.	Delaware law permits the certificate of incorporation or a stockholder-adopted bylaw to provide that directors be divided into one, two or three classes, with the term of office of one class of directors to expire each year. OncoMed's certificate of incorporation provides that the directors comprising the board of directors shall be divided into three staggered classes, with each class serving three-year terms.
Board Meetings	
Mereo's Articles provide that the quorum may be fixed by the Mereo Board (but may not be less than two) and, unless so fixed at any other number, shall be two. A director may call a meeting of the Mereo Board by giving notice of the meeting to each director.	OncoMed's bylaws provide that the board of directors may hold meetings, both regular and special, either within or outside the State of Delaware. Regular meetings of the board of directors may be held without notice at such time and at such place as shall from time to time be determined by the board of directors. Special meetings of the board of directors for any purpose or purposes may be called at any time

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	by the chairperson of the board of directors, the chief executive officer, the president, the secretary or a majority of the authorized number of directors.
Board Committees	
Mereo's Articles provide that Mereo's directors may delegate any of the powers conferred on them to board committees. The committees to which the Mereo's directors delegate any of their powers must follow procedures which are based as far as they are applicable on those provisions of the Mereo's Articles which govern the taking of decisions by Mereo's directors. Mereo's directors may make rules of procedure for all or any committees, which prevail over the rules derived from Mereo's Articles if they are not consistent with them. The Mereo Board has established an audit and risk committee, nomination committee, remuneration committee and R&D committee.	OncoMed's bylaws provide that the board of directors may designate one or more committees. The board of directors of OncoMed has designated the following committees: (i) Audit Committee; (ii) Compensation Committee; (iii) Nominating and Corporate Governance Committee; and (iv) Business Development and Strategy Committee.
Removal of Directors	
Under the U.K. Companies Act 2006, a company may remove a director without cause at a general meeting by way of an ordinary resolution of shareholders, irrespective of any provision of any agreement or service contract between the director and the company, provided that 28 clear days' notice of the proposed resolution to remove the director is given and certain other procedural requirements under the U.K. Companies Act 2006 are followed (such as allowing the director to make representations against his or her removal either at the meeting or in writing). In addition to any power of removal under the U.K. Companies Act 2006, under Mereo's Articles, Mereo may, by special resolution or ordinary resolution (of which special notice has been given in accordance with section 312 of the U.K. Companies Act 2006): ▪ remove any director from office (but without prejudice to any claim he or she may have for damages for breach of any agreement between Mereo and the relevant director); and ▪ appoint another person to act as director in his or her place.	Under Delaware law, any director may be removed with or without cause by the affirmative vote of holders of a majority of the outstanding shares entitled to vote upon the election of directors. OncoMed's certificate of incorporation provides that a director may be removed at any time with cause by the affirmative vote of the holders of 66-2/3% of the voting power of all then-outstanding shares of capital stock entitled to vote at an election of directors.

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Board Vacancies

Under Mereo's Articles, Mereo may by ordinary resolution appoint a person who is willing to act to be a director, either to fill a vacancy or as an additional director and the Mereo Board may appoint a person who is willing to act to be a director, either to fill a vacancy or as an additional director, provided in each case that the appointment does not cause the number of directors to exceed the number fixed by or in accordance with Mereo's Articles as the maximum number of directors.

Under Delaware law, unless otherwise provided in the certificate of incorporation or the bylaws,

(1) vacancies on a board of directors; and

(2) newly created directorships resulting from an increase in the number of directors may be filled by a majority of the directors in office, although less than a quorum, or by a sole remaining director. In the case of a classified board, directors elected to fill vacancies or newly created directorships will hold office until the next election of the class for which the directors have been chosen. If, at the time of filling any vacancy or any newly created directorship, the directors then in office shall constitute less than a majority of the whole board, the Court of Chancery may, upon application of any stockholder or stockholders holding at least 10% of the voting stock at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office.

OncoMed's certificate of incorporation and bylaws of provide that any vacancy or newly created directorships on the board of directors shall be filled only by the affirmative vote of a majority of the directors in office, although less than a quorum, or by a sole remaining director, and not by the stockholders.

Limitation of Director Liability

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 otherwise attach to him in connection with any negligence, default, breach of duty or breach of trust in relation to the company is void, and any provision where the company is seeking to indemnify a director for such liability is also void except as allowed by the provision of insurance.

Delaware law permits a corporation's certificate of incorporation to 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 fiduciary duty as a director. However, no provision can limit the liability of a director for:

(1) any breach of his or her duty of loyalty to the corporation or its stockholders;

(2) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;

(3) intentional or negligent payment of unlawful dividends or stock purchases or redemptions; or

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	(4) any transaction from which he or she derives an improper personal benefit. OncoMed's certificate of incorporation provides that to the maximum extent permitted by the DGCL, as the same exists or as may hereafter be amended, a director of OncoMed shall not be personally liable to the OncoMed or its stockholders for monetary damages for breach of fiduciary duty as a director. If the DGCL is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of OncoMed shall be eliminated or limited to the fullest extent permitted by the DGCL as so amended.
Directors and Officers Indemnity	
Any provision by which Mereo directly or indirectly provides an indemnity (to any extent) for a director of the company or of an "associated company" (i.e., a company that is a parent, subsidiary or sister company of Mereo) 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 or she is a director is void except as permitted by the U.K. Companies Act 2006, which provides exceptions for Mereo to: ▪ purchase and maintain director and officer insurance insuring its directors or the directors of an associated company against any liability attaching in connection with any negligence, default, breach of duty or breach of trust in relation to the company of which he or she is a director; ▪ provide a "qualifying third party indemnity," which is an indemnity against liability incurred by Mereo's directors and directors of an associated company to a person other than Mereo or an associated company. Such indemnity must not cover criminal fines, penalties imposed by regulatory bodies, the defense costs of criminal proceedings where the director is found guilty, the defense costs of civil proceedings successfully brought against the director by the company or an associated company, or the costs of unsuccessful applications by the director for relief from liabilities for such matters; and ▪ provide a "qualifying pension scheme indemnity," which is an indemnity against	Delaware law provides that a corporation may indemnify any persons who are, or are threatened to be made, parties to any threatened, pending or completed legal action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of such corporation), by reason of the fact that such person is or was a director, officer, employee or agent of such corporation or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided such person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe that the person's conduct was unlawful. Where an officer or director is successful on the merits or otherwise in the defense of any action referred to above, the corporation must indemnify him against the expenses that such officer or director actually and reasonably incurred. A Delaware corporation may indemnify the same category of persons in an action by or in the right of the corporation under the same conditions, but only for expenses (including attorneys' fees), provided that no indemnification is permitted without judicial approval if such

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liability incurred in connection with the company's activities as trustee of an occupational pension plan. Such indemnity must not cover a fine imposed in criminal proceedings, or sum payable to a regulatory authority by way of a penalty in respect of non-compliance with any requirement of a regulatory nature (however arising), or any liability incurred by the director in defending criminal proceedings in which he or she is convicted. Mereo's Articles provide that it may indemnify a director of Mereo against ▪ any liability incurred by that director in connection with any negligence, default, breach of duty or breach of trust in relation to Mereo or an associated company; ▪ any liability incurred by that director in connection with the activities of the Mereo or an associated company in its capacity as a trustee of an occupational pension scheme; and ▪ any other liability incurred by that director in the actual or purported execution or discharge of his or her duties, the exercise or purported exercise of his or her powers or otherwise in relation to his or her duties or powers as an officer of Mereo or an associated company. The U.K. Companies Act 2006 also provides that Mereo may lend a director of Mereo funds to meet expenditure incurred by him 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 Mereo or an associated company, or in connection with an application for certain specified relief, subject to the requirement that the loan must be on terms that it is to be repaid if the defense or the application for relief is unsuccessful.	person is adjudged to be liable to the corporation. OncoMed's certificate of incorporation and bylaws provide that OncoMed shall indemnify its directors and officers to the fullest extent permitted by the DGCL or any other applicable law. Under its bylaws, OncoMed will not be required to indemnify any director or officer in connection with any proceeding initiated by such person unless the proceeding was authorized in the specific case by the OncoMed Board. As permitted by the DGCL, OncoMed currently has in effect a directors' and officers' liability insurance policy.
Insurance	
So far as permitted by law, directors of Mereo may decide to purchase and maintain insurance, at the expense of Mereo, for the benefit of directors in respect of any loss or liability which has been or may be incurred by director in connection with that director's actual or purported execution and/or discharge of his or her duties or powers in relation	OncoMed's bylaws provide that OncoMed may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of OncoMed, or is or was serving at the request of OncoMed as a director, officer, employee or agent of another corporation, partnership, joint venture, trust

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to Mereo, any associated company or any pension fund or employees' share scheme of Mereo or an associated company.	enterprise or non-profit entity against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not OncoMed would have the power to indemnify him or her against such liability under the provisions of the DGCL.
	Derivative Suits and Class Action 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 (1) 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 (2) a shareholder may bring a claim for a court order on the ground that the company's affairs have been or are being conducted in a manner that is unfairly prejudicial to the interests of its shareholders generally or of some of its shareholders, or that an actual or proposed act or omission of the company is or would be so prejudicial. The U.K. Limitation Act 1980 imposes a limitation period, with certain exceptions, of civil claims. The period is six years in respect of actions in contract and tort, and 12 years for "actions on a specialty," such as a breach of any obligation contained in a deed. The limitation period begins to run from the date on which the action accrued. In the case of contract, this is the date on which the breach of contract occurred, and in tort this is the date on which the damage is suffered.	OncoMed's certificate of incorporation provides that unless OncoMed consents in writing to the selection of an alternate forum, the Court of Chancery shall, to the fullest extent permitted by applicable law, be the sole and exclusive forum for any derivative action or proceeding brought on behalf of OncoMed.
	Conflicts of Interest Transactions
Under English law, a director is under a duty to avoid conflicts of interest, and is obliged to declare his or her interest (whether direct or indirect) in a proposed transaction with the company to the other directors. It is an offense to fail to declare an interest (whether direct or indirect) in an existing transaction with the company. The duty to avoid a conflict of interest is not infringed if the situation cannot reasonably be regarded as likely to give rise to a conflict of	OncoMed has adopted a Code of Business Conduct and Ethics that covers, among other things, the handling of conflicts of interest. Under this policy, conflict of interest issues concerning OncoMed's directors will be addressed by OncoMed's Audit Committee. The OncoMed Code of Business Conduct and Ethics is available on OncoMed's website at www.oncomed.com.

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interest or if the matter has been authorized by the directors. For a description of the provisions of the Mereo Articles relating to conflicts of interest, see "—Description of the Mereo Shares and Articles of Association—Articles of Association—Directors—Directors' Interests" in this proxy statement/prospectus.	
Certain Business Combinations	
There is no direct equivalent limitation under the U.K. Companies Act 2006. However, directors must have regard to their statutory duty of independence and duty to avoid a conflict of interest.	Section 203 of the DGCL prohibits certain "business combinations." A corporation shall not engage in any business combination with any interested stockholder for a period of three years following the time that such stockholder became an interested stockholder, unless: (1) Prior to such time the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder; (2) Upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85 percent of the voting stock of the corporation outstanding at the time the transaction commenced (excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) those shares owned by (i) persons who are directors and also officers and (ii) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer); or (3) At or subsequent to such time the business combination was approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66-2/3% of the outstanding voting stock which is not owned by the interested stockholder.

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Proxy Statements	
As a foreign private issuer, Mereo will not be governed by the proxy rules under the Exchange Act.	Under the Exchange Act proxy rules, OncoMed must comply with notice and disclosure requirements relating to the solicitation of proxies for stockholder meetings.
Reporting Requirements	
Since Mereo will become a foreign private issuer and, following the consummation of the merger, its securities will be listed on Nasdaq and registered under Section 12 of the Exchange Act, Mereo will be required to publicly file with the SEC annual reports on Form 20-F within four months after the end of each fiscal year and reports on Form 6-K. In addition, according to the AIM Rules, which apply to Mereo due to the quotation of the Mereo Shares on AIM, Mereo must publish: ▪ its annual audited accounts as of the end of each financial year within six months after the end of each financial year at the latest; ▪ half-yearly financial statements for the first six months of a financial year within three months after the end of each reporting period at the latest. Furthermore, according to the EU Market Abuse Regulation, Mereo must, as soon as possible, publish all inside information that directly concerns it. In particular, inside information directly concerns an issuer if it relates to developments within the issuer's sphere of activity. Inside information is, broadly, any specific information about circumstances that are not public knowledge relating to Mereo or the Mereo Shares that, if it became publicly known, would have a significant effect on the price of Mereo Shares. Any Mereo shareholder who holds voting rights in Mereo, directly or indirectly, the percentage of which reaches, exceeds or falls below 3%, 4% and each 1% threshold thereafter up to 100% as a result of an acquisition or disposal of shares or financial instruments, shall, without undue delay, and within two trading days at the latest as from the transaction, notify this to Mereo and simultaneously to the FCA.	As a U.S. public company, OncoMed must file with the SEC, among other reports and notices: (1) an Annual Report on Form 10-K within 60 days after the end of a fiscal year; (2) a Quarterly Report on Form 10-Q within 40 days after the end of a fiscal quarter ending; and (3) Current Reports on Form 8-K upon the occurrence of certain important corporate events. Unless otherwise specified, a report is to be filed or furnished within four business days after occurrence of the event.

Mereo Shareholder Rights	OncoMed Stockholder Rights
Short-Swing Profits	
Directors, officers and principal shareholders of Mereo will not be subject to the Exchange Act's "short-swing" profit rules, because Mereo will be a foreign private issuer under the Exchange Act. However, directors of Mereo will be subject to applicable English and U.S. laws prohibiting insider trading. Directors, officers and other persons discharging managerial responsibilities, as well as persons closely related to them, are required to notify certain own account transactions in Mereo Shares to Mereo and the FCA.	Because OncoMed has a class of equity securities registered under Section 12 of the Exchange Act, the reporting and "short-swing" profit recovery provisions of Section 16 of the Exchange Act (and the related rules) apply to OncoMed's officers, directors and principal shareholders.
Enforcement of Civil Liabilities Against Non-United States Persons and Enforceability of Judgments	
Mereo is a corporation organized under the laws of England and Wales and its corporate headquarters will remain in England following the consummation of the merger. Many of the directors and officers of Mereo following the merger will be residents of jurisdictions outside the United States. In addition, although Mereo will, following consummation of the Merger, have substantial assets in the United States, the majority of Mereo's assets and a large proportion of the assets of certain of its directors and officers will be located outside of the United States. As a result of the foregoing, U.S. investors may find it difficult in a lawsuit based on the civil liability provisions of the United States federal securities laws: (1) to effect service within the United States upon Mereo and Mereo's directors and officers that are located outside the United States; (2) to enforce in United States courts or outside the United States, judgments obtained against those persons in United States courts; (3) to enforce, in United States courts, judgments obtained against those persons in courts in jurisdictions outside the United States; and (4) to enforce against those persons in the United Kingdom, whether in original actions or in actions for the enforcement of judgments of U.S. courts, civil liabilities based solely upon the United States federal securities laws.	OncoMed is a U.S. company incorporated under the laws of Delaware and has substantial assets located in the U.S. As a result, investors generally can initiate lawsuits in the U.S. against OncoMed and its directors and officers and can enforce lawsuits based on U.S. federal securities laws in U.S. courts.

EXCHANGE CONTROLS

Other than certain economic sanctions which may in place from time to time, there are currently no United Kingdom laws, decrees or regulations restricting the import or export of capital or affecting the remittance of dividends or other payment to holders of Mereo Shares who are non-residents of the United Kingdom. Similarly, other than certain economic sanctions which may be in force from time to time, there are no limitations relating only to non-residents of the United Kingdom under English law or Mereo's Articles on the right to be a holder of, and to vote in respect of, Mereo Shares.

SUBMISSION OF STOCKHOLDER PROPOSALS

Only such business will be conducted at the OncoMed Special Meeting as will have been brought by the OncoMed Board before the special meeting pursuant to the attached "OncoMed Pharmaceuticals, Inc. Notice of Special Meeting of Stockholders."

STOCKHOLDER PROPOSALS TO BE PRESENTED AT NEXT ANNUAL MEETING

OncoMed is not expected to hold its 2019 annual meeting of stockholders if the Merger is completed on the timeline currently contemplated.

If OncoMed's 2019 annual meeting of stockholders is held, as previously stated in the OncoMed proxy statement filed with the SEC on April 27, 2018, stockholder proposals will be considered for inclusion in OncoMed's 2019 annual meeting proxy materials for the meeting so long as they are provided to OncoMed on a timely basis and satisfy the other conditions set forth in applicable SEC rules. For a stockholder proposal to be included in OncoMed's 2019 annual meeting proxy statement and form of proxy, it must have been received by OncoMed's Secretary, in writing, no later than December 28, 2018, at OncoMed's executive offices: OncoMed Pharmaceuticals, Inc., 800 Chesapeake Drive, Redwood City, California 94063. The rules of the SEC contain detailed requirements for submitting proposals for inclusion in OncoMed's 2019 proxy statement and permit OncoMed to exclude proposals from OncoMed's proxy statement in specified circumstances.

IN ACCORDANCE WITH THE ONCOMED BYLAWS, STOCKHOLDERS WHO DO NOT SUBMIT A PROPOSAL FOR INCLUSION IN ONCOMED'S 2019 ANNUAL MEETING PROXY STATEMENT, AS DESCRIBED IN THE IMMEDIATELY PRECEDING PARAGRAPH, BUT WHO INTEND TO PRESENT A PROPOSAL, NOMINATION FOR DIRECTOR OR OTHER BUSINESS FOR CONSIDERATION AT ONCOMED'S 2019 ANNUAL MEETING, SUCH PROPOSAL, NOMINATION FOR DIRECTOR OR OTHER BUSINESS FOR CONSIDERATION MUST BE SUBMITTED IN WRITING TO ONCOMED'S SECRETARY AND DELIVERED TO, OR MAILED AND RECEIVED AT, ONCOMED'S EXECUTIVE OFFICES AT 800 CHESAPEAKE DRIVE, REDWOOD CITY, CALIFORNIA 94063, BETWEEN FEBRUARY 22, 2019 AND MARCH 24, 2019; PROVIDED THAT IF THE DATE OF THE 2019 ANNUAL MEETING IS MORE THAN THIRTY DAYS BEFORE OR MORE THAN SIXTY DAYS AFTER JUNE 22, 2019, STOCKHOLDERS MUST GIVE NOTICE NOT LATER THAN THE NINTETH DAY PRIOR TO THE ANNUAL MEETING DATE OR, IF LATER, THE TENTH DAY FOLLOWING THE DAY ON WHICH PUBLIC DISCLOSURE OF THE ANNUAL MEETING DATE IS FIRST MADE. THE ONCOMED BYLAWS CONTAIN DETAILED REQUIREMENTS THAT A STOCKHOLDER'S NOTICE MUST SATISFY. ANY STOCKHOLDER NOTICE SHOULD BE IN WRITING AND ADDRESSED TO ONCOMED'S SECRETARY, ONCOMED PHARMACEUTICALS, INC., 800 CHESAPEAKE DRIVE, REDWOOD CITY, CALIFORNIA 94063.

OTHER BUSINESS AT THE ONCOMED SPECIAL MEETING

OncoMed knows of no other matters that will be presented for consideration at the OncoMed Special Meeting.

LEGAL MATTERS

The validity of the Mereo Shares underlying the Mereo ADSs to be issued in the Merger will be passed upon for Mereo by Davis Polk & Wardwell London LLP, London, United Kingdom.

Davis Polk & Wardwell London LLP, London, United Kingdom, represented Mereo in connection with the Merger and in the preparation of this proxy statement/prospectus.

Latham & Watkins LLP, Menlo Park, California, represented OncoMed in connection with the Merger and in the preparation of this proxy statement/prospectus.

EXPERTS

The consolidated financial statements of Mereo BioPharma Group plc at December 31, 2017 and 2016, and for each of the two years in the period ended December 31, 2017, appearing in this proxy statement/prospectus and registration statement have been audited by Ernst & Young LLP, 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 financial statements of OncoMed Pharmaceuticals, Inc. appearing in OncoMed Pharmaceuticals, Inc's Annual Report (Form 10-K) for the year ended December 31, 2017, have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon, included therein, and incorporated herein by reference. Such financial statements are incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

SERVICE OF PROCESS AND ENFORCEMENT OF JUDGMENTS

Mereo is incorporated and currently existing under the laws of England and Wales. In addition, most of Mereo's directors and officers reside outside of the United States and most of the assets of Mereo's subsidiaries are located outside of the United States. As a result, it may be difficult for investors to effect service of process on Mereo or those persons in the United States or to enforce in the United States judgments obtained in United States courts against Mereo 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 Mereo or its 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 Mereo or its directors or officers predicated upon the securities laws of the United States or any state in the United States.

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. 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, will not be automatically enforceable in England and Wales. Any final and conclusive monetary judgment for a definite sum obtained against Mereo in United States courts will 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 will 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 Mereo 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 U.K. 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, Mereo 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

Mereo has filed with the SEC a registration statement on Form F-4, including the exhibits and annexes thereto, with the SEC under the Securities Act, to register the Mereo Shares that OncoMed stockholders will receive in connection with the Merger. This proxy statement/prospectus, which is part of the registration statement as well as a proxy statement with respect to the OncoMed Special Meeting, does not contain all of the information set forth in the registration statement and the exhibits to the registration statement, and some parts have been omitted in accordance with the rules and regulations of the SEC. Mereo may also file amendments to the registration statement. For further information, you are referred 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, you are referred to the copy of the document that has been filed. Each statement in this proxy statement/prospectus relating to a document filed as an exhibit is qualified in all respects by the filed exhibit.

OncoMed files annual, quarterly, and current reports, proxy statements and other information with the SEC. The SEC maintains a website that contains reports, proxy and information statements, and other information regarding issuers, including OncoMed, who file electronically with the SEC. The address of that website is www.sec.gov. Investors may also consult OncoMed's and Mereo's websites for more information about OncoMed and Mereo, respectively. OncoMed's website is www.OncoMed.com. Mereo's website is www.mereobiopharma.com. Information included on these websites is not incorporated by reference into and does not constitute a part of this proxy statement/prospectus.

OncoMed has supplied all information contained in this proxy statement/prospectus relating to OncoMed, and Mereo has supplied all information contained in this proxy statement/prospectus relating to Mereo.

Any person, including any beneficial owner, to whom this proxy statement/prospectus is delivered may request copies of this proxy statement/prospectus and any of the annexes incorporated by reference in this document or other information concerning OncoMed, without charge, by requesting them in writing or by telephone from OncoMed at the following address and telephone number:

OncoMed Pharmaceuticals, Inc.
Attention: Investor Relations
800 Chesapeake Drive
Redwood City, California 94063
Telephone number: (650) 995-8200

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The SEC allows OncoMed to "incorporate by reference" certain information filed with or furnished to the SEC, which means that OncoMed can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this proxy statement/prospectus. With respect to this proxy statement/prospectus, information that OncoMed later files with or furnishes to the SEC and that is incorporated by reference will automatically update and supersede information in this proxy statement/prospectus and information previously incorporated by reference into this proxy statement/prospectus.

Each document incorporated by reference into this proxy statement/prospectus is current only as of the date of such document, and the incorporation by reference of such document is not intended to

create any implication that there has been no change in the affairs of OncoMed since the date of the relevant document or that the information contained in such document is current as of any time subsequent to its date. Any statement contained in such incorporated documents is deemed to be modified or superseded for the purpose of this proxy statement/prospectus to the extent that a subsequent statement contained in another document that is incorporated by reference into this proxy statement/prospectus at a later date modifies or supersedes that statement. Any such statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this proxy statement/prospectus.

This proxy statement/prospectus incorporates by reference the following documents and information filed by OncoMed with the SEC (other than, in each case, documents or information deemed to have been "furnished" and not "filed" in accordance with SEC rules):

- OncoMed's current report on Form 8-K, filed with the SEC on January 4, 2018, January 31, 2018, February 23, 2018, March 19, 2018, June 25, 2018, June 27, 2018, September 20, 2018, October 1, 2018, October 17, 2018 and December 6, 2018;
- OncoMed's quarterly report on Form 10-Q for the period ended September 30, 2018, filed with the SEC on November 1, 2018;
- OncoMed's quarterly report on Form 10-Q for the period ended June 30, 2018, filed with the SEC on August 2, 2018;
- OncoMed's quarterly report on Form 10-Q for the period ended March 31, 2018, filed with the SEC on May 8, 2018;
- OncoMed's proxy statement on Schedule 14A filed with the SEC on April 27, 2018;
- OncoMed's annual report on Form 10-K for the period ended December 31, 2017, filed with the SEC on March 9, 2018; and
- the description of OncoMed common stock contained in OncoMed's Registration Statement on Form 8-A filed with the SEC on July 8, 2013, including any amendments or reports filed for the purpose of updating such descriptions.

All documents filed by OncoMed under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this proxy statement/prospectus and prior to the date of the OncoMed Special Meeting will be incorporated by reference into this proxy statement/prospectus, other than the portions of such documents not deemed to be filed.

You may obtain copies of these documents in the manner described under "Where You Can Find More Information."

THIS PROXY STATEMENT/PROSPECTUS DOES NOT CONSTITUTE THE SOLICITATION OF A PROXY IN ANY JURISDICTION TO OR FROM ANY PERSON TO WHOM OR FROM WHOM IT IS UNLAWFUL TO MAKE SUCH PROXY SOLICITATION IN THAT JURISDICTION. YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROXY STATEMENT/PROSPECTUS TO VOTE YOUR SHARES AT THE ONCOMED SPECIAL MEETING. THE PARTIES HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION THAT IS DIFFERENT FROM WHAT IS CONTAINED IN THIS PROXY STATEMENT/PROSPECTUS.

THIS PROXY STATEMENT/PROSPECTUS IS DATED [●], 2019. YOU SHOULD NOT ASSUME THAT THE INFORMATION CONTAINED IN THIS PROXY STATEMENT/PROSPECTUS IS ACCURATE AS OF ANY DATE OTHER THAN THAT DATE, AND THE MAILING OF THIS PROXY STATEMENT/PROSPECTUS TO STOCKHOLDERS DOES NOT CREATE ANY IMPLICATION TO THE CONTRARY.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Financial Statements as of December 31, 2016 and 2017

Financial Statements as of June 30, 2017 and 2018

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 MPH-966, 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 MPH-966 and included the option to acquire certain assets from Astra Zeneca AB (AstraZeneca). MPH-966 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)	MPH-966 (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
  - MPH-966 —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	100,817
Granted during the year	—	—
Outstanding at December 31	62,180	162,997
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 MPH-966, 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 MPH-966, 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 MPH-966. 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 MPH-966, 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”

Unaudited consolidated interim statement of comprehensive loss
for the six months ended June 30, 2017 and 2018

	Notes	June 30, 2017 £	June 30, 2018 £
Research and development expenses		(21,406,625)	(10,864,310)
General and administrative expenses		(5,040,586)	(7,101,760)
Operating loss		(26,447,211)	(17,966,070)
Finance income		268,913	151,467
Finance charge		(69,470)	(1,587,150)
Net foreign exchange gain/(loss)		(1,040,139)	49,305
Net Loss before tax		(27,287,907)	(19,352,448)
Taxation		4,545,613	2,364,904
Loss attributable to equity holders of the Company		(22,742,294)	(16,987,544)
Total comprehensive loss for the period, net of tax and attributable to the equity holders of the parent		(22,742,294)	(16,987,544)
Basic and diluted loss per share	5	(0.34)	(0.24)

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

Unaudited consolidated interim balance sheet
as at December 31, 2017, and June 30, 2018

	Notes	December 31, 2017 £	June 30, 2018 £
Assets			
Non-current assets			
Property, plant and equipment		**153,361**	**151,996**
Intangible assets	6	**33,005,229**	**32,690,229**
		33,158,590	**32,842,225**
Current assets			
Prepayments		**1,970,781**	**1,225,744**
R&D tax credits		**8,152,084**	**10,516,989**
Other receivables		**509,350**	**584,821**
Short-term investments		**2,500,000**	**2,500,000**
Cash and short-term deposits		**50,044,672**	**34,412,363**
		63,176,887	**49,239,917**
Total assets		**96,335,477**	**82,082,142**
Equity and liabilities			
Equity			
Issued capital	8	**213,285**	**213,435**
Share premium	8	**118,226,956**	**118,369,522**
Other capital reserves	8	**16,359,169**	**17,746,031**
Other reserves		**7,000,000**	**7,000,000**
Accumulated loss		**(79,315,920)**	**(96,179,599)**
Total equity		**62,483,490**	**47,149,389**
Non-current liabilities			
Provisions	9	**4,075,386**	**3,993,058**
Interest-bearing loans and borrowings	7	**18,812,511**	**15,260,753**
Warrant liability	10	**1,346,484**	**1,534,964**
		24,234,381	**20,788,775**
Current liabilities			
Trade and other payables		**3,024,026**	**4,983,626**
Accruals		**4,379,774**	**3,222,983**
Provisions	9	**274,000**	**293,000**
Interest-bearing loans and borrowings	7	**1,939,806**	**5,644,369**
			14,143,978
Total liabilities		**33,851,987**	**34,932,753**
Total equity and liabilities		**96,335,477**	**82,082,142**

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

Unaudited consolidated interim statement of cash flows
for the six months ended June 30, 2017 and 2018

	Notes	June 30, 2017 £	June 30, 2018 £
Operating activities			
Loss before tax		**(27,287,907)**	**(19,352,448)**
Adjustments to reconcile loss before tax to net cash flows:			
Depreciation and impairment of property, plant and equipment, net of disposals		**17,469**	**20,196**
Share-based payment expense		**1,999,009**	**1,386,862**
Net foreign exchange (gain)/loss		**1,040,139**	**(49,305)**
Provision for social security contributions on employee share options		**643,580**	**29,672**
Provision for deferred cash consideration	9	—	**222,000**
Interest earned		**(268,913)**	**(151, 467)**
Loss on short-term deposits		—	**(359,897)**
Accrued interest on convertible loan		**69,470**	**89,707**
Interest on bank loan		—	**900,000**
Accreted interest on bank loan		—	**186,963**
Warrant fair value adjustment	10	—	**188,480**
Working capital adjustments:			
Increase in receivables		**(754,370)**	**720, 819**
(Decrease) / increase in trade and other payables		**8,720,857**	**1,137,082**
Tax credit received		**5,331,271**	—
Net cash flows used in operating activities		**(10,489,395)**	**(15,031,336)**
Investing activities			
Purchase of property, plant and equipment		**(11,863)**	**(19,917)**
Disposal of property, plant and equipment		—	**1,084**
Short-term investments		**(4,500,000)**	—
Interest received		**268,913**	**125,838**
Net cash flows (used in)/provided by investing activities		**(4,242,950)**	**107,005**
Financing activities			
Proceeds from issue of ordinary shares	8	**15,000,000**	**150,228**
Transaction costs on issue of ordinary shares		**(729,632)**	**(7,511)**
Interest paid on bank loan		—	**(900,000)**
Net cash flows (used in)/provided by financing activities		**14,270,368**	**(757,283)**
Net (decrease) in cash and cash equivalents		**(461,977)**	**(15,681,614)**
Cash and cash equivalents at the beginning of the period		**53,577,571**	**50,044,672**
Effect of exchange rate changes on cash and cash equivalents		**(1,040,139)**	**49,305**
Cash and cash equivalents at the end of the period		**52,075,455**	**34,412,363**

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

Unaudited consolidated interim statement of changes in equity
for the six months ended June 30, 2017 and 2018

	Issued capital £	Share premium £	Other capital reserves £	Other reserves £	Accumulated losses £	Total equity £
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 period	—	—	—	—	(22,742,294)	(22,742,294)
Share-based payments – share options	—	—	1,733,093	—	—	1,733,093
Share-based payments – LTIPS	—	—	137,370	—	—	137,370
Share-based payments – deferred bonus shares	—	—	128,546	—	—	128,546
Issue of share capital on April 4, 2017 (Note 8)	15,125	14,984,875	—	—	—	15,000,000
Issue of share capital on conversion of loan note (Note 8)	1,899	1,396,654	—	—	—	1,398,553
Issuance of share capital for Novartis bonus shares	1,766	1,081,133	(1,082,899)	—	—	—
Equity element of convertible loan	—	—	(208,680)	—	—	(208,680)
Conversion of convertible loan	—	—	—	—	62,375	62,375
Transaction costs on issuance of share capital (Note 8)	—	(729,632)	—	—	—	(729,632)
At June 30, 2017	**211,812**	**116,708,429**	**13,374,992**	**7,000,000**	**(63,259,160)**	**74,036,073**
At December 31, 2017	**213,285**	**118,226,956**	**16,359,169**	**7,000,000**	**(79,315,920)**	**62,483,490**
Total comprehensive loss for the period	—	—	—	—	(16,987,544)	(16,987,544)
IFRS 9 restatement (Note 3.1)	—	—	—	—	123,865	123,865
Share-based payments – share options	—	—	1,136,916	—	—	1,136,916
Share-based payments – LTIPS	—	—	159,669	—	—	159,669
Share-based payments – deferred bonus shares	—	—	90,277	—	—	90,277
Issue of share capital on June 1, 2018 (Note 8)	150	150,077	—	—	—	150,227
Transaction costs on issuance of share capital (Note 8)	—	(7,511)	—	—	—	(7,511)
At June 30, 2018	**213,435**	**118,369,522**	**17,746,031**	**7,000,000**	**(96,179,599)**	**47,149,389**

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

Notes to the unaudited condensed consolidated interim 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.

The interim condensed consolidated financial statements of Mereo BioPharma Group plc and its subsidiaries (collectively, the “Group”) for the six months ended June 30, 2018 were authorised for issue in accordance with a resolution of the Directors on August 8, 2018. Mereo BioPharma Group plc (the “Company” or the “parent”) is a public limited company incorporated and domiciled in the United Kingdom and registered in England, and whose shares are publicly traded on the Alternative Investment Market of the London Stock Exchange. The registered office is located at Fourth Floor, 1 Cavendish Place, London W1G 0QF.

2. Basis of preparation

The interim condensed consolidated financial statements for the six month periods ended June 30, 2017 and 2018 have been prepared in accordance with International Accounting Standards (IAS) 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at December 31, 2017.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended December 31, 2017, except for the new accounting polices described in note 3 below. The financial statements are presented in pound sterling (“Sterling”).

3. Adoption of new accounting policies

The following policies have been adopted since the start of the period:

3.1 IFRS 9 Financial Instruments

In the current period the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) impairment for financial assets, 3) general hedge accounting and 4) new accounting for certain modifications and exchanges of financial liabilities measured at amortised cost. The only impact on the group is in relation to the non-substantial modification of the Convertible loan notes, as detailed below. The Group has applied IFRS 9 in full without restating comparatives with an initial date of application of 1 January 2018.

In relation to the non-substantial modification of financial liabilities, IFRS 9 requires the recognition of a modification gain or loss for exchanges or modifications of financial liabilities that do not result in derecognition of the financial liability. As a result, under IFRS 9 the carrying value of the Convertible loan notes at the date of modification, as more fully described in note 7a, was adjusted to recognise the modification gain in the retained earnings as of the date of initial application of IFRS 9 (1 January 2018).

Interest bearing loans and borrowings – Convertible loan notes

	£
At January 1, 2018 calculated under IAS 39	1,977,393
Amounts restated through retained earnings	(123,865)
At January 1, 2018 under IFRS 9	**1,853,528**

3.2 IFRS 15 Revenue from Contracts with Customers

In the current period the Group has adopted IFRS 15 Revenue from Contracts with Customers. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. There has been no impact on Group reporting in the period.

4. Operating loss

	Six months ended June 30, 2018 £	Six months ended June 30, 2017 £
Employee benefits expense	**3,919,530**	**5,292,088**
Externally contracted research and development	**9,380,704**	**19,763,554**
Legal and professional fees including patent costs	**836,301**	**402,234**
Current and prior year costs written off in respect of postponed listing on NASDAQ	**2,215,611**	—
Operating lease expense	**146,664**	**146,664**
Depreciation	**20,196**	**17,469**
Other expenses	**1,447,064**	**825,202**
Total operating loss	**17,966,070**	**26,447,211**

5. Loss per share

Basic loss per share is calculated by dividing the loss attributable for the period to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

As net losses from continuing operations were recorded in the period, the dilutive potential shares are anti-dilutive for the diluted loss per share calculation.

For the six months ended June 30, 2018 and 2017

	June 30, 2018			June 30, 2017		
Group	**Loss £**	**Weighted shares number**	**Loss per share £**	Loss £	Weighted shares number	Loss per share £
Basic and diluted	(16,987,544)	71,103,042	(0.24)	**(22,742,294)**	**67,218,820**	**(0.34)**

6. Intangible assets

	Acquired development programs £
Cost at December 31, 2017 and June 30, 2018	**33,005,229**
Amortisation and impairment	
At December 31, 2017	—
Revision to estimated value	(315,000)
At June 30, 2018	(315,000)
Net book value	
At December 31, 2017	33,005,229
At June 30, 2018	**32,690,229**

The Group's strategy is to acquire clinical-stage development programs for the treatment of specialty and rare diseases from large pharmaceutical companies.

On October 28, 2017, the Group acquired the exclusive license for MPH-966 and included the option to acquire certain assets from AstraZeneca AB (AstraZeneca). MPH-966 is being developed for the treatment of severe alpha-1 antitrypsin deficiency, at a cost of £7,192,288:

	June 30, 2018 (unaudited) £	December 31, 2017 £
Cash payment in October 2017	2,280,000	2,280,000
Equity issued	1,520,000	1,520,000
Deferred equity consideration	1,331,288	1,331,288
Present value of provision for deferred cash consideration	1,746,000	2,061,000
	6,877,288	**7,192,288**

The present value of the provision for deferred cash consideration was reviewed at June 30, 2018 (see note 9). The decrease in present value due to changes in timelines and probability of contractual milestones being achieved was £315,000 and is recognized as a reduction of the intangible asset in line with our accounting policies.

7. Interest bearing loans and borrowings

	June 30, 2018 (unaudited) £	December 31, 2017 £
Convertible loan notes—see Note 7a	**1,943,235**	1,977,393
Bank loan -see Note 7b	**18,961,887**	18,774,924
At end of year/period	**20,905,122**	20,752,317
Current	**5,644,369**	1,939,806
Non-current	**15,260,753**	18,812,511

7a. Convertible loan note

On April 26, 2017 Novartis converted £1,398,553 of loan Notes ("Novartis 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 losses 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 June 30, 2018 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 June 30, 2018.

In August 2017, in connection with the new loan agreements (see Note 7b), 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 June 30, 2018 is £1,943,235 (June 30, 2017: £1,943,748). The carrying amount at December 31, 2017 was £1,977,393. The Group has applied IFRS 9 Financial Instruments in full without restating comparatives with an initial date of application of January 1, 2018 (see Note 3.1).

The value of the equity component of the Notes at June 30, 2018 is £308,123 (June 30, 2017: £308,123). The value of the equity component of the Notes at December 31, 2017 was calculated as £308,123.

7b. Bank loan

On August 7, 2017, the Group 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 10). £10.0 million was drawn down on each of August 21, 2017 (Tranche 1) and December 29, 2017 (Tranche 2) for general working capital purposes. The Group is obligated to make interest-only payments on the loan amount until September 30, 2018, and thereafter the Group is obligated to pay interest and principal in 30 equal monthly instalments 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 the Group's assets, including intellectual property rights owned or controlled by the Group. 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 June 30, 2018 was £18,961,888. £5,644,369 is a current liability and £13,317,519 is a non-current liability. A total of £186,963 of non-cash interest has been charged to the statement of comprehensive loss in the period. The total carrying value of the loan at December 31, 2017 was £18,774,924.

8. Issued capital and reserves

	June 30, 2018 (unaudited) £	December 31, 2017 £
Ordinary share capital		
Balance at beginning of year/period	**213,285**	193,022
Issuances in the period	**150**	20,263
Nominal share capital at end of year/period	**213,435**	213,285
Ordinary shares issued and fully paid		
At December 31, 2017		**71,094,974**
Issued on June 1, 2018 for financing round		**50,076**
At June 30, 2018		**71,145,050**
Nominal value at December 31, 2017 and June 30, 2018 (£)		**0.003**
Issued capital at June 30, 2018 (£)		**213,435**
Issued capital at December 31, 2017 (£)		**213,285**

Since January 1, 2018, the following alterations to the Company's share capital have been made:

- Under a placement dated May 29, 2018, issue and allotment of 50,076 ordinary shares of £0.003 in nominal value in the capital of the Company on June 1, 2018 at a price of £3.00 per share.

	£
Share premium	
At December 31, 2017	118,226,956
Issued on June 1, 2018 for placing for cash	150,077
Transaction costs for issued share capital	(7,511)
At June 30, 2018	**118,369,522**

Other capital reserves

	Shares to be issued £	Share-based payments £	Equity component of convertible loan £	Total £
At December 31, 2017	1,591,578	14,459,469	308,122	16,359,169
Share-based payments expense during the period	—	1,386,862	—	1,386,862
At June 30, 2018	**1,591,578**	**15,846,331**	**308,122**	**17,746,031**

Share-based payments

The Group has a share option scheme under which options to subscribe for the Group's shares have been granted to certain Executives, Non-Executive Directors and employees.

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.

Period to June 30, 2018

The total charge for the six months to June 30, 2018 in respect of all share option schemes was 1,386,862 (June 30, 2017: £1,999,099).

On April 26, 2018, the Company granted 100,817 options under the Deferred Bonus Share Plan to certain directors and certain other persons discharging managerial responsibility. The weighted average fair value of options granted was £3.23. The exercise price is £nil.

On May 2, 2018 the Company granted 303,000 options to certain employees under the Mereo BioPharma Group plc share Option Plan. The weighted average fair value of options granted was £2.38. The exercise price is £3.25.

Shares to be issued

At January 1, 2017, £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. The value of the equity component (cost of the conversion option) as at June 30, 2018 is £308,122 (June 30, 2017: £308,122). The value of the equity component (cost of the conversion option) as at December 31, 2017 was £308,122.

9. Provisions

	June 30, 2018 (unaudited) £	December 31, 2017 £
Social security contributions on share options	**2,318,058**	2,288,386
Provision for deferred cash consideration	**1,968,000**	2,061,000
At end of year/period	**4,286,058**	4,349,386
Current	**293,000**	274,000
Non-current	**3,993,058**	4,075,386

Social security contributions on share options	June 30, 2018 (unaudited) £	December 31, 2017 £
At beginning of year/period	**2,288,386**	1,172,420
Arising during the year/period	**29,672**	1,115,966
At end of year/period	**2,318,058**	2,288,386
Current	**—**	—
Non-current	**2,318,058**	**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, the liability has been classified as non-current. The provision has been discounted.

Provision for deferred cash consideration	June 30, 2018 (unaudited) £	December 31, 2017 £
At beginning of year/period	**2,061,000**	—
Arising during the year/period	—	**2,061,000**
Increase in provision due to the unwinding of the time value of money	**222,000**	—
Decrease in provision due to a change in estimates relating to timelines and probabilities of contractual milestones being achieved (see Note 6)	**(315,000)**	—
At end of year/period	**1,968,000**	**2,061,000**
Current	**293,000**	274,000
Non-current	**1,675,000**	**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. 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 increased or decreased as appropriate.

10. Warrant liability

	June 30, 2018 (unaudited) £	December 31, 2017 £
At beginning of year/period	**1,346,484**	—
Arising during the year/period	**188,480**	**1,346,484**
At end of year/period	**1,534,964**	**1,346,484**

As part of the bank loan facility (see Note 7b), 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 June 30, 2018.

The terms of the warrant instrument allow for a cashless exercise. In line with IAS 32 Financial Instruments: Presentation, the future number of shares to be issued to the warrant-holder 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:

	June 30, 2018 (unaudited)	December 31, 2017
Expected volatility (%)	**67**	50-51
Risk-free interest rate (%)	**1.38**	1.10–1.25
Expected life of share options (years)	**9.3**	9.6-10
Market price of ordinary shares (£)	**3.12**	3.00–3.25
Model used	Black Scholes	Black Scholes

The fair value of the warrants at grant was £1,292,011. At June 30, 2018 it was £1,534,964 and 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.

11. Related party disclosures

Novartis holds 13,767,841 shares in the Company at June 30, 2018 (June 30, 2017 and December 31, 2017: 13,767,841). Novartis holds £2,065,011 principal value of Notes at June 30, 2018 (June 30, 2017 and December 31, 2017: £2,065,011). On 3 June 2016, the Group issued 3,463,563 £1 unsecured convertible loan notes (“Notes”) to Novartis and received £3,463,563 from Novartis in consideration (note 7a).

On the 26 April 2017 Novartis converted £1,398,552 of the Notes into 632,829 ordinary shares at the fixed conversion price of £2.21 per share. Under the terms of the Notes, Novartis also received 588,532 ordinary shares.

12. Events after the reporting period

On July 23, 2018 the Company issued 10,000 ordinary shares of £0.003 each in the capital of the Company, pursuant to an exercise of employee share options.

In early August 2018, the Group received the FY 2017 R&D tax credit of £8.2m.

Annex A

EXECUTION VERSION

AGREEMENT AND PLAN OF MERGER
AND REORGANIZATION

among:

MEREO BIOPHARMA GROUP PLC,
a public limited company incorporated under the laws of England and Wales;

MEREO US HOLDINGS INC.,
a Delaware corporation;

MEREO MERGERCO ONE INC.,
a Delaware corporation; and

ONCOMED PHARMACEUTICALS, INC.,
a Delaware corporation

Dated as of December 5, 2018

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Exhibits:

Exhibit A	Definitions
Exhibit B	Form of Contingent Value Rights Agreement
Exhibit C	Form of Company D&O Support Agreement
Exhibit D	Form of Milan D&O Support Agreement
Exhibit E	Form of Certificate of Merger
Exhibit F	Sample Net Cash Calculation

AGREEMENT AND PLAN OF MERGER AND REORGANIZATION

THIS AGREEMENT AND PLAN OF MERGER AND REORGANIZATION (this "***Agreement***") is made and entered into as of December 5, 2018, by and among **MEREO BIOPHARMA GROUP PLC,** a public limited company incorporated under the laws of England and Wales ("***Milan***"), **MEREO US HOLDINGS INC.**, a Delaware corporation and wholly-owned subsidiary of Milan ("***HoldCo***"), **MEREO MERGERCO ONE INC.**, a Delaware corporation and wholly-owned subsidiary of HoldCo ("***Merger Sub***"), and **ONCOMED PHARMACEUTICALS, INC.**, a Delaware corporation (the "***Company***"). Certain capitalized terms used in this Agreement are defined in **Exhibit A**.

RECITALS

A. Milan and the Company intend to effect a merger of Merger Sub with and into the Company (the "***Merger***") in accordance with this Agreement and the DGCL. Upon consummation of the Merger, Merger Sub will cease to exist and the Company will become a wholly-owned subsidiary of HoldCo, and indirect wholly-owned subsidiary of Milan.

B. The Milan Board has (i) determined that the Contemplated Transactions are fair to, advisable and in the best interests of Milan and its shareholders, (ii) approved and declared advisable this Agreement and the Contemplated Transactions, including (a) the allotment and issuance by Milan of Milan Ordinary Shares, to be held by or on behalf of the Depositary; (b) the issuance by the Depositary of American Depositary Shares, each representing five such Milan Ordinary Shares (each, a "***Milan Depositary Share***"); and (c) the grant of contingent value rights (each, a "***Milan CVR***"), each representing the right to receive contingent payments upon the achievement of certain milestones set forth in, and subject to and in accordance with the terms and conditions of, the Contingent Value Rights Agreement in the form attached hereto as **Exhibit B** (the "***CVR Agreement***"), to the stockholders of the Company pursuant to the terms of this Agreement and (iii) should the approval of Milan's shareholders be required by applicable Law, determined to recommend, upon the terms and subject to the conditions set forth in this Agreement, that the shareholders of Milan vote to approve this Agreement and the Contemplated Transactions, including: (x) the allotment and issuance by Milan of Milan Ordinary Shares; (y) the issuance by the Depositary of Milan Depositary Shares; and (z) the grant of Milan CVRs to the stockholders of the Company pursuant to the terms of this Agreement.

C. The HoldCo Board has (i) determined that the Contemplated Transactions are fair to, advisable, and in the best interests of HoldCo and its sole stockholder, (ii) approved and declared advisable this Agreement and the Contemplated Transactions and (iii) determined to recommend, upon the terms and subject to the conditions set forth in this Agreement, that the stockholder of HoldCo vote to adopt this Agreement and thereby approve the Contemplated Transactions. HoldCo, acting in its capacity as the sole stockholder of Merger Sub, has approved the execution, delivery and performance by Merger Sub of this Agreement and the Contemplated Transactions.

D. The Merger Sub Board has (i) determined that the Contemplated Transactions are fair to, advisable, and in the best interests of Merger Sub and its sole stockholder, (ii) approved and declared advisable this Agreement and the Contemplated Transactions and (iii) determined to recommend, upon the terms and subject to the conditions set forth in this Agreement, that the stockholder of Merger Sub vote to adopt this Agreement and thereby approve the Contemplated Transactions.

E. The Company Board has (i) determined that the Contemplated Transactions are fair to, advisable and in the best interests of the Company and its stockholders, (ii) approved and declared advisable this Agreement and the Contemplated Transactions and (iii) determined to recommend, upon the terms and subject to the conditions set forth in this Agreement, that the stockholders of the Company vote to adopt this Agreement and thereby approve the Contemplated Transactions.

F. Concurrently with the execution and delivery of this Agreement and as a condition and inducement to Milan's willingness to enter into this Agreement, the officers and directors of the Company listed on Section A of the Company Disclosure Schedule (solely in their capacity as stockholders of the Company) are executing support agreements in favor of Milan in substantially the form attached hereto as **Exhibit C** (the "***Company D&O Support Agreements***"), and the stockholders listed on Section A of the Company Disclosure Schedule are also executing support agreements in favor of Milan (the "***Stockholder Support Agreements***" and, together with the Company D&O Support Agreements, the "***Company Stockholder Support Agreements***"), pursuant to which such Persons have, subject to the terms and conditions set forth therein, agreed to vote all of their shares of Company Capital Stock (i) in favor of the adoption of this Agreement and thereby approve the Contemplated Transactions, (ii) in favor of any resolutions directly or indirectly put by the Company to its shareholders to give effect to the Contemplated Transactions, including, but not limited to, the Required Company Stockholder Vote, and (iii) against any competing proposals.

G. Concurrently with the execution and delivery of this Agreement and as a condition and inducement to the Company's willingness to enter into this Agreement, the officers directors of Milan listed on Section A of the Milan Disclosure Schedule (solely in their capacity as shareholders of Milan) are executing support agreements in favor of the Company in substantially the form attached hereto as **Exhibit D** (the "***Milan D&O Support Agreements***"), and the shareholders listed on Section A of the Milan Disclosure Schedule are also executing support agreements in favor of Milan (the "***Shareholder Support Agreements***" and, together with the Milan D&O Support Agreements, the "***Milan Shareholder Support Agreements***"), pursuant to which such Persons have, subject to the terms and conditions set forth therein, agreed to vote all of their Milan Ordinary Shares (i) in favor of the adoption of this Agreement and thereby approve the Contemplated Transactions, (ii) in favor of any resolutions directly or indirectly put by Milan to its shareholders to give effect to the Contemplated Transactions, including, but not limited to, the Required Milan Shareholder Vote, and (iii) against any competing proposals.

H. For the avoidance of doubt, nothing in this Agreement or in any Milan Shareholder Support Agreement or Company Stockholder Support Agreement shall operate, or be deemed to operate, to prevent any Person from accepting an offer to which the UK City Code applies or agreeing to accept any such offer.

AGREEMENT

The Parties, intending to be legally bound and in consideration of the mutual representations, warranties, covenants and agreements contained herein, agree as follows:

Section 1. DESCRIPTION OF TRANSACTION

1.1 The Merger. Upon the terms and subject to the conditions set forth in this Agreement, at the Effective Time, Merger Sub shall be merged with and into the Company, and the separate existence of Merger Sub shall cease. The Company will continue as the surviving corporation in the Merger (the "***Surviving Corporation***").

1.2 Effects of the Merger. The Merger shall have the effects set forth in this Agreement and in the applicable provisions of the DGCL. As a result of the Merger, the Company will become a wholly-owned subsidiary of HoldCo and indirect wholly-owned subsidiary of Milan.

1.3 Closing; Effective Time. Unless this Agreement is earlier terminated pursuant to the provisions of Section 9.1, and subject to the satisfaction or waiver of the conditions set forth in Sections 6, 7 and 8, the consummation of the Merger (the "***Closing***") shall take place at the offices of Latham & Watkins LLP, 140 Scott Drive, Menlo Park, California 94025, as promptly as practicable (but in no event later than the second Business Day following the satisfaction or waiver of the last to be satisfied or waived of the conditions set forth in Sections 6, 7 and 8, other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of each of such conditions), or at such other time, date and place as Milan and the Company may mutually agree in writing. The date on which the Closing actually takes place is referred to as the "***Closing Date***." At the Closing, the Parties shall cause the Merger to be consummated by executing and filing with the Secretary of State of the State of Delaware a certificate of merger with respect to the Merger, satisfying the applicable requirements of the DGCL and in the form attached hereto as **Exhibit E** (the "***Certificate of Merger***"). The Merger shall become effective at the time of the filing of such Certificate of Merger with the Secretary of State of the State of Delaware or at such later time as may be specified in such Certificate of Merger with the consent of Milan and the Company (the time as of which the Merger becomes effective being referred to as the "***Effective Time***").

1.4 Certificate of Incorporation and Bylaws; Directors and Officers. At the Effective Time:

(a) the certificate of incorporation of the Surviving Corporation shall be amended and restated in the Merger to read as set forth on Exhibit A to the Certificate of Merger, until thereafter amended as provided by the DGCL and such certificate of incorporation;

(b) the bylaws of the Surviving Corporation shall be identical to the bylaws of Merger Sub as in effect immediately prior to the Effective Time, until thereafter amended as provided by the DGCL and such bylaws;

(c) the directors and officers of Milan, each to hold office in accordance with the articles of association of Milan, shall be as set forth in Section 5.13; and

(d) the directors and officers of the Surviving Corporation, each to hold office in accordance with the certificate of incorporation and bylaws of the Surviving Corporation, shall be the directors and officers of Milan as set forth in Section 5.13, after giving effect to the provisions of Section 5.13.

1.5 Conversion of Shares.

(a) At the Effective Time, by virtue of the Merger and without any further action on the part of Milan, HoldCo, Merger Sub, the Company or any equityholder of the Company or Milan:

(i) any shares of Company Capital Stock held as treasury stock immediately prior to the Effective Time shall be canceled and retired and shall cease to exist, and no consideration shall be delivered in exchange therefor; and

(ii) subject to Section 1.5(b), each share of Company Capital Stock outstanding immediately prior to the Effective Time (excluding shares to be canceled pursuant to Section 1.5(a)(i) and excluding Dissenting Shares) shall be converted (and shall cease to exist) solely into the right to receive (A) Milan Depositary Shares, representing a number of Milan Ordinary Shares equal to the Exchange Ratio (the "***Share Consideration***"), and (B) one Milan CVR (together with the Share Consideration, the "***Merger Consideration***"); *provided*, *however*, that, notwithstanding anything to the contrary in this Agreement or the CVR Agreement, the number of Milan Ordinary Shares to be allotted and issued by Milan to the Depositary (and the corresponding number of Milan Depositary Shares to be issued by the Depositary) as Merger Consideration or pursuant to the CVR Agreement shall not, in the aggregate, exceed sixty-six point sixty-seven percent (66.67%) of the Milan Outstanding Shares (the "***Share Consideration Cap***"), and (i) if the aggregate number of Milan Ordinary Shares underlying the Milan Depositary Shares to be issued at Closing would otherwise exceed the Share Consideration Cap, the Exchange Ratio shall be appropriately adjusted so that the Share Consideration Cap is not exceeded and (ii) if, at any time following the Closing, the aggregate number of Milan Depositary Shares to be issued pursuant to the CVR Agreement would require the allotment and issuance of an aggregate number of Milan Ordinary Shares (underlying such Milan Depositary Shares) that, together with the aggregate number of Milan Ordinary Shares underlying the Milan Depositary Shares issued at Closing pursuant to this Agreement (collectively, the "***Total Share Consideration***"), would otherwise exceed the Share Consideration Cap, then the number of Milan Depositary Shares to be issued pursuant to the CVR Agreement shall be appropriately reduced so that the Total Share Consideration does not exceed the Share Consideration Cap. For the avoidance of doubt, the Share Consideration Cap shall have no effect on any contingent cash payment which is or becomes payable pursuant to the CVR Agreement.

(b) No fractional Milan Depositary Shares or Milan CVRs shall be issued in connection with the Merger, and no certificates or scrip for any such fractional Milan Depositary Shares or Milan CVRs shall be issued. Any fractional Milan Depositary Shares or Milan CVRs resulting from the application of the Exchange Ratio as described in Section 1.5(a)(ii) or the settlement of Company Options as described in Section 5.5(a) shall be rounded down to the nearest whole Milan Depositary Share or Milan CVR, as applicable, with no cash being paid for any fractional Milan Depositary Shares or Milan CVRs eliminated by such rounding.

(c) All Company Options and Company RSUs outstanding immediately prior to the Effective Time under the Company Plan shall be treated in accordance with Section 5.5.

(d) Each share of common stock, $0.01 par value per share, of Merger Sub issued and outstanding immediately prior to the Effective Time shall be converted into and exchanged for one validly issued, fully paid and nonassessable share of common stock, $0.001 par value per share, of the Surviving Corporation. Each stock certificate of Merger Sub evidencing ownership of any such shares shall, as of the Effective Time, evidence ownership of such shares of common stock of the Surviving Corporation.

(e) If, between the date of this Agreement and the Effective Time, the outstanding shares of Company Capital Stock or Milan Ordinary Shares underlying the Milan Depositary Shares shall have been changed into, or exchanged for, a different number of shares or a different class, by reason of any stock dividend, subdivision, reclassification, recapitalization, split, combination or exchange of

shares or other like change, the Exchange Ratio shall, to the extent necessary, be equitably adjusted to reflect such change to the extent necessary to provide the holders of Company Capital Stock, Company Options, Company RSUs and Milan Depositary Shares with the same economic effect as contemplated by this Agreement prior to such stock dividend, subdivision, reclassification, recapitalization, split, combination or exchange of shares or other like change; *provided*, *however*, that nothing herein will be construed to permit the Company or Milan to take any action with respect to Company Capital Stock, Milan Ordinary Shares or Milan Depositary Shares, respectively, that is prohibited or not expressly permitted by the terms of this Agreement.

1.6 Closing of the Company's Transfer Books. At the Effective Time: (a) all shares of Company Capital Stock outstanding immediately prior to the Effective Time shall be treated in accordance with Section 1.5(a), and all holders of certificates representing shares of Company Capital Stock that were outstanding immediately prior to the Effective Time shall cease to have any rights as stockholders of the Company; and (b) the stock transfer books of the Company shall be closed with respect to all shares of Company Capital Stock outstanding immediately prior to the Effective Time. No further transfer of any such shares of Company Capital Stock shall be made on such stock transfer books after the Effective Time. If, after the Effective Time, a valid certificate previously representing any shares of Company Capital Stock outstanding immediately prior to the Effective Time (a "***Company Stock Certificate***") is presented to the Exchange Agent or to the Surviving Corporation, such Company Stock Certificate shall be canceled and shall be exchanged as provided in Sections 1.5 and 1.8.

1.7 Calculation of Net Cash.

(a) Not more than ten (10) nor less than five (5) calendar days prior to the anticipated date for Closing (as mutually agreed in good faith by Milan and the Company) (the "***Anticipated Closing Date***"), the Company will deliver to Milan a schedule (the "***Net Cash Schedule***") setting forth, in reasonable detail, the Company's good faith estimated calculation of Net Cash (the "***Net Cash Calculation***" and the date of delivery of such schedule, the "***Delivery Date***") as of 8:00 p.m. (New York City Time) on the last Business Day prior to the Anticipated Closing Date (the "***Cash Determination Time***"), prepared and certified by the Company's chief executive officer and chief financial officer (or if there is no chief financial officer at such time, the principal financial and accounting officer for the Company). The Company shall promptly and fully make available to Milan, (i)(A) a copy of the accounting system detailed nominal ledger code balances as of the last practical date prior to the Delivery Date (which date shall be not earlier than (1) the last day of the calendar month ending immediately prior to the Delivery Date and (2) the date that is five (5) days prior to the Delivery Date), and (B) an extended trial balance detailing a reconciliation between the nominal ledger balances and the Net Cash Schedule, together with all work papers and back-up materials used or useful in preparing the Net Cash Schedule, including (1) third party certified copies of all cash, cash equivalents and investment balances, identified by the institution where such cash, cash equivalents and investment balances are held, (2) schedules of all accruals and prepayments, together with calculations and supporting documentary evidence therefor, (3) a detailed aged receivables report, (4) working papers and documentary evidence for each other nominal code included within the Net Cash Schedule, and (5) as reasonably requested by Milan, all other work papers and back-up materials used or useful in preparing the Net Cash Schedule, (ii) a detailed bridge (the "***Net Cash Bridge***") reconciling, in daily increments, each of the elements of the Net Cash Calculation as of the Delivery Date with the Net Cash Calculation as of the Cash Determination Time, including a schedule describing in reasonable detail all material assumptions and other inputs underlying such bridge, and (iii) if requested by Milan, the Company's accountants and counsel at reasonable times and upon reasonable notice.

(b) Within three (3) calendar days after the Delivery Date (the last day of such period, the "***Response Date***"), Milan shall have the right to dispute any part of the Net Cash Calculation by

delivering a written notice to that effect to the Company (a "***Dispute Notice***"). Any Dispute Notice shall identify in reasonable detail and to the extent known the nature and amounts of any proposed revisions to the Net Cash Calculation.

(c) If, on or prior to the Response Date, Milan notifies the Company in writing that it has no objections to the Net Cash Calculation or, if prior to 8:00 p.m. (New York City Time) on the Response Date, Milan has failed to deliver a Dispute Notice as provided in Section 1.7(b), then the Net Cash Calculation as set forth in the Net Cash Schedule shall be deemed to have been finally determined for purposes of this Agreement and to represent the Net Cash at the Cash Determination Time (the "***Final Net Cash***") for purposes of this Agreement.

(d) If Milan delivers a Dispute Notice on or prior to 5:00 p.m. (New York City Time) on the Response Date, then Representatives of the Company and Milan shall promptly, and in no event later than one (1) calendar day after the Response Date, meet and attempt in good faith to resolve the disputed item(s) and negotiate an agreed-upon determination of Net Cash, which agreed upon Net Cash amount shall be deemed to have been finally determined for purposes of this Agreement and to represent the Final Net Cash for purposes of this Agreement.

(e) If Representatives of the Company and Milan are unable to negotiate an agreed-upon determination of Final Net Cash pursuant to Section 1.7(d) within two (2) calendar days after delivery of the Dispute Notice (or such other period as the Company and Milan may mutually agree upon), then any remaining disagreements as to the calculation of Net Cash shall be referred to Grant Thornton LLP or another independent auditor of recognized national standing mutually agreed upon by the Company and Milan (the "***Accounting Firm***"). The Company shall promptly deliver to the Accounting Firm all work papers and back-up materials used in preparing the Net Cash Schedule, and the Company and Milan shall use commercially reasonable efforts to cause the Accounting Firm to make its determination within five (5) calendar days of accepting its selection. Milan and the Company shall be afforded the opportunity to present to the Accounting Firm any material related to the unresolved disputes and to discuss the issues with the Accounting Firm; *provided*, *however*, that no such presentation or discussion shall occur without the presence of a Representative of each of Milan and the Company. The determination of the Accounting Firm shall be limited to the disagreements submitted to the Accounting Firm. The determination of the amount of Net Cash made by the Accounting Firm shall be made in writing delivered to each of the Company and Milan, shall be final and binding on the Company and Milan and shall be deemed to have been finally determined for purposes of this Agreement and to represent the Final Net Cash for purposes of this Agreement. The Parties shall delay the Closing until the resolution of the matters described in this Section 1.7(e). The fees and expenses of the Accounting Firm shall be allocated between the Company and Milan in the same proportion that the disputed amount of the Net Cash that was unsuccessfully disputed by such Party (as finally determined by the Accounting Firm) bears to the total disputed amount of the Net Cash amount and such portion of the costs and expenses of the Accounting Firm borne by the Company and any other fees, costs or expenses incurred by the Company following the Delivery Date in connection with the procedures set forth in this Section 1.7(e) shall be deducted from the final determination of the amount of Net Cash. If this Section 1.7(e) applies as to the determination of the Final Net Cash described in Section 1.7(a), upon resolution of the matter in accordance with this Section 1.7(e), the Parties shall not be required to determine Net Cash again even though the Closing Date may occur later than the Anticipated Closing Date, except that either the Company or Milan may request a redetermination of the Final Net Cash if the Closing Date is more than twenty (20) calendar days after the Anticipated Closing Date.

1.8 Surrender of Certificates.

(a) Within 45 days from the date hereof, Milan shall appoint Citibank, N.A. or one of its Affiliates or, if Citibank N.A. and its Affiliates shall refuse to act, one or more banks or trust companies or other independent financial institutions (each of which institution and appointment shall be subject to

the written consent of the Company, such consent not to be unreasonably withheld, conditioned or delayed) to act as: (i) depositary under the Deposit Agreement (the "***Depositary***") in connection with the issuance of Milan Depositary Shares, and (ii) exchange agent in the Merger (the "***Exchange Agent***") pursuant to an exchange agent agreement with the Exchange Agent, which agreement shall set forth the duties, responsibilities and obligations of the Exchange Agent consistent with the terms of this Agreement.

(b) At the Effective Time, (i) Milan shall allot, issue and deposit with the Depositary (or its designee), for the benefit of the holders of shares of Company Common Stock, such number of Milan Ordinary Shares as is equal to the Milan Depositary Shares issuable pursuant to Section 1.5(a), inter alia, in exchange for shares of Company Capital Stock and (ii) the Depositary shall issue the Milan Depositary Shares comprising the Share Consideration. The Merger Consideration, and amounts paid and Milan Ordinary Shares issued pursuant to the CVR Agreement, are in consideration of the cancellation of Company Capital Stock pursuant to this Agreement and the issue of 999 further shares by HoldCo to Milan.

(c) Promptly after the Effective Time, the Parties shall cause the Exchange Agent to mail to the Persons who were record holders of shares of Company Capital Stock that were converted into the right to receive the Merger Consideration: (i) a letter of transmittal in customary form and containing such provisions as Milan may reasonably specify (including a provision confirming that delivery of Company Stock Certificates shall be effected, and risk of loss and title to Company Stock Certificates shall pass, only upon delivery of such Company Stock Certificates to the Exchange Agent); and (ii) instructions for effecting the surrender of Company Stock Certificates in exchange for the Merger Consideration. Upon surrender of a Company Stock Certificate to the Exchange Agent for exchange, together with a duly executed letter of transmittal and such other documents as may be reasonably required by the Exchange Agent or Milan: (A) the holder of such Company Stock Certificate shall be entitled to receive in exchange therefor (i) the number of whole book-entry Milan Depositary Shares, and (ii) the number of Milan CVRs, in each case that such holder has the right to receive pursuant to the provisions of Section 1.5(a); and (B) the Company Stock Certificate so surrendered shall be canceled. Until surrendered as contemplated by this Section 1.8(c), each Company Stock Certificate shall be deemed, from and after the Effective Time, to represent only the right to receive the Merger Consideration. If any Company Stock Certificate shall have been lost, stolen or destroyed, Milan may, in its discretion and as a condition precedent to the delivery of any Milan Depositary Shares or Milan CVRs, require the owner of such lost, stolen or destroyed Company Stock Certificate to provide an applicable affidavit with respect to such Company Stock Certificate and post a bond indemnifying Milan against any claim suffered by Milan related to the lost, stolen or destroyed Company Stock Certificate or any Milan Depositary Shares or Milan CVRs issued in exchange therefor as Milan may reasonably request.

(d) No dividends or other distributions declared or made with respect to Milan Depositary Shares, or Milan Ordinary Shares underlying such Milan Depositary Shares, with a record date after the Effective Time shall be paid to the holder of any unsurrendered Company Stock Certificate with respect to the Milan Depositary Shares that such holder has the right to receive in the Merger until such holder surrenders such Company Stock Certificate or provides an affidavit of loss or destruction in lieu thereof in accordance with this Section 1.8 (at which time such holder shall be entitled, subject to the effect of applicable abandoned property, escheat or similar laws, to receive all such dividends and distributions, without interest).

(e) Any Milan Depositary Shares that remain undistributed to holders of Company Stock Certificates as of the date that is 180 days after the Closing Date shall be delivered to Milan or a person nominated in writing by Milan upon demand and may be cancelled, and any holders of Company Stock Certificates who have not theretofore surrendered their Company Stock Certificates in accordance with this Section 1.8 shall thereafter look only to Milan for satisfaction of their claims for Milan Depositary Shares and any dividends or distributions with respect to Milan Depositary Shares. If

any Company Stock Certificate has not been surrendered prior to the fifth anniversary of the Effective Time, or immediately prior to such earlier date on which the Merger Consideration, or any dividends or distributions, as contemplated by Section 1.8(d), to which such Company Stock Certificate would otherwise entitle its holder would escheat to or become the property of any Governmental Authority, any such shares, cash, dividends or distributions in respect of such Company Stock Certificate shall, to the extent permitted by applicable Law, become the property of Milan, free and clear of all claims or interest of any Person previously entitled thereto, and no consideration or compensation shall be payable therefor.

(f) Each of the Exchange Agent, Milan and the Surviving Corporation shall be entitled to deduct and withhold from any consideration deliverable pursuant to this Agreement such amounts as are required to be deducted or withheld from such consideration under the Code or under any other applicable Law. To the extent such amounts are so deducted or withheld, and remitted to the appropriate Tax Authority, such amounts shall be treated for all purposes under this Agreement as having been paid to the Person to whom such amounts would otherwise have been paid.

(g) No Party shall be liable to any holder of any Company Stock Certificate or to any other Person with respect to any Milan Depositary Shares (or dividends or distributions with respect thereto) or for any cash amounts delivered to any public official pursuant to any applicable abandoned property law, escheat law or similar Law.

1.9 Appraisal Rights.

(a) Notwithstanding any provision of this Agreement to the contrary, shares of Company Capital Stock that are outstanding immediately prior to the Effective Time and which are held by stockholders who have exercised and perfected appraisal rights for such shares of Company Capital Stock in accordance with the DGCL (collectively, the "***Dissenting Shares***") shall not be converted into or represent the right to receive the Merger Consideration described in Section 1.5 attributable to such Dissenting Shares. Such stockholders shall be entitled to receive payment of the appraised value of such shares of Company Capital Stock held by them in accordance with the DGCL, unless and until such stockholders fail to perfect or effectively withdraw or otherwise lose their appraisal rights under the DGCL. All Dissenting Shares held by stockholders who shall have failed to perfect or who effectively shall have withdrawn or lost their right to appraisal of such shares of Company Capital Stock under the DGCL shall thereupon be deemed to be converted into and to have become exchangeable for, as of the Effective Time, the right to receive the Merger Consideration attributable to such Dissenting Shares upon their surrender in the manner provided in Section 1.5.

(b) The Company shall give Milan prompt written notice of any demands by dissenting stockholders received by the Company, withdrawals of such demands and any other instruments served on the Company and any material correspondence received by the Company in connection with such demands. The Company shall not, without Milan's prior written consent, make any payment with respect to, or settle or offer to settle, any such demands, or agree to do any of the foregoing.

1.10 Further Action. If, at any time after the Effective Time, any further action is determined by the Surviving Corporation to be necessary or desirable to carry out the purposes of this Agreement or to vest the Surviving Corporation with full right, title and possession of and to all rights and property of the Company, then the officers and directors of the Surviving Corporation shall be fully authorized, and shall use their and its commercially reasonable efforts (in the name of the Company, in the name of Merger Sub, in the name of the Surviving Corporation and otherwise) to take such action.

SECTION 2. REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Subject to Section 10.13(h), except as set forth in the written disclosure schedule delivered by the Company to Milan (the "***Company Disclosure Schedule***"), the Company represents and warrants to Milan and Merger Sub as follows:

2.1 Due Organization; Subsidiaries.

(a) The Company is a corporation or other legal entity duly incorporated or otherwise organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization and has all necessary power and authority: (i) to conduct its business in the manner in which its business is currently being conducted; (ii) to own or lease and use its property and assets in the manner in which its property and assets are currently owned or leased and used; and (iii) to perform its obligations under all Contracts by which it is bound.

(b) The Company is duly licensed and qualified to do business, and is in good standing (to the extent applicable in such jurisdiction), under the laws of all jurisdictions where the nature of its business requires such licensing or qualification other than in jurisdictions where the failure to be so qualified individually or in the aggregate would not be reasonably expected to have a Company Material Adverse Effect.

(c) The Company does not have, and has never had, any Subsidiaries and the Company does not own any capital stock of, or any equity, ownership or profit sharing interest of any nature in, or controls directly or indirectly, any other Entity. The Company is not and has not otherwise been, directly or indirectly, a party to, member of or participant in any partnership, joint venture or similar business entity. The Company has not agreed and is not obligated to make, nor is the Company bound by any Contract under which it may become obligated to make, any future investment in or capital contribution to any other Entity. The Company has not, at any time, been a general partner of, and has not otherwise been liable for any of the debts or other obligations of, any general partnership, limited partnership or other Entity.

2.2 Organizational Documents. The Company has delivered to Milan accurate and complete copies of the Company's Organizational Documents. The Company is not in breach or violation of its Organizational Documents in any material respect.

2.3 Authority; Binding Nature of Agreement. The Company has all necessary corporate power and authority to enter into and to perform its obligations under this Agreement and to consummate the Contemplated Transactions. The Company Board (at meetings duly called and held) has: (i) determined that the Contemplated Transactions are fair to, advisable and in the best interests of the Company and its stockholders, (ii) approved and declared advisable this Agreement and the Contemplated Transactions and (iii) determined to recommend, upon the terms and subject to the conditions set forth in this Agreement, that the stockholders of the Company vote to adopt this Agreement and thereby approve the Contemplated Transactions. This Agreement has been duly executed and delivered by the Company and assuming the due authorization, execution and delivery by Milan, HoldCo and Merger Sub, constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, subject to the Enforceability Exceptions. Prior to the execution of the Company Stockholder Support Agreements, the Company Board approved the Company Stockholder Support Agreements and the transactions contemplated thereby.

2.4 Vote Required. The affirmative vote of the holders of a majority of the shares of Company Common Stock outstanding on the record date for the Company stockholder vote and entitled to vote thereon is the only vote of the holders of any class or series of Company Capital Stock necessary to adopt and approve this Agreement and approve the Company Stockholder Matters (the "***Required Company Stockholder Vote***").

2.5 Non-Contravention; Consents.

(a) Subject to obtaining the Required Company Stockholder Vote and the filing of the Certificate of Merger required by the DGCL, neither (x) the execution, delivery or performance of this Agreement by the Company, nor (y) the consummation of the Contemplated Transactions, will directly or indirectly (with or without notice or lapse of time):

(i) contravene, conflict with or result in a violation of any of the provisions of the Company's Organizational Documents;

(ii) contravene, conflict with or result in a material violation of, or give any Governmental Authority or other Person the right to challenge the Contemplated Transactions or to exercise any remedy or obtain any relief under, any Law or any Order to which the Company or any of the assets owned or used by the Company, is subject;

(iii) contravene, conflict with or result in a material violation of any of the terms or requirements of, or give any Governmental Authority the right to revoke, withdraw, suspend, cancel, terminate or modify, any Governmental Authorization that is held by the Company or that otherwise relates to the business of the Company, or any of the assets owned, leased or used by the Company;

(iv) contravene, conflict with or result in a violation or breach of, or result in a default under, any provision of any Company Material Contract, or give any Person the right to: (A) declare a default or exercise any remedy under any Company Material Contract; (B) any material payment, rebate, chargeback, penalty or change in delivery schedule under any Company Material Contract; (C) accelerate the maturity or performance of any Company Material Contract; or (D) cancel, terminate or modify any term of any Company Material Contract, except in the case of any non-material breach, default, penalty or modification; or

(v) result in the imposition or creation of any Encumbrance upon or with respect to any asset owned or used by the Company (except for Permitted Encumbrances).

(b) Except for (i) any Consent set forth on Section 2.5(b) of the Company Disclosure Schedule under any Company Contract, (ii) the Required Company Stockholder Vote, (iii) the filing of the Certificate of Merger with the Secretary of State of the State of Delaware pursuant to the DGCL and appropriate corresponding documents with the appropriate authorities of other states in which the Company is qualified as a foreign corporation to transact business and (iv) such consents, waivers, approvals, orders, authorizations, registrations, declarations and filings as may be required under applicable federal and state securities laws or in connection with the performance of the Company's obligations under Section 5.1(a), the Company is not and will not be required to make any filing with or give any notice to, or to obtain any Consent from, any Person in connection with (x) the execution, delivery or performance of this Agreement, or (y) the consummation of the Contemplated Transactions.

(c) The Company Board has taken and will take all actions necessary to ensure that the restrictions applicable to business combinations contained in Section 203 of the DGCL are, and will be, inapplicable to the execution, delivery and performance of this Agreement and the Company Stockholder Support Agreements and to the consummation of the Contemplated Transactions. No other state takeover statute or similar Law applies or purports to apply to the Merger, this Agreement, the Company Stockholder Support Agreements or any of the Contemplated Transactions.

2.6 Capitalization.

(a) The authorized Company Capital Stock as of the date of this Agreement consists of (i) 145,000,000 shares of the Company's common stock, par value $0.001 per share (the "***Company Common Stock***"), of which 38,630,145 shares have been issued and are outstanding as of the Capitalization Date, and (ii) 5,000,000 shares of the Company's preferred stock, par value $0.001 per share (the "***Company Preferred Stock***"), of which no shares have been issued and are outstanding as

of the date of this Agreement. The Company does not hold any shares of its capital stock in its treasury.

(b) All of the outstanding shares of Company Common Stock have been duly authorized and validly issued, and are fully paid and nonassessable and are free of any Encumbrances. None of the outstanding shares of Company Common Stock is entitled or subject to any preemptive right, right of participation, right of maintenance or any similar right and none of the outstanding shares of Company Common Stock is subject to any right of first refusal in favor of the Company. Except as contemplated herein, there is no Company Contract relating to the voting or registration of, or restricting any Person from purchasing, selling, pledging or otherwise disposing of (or granting any option or similar right with respect to), any shares of Company Common Stock or Company Preferred Stock. The Company is not under any obligation, nor is it bound by any Contract pursuant to which it may become obligated, to repurchase, redeem or otherwise acquire any outstanding shares of Company Common Stock or other securities.

(c) Except for the Company's 2004 Stock Incentive Plan, as amended, and the Company's 2013 Equity Incentive Award Plan (collectively, the "***Company Plans***") and the Company's Employee Stock Purchase Plan (the "***ESPP***"), the Company does not have any stock option plan or any other plan, program, agreement or arrangement providing for any equity-based compensation for any Person. As of the date of this Agreement, the Company has reserved 145,000,000 shares of Company Common Stock for issuance under the Company Plans, of which (i) 38,630,145 shares have been issued and are currently outstanding and (ii) 9,341,368 shares remain available for future issuance. As of the date of this Agreement, (i) 5,249,102 shares of Company Common Stock are subject to outstanding Company Options at a weighted-average exercise price of $12.58 per share (of which Company Options to purchase an aggregate of 3,063,181 shares of Company Common Stock are exercisable) and (ii) 435,514 shares of Company Common Stock are subject to outstanding Company RSUs. Section 2.6(c) of the Company Disclosure Schedule sets forth, as of the date of this Agreement, a true and complete list of all outstanding Company Options and Company RSUs, including with respect to each such award, as applicable, the holder, date of grant, exercise price, vesting schedule, expiration date, whether any such Company Option is an "incentive stock option" (as defined in the Code), and number of shares of Company Common Stock subject thereto. The Company has made available to Milan an accurate and complete copy of the Company Plan, the forms of all award agreements approved for use thereunder and any amendments thereto.

(d) Except for the outstanding Company Options and Company RSUs set forth on Section 2.6(c) of the Company Disclosure Schedule, there is no: (i) outstanding subscription, option, call, warrant or right (whether or not currently exercisable) to acquire any shares of the capital stock or other securities of the Company; (ii) outstanding security, instrument or obligation that is or may become convertible into or exchangeable for any shares of the capital stock or other securities of the Company; (iii) stockholder rights plan (or similar plan commonly referred to as a "poison pill") or Contract under which the Company is or may become obligated to sell or otherwise issue any shares of its capital stock or any other securities; or (iv) condition or circumstance that may give rise to or provide a basis for the assertion of a claim by any Person to the effect that such Person is entitled to acquire or receive any shares of capital stock or other securities of the Company. There are no outstanding or authorized stock appreciation, phantom stock, profit participation or other similar rights with respect to the Company.

(e) All outstanding shares of Company Common Stock, Company Options, Company RSUs and other securities of the Company have been issued and granted in compliance with (i) all applicable securities laws and other applicable Law, and (ii) all requirements set forth in applicable Contracts.

2.7 SEC Filings; Financial Statements.

(a) The Company has filed or furnished, as applicable, on a timely basis all forms, statements, certifications, reports and documents required to be filed or furnished by it with the SEC under the

Exchange Act or the Securities Act since January 1, 2016 (the "***Company SEC Documents***"). As of the time it was filed with the SEC (or, if amended or superseded by a filing prior to the date of this Agreement, then on the date of such filing), each of the Company SEC Documents complied in all material respects with the applicable requirements of the Securities Act or the Exchange Act (as the case may be) and, to the Company's Knowledge, as of the time they were filed, none of the Company SEC Documents contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The certifications and statements required by (i) Rule 13a-14 under the Exchange Act and (ii) 18 U.S.C. §1350 (Section 906 of the Sarbanes-Oxley Act) relating to the Company SEC Documents (collectively, the "***Company Certifications***") are accurate and complete and comply as to form and content with all applicable Laws. As used in this Section 3.7, the term "file" and variations thereof shall be broadly construed to include any manner in which a document or information is furnished, supplied or otherwise made available to the SEC.

(b) The financial statements (including any related notes) contained or incorporated by reference in the Company SEC Documents: (i) complied as to form in all material respects with the published rules and regulations of the SEC applicable thereto; (ii) were prepared in accordance with United States generally accepted accounting principles ("***GAAP***") (except as may be indicated in the notes to such financial statements or, in the case of unaudited financial statements, as permitted by Form 10-Q of the SEC, and except that the unaudited financial statements may not contain footnotes and are subject to normal and recurring year-end adjustments that are not reasonably expected to be material in amount) applied on a consistent basis unless otherwise noted therein throughout the periods indicated; and (iii) fairly present, in all material respects, the financial position of the Company as of the respective dates thereof and the results of operations and cash flows of the Company for the periods covered thereby. Since January 1, 2016, other than as expressly disclosed in the Company SEC Documents filed prior to the date hereof, there has been no material change in the Company's accounting methods or principles that would be required to be disclosed in the Company's financial statements in accordance with GAAP. The books of account and other financial records of the Company are true and complete in all material respects.

(c) The Company's auditor has at all times since the date of enactment of the Sarbanes-Oxley Act been: (i) a registered public accounting firm (as defined in Section 2(a)(12) of the Sarbanes-Oxley Act); (ii) to the Knowledge of the Company, "independent" with respect to the Company within the meaning of Regulation S-X under the Exchange Act; and (iii) to the Knowledge of the Company, in compliance with subsections (g) through (l) of Section 10A of the Exchange Act and the rules and regulations promulgated by the SEC and the Public Company Accounting Oversight Board thereunder.

(d) The Company has not received any comment letter from the SEC or the staff thereof or any correspondence from Nasdaq or the staff thereof relating to the delisting or maintenance of listing of the Company Common Stock on Nasdaq. The Company has not disclosed any unresolved comments in the Company SEC Documents.

(e) Since January 1, 2016, there have been no formal internal investigations regarding financial reporting or accounting policies and practices discussed with, reviewed by or initiated at the direction of the chief executive officer, chief financial officer (or other principal financial and accounting officer), or general counsel of the Company, the Company Board or any committee thereof, other than ordinary course audits or reviews of accounting policies and practices or internal controls required by the Sarbanes-Oxley Act.

(f) The Company is in compliance in all material respects with the applicable provisions of the Sarbanes-Oxley Act and the applicable listing and governance rules and regulations of Nasdaq.

(g) The Company maintains a system of internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that is sufficient to provide reasonable assurance

regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP, including policies and procedures sufficient to provide reasonable assurance (i) that the Company maintains records that in reasonable detail accurately and fairly reflect the Company's transactions and dispositions of assets, (ii) that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, (iii) that receipts and expenditures are made only in accordance with authorizations of management and the Company Board, and (iv) regarding prevention or timely detection of the unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's financial statements. The Company has evaluated the effectiveness of the Company's internal control over financial reporting and, to the extent required by applicable Law, presented in any applicable Company SEC Document that is a report on Form 10-K or Form 10-Q (or any amendment thereto) its conclusions about the effectiveness of the internal control over financial reporting as of the end of the period covered by such report or amendment based on such evaluation. The Company has disclosed to the Company's auditors and the Audit Committee of the Company Board (and made available to the Company a summary of the significant aspects of such disclosure) (A) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting that are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information and (B) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting. Except as disclosed in the Company SEC Documents filed prior to the date hereof, the Company has not identified any material weaknesses in the design or operation of the Company's internal control over financial reporting.

(h) The Company's "disclosure controls and procedures" (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) are reasonably designed to ensure that all information (both financial and non-financial) required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that all such information is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure and to make the Company Certifications.

2.8 Absence of Changes. Except as set forth on Section 2.8 of the Company Disclosure Schedule, between the date of the Company Unaudited Interim Balance Sheet and the date of this Agreement, the Company has conducted its business only in the Ordinary Course of Business (except for the execution and performance of this Agreement and the discussions, negotiations and transactions related thereto) and there has not been any (a) Company Material Adverse Effect or (b) action, event or occurrence that would have required consent of Milan pursuant to Section 4.2(b) of this Agreement had such action, event or occurrence taken place after the execution and delivery of this Agreement.

2.9 Absence of Undisclosed Liabilities. The Company does not have any liability, indebtedness, obligation, expense, claim, deficiency, guaranty or endorsement of any kind, whether accrued, absolute, contingent, matured, unmatured or otherwise (each a "***Liability***"), in each case, of a type required to be reflected or reserved for on a balance sheet prepared in accordance with GAAP, except for: (a) Liabilities disclosed, reflected or reserved against in the Company Unaudited Interim Balance Sheet; (b) normal and recurring current Liabilities that have been incurred by the Company since the date of the Company Unaudited Interim Balance Sheet in the Ordinary Course of Business (none of which relates to any breach of contract, breach of warranty, tort, infringement, or violation of Law); (c) Liabilities for performance of obligations of the Company under Company Contracts; (d) Liabilities incurred in connection with the Contemplated Transactions; and (e) Liabilities listed in Section 2.9 of the Company Disclosure Schedule.

2.10 Title to Assets. The Company owns, and has good and valid title to, or, in the case of leased properties and assets, valid leasehold interests in, all tangible properties or assets and equipment used or held for use in its business or operations or purported to be owned by it, including: (a) all assets reflected on the Company Unaudited Interim Balance Sheet; and (b) all other assets reflected in the books and records of the Company as being owned by the Company. All of such assets are owned or, in the case of leased assets, leased by the Company free and clear of any Encumbrances, other than Permitted Encumbrances.

2.11 Real Property; Leasehold. The Company does not own and has never owned any real property. The Company has made available to Milan (a) an accurate and complete list of all real properties with respect to which the Company directly or indirectly holds a valid leasehold interest as well as any other real estate that is in the possession of or leased by the Company, and (b) copies of all leases under which any such real property is possessed (the "***Company Real Estate Leases***"), each of which is in full force and effect, with no existing material default thereunder.

2.12 Intellectual Property.

(a) The Company owns, or has the right to use, as currently being used by the Company, all Company IP Rights and, with respect to Company IP Rights that are owned by the Company, has the right to bring actions for the infringement of such Company IP Rights, except for any failure to own or have the right to use or bring actions that would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

(b) Section 2.12(b) of the Company Disclosure Schedule is an accurate, true and complete listing of all Company Registered IP.

(c) Section 2.12(c) of the Company Disclosure Schedule accurately identifies all material Company Contracts pursuant to which Company IP Rights are licensed to the Company (other than (i) any non-customized software that (A) is so licensed solely in executable or object code form pursuant to a non-exclusive, internal use software license and other Intellectual Property associated with such software and (B) is not incorporated into, or material to the development, manufacturing, or commercialization of, any of the Company's products or services, (ii) any Intellectual Property licensed on a non-exclusive basis ancillary to the purchase or use of equipment, reagents or other materials and (iii) any confidential information provided under confidentiality agreements).

(d) Section 2.12(d) of the Company Disclosure Schedule accurately identifies each material Company Contract pursuant to which any Person has been granted any license or covenant not to sue under, or otherwise has received or acquired any right (whether or not currently exercisable) or interest in, any Company IP Rights (other than (i) any confidential information provided under confidentiality agreements and (ii) any Company IP Rights non-exclusively licensed to suppliers or service providers for the sole purpose of enabling such supplier or service providers to provide services for the Company's benefit).

(e) Except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, the Company is not bound by, and no Company IP Rights owned by the Company are subject to, any Contract containing any covenant or other provision that in any way limits or restricts the ability of the Company to use, exploit, assert, or enforce any such Company IP Rights anywhere in the world, in each case, in a manner that would limit the business of the Company as conducted or planned to be conducted.

(f) Except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, the Company exclusively owns all right, title, and interest to and in all Company IP Rights owned or purported to be owned by the Company, free and clear of any Encumbrances (other than Permitted Encumbrances).

(g) Except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, the Company has taken reasonable steps to maintain the confidentiality of and otherwise protect and enforce its rights in all proprietary information that the Company holds, or purports to hold, as confidential or a trade secret.

(h) Except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, the manufacture, marketing, license, offering for sale, sale, importation, use or intended use or other disposal of any product or technology currently licensed or sold or under development by the Company (i) does not violate any license or agreement between the Company and any third party, and (ii) to the Knowledge of the Company, does not infringe, misappropriate or otherwise violate any valid Intellectual Property right of any other party. Except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, to the Knowledge of the Company, no third party is infringing upon, misappropriating or otherwise violating any Company IP Rights or violating any license or agreement with the Company relating to any Company IP Rights.

(i) Except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, to the Knowledge of the Company, there is no current or pending or threatened Legal Proceeding (including, but not limited to, opposition, interference or other proceeding in any patent or other government office) (i) contesting the validity, enforceability, claim construction, ownership or right to use, sell, offer for sale, license or dispose of any Company IP Rights or (ii) alleging that any Company IP Rights or the proposed use, sale, offer for sale, license or disposition of products, methods, or processes claimed or covered thereunder conflicts with or infringes, misappropriates or otherwise violates or will conflict with or infringe, misappropriate or otherwise violate the rights of any other Person or that the Company has otherwise infringed, misappropriated or otherwise violated any Intellectual Property of any Person. Except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, none of the Company IP Rights is subject to any outstanding order of, judgment of, decree of or agreement with any Governmental Authority that limits the ability of the Company to exploit any Company IP Rights.

(j) Except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, to the Knowledge of the Company, all Company Registered IP is valid and enforceable.

(k) The Company is not party to any Contract that, as a result of such execution, delivery and performance of this Agreement, will cause the grant of any license or other right to any Company IP Rights, result in breach of, default under or termination of such Contract with respect to any Company IP Rights, or impair the right of the Company or the Surviving Corporation to use, sell or license or enforce any Company IP Rights or portion thereof, except for any such grant or impairment that would not, individually or in the aggregate, reasonably be expected to result in a Company Material Adverse Effect.

2.13 Agreements, Contracts and Commitments.

(a) Section 2.13(a) of the Company Disclosure Schedule lists the following Company Contracts in effect as of the date of this Agreement (each, a "***Company Material Contract***" and collectively, the "***Company Material Contracts***"):

(i) each Company Contract relating to any material bonus, deferred compensation, severance, incentive compensation, pension, profit-sharing or retirement plans, or any other employee benefit plans or arrangements;

(ii) each Company Contract requiring payments by the Company after the date of this Agreement in excess of $100,000 pursuant to its express terms relating to the employment of, or the performance of employment-related services by, any Person, including any employee, consultant or

independent contractor, or entity providing employment related, consulting or independent contractor services, not terminable by the Company on ninety (90) calendar days' or less notice without liability, except to the extent general principles of wrongful termination law may limit the Company's or such successor's ability to terminate employees at will;

(iii) each Company Contract relating to any agreement or plan, including any stock option plan, stock appreciation right plan or stock purchase plan, any of the benefits of which will be increased, or the vesting of benefits of which will be accelerated, by the occurrence of any of the Contemplated Transactions (either alone or in conjunction with any other event, such as termination of employment), or the value of any of the benefits of which will be calculated on the basis of any of the Contemplated Transactions;

(iv) each Company Contract relating to any agreement of indemnification or guaranty not entered into in the Ordinary Course of Business;

(v) each Company Contract relating to capital expenditures and requiring payments after the date of this Agreement in excess of $200,000 pursuant to its express terms and not cancelable without penalty;

(vi) each Company Contract relating to the disposition or acquisition of assets after the date of this Agreement valued in excess of $100,000;

(vii) each Company Contract relating to any mortgages, indentures, loans, notes or credit agreements, security agreements or other agreements or instruments relating to the borrowing of money or extension of credit in excess of $100,000 or creating any material Encumbrances with respect to any assets of the Company or any of its Subsidiaries or any loans or debt obligations with officers or directors of the Company;

(viii) each Company Contract requiring payment by or to the Company after the date of this Agreement in excess of $200,000 pursuant to its express terms relating to: (A) any distribution agreement (identifying any that contain exclusivity provisions); (B) any agreement involving provision of services or products with respect to any pre-clinical or clinical development activities of the Company; (C) any dealer, distributor, joint marketing, alliance, joint venture, cooperation, development or other agreement currently in force under which the Company has continuing obligations to develop or market any product, technology or service, or any agreement pursuant to which the Company has continuing obligations to develop any Intellectual Property that will not be owned, in whole or in part, by the Company; or (D) any Contract to license any Intellectual Property to or from any third party to manufacture or produce any product, service or technology of the Company or any Contract to sell, distribute or commercialize any products or service of the Company, in each case, except for Company Contracts entered into in the Ordinary Course of Business;

(ix) each Company Contract with any Person, including any financial advisor, broker, finder, investment banker or other Person, providing advisory services to the Company in connection with the Contemplated Transactions;

(x) each Company Real Estate Lease;

(xi) each Company Contract that is a material contract as defined in Item 601(b)(10) of Regulation S-K as promulgated under the Securities Act;

(xii) each Company Contract to which the Company is a party or by which any of its assets and properties is currently bound, which involves annual obligations of payment by, or annual payments to, the Company in excess of $200,000; or

(xiii) any other Company Contract that is not terminable at will (with no penalty or payment) by the Company and (A) which involves payment or receipt by the Company after the date of this Agreement under any such agreement, contract or commitment of more than $200,000 in the

aggregate, or obligations after the date of this Agreement in excess of $200,000 in the aggregate, or (B) that is material to the business or operations of the Company, taken as a whole.

(b) The Company has delivered or made available to Milan accurate and complete copies of all Company Material Contracts, including all amendments thereto. There are no Company Material Contracts that are not in written form. The Company has not, nor to the Company's Knowledge, as of the date of this Agreement, has any other party to a Company Material Contract, breached, violated or defaulted under, or received notice that it breached, violated or defaulted under, any of the terms or conditions of any Company Material Contract in such manner as would permit any other party to cancel or terminate any such Company Material Contract, or would permit any other party to seek damages which would reasonably be expected to have a Company Material Adverse Effect. As to the Company, as of the date of this Agreement, each Company Material Contract is valid, binding, enforceable and in full force and effect, subject to the Enforceability Exceptions. No Person is renegotiating, or has a right pursuant to the terms of any Company Material Contract to change, any material amount paid or payable to the Company under any Company Material Contract or any other material term or provision of any Company Material Contract.

2.14 Compliance; Permits; Restrictions.

(a) The Company is, and since January 1, 2016 has been, in compliance in all material respects with all applicable Laws. No investigation, claim, suit, proceeding, audit or other action by any Governmental Authority is pending or, to the Knowledge of the Company, threatened against the Company. There is no agreement or Order binding upon the Company which (i) has or would reasonably be expected to have the effect of prohibiting or materially impairing any business practice of the Company, any acquisition of material property by the Company or the conduct of business by the Company as currently conducted, (ii) is reasonably likely to have an adverse effect on the Company's ability to comply with or perform any covenant or obligation under this Agreement, or (iii) is reasonably likely to have the effect of preventing, delaying, making illegal or otherwise interfering with the Contemplated Transactions.

(b) The Company holds all required Governmental Authorizations which are material to the operation of the business of the Company as currently conducted (the "***Company Permits***"). Section 2.14(b) of the Company Disclosure Schedule identifies each Company Permit. The Company is in material compliance with the terms of the Company Permits. No Legal Proceeding is pending or, to the Knowledge of the Company, threatened, which seeks to revoke, limit, suspend, or materially modify any Company Permit. The rights and benefits of each Company Permit will be available to the Surviving Corporation immediately after the Effective Time on terms substantially identical to those enjoyed by the Company as of the date of this Agreement and immediately prior to the Effective Time.

(c) There are no Legal Proceedings pending or, to the Knowledge of the Company, threatened with respect to an alleged material violation by the Company of the Federal Food, Drug, and Cosmetic Act ("***FDCA***"), Food and Drug Administration ("***FDA***") regulations adopted thereunder, the Controlled Substance Act or any other similar Law promulgated by the FDA or other comparable Governmental Authority responsible for regulation of the development, clinical testing, manufacturing, sale, marketing, distribution and importation or exportation of drug products ("***Drug Regulatory Agency***").

(d) The Company holds all required Governmental Authorizations issuable by any Drug Regulatory Agency necessary for the conduct of the business of the Company as currently conducted, and the development, clinical testing, manufacturing, marketing, distribution and importation or exportation, as currently conducted, of any of its products or product candidates (the "***Company Product Candidates***", and such required Governmental Authorizations, the "***Company Regulatory Permits***") and no such Company Regulatory Permit has been (i) revoked, withdrawn, suspended, cancelled or terminated or (ii) modified in any adverse manner, other than immaterial adverse

modifications. The Company is in compliance in all material respects with the Company Regulatory Permits and have not received any written notice or other written communication from any Drug Regulatory Agency regarding (A) any material violation of or failure to comply materially with any term or requirement of any Company Regulatory Permit or (B) any revocation, withdrawal, suspension, cancellation, termination or material modification of any Company Regulatory Permit. The Company has made available to Milan all information requested by Milan in the Company's possession or control relating to the Company Product Candidates and the development, clinical testing, manufacturing, importation and exportation of the Company Product Candidates, including complete copies of the following (to the extent there are any): (x) serious adverse event reports; clinical study reports and material study data; inspection reports, notices of adverse findings, warning letters, filings and letters and other material written correspondence to and from any Drug Regulatory Agency; and meeting minutes with any Drug Regulatory Agency; and (y) similar reports, material study data, notices, letters, filings, correspondence and meeting minutes with any other Governmental Authority, in each case to the extent material.

(e) All clinical, pre-clinical and other studies and tests conducted by or on behalf of, or sponsored by, the Company, or in which the Company or its current products or product candidates, including the Company Product Candidates, have participated, were and, if still pending, are being conducted in all material respects in accordance with standard medical and scientific research procedures and in compliance in all material respects with the applicable regulations of the Drug Regulatory Agencies and other applicable Law, including 21 C.F.R. Parts 50, 54, 56, 58 and 312. Since January 1, 2016, the Company has not received any notices, correspondence, or other communications from any Drug Regulatory Agency requiring or, to the Knowledge of the Company, threatening to initiate, the termination or suspension of any clinical studies conducted by or on behalf of, or sponsored by, the Company or in which the Company or its current products or product candidates, including the Company Product Candidates, have participated.

(f) The Company is not the subject of any pending or, to the Knowledge of the Company, threatened investigation in respect of its business or products by the FDA pursuant to its "Fraud, Untrue Statements of Material Facts, Bribery, and Illegal Gratuities" Final Policy set forth in 56 Fed. Reg. 46191 (September 10, 1991) and any amendments thereto. To the Knowledge of the Company, the Company has not committed any acts, made any statement, or failed to make any statement, in each case in respect of its business or products that would violate the FDA's "Fraud, Untrue Statements of Material Facts, Bribery, and Illegal Gratuities" Final Policy, and any amendments thereto. None of the Company or any of its officers, employees or agents has been convicted of any crime or engaged in any conduct that could result in a debarment or exclusion (i) under 21 U.S.C. Section 335a or (ii) any similar applicable Law. To the Knowledge of the Company, no debarment or exclusionary claims, actions, proceedings or investigations in respect of their business or products are pending or threatened against the Company or any of its officers, employees or agents.

2.15 Legal Proceedings; Orders.

(a) There is no pending Legal Proceeding and, to the Knowledge of the Company, no Person has threatened in writing to commence any Legal Proceeding: (i) that involves the Company, any Company Associate (in his or her capacity as such) or any of the material assets owned or used by the Company; or (ii) that challenges, or that may have the effect of preventing, delaying, making illegal or otherwise interfering with, the Contemplated Transactions.

(b) There is no Order to which the Company, or any of the material assets owned or used by the Company, is subject. To the Knowledge of the Company, no officer or other Key Employee of the Company is subject to any Order that prohibits such officer or employee from engaging in or continuing any conduct, activity or practice relating to the business of the Company or to any material assets owned or used by the Company.

2.16 Tax Matters.

(a) The Company has timely filed all federal income Tax Returns and other material Tax Returns that they were required to file under applicable Law. All such Tax Returns were correct and complete in all material respects and have been prepared in material compliance with all applicable Law. Subject to exceptions as would not be material, no written claim has ever been made by a Tax Authority in a jurisdiction where the Company does not file Tax Returns that the Company is subject to taxation or filing obligation by that jurisdiction.

(b) All material Taxes due and owing by the Company (whether or not shown on any Tax Return) have been paid. Since the date of the Company Unaudited Interim Balance Sheet, the Company has not incurred any material Liability for Taxes or has engaged in any transaction outside the Ordinary Course of Business or otherwise inconsistent with past custom and practice.

(c) The Company has withheld and paid all material Taxes required to have been withheld and paid in connection with any amounts paid or owing to any employee, independent contractor, creditor, stockholder, or other third party.

(d) There are no Encumbrances for material Taxes (other than with respect to Taxes not yet due and payable) upon any of the assets of the Company.

(e) No deficiencies for material Taxes with respect to the Company have been claimed, proposed or assessed by any Governmental Authority in writing. There are no pending (or, based on written notice, threatened) material audits, assessments or other actions for or relating to any liability in respect of Taxes of the Company. The Company (or any of its predecessors) has not waived any statute of limitations in respect of material Taxes or agreed to any extension of time with respect to a material Tax assessment or deficiency.

(f) The Company has not been a United States real property holding corporation within the meaning of Section 897(c)(2) of the Code in the last five years.

(g) The Company is not a party to any material Tax allocation, Tax sharing or similar agreement (including indemnity arrangements), other than customary indemnification provisions in commercial contracts entered into in the Ordinary Course of Business with vendors, customers, lenders or landlords.

(h) The Company has never been a member of an affiliated group filing a consolidated U.S. federal income Tax Return. The Company has no material Liability for the Taxes of any Person (other than the Company) under Treasury Regulations Section 1.1502-6 (or any similar provision of state, local, or foreign law) or as a transferee or successor.

(i) The Company has not distributed stock of another Person, or had its stock distributed by another Person, in a transaction that was purported or intended to be governed in whole or in part by Section 355 of the Code or Section 361 of the Code in the last two years.

(j) The Company has not entered into any transaction identified as a “listed transaction” for purposes of Treasury Regulations Sections 1.6011-4(b)(2) or 301.6111-2(b)(2).

(k) As of the date of this Agreement, the Company has not made any dividends or other distributions to its shareholders.

2.17 Employee and Labor Matters; Benefit Plans.

(a) The employment of each of the Company’s employees is terminable by the Company at will (or, in respect of any jurisdiction outside the United States, otherwise in accordance with general principles of wrongful termination law). The Company has made available to Milan accurate and complete copies of all employee manuals and handbooks, disclosure materials, policy statements and other materials relating to the employment of Company Associates to the extent currently effective and material.

(b) No officer or Key Employee of the Company has stated that he or she intends to terminate his or her employment with the Company, nor, to the Knowledge of the Company, has any such officer or Key Employee threatened to do so.

(c) The Company is not a party to, bound by, obligated to bargain under, or currently negotiating in connection with entering into any collective bargaining agreement or other Contract with a labor organization representing any of its employees, and there are no labor organizations representing or, to the Knowledge of the Company, purporting to represent or seeking to represent any Company Associates.

(d) Section 2.17(d) of the Company Disclosure Schedule lists all material employee benefit plans (as defined in Section 3(3) of ERISA) and any other material written or oral plan, agreement or arrangement involving compensation or benefits, including bonus, equity-based, incentive, deferred compensation, retirement or supplemental retirement, profit sharing, severance, change in control, vacation, cafeteria, dependent care, medical care, employee assistance program, education or tuition assistance programs and other similar material fringe or employee benefit plans, programs or arrangements, including any employment or executive compensation or severance agreements, written or otherwise, which are currently in effect relating to any Company Associate (or any trade or business (whether or not incorporated) which is a Company Affiliate) or which is maintained by, administered or contributed to by, or required to be contributed to by, the Company or any Company Affiliate, or under which the Company or any Company Affiliate has any current liability or may incur liability after the date hereof (each, a "***Company Employee Plan***").

(e) With respect to Company Options and Company RSUs, (i) each Company Option intended to qualify as an "incentive stock option" under Section 422 of the Code so qualifies, (ii) each grant of a Company Option and Company RSU was duly authorized no later than the date on which the grant of such Company Option or Company RSU was by its terms to be effective (the "***Grant Date***") by all necessary corporate action, including, as applicable, approval by the Company Board (or a duly constituted and authorized committee thereof) and any required stockholder approval by the necessary number of votes or written consents, and the award agreement governing such grant (if any) was duly executed and delivered by each party thereto, (iii) each Company Option and Company RSU grant was made pursuant to and in accordance with the terms of the Company Plan and all other applicable Law and (iv) the per share exercise price of each Company Option was not less than the fair market value of a share of Company Common Stock on the applicable Grant Date.

(f) With respect to each Company Employee Plan, the Company has made available to Milan a true and complete copy of, to the extent applicable, (i) such Company Employee Plan (or a description, if such plan is not written) and all amendments thereto and (ii) the most recent summary plan description for each Company Employee Plan, along with all summaries of material modifications, amendments, resolutions and all other material plan documentation related thereto in the possession of the Company.

(g) Each Company Employee Plan that is intended to be qualified under Section 401(a) of the Code has received a favorable determination or opinion letter with respect to such qualified status from the IRS. To the Knowledge of the Company, nothing has occurred that would reasonably be expected to adversely affect the qualified status of any such Company Employee Plan or the exempt status of any related trust.

(h) Since January 1, 2016, each Company Employee Plan has been maintained in compliance, in all material respects, with its terms and, both as to form and operation, with all applicable Law, including the Code and ERISA.

(i) Neither the Company nor Company Affiliate has engaged in any transaction in violation of Sections 404 or 406 of ERISA or any "prohibited transaction," as defined in Section 4975(c)(1) of the Code, for which no exemption exists under Section 408 of ERISA or Section 4975(c)(2) or (d) of the

Code, or has otherwise violated the provisions of Part 4 of Title I, Subtitle B of ERISA. Neither the Company nor any Company Affiliate has participated in a violation of Part 4 of Title I, Subtitle B of ERISA by any plan fiduciary of any Company Employee Plan subject to ERISA and neither the Company nor any Company Affiliate has been assessed any civil penalty under Section 502(l) of ERISA.

(j) No Company Employee Plan is subject to Title IV or Section 302 of ERISA or Section 412 of the Code, and neither the Company nor any of its Company Affiliates has ever maintained, contributed to or partially or completely withdrawn from, or incurred any obligation or liability with respect to, any such plan. No Company Employee Plan is a Multiemployer Plan, and neither the Company nor any of its Company Affiliates has ever contributed to or had an obligation to contribute, or incurred any liability in respect of a contribution, to any Multiemployer Plan or a Multiple Employer Plan. No Company Employee Plan is a Multiple Employer Welfare Arrangement. Neither the Company nor any of its Company Affiliates sponsors or maintains any self-funded welfare employee benefit plan.

(k) No Company Employee Plan provides for medical or other welfare benefits beyond termination of service or retirement, other than pursuant to (i) COBRA or an analogous state law requirement or (ii) continuation coverage through the end of the month in which such termination or retirement occurs. The Company does not sponsor or maintain any self-funded employee benefit plan. No Company Employee Plan is subject to any Law of a foreign jurisdiction outside of the United States.

(l) Except as set forth on Section 2.17(l) of the Company Disclosure Schedule, neither the execution of this Agreement nor the consummation of Contemplated Transactions (either alone or together with any other event) will (i) entitle any Company Associate to any payment or benefit, including any bonus, retention, severance, retirement or job security payment or benefit, (ii) accelerate the time of payment or vesting or trigger any payment or funding (through a grantor trust or otherwise) of compensation or benefits under, or increase the amount payable or trigger any other obligation under, any Company Employee Plan, or (iii) limit or restrict the right of the Company or any of its Affiliates or, after the Effective Time, Milan or any of its Affiliates, to merge, amend or terminate any Company Employee Plan.

(m) Neither the execution of this Agreement nor the consummation of Contemplated Transactions would reasonably be expected to result, separately or in the aggregate, in the payment of (i) any “excess parachute payment” within the meaning of Section 280G of the Code or (ii) any amount the deduction for which would be disallowed under Section 162(m) of the Code.

(n) No Company Options, Company RSUs or other equity-based awards issued or granted by the Company are subject to the requirements of Code Section 409A. Each “nonqualified deferred compensation plan” (as such term is defined under Section 409A(d)(1) of the Code and the guidance thereunder) (each, a “***409A Plan***”) under which the Company makes, is obligated to make or promises to make, payments, complies in all material respects, in both form and operation, with the requirements of Code Section 409A and the guidance thereunder. No payment to be made under any 409A Plan is, or to the Knowledge of the Company will be, subject to the penalties of Code Section 409A(a)(1).

(o) The Company is, and since January 1, 2016 has been, in material compliance with all of its bonus, commission and other compensation plans and has paid any and all amounts required to be paid under such plans, including any and all bonuses and commissions (or pro rata portion thereof) that may have accrued or been earned through the calendar quarter preceding the date hereof, and is not liable for any material payments, taxes or penalties for failure to comply with any of the terms or conditions of such plans or the laws governing such plans.

(p) The Company is and, since January 1, 2016 has been, in material compliance with all applicable foreign, federal, state and local laws, rules and regulations respecting employment, employment practices, terms and conditions of employment, worker classification, tax withholding, prohibited discrimination, equal employment, fair employment practices, meal and rest periods,

immigration status, employee safety and health, wages (including overtime wages), compensation, and hours of work, and in each case, with respect to the Company Associates: (i) has withheld and reported all material amounts required by law or by agreement to be withheld and reported with respect to wages, salaries and other payments to employees, (ii) is not liable for any arrears of wages, severance pay or any Taxes or any penalty for failure to comply with any of the foregoing, and (iii) is not liable for any material payment to any trust or other fund governed by or maintained by or on behalf of any Governmental Authority, with respect to unemployment compensation benefits, social security or other benefits or obligations for employees (other than routine payments to be made in the Ordinary Course of Business). There are no actions, suits, claims or administrative matters pending or, to the Knowledge of the Company, threatened or reasonably anticipated against the Company relating to any Company Associate, employment agreement or Company Employee Plan (other than routine claims for benefits). To the Knowledge of the Company, there are no pending or threatened or reasonably anticipated claims or actions against the Company, any Company trustee under any workers' compensation policy or long-term disability policy. The Company is not party to a conciliation agreement, consent decree or other agreement or Order with any federal, state, or local agency or Governmental Authority with respect to employment practices.

(q) Section 2.17(q) of the Company Disclosure Schedule lists all liabilities of the Company to any current Company Associate that result from the termination by the Company of such Company Associate's employment or provision of services, a change of control of the Company, or a combination thereof. The Company has no material liability with respect to any misclassification of: (a) any Person as an independent contractor rather than as an employee, (b) any Company Associate leased from another employer, or (c) any Company Associate currently or formerly classified as exempt from overtime wages. The Company has not taken any action which would constitute a "plant closing" or "mass layoff" within the meaning of the WARN Act or similar state or local law, issued any notification of a plant closing or mass layoff required by the WARN Act or similar state or local law, or incurred any liability or obligation under WARN or any similar state or local law that remains unsatisfied. No terminations of employees of the Company prior to the Closing would trigger any notice or other obligations under the WARN Act or similar state or local law.

(r) There has never been, nor has there been any threat of, any strike, slowdown, work stoppage, lockout, job action, union, organizing activity, question concerning representation or any similar activity or dispute, affecting the Company. No event has occurred, and no condition or circumstance exists, that might directly or indirectly be likely to give rise to or provide a basis for the commencement of any such strike, slowdown, work stoppage, lockout, job action, union organizing activity, question concerning representation or any similar activity or dispute.

(s) The Company is not, and the Company has not been, engaged in any unfair labor practice within the meaning of the National Labor Relations Act. There is no Legal Proceeding, claim, labor dispute or grievance pending or, to the Knowledge of the Company, threatened or reasonably anticipated relating to any employment contract, privacy right, labor dispute, wages and hours, leave of absence, plant closing notification, workers' compensation policy, long-term disability policy, harassment, retaliation, immigration, employment statute or regulation, safety or discrimination matter involving any Company Associate, including charges of unfair labor practices or discrimination complaints.

(t) There is no contract, agreement, plan or arrangement to which the Company is a party or by which it is bound to compensate any of its employees for excise taxes paid pursuant to Section 4999 of the Code, Section 409A of the Code or otherwise.

2.18 Environmental Matters. Since January 1, 2016, the Company has complied with all applicable Environmental Laws, which compliance includes the possession by the Company of all permits and other Governmental Authorizations required under applicable Environmental Laws and compliance with the terms and conditions thereof, except for any failure to be in compliance that,

individually or in the aggregate, would not result in a Company Material Adverse Effect. The Company has not received since January 1, 2016, any written notice or other communication (in writing or otherwise), whether from a Governmental Authority, citizens group, employee or otherwise, that alleges that the Company is not in compliance with any Environmental Law and, to the Knowledge of the Company, there are no circumstances that may prevent or interfere with the Company's compliance with any Environmental Law in the future, except where such failure to comply would not reasonably be expected to have a Company Material Adverse Effect. To the Knowledge of the Company: (i) no current or prior owner of any property leased or controlled by the Company has received since January 1, 2016, any written notice or other communication relating to property owned or leased at any time by the Company, whether from a Governmental Authority, citizens group, employee or otherwise, that alleges that such current or prior owner or the Company is not in compliance with or violated any Environmental Law relating to such property and (ii) the Company has no material liability under any Environmental Law.

2.19 Insurance. The Company has delivered to Milan accurate and complete copies of all material insurance policies and all material self-insurance programs and arrangements relating to the business, assets, liabilities and operations of the Company. Each of such insurance policies is in full force and effect and the Company is in compliance in all material respects with the terms thereof. Except as set forth on Section 2.19 of the Company Disclosure Schedule, since January 1, 2016, the Company has not made any claim under any such insurance policy. Other than customary end of policy notifications from insurance carriers, since January 1, 2016, the Company has not received any notice or other communication regarding any actual or possible: (i) cancellation or invalidation of any insurance policy; or (ii) refusal or denial of any coverage, reservation of rights or rejection of any material claim under any insurance policy. The Company has provided timely written notice to the appropriate insurance carrier(s) of each Legal Proceeding pending against the Company for which the Company has insurance coverage, and no such carrier has issued a denial of coverage or a reservation of rights with respect to any such Legal Proceeding, or informed the Company of its intent to do so.

2.20 No Financial Advisors. Except as set forth on Section 2.20 of the Company Disclosure Schedule, no broker, finder or investment banker is entitled to any brokerage fee, finder's fee, opinion fee, success fee, transaction fee, service fee or other fee, commission or expense in connection with the Contemplated Transactions based upon arrangements made by or on behalf of the Company.

2.21 Related Party Transactions. Except as set forth in the Company SEC Documents filed prior to the date of this Agreement, since the date of the Company's last proxy statement filed in 2018 with the SEC, no event has occurred that would be required to be reported by the Company pursuant to Item 404 of Regulation S-K promulgated by the SEC. Section 2.21 of the Company Disclosure Schedule identifies each Person who is (or who may be deemed to be) an Affiliate of the Company as of the date of this Agreement.

2.22 No Other Representations or Warranties. The Company hereby acknowledges and agrees that, except for the representations and warranties contained in this Agreement, neither Milan nor any other person on behalf of Milan makes any express or implied representation or warranty with respect to Milan or with respect to any other information provided to the Company, any of its stockholders or any of their respective Affiliates in connection with the transactions contemplated hereby, and (subject to the express representations and warranties of Milan set forth in Section 3 (in each case as qualified and limited by the Milan Disclosure Schedule)) none of the Company or any of its Representatives or stockholders, has relied on any such information (including the accuracy or completeness thereof).

SECTION 3. REPRESENTATIONS AND WARRANTIES OF MILAN AND MERGER SUB

Subject to Section 10.13(h), except as set forth in the written disclosure schedule delivered by Milan to the Company (the "***Milan Disclosure Schedule***"), Milan and Merger Sub represent and warrant on a joint and several basis to the Company as follows:

3.1 Due Organization; Subsidiaries.

(a) Each of Milan and its Subsidiaries is a corporation or other legal entity duly incorporated or otherwise organized, validly existing and, to the extent applicable in such jurisdiction, in good standing under the laws of the jurisdiction of its incorporation or organization and has all necessary power and authority: (i) to conduct its business in the manner in which its business is currently being conducted; (ii) to own or lease and use its property and assets in the manner in which its property and assets are currently owned or leased and used; and (iii) to perform its obligations under all Contracts by which it is bound. Since the date of their respective incorporation, neither HoldCo nor Merger Sub have engaged in any activities other than in connection with or as contemplated by this Agreement.

(b) To the extent such concept or a similar concept exists in the relevant jurisdiction, each of Milan and its Subsidiaries are licensed and qualified to do business, and is in good standing (to the extent applicable in such jurisdiction), under the laws of all jurisdictions where the nature of its business requires such licensing or qualification other than in jurisdictions where the failure to be so qualified individually or in the aggregate would not be reasonably expected to have a Milan Material Adverse Effect.

(c) Milan has no Subsidiaries, except for the Entities identified in Section 3.1(c) of the Milan Disclosure Schedule; and neither Milan nor any of the Entities identified in Section 3.1(c) of the Milan Disclosure Schedule owns any capital stock of, or any equity, ownership or profit sharing interest of any nature in, or controls directly or indirectly, any other Entity other than the Entities identified in Section 3.1(c) of the Milan Disclosure Schedule. Milan is not and has not otherwise been, directly or indirectly, a party to, member of or participant in any partnership, joint venture or similar business entity. Neither Milan nor any of its Subsidiaries has agreed or is obligated to make, or is bound by any Contract under which it may become obligated to make, any future investment in or capital contribution to any other Entity. Neither Milan nor any of its Subsidiaries has, at any time, been a general partner of, or has otherwise been liable for any of the debts or other obligations of, any general partnership, limited partnership or other Entity.

3.2 Organizational Documents. Milan has delivered to the Company accurate and complete copies of the Organizational Documents of Milan and each of its Subsidiaries. Neither Milan nor any of its Subsidiaries is in breach or violation of its Organizational Documents in any material respect.

3.3 Authority; Binding Nature of Agreement. Milan and each of its Subsidiaries have all necessary corporate power and authority to enter into and to perform its obligations under this Agreement and to consummate the Contemplated Transactions. The Milan Board (at meetings duly called and held) has: (a) determined that the Contemplated Transactions are fair to, advisable and in the best interests of Milan and its shareholders; (b) approved and declared advisable this Agreement and the Contemplated Transactions, including (i) the allotment and issuance by Milan of Milan Ordinary Shares, to be held by or on behalf of the Depositary in accordance with the terms of the Deposit Agreement; (ii) the issuance by the Depositary of Milan Depositary Shares representing such Milan Depositary Shares; and (iii) the grant of Milan CVRs, each representing the right to receive a contingent payment upon the achievement of certain milestones set forth in, and subject to and in accordance with the terms and conditions of the CVR Agreement, to the stockholders of the Company pursuant to the terms of this Agreement. The Merger Sub Board (by unanimous written consent) has: (x) determined that the Contemplated Transactions are fair to, advisable, and in the best interests of Merger Sub and its sole stockholder; (y) deemed advisable and approved this Agreement and the

Contemplated Transactions; and (z) determined to recommend, upon the terms and subject to the conditions set forth in this Agreement, that the stockholder of Merger Sub vote to adopt this Agreement and thereby approve the Contemplated Transactions. The HoldCo Board (by unanimous written consent) has: (x) determined that the Contemplated Transactions are fair to, advisable, and in the best interests of HoldCo and its sole stockholder; (y) deemed advisable and approved this Agreement and the Contemplated Transactions; and (z) determined to recommend, upon the terms and subject to the conditions set forth in this Agreement, that the stockholder of HoldCo vote to adopt this Agreement and thereby approve the Contemplated Transactions. HoldCo, acting in its capacity as the sole stockholder of Merger Sub, has approved the execution, delivery and performance by Merger Sub of this Agreement and the Contemplated Transactions. This Agreement has been duly executed and delivered by Milan, HoldCo and Merger Sub and, assuming the due authorization, execution and delivery by the Company, constitutes the legal, valid and binding obligation of Milan, HoldCo and Merger Sub, enforceable against each of Milan, HoldCo and Merger Sub in accordance with its terms, subject to the Enforceability Exceptions. Prior to the execution of the Milan Shareholder Support Agreements, the Milan Board approved the Milan Shareholder Support Agreements and the transactions contemplated thereby.

3.4 Shareholder Vote. The affirmative vote of the holders of at least 75% or a majority, as applicable, of the Milan Ordinary Shares entitled to vote and voting thereon is the only vote of the holders of any class or series of Milan's share capital that would be necessary to approve the Milan Shareholder Matters (the "***Required Milan Shareholder Vote***").

3.5 Non-Contravention; Consents.

(a) Subject to obtaining the Required Milan Shareholder Vote and the filing of the Certificate of Merger required by the DGCL, neither (x) the execution, delivery or performance of this Agreement by Milan, HoldCo or Merger Sub, nor (y) the consummation of the Contemplated Transactions, will directly or indirectly (with or without notice or lapse of time):

(i) contravene, conflict with or result in a violation of any of the provisions of the Organizational Documents of Milan, HoldCo or Merger Sub;

(ii) contravene, conflict with or result in a material violation of, or give any Governmental Authority or other Person the right to challenge the Contemplated Transactions or to exercise any remedy or obtain any relief under, any Law or any Order to which Milan or its Subsidiaries or any of the assets owned or used by Milan or its Subsidiaries, is subject;

(iii) contravene, conflict with or result in a material violation of any of the terms or requirements of, or give any Governmental Authority the right to revoke, withdraw, suspend, cancel, terminate or modify, any Governmental Authorization that is held by Milan or its Subsidiaries or that otherwise relates to the business of Milan or its Subsidiaries, or any of the assets owned, leased or used by Milan or its Subsidiaries;

(iv) contravene, conflict with or result in a violation or breach of, or result in a default under, any provision of any Milan Material Contract, or give any Person the right to: (A) declare a default or exercise any remedy under any Milan Material Contract; (B) any material payment, rebate, chargeback, penalty or change in delivery schedule under any such Milan Material Contract; (C) accelerate the maturity or performance of any Milan Material Contract; or (D) cancel, terminate or modify any term of any Milan Material Contract, except in the case of any non-material breach, default, penalty or modification; or

(v) result in the imposition or creation of any Encumbrance upon or with respect to any asset owned or used by Milan or its Subsidiaries (except for Permitted Encumbrances).

(b) Except for (i) any Consent set forth on Section 3.5 of the Milan Disclosure Schedule under any Milan Contract, (ii) the Required Milan Shareholder Vote, (iii) the filing of the Certificate of Merger

with the Secretary of State of the State of Delaware pursuant to the DGCL and appropriate corresponding documents with the appropriate authorities of other states in which Milan is qualified as a foreign corporation to transact business, (iv) such consents, waivers, approvals, orders, authorizations, registrations, declarations, announcements and filings as may be required under applicable securities laws and regulations (including the AIM Rules and the requirements of the London Stock Exchange) or in connection with the performance of the Company's obligations under Section 5.1(a) and (v) the admission of the Milan Ordinary Shares underlying the Milan Depositary Shares to trading on AIM, Milan was not, is not, and will not be required to make any filing with or give any notice to, or to obtain any Consent from, any Person in connection with (x) the execution, delivery or performance of this Agreement, or (y) the consummation of the Contemplated Transactions.

(c) The Milan Board and the Merger Sub Board have taken and will take all actions necessary to ensure that the restrictions applicable to business combinations contained in Section 203 of the DGCL are, and will be, inapplicable to the execution, delivery and performance of this Agreement and the Milan Shareholder Support Agreements and to the consummation of the Contemplated Transactions. No other state takeover statute or similar Law applies or purports to apply to the Merger, this Agreement, the Milan Shareholder Support Agreements or any of the Contemplated Transactions.

3.6 Capitalization.

(a) The issued share capital of Milan consists of 71,240,272 Milan Ordinary Shares, par value £0.003 per share, as of November 30, 2018 (the "***Capitalization Date***"). The Milan Board is generally and unconditionally authorized to allot an additional 65,166,690 Milan Ordinary Shares as of the Capitalization Date. Milan does not hold any shares of its share capital in its treasury.

(b) All of the outstanding Milan Ordinary Shares have been duly authorized and validly issued, and are fully paid and are free of any Encumbrances. None of the outstanding Milan Ordinary Shares are entitled or subject to any right of participation, right of maintenance or any similar right other than pre-emption rights in respect of issues of such shares for cash. None of the outstanding Milan Ordinary Shares are subject to any right of first refusal in favor of Milan. Except as contemplated herein, there is no Milan Contract relating to the voting or registration of, or restricting any Person from purchasing, selling, pledging or otherwise disposing of (or granting any option or similar right with respect to), any Milan Ordinary Shares. Milan is not under any obligation, nor is Milan bound by any Contract pursuant to which it may become obligated, to repurchase, redeem or otherwise acquire any outstanding Milan Ordinary Shares or other securities. Section 3.6(b) of the Milan Disclosure Schedule accurately and completely lists all repurchase rights held by Milan with respect to Milan Ordinary Shares (including shares issued pursuant to the exercise of share options) and specifies which of those repurchase rights are currently exercisable.

(c) Except as set forth on Section 3.6(b) of the Milan Disclosure Schedule, Milan does not have any share option plan or any other plan, program, agreement or arrangement providing for any equity-based compensation for any Person. As of the date of this Agreement, Milan has granted options over 13,576,144 Milan Ordinary Shares, of which options over 12,179,131 Milan Ordinary Shares remain outstanding.

(d) Except for the outstanding Milan Options set forth on Section 3.6(c) of the Milan Disclosure Schedule, there is no: (i) outstanding subscription, option, call, warrant or right (whether or not currently exercisable) to acquire any shares of the share capital or other securities of Milan or any of its Subsidiaries; (ii) outstanding security, instrument or obligation that is or may become convertible into or exchangeable for any shares of the share capital or other securities of Milan or any of its Subsidiaries; (iii) shareholder rights plan (or similar plan commonly referred to as a "poison pill") or Contract under which Milan or any of its Subsidiaries is or may become obligated to sell or otherwise issue any shares of its share capital or any other securities; or (iv) condition or circumstance that may give rise to or provide a basis for the assertion of a claim by any Person to the effect that such Person

is entitled to acquire or receive any share capital or other securities of Milan or any of its Subsidiaries. There are no outstanding or authorized stock appreciation, phantom stock, profit participation or other similar rights with respect to Milan or any of its Subsidiaries.

(e) All outstanding Milan Ordinary Shares, Milan Options, Milan RSUs and other securities of Milan have been issued and granted in compliance with (i) all applicable securities laws and other applicable Law, and (ii) all requirements set forth in applicable Contracts.

3.7 Regulatory Filings; Financial Statements.

(a) Milan has filed or furnished, as applicable, on a timely basis all forms, statements, announcements, reports and documents required to be filed or furnished by it with the AIM team of the London Stock Exchange and any Regulatory Information Service ("**RIS**") under applicable Law since June 9, 2016 (the "***Milan Regulatory Documents***"). As of its filing date (or, if amended or superseded by a filing prior to the date of this Agreement, then on the date of such filing), each of the Milan Regulatory Documents complied in all respects with the applicable requirements of the AIM Rules, the UK Companies Act 2006, the EU Market Abuse Regulation (Regulation EU No. 596/2014) ("***MAR***") and the UK Disclosure, Guidance and Transparency Rules and, to Milan's Knowledge, as of the time they were filed, none of the Milan Regulatory Documents contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. As used in this Section 3.7, the term "file" and variations thereof shall be broadly construed to include any manner in which a document or information is furnished, supplied or otherwise made available to AIM, a RIS or otherwise in accordance with the AIM Rules.

(b) The financial statements (including any related notes) contained or incorporated by reference in the Milan Regulatory Documents: (i) have been prepared in accordance with IFRS, applied on a consistent basis unless otherwise noted therein throughout the periods indicated; and (ii) give a true and fair view, in all material respects, of the financial position of Milan as of the respective dates thereof and the results of operations and cash flows of Milan for the periods covered thereby. Since June 9, 2016, other than as expressly disclosed in the Milan Regulatory Documents filed prior to the date hereof, there has been no material change in Milan's accounting methods or principles that would be required to be disclosed in Milan's financial statements in accordance with IFRS. The statutory books and books of account required by applicable Law to be maintained by Milan and each of its Subsidiaries are true and complete in all material respects.

(c) Milan's auditor has at all times since June 9, 2016 been an independent auditor with respect to Milan within the meaning of the guidelines on independence issued by the Institute of Chartered Accountants in England and Wales.

(d) Since June 9, 2016, there have been no formal internal investigations regarding financial reporting or accounting policies and practices discussed with, reviewed by or initiated at the direction of the chief executive officer, chief financial officer, or general counsel of Milan, the Milan Board or any committee thereof, other than ordinary course audits or reviews of accounting policies and practices or internal controls required or permitted by applicable Law or IFRS.

(e) Milan is in compliance with the AIM Rules.

(f) Milan maintains a system of internal control over financial reporting that is sufficient to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS, including policies and procedures sufficient to provide reasonable assurance (i) that Milan maintains records that in reasonable detail accurately and fairly reflect Milan's transactions and dispositions of assets, (ii) that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, (iii) that receipts and expenditures are made only in accordance with authorizations of management and the

Milan Board, and (iv) regarding prevention or timely detection of the unauthorized acquisition, use or disposition of Milan's assets that could have a material effect on Milan's financial statements. Milan has disclosed to Milan's auditors and the Audit Committee of the Milan Board (and made available to the Company a summary of the significant aspects of such disclosure) (A) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting that are reasonably likely to adversely affect Milan's ability to record, process, summarize and report financial information and (B) any fraud, whether or not material, that involves management or other employees who have a significant role in Milan's or its Subsidiaries' internal control over financial reporting. Except as disclosed in the Milan Regulatory Documents filed prior to the date hereof, Milan has not identified any material weaknesses in the design or operation of Milan's internal control over financial reporting.

(g) Milan maintains processes reasonably designed to ensure that all information (both financial and non-financial) required to be disclosed by Milan in the Milan Regulatory Documents is recorded, processed, summarized and reported within the time periods specified in the AIM Rules, UK Companies Act 2006, MAR or UK Disclosure, Guidance and Transparency Rules, as applicable, and that all such information is accumulated and communicated to Milan's management as appropriate to allow timely decisions regarding required disclosure.

3.8 Absence of Changes. Except as set forth on Section 3.8 of the Milan Disclosure Schedule, between June 30, 2018 and the date of this Agreement, Milan has conducted its business only in the Ordinary Course of Business (except for the execution and performance of this Agreement and the discussions, negotiations and transactions related thereto) and there has not been any (a) Milan Material Adverse Effect or (b) action, event or occurrence that would have required consent of the Company pursuant to Section 4.1(b) of this Agreement had such action, event or occurrence taken place after the execution and delivery of this Agreement.

3.9 Absence of Undisclosed Liabilities. Neither Milan nor any of its Subsidiaries has any Liability of a type required to be reflected or reserved for on a balance sheet prepared in accordance with IFRS, except for: (a) Liabilities disclosed, reflected or reserved against in the Milan Unaudited Interim Balance Sheet; (b) normal and recurring current Liabilities that have been incurred by Milan or its Subsidiaries since the date of the Milan Unaudited Interim Balance Sheet in the Ordinary Course of Business (none of which relates to any breach of contract, breach of warranty, tort, infringement, or violation of Law); (c) Liabilities for performance of obligations of Milan or any of its Subsidiaries under Milan Contracts; (d) Liabilities incurred in connection with the Contemplated Transactions; and (e) Liabilities listed in Section 3.9 of the Milan Disclosure Schedule.

3.10 Title to Assets. Each of Milan and its Subsidiaries owns, and has good and valid title to, or, in the case of leased properties and assets, valid leasehold interests in, all tangible properties or assets and equipment used or held for use in its business or operations or purported to be owned by it, including: (a) all assets reflected on the Milan Unaudited Interim Balance Sheet; and (b) all other assets reflected in the books and records of Milan or any of its Subsidiaries as being owned by Milan or such Subsidiary. All of such assets are owned or, in the case of leased assets, leased by Milan or any of its Subsidiaries free and clear of any Encumbrances, other than Permitted Encumbrances.

3.11 Real Property; Leasehold. Neither Milan nor any of its Subsidiaries owns or has ever owned any real property. Milan has made available to the Company (a) an accurate and complete list of all real properties with respect to which Milan directly or indirectly holds a valid leasehold interest as well as any other real estate that is in the possession of or leased by Milan or any of its Subsidiaries, and (b) copies of all leases under which any such real property is possessed (the "***Milan Real Estate Leases***"), each of which is in full force and effect, with no existing material default thereunder.

3.12 Intellectual Property.

(a) Milan, directly or through any of its Subsidiaries, owns, or has the right to use, as currently being used by Milan or its Subsidiaries, all Milan IP Rights, and with respect to Milan IP Rights that are owned by Milan or its Subsidiaries, has the right to bring actions for the infringement of such Milan IP Rights, except for any failure to own or have the right to use or bring actions that would not, individually or in the aggregate, reasonably be expected to have a Milan Material Adverse Effect.

(b) Section 3.12(b) of the Milan Disclosure Schedule is an accurate, true and complete listing of all Milan Registered IP.

(c) Section 3.12(c) of the Milan Disclosure Schedule accurately identifies all material Milan Contracts pursuant to which Milan IP Rights are licensed to Milan or any of its Subsidiaries (other than (i) any non-customized software that (A) is so licensed solely in executable or object code form pursuant to a non-exclusive, internal use software license and other Intellectual Property associated with such software and (B) is not incorporated into, or material to the development, manufacturing, or commercialization of, any of Milan's or any of its Subsidiaries' products or services, (ii) any Intellectual Property licensed on a non-exclusive basis ancillary to the purchase or use of equipment, reagents or other materials and (iii) any confidential information provided under confidentiality agreements).

(d) Section 3.12(d) of the Milan Disclosure Schedule accurately identifies each material Milan Contract pursuant to which any Person has been granted any license or covenant not to sue under, or otherwise has received or acquired any right (whether or not currently exercisable) or interest in, any Milan IP Rights (other than (i) any confidential information provided under confidentiality agreements and (ii) any Milan IP Rights non-exclusively licensed to suppliers or service providers for the sole purpose of enabling such supplier or service providers to provide services for Milan's or any of its Subsidiaries' benefit).

(e) Except as would not, individually or in the aggregate, reasonably be expected to have a Milan Material Adverse Effect, neither Milan nor any of its Subsidiaries is bound by, and no Milan IP Rights owned by Milan or any of its Subsidiaries are subject to, any Contract containing any covenant or other provision that in any way limits or restricts the ability of Milan or any of its Subsidiaries to use, exploit, assert, or enforce any such Milan IP Rights anywhere in the world, in each case, in a manner that would limit the business of Milan as conducted or planned to be conducted.

(f) Except as would not, individually or in the aggregate, reasonably be expected to have a Milan Material Adverse Effect, Milan or one of its Subsidiaries exclusively owns all right, title, and interest to and in all Milan IP Rights owned or purported to be owned by Milan or any of its Subsidiaries, free and clear of any Encumbrances (other than Permitted Encumbrances).

(g) Except as would not, individually or in the aggregate, reasonably be expected to have a Milan Material Adverse Effect, Milan and each of its Subsidiaries has taken reasonable steps to maintain the confidentiality of and otherwise protect and enforce its rights in all proprietary information that Milan or such Subsidiary holds, or purports to hold, as confidential or a trade secret.

(h) Except as would not, individually or in the aggregate, reasonably be expected to have a Milan Material Adverse Effect, the manufacture, marketing, license, offering for sale, sale, importation, use or intended use or other disposal of any product or technology currently licensed or sold or under development by Milan or any of its Subsidiaries (i) does not violate any license or agreement between Milan or its Subsidiaries and any third party, and (ii) to the Knowledge of Milan, does not infringe, misappropriate or otherwise violate any valid Intellectual Property right of any other party. Except as would not, individually or in the aggregate, reasonably be expected to have a Milan Material Adverse Effect, to the Knowledge of Milan, no third party is infringing upon, misappropriating or otherwise violating any Milan IP Rights or violating any license or agreement with Milan or its Subsidiaries relating to any Milan IP Rights.

(i) Except as would not, individually or in the aggregate, reasonably be expected to have a Milan Material Adverse Effect, to the Knowledge of Milan, there is no current or pending or threatened Legal Proceeding (including, but not limited to, opposition, interference or other proceeding in any patent or other government office) (i) contesting the validity, enforceability, claim construction, ownership or right to use, sell, offer for sale, license or dispose of any Milan IP Rights or (ii) alleging that any Milan IP Rights or the proposed use, sale, offer for sale, license or disposition of products, methods, or processes claimed or covered thereunder conflicts with or infringes, misappropriates or otherwise violates or will conflict with or infringe, misappropriate or otherwise violate the rights of any other Person or that Milan or any of its Subsidiaries have otherwise infringed, misappropriated or otherwise violated any Intellectual Property of any Person. Except as would not, individually or in the aggregate, reasonably be expected to have a Milan Material Adverse Effect, none of the Milan IP Rights is subject to any outstanding order of, judgment of, decree of or agreement with any Governmental Authority that limits the ability of Milan to exploit any Milan IP Rights.

(j) Except as would not, individually or in the aggregate, reasonably be expected to have a Milan Material Adverse Effect, to the Knowledge of Milan, all Milan Registered IP is valid and enforceable.

(k) Neither Milan nor any of its Subsidiaries is party to any Contract that, as a result of such execution, delivery and performance of this Agreement, will cause the grant of any license or other right to any Milan IP Rights, result in breach of, default under or termination of such Contract with respect to any Milan IP Rights, or impair the right of Milan or its Subsidiaries to use, sell or license or enforce any Milan IP Rights or portion thereof, except for any such grant or impairment that would not individually or in the aggregate, reasonably be expected to result in a Milan Material Adverse Effect.

3.13 Agreements, Contracts and Commitments. Section 3.13 of the Milan Disclosure Schedule identifies each Milan Contract that is in effect as of the date of this Agreement and is (a) a material contract as defined in Item 601(b)(10) of Regulation S-K as promulgated under the Securities Act, (b) a Contract to which Milan or its Subsidiaries is a party or by which any of their respective assets and properties is currently bound, which, pursuant to the express terms thereof, requires annual obligations of payment by, or annual payments to, Milan in excess of $500,000, (c) a Milan Real Estate Lease, (d) a Milan Contract requiring payment by or to Milan or its Subsidiaries after the date of this Agreement in excess of $500,000 pursuant to its express terms relating to: (i) any distribution agreement (identifying any that contain exclusivity provisions), (ii) any agreement involving provision of services or products with respect to any pre-clinical or clinical development activities of Milan or its Subsidiaries, (iii) any dealer, distributor, joint marketing, alliance, joint venture, cooperation, development or other agreement currently in force under which Milan or its Subsidiaries has continuing obligations to develop or market any product, technology or service, in each case, except for Milan Contracts entered into in the Ordinary Course of Business, or (e) a Contract disclosed in or required to be disclosed in Section 3.12(b) or Section 3.12(d) of the Milan Disclosure Schedule. Milan has delivered or made available to the Company accurate and complete copies of all Contracts to which Milan is a party or by which it is bound of the type described in clauses (a)–(e) of the immediately preceding sentence (any such Contract, a "***Milan Material Contract***"), including all amendments thereto. There are no Milan Material Contracts that are not in written form. Neither Milan nor any of its Subsidiaries has, nor to Milan's Knowledge as of the date of this Agreement, has any other party to a Milan Material Contract, breached, violated or defaulted under, or received notice that it breached, violated or defaulted under, any of the terms or conditions of any Milan Material Contract in such manner as would permit any other party to cancel or terminate any such Milan Material Contract, or would permit any other party to seek damages which would reasonably be expected to have a Milan Material Adverse Effect. As to Milan and its Subsidiaries, as of the date of this Agreement, each Milan Material Contract is valid, binding, enforceable and in full force and effect, subject to the Enforceability Exceptions. No Person is renegotiating, or has a right pursuant to the terms of any Milan Material

Contract to change, any material amount paid or payable to Milan under any Milan Material Contract or any other material term or provision of any Milan Material Contract.

3.14 Compliance; Permits; Restrictions.

(a) Milan and each of its Subsidiaries are, and since January 1, 2016, have been, in compliance in all material respects with all applicable Laws. No investigation, claim, suit, proceeding, audit or other action by any Governmental Authority is pending or, to the Knowledge of Milan, threatened against Milan or any of its Subsidiaries. There is no agreement or Order binding upon Milan or any of its Subsidiaries which (i) has or would reasonably be expected to have the effect of prohibiting or materially impairing any business practice of Milan or any of its Subsidiaries, any acquisition of material property by Milan or any of its Subsidiaries or the conduct of business by Milan or any of its Subsidiaries as currently conducted, (ii) is reasonably likely to have an adverse effect on Milan's ability to comply with or perform any covenant or obligation under this Agreement, or (iii) is reasonably likely to have the effect of preventing, delaying, making illegal or otherwise interfering with the Contemplated Transactions.

(b) Each of Milan and its Subsidiaries holds all required Governmental Authorizations that are material to the operation of the business of Milan and its Subsidiaries as currently conducted (collectively, the "***Milan Permits***"). Section 3.14(b) of the Milan Disclosure Schedule identifies each Milan Permit. Each of Milan and its Subsidiaries is in material compliance with the terms of the Milan Permits. No Legal Proceeding is pending or, to the Knowledge of Milan, threatened, which seeks to revoke, limit, suspend, or materially modify any Milan Permit. The rights and benefits of each Milan Permit will be available to Milan and Surviving Corporation or its Subsidiaries, as applicable, immediately after the Effective Time on terms substantially identical to those enjoyed by Milan and its Subsidiaries as of the date of this Agreement and immediately prior to the Effective Time.

(c) There are no Legal Proceedings pending or, to the Knowledge of Milan, threatened with respect to an alleged material violation by Milan of the FDCA, FDA regulations adopted thereunder, the Controlled Substance Act or any other similar Law promulgated by a Drug Regulatory Agency.

(d) Milan and each of its Subsidiaries holds all required Governmental Authorizations issuable by any Drug Regulatory Agency necessary for the conduct of the business of Milan or such Subsidiary as currently conducted, and, as applicable, the development, clinical testing, manufacturing, marketing, distribution and importation or exportation, as currently conducted, of any of its products or product candidates (the "***Milan Product Candidates***", and such required Governmental Authorizations, the "***Milan Regulatory Permits***") and no such Milan Regulatory Permit has been (i) revoked, withdrawn, suspended, cancelled or terminated or (ii) modified in any adverse manner other than immaterial adverse modifications. Milan and each of its Subsidiaries are in compliance in all material respects with the Milan Regulatory Permits and neither Milan nor any of its Subsidiaries has received any written notice or other written communication from any Drug Regulatory Agency regarding (A) any material violation of or failure to comply materially with any term or requirement of any Milan Regulatory Permit or (B) any revocation, withdrawal, suspension, cancellation, termination or material modification of any Milan Regulatory Permit. Except for the information and files identified in Section 3.14(d) of the Milan Disclosure Schedule, Milan has made available to the Company all information requested by the Company in Milan's or its Subsidiaries' possession or control relating to the Milan Product Candidates and the development, clinical testing, manufacturing, importation and exportation of the Milan Product Candidates, including complete copies of the following (to the extent there are any): (x) serious adverse event reports; clinical study reports and material study data; inspection reports, notices of adverse findings, warning letters, filings and letters and other material written correspondence to and from any Drug Regulatory Agency; and meeting minutes with any Drug Regulatory Agency; and (y) similar reports, material study data, notices, letters, filings, correspondence and meeting minutes with any other Governmental Authority, in each case to the extent material.

(e) All clinical, pre-clinical and other studies and tests conducted by or on behalf of, or sponsored by, Milan or its Subsidiaries or in which Milan or its Subsidiaries or their respective current products or product candidates, including the Milan Product Candidates, have participated have been, since the date of Milan's acquisition of such product or product candidate and, if still pending, are being conducted in all material respects in accordance with standard medical and scientific research procedures and in compliance in all material respects with the applicable regulations of the Drug Regulatory Agencies and other applicable Law, including 21 C.F.R. Parts 50, 54, 56, 58 and 312. Other than as set forth on Section 3.14(e) of the Milan Disclosure Schedule, since January 1, 2016, neither Milan nor any of its Subsidiaries has received any notices, correspondence, or other communications from any Drug Regulatory Agency requiring or, to the Knowledge of Milan, threatening to initiate, the termination or suspension of any clinical studies conducted by or on behalf of, or sponsored by, Milan or any of its Subsidiaries or in which Milan or any of its Subsidiaries or their respective current products or product candidates, including the Milan Product Candidates, have participated since the date of Milan's acquisition of such product or product candidate.

(f) Neither Milan nor any of its Subsidiaries is the subject of any pending or, to the Knowledge of Milan, threatened investigation in respect of its business or products by the FDA pursuant to its "Fraud, Untrue Statements of Material Facts, Bribery, and Illegal Gratuities" Final Policy set forth in 56 Fed. Reg. 46191 (September 10, 1991) and any amendments thereto. To the Knowledge of Milan, neither Milan nor any of its Subsidiaries has committed any acts, made any statement, or failed to make any statement, in each case in respect of its business or products that would violate the FDA's "Fraud, Untrue Statements of Material Facts, Bribery, and Illegal Gratuities" Final Policy, and any amendments thereto. None of Milan, any of its Subsidiaries, or any of their respective officers, employees or agents has been convicted of any crime or engaged in any conduct that could result in a debarment or exclusion (i) under 21 U.S.C. Section 335a or (ii) any similar applicable Law. To the Knowledge of Milan, no debarment or exclusionary claims, actions, proceedings or investigations in respect of their business or products are pending or threatened against Milan or any of its Subsidiaries or any of their respective officers, employees or agents.

3.15 Legal Proceedings; Orders.

(a) Except as set forth in Section 3.15 of the Milan Disclosure Schedule, there is no pending Legal Proceeding and, to the Knowledge of Milan, no Person has threatened in writing to commence any Legal Proceeding: (i) that involves Milan or any of its Subsidiaries, any Milan Associate (in his or her capacity as such) or any of the material assets owned or used by Milan or its Subsidiaries; or (ii) that challenges, or that may have the effect of preventing, delaying, making illegal or otherwise interfering with, the Contemplated Transactions.

(b) There is no Order to which Milan or any of its Subsidiaries, or any of the material assets owned or used by Milan or any of its Subsidiaries is subject. To the Knowledge of Milan, no officer or other Key Employee of Milan or any of its Subsidiaries is subject to any Order that prohibits such officer or employee from engaging in or continuing any conduct, activity or practice relating to the business of Milan or any of its Subsidiaries or to any material assets owned or used by Milan or any of its Subsidiaries.

3.16 Tax Matters.

(a) Milan and each of its Subsidiaries have timely filed with the appropriate Governmental Authority all income Tax Returns and other material Tax Returns that they were required to file under applicable Law. All such Tax Returns were correct and complete in all material respects and have been prepared in material compliance with all applicable Law. Subject to exceptions as would not be material, no written claim has ever been made by a Tax Authority in a jurisdiction where Milan or any of its Subsidiaries does not file Tax Returns that Milan or such Subsidiary is subject to taxation or filing obligation by that jurisdiction.

(b) All material Taxes due and owing by Milan or any of its Subsidiaries (whether or not shown on any Tax Return) have been paid. Since the date of the Milan Unaudited Interim Balance Sheet, neither Milan nor any of its Subsidiaries has incurred any material Liability for Taxes or has engaged in any transaction outside the Ordinary Course of Business or otherwise inconsistent with past custom and practice.

(c) Milan and each of its Subsidiaries has withheld and paid all material Taxes required to have been withheld and paid in connection with any amounts paid or owing to any employee, independent contractor, creditor, shareholder, or other third party.

(d) There are no Encumbrances for material Taxes (other than with respect to Taxes not yet due and payable) upon any of the assets of Milan or any of its Subsidiaries.

(e) No deficiencies for material Taxes with respect to Milan or any of its Subsidiaries have been claimed, proposed or assessed by any Governmental Authority in writing. There are no pending (or, based on written notice, threatened) material audits, assessments or other actions for or relating to any liability in respect of Taxes of Milan or any of its Subsidiaries. Neither Milan nor any of its Subsidiaries (or any of their predecessors) has waived any statute of limitations in respect of material Taxes or agreed to any extension of time with respect to a material Tax assessment or deficiency.

(f) Neither Milan nor any of its Subsidiaries is a party to any material Tax allocation, Tax sharing or similar agreement (including indemnity arrangements), other than customary indemnification provisions in commercial contracts entered into in the Ordinary Course of Business with vendors, customers, lenders or landlords.

(g) Neither Milan nor any of its Subsidiaries has ever been a member of an affiliated group filing a consolidated U.S. federal income Tax Return (other than a group the common parent of which is Milan). Neither Milan nor any of its Subsidiaries has any material Liability for the Taxes of any Person (other than Milan and any of its Subsidiaries) under Treasury Regulations Section 1.1502-6 (or any similar provision of state, local, or foreign law) or as a transferee or successor.

(h) Neither Milan nor any of its Subsidiaries has distributed stock of another Person, or had its stock distributed by another Person, in a transaction that was purported or intended to be governed in whole or in part by Section 355 of the Code or Section 361 of the Code in the last two years.

(i) Neither Milan nor any of its Subsidiaries has entered into any transaction identified as a “listed transaction” for purposes of Treasury Regulations Sections 1.6011-4(b)(2) or 301.6111-2(b)(2).

3.17 Employee and Labor Matters; Benefit Plans.

(a) Milan has made available to the Company accurate and complete copies of all employee manuals and handbooks, disclosure materials, policy statements and other materials relating to the employment of Milan Associates to the extent currently effective and material.

(b) Neither Milan nor any of its Subsidiaries is party to, bound by, or obligated to bargain under, any collective bargaining agreement or other Contract with a labor organization representing any of its employees, and there are no labor organizations representing or, to the Knowledge of Milan, purporting to represent or seeking to represent any employees of Milan or its Subsidiaries.

(c) Section 3.17(c) of the Milan Disclosure Schedule lists all material employee benefit plans and any other material written or oral plan, agreement or arrangement involving compensation or benefits, including bonus, equity-based, incentive, deferred compensation, retirement or supplemental retirement, profit sharing, severance, change in control, vacation, cafeteria, dependent care, medical care, employee assistance program, education or tuition assistance programs and other similar material fringe or employee benefit plans, programs or arrangements, including any employment or executive compensation or severance agreements, written or otherwise, which are currently in effect relating to any present or former employee or director of Milan or its Subsidiaries (or any trade or

business (whether or not incorporated) which is a Milan Affiliate) or which is maintained by, administered or contributed to by, or required to be contributed to by, Milan, any of its Subsidiaries or any Milan Affiliate, or under which Milan or any of its Subsidiaries or any Milan Affiliate has incurred or may incur any liability (each, a "***Milan Employee Plan***").

(d) With respect to each Milan Employee Plan, Milan has made available to the Company a true and complete copy of, to the extent applicable, (i) such Milan Employee Plan, and (ii) the most recent summary plan description for each Milan Employee Plan for which such description is required, along with all summaries of material modifications, amendments, resolutions in the possession of Milan.

(e) Since January 1, 2016, each Milan Employee Plan has been maintained in compliance, in all material respects, with its terms and, both as to form and operation, with all applicable Law.

(f) No Milan Employee Plan is a Multiemployer Plan, and neither Milan nor any Milan Affiliate has ever contributed to or had an obligation to contribute, or incurred any liability in respect of a contribution, to any Multiemployer Plan.

(g) No Milan Employee Plan provides for medical or other welfare benefits beyond termination of service or retirement, other than continuation coverage through the end of the month in which such termination or retirement occurs.

(h) With respect to Milan Options granted pursuant to the Milan Share Plans, each Milan Option grant was made in accordance with the terms of the Milan Share Plan pursuant to which it was granted and, to the Knowledge of Milan, all other applicable Law and regulatory rules or requirements.

(i) Milan and each of its Subsidiaries is in material compliance with all of its bonus, commission and other compensation plans and has paid any and all amounts required to be paid under such plans, including any and all bonuses and commissions (or pro rata portion thereof) that may have accrued or been earned through the calendar quarter preceding the date hereof.

(j) Milan and each of its Subsidiaries is in material compliance with all applicable foreign, federal, state and local laws, rules and regulations respecting employment, employment practices, terms and conditions of employment, worker classification, tax withholding, prohibited discrimination, equal employment, fair employment practices, meal and rest periods, immigration status, employee safety and health, wages (including overtime wages), compensation, and hours of work, and in each case, with respect to employees of Milan and its Subsidiaries: (i) has withheld and reported all material amounts required by law or by agreement to be withheld and reported with respect to wages, salaries and other payments to employees, (ii) is not liable for any arrears of wages, severance pay or any Taxes or any penalty for failure to comply with any of the foregoing, and (iii) is not liable for any material payment to any trust or other fund governed by or maintained by or on behalf of any Governmental Authority, with respect to unemployment compensation benefits, social security or other benefits or obligations for employees (other than routine payments to be made in the Ordinary Course of Business). There are no material actions, suits, claims or administrative matters pending or, to the Knowledge of Milan, threatened against Milan or any of its Subsidiaries relating to any employee, employment agreement or Milan Employee Plan (other than routine claims for benefits). To the Knowledge of Milan, there are no pending or threatened claims or actions against Milan, any of its Subsidiaries, any Milan trustee or any trustee of any Subsidiary under any workers' compensation policy or long-term disability policy. Neither Milan nor any Subsidiary thereof is party to a conciliation agreement, consent decree or other agreement or Order with any federal, state, or local agency or Governmental Authority with respect to employment practices. Neither Milan nor any of its Subsidiaries has any material liability with respect to any misclassification of: (a) any Person as an independent contractor rather than as an employee, (b) any employee leased from another employer, or (c) any employee currently or formerly classified as exempt from overtime wages.

(k) There is no pending or, to the Knowledge of Milan, threatened strike, slowdown, work stoppage, lockout, job action, union, organizing activity, question concerning representation or any similar activity or dispute, affecting Milan or any of its Subsidiaries.

(l) There is no material Legal Proceeding, claim, labor dispute or grievance pending or, to the Knowledge of Milan, threatened relating to any employment contract, privacy right, labor dispute, wages and hours, leave of absence, plant closing notification, workers' compensation policy, long-term disability policy, harassment, retaliation, immigration, employment statute or regulation, safety or discrimination matter involving any Milan Associate, including charges of unfair labor practices or discrimination complaints.

3.18 Environmental Matters. Since January 1, 2016, Milan and each of its Subsidiaries have complied with all applicable Environmental Laws, which compliance includes the possession by Milan of all permits and other Governmental Authorizations required under applicable Environmental Laws and compliance with the terms and conditions thereof, except for any failure to be in compliance that, individually or in the aggregate, would not result in a Milan Material Adverse Effect. Neither Milan nor any of its Subsidiaries has received since January 1, 2016, any written notice or other communication (in writing or otherwise), whether from a Governmental Authority, citizens group, employee or otherwise, that alleges that Milan or any of its Subsidiaries is not in compliance with any Environmental Law and, to the Knowledge of Milan, there are no circumstances that may prevent or interfere with Milan's compliance with any Environmental Law in the future, except where such failure to comply would not reasonably be expected to have a Milan Material Adverse Effect. To the Knowledge of Milan: (i) no current or prior owner of any property leased or controlled by Milan or any of its Subsidiaries has received since January 1, 2016, any written notice or other communication relating to property owned or leased at any time by Milan or any of its Subsidiaries, whether from a Governmental Authority, citizens group, employee or otherwise, that alleges that such current or prior owner or Milan or any of its Subsidiaries is not in compliance with or violated any Environmental Law relating to such property and (ii) neither Milan nor any of its Subsidiaries has any material liability under any Environmental Law.

3.19 Insurance. Milan has made available to the Company accurate and complete copies of all material insurance policies and all material self-insurance programs and arrangements relating to the business, assets, liabilities and operations of Milan and each of its Subsidiaries. Each of such insurance policies is in full force and effect and Milan and each of its Subsidiaries are in compliance in all material respects with the terms thereof. Except as set forth in Section 3.19 of the Milan Disclosure Schedule, since January 1, 2016, neither Milan nor any of its Subsidiaries has made any claim under any such insurance policy. Other than customary end of policy notifications from insurance carriers, since January 1, 2016, neither Milan nor any of its Subsidiaries has received any notice or other communication regarding any actual or possible: (i) cancellation or invalidation of any insurance policy; or (ii) refusal or denial of any coverage, reservation of rights or rejection of any material claim under any insurance policy. Milan and each of its Subsidiaries has provided timely written notice to the appropriate insurance carrier(s) of each Legal Proceeding pending against Milan or any of its Subsidiaries for which Milan or such Subsidiary has insurance coverage, and no such carrier has issued a denial of coverage or a reservation of rights with respect to any such Legal Proceeding, or informed Milan or any of its Subsidiaries of its intent to do so.

3.20 No Financial Advisors. Except as set forth on Section 3.20 of the Milan Disclosure Schedule, no broker, finder or investment banker is entitled to any brokerage fee, finder's fee, opinion fee, success fee, transaction fee, service fee or other fee, commission or expense in connection with the Contemplated Transactions based upon arrangements made by or on behalf of Milan or any of its Subsidiaries.

3.21 Related Party Transactions. Except as set forth in the Milan Regulatory Documents made publicly available prior to the date of this Agreement, since June 30, 2018, no transaction has been

entered into between Milan and any related party (as such term is defined under the AIM Rules) that would be required to be disclosed under the AIM Rules.

3.22 Valid Allotment and Issuance. The Milan Ordinary Shares underlying the Milan Depositary Shares to be allotted and issued at Closing will, when allotted and issued in accordance with the provisions of this Agreement, be validly allotted and issued and credited as fully paid up.

3.23 No Other Representations or Warranties. Milan hereby acknowledges and agrees that, except for the representations and warranties contained in this Agreement, neither the Company nor any other person on behalf of the Company makes any express or implied representation or warranty with respect to the Company or with respect to any other information provided to Milan, any of its Subsidiaries or shareholders or any of their respective Affiliates in connection with the transactions contemplated hereby, and (subject to the express representations and warranties of the Company set forth in Section 2 (in each case as qualified and limited by the Company Disclosure Schedule)) none of Milan, its Subsidiaries or any of their respective Representatives or shareholders, has relied on any such information (including the accuracy or completeness thereof).

Section 4. CERTAIN COVENANTS OF THE PARTIES

4.1 Operation of Milan's Business.

(a) Except as expressly contemplated or permitted by this Agreement, as required by applicable Law or unless the Company shall otherwise consent in writing (which consent shall not be unreasonably withheld, delayed or conditioned), during the period commencing on the date of this Agreement and continuing until the earlier to occur of the termination of this Agreement pursuant to Section 9 and the Effective Time (the "***Pre-Closing Period***"), Milan shall conduct its business and operations in the Ordinary Course of Business and in compliance with all applicable Law and the requirements of all Contracts that constitute Milan Material Contracts.

(b) Except (i) as expressly contemplated or permitted by this Agreement, (ii) as set forth in Section 4.1(b) of the Milan Disclosure Schedule, (iii) as required by applicable Law or (iv) with the prior written consent of the Company (which consent shall not be unreasonably withheld, delayed or conditioned), at all times during the Pre-Closing Period, Milan shall not:

(i) declare, accrue, set aside or pay any dividend or make any other distribution in respect of any shares of its share capital or repurchase, redeem or otherwise reacquire any shares of its share capital or other securities (except for Milan Ordinary Shares from terminated employees, directors or consultants of Milan or in connection with the vesting or exercise of any outstanding Milan Option to cover the applicable exercise price or Taxes);

(ii) sell, issue, grant, pledge or otherwise dispose of or encumber or authorize the issuance of: (A) any share capital or other security (except for Milan Ordinary Shares issued upon the valid exercise of outstanding Milan Options); (B) any option, warrant or right to acquire any share capital or any other security; or (C) any instrument convertible into or exchangeable for any share capital or other security;

(iii) except as required to give effect to anything in contemplation of the Closing, amend any of its Organizational Documents, or effect or be a party to any merger, consolidation, share exchange, business combination, recapitalization, reclassification of shares, stock split, reverse stock split or similar transaction except, for the avoidance of doubt, the Contemplated Transactions;

(iv) form any Subsidiary or acquire any equity interest or other interest in any other Entity or enter into a joint venture with any other Entity;

(v) (A) lend money to any Person, (B) incur or guarantee any indebtedness for borrowed money, (C) guarantee any debt securities of others or (D) make any capital expenditure or commitment other than in the Ordinary Course of Business;

(vi) enter into any material transaction outside the Ordinary Course of Business;

(vii) acquire any material asset or sell, lease or otherwise irrevocably dispose of any of its assets or properties, or grant any Encumbrance with respect to such assets or properties, except in the Ordinary Course of Business;

(viii) make, change or revoke any material Tax election, file any material amendment to any Tax Return, adopt or change any accounting method in respect of Taxes, enter into any closing agreement, settle any Tax claim or assessment, surrender any right to claim a Tax refund, offset or other reduction in Tax liability, consent to any extension or waiver of the limitations period applicable to any Tax claim or assessment or, if it would have an effect of increasing the Tax liability of the Company, take or omit to take any action outside the Ordinary Course of Business;

(ix) enter into, enter into any material amendment to or terminate any Milan Material Contract; or

(x) agree, resolve or commit to do any of the foregoing.

Nothing contained in this Agreement shall give the Company, directly or indirectly, the right to control or direct the operations of Milan prior to the Effective Time. Prior to the Effective Time, Milan shall exercise, consistent with the terms and conditions of this Agreement, complete unilateral control and supervision over its business operations.

4.2 Operation of the Company's Business.

(a) Except as expressly contemplated or permitted by this Agreement, as required by applicable Law or unless Milan shall otherwise consent in writing (which consent shall not be unreasonably withheld, delayed or conditioned), during the Pre-Closing Period the Company shall (i) conduct its business and operations in the Ordinary Course of Business and in compliance with all applicable Law and the requirements of all Contracts that constitute Company Material Contracts and (ii) undertake the actions set forth on Section 4.2(a) of the Company Disclosure Schedule.

(b) Except (i) as expressly contemplated or permitted by this Agreement, (ii) as set forth in Section 4.2(b) of the Company Disclosure Schedule, (iii) as required by applicable Law (including pursuant to any regulations promulgated by any Drug Regulatory Agency) or (iv) with the prior written consent of Milan (which consent shall not be unreasonably withheld, delayed or conditioned), at all times during the Pre-Closing Period, the Company shall not, nor shall it cause or permit any of its Subsidiaries to, do any of the following:

(i) declare, accrue, set aside or pay any dividend or make any other distribution in respect of any shares of capital stock; or repurchase, redeem or otherwise reacquire any shares of Company Capital Stock or other securities (except for shares of Company Common Stock from terminated employees, directors or consultants of the Company or in connection with the vesting or exercise of any outstanding Company Option to cover the applicable exercise price or Taxes);

(ii) except as required to give effect to anything in contemplation of the Closing, amend any of its or its Subsidiaries' Organizational Documents, or effect or be a party to any merger, consolidation, share exchange, business combination, recapitalization, reclassification of shares, stock split, reverse stock split or similar transaction except, for the avoidance of doubt, the Contemplated Transactions;

(iii) sell, issue, grant, pledge or otherwise dispose of or encumber or authorize any of the foregoing actions with respect to: (A) any capital stock or other security of the Company (except for shares of outstanding Company Common Stock issued upon the valid exercise of Company Options); (B) any option, warrant or right to acquire any capital stock or any other security; or (C) any instrument convertible into or exchangeable for any capital stock or other security of the Company;

(iv) form any Subsidiary or acquire any equity interest or other interest in any other Entity or enter into a joint venture with any other Entity;

(v) (A) lend money to any Person, (B) incur or guarantee any indebtedness for borrowed money, other than in the Ordinary Course of Business, (C) guarantee any debt securities of others, or (D) make any capital expenditure or commitment in excess of $200,000;

(vi) except as required by a Company Employee Plan as in effect on the date hereof, (A) adopt, establish or enter into any Company Employee Plan, collective bargaining agreement or other Contract with a labor organization representing any Company Associates; (B) cause or permit any Company Employee Plan to be amended or terminated; (C) increase the compensation or benefits provided to any Company Associate; (D) grant any severance, retention or termination pay to, enter into or amend any severance, retention, termination, employment, consulting, bonus, change in control or severance agreement with, or pay any bonus, incentive or similar payment to, any Company Associate; (E) grant any equity or equity-based awards to, or discretionarily accelerate the vesting or payment of any such awards held by, any Company Associate; or (F) hire any Company Associate;

(vii) enter into any material transaction outside the Ordinary Course of Business;

(viii) acquire any material asset or sell, lease or otherwise irrevocably dispose of any of its assets or properties, or grant any Encumbrance with respect to such assets or properties, except in the Ordinary Course of Business;

(ix) sell, assign, transfer, license, sublicense or otherwise dispose of, abandon or permit to lapse, fail to take any action to maintain, enforce or protect, or create any Encumbrance (other than Permitted Encumbrances) on, any material Company IP Rights (other than pursuant to non-exclusive licenses in the Ordinary Course of Business);

(x) make, change or revoke any material Tax election, file any material amendment to any Tax Return, adopt or change any accounting method in respect of Taxes, enter into any closing agreement, settle any Tax claim or assessment, surrender any right to claim a Tax refund, offset or other reduction in Tax liability, consent to any extension or waiver of the limitations period applicable to any Tax claim or assessment or, if it would have an effect of increasing the Tax liability of the Company, take or omit to take any action outside the Ordinary Course of Business;

(xi) enter into, amend or terminate any Company Material Contract;

(xii) (A) materially change pricing or royalties or other payments set or charged by the Company to its customers or licensees or (B) agree to materially change pricing or royalties or other payments set or charged by persons who have licensed Intellectual Property to the Company; or

(xiii) agree, resolve or commit to do any of the foregoing.

(c) Without limiting the generality of the foregoing, except (i) as required by applicable Law or (ii) with the prior written consent of Milan (which consent may be withheld in Milan's sole discretion), from the Delivery Date to the Effective Time, the Company shall not take or omit to take any action resulting in, or reasonably likely to result in, the Company's actual Net Cash balance deviating by more than $100,000 from the projections detailed in the Net Cash Calculation as of the Effective Time.

Nothing contained in this Agreement shall give Milan, directly or indirectly, the right to control or direct the operations of the Company prior to the Effective Time. Prior to the Effective Time, the Company shall exercise, consistent with the terms and conditions of this Agreement, complete unilateral control and supervision over its business operations.

4.3 Access and Investigation.

(a) Subject to the terms of the Confidentiality Agreement, which the Parties agree will continue in full force following the date of this Agreement, and any requirements of applicable Law,

during the Pre-Closing Period, upon reasonable notice, Milan, on the one hand, and the Company, on the other hand, shall and shall use commercially reasonable efforts to cause such Party's Representatives to: (a) provide the other Party and such other Party's Representatives with reasonable access during normal business hours to such Party's Representatives, personnel and assets and to all existing books, records, Tax Returns, work papers and other documents and information relating to such Party and its Subsidiaries; (b) provide the other Party and such other Party's Representatives with such copies of the existing books, records, Tax Returns, work papers, product data, and other documents and information relating to such Party and its Subsidiaries, and with such additional financial, operating and other data and information regarding such Party and its Subsidiaries as the other Party may reasonably request; and (c) permit the other Party's officers and other employees to meet, upon reasonable notice and during normal business hours, with the chief financial officer (or if there is no chief financial officer at such time, the principal financial and accounting officer for the relevant Party) and other officers and managers of such Party responsible for such Party's financial statements and the internal controls of such Party to discuss such matters as the other Party may deem necessary. Any investigation conducted by either Milan or the Company pursuant to this Section 4.3 shall be conducted in such manner as not to interfere unreasonably with the conduct of the business of the other Party.

(b) Notwithstanding anything herein to the contrary in this Section 4.3, no access or examination contemplated by this Section 4.3 shall be permitted to the extent that it would require any Party or its Subsidiaries to waive the attorney-client privilege or attorney work product privilege, or violate any applicable Law; provided, that such Party or its Subsidiary (i) shall be entitled to withhold only such information that may not be provided without causing such violation or waiver, (ii) shall provide to the other Party all related information that may be provided without causing such violation or waiver (including, to the extent permitted, redacted versions of any such information), and (iii) shall enter into such effective and appropriate joint-defense agreements or other protective arrangements as may be reasonably requested by the other Party in order that all such information may be provided to the other Party without causing such violation or waiver.

4.4 No Solicitation.

(a) Each of Milan and the Company agrees that, during the Pre-Closing Period, neither it nor any of its Subsidiaries shall, nor shall it or any of its Subsidiaries authorize any of its Representatives to, directly or indirectly: (i) solicit, initiate or knowingly encourage, induce or facilitate the communication, making, submission or announcement of any Acquisition Proposal or Acquisition Inquiry or take any action that could reasonably be expected to lead to an Acquisition Proposal or Acquisition Inquiry; (ii) furnish any non-public information regarding such Party to any Person in connection with or in response to an Acquisition Proposal or Acquisition Inquiry; (iii) engage in discussions or negotiations with any Person with respect to any Acquisition Proposal or Acquisition Inquiry; (iv) approve, endorse or recommend any Acquisition Proposal (subject to Section 5.2 and Section 5.3); or (v) execute or enter into any letter of intent or any Contract contemplating or otherwise relating to any Acquisition Transaction; *provided*, *however*, that, notwithstanding anything contained in this Section 4.4 and subject to compliance with this Section 4.4, prior to the approval of this Agreement by a Party's equityholders (*i.e.*, the Required Company Stockholder Vote, in the case of the Company, or the Required Milan Shareholder Vote, in the case of Milan), such Party may furnish non-public information regarding such Party and its Subsidiaries to, and enter into discussions or negotiations with, any Person in response to a bona fide written Acquisition Proposal by such Person which such Party's board of directors determines in good faith, after consultation with such Party's financial advisors and outside legal counsel, constitutes, or is reasonably likely to result in, a Superior Offer (and is not withdrawn) if: (A) neither such Party nor any Representative of such Party shall have breached this Section 4.4 in any material respect, (B) the board of directors of such Party concludes in good faith having consulted with its outside legal counsel, that the failure to take such action is reasonably likely to be inconsistent with the duties or obligations of the board of directors of such Party under applicable

Law; and (C) such Party receives from such Person an executed confidentiality agreement containing provisions (including nondisclosure provisions, use restrictions, non-solicitation provisions and no hire provisions) at least as favorable to such Party as those contained in the Confidentiality Agreement. Without limiting the generality of the foregoing, each Party acknowledges and agrees that, in the event any Representative of such Party takes any action that, if taken by such Party, would constitute a breach of this Section 4.4 by such Party, the taking of such action by such Representative shall be deemed to constitute a breach of this Section 4.4 by such Party for purposes of this Agreement. Nothing in this Section 4.4 shall require Milan to take any action, or prevent Milan from taking any action, with respect to which the UK Takeover Panel determines, or which Milan reasonably determines, having consulted with its outside legal counsel, that the taking of such action, or the failure to take such action, as applicable, is inconsistent with or in breach of Milan's obligations under the UK City Code. Nothing in this Section 4.4 shall require the Company to take any action, or prevent the Company from taking any action, if the Company reasonably determines, having consulted with its outside legal counsel, that the taking of such action, or the failure to take such action, as applicable, is inconsistent with or in breach of the Company's obligations under the DGCL.

(b) If any Party or any Representative of such Party receives an Acquisition Proposal or Acquisition Inquiry at any time during the Pre-Closing Period, then such Party shall, subject to any regulatory obligations of such Party under applicable Law, promptly (and in no event later than one Business Day after such Party becomes aware of such Acquisition Proposal or Acquisition Inquiry) advise the other Party orally and in writing of the receipt of an Acquisition Proposal or Acquisition Inquiry.

(c) Each Party shall immediately cease and cause to be terminated any existing discussions, negotiations and communications with any Person that relate to any Acquisition Proposal or Acquisition Inquiry as of the date of this Agreement and request the destruction or return of any nonpublic information provided to such Person.

4.5 Notification of Certain Matters. During the Pre-Closing Period and subject to any regulatory obligations of such Party under applicable Law, each of the Company, on the one hand, and Milan, on the other hand, shall promptly notify the other (and, if in writing, furnish copies of) if any of the following occurs: (a) any notice or other communication is received from any Person alleging that the Consent of such Person is or may be required in connection with any of the Contemplated Transactions; (b) any Legal Proceeding against or involving or otherwise affecting such Party or its Subsidiaries is commenced, or, to the Knowledge of such Party, threatened against such Party or, to the Knowledge of such Party, any director, officer or Key Employee of such Party; (c) such Party becomes aware of any inaccuracy in any representation or warranty made by such Party in this Agreement; or (d) the failure of such Party to comply with any covenant or obligation of such Party; in each case that could reasonably be expected to make the timely satisfaction of any of the conditions set forth in Sections 6, 7 and 8, as applicable, impossible or materially less likely. No such notice shall be deemed to supplement or amend the Company Disclosure Schedule or the Milan Disclosure Schedule for the purpose of (x) determining the accuracy of any of the representations and warranties made by the Company or Milan in this Agreement or (y) determining whether any condition set forth in Section 6, 7 or 8 has been satisfied. Any failure by either Party to provide notice pursuant to this Section 4.5 shall not be deemed to be a breach for purposes of Section 7.2 or 8.2, as applicable, unless such failure to provide such notice was knowing and intentional.

Section 5. Additional Agreements of the Parties

5.1 Registration Statement; Proxy Statement.

(a) As promptly as practicable following the date of this Agreement, Milan and the Company shall jointly prepare a draft of the registration statement on Form F-4 (together with any amendments thereof or supplements thereto, the "**Form F-4**") and a proxy statement relating to the Company

Stockholder Meeting to be held in connection with the Merger (together with any amendments thereof or supplements thereto, the "**Proxy Statement**") included therein (such Proxy Statement and the Form F-4, and any amendments or supplements thereto, collectively, the "**Registration Statement**"). Once such draft is in a form reasonably acceptable to all Parties, (i) the Company shall file with the SEC (as part of the Registration Statement) the Proxy Statement relating to the Company Stockholder Meeting to be held in connection with the Merger, (ii) Milan, in cooperation with the Company, shall file with the SEC the Registration Statement in which the Proxy Statement will be included as a prospectus in connection with the registration under the Securities Act of Milan Depositary Shares (and the Milan Ordinary Shares underlying such Milan Depositary Shares) to be issued by virtue of the Merger, (iii) to the extent necessary, Milan shall cause the Depositary to prepare and file with the SEC, no later than the date prescribed by the rules and regulations under the Securities Act, a registration statement, or pre-effective or post-effective amendment thereto, as applicable, on Form F-6 (the "**Form F-6**") with respect to the registration under the Securities Act of the Milan Depositary Shares to be issued by virtue of the Merger and the change in Milan's SEC reporting status, and (iv) Milan, in cooperation with the Company, shall prepare and file with the SEC a registration statement on Form 8-A relating to the registration under the Exchange Act of Milan Depositary Shares to be issued by virtue of the Merger. Each of Milan and the Company shall use their commercially reasonable efforts to (A) cause the Registration Statement to become effective as promptly as practicable, (B) promptly notify the other of, cooperate with each other with respect to, and respond promptly to, any comments of the SEC or its staff, and (C) take all or any action required under any applicable federal, state, securities and other Laws in connection with the issuance of Milan Depositary Shares pursuant to the Merger. Each of the Parties shall furnish all information concerning itself and their Affiliates, as applicable, to the other Parties as the other Parties may reasonably request in connection with such actions and the preparation of the Registration Statement and the Proxy Statement. Milan shall prepare any prospectus, admission or listing document or other similar document with respect to the Contemplated Transactions required to be filed or published by or on behalf of Milan under applicable foreign Law as promptly as practicable after the requirement to prepare such document is notified by Milan to the Company, such notification to be made promptly after the receipt of legal advice by Milan that the preparation of such document is required under applicable foreign Law. Notwithstanding anything herein to the contrary, nothing herein shall require Milan to register the Milan CVRs with the SEC or obtain the listing of the Milan CVRs on any national securities exchange or market.

(b) Milan covenants and agrees that the Registration Statement (and the letter to shareholders, notice of meeting and form of proxy included therewith) and any information supplied by or on behalf of Milan or its Subsidiaries for inclusion in the Registration Statement will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. The Company covenants and agrees that the information supplied by or on behalf of the Company to Milan for inclusion in the Registration Statement (including the Company SEC Documents) will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make such information, in light of the circumstances under which they were made, not misleading. If at any time prior to the Effective Time any information relating to the Company or Milan, or any of their respective Affiliates, should be discovered by the Company or Milan which should be set forth in an amendment or supplement to the Form F-4 or the Proxy Statement, so that the relevant document would not include any misstatement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the Party which discovers such information shall promptly notify the other Parties hereto and an appropriate amendment or supplement describing such information shall be promptly filed with the SEC and, to the extent required by applicable Law, disseminated to the stockholders of the Company. Notwithstanding the foregoing, Milan makes no covenant, representation or warranty with respect to statements made in the Registration Statement (and the letter to shareholders, notice of meeting and form of proxy included

therewith), if any, based on information provided by the Company or any of its Representatives for inclusion therein.

(c) The Company shall use commercially reasonable efforts to cause the Proxy Statement to be mailed to the Company's stockholders as promptly as practicable after the Registration Statement is declared effective under the Securities Act. If Milan, Merger Sub or the Company become aware of any event or information that, pursuant to the Securities Act or the Exchange Act, should be disclosed in an amendment or supplement to the Registration Statement or Proxy Statement, as the case may be, then such Party, as the case may be, shall promptly inform the other Parties thereof and shall cooperate with such other Parties in filing such amendment or supplement with the SEC and, if appropriate, in mailing such amendment or supplement to the Company's stockholders.

(d) The Company and Milan shall reasonably cooperate with each other and provide, and cause each of their respective Representatives to provide, to the other Party and its Representatives, such true, correct and complete information regarding the Company or Milan, as the case may be, that is reasonably requested by the other Party, or as may be required by Law or appropriate for inclusion in (i) the Registration Statement, (ii) the Form F-6, or (iii) any prospectus, admission or listing document or other similar document with respect to the Contemplated Transactions required to be filed or published by or on behalf of Milan under applicable foreign Law. Without limiting the foregoing, each of Milan and the Company will use commercially reasonable efforts to supply, and cause such Party's independent accounting firm to supply, to the other Party, as soon as reasonably practicable after the date of this Agreement and from time to time thereafter, all information and schedules reasonably requested by the other Party to prepare consolidated pro forma financial information as required in connection with the Registration Statement or any prospectus, admission or listing document or other similar document with respect to the Contemplated Transactions required to be filed or published by or on behalf of Milan under applicable foreign Law.

5.2 Company Stockholder Meeting.

(a) The Company shall take all action necessary under applicable Law to call, give notice of and hold a meeting of the holders of Company Common Stock to consider and vote to approve this Agreement and the Contemplated Transactions (collectively, the "***Company Stockholder Matters***" and such meeting, the "***Company Stockholder Meeting***"). The Company Stockholder Meeting shall be held as promptly as practicable after the Registration Statement is declared effective under the Securities Act, and in any event no later than forty-five (45) days after the effective date of the Registration Statement. The Company shall take reasonable measures to ensure that all proxies solicited in connection with the Company Stockholder Meeting are solicited in compliance with all applicable Law. Notwithstanding anything to the contrary contained herein, if on the date of the Company Stockholder Meeting, or a date preceding the date on which the Company Stockholder Meeting is scheduled, the Company reasonably believes that (i) it will not receive proxies sufficient to obtain the Required Company Stockholder Vote, whether or not a quorum would be present or (ii) it will not have sufficient shares of Company Common Stock represented (whether in person or by proxy) to constitute a quorum necessary to conduct the business of the Company Stockholder Meeting, the Company may postpone or adjourn, or make one or more successive postponements or adjournments of, the Company Stockholder Meeting as long as the date of the Company Stockholder Meeting is not postponed or adjourned more than an aggregate of 30 calendar days in connection with any postponements or adjournments.

(b) The Company agrees that, subject to Section 5.2(c) and Section 5.2(e): (i) the Company Board shall recommend that the Company's stockholders vote to approve the Company Stockholder Matters and shall use commercially reasonable efforts to solicit such approval within the time set forth in Section 5.2(a) (the recommendation of the Company Board that the Company's stockholders vote to adopt and approve this Agreement being referred to as the "***Company Board Recommendation***"); and (ii) the Company Board Recommendation shall not be withdrawn or modified (and the Company

Board shall not publicly propose to withdraw or modify the Company Board Recommendation) in a manner adverse to Milan, and no resolution by the Company Board or any committee thereof to withdraw or modify the Company Board Recommendation in a manner adverse to Milan or to adopt, approve or recommend (or publicly propose to adopt, approve or recommend) any Acquisition Proposal shall be adopted or proposed.

(c) Notwithstanding anything to the contrary contained in Section 5.2(b), and subject to compliance with Section 4.4 and Section 5.2, if at any time prior to the approval of the Company Stockholder Matters by the Required Company Stockholder Vote, the Company receives a bona fide written Superior Offer, the Company Board may withhold, amend, withdraw or modify the Company Board Recommendation (or publicly propose to withhold, amend, withdraw or modify the Company Board Recommendation) in a manner adverse to Milan (collectively, a "***Company Board Adverse Recommendation Change***") if, but only if, following the receipt of and on account of such Superior Offer, (i) the Company Board determines in good faith, having consulted with its outside legal counsel, that the failure to withhold, amend, withdraw or modify such recommendation would be reasonably likely to be inconsistent with its fiduciary duties under applicable Law, (ii) the Company has, and has caused its financial advisors and outside legal counsel to, during the Notice Period (as defined below), negotiate with Milan in good faith to make such adjustments to the terms and conditions of this Agreement so that such Acquisition Proposal ceases to constitute a Superior Offer, and (iii) if after Milan shall have delivered to the Company a written offer to alter the terms or conditions of this Agreement during the Notice Period, the Company Board shall have determined in good faith, having consulted with its outside legal counsel, that the failure to withhold, amend, withdraw or modify the Company Board Recommendation would result in a breach of its fiduciary duties under applicable Law (after taking into account such alterations of the terms and conditions of this Agreement); *provided* that (x) Milan receives written notice from the Company confirming that the Company Board has determined to change its recommendation at least four (4) Business Days in advance of the Company Board Adverse Recommendation Change (the "***Notice Period***"), which notice shall include a description in reasonable detail of the reasons for such Company Board Adverse Recommendation Change, and written copies of any relevant proposed transaction agreements with any party making a potential Superior Offer; (y) during any Notice Period, Milan shall be entitled to deliver to the Company one or more counterproposals to such Acquisition Proposal and the Company will, and request its Representatives to, negotiate with Milan in good faith (to the extent Milan desires to negotiate) to make such adjustments to the terms and conditions of this Agreement so that the applicable Acquisition Proposal ceases to constitute a Superior Offer; and (z) in the event of any material amendment to any Superior Offer (including any revision in the amount, form or mix of consideration the Company's stockholders would receive as a result of such potential Superior Offer), the Company shall be required to provide Milan with notice of such material amendment and the Notice Period shall be extended, if applicable, to ensure that at least three (3) Business Days remain in the Notice Period following such notification during which the parties shall comply again with the requirements of this Section 5.2(c) and the Company Board shall not make a Company Board Adverse Recommendation Change prior to the end of such Notice Period as so extended (it being understood that there may be multiple extensions).

(d) The Company's obligation to call, give notice of and hold the Company Stockholder Meeting in accordance with Section 5.3(a) shall not be limited or otherwise affected by the commencement, disclosure, announcement or submission of any Superior Offer or other Acquisition Proposal, or by any Company Board Adverse Recommendation Change.

(e) Nothing contained in this Section 5.2 shall prohibit the Company or the Company Board from complying with duties owed under applicable Law.

5.3 Milan Shareholder Meeting.

(a) Milan shall take all action necessary under applicable Law to call, give notice of and hold a meeting of the holders of Milan Ordinary Shares to consider and vote to approve this Agreement and

the Contemplated Transactions and any matters considered by the Milan Board to be necessary in connection therewith or otherwise required by applicable Law, the Depositary or otherwise required in connection with the issuance or trading of the Milan Depositary Shares, including (i) the issuance of the Milan Depositary Shares and the allotment and issuance of the Milan Ordinary Shares underlying the Milan Depositary Shares to be issued in the Merger, and (ii) the grant of the Milan CVRs to the stockholders of the Company pursuant to the terms of this Agreement (collectively, the "***Milan Shareholder Matters***" and such meeting, the "***Milan Shareholder Meeting***"). The Milan Shareholder Meeting, if so required, shall be held as promptly as practicable after the Registration Statement is declared effective under the Securities Act, and in any event no later than forty-five (45) days after the effective date of the Registration Statement. Milan shall take reasonable measures to ensure compliance with applicable Law in connection with the convening and holding of the Milan Shareholder Meeting. Notwithstanding anything to the contrary contained herein, if on the date of the Milan Shareholder Meeting, or a date preceding the date on which the Milan Shareholder Meeting is scheduled, Milan reasonably believes that (i) it will not receive proxies sufficient to obtain the Required Milan Shareholder Vote, whether or not a quorum would be present or (ii) it will not have sufficient Milan Ordinary Shares represented (whether in person or by proxy) to constitute a quorum necessary to conduct the business of the Milan Shareholder Meeting, Milan shall promptly inform the Company and may postpone or adjourn, or make one or more successive postponements or adjournments of, the Milan Shareholder Meeting as long as the date of the Milan Shareholder Meeting is not postponed or adjourned more than an aggregate of 30 calendar days in connection with any postponements or adjournments.

(b) Milan agrees that, if a Milan Shareholder Meeting is required pursuant to Section 5.3(a), and subject to Section 5.3(e): (i) the Milan Board shall recommend that the holders of Milan Ordinary Shares vote to approve the Milan Shareholder Matters and shall use commercially reasonable efforts to solicit such approval within the time set forth in Section 5.3(a) above, (ii) the Proxy Statement shall include a statement to the effect that the Milan Board recommends that Milan's shareholders vote to approve the Milan Shareholder Matters (the recommendation of the Milan Board being referred to as the "***Milan Board Recommendation***"); and (iii) the Milan Board Recommendation shall not be withheld, amended, withdrawn or modified (and the Milan Board shall not publicly propose to withhold, amend, withdraw or modify the Milan Board Recommendation) in a manner adverse to the Company, and no resolution by the Milan Board or any committee thereof to withdraw or modify the Milan Board Recommendation in a manner adverse to the Company or to adopt, approve or recommend (or publicly propose to adopt, approve or recommend) any Acquisition Proposal shall be adopted or proposed (the actions set forth in the foregoing clause (iii), collectively, a "***Milan Board Adverse Recommendation Change***").

(c) Notwithstanding anything to the contrary contained in Section 5.3(b), and subject to compliance with Section 4.4 and Section 5.3, at any time prior to the approval of the Milan Shareholder Matters by the Required Milan Shareholder Vote, Milan receives a bona fide written Superior Offer, the Milan Board may make a Milan Board Adverse Recommendation Change if, but only if, following the receipt of and on account of such Superior Offer, the Milan Board determines in good faith, having consulted with its outside legal counsel, that the failure to make a Milan Board Adverse Recommendation Change would be reasonably likely to be inconsistent with its fiduciary duties under applicable Law; *provided* that (x) the Company receives written notice from Milan confirming that the Milan Board has determined to change its recommendation during the Notice Period, which notice shall include a description in reasonable detail of the reasons for such Milan Board Adverse Recommendation Change; (y) during any Notice Period, the Company shall be entitled to deliver to Milan one or more counterproposals to such Acquisition Proposal and Milan will, and will request its Representatives to, negotiate with the Company in good faith (to the extent the Company desires to negotiate) to make such adjustments to the terms and conditions of this Agreement so that the applicable Acquisition Proposal ceases to constitute a Superior Offer; and (z) in the event of any material amendment to any Superior Offer (including any revision in price or percentage of the

combined company that Milan's shareholders would receive as a result of such potential Superior Offer), Milan shall be required to provide the Company with notice of such material amendment and the Notice Period shall be extended, if applicable, to ensure that at least two (2) Business Days remain in the Notice Period following such notification during which the parties shall comply again with the requirements of this Section 5.3(c) and the Milan Board shall not make a Milan Board Adverse Recommendation Change prior to the end of such Notice Period as so extended (it being understood that there may be multiple extensions).

(d) Milan's obligation to call, give notice of and hold the Milan Shareholder Meeting in accordance with Section 5.3(a) shall not be limited or otherwise affected by the commencement, disclosure, announcement or submission of any Superior Offer or Acquisition Proposal, or by any Milan Board Adverse Recommendation Change.

(e) Nothing contained in this Section 5.3 shall prohibit Milan or the Milan Board from complying with duties owed under applicable Law.

5.4 Regulatory Approvals. Each Party shall use commercially reasonable efforts to file or otherwise submit, as soon as practicable after the date of this Agreement, all applications, notices, reports and other documents reasonably required to be filed by such Party with or otherwise submitted by such Party to any Governmental Authority with respect to the Contemplated Transactions, and to submit promptly any additional information requested by any such Governmental Authority. Without limiting the generality of the foregoing, the Parties shall, promptly after the date of this Agreement, prepare and file, if applicable, any notification or other document required to be filed in connection with the Merger under any applicable foreign Law relating to antitrust or competition matters. The Company and Milan shall respond as promptly as is practicable to respond in compliance with: (i) any inquiries or requests received from the Federal Trade Commission or the Department of Justice for additional information or documentation; and (ii) any inquiries or requests received from any state attorney general, foreign antitrust or competition authority or other Governmental Authority in connection with antitrust or competition matters.

5.5 Company Equity Awards.

(a) At or immediately prior to the Effective Time, each Company Option that is outstanding and unexercised, whether or not vested, shall be canceled and converted into the right to receive, subject to Section 1.5(b), (i) the excess, if any, of the Merger Consideration over the applicable exercise price of such canceled Company Option, multiplied by (ii) the number of shares of Company Common Stock subject to such Company Option immediately prior to the Effective Time; *provided* that such excess will be determined by subtracting from the Share Consideration a number of Milan Ordinary Shares equal to the quotient of the aggregate exercise price applicable to the Company Option divided by the Milan Dollar VWAP. For the avoidance of doubt, each Company Option that has a per-share exercise price that is higher than the Merger Consideration (each, an "***Underwater Option***") shall be canceled at the Effective Time for no consideration. The Parties acknowledge that the treatment of the Company Options pursuant to this Section 5.5(a) is intended to comply with the requirements of Section 409A of the Code and the rules and regulations thereunder so as to not be subject to the penalties thereunder.

(b) Prior to the Closing, the Company Board shall have adopted appropriate resolutions and taken all other actions necessary and appropriate to provide that as of immediately prior to the Effective Time, each award of Company RSUs shall be cancelled and the holder thereof shall be entitled to receive, immediately prior to the Effective Time and subject to the occurrence of the Closing, a number of shares of Company Common Stock equal to the number of Company RSUs subject to such award. Notwithstanding anything herein to the contrary, the tax withholding obligations for each holder receiving shares of Company Common Stock in accordance with the preceding sentence shall be satisfied by the Company withholding from issuance that number of shares of Company Common

Stock calculated by multiplying the maximum statutory withholding rate for such holder in connection with such issuance by the number of shares of Company Common Stock to be issued in accordance with the preceding sentence, and rounding up to the nearest whole share and remitting such withholding in cash to the appropriate Tax Authority.

(c) Prior to the Effective Time, the Company shall take all actions that may be necessary (under the Company Plans and otherwise) to effectuate the provisions of this Section 5.5 and to ensure that, from and after the Effective Time, holders of Company Options and Company RSUs have no rights with respect thereto other than those specifically provided in this Section 5.5.

5.6 Employee Benefits. The Company shall comply with the terms of any employment, severance, retention, change of control, or similar agreement specified on Section 2.17(d) of the Company Disclosure Schedule, subject to the provisions of such agreements.

5.7 Employee Stock Purchase Plan. Prior to the Effective Time, the Company Board or the appropriate committee thereof shall take all actions necessary or appropriate, including adopting any resolutions or amendments and providing any notices to participants (which resolutions, amendments and notices, if applicable, shall be reasonably satisfactory to Milan) with respect to the ESPP to: (i) cause the Offering Period (as defined in the ESPP) ongoing as of the date of this Agreement to be the final Offering Period under the ESPP and the options under the ESPP to be exercised on the earlier of (x) the scheduled purchase date for such Offering Period and (y) the date that is ten (10) Business Days prior to the Effective Time (with any participant payroll deductions not applied to the purchase of shares of Company Common Stock promptly returned to the participant), (ii) prohibit any individual who is not participating in the ESPP as of the date of this Agreement from commencing participation in the ESPP following the date of this Agreement, (iii) prohibit participants in the ESPP from increasing their payroll deductions from those in effect as of the date of this Agreement and (iv) terminate the ESPP effective immediately prior to the Effective Time.

5.8 Indemnification of Officers and Directors.

(a) From the Effective Time through the sixth anniversary of the date on which the Effective Time occurs, each of Milan and the Surviving Corporation shall indemnify and hold harmless each person who is now, or has been at any time prior to the date hereof, or who becomes prior to the Effective Time, a director or officer of Milan or the Company, respectively (the "***D&O Indemnified Parties***"), against all claims, losses, liabilities, damages, judgments, fines and reasonable fees, costs and expenses, including attorneys' fees and disbursements (collectively, "***Costs***"), incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of or pertaining to the fact that the D&O Indemnified Party is or was a director or officer of Milan or of the Company, whether asserted or claimed prior to, at or after the Effective Time, in each case, to the fullest extent permitted under applicable Law. Each D&O Indemnified Party will be entitled to advancement of expenses incurred in the defense of any such claim, action, suit, proceeding or investigation from each of Milan and the Surviving Corporation, jointly and severally, upon receipt by Milan or the Surviving Corporation from the D&O Indemnified Party of a request therefor; *provided* that any such person to whom expenses are advanced provides an undertaking to Milan, to the extent then required by applicable Law, to repay such advances if it is ultimately determined that such person is not entitled to indemnification.

(b) The provisions of the articles of association of Milan with respect to indemnification, advancement of expenses and exculpation of present and former directors and officers of Milan that are presently set forth in the articles of association of Milan shall not be amended, modified or repealed for a period of six years from the Effective Time in a manner that would adversely affect the rights thereunder of individuals who, at or prior to the Effective Time, were officers or directors of Milan, unless such modification is required by applicable Law. The certificate of incorporation and bylaws of

the Surviving Corporation shall contain, and Milan shall cause the certificate of incorporation and bylaws of the Surviving Corporation to so contain, provisions no less favorable with respect to indemnification, advancement of expenses and exculpation of present and former directors and officers as those presently set forth in the certificate of incorporation and bylaws of the Company.

(c) From and after the Effective Time, (i) the Surviving Corporation shall fulfill and honor in all respects the obligations of the Company to its D&O Indemnified Parties as of immediately prior to the Closing pursuant to any indemnification provisions under the Company's Organizational Documents and pursuant to any indemnification agreements between the Company and such D&O Indemnified Parties, with respect to claims arising out of matters occurring at or prior to the Effective Time and (ii) Milan shall fulfill and honor in all respects the obligations of Milan to its D&O Indemnified Parties as of immediately prior to the Closing pursuant to any indemnification provisions under Milan's Organizational Documents and pursuant to any indemnification agreements between Milan and such D&O Indemnified Parties, with respect to claims arising out of matters occurring at or prior to the Effective Time.

(d) From and after the Effective Time, Milan shall maintain directors' and officers' liability insurance policies, with an effective date as of the Closing Date, on commercially available terms and conditions and with coverage limits customary for public limited companies similarly situated to Milan. In addition, the Company shall purchase, prior to the Effective Time, a six-year prepaid "D&O tail policy" for the non-cancellable extension of the directors' and officers' liability coverage of the Company's existing directors' and officers' insurance policies for a claims reporting or discovery period of at least six years from and after the Effective Time with respect to any claim related to any period of time at or prior to the Effective Time with terms, conditions, retentions and limits of liability that are no less favorable than the coverage provided under the Company's existing policies as of the date of this Agreement with respect to any actual or alleged error, misstatement, misleading statement, act, omission, neglect, breach of duty or any matter claimed against a director or officer of the Company by reason of him or her serving in such capacity that existed or occurred at or prior to the Effective Time (including in connection with this Agreement or the Contemplated Transactions or in connection with the Company's initial public offering of shares of Company Common Stock).

(e) From and after the Effective Time, Milan shall pay all expenses, including reasonable attorneys' fees, that are incurred by the persons referred to in this Section 5.8 in connection with their enforcement of the rights provided to such persons in this Section 5.8.

(f) The provisions of this Section 5.8 are intended to be in addition to the rights otherwise available to the current and former officers and directors of Milan and the Company by law, charter, statute, bylaw or agreement, and shall operate for the benefit of, and shall be enforceable by, each of the D&O Indemnified Parties, their heirs and their representatives.

(g) In the event Milan or the Surviving Corporation or any of their respective successors or assigns (i) consolidates with or merges into any other Person and shall not be the continuing or surviving corporation or entity of such consolidation or merger, or (ii) transfers all or substantially all of its properties and assets to any Person, then, and in each such case, proper provision shall be made so that the successors and assigns of Milan or the Surviving Corporation, as the case may be, shall succeed to the obligations set forth in this Section 5.8. Milan shall cause the Surviving Corporation to perform all of the obligations of the Surviving Corporation under this Section 5.8.

5.9 Additional Agreements. The Parties shall use commercially reasonable efforts to cause to be taken all actions necessary to consummate the Contemplated Transactions. Without limiting the generality of the foregoing, each Party: (a) shall make all filings and other submissions (if any) and give all notices (if any) required to be made and given by such Party in connection with the Contemplated Transactions; (b) shall use commercially reasonable efforts to obtain each Consent (if any) reasonably required to be obtained (pursuant to any applicable Law or Contract, or otherwise) by such Party in

connection with the Contemplated Transactions or for such Contract to remain in full force and effect; (c) shall use commercially reasonable efforts to lift any injunction prohibiting, or any other legal bar to, the Contemplated Transactions; and (d) shall use commercially reasonable efforts to satisfy the conditions precedent to the consummation of this Agreement.

5.10 Disclosure. Without limiting any Party's obligations under the Confidentiality Agreement, no Party shall, and no Party shall permit any of its Subsidiaries or any Representative of such Party to, issue any press release or make any disclosure regarding the Contemplated Transactions unless: (a) the other Party shall have approved such press release or disclosure in writing, such approval not to be unreasonably conditioned, withheld or delayed; or (b) such Party shall have determined in good faith, upon the advice of outside legal counsel (to the extent practicable or permissible under applicable Law to delay such disclosure by seeking such advice), that such disclosure is required by applicable Law and, to the extent practicable and permissible under applicable Law, before such press release or disclosure is issued or made, such Party advises the other Party of, and consults with the other Party regarding, the text of such press release or disclosure; *provided*, *however*, that, subject to applicable Law, each of the Company and Milan may make (i) any public statement in response to specific questions by the press, analysts, investors or those attending industry conferences or financial analyst conference calls and (ii) any disclosure to any other third party, including, without limitation, to employees, customers or vendors of such Party, in each case, so long as any such statements are consistent with previous press releases, public disclosures or public statements made by the Company or Milan in compliance with this Section 5.10.

5.11 Listing. Milan shall take all reasonable steps within its power necessary to ensure that (i) the Milan Depositary Shares to be issued in the Merger are approved for listing (subject to notice of issuance) on Nasdaq and (ii) the Milan Ordinary Shares underlying the Milan Depositary Shares to be issued in the Merger are approved for admission to trading on AIM and satisfy any other requirements of the London Stock Exchange in respect of the Contemplated Transactions, in each case at or prior to the Effective Time. The Company will cooperate with Milan as reasonably requested by Milan with respect to each listing application and promptly furnish to Milan all information concerning the Company and its stockholders that may be required or reasonably requested in connection with any action contemplated by this Section 5.11. Milan agrees to pay all Nasdaq and AIM fees associated with any action contemplated by this Section 5.11.

5.12 Legends. Milan shall be entitled to place appropriate legends on the book entries or certificates evidencing any Milan Depositary Shares to be received in the Merger by equityholders of the Company who may be considered "affiliates" of Milan for purposes of Rules 144 and 145 under the Securities Act reflecting the restrictions set forth in Rules 144 and 145 and to issue appropriate stop transfer instructions to the transfer agent for such Milan Depositary Shares.

5.13 Directors. Until successors are duly elected or appointed and qualified in accordance with applicable Law, the Parties shall use reasonable best efforts and take all necessary action so that the Persons listed in Schedule 5.13 are elected as directors of Milan to serve in such positions effective as of the Effective Time. If any Person listed in Schedule 5.13 is unable or unwilling to serve as a director of Milan, the Party appointing such Person (as set forth on Schedule 5.13) shall designate a successor (which shall, in case the Company is appointing such Person, be reasonably acceptable to Milan). For the avoidance of doubt the Parties intend, and shall take all necessary corporate action to cause, effective as of the Closing, that (i) the board of directors of each of Milan and the Surviving Corporation shall be expanded to ten persons and (ii) the two vacancies created by such expansion shall be filled by two persons designated by the Company (and reasonably acceptable to Milan) prior to the Closing, each of whom shall meet (A) Milan's independence criteria and (B) Nasdaq's independence criteria, each as in effect as of such time.

5.14 Net Cash and Management Accounts. Within fifteen (15) calendar days of the end of each calendar month following the execution of this Agreement, the Company shall provide Milan in writing (i) management accounts, in a form consistent with the monthly management accounts prepared by the Company and delivered to Milan prior to the date of this Agreement, and (ii) a detailed calculation and accounting of Net Cash, calculated in accordance with Section 1.7, which shall be in a form consistent with the sample calculation set forth on **Exhibit F**. The Company shall, from time to time upon request by Milan, promptly make available its principal financial and accounting officer to discuss any such calculation and accounting with representatives of Milan.

5.15 Section 16 Matters. Prior to the Effective Time, the Company shall take all such steps as may be required to cause any dispositions of Company Common Stock (including derivative securities of Company Common Stock) in connection with the Contemplated Transactions, by each individual who is subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to the Company, to be exempt under Rule 16b-3 promulgated under the Exchange Act.

5.16 CVR and Deposit Agreements. At or prior to the Effective Time, Milan shall cause (i) the CVR Agreement (if applicable, as amended in accordance with the immediately subsequent sentence) to be duly authorized, executed and delivered by Milan and a rights agent selected by Milan with the Company's prior approval (such approval not to be unreasonably withheld, delayed or conditioned) and (ii) the Deposit Agreement to be duly authorized, executed and delivered by and among Milan, the Depositary, and all holders and beneficial owners of Milan Depositary Shares issued thereunder. If the TIGIT Milestone (as defined in the form of the CVR Agreement set forth on **Exhibit B**) has occurred prior to the Effective Time, then each Party shall reasonably cooperate with the other Party to amend the CVR Agreement accordingly. For the avoidance of doubt, such amendments would delete all TIGIT-related definitions, payment mechanics, covenants and other operative sections and all references to any of the foregoing from the CVR Agreement such that no TIGIT Milestone Payment (as defined in the form of CVR Agreement set forth on **Exhibit B**) would be payable thereunder.

5.17 Cooperation. Each Party shall cooperate reasonably with the other Party and shall provide the other Party with such assistance as may be reasonably requested for the purpose of facilitating the performance by each Party of its respective obligations under this Agreement and to enable the combined entity to continue to meet its obligations following the Effective Time.

Section 6. CONDITIONS PRECEDENT TO OBLIGATIONS OF EACH PARTY

The obligations of each Party to effect the Merger and otherwise consummate the Contemplated Transactions to be consummated at the Closing are subject to the satisfaction or, to the extent permitted by applicable law, the written waiver by each of the Parties, at or prior to the Closing, of each of the following conditions:

6.1 Effectiveness of Registration Statement. The Registration Statement shall have become effective in accordance with the provisions of the Securities Act, and shall not be subject to any stop order or proceeding (or threatened proceeding by the SEC) seeking a stop order with respect to the Registration Statement that has not been withdrawn.

6.2 No Restraints. No temporary restraining order, preliminary or permanent injunction or other order preventing the consummation of the Contemplated Transactions shall have been issued by any court of competent jurisdiction or other Governmental Authority of competent jurisdiction and remain in effect and there shall not be any Law which has the effect of making the consummation of the Contemplated Transactions illegal.

6.3 Equityholder Approval. (a) Milan shall have obtained the Required Milan Shareholder Vote and (b) the Company shall have obtained the Required Company Stockholder Vote.

6.4 Listing. The Milan Depositary Shares to be issued in the Merger pursuant to this Agreement shall have been approved for listing (subject to official notice of issuance) on Nasdaq. The Milan Ordinary Shares underlying the Milan Depositary Shares to be issued in the Merger pursuant to this Agreement shall have been approved for admission to trading on AIM and any other requirements of the London Stock Exchange in respect of the Contemplated Transactions shall have been satisfied.

Section 7. ADDITIONAL CONDITIONS PRECEDENT TO OBLIGATIONS OF MILAN AND MERGER SUB

The obligations of Milan, HoldCo and Merger Sub to effect the Merger and otherwise consummate the transactions to be consummated at the Closing are subject to the satisfaction or the written waiver by Milan, at or prior to the Closing, of each of the following conditions:

7.1 Accuracy of Representations. Each of the Company Fundamental Representations shall have been true and correct in all respects as of the date of this Agreement and shall be true and correct on and as of the Closing Date with the same force and effect as if made on and as of such date (except to the extent such representations and warranties are specifically made as of a particular date, in which case such representations and warranties shall be true and correct as of such date). The Company Capitalization Representations shall have been true and correct in all respects as of the date of this Agreement and shall be true and correct on and as of the Closing Date with the same force and effect as if made on and as of such date, except, in each case, (x) for such inaccuracies which are *de minimis*, individually or in the aggregate, (y) for those representations and warranties which address matters only as of a particular date (which representations and warranties shall have been true and correct, subject to the qualifications as set forth in the preceding clause (x), as of such particular date) or (z) as expressly required or permitted by this Agreement. The representations and warranties of the Company contained in this Agreement (other than the Company Fundamental Representations and the Company Capitalization Representations) shall have been true and correct as of the date of this Agreement and shall be true and correct on and as of the Closing Date with the same force and effect as if made on the Closing Date except (a) in each case, or in the aggregate, where the failure to be so true and correct would not reasonably be expected to have a Company Material Adverse Effect (without giving effect to any references therein to any Company Material Adverse Effect or other materiality qualifications), or (b) for those representations and warranties which address matters only as of a particular date (which representations shall have been true and correct, subject to the qualifications as set forth in the preceding clause (a), as of such particular date) (it being understood that, for purposes of determining the accuracy of such representations and warranties, any update of or modification to the Company Disclosure Schedule made or purported to have been made after the date of this Agreement shall be disregarded).

7.2 Performance of Covenants. The Company shall have performed or complied with in all material respects all agreements and covenants required to be performed or complied with by it under this Agreement at or prior to the Effective Time.

7.3 Closing Certificate. Milan shall have received a certificate executed by the chief executive officer and chief financial officer (or if there is no chief financial officer at such time, the principal financial and accounting officer) of the Company certifying that the conditions set forth in Sections 7.1, 7.2 and 7.5 have been duly satisfied.

7.4 FIRPTA Certificate. Milan shall have received from the Company a form of notice to the IRS in accordance with the requirements of Treasury Regulation Section 1.897-2(h) and in form and substance reasonably acceptable to Milan.

7.5 No Company Material Adverse Effect. Since the date of this Agreement, there shall not have occurred any Company Material Adverse Effect.

7.6 Net Cash. The Net Cash calculation shall be finally determined in accordance with Section 1.7.

Section 8. ADDITIONAL CONDITIONS PRECEDENT TO OBLIGATIONS OF THE COMPANY

The obligations of the Company to effect the Merger and otherwise consummate the transactions to be consummated at the Closing are subject to the satisfaction or the written wavier by the Company, at or prior to the Closing, of each of the following conditions:

8.1 Accuracy of Representations. Each of the Milan Fundamental Representations shall have been true and correct in all respects as of the date of this Agreement and shall be true and correct on and as of the Closing Date with the same force and effect as if made on and as of such date (except to the extent such representations and warranties are specifically made as of a particular date, in which case such representations and warranties shall be true and correct as of such date). The Milan Capitalization Representations shall have been true and correct in all respects as of the date of this Agreement and shall be true and correct on and as of the Closing Date with the same force and effect as if made on and as of such date, except, in each case, (x) for such inaccuracies which are *de minimis*, individually or in the aggregate, (y) for those representations and warranties which address matters only as of a particular date (which representations and warranties shall have been true and correct, subject to the qualifications as set forth in the preceding clause (x), as of such particular date) or (z) as expressly required or permitted by this Agreement. The representations and warranties of Milan and Merger Sub contained in this Agreement (other than the Milan Fundamental Representations and the Milan Capitalization Representations) shall have been true and correct as of the date of this Agreement and shall be true and correct on and as of the Closing Date with the same force and effect as if made on the Closing Date except (a) in each case, or in the aggregate, where the failure to be so true and correct would not reasonably be expected to have a Milan Material Adverse Effect (without giving effect to any references therein to any Milan Material Adverse Effect or other materiality qualifications), or (b) for those representations and warranties which address matters only as of a particular date (which representations shall have been true and correct, subject to the qualifications as set forth in the preceding clause (a), as of such particular date) (it being understood that, for purposes of determining the accuracy of such representations and warranties, any update of or modification to the Milan Disclosure Schedule made or purported to have been made after the date of this Agreement shall be disregarded).

8.2 Performance of Covenants. Milan and Merger Sub shall have performed or complied with in all material respects all of their agreements and covenants required to be performed or complied with by each of them under this Agreement at or prior to the Effective Time.

8.3 Documents. The Company shall have received a certificate executed by the chief executive officer and chief financial officer of Milan confirming that the conditions set forth in Sections 8.1, 8.2, and 8.4 have been duly satisfied.

8.4 No Milan Material Adverse Effect. Since the date of this Agreement, there shall not have occurred any Milan Material Adverse Effect.

Section 9. TERMINATION

9.1 Termination. This Agreement may be terminated prior to the Effective Time (whether before or after approval of the Company Stockholder Matters by the Company's stockholders and whether before or after approval of the Milan Shareholder Matters by Milan's shareholders, unless otherwise specified below):

(a) by mutual written consent of Milan and the Company;

(b) by either Milan or the Company if the Merger shall not have been consummated by September 4, 2019 (subject to possible extension as provided in this Section 9.1(b), the "***End Date***");

provided, *however*, that the right to terminate this Agreement under this Section 9.1(b) shall not be available to the Company or Milan if such Party's action or failure to act has been a principal cause of the failure of the Merger to occur on or before the End Date and such action or failure to act constitutes a breach of this Agreement, *provided*, *further*, *however*, that, in the event that the SEC has not declared effective under the Securities Act the Registration Statement by the date which is sixty (60) days prior to the End Date, then either the Company or Milan shall be entitled to extend the End Date for an additional sixty (60) days;

(c) by either Milan or the Company if a court of competent jurisdiction or other Governmental Authority shall have issued a final and nonappealable Order, or shall have taken any other action, having the effect of permanently restraining, enjoining or otherwise prohibiting the Contemplated Transactions;

(d) by either Milan or the Company if (i) the Company Stockholder Meeting (including any adjournments and postponements thereof) shall have been held and completed and the Company's stockholders shall have taken a final vote on the Company Stockholder Matters and (ii) the Company Stockholder Matters shall not have been approved at the Company Stockholder Meeting (or at any adjournment or postponement thereof) by the Required Company Stockholder Vote; *provided*, *however*, that the right to terminate this Agreement under this Section 9.1(d) shall not be available to the Company where the failure to obtain the Required Company Stockholder Vote shall have been caused by the action or failure to act of the Company and such action or failure to act constitutes a material breach by the Company of this Agreement;

(e) by either Milan or the Company if (i) the Milan Shareholder Meeting (including any adjournments and postponements thereof) shall have been held and completed and Milan's shareholders shall have taken a final vote on the Milan Shareholder Matters and (ii) the Milan Shareholder Matters shall not have been approved at the Milan Shareholder Meeting (or at any adjournment or postponement thereof) by the Required Milan Shareholder Vote; *provided*, *however*, that the right to terminate this Agreement under this Section 9.1(e) shall not be available to Milan where the failure to obtain the Required Milan Shareholder Vote shall have been caused by the action or failure to act of Milan and such action or failure to act constitutes a material breach by Milan of this Agreement;

(f) by the Company (at any time prior to the approval of the Milan Shareholder Matters by the Required Milan Shareholder Vote) if a Milan Triggering Event shall have occurred;

(g) by Milan (at any time prior to the approval of the Company Stockholder Matters by the Required Company Stockholder Vote) if a Company Triggering Event shall have occurred;

(h) by the Company, upon a breach of any representation, warranty, covenant or agreement set forth in this Agreement by Milan or Merger Sub or if any representation or warranty of Milan or Merger Sub shall have become inaccurate, in either case, such that the conditions set forth in Section 8.1 or Section 8.2 would not be satisfied as of the time of such breach or as of the time such representation or warranty shall have become inaccurate; *provided* that the Company is not then in material breach of any representation, warranty, covenant or agreement under this Agreement; *provided*, *further*, that if such inaccuracy in Milan's or Merger Sub's representations and warranties or breach by Milan or Merger Sub is curable by Milan or Merger Sub, then this Agreement shall not terminate pursuant to this Section 9.1(h) as a result of such particular breach or inaccuracy until the earlier of (i) the expiration of a 30-day period commencing upon delivery of written notice from the Company to Milan or Merger Sub of such breach or inaccuracy and its intention to terminate pursuant to this Section 9.1(h) and (ii) Milan or Merger Sub (as applicable) ceasing to exercise commercially reasonable efforts to cure such breach following delivery of written notice from the Company to Milan or Merger Sub of such breach or inaccuracy and its intention to terminate pursuant to this Section 9.1(h) (it being understood that this Agreement shall not terminate pursuant to this

Section 9.1(h) as a result of such particular breach or inaccuracy if such breach by Milan or Merger Sub is cured prior to such termination becoming effective); or

(i) by Milan, upon a breach of any representation, warranty, covenant or agreement set forth in this Agreement by the Company or if any representation or warranty of the Company shall have become inaccurate, in either case, such that the conditions set forth in Section 7.1 or Section 7.2 would not be satisfied as of the time of such breach or as of the time such representation or warranty shall have become inaccurate; *provided* that Milan is not then in material breach of any representation, warranty, covenant or agreement under this Agreement; *provided*, *further*, that if such inaccuracy in the Company's representations and warranties or breach by the Company is curable by the Company then this Agreement shall not terminate pursuant to this Section 9.1(i) as a result of such particular breach or inaccuracy until the earlier of (i) the expiration of a 30-day period commencing upon delivery of written notice from Milan to the Company of such breach or inaccuracy and its intention to terminate pursuant to this Section 9.1(i) and (ii) the Company ceasing to exercise commercially reasonable efforts to cure such breach following delivery of written notice from Milan to the Company of such breach or inaccuracy and its intention to terminate pursuant to this Section 9.1(i) (it being understood that this Agreement shall not terminate pursuant to this Section 9.1(i) as a result of such particular breach or inaccuracy if such breach by the Company is cured prior to such termination becoming effective).

The Party desiring to terminate this Agreement pursuant to this Section 9.1 (other than pursuant to Section 9.1(a)) shall give a notice of such termination to the other Party specifying the provisions hereof pursuant to which such termination is made and the basis therefor described in reasonable detail.

9.2 Effect of Termination. In the event of the termination of this Agreement as provided in Section 9.1, this Agreement shall be of no further force or effect; *provided*, *however*, that (a) this Section 9.2, Section 9.3, and Section 10 shall survive the termination of this Agreement and shall remain in full force and effect, and (b) the termination of this Agreement and the provisions of Section 9.3 shall not relieve any Party of any liability for fraud or for any willful and material breach of any representation, warranty, covenant, obligation or other provision contained in this Agreement.

9.3 Expenses; Termination Fees.

(a) Except as set forth in this Section 9.3 and Section 5.11 all fees and expenses incurred in connection with this Agreement and the Contemplated Transactions shall be paid by the Party incurring such expenses, whether or not the Merger is consummated; *provided*, *however*, that Milan and the Company shall share equally all fees and expenses incurred in relation to the printing and filing with the SEC of the Registration Statement (including any financial statements and exhibits) and any amendments or supplements thereto and paid to a financial printer or the SEC.

(b) If (i) this Agreement is terminated by Milan or the Company pursuant to Section 9.1(e) or by the Company pursuant to Section 9.1(f) or Section 9.1(h), (ii) except in the case of a termination by the Company pursuant to Section 9.1(f), at any time after the date of this Agreement and prior to the Milan Shareholder Meeting an Acquisition Proposal with respect to Milan shall have been publicly announced, disclosed or otherwise communicated to the Milan Board (and shall not have been withdrawn) and (iii) in the event this Agreement is terminated pursuant to Section 9.1(e), within twelve (12) months after the date of such termination, Milan enters into a definitive agreement with respect to a Subsequent Transaction or consummates a Subsequent Transaction, then Milan shall pay to the Company, within ten (10) Business Days after termination (or, if applicable, upon such entry into a definitive agreement or consummation of a Subsequent Transaction), a nonrefundable fee in an amount equal to $1,721,193 (the "***Company Termination Fee***").

(c) If (i) this Agreement is terminated by Milan pursuant to Section 9.1(d), Section 9.1(g) or Section 9.1(i), (ii) except in the case of a termination by Milan pursuant to Section 9.1(g), at any time

after the date of this Agreement and before obtaining the Required Company Stockholder Vote an Acquisition Proposal with respect to the Company shall have been publicly announced, disclosed or otherwise communicated to the Company Board (and shall not have been withdrawn), and (iii) in the event this Agreement is terminated pursuant Section 9.1(d), within twelve (12) months after the date of such termination, the Company enters into a definitive agreement with respect to a Subsequent Transaction or consummates a Subsequent Transaction, then the Company shall pay to Milan, within ten (10) Business Days after termination (or, if applicable, upon such entry into a definitive agreement or consummation of a Subsequent Transaction), a nonrefundable fee in an amount equal to $1,721,193 (the "***Milan Termination Fee***").

(d) If this Agreement is terminated by the Company pursuant to Section 9.1(f) or Section 9.1(h), Milan shall (in addition to payment of the Company Termination Fee) reimburse the Company for all reasonable out-of-pocket fees and expenses incurred by the Company in connection with this Agreement and the Contemplated Transactions, up to a maximum of $750,000, by wire transfer of same-day funds within ten (10) Business Days following the date on which the Company submits to Milan true and correct copies of reasonable documentation supporting such expenses. For the avoidance of doubt, such reimbursement shall be in addition to payment by the Company to Milan of the Milan Termination Fee.

(e) If this Agreement is terminated by Milan pursuant to Section 9.1(g) or Section 9.1(i), the Company shall reimburse Milan for all reasonable out-of-pocket fees and expenses incurred by Milan in connection with this Agreement and the Contemplated Transactions, up to a maximum of $750,000, by wire transfer of same-day funds within ten (10) Business Days following the date on which Milan submits to the Company true and correct copies of reasonable documentation supporting such expenses. For the avoidance of doubt, such reimbursement shall be in addition to payment by Milan to the Company of the Company Termination Fee.

(f) If either Party fails to pay when due any amount payable by it under this Section 9.3, then (i) such Party shall reimburse the other Party for reasonable costs and expenses (including reasonable fees and disbursements of counsel) incurred in connection with the collection of such overdue amount and the enforcement by the other Party of its rights under this Section 9.3, and (ii) such Party shall pay to the other Party interest on such overdue amount (for the period commencing as of the date such overdue amount was originally required to be paid and ending on the date such overdue amount is actually paid to the other Party in full) at a rate per annum equal to the "prime rate" (as announced by Bank of America or any successor thereto) in effect on the date such overdue amount was originally required to be paid *plus* three percent.

(g) The Parties agree that, subject to Section 9.2, the payment of the fees and expenses set forth in this Section 9.3 shall be the sole and exclusive remedy of each Party following a termination of this Agreement under the circumstances described in this Section 9.3, it being understood that in no event shall either Milan or the Company be required to pay the individual fees or damages payable pursuant to this Section 9.3 on more than one occasion. Subject to Section 9.2, following the payment of the fees and expenses set forth in this Section 9.3 by a Party, (i) such party shall have no further liability to the other Party in connection with or arising out of this Agreement or the termination thereof, any breach of this Agreement by the other Party giving rise to such termination, or the failure of the Contemplated Transactions to be consummated, (ii) no other Party or their respective Affiliates shall be entitled to bring or maintain any other claim, action or proceeding against such Party or seek to obtain any recovery, judgment or damages of any kind against such Party (or any partner, member, equityholder, director, officer, employee, Subsidiary, affiliate, agent or other representative of such Party) in connection with or arising out of this Agreement or the termination thereof, any breach by such Party giving rise to such termination or the failure of the Contemplated Transactions to be consummated and (iii) all other Parties and their respective Affiliates shall be precluded from any other remedy against such Party and its Affiliates, at law or in equity or otherwise, in connection with or arising out of this Agreement or the termination thereof, any breach by such Party giving rise to such

termination or the failure of the Contemplated Transactions to be consummated. Each of the Parties acknowledges that (x) the agreements contained in this Section 9.3 are an integral part of the Contemplated Transactions, (y) without these agreements, the Parties would not enter into this Agreement and (z) any amount payable pursuant to this Section 9.3 is not a penalty, but rather is liquidated damages in a reasonable amount that will compensate the Parties in the circumstances in which such amount is payable.

(h) The Parties intend and shall use all reasonable endeavors to secure that any sum paid under Sections 9.3(b)-9.3(f) (a "***Termination Payment***"), if paid, being compensatory in nature, shall not be treated for VAT purposes as consideration for a taxable supply. If, however, the Termination Payment is treated by any Tax Authority, in whole or in part, as consideration for a taxable supply, then (i) if it is determined by a Tax Authority to be consideration for a taxable supply in respect of which any recipient of the Termination Payment (or the representative member of the group of which any recipient of the Termination Payment is a member) is liable to account for VAT, to the extent that such VAT is recoverable by the payor of the Termination Payment (or the representative member of the group of which the payor is a member) by repayment or credit, the amount of the Termination Payment shall be increased to such amount so that the amount of the relevant fee (including any amount in respect of VAT) less the amount of such repayment or credit equals the amount of the Termination Payment had no such VAT arisen; for the avoidance of doubt if and to the extent that such VAT is irrecoverable by the payor (or the representative member of the group of which the payor is a member) then no additional amount shall to that extent be paid in respect of such VAT and the Termination Payment shall, to that extent, be VAT inclusive; and (ii) if a Tax Authority determines that VAT is due from the payor of the Termination Payment (or the representative member of the group of which the payor is a party) under the reverse charge mechanism or under any similar mechanism outside the European Union, to the extent that any VAT chargeable on the supply is not recoverable by such payor (or the representative member of the group of which the payor is a member) by repayment or credit, the amount of the Termination Payment shall be reduced to such amount so that the aggregate of the Termination Payment and such irrecoverable reverse charge VAT equals the amount of the relevant fee had no such irrecoverable reverse charge VAT arisen. Such adjusting payment as may be required between the Parties to give effect to this Section 9.3(h) shall be made five (5) Business Days after the date on which the determination by the Tax Authority has been communicated to the party required to make the payment (together with such evidence of it as is reasonable in the circumstances to provide and, where subparagraph (i) applies, together with the provision of a valid VAT invoice) or, if later (in the case of subparagraph (i)) five (5) Business Days after the VAT is recovered or (in the case of subparagraph (ii)) five (5) Business Days before the VAT is required to be accounted for.

Section 10. MISCELLANEOUS PROVISIONS

10.1 Non-Survival of Representations and Warranties. The representations and warranties of the Company, Milan and Merger Sub contained in this Agreement or any certificate or instrument delivered pursuant to this Agreement shall terminate at the Effective Time, and only the covenants that by their terms survive the Effective Time and this Section 10 shall survive the Effective Time.

10.2 Amendment. This Agreement may be amended with the approval of the respective Boards of Directors of the Company, Merger Sub, HoldCo and Milan at any time (whether before or after the adoption and approval of this Agreement by the Company's stockholders or before or after obtaining the Required Milan Shareholder Vote); *provided*, *however*, that after any such approval of this Agreement by a Party's equityholders, no amendment shall be made which by law requires further approval of such equityholders without the further approval of such equityholders. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the Company, Merger Sub, HoldCo and Milan.

10.3 Waiver.

(a) Any provision hereof may be waived by the waiving Party solely on such Party's own behalf, without the consent of any other Party. No failure on the part of any Party to exercise any power, right, privilege or remedy under this Agreement, and no delay on the part of any Party in exercising any power, right, privilege or remedy under this Agreement, shall operate as a waiver of such power, right, privilege or remedy; and no single or partial exercise of any such power, right, privilege or remedy shall preclude any other or further exercise thereof or of any other power, right, privilege or remedy.

(b) No Party shall be deemed to have waived any claim arising out of this Agreement, or any power, right, privilege or remedy under this Agreement, unless the waiver of such claim, power, right, privilege or remedy is expressly set forth in a written instrument duly executed and delivered on behalf of such Party and any such waiver shall not be applicable or have any effect except in the specific instance in which it is given.

10.4 Entire Agreement; Counterparts; Exchanges by Facsimile. This Agreement and the other agreements referred to in this Agreement constitute the entire agreement and supersede all prior agreements and understandings, both written and oral, among or between any of the Parties with respect to the subject matter hereof and thereof; *provided*, *however*, that the Confidentiality Agreement shall not be superseded and shall remain in full force and effect in accordance with its terms. This Agreement may be executed in several counterparts, each of which shall be deemed an original and all of which shall constitute one and the same instrument. The exchange of a fully executed Agreement (in counterparts or otherwise) by all Parties by facsimile or electronic transmission in .PDF format shall be sufficient to bind the Parties to the terms and conditions of this Agreement.

10.5 Applicable Law; Jurisdiction. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws. In any action or proceeding between any of the Parties arising out of or relating to this Agreement or any of the Contemplated Transactions, each of the Parties: (a) irrevocably and unconditionally consents and submits to the exclusive jurisdiction and venue of the Supreme Court of the State of New York, County of New York, or, if under applicable Law exclusive jurisdiction is vested in the Federal courts, the United States District Court for the Southern District of New York (and appellate courts thereof); (b) agrees that all claims in respect of such action or proceeding shall be heard and determined exclusively in accordance with clause (a) of this Section 10.5; (c) waives any objection to laying venue in any such action or proceeding in such courts; (d) waives any objection that such courts are an inconvenient forum or do not have jurisdiction over any Party; (e) agrees that service of process upon such Party in any such action or proceeding shall be effective if notice is given in accordance with Section 10.8 of this Agreement; and (f) irrevocably waives the right to trial by jury.

10.6 Attorneys' Fees. In any action at law or suit in equity to enforce this Agreement or the rights of any of the Parties, the prevailing Party in such action or suit (as determined by a court of competent jurisdiction) shall be entitled to recover its reasonable out-of-pocket attorneys' fees and all other reasonable costs and expenses incurred in such action or suit.

10.7 Assignability. This Agreement shall be binding upon, and shall be enforceable by and inure solely to the benefit of, the Parties and their respective successors and assigns; *provided*, *however*, that neither this Agreement nor any of a Party's rights or obligations hereunder may be assigned or delegated by such Party without the prior written consent of the other Party, and any attempted assignment or delegation of this Agreement or any of such rights or obligations by such Party without the other Party's prior written consent shall be void and of no effect.

10.8 Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly delivered and received hereunder (a) one Business Day after being sent for next Business Day delivery, fees prepaid, via a reputable international overnight courier service, (b) upon delivery in the case of delivery by hand, or (c) on the date delivered in the place of delivery if sent by email or facsimile (with a written or electronic confirmation of delivery) prior to 5:00 p.m. New York City time, otherwise on the next succeeding Business Day, in each case to the intended recipient as set forth below:

if to Milan, HoldCo or Merger Sub:

c/o Mereo BioPharma Group plc
4th Floor, 1 Cavendish Place
London WIG 0QF
Attention: Chief Executive Officer and Legal
Email: dsk@mereobiopharma.com; legal@mereobiopharma.com

with a copy to (which shall not constitute notice):

Davis Polk & Wardwell London LLP
5 Aldermanbury Square
London EC2V 7HR
Attention: Simon Witty, Leo Borchardt and Michael Davis
Email: simon.witty@davispolk.com; leo.borchardt@davispolk.com;
michael.davis@davispolk.com

if to the Company:

OncoMed Pharmaceuticals, Inc.
800 Chesapeake Drive
Redwood City, California 94063
Attention: Chief Executive Officer and Legal
Email: john.lewicki@oncomed.com; legal@oncomed.com

with a copy to (which shall not constitute notice):

Latham & Watkins LLP
140 Scott Drive
Menlo Park, California 94025
Fax: (650) 463-2600
Attention: Alan Mendelson, Chad Rolston and Richard Butterwick
Email: alan.mendelson@lw.com; chad.rolston@lw.com;
richard.butterwick@lw.com

10.9 Cooperation. Each Party agrees to cooperate fully with the other Party and to execute and deliver such further documents, certificates, agreements and instruments and to take such other actions as may be reasonably requested by the other Party to evidence or reflect the Contemplated Transactions and to carry out the intent and purposes of this Agreement.

10.10 Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions of this Agreement or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. If a final judgment of a court of competent jurisdiction declares that any term or provision of this Agreement is invalid or unenforceable, the Parties agree that the court making such determination shall have the power to limit such term or provision, to delete specific words or phrases or to replace such term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or

provision, and this Agreement shall be valid and enforceable as so modified. In the event such court does not exercise the power granted to it in the prior sentence, the Parties agree to replace such invalid or unenforceable term or provision with a valid and enforceable term or provision that will achieve, to the extent possible, the economic, business and other purposes of such invalid or unenforceable term or provision.

10.11 Other Remedies; Specific Performance. Except as otherwise provided herein, any and all remedies herein expressly conferred upon a Party will be deemed cumulative with and not exclusive of any other remedy conferred hereby, or by law or equity upon such Party, and the exercise by a Party of any one remedy will not preclude the exercise of any other remedy. The Parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any court of the United States or any state having jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity, and each of the Parties waives any bond, surety or other security that might be required of any other Party with respect thereto.

10.12 No Third Party Beneficiaries. Nothing in this Agreement, express or implied, is intended to or shall confer upon any Person (other than the Parties and the D&O Indemnified Parties to the extent of their respective rights pursuant to Section 5.8) any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

10.13 Construction.

(a) For purposes of this Agreement, whenever the context requires: the singular number shall include the plural, and vice versa; the masculine gender shall include the feminine and neuter genders; the feminine gender shall include the masculine and neuter genders; and the neuter gender shall include masculine and feminine genders.

(b) The Parties agree that any rule of construction to the effect that ambiguities are to be resolved against the drafting Party shall not be applied in the construction or interpretation of this Agreement.

(c) As used in this Agreement, the words “include” and “including,” and variations thereof, shall not be deemed to be terms of limitation, but rather shall be deemed to be followed by the words “without limitation.”

(d) The use of the word “or” shall not be exclusive.

(e) Except as otherwise indicated, all references in this Agreement to “Sections,” “Exhibits” and “Schedules” are intended to refer to Sections of this Agreement and Exhibits and Schedules to this Agreement, respectively.

(f) Any reference to legislation or to any provision of any legislation shall include any modification, amendment, re-enactment thereof, any legislative provision substituted therefore and all rules, regulations, and statutory instruments issued or related to such legislations.

(g) The bold-faced headings contained in this Agreement are for convenience of reference only, shall not be deemed to be a part of this Agreement and shall not be referred to in connection with the construction or interpretation of this Agreement.

(h) The Parties agree that the Company Disclosure Schedule or Milan Disclosure Schedule shall be arranged in sections and subsections corresponding to the numbered and lettered sections and subsections contained in Section 2 or Section 3, respectively. The disclosures in any section or subsection of the Company Disclosure Schedule or the Milan Disclosure Schedule shall qualify other

sections and subsections in Section 2 or Section 3, respectively, to the extent it is readily apparent from a reading of the disclosure that such disclosure is applicable to such other sections and subsections.

(i) “delivered” or “made available” means, with respect to any documentation, that prior to 11:59 p.m. (New York City time) on the date that is two (2) calendar days prior to the date of this Agreement, a copy of such material has been posted to and made available by a Party to the other Party and its Representatives in the electronic data room maintained by such disclosing Party for the purposes of the Contemplated Transactions.

(*Remainder of page intentionally left blank*)

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the date first above written.

MEREO BIOPHARMA GROUP PLC

By: /s/ Denise Scots-Knight
Name: Denise Scots-Knight
Title: Chief Executive Officer

MEREO US HOLDINGS INC.

By: /s/ Richard Jones
Name: Richard Jones
Title: Secretary

MEREO MERGERCO ONE INC.

By: /s/ Richard Jones
Name: Richard Jones
Title: Secretary

ONCOMED PHARMACEUTICALS, INC.

By: /s/ John A. Lewicki
Name: John A. Lewicki, Ph.D.
Title: President and Chief Executive Officer

[SIGNATURE PAGE TO AGREEMENT AND PLAN OF MERGER AND REORGANIZATION]

EXHIBIT A

CERTAIN DEFINITIONS

a) For purposes of the Agreement (including this Exhibit A):

"***Acquisition Inquiry***" means, with respect to a Party, an inquiry, indication of interest or request for information (other than an inquiry, indication of interest or request for information made or submitted by the Company, on the one hand, or Milan, on the other hand, to the other Party) that could reasonably be expected to lead to an Acquisition Proposal.

"***Acquisition Proposal***" means, with respect to a Party, any offer or proposal, whether written or oral (other than an offer or proposal made or submitted by or on behalf of the Company or any of its Affiliates, on the one hand, or by or on behalf of Milan or any of its Affiliates, on the other hand, to the other Party) contemplating or otherwise relating to any Acquisition Transaction with such Party.

"***Acquisition Transaction***" means any transaction or series of related transactions involving:

(a) any merger, consolidation, amalgamation, share exchange, business combination, issuance of securities, acquisition of securities, reorganization, recapitalization, tender offer, exchange offer or other similar transaction: (i) in which a Party is a constituent entity; (ii) in which a Person or "group" (as defined in the Exchange Act and the rules promulgated thereunder) of Persons directly or indirectly acquires beneficial or record ownership of securities representing more than 20% of the outstanding securities of any class of voting securities of a Party or any of its Subsidiaries; or (iii) in which a Party or any of its Subsidiaries issues securities representing more than 20% of the outstanding securities of any class of voting securities of such Party or any of its Subsidiaries; or

(b) any sale, lease, exchange, transfer, acquisition or disposition of any business or businesses or assets that constitute or account for 20% or more of the consolidated book value or the fair market value of the assets of a Party and its Subsidiaries, taken as a whole.

For the avoidance of doubt, a licensing transaction shall not be considered an Acquisition Transaction.

"***Affiliate***" shall have the meaning given to such term in Rule 145 under the Securities Act.

"***Agreement***" means the Agreement and Plan of Merger and Reorganization to which this Exhibit A is attached, as it may be amended from time to time.

"***AIM***" means the Alternative Investment Market operated by the London Stock Exchange.

"***AIM Rules***" means the rules for AIM companies published by the London Stock Exchange and the rules of nominated advisers to AIM companies published by the London Stock Exchange.

"***Business Day***" means any day other than a day on which banks in the United Kingdom or the State of New York are authorized or obligated to be closed.

"***COBRA***" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as set forth in Section 4980B of the Code and Part 6 of Title I of ERISA.

"***Code***" means the Internal Revenue Code of 1986, as amended.

"***Company Affiliate***" means any Person that is (or at any relevant time was) under common control with the Company within the meaning of Sections 414(b), (c), (m) and (o) of the Code, and the regulations issued thereunder.

"***Company Associate***" means any current or former director, officer or employee of, or independent contractor or consultant to, the Company.

"***Company Board***" means the board of directors of the Company.

"***Company Capital Stock***" means the Company Common Stock and the Company Preferred Stock.

"***Company Capitalization Representations***" means the representations and warranties of the Company set forth in Sections 2.6(a) and 2.6(d).

"***Company Contract***" means any Contract: (a) to which the Company is a Party; (b) by which the Company or any Company IP Rights or any other asset of the Company is or may become bound or under which the Company has, or may become subject to, any obligation; or (c) under which the Company has or may acquire any right or interest.

"***Company Fundamental Representations***" means the representations and warranties of the Company set forth in Sections 2.1(a), 2.1(c), 2.2, 2.3, 2.4 and 2.20.

"***Company IP Rights***" means all Intellectual Property owned, licensed to, or controlled by the Company that is necessary for or used in the operation of the business of the Company as presently conducted.

"***Company Material Adverse Effect***" means any Effect that, considered together with all other Effects that have occurred prior to the date of determination of the occurrence of a Company Material Adverse Effect, has or would reasonably be expected to have a material adverse effect on the business, financial condition, assets, liabilities or results of operations of the Company, taken as a whole; *provided*, *however*, that Effects arising or resulting from the following shall not be taken into account in determining whether there has been a Company Material Adverse Effect: (a) any rejection or non-acceptance by a Governmental Authority of a registration statement or filing by the Company relating to the Company IP Rights; (b) the announcement of the Agreement or the pendency of the Contemplated Transactions; (c) any change in the share price or trading volume of Company Common Stock (it being understood, however, that any Effect causing or contributing to any change in share price or trading volume of Company Common Stock may be taken into account in determining whether a Company Material Adverse Effect has occurred, unless such Effects are otherwise excepted from this definition); (d) the taking of any action, or the failure to take any action, by the Company that is required to comply with the terms of the Agreement or the taking of any action expressly permitted by Section 4.2(b) of the Company Disclosure Schedule; (e) any natural disaster or any act or threat of terrorism or war anywhere in the world, any armed hostilities or terrorist activities anywhere in the world, any threat or escalation or armed hostilities or terrorist activities anywhere in the world or any governmental or other response or reaction to any of the foregoing; (f) any change in GAAP or applicable Law or the interpretation thereof; or (g) general economic or political conditions or conditions generally affecting the industries in which the Company operate; except, in each case with respect to clauses (e), (f) and (g), to the extent disproportionately affecting the Company, taken as a whole, relative to other similarly situated companies in the industries in which the Company operate.

"***Company Options***" means options or other rights to purchase shares of Company Capital Stock issued by the Company.

"***Company Registered IP***" means all Company IP Rights that are owned or exclusively licensed by the Company that are registered, filed or issued under the authority of, with or by any Governmental Authority, including all patents, registered copyrights and registered trademarks and all applications and registrations for any of the foregoing.

"***Company RSUs***" means restricted stock units that represent the right to receive future shares of Company Common Stock pursuant to any Company Plan.

"***Company Stockholder Support Agreements***" shall have the meaning set forth in the recitals.

"***Company Triggering Event***" shall be deemed to have occurred if: (a) the Company shall have failed to include in the Proxy Statement the Company Board Recommendation; (b) the Company Board or any committee thereof shall have made a Company Board Adverse Recommendation Change or approved, endorsed or recommended any Acquisition Proposal; or (b) the Company shall have entered into any letter of intent or similar document or any Contract relating to any Acquisition Proposal (other than a confidentiality agreement permitted pursuant to Section 4.4 or any action required to be taken by the Company pursuant to the DGCL).

"***Company Unaudited Interim Balance Sheet***" means the unaudited balance sheet of the Company as of September 30, 2018, included in the Company's Report on Form 10-Q for the fiscal quarter ended September 30, 2018, as filed with the SEC.

"***Confidentiality Agreement***" means the Confidentiality Agreement dated October 3, 2018, between the Company and Milan.

"***Consent***" means any approval, consent, ratification, permission, waiver or authorization (including any Governmental Authorization).

"***Contemplated Transactions***" means the Merger and the other transactions contemplated by the Agreement.

"***Contract***" means, with respect to any Person, any written agreement, contract, subcontract, lease (whether for real or personal property), mortgage, license, or other legally binding commitment or undertaking of any nature to which such Person is a party or by which such Person or any of its assets are bound or affected under applicable Law.

"***Deposit Agreement***" means the deposit agreement for the Milan Depositary Shares in a form reasonably acceptable to Milan and the Company, to be entered into among Milan, the Depositary, and the holders and beneficial owners of Milan Depositary Shares issued thereunder, as may be amended from time to time.

"***DGCL***" means the General Corporation Law of the State of Delaware.

"***Effect***" means any effect, change, event, circumstance, or development.

"***Encumbrance***" means any lien, pledge, hypothecation, charge, mortgage, security interest, lease, license, option, easement, reservation, servitude, adverse title, claim, infringement, interference, option, right of first refusal, preemptive right, community property interest or restriction or encumbrance of any nature (including any restriction on the voting of any security, any restriction on the transfer of any security or other asset, any restriction on the receipt of any income derived from any asset, any restriction on the use of any asset and any restriction on the possession, exercise or transfer of any other attribute of ownership of any asset).

"*Enforceability Exceptions*" means the (a) laws of general application relating to bankruptcy, insolvency and the relief of debtors; and (b) rules of law governing specific performance, injunctive relief and other equitable remedies.

"***Entity***" means any corporation (including any non-profit corporation), partnership (including any general partnership, limited partnership or limited liability partnership), joint venture, estate, trust, company (including any company limited by shares, limited liability company or joint stock company), firm, society or other enterprise, association, organization or entity, and each of its successors.

"***Environmental Law***" means any federal, state, local or foreign Law relating to pollution or protection of human health or the environment (including ambient air, surface water, ground water, land surface or subsurface strata), including any law or regulation relating to emissions, discharges, releases or threatened releases of Hazardous Materials, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials.

"***ERISA***" means the Employee Retirement Income Security Act of 1974.

"***Exchange Act***" means the Securities Exchange Act of 1934, as amended.

"***Exchange Ratio***" means, subject to Section 1.5(e), the following ratio (rounded to four decimal places): the quotient obtained by dividing (a) the Company Adjusted Merger Shares by (b) the Company Outstanding Shares, in which:

- "***Company Adjusted Merger Shares***" means the sum of an amount equal to the number of Company Unadjusted Merger Shares:
  - if Final Net Cash is equal to or greater than Company Target Net Cash, *plus* an amount that is the quotient determined by dividing the Company Closing Cash Variance by the Milan Dollar VWAP;
  - if Final Net Cash is less than Company Target Net Cash, but equal to or greater than the Company Target Net Cash Collar, *minus* an amount that is the quotient determined by dividing the Company Closing Cash Variance by the Milan Dollar VWAP; or
  - if Final Net Cash is less than the Company Target Net Cash Collar, *minus* the sum of (1) 455,928 and (2) an amount that is the quotient determined by dividing (a) the Company Missed Target Variance by (b) the product determined by multiplying (x) the Milan Dollar VWAP by (y) the Company Missed Target Percentage.
- "***Company Allocation Percentage***" means 0.25.
- "***Company Closing Cash Variance***" means the absolute sum of (i) Final Net Cash *minus* (ii) Company Target Net Cash.
- "***Company Missed Target Percentage***" means 0.50.
- "***Company Missed Target Variance***" means the absolute sum of (i) Final Net Cash *minus* (ii) Company Target Net Cash Collar.
- "***Company Outstanding Shares***" means, subject to Section 1.5(e), the total number of shares of Company Capital Stock outstanding immediately prior to the Effective Time expressed on a fully-diluted and as-converted to Company Common Stock basis (excluding each Underwater Option) and assuming, without limitation or duplication, (i) the settlement in shares of each Company Option (other than each Underwater Option) and Company RSU outstanding as of the Effective Time pursuant to Section 5.5, solely to the extent that such

Company Options are not exercised prior thereto and (ii) the issuance of Company Common Stock in respect of all other options (other than each Underwater Option), warrants or rights to receive such shares that will be outstanding immediately prior to the Effective Time.

- "***Company Target Net Cash***" *means* $38,000,000.
- "***Company Target Net Cash Collar***" *means* $36,500,000.
- "***Company Unadjusted Merger Shares***" means the sum of (i) an amount that is the quotient determined by dividing the number of Milan Outstanding Shares by the Milan Allocation Percentage *minus* (ii) an amount equal to the number of Milan Outstanding Shares.
- "***Milan Allocation Percentage***" means 1.00 *minus* the Company Allocation Percentage.
- "***Milan Dollar VWAP***" means $3.29.
- "***Milan Outstanding Shares***" means, subject to Section 1.5(e), the total number of Milan Ordinary Shares issued and outstanding immediately prior to the Effective Time.

"***Governmental Authority***" means any: (a) nation, state, commonwealth, province, territory, county, municipality, district or other jurisdiction of any nature; (b) federal, state, local, municipal, foreign or other government; (c) governmental or quasi-governmental authority of any nature (including any governmental division, department, agency, commission, bureau, instrumentality, official, ministry, fund, foundation, center, organization, unit, body or Entity and any court or other tribunal, and for the avoidance of doubt, any Tax Authority); or (d) self-regulatory organization (including Nasdaq and the London Stock Exchange).

"***Governmental Authorization***" means any: (a) permit, license, certificate, franchise, permission, variance, exception, order, clearance, registration, qualification or authorization issued, granted, given or otherwise made available by or under the authority of any Governmental Authority or pursuant to any Law; or (b) right under any Contract with any Governmental Authority.

"***Hazardous Materials***" means any pollutant, chemical, substance and any toxic, infectious, carcinogenic, reactive, corrosive, ignitable or flammable chemical, or chemical compound, or hazardous substance, material or waste, whether solid, liquid or gas, that is subject to regulation, control or remediation under any Environmental Law, including crude oil or any fraction thereof, and petroleum products or by-products.

"***HoldCo Board***" means the board of directors of HoldCo.

"***IFRS***" means International Financial Reporting Standards as issued by the International Accounting Standards Board or any successor board or agency, as adopted by the European Union, and the IFRS Interpretation Committee interpretations thereof.

"***Intellectual Property***" means (a) United States, foreign and international patents, patent applications, including all provisionals, nonprovisionals, substitutions, divisionals, continuations, continuations-in-part, reissues, extensions, supplementary protection certificates, reexaminations, term extensions, certificates of invention and the equivalents of any of the foregoing, statutory invention registrations, invention disclosures and inventions, (b) trademarks, service marks, trade names, domain names, corporate names, brand names, URLs, trade dress, logos and other source identifiers, including registrations and applications for registration thereof and all goodwill associated therewith, (c) copyrights, including registrations and applications for registration thereof, (d) software, including all source code, object code and related documentation, formulae, customer lists, trade secrets, know-how, confidential information and other proprietary rights and intellectual property, whether patentable or not, and (e) all United States and foreign rights arising under or associated with any of the foregoing.

"***IRS***" means the United States Internal Revenue Service.

"***Key Employee***" means, with respect to the Company or Milan, an executive officer of such Party or any employee of such Party that reports directly to the board of directors of such Party or to the chief executive officer or chief operating officer of such Party.

"***Knowledge***" means, with respect to an individual, that such individual is actually aware of the relevant fact or such individual would reasonably be expected to know such fact in the ordinary course of the performance of such individual's employment responsibilities. Any Person that is an Entity shall have Knowledge if any executive officer or director of such Person as of the date such knowledge is imputed has Knowledge of such fact or other matter.

"***Law***" means any federal, state, national, foreign, material local or municipal or other law, statute, constitution, principle of common law, resolution, ordinance, code, edict, decree, rule, regulation, ruling or requirement issued, enacted, adopted, promulgated, implemented or otherwise put into effect by or under the authority of any Governmental Authority (including under the authority of Nasdaq, the Financial Industry Regulatory Authority, the London Stock Exchange or the UK Takeover Panel).

"***Legal Proceeding***" means any action, suit, litigation, arbitration, proceeding (including any civil, criminal, administrative, investigative or appellate proceeding), hearing, inquiry, audit, examination or investigation commenced, brought, conducted or heard by or before, or otherwise involving, any court or other Governmental Authority or any arbitrator or arbitration panel.

"***London Stock Exchange***" means London Stock Exchange plc.

"***Merger Sub Board***" means the board of directors of Merger Sub.

"***Milan Affiliate***" means any Person that is (or at any relevant time was) under common control with Milan within the meaning of Sections 414(b), (c), (m) and (o) of the Code, and the regulations issued thereunder.

"***Milan Associate***" means any current or former employee, independent contractor, officer or director of Milan or any of its Subsidiaries.

"***Milan Board***" means the board of directors of Milan.

"***Milan Capitalization Representations***" means the representations and warranties of Milan and Merger Sub set forth in Sections 3.6(a) and 3.6(d).

"***Milan Contract***" means any Contract: (a) to which Milan or any of its Subsidiaries is a Party; (b) by which Milan or any of its Subsidiaries or any Milan IP Rights or any other asset of Milan or its Subsidiaries is or may become bound or under which the Milan or any of its Subsidiaries has, or may become subject to, any obligation; or (c) under which Milan or any of its Subsidiaries has or may acquire any right or interest.

"***Milan Fundamental Representations***" means the representations and warranties of Milan and Merger Sub set forth in Sections 1.1(a), 3.1(c), 3.2, 3.3, 3.4 and 3.20.

"***Milan IP Rights***" means all Intellectual Property owned, licensed to, or controlled by Milan or any of its Subsidiaries that is necessary for or used in the operation of the business of Milan and its Subsidiaries as presently conducted.

"***Milan Material Adverse Effect***" means any Effect that, considered together with all other Effects that have occurred prior to the date of determination of the occurrence of a Milan Material Adverse Effect, has or would reasonably be expected to have a material adverse effect on the business, financial condition, assets, liabilities or results of operations of Milan and its Subsidiaries, taken as a whole; *provided*, *however*, that Effects arising or resulting from the following shall not be taken into account in determining whether there has been a Milan Material Adverse Effect: (a) any rejection or non-acceptance by a Governmental Authority of a registration statement or filing by Milan relating to the Milan IP Rights; (b) the announcement of the Agreement or the pendency of the Contemplated Transactions; (c) any change in the share price or trading volume of Milan Ordinary Shares (it being understood, however, that any Effect causing or contributing to any change in share price or trading volume of Milan Ordinary Shares may be taken into account in determining whether a Milan Material Adverse Effect has occurred, unless such Effects are otherwise excepted from this definition); (d) the taking of any action, or the failure to take any action, by Milan that is required to comply with the terms of the Agreement or the taking of any action expressly permitted by Section 4.1(b) of the Milan Disclosure Schedule; (e) any natural disaster or any act or threat of terrorism or war anywhere in the world, any armed hostilities or terrorist activities anywhere in the world, any threat or escalation or armed hostilities or terrorist activities anywhere in the world or any governmental or other response or reaction to any of the foregoing; (f) any change in IFRS or applicable Law or the interpretation thereof; (g) general economic or political conditions or conditions generally affecting the industries in which Milan and its Subsidiaries operate; or (h) any change in the cash position of Milan and its Subsidiaries which results from operations in the Ordinary Course of Business; except, in each case with respect to clauses (e), (f) and (g), to the extent disproportionately affecting Milan and its Subsidiaries, taken as a whole, relative to other similarly situated companies in the industries in which Milan and its Subsidiaries operate.

"***Milan Options***" means options or other rights to purchase Milan Ordinary Shares issued by Milan.

"***Milan Ordinary Shares***" means the ordinary shares, £0.003 par value per share, of Milan.

"***Milan Registered IP***" means all Milan IP Rights that are owned or exclusively licensed by Milan that are registered, filed or issued under the authority of, with or by any Governmental Authority, including all patents, registered copyrights and registered trademarks and all applications for any of the foregoing.

"***Milan Share Plans***" means (i) the Milan Share Option Scheme adopted by the Milan Board on 4 March 2016 (as amended by the Milan Board on 4 April 2017), (ii) the Milan Share Option Scheme adopted by the Milan Board on 8 July 2015, (iii) the Milan Long Term Incentive Plan adopted by the Milan Board on 4 March 2016 and (iv) the Milan Deferred Bonus Share Plan adopted by the Milan Board on 4 March 2016.

"***Milan Shareholder Support Agreements***" shall have the meaning set forth in the recitals.

"***Milan Triggering Event***" shall be deemed to have occurred if: (a) Milan shall have failed to include in the Proxy Statement the Milan Board Recommendation; (b) the Milan Board or any committee thereof shall have made a Milan Board Adverse Recommendation Change or approved, endorsed or recommended any Acquisition Proposal; or (c) Milan shall have entered into any letter of intent or similar document or any Contract relating to any Acquisition Proposal (other than a confidentiality agreement permitted pursuant to Section 4.4 or any action required to be taken by Milan pursuant to the UK City Code).

"***Milan Unaudited Interim Balance Sheet***" means the consolidated balance sheet included in the unaudited interim results of Milan for the six month period ended June 30, 2018.

"***Multiemployer Plan***" means (a) a "multiemployer plan," as defined in Section 3(37) or 4001(a)(3) of ERISA, or (b) a plan which if maintained or administered in or otherwise subject to the laws of the United States would be described in paragraph (a).

"***Multiple Employer Plan***" means (a) a "multiple employer plan" within the meaning of Section 413(c) of the Code or Section 3(40) of ERISA, or (b) a plan which if maintained or administered in or otherwise subject to the laws of the United States would be described in paragraph (a).

"***Multiple Employer Welfare Arrangement***" means (a) a "multiple employer welfare arrangement" within the meaning of Section 3(40) of ERISA, or (b) a plan which if maintained or administered in or otherwise subject to the laws of the United States would be described in paragraph (a) of this definition.

"***Nasdaq***" means The Nasdaq Stock Market.

"***Net Cash***" shall mean the sum of (a) the sum of (without duplication) in each case as of the Cash Determination Time, (i) the Company's unrestricted cash and cash equivalents, marketable securities and other short term investments (including any accrued cash interest thereon), accounts receivable, interest and other receivables (including tax receivables), deposits (short term and long term), prepaid expenses and other prepaid assets, in each case, (A) excluding (1) any assets held for resale, (2) any D&O tail policy purchased by the Company as referred to in Section 5.8(d), (3) any outstanding letters of credit and (4) any prepaid asset in respect of severance, termination, bonus, change in control, dependent care, medical care, or other similar expenses relating to any Company Associate who is not a Retained Employee), and (B) as determined in a manner consistent with the manner in which such items were historically determined and in accordance with GAAP and the Company's preparation of the most recent audited financial statements and unaudited interim balance sheet included in the Company SEC Documents filed prior to the date hereof, and (ii) expenses paid, or liabilities incurred, prior to Closing, that are approved in writing (without conditions) to be paid to the Company pursuant to any directors' and officers' insurance policy, *minus* (b) the sum of (without duplication) in each case as of the Cash Determination Time (i) the Company's accounts payable and accrued liabilities and expenses, including accrued clinical liabilities and expenses solely with respect to services rendered prior to the Effective Time, and the Company's other liabilities (short term and long term), in each case, (A) excluding any liabilities in respect of current and long term deferred revenue or deferred rent, any accrued liabilities in respect of paid time off or vacation for any Retained Employee, and any clinical liabilities or expenses in respect of services to be rendered following the Effective Time and (B) determined in a manner consistent with the manner in which such items were historically determined and in accordance with GAAP and the Company's preparation of the most recent audited financial statements and unaudited interim balance sheet included in the Company SEC Documents filed prior to the date hereof, (ii) any amounts that are owed by the Company to current or former employees, officers or directors pursuant to any indemnification, contribution or similar obligations (whether under an indemnification agreement or otherwise), (iii) any outstanding indebtedness of the Company, (iv) any notice, termination or consent payments, fines or other payments to be made by the Company in order to terminate any existing Contract to which the Company is a party and which termination is expressly required by the terms of this Agreement or to effect the Contemplated Transactions, (v) any brokerage fee, finder's fee, opinion fee, success fee, transaction fee, service fee or other fee, commission or expense owed to any broker, finder, investment bank, auditor, accountant, counsel, advisor or other third party in connection with the Contemplated Transactions based upon arrangements made by or on behalf of the Company, (v) all accrued and unpaid Taxes of the Company (estimated with respect to current Tax liabilities), (vi) any unpaid amounts payable by the Company to purchase the D&O tail policy referred to in Section 5.8(d) and (vii) any severance, termination, bonus, change in control, dependent care, medical care, or other similar expenses relating to any Company Associate who is not a Retained Employee, *plus* (c) the aggregate amount of expenditures made by

the Company between the date of this Agreement and the Cash Determination Time that are contemplated under the heading "Net Cash Expenditures" in the budget set forth on Section B of the Company Disclosure Schedule; *provided*, that in no event shall any expenditures exceeding the amounts set forth under the column entitled "Q1'19" of such budget be included for purposes of this clause (c). A sample calculation of Net Cash as of September 30, 2018 is set forth on **Exhibit F** for illustrative purposes only.

"***Order***" means any judgment, order, writ, injunction, ruling, decision or decree of, or any plea agreement, corporate integrity agreement, resolution agreement, or deferred prosecution agreement with, or any settlement under the jurisdiction of, any court or Governmental Authority.

"***Ordinary Course of Business***" means, in the case of each of the Company and Milan, such actions taken in the ordinary course of its normal operations and consistent with its past practices (which, in the case of the Company, shall include the potential wind down of its operations).

"***Organizational Documents***" means, with respect to any Person (other than an individual), (a) the certificate or articles of association or incorporation or organization or limited partnership or limited liability company, and any joint venture, limited liability company, operating or partnership agreement and other similar documents adopted or filed in connection with the creation, formation or organization of such Person and (b) all bylaws, regulations and similar documents or agreements relating to the organization or governance of such Person, in each case, as amended or supplemented.

"***Party***" or "***Parties***" means the Company, Merger Sub, HoldCo and Milan.

"***Permitted Encumbrance***" means (a) any liens for current Taxes not yet due and payable or for Taxes that are being contested in good faith and for which adequate reserves have been made on the Company Unaudited Interim Balance Sheet or the Milan Unaudited Interim Balance Sheet, as applicable; (b) minor liens that have arisen in the Ordinary Course of Business and that do not (in any case or in the aggregate) materially detract from the value of the assets subject thereto or materially impair the operations of the Company or Milan, as applicable; (c) statutory liens to secure obligations to landlords, lessors or renters under leases or rental agreements; (d) deposits or pledges made in connection with, or to secure payment of, workers' compensation, unemployment insurance or similar programs mandated by Law; and (e) statutory liens in favor of carriers, warehousemen, mechanics and materialmen, to secure claims for labor, materials or supplies.

"***Person***" means any individual, Entity or Governmental Authority.

"***Representatives***" means directors, officers, employees, agents, attorneys, accountants, investment bankers, advisors and representatives.

"***Retained Employee***" means any Company employee or consultant identified on Schedule C of the Company Disclosure Schedule.

"***Sarbanes-Oxley Act***" means the Sarbanes-Oxley Act of 2002.

"***SEC***" means the United States Securities and Exchange Commission.

"***Securities Act***" means the Securities Act of 1933, as amended.

"***Subsequent Transaction***" means any Acquisition Transaction (with all references to 20% in the definition of Acquisition Transaction being treated as references to 50% for these purposes).

An entity shall be deemed to be a "***Subsidiary***" of a Person if such Person directly or indirectly owns or purports to own, beneficially or of record, (a) an amount of voting securities or other interests in such entity that is sufficient to enable such Person to elect at least a majority of the members of such entity's board of directors or other governing body, or (b) at least 50% of the outstanding equity, voting, beneficial or financial interests in such Entity.

"***Superior Offer***" means an unsolicited bona fide written Acquisition Proposal (with all references to 20% in the definition of Acquisition Transaction being treated as references to 50% for these purposes) that: (a) was not obtained or made as a direct or indirect result of a breach of (or in violation of) the Agreement; and (b) is on terms and conditions that the Milan Board or the Company Board, as applicable, determines in good faith, based on such matters that it deems relevant (including the likelihood of consummation thereof and the financing terms thereof), as well as any written offer by the other Party to the Agreement to amend the terms of the Agreement, and following consultation with its outside legal counsel and financial advisors, if any, are more favorable, from a financial point of view, to Milan's shareholders or the Company's stockholders, as applicable, than the terms of the Contemplated Transactions and is not subject to any financing conditions (and if financing is required, such financing is then fully committed to the third party).

"***Tax***" means any federal, state, local, foreign or other tax, including any income tax, franchise tax, capital gains tax, gross receipts tax, value-added tax, surtax, estimated tax, unemployment tax, national health insurance tax, excise tax, ad valorem tax, transfer tax, stamp tax, sales tax, use tax, property tax, business tax, withholding tax, payroll tax, customs duty, alternative or add-on minimum or other tax of any kind whatsoever, and including any fine, penalty, addition to tax or interest imposed by a Governmental Authority with respect thereto.

"***Tax Return***" means any return (including any information return), report, statement, declaration, estimate, schedule, notice, notification, form, election, certificate or other document or information, and any amendment or supplement to any of the foregoing, filed with or submitted to, or required to be filed with or submitted to, any Governmental Authority (a "***Tax Authority***") in connection with the determination, assessment, collection or payment of any Tax or in connection with the administration, implementation or enforcement of or compliance with any Law relating to any Tax.

"***Treasury Regulations***" means the United States Treasury regulations promulgated under the Code.

"***UK Takeover Panel***" means the United Kingdom Panel on Takeovers and Mergers.

"***UK City Code***" means the UK City Code on Takeovers and Mergers, as it may be amended from time to time and any successor legislation thereto.

"***VAT***" means any tax imposed in compliance with the Council Directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112) and any other tax of a similar nature whether imposed in a member state of the European Union in substitution for, or levied in addition to, such tax, or imposed elsewhere.

b) Each of the following terms is defined in the Section set forth opposite such term:

Term	Section
409A Plan	2.17(n)
Accounting Firm	1.7(e)
Anticipated Closing Date	1.7(a)
Capitalization Date	3.6(a)(a)
Cash Determination Time	1.7(a)
Certificate of Merger	1.3
Closing	1.3
Closing Date	1.3
Company	Preamble
Company Board Adverse Recommendation Change	5.2(c)
Company Board Recommendation	5.2(a)
Company Certifications	2.7(a)
Company Common Stock	2.6(a)
Company Disclosure Schedule	Section 2
Company Employee Plan	2.17(d)
Company Material Contract	2.13
Company Permits	2.14(b)
Company Plans	2.6(c)
Company Preferred Stock	2.6(a)
Company Product Candidates	2.14(d)
Company Real Estate Leases	2.11
Company Regulatory Permits	2.14(d)
Company SEC Documents	2.7(a)
Company Stock Certificate	1.6
Company Stockholder Matters	5.2(a)
Company Stockholder Meeting	5.2(a)
Company Stockholder Support Agreements	Recitals
Company Termination Fee	9.3(b)
Costs	5.8(a)
CVR Agreement	Recitals
D&O Indemnified Party	5.8(a)
Delivery Date	1.7(a)
Depositary	1.8(a)
Dispute Notice	1.7(b)
Dissenting Shares	1.9(a)
Drug Regulatory Agency	2.14(c)
Effective Time	1.3
End Date	9.1(b)
ESPP	2.6(c)
Exchange Agent	1.8(a)
FDA	2.14(c)
FDCA	2.14(c)
Final Net Cash	1.7(c)
Form F-4	5.1(a)
GAAP	2.7(b)
HoldCo	Preamble
Grant Date	2.17(d)
Liability	2.9

Term	Section
MAR	3.7(a)
Merger	Recitals
Merger Consideration	1.5(a)(ii)
Merger Sub	Preamble
Milan	Preamble
Milan Board Adverse Recommendation Change	5.3(b)
Milan Board Recommendation	5.3(b)
Milan CVR	Recitals
Milan Depositary Share	Recitals
Milan Disclosure Schedule	Section 3
Milan Employee Plan	3.17(c)
Milan Material Contract	3.13
Milan Permits	3.14(b)
Milan Product Candidates	3.14(d)
Milan Regulatory Permits	3.14(d)
Milan Real Estate Leases	3.11
Milan Regulatory Documents	3.7(a)
Milan Regulatory Permits	3.14(d)
Milan Shareholder Matters	5.3(a)
Milan Shareholder Meeting	5.3(a)
Milan Shareholder Support Agreements	Recitals
Milan Termination Fee	9.3(c)
Net Cash Bridge	1.7(a)
Net Cash Calculation	1.8(a)
Net Cash Schedule	1.8(a)
Notice Period	5.2(c)
Pre-Closing Period	4.1(a)
Proxy Statement	5.1(a)
Registration Statement	5.1(a)
Required Company Stockholder Vote	2.4
Required Milan Shareholder Vote	3.4
Response Date	1.7(b)
RIS	3.7(a)
Share Consideration	1.5(a)(ii)
Share Consideration Cap	1.5(a)(ii)
Surviving Corporation	1.1
Termination Payment	9.3(h)
Total Share Consideration	1.5(a)(ii)

Annex B

FORM OF

CONTINGENT VALUE RIGHTS AGREEMENT

BETWEEN

MEREO BIOPHARMA GROUP PLC

and

COMPUTERSHARE INC.

Dated as of [ ]

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Schedules:

Schedule A	NAVI Team Members
Schedule B	TIGIT Budget
Schedule C	NAVI Budget

FORM OF
CONTINGENT VALUE RIGHTS AGREEMENT[1]

THIS CONTINGENT VALUE RIGHTS AGREEMENT, dated as of [●] (this "Agreement"), is entered into by and among Mereo BioPharma Group plc, a public limited company incorporated under the laws of England and Wales ("Milan"), and Computershare Inc., a Delaware corporation, as initial Rights Agent (as defined herein).

PREAMBLE

WHEREAS, Milan, Mereo US Holdings Inc., a Delaware corporation and direct wholly-owned subsidiary of Milan, and Mereo MergerCo One Inc., a Delaware corporation and indirect wholly-owned subsidiary of Milan ("Merger Sub"), and OncoMed Pharmaceuticals, Inc., a Delaware corporation (the "Company"), have entered into an Agreement and Plan of Merger and Reorganization, dated as of December 5, 2018 (the "Merger Agreement"), pursuant to which Merger Sub will merge with and into the Company (the "Merger"), with the Company surviving the Merger as a wholly-owned indirect subsidiary of Milan (the "Surviving Corporation");

WHEREAS, pursuant to the Merger Agreement, and in accordance with the terms and conditions thereof, Milan has agreed to provide to Holders (as defined herein) contingent value rights as hereinafter described;

WHEREAS, the parties have done all things necessary to make the contingent value rights, when issued pursuant to the Merger Agreement and hereunder, the valid obligations of Milan and to make this Agreement a valid and binding agreement of Milan, in accordance with its terms; and

NOW, THEREFORE, in consideration of the premises and the consummation of the transactions referred to above, it is mutually covenanted and agreed, for the proportionate benefit of all Holders, as follows:

ARTICLE 1
DEFINITIONS

Section 1.1 *Definitions.*

Capitalized terms used but not otherwise defined herein have the meanings ascribed thereto in the Merger Agreement. The following terms have the meanings ascribed to them as follows:

"AIM" means the Alternative Investment Market operated by the London Stock Exchange.

"Assignee" has the meaning set forth in Section 7.5

"Cash Consideration Cap" means $79,700,000.

"Celgene" means Celgene Co. and Celgene Corp., and each of their respective successors or assignees.

1 ***NTD: TIGIT Milestone and all TIGIT-related definitions, payment mechanics, covenants and other operative sections and all references to any of the foregoing to be deleted if the TIGIT Cash Payment is received by the Company prior to the Effective Time.***

"Celgene Collaboration Agreement" means that Master Research and Collaboration Agreement by and among Celgene Co., Celgene Corp. and the Company dated December 2, 2013.

"Celgene Co." means Celgene Alpine Investment Company II, LLC, a Delaware limited liability company.

"Celgene Corp." means Celgene Corporation, a Delaware corporation.

"Celgene Option" means that exclusive option granted by the Company to Celgene with respect to the TIGIT Program pursuant to Section 3.1.1(c) of the Celgene Collaboration Agreement.

"CVR" means a contingent contractual right of Holders to receive the Milestone Payments, pursuant to the Merger Agreement and this Agreement.

"CVR Register" has the meaning set forth in Section 2.3(b).

"Diligent Efforts" means carrying out those obligations and tasks that comprise a level of effort and expenditure of resources that is consistent with commercially reasonable practices normally and typically devoted by a company within the bio-pharmaceutical industry of comparable size and resources to a product or product candidate at a similar stage in its development or product life, as applicable, taking into account, without limitation, issues of safety and efficacy, market potential, anticipated pricing and reimbursement rates, costs, labeling, pricing reimbursement, the competitiveness of alternative products, the patent and other proprietary position of the product, and the likelihood of regulatory approval given the regulatory structure involved. "Diligent Efforts" shall not include, and Milan shall have no obligation or liability to, (i) fund or otherwise support or incur any cost or expense relating to the NAVI Product or the TIGIT Program (except, in each case, in respect of clinical trials commenced prior to the date hereof) in excess of the commitments provided for in the budget set forth on Schedule B and Schedule C hereto, as applicable, (ii) enroll any additional subjects in any currently ongoing trial of the NAVI Product and the TIGIT Program or (iii) commit to any additional development activities of the NAVI Product or the TIGIT Program not provided for in such applicable budget. For the avoidance of doubt, a failure to achieve the TIGIT Milestone or the NAVI Milestone in and of itself may be consistent with Diligent Efforts.

"DLL4" means delta-like ligand 4.

"First NAVI Period" means the period commencing on the date of this Agreement and ending at 11:59 p.m., New York City time, on [[●], 2020].[2]

"Holder" means, at the relevant time, a Person in whose name CVRs are registered in the CVR Register.

"London Stock Exchange" means London Stock Exchange plc.

"Loss" has the meaning set forth in Section 3.2(g).

"Majority of Holders" means, at any time, the registered Holder or Holders of more than 50% of the total number of CVRs registered at such time, as set forth on the CVR Register.

"Milestone Non-Achievement Certificate" has the meaning set forth in Section 2.4(c).

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2 ***NTD:*** ***To be the date that is eighteen (18) months after the Closing Date.***

"Milestone Payments" means (i) the TIGIT Milestone Payment and (ii) the NAVI Milestone Payments.

"Milestone Payment Date" means, in respect of any Milestone, the date that is thirty (30) Business Days following the achievement of such Milestone.

"Milestone Period" means the TIGIT Milestone Period or the NAVI Milestone Period, as applicable.

"Milestones" means each of the TIGIT Milestone and the NAVI Milestones.

"NAVI Agreement" means the NAVI Investment Agreement or the NAVI Partnership Agreement, as applicable.

"NAVI Cash Payment" means a NAVI Partnership Receipt or a NAVI Investment Receipt.

"NAVI Investment Agreement" means a definitive investment agreement, stock sale agreement, or similar agreement duly approved by the Milan Board in accordance with Section 4.3(a) and entered into by Milan or one of its Subsidiaries (including NAVI Sub) and a third party within the First NAVI Period and pursuant to which (i) a third party acquires an ownership interest in NAVI Sub of up to eighty-point-five percent (80.5%), *provided* that, following the entry into such NAVI Investment Agreement, Milan or one or more of its Subsidiaries (other than NAVI Sub) retains, in the aggregate, a minimum of nineteen-point-five percent (19.5%) of the issued and outstanding equity interests of NAVI Sub on a fully-diluted basis, and (ii) Milan or one or more of its Subsidiaries (other than NAVI Sub) are or may be entitled to receive one or more NAVI Cash Payments.

"NAVI Investment CVR Allocation" means 0.70.

"NAVI Investment Receipt" means each cash milestone payment payable to Milan or one or more of its Subsidiaries (other than NAVI Sub) pursuant to a NAVI Investment Agreement (or any agreement contemplated by such NAVI Investment Agreement), except for any (i) royalty or similar sales-based payment that is measured, in whole or in part, by reference to the quantity of NAVI Product that is produced or sold or the revenues (or a formula that makes reference to such revenues) derived therefrom and (ii) for the avoidance of doubt only, any fees for service, research and development funding, reimbursement of intellectual property filing, prosecution, litigation and maintenance-related expenses or reimbursement of manufacturing expenses received from a counterparty pursuant to a NAVI Investment Agreement.

"NAVI Milestone" will be deemed to occur upon the actual receipt during the Second NAVI Period by Milan or one or more of its Subsidiaries (other than NAVI Sub) of a NAVI Cash Payment.

"NAVI Milestone Achievement Certificate" has the meaning set forth in Section 2.4(b).

"NAVI Milestone Payment" means, with respect to any NAVI Milestone, a cash payment in an aggregate principal amount equal to the product determined by multiplying (i)(A) in the case of a NAVI Investment Receipt, the NAVI Investment CVR Allocation, or (B) in the case of a NAVI Partnership Receipt, the NAVI Partnership CVR Allocation, by (ii) the relevant NAVI Cash Payment actually received by Milan or one or more of its Subsidiaries (other than NAVI Sub), net of (A) any Tax (including any applicable value added or sales taxes and including any Tax which would be payable but for the utilization of a relief), (B) 50% of any expenditure by Milan or its Subsidiaries pursuant to the budget set forth on Schedule C, and (C) any other reasonable cost or expense attributable to the receipt of such payment (which, for the avoidance of doubt, shall include (x) any costs, reasonable

out-of-pocket fees, expenses or charges incurred by Milan or its Subsidiaries in excess of the commitments provided for in the budget set forth on Schedule C, (y) any costs, reasonable out-of-pocket fees, expenses or charges incurred by Milan or its Subsidiaries under the relevant NAVI Agreement, and (z) any costs, reasonable out-of-pocket fees, expenses or charges incurred by Milan or its Subsidiaries, or for which Milan or one or more of its Subsidiaries is responsible, in connection with the preparation, negotiation and execution of the relevant NAVI Agreement, in each case to the extent such costs, out-of-pocket fees, expenses or charges have not been previously accounted for in the calculation of a prior NAVI Milestone Payment).

"NAVI Milestone Period" means the First NAVI Period, *provided* that, if a NAVI Agreement is entered into by Milan or one of its Subsidiaries and a third party within the First NAVI Period in accordance with the provisions of Section 4.2(b), then the NAVI Milestone Period shall mean the Second NAVI Period.

"NAVI Partnership Agreement" means a definitive partnership agreement, collaboration agreement, joint venture agreement, profit sharing agreement, license or sublicense agreement, asset sale agreement, stock sale agreement, or similar agreement duly approved by the Milan Board in accordance with Section 4.3(a) and entered into by Milan or one of its Subsidiaries (including NAVI Sub) and a third party within the First NAVI Period and pursuant to which (i) the right to develop, manufacture or commercialize the NAVI Product is granted, licensed, assigned, sold, transferred or otherwise conveyed (including by operation of law but excluding any NAVI Investment Agreement) to a third party, and (ii) Milan or one or more of its Subsidiaries (other than NAVI Sub) are or may be entitled to receive one or more NAVI Cash Payments from such third party.

"NAVI Partnership CVR Allocation" means 0.70.

"NAVI Partnership Receipt" means each cash milestone payment payable to Milan or one or more of its Subsidiaries pursuant to a NAVI Partnership Agreement (or any agreement contemplated by such NAVI Partnership Agreement), except for any (i) royalty or similar sales-based payment that is measured, in whole or in part, by reference to the quantity of NAVI Product that is produced or sold or the revenues (or a formula that makes reference to such revenues) derived therefrom and (ii) for the avoidance of doubt only, any fees for service, research and development funding, reimbursement of intellectual property filing, prosecution, litigation and maintenance-related expenses or reimbursement of manufacturing expenses received from a counterparty pursuant to a NAVI Partnership Agreement.

"NAVI Product" means any product that constitutes, incorporates, comprises, or contains one or more molecules that incorporate, comprise or consist of one or more immunoglobulin domains, or fragment(s) thereof, that specifically bind(s) to DLL4 and VEGF, whether or not as the sole active ingredient, and in all forms, presentations, and formulations (including manner of delivery and dosage).

"NAVI Sub" means [●], a Delaware corporation and wholly-owned subsidiary of the Surviving Corporation that holds all of Milan's indirect right, title and interest in and to the NAVI Product.

"Notice" has the meaning set forth in Section 7.1.

"Officer's Certificate" means a certificate signed by the chief executive officer and the chief financial officer of Milan, in their respective official capacities.

"Permitted Transfer" means a Transfer of one or more CVRs (i) upon death by will or intestacy; (ii) by instrument to an *inter vivos* or testamentary trust in which the CVRs are to be passed to beneficiaries upon the death of the trustee; (iii) made pursuant to a court order of a court of competent jurisdiction (such as in connection with divorce, bankruptcy or liquidation); (iv) made by operation of

law (including a consolidation or merger) or without consideration in connection with the dissolution, liquidation or termination of any corporation, limited liability company, partnership or other entity; (v) if the Holder is a partnership, a distribution from the transferring partnership to its partners or former partners in accordance with their partnership interests; (vi) in the case of CVRs payable to a nominee, from a nominee to a beneficial owner (and, if applicable, through an intermediary) or from such nominee to another nominee for the same beneficial owner, in each case as permitted by The Depository Trust Company ("DTC"); (vii) to Milan or its Affiliates; or (viii) as provided in Section 2.6.

"Rights Agent" means the Rights Agent named in the first paragraph of this Agreement, until a successor Rights Agent shall have been appointed pursuant to Article 3 of this Agreement, and thereafter "Rights Agent" will mean such successor Rights Agent.

"Second NAVI Period" means the period commencing on the date of this Agreement and ending at 11:59 p.m., New York City time, on [[●], 2024].[3]

"TIGIT Cash Payment" means the cash payment payable by Celgene to the Company, or to Milan or any of its Subsidiaries on or after the Closing Date, on the exercise of the Celgene Option.

"TIGIT Milestone" will be deemed to occur upon the occurrence of both (i) the exercise of the Celgene Option and (ii) actual receipt by Milan or one or more of its Subsidiaries (or their respective successors or assigns) of the TIGIT Cash Payment.

"TIGIT Milestone Achievement Certificate" has the meaning set forth in Section 2.4(a).

"TIGIT Milestone Payment" means, subject to Section 2.7 and Section 2.8, a number of Milan Depositary Shares equal to the TIGIT Ratio.

"TIGIT Milestone Period" means the period commencing on the date of this Agreement and ending at 11:59 p.m., New York City time, on December 31, 2019.

"TIGIT" means that Hippo Umbrella Target (as defined in the Celgene Collaboration Agreement) known as TIGIT and designated as a target by Celgene effective December 22, 2015.

"TIGIT Program" means the Hippo Designated Program (as defined in the Celgene Collaboration Agreement) with TIGIT as the designated target.

"TIGIT Ratio" means the quotient obtained by dividing (a) the TIGIT Cash Payment actually received by Milan or one or more of its Subsidiaries, net of any Tax (including any applicable value added or sales taxes and including any Tax which would be payable but for the utilization of a relief), and reasonable cost or expense attributable to the receipt of such payment (which, for the avoidance of doubt, shall include any costs, reasonable out-of-pocket fees, expenses or charges incurred, directly or indirectly, by Milan or its Subsidiaries in excess of the commitments provided for in the budget set forth on Schedule B) by (b) the volume-weighted average price per Milan Depositary Share on the principal trading market on which such Milan Depositary Shares are then listed or quoted as reported by Bloomberg L.P. over the ten (10) trading days (based on a trading day from 9:30 a.m. (New York City time) to 4:00 p.m. (New York City time) on each day on which such principal trading market is open for trading) immediately following the date of the announcement by Milan of the TIGIT Milestone (which in any event shall be within five (5) Business Days of receipt by Milan of the TIGIT Cash Payment).

[3] ***NTD:*** ***To be the date that is five (5) years from the Closing Date.***

"Transfer" means transfer, pledge, hypothecation, encumbrance, assignment or other disposition (whether by sale, merger, consolidation, liquidation, dissolution, dividend, distribution or otherwise), the offer to make such a transfer or other disposition, and each Contract, arrangement or understanding, whether or not in writing, to effect any of the foregoing.

"VEGF" means vascular endothelial growth factor.

ARTICLE 2
CONTINGENT VALUE RIGHTS

Section 2.1 *Holders of CVRs; Appointment of Rights Agent.*

(a) As provided in the Merger Agreement, effective as of the Closing, each Holder will be entitled to one CVR for each Share that is validly accepted for payment, and paid for, pursuant to Section 1.8(c) of the Merger Agreement.

(b) Milan hereby appoints the Rights Agent to act as rights agent for Milan in accordance with the express terms and conditions set forth in this Agreement, and the Rights Agent hereby accepts such appointment.

Section 2.2 *Non-transferable.*

A Holder may not at any time Transfer CVRs, other than pursuant to a Permitted Transfer. Any attempted Transfer that is not a Permitted Transfer, in whole or in part, will be void *ab initio* and of no effect.

Section 2.3 *No Certificate; Registration; Registration of Transfer; Change of Address.*

(a) Holders' rights and obligations in respect of CVRs derive solely from this Agreement; CVRs will not be evidenced by a certificate or other instrument.

(b) The Rights Agent will maintain an up-to-date register (the "CVR Register") for the purposes of (i) identifying the Holders of CVRs, (ii) determining Holders' entitlement to CVRs and (iii) registering the CVRs and Permitted Transfers thereof. The CVR Register will initially show one position for the Rights Agent representing all of the CVRs provided to the holders of shares of Company Common Stock held immediately prior to Closing. Neither Milan nor its Subsidiaries will have any responsibility or liability whatsoever to any person other than the Holders.

(c) Subject to the restriction on transferability set forth in Section 2.2, every request made to Transfer CVRs must be in writing and accompanied by a written instrument of Transfer, together with the signature guarantee of a guarantor institution which is a participant in a signature guarantee program approved by the Securities Transfer Association (a "signature guarantee") and other requested documentation in a form reasonably satisfactory to the Rights Agent, duly executed and properly completed, as applicable, by the Holder or Holders thereof, or by the duly appointed legal representative, personal representative or survivor of such Holder or Holders, setting forth in reasonable detail the circumstances relating to the Transfer. Upon receipt of such written notice, the Rights Agent will, subject to its reasonable determination in accordance with its own internal procedures, that the Transfer instrument is in proper form and the Transfer, is a Permitted Transfer and otherwise complies on its face with the other terms and conditions of this Agreement, register the Transfer of the applicable CVRs in the CVR Register. All Transfers of CVRs registered in the CVR Register will be the valid obligations of Milan, evidencing the same right, and entitling the transferee to the same benefits and rights under this Agreement, as those held by the transferor. Milan and the Rights Agent may each require payment of a sum sufficient to cover any stamp or other transfer tax or governmental charge that is imposed in connection with (and would not have been imposed but for)

any such registration of transfer. No transfer of CVRs shall be valid until registered in the CVR Register and any transfer not duly registered in the CVR Register shall be void.

(d) A Holder may make a written request to the Rights Agent to change such Holder's address of record in the CVR Register. Such written request must be duly executed by such Holder. Upon receipt of such written notice, the Rights Agent shall promptly record the change of address in the CVR Register.

Section 2.4 *Payment Procedures.*

(a) If the TIGIT Milestone occurs at any time prior to the expiration of the TIGIT Milestone Period, then, on or prior to the Milestone Payment Date relating thereto, (i) Milan, or a Person nominated by Milan (with written notice thereof from Milan to the Rights Agent), as the case may be, will (A) deliver to the Rights Agent, a certificate (the "TIGIT Milestone Achievement Certificate") certifying the date of satisfaction of the TIGIT Milestone and that the Holders are entitled to receive the TIGIT Milestone Payment, (B) allot and issue to the Depositary, or as the Depositary directs, the Milan Ordinary Shares underlying the Milan Depositary Shares comprising the TIGIT Milestone Payment, (C) deliver to the Depositary, for the benefit of the Holders, evidence of book-entry shares representing Milan Ordinary Shares underlying the Milan Depositary Shares comprising the TIGIT Milestone Payment and (D) take all steps necessary to ensure that the Milan Ordinary Shares underlying the Milan Depositary Shares comprising the TIGIT Milestone Payment are admitted to trading on AIM and (ii) Milan shall procure that the Depositary shall promptly (and in any event, within ten (10) Business Days) issue and deliver to the Holders, by first-class postage prepaid mail, to the address of each Holder set forth in the CVR Register at such time or by other method of delivery as specified by the applicable Holder in writing to the Rights Agent, the number of whole Milan Depositary Shares equal to the product determined by multiplying (A) the quotient determined by dividing (x) the TIGIT Milestone Payment by (y) the total number of CVRs registered in the CVR Register at such time, by (B) the number of CVRs registered to such Holder in the CVR Register at such time. For the avoidance of doubt, each of the requirements of the TIGIT Milestone must be fully satisfied for the TIGIT Milestone to be considered to be attained, and (i) Milan shall have no further liability in respect of the TIGIT Milestone Payment upon delivery of the Milan Depositary Shares in accordance with this Section 2.4(a) and the satisfaction of each of Milan's obligations set forth in this Section 2.4(a) and (ii) the Holders will not be entitled to, and Milan will not be liable for, any TIGIT Milestone Payment in the event of any partial satisfaction of the TIGIT Milestone.

(b) If a NAVI Milestone occurs at any time prior to the expiration of the Second NAVI Period and on each such occurrence, then, on or prior to the Milestone Payment Date relating thereto, Milan, or a Person nominated by Milan (with written notice thereof from Milan to the Rights Agent), as the case may be, will deliver to the Rights Agent (i) a certificate (each such certificate, a "NAVI Milestone Achievement Certificate") certifying the date of satisfaction of the applicable NAVI Milestone and that the Holders are entitled to receive a NAVI Milestone Payment, and (ii) the applicable NAVI Milestone Payment, by wire transfer of immediately available funds to an account designated by the Rights Agent. Upon receipt of the wire transfer referred to in the foregoing sentence, the Rights Agent will promptly (and in any event, within ten (10) Business Days) pay, by check mailed, first-class postage prepaid, to the address of each Holder set forth in the CVR Register at such time or by other method of delivery as specified by the applicable Holder in writing to the Rights Agent, an amount in cash equal to the product determined by multiplying (A) the quotient determined by dividing (x) the applicable NAVI Milestone Payment by (y) the total number of CVRs registered in the CVR Register at such time, by (B) the number of CVRs registered to such Holder in the CVR Register at such time. For the avoidance of doubt, each of the requirements of each NAVI Milestone must be fully satisfied for such NAVI Milestone to be considered to be attained, and (i) Milan shall have no further liability in respect of the NAVI Milestone Payment upon delivery of the relevant funds in accordance with this Section 2.4(b) and (ii) the Holders will not be entitled to, and Milan will not be liable for, any NAVI Milestone Payment in the event of any partial satisfaction of the requirements relating to such NAVI Milestone.

(c) If a Milestone is not attained at any time prior to the expiration of the applicable Milestone Period then, on or before the date that is ten (10) Business Days after the end of such Milestone Period, Milan will deliver to the Rights Agent an Officer's Certificate (the "Milestone Non-Achievement Certificate") certifying that the applicable Milestone has not occurred and that Milan has complied in all material respects with its obligations under this Agreement. The Rights Agent will promptly (and in any event, within ten (10) Business Days after receipt) deliver a copy of such Milestone Non-Achievement Certificate to the Holders. The Rights Agent will deliver to Milan a certificate certifying the date of delivery of such certificate to the Holders.

(d) If the Rights Agent does not receive from the Majority of Holders a written objection to a Milestone Non-Achievement Certificate within thirty (30) Business Days after the date of delivery of such Milestone Non-Achievement Certificate by the Rights Agent to the Holders, the Holders will be deemed to have accepted such Milestone Non-Achievement Certificate, and Milan and its Subsidiaries will have no further obligation or liability with respect to the determination of the applicable Milestone Payment.

(e) Except to the extent any portion of any Milestone Payment is required to be treated as imputed interest pursuant to applicable Law, the parties hereto agree to treat the CVRs and all Milestone Payments for all Tax purposes as consideration for shares of Company Common Stock and Company Options pursuant to the Merger Agreement, and the parties hereto will not take any position to the contrary on any Tax Return or for other Tax purposes except as required by applicable Law.

(f) Milan and the Rights Agent will be entitled to deduct and withhold, or cause to be deducted and withheld, from any Milestone Payment otherwise payable pursuant to this Agreement, such amounts as it is required to deduct and withhold with respect to the making of such payment under any provision of applicable Law relating to Taxes. To the extent that amounts are so deducted and withheld, such deducted and withheld amounts will be treated for all purposes of this Agreement as having been paid to the Holder in respect of which such deduction and withholding was made. Prior to making any such Tax deductions or withholdings or causing any such Tax deductions or withholdings to be made with respect to any Holder, the Rights Agent will, to the extent reasonably practicable, provide notice to the Holder of such potential Tax deduction or withholding and a reasonable opportunity for the Holder to provide any necessary Tax forms in order to avoid or reduce such withholding amounts; *provided* that the time period for payment of a Milestone Payment by the Rights Agent set forth in Section 2.4(a) or Section 2.4(b) will be extended by a period equal to any delay caused by the Holder providing such forms, *provided*, *further*, that in no event shall such period be extended for more than ten (10) Business Days, unless otherwise requested by the Holder for the purpose of delivering such forms and agreed to by the Rights Agent.

(g) Any portion of a Milestone Payment that remains undistributed to the Holders six (6) months after the Milestone Payment Date (including by means of uncashed checks or invalid addresses on the CVR Register) will be delivered by the Rights Agent to Milan or a person nominated in writing by Milan (with written notice thereof from Milan to the Rights Agent), and any Holder will thereafter look only to Milan for payment of such Milestone Payment (which shall be without interest).

(h) If any Milestone Payment (or portion thereof) remains unclaimed by a Holder two (2) years after the applicable Milestone Payment Date (or immediately prior to such earlier date on which such Milestone Payment would otherwise escheat to or become the property of any Governmental Authority), such Milestone Payment (or portion thereof) will, to the extent permitted by applicable Law, become the property of Milan and will be transferred to Milan or a person nominated in writing by Milan (with written notice thereof from Milan to the Rights Agent), free and clear of all claims or interest of any Person previously entitled thereto, and no consideration or compensation shall be payable therefor. Neither Milan nor the Rights Agent will be liable to any Person in respect of a Milestone Payment delivered to a public official pursuant to any applicable abandoned property, escheat or similar legal requirement under applicable Law.

Section 2.5 *No Voting, Dividends or Interest; No Equity or Ownership Interest.*

(a) CVRs will not have any voting or dividend rights, and interest will not accrue on any amounts payable in respect of CVRs.

(b) CVRs will not represent any equity or ownership interest in Milan or any of its Subsidiaries or in the Surviving Corporation. The sole right of the Holders to receive property hereunder is the right to receive Milestone Payments, if any, in accordance with the terms hereof. It is hereby acknowledged and agreed that a CVR shall not constitute a security of Milan or any of its Subsidiaries or of the Surviving Corporation.

Section 2.6 *Ability to Abandon CVR.*

A Holder may at any time, at such Holder's option, abandon all of such Holder's remaining rights represented by CVRs by transferring such CVR to Milan or a person nominated in writing by Milan (with written notice thereof from Milan to the Rights Agent) without consideration in compensation therefor, and such rights will be cancelled, with the Rights Agent being promptly notified in writing by Milan of such transfer and cancellation. Nothing in this Agreement is intended to prohibit Milan or its Affiliates from offering to acquire or acquiring CVRs, in private transactions or otherwise, for consideration in its sole discretion.

Section 2.7 *Share Consideration Cap.*

The number of Milan Ordinary Shares underlying the Milan Depositary Shares to be issued pursuant to this CVR Agreement, when aggregated with the number of Milan Ordinary Shares underlying the Milan Depositary Shares issued as Share Consideration pursuant to Section 1.5(a)(ii) of the Merger Agreement shall not, in the aggregate, exceed the Share Consideration Cap, and, if the aggregate number of Milan Depositary Shares to be issued pursuant to Section 2.4(a) of this CVR Agreement would require the allotment and issuance of an aggregate number of Milan Ordinary Shares (underlying such Milan Depositary Shares) that, together with the aggregate number of Milan Ordinary Shares underlying the Milan Depositary Shares issued at Closing (collectively, the "Total Share Consideration"), otherwise exceed the Share Consideration Cap, then the number of Milan Depositary Shares to be issued pursuant to this CVR Agreement shall be appropriately reduced so that the Total Share Consideration does not exceed the Share Consideration Cap. For the avoidance of doubt, the Share Consideration Cap shall not operate to limit or restrict any NAVI Milestone Payment which is or becomes payable pursuant to this Agreement.

Section 2.8 *Cash Consideration Cap.*

The aggregate principal amount of all cash payments made to Holders by Milan as NAVI Milestone Payments pursuant to this CVR Agreement shall in no case exceed the Cash Consideration Cap. If the aggregate principal amount to be paid to Holders by Milan pursuant to Section 2.4(b) of this CVR Agreement would, together with the aggregate principal amount of any prior such cash payments, otherwise exceed the Cash Consideration Cap, then the applicable NAVI Milestone Payment shall be appropriately reduced so that the aggregate principal amount of such payment, together with any prior such cash payments, does not exceed the Cash Consideration Cap.

Section 2.9 *Fractional Entitlements.*

No fractional Milan Ordinary Shares or Milan Depositary Shares shall be issued in connection with the TIGIT Milestone Payment, and no certificates or scrip for any such fractional shares shall be issued. Any fractional share resulting from the application of the TIGIT Ratio shall be rounded down to the nearest whole share, with no cash being paid for any fractional share eliminated by such rounding.

ARTICLE 3
THE RIGHTS AGENT

Section 3.1 *Certain Duties and Responsibilities.*

(a) The Rights Agent will not have any liability for any actions taken or not taken in connection with this Agreement, except to the extent such liability arises as a result of the willful misconduct, bad faith or gross negligence of the Rights Agent (in each case as determined by a final non-appealable judgment of court of competent jurisdiction). Notwithstanding anything in this Agreement to the contrary, any liability of the Rights Agent under this Agreement will be limited to the amount of annual fees paid by Milan to the Rights Agent during the twelve (12) months immediately preceding the event for which recovery from the Rights Agent is being sought. Anything to the contrary notwithstanding, in no event will the Rights Agent be liable for special, punitive, indirect, incidental or consequential loss or damages of any kind whatsoever (including, without limitation, lost profits), even if the Rights Agent has been advised of the likelihood of such loss or damages, and regardless of the form of action.

(b) The Rights Agent shall not have any duty or responsibility in the case of the receipt of any written demand from any Holder with respect to any action or default by any person or entity, including, without limiting the generality of the foregoing, any duty or responsibility to initiate or attempt to initiate any proceedings at law or otherwise or to make any demand upon Milan or the Company. All rights of action under this Agreement may be enforced by the Rights Agent, any claim, action, suit, audit, investigation or proceeding instituted by the Rights Agent will be brought in its name as the Rights Agent and any recovery in connection therewith will be for the proportionate benefit of all the Holders, as their respective rights or interests may appear on the CVR Register.

Section 3.2 *Certain Rights of Rights Agent.*

(a) The Rights Agent undertakes to perform such duties and only such duties as are specifically set forth in this Agreement, and no implied covenants or obligations will be read into this Agreement against the Rights Agent.

(b) The Rights Agent may rely and will be protected by Milan in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order or other paper or document believed by it in good faith to be genuine and to have been signed or presented by or on behalf of Milan.

(c) Whenever the Rights Agent deems it desirable that a matter be proved or established prior to taking or omitting any action hereunder, the Rights Agent may (i) rely upon an Officer's Certificate and (ii) incur no liability and be held harmless by Milan for or in respect of any action taken or omitted to be taken by it under the provisions of this Agreement in reliance upon such Officer's Certificate.

(d) The Rights Agent may engage and consult with counsel of its selection, and the advice or opinion of such counsel will, in the absence of bad faith, gross negligence or willful misconduct on the part of the Rights Agent, be full and complete authorization and protection in respect of any action taken or not taken by the Rights Agent in reliance thereon.

(e) Any permissive rights of the Rights Agent hereunder will not be construed as a duty.

(f) The Rights Agent will not be required to give any note or surety in respect of the execution of its powers or otherwise under this Agreement.

(g) Milan agrees to indemnify the Rights Agent for, and to hold the Rights Agent harmless from and against, any loss, liability, damage, judgment, fine, penalty, cost or expense (each, a "Loss") suffered or incurred by the Rights Agent and arising out of or in connection with the Rights Agent's performance of its obligations under this Agreement, including the reasonable and documented costs and expenses of defending the Rights Agent against any claims, charges, demands, actions or suits

arising out of or in connection in connection with the execution, acceptance, administration, exercise and performance of its duties under this Agreement, including the costs and expenses of defending against any claim of liability arising therefrom, directly or indirectly, or enforcing its rights hereunder, except to the extent such Loss has been determined by a final non-appealable decision of a court of competent jurisdiction to have resulted from the Rights Agent's gross negligence, bad faith or willful misconduct or breach of this Agreement.

(h) In addition to the indemnification provided under Section 3.2(g), Milan agrees (i) to pay the fees of the Rights Agent in connection with the Rights Agent's performance of its obligations hereunder, as agreed upon in writing by the Rights Agent and Milan on or prior to the date of this Agreement, and (ii) to reimburse the Rights Agent for all reasonable and properly documented out-of-pocket expenses, including all Taxes (other than income, receipt, franchise or similar Taxes) and governmental charges, incurred by the Rights Agent in the performance of its obligations under this Agreement, except that Milan will have no obligation to pay the fees of the Rights Agent or reimburse the Rights Agent in connection with any lawsuit initiated by the Rights Agent on behalf of itself or the Holders, except in the case of any suit enforcing the provisions of Section 2.4(a), Section 2.4(b) or Section 3.2(g), if Milan is found by a court of competent jurisdiction to be liable to the Rights Agent or the Holders, as applicable in such suit.

(i) No provision of this Agreement shall require the Rights Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers if it believes that repayment of such funds or adequate indemnification against such risk or liability is not reasonably assured to it.

(j) The Rights Agent will not be deemed to have knowledge of any event of which it was supposed to receive notice hereunder but has not received written notice of such event, and the Rights Agent will not incur any liability for failing to take action in connection therewith, in each case, unless and until it has received such notice in writing.

(k) Subject to applicable Law, (i) the Rights Agent and any shareholder, affiliate, director, officer or employee of the Rights Agent may buy, sell or deal in any securities of Milan or become peculiarly interested in any transaction in which Milan may be interested, or contract with or lend money to Milan or otherwise act as fully and freely as though it were not the Rights Agent under this Agreement, and (ii) nothing herein will preclude the Rights Agent from acting in any other capacity for Milan or for any other Person.

(l) The Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorney or agents and the Rights Agent shall not be answerable or accountable for any act, default, neglect or misconduct of any such attorney or agents or for any loss to Milan or the Company resulting from any such act, default, neglect or misconduct, absent gross negligence, bad faith or willful misconduct (each as determined by a final non-appealable judgment of a court of competent jurisdiction) in the selection and continued employment thereof.

(m) Milan shall perform, acknowledge and deliver or cause to be performed, acknowledged and delivered all such further and other acts, documents, instruments and assurances as may be reasonably required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement.

(n) The Rights Agent shall not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement (except its countersignature thereof) or be required to verify the same, and all such statements and recitals are and shall be deemed to have been made by Milan only.

(o) The obligations of Milan under this Section 3.2 shall survive the expiration of the CVRs and the termination of this Agreement and the resignation, replacement or removal of the Rights Agent.

Section 3.3 *Resignation and Removal; Appointment of Successor.*

(a) The Rights Agent may resign at any time by written notice to Milan. Any such resignation notice shall specify the date on which such resignation will take effect (which shall be at least forty-five (45) days following the date that such resignation notice is delivered), and such resignation will be effective on the earlier of (x) the date so specified and (y) the appointment of a successor Rights Agent.

(b) Milan will have the right to remove the Rights Agent at any time by written notice to the Rights Agent, specifying the date on which such removal will take effect. Such notice will be given at least forty-five (45) days prior to the date so specified (or, if earlier, the appointment of the successor Rights Agent).

(c) If the Rights Agent resigns, is removed or becomes incapable of acting, Milan will promptly appoint a qualified successor Rights Agent. Notwithstanding the foregoing, if Milan fails to make such appointment within a period of forty-five (45) days after giving notice of such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent, then the incumbent Rights Agent may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. The successor Rights Agent so appointed will, upon its acceptance of such appointment in accordance with this Section 3.3(c) and Section 3.4, become the Rights Agent for all purposes hereunder.

(d) Milan will give notice to the Holders of each resignation or removal of the Rights Agent and each appointment of a successor Rights Agent in accordance with Section 7.2. Each notice will include the name and address of the successor Rights Agent. If Milan fails to send such notice within ten (10) Business Days after acceptance of appointment by a successor Rights Agent, the successor Rights Agent will cause the notice to be mailed at the expense of Milan.

(e) Notwithstanding anything to the contrary in this Section 3.3, unless consented to in writing by the Majority of Holders, Milan will not appoint as a successor Rights Agent any Person that is not a stock transfer agent of national reputation or the corporate trust department of a commercial bank.

(f) The Rights Agent will reasonably cooperate with Milan and any successor Rights Agent in connection with the transition of the duties and responsibilities of the Rights Agent to the successor Rights Agent, including the transfer of all relevant data, including the CVR Register, to the successor Rights Agent.

Section 3.4 *Acceptance of Appointment by Successor.*

Every successor Rights Agent appointed hereunder will, at or prior to such appointment, execute, acknowledge and deliver to Milan and to the resigning or removed Rights Agent an instrument accepting such appointment and a counterpart of this Agreement, and such successor Rights Agent, without any further act, deed or conveyance, will become vested with all the rights, powers, trusts and duties of the Rights Agent; *provided* that upon the request of Milan or the successor Rights Agent, such resigning or removed Rights Agent will execute and deliver an instrument transferring to such successor Rights Agent all the rights, powers and trusts of such resigning or removed Rights Agent.

ARTICLE 4
COVENANTS

Section 4.1 *List of Holders.*

Milan will furnish or cause to be furnished to the Rights Agent, in such form as Milan receives from the Company's transfer agent (or other agent performing similar services for the Company), the names and addresses of the Holders within fifteen (15) Business Days following the Closing Date.

Section 4.2 *TIGIT.*

(a) During the TIGIT Milestone Period, Milan will, and will cause its Subsidiaries to, use Diligent Efforts to obtain and receive the TIGIT Cash Payment upon execution of a License Agreement (as defined under the Celgene Collaboration Agreement).

(b) Notwithstanding anything to the contrary herein, Milan will not, and will cause its Subsidiaries to not, breach any of the material terms and conditions under the Celgene Collaboration Agreement that relate to the TIGIT Program, including Section 3.1.3 and Section 5.1.4(b).

(c) Except as expressly set forth in Section 4.2(a) and Section 4.2(b), none of Milan or any of its Subsidiaries shall have any obligation or liability whatsoever to any Person relating to or in connection with any action, or failure to act, with respect to the TIGIT Program, including in connection with any failure to receive the TIGIT Cash Payment.

Section 4.3 *NAVI.*

(a) During the First NAVI Period, Milan will permit the individuals associated with NAVI Sub and identified on Schedule A hereto (the "NAVI Team") to use Diligent Efforts to (i) solicit third party interest with respect to a NAVI Agreement, such that the NAVI Sub or a third party, as applicable, will advance the NAVI Product, and (ii) recommend, by written notice to the chief executive officer of Milan, that Milan enter into discussions with one or more such third parties that have expressed interest with respect to a NAVI Agreement; *provided* that, notwithstanding anything to the contrary in this Agreement, Milan will have no obligation or liability to fund or otherwise support or incur any cost or expense relating to NAVI Sub or the NAVI Product in excess of the commitments provided for in Schedule C hereto (except in respect of clinical trials commenced prior to the date hereof). Milan will use Diligent Efforts to promptly and in good faith evaluate any expression of interest so recommended by the NAVI Team and will, if determined by Milan in good faith to be reasonably likely to result in a NAVI Agreement reasonably acceptable to Milan, use Diligent Efforts to negotiate (with the assistance of the NAVI Team, as requested by Milan) with the relevant third party, the definitive documentation for a NAVI Agreement.

(b) Except as expressly set forth in Section 4.3(a), none of Milan or any of its Subsidiaries shall have any obligation or liability whatsoever to any Person relating to or in connection with any action, or failure to act, by the NAVI Team, including in connection with any failure (i) to identify third parties or solicit acceptable third party expressions of interest or (ii) to enter into enter into a NAVI Agreement prior to the expiration of the First NAVI Period.

(c) The entry into a NAVI Agreement by Milan or any of its Subsidiaries (including NAVI Sub) shall be subject to, and contingent upon, a determination by the Milan Board, having consulted with outside counsel, that the NAVI Agreement is fair to, advisable and in the best interests of Milan and its shareholders. Without limiting the foregoing, neither Milan nor any of its Subsidiaries (including NAVI Sub) shall be compelled to enter into any investment agreement, stock sale agreement, or similar agreement with respect to NAVI Sub or the NAVI Product if, immediately following the execution of such agreement, Milan or one or more of its Subsidiaries (other than NAVI Sub) would hold less than nineteen-point-five (19.5%) of the issued and outstanding equity interests of NAVI Sub on a fully-diluted basis.

(d) For the avoidance of doubt (i) upon and following the entry into a NAVI Agreement, Milan and its Subsidiaries' obligations, if any, with respect to NAVI Sub or the NAVI Product shall be set forth exclusively in such NAVI Agreement and Milan and its Subsidiaries shall have no obligation or liability to Holders with respect thereto, other than as expressly set forth herein, and (ii) Milan and its Subsidiaries shall not be required to enter into a NAVI Agreement or any other agreement with respect to NAVI Sub or the NAVI Product after the expiration of the First NAVI Period.

Section 4.4 *Prohibited Actions.*

Milan shall take no action for the principal purpose of (i) reducing the amount of any Milestone Payments payable under this Agreement or (ii) restricting Milan's ability to pay any of the Milestone Payments hereunder.

ARTICLE 5
AMENDMENTS

Section 5.1 *Amendments Without Consent of Holders or Rights Agent.*

(a) Milan, at any time and from time to time, may unilaterally enter into one or more amendments to this Agreement for any of the following purposes, without the consent of any of the Holders or the Rights Agent:

(i) to evidence the appointment of another Person as a successor Rights Agent and the assumption by any successor Rights Agent of the covenants and obligations of the Rights Agent herein in accordance with the provisions hereof;

(ii) subject to Section 6.1, to evidence the succession of another person to Milan and the assumption of any such successor of the covenants of Milan outlined herein in a transaction contemplated by Section 6.1;

(iii) to add to the covenants of Milan such further covenants, restrictions, conditions or provisions for the protection and benefit of the Holders; *provided* that in each case, such provisions shall not adversely affect the interests of the Holders;

(iv) to cure any ambiguity, to correct or supplement any provision in this Agreement that may be defective or inconsistent with any other provision in this Agreement, or to make any other provisions with respect to matters or questions arising under this Agreement; *provided* that in each case, such provisions shall not adversely affect the interests of the Holders;

(v) as may be necessary or appropriate to ensure that CVRs are not subject to registration under the U.S. Securities Act of 1933, as amended, or the U.S. Securities Exchange Act of 1934, as amended and the rules and regulations made thereunder, or any applicable state securities or "blue sky" laws;

(vi) as may be necessary or appropriate to ensure that Milan is not required to produce a prospectus or an admission document in order to comply with applicable Law;

(vii) to cancel CVRs (i) in the event that any Holder has abandoned its rights in accordance with Section 2.6, (ii) in order to give effect to the provisions of Section 2.7 or (iii) following a transfer of such CVRs to Milan or its Affiliates in accordance with Section 2.2 or Section 2.3;

(viii) as may be necessary or appropriate to ensure that Milan complies with applicable Law; or

(ix) to effect any other amendment to this Agreement that would provide any additional rights or benefits to the Holders or that does not adversely affect the legal rights under this Agreement of any such Holder.

Notwithstanding anything to the contrary contained herein, Milan and the Rights Agent may, but will not be obligated to, enter into any amendment that adversely affects, in any material respect, the Rights Agent's own rights, duties, responsibilities or protections

(b) Promptly after the execution by Milan of any amendment pursuant to this Section 5.1, Milan will (or will cause the Rights Agent to) notify the Holders in general terms of the substance of such amendment in accordance with Section 7.2.

Section 5.2 *Amendments with Consent of Holders.*

(a) In addition to any amendments to this Agreement that may be made by Milan without the consent of any Holder or the Rights Agent pursuant to Section 5.1, with the consent of the Majority of Holders, Milan and the Rights Agent may enter into one or more amendments to this Agreement for the purpose of adding, eliminating or amending any provisions of this Agreement, even if such addition, elimination or amendment is adverse to the interests of the Holders.

(b) Promptly after the execution by Milan and the Rights Agent of any amendment pursuant to the provisions of this Section 5.2, Milan will (or will cause the Rights Agent to) notify the Holders in general terms of the substance of such amendment in accordance with Section 7.2.

Section 5.3 *Effect of Amendments.*

Upon the execution of any amendment under this Article 5, this Agreement will be modified in accordance therewith, such amendment will form a part of this Agreement for all purposes and every Holder will be bound thereby. Upon the delivery of a certificate from an appropriate officer of Milan which states that the proposed supplement or amendment is in compliance with the terms of this Section 5, the Rights Agent shall execute such supplement or amendment. Notwithstanding anything in this Agreement to the contrary, the Rights Agent shall not be required to execute any supplement or amendment to this Agreement that it has determined would adversely affect its own rights, duties, obligations or immunities under this Agreement. No supplement or amendment to this Agreement shall be effective unless duly executed by the Rights Agent.

ARTICLE 6
CONSOLIDATION, MERGER, SALE OR CONVEYANCE

Section 6.1 *Milan May Not Consolidate, Etc.*

Milan shall not consolidate with or merge into any other Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, unless:

(a) the Person formed by such consolidation or into which Milan is merged or the Person that acquires by conveyance or transfer, or that leases, the properties and assets of Milan substantially as an entirety (the "Surviving Person") shall expressly assume payment of amounts on all CVRs and the performance of every duty and covenant of this Agreement on the part of Milan to be performed or observed; and

(b) Milan has delivered to the Rights Agent an Officer's Certificate, stating that such consolidation, merger, conveyance, transfer or lease complies with this Article 6 and that all conditions precedent herein provided for relating to such transaction have been complied with.

Section 6.2 *Successor Substituted.*

Upon any consolidation of or merger by Milan with or into any other Person, or any conveyance, transfer or lease of the properties and assets substantially as an entirety to any Person in accordance with Section 6.1, the Surviving Person shall succeed to, and be substituted for, and may exercise every right and power of, and shall assume all of the obligations of Milan under this Agreement with the same effect as if the Surviving Person had been named as Milan herein.

ARTICLE 7
MISCELLANEOUS

Section 7.1 *Notices to Rights Agent and to Milan.*

All notices, requests and other communications (each, a "Notice") to any party hereunder shall be in writing. Such Notice shall be deemed given (a) on the date of delivery, if delivered in person or by facsimile or e-mail (upon confirmation of receipt) prior to 5:00 p.m. in the time zone of the receiving party or on the next Business Day, if delivered after 5:00 p.m. in the time zone of the receiving party or (b) on the first Business Day following the date of dispatch, if delivered by FedEx or by other internationally recognized overnight courier service (upon proof of delivery), addressed as follows:

if to the Rights Agent, to:

Computershare Inc.
250 Royall Street
Canton, MA 02021

if to Milan, to:

Mereo BioPharma Group plc
4th Floor, 1 Cavendish Place
London WIG 0QF
Attention: General Counsel
Email: legal@mereobiopharma.com

with a copy, which shall not constitute notice, to:

Davis Polk & Wardwell London LLP
5 Aldermanbury Square
London EC2V 7HR
Attention: Simon Witty, Leo Borchardt, Michael Davis
Email: simon.witty@davispolk.com; leo.borchardt@davispolk.com; michael.davis@davispolk.com

or to such other address or facsimile number as such party may hereafter specify for the purpose by notice to the other parties hereto.

Section 7.2 *Notice to Holders.*

All Notices required to be given to the Holders will be given (unless otherwise herein expressly provided) in writing and mailed, first-class postage prepaid, to each Holder at such Holder's address as set forth in the CVR Register, not later than the latest date, and not earlier than the earliest date, prescribed for the sending of such Notice, if any, and will be deemed given on the date of mailing. In any case where notice to the Holders is given by mail, neither the failure to mail such Notice, nor any defect in any Notice so mailed, to any particular Holder will affect the sufficiency of such Notice with respect to other Holders.

Section 7.3 *Entire Agreement.*

As between Milan and the Rights Agent, this Agreement constitutes the entire agreement between the parties with respect to the subject matter of this Agreement, notwithstanding the reference to any other agreement herein, and supersedes all prior agreements and understandings, both written and oral, among or between any of the parties with respect to the subject matter of this Agreement.

Section 7.4 *Merger or Consolidation or Change of Name of Rights Agent.*

Any corporation or limited liability company or Person into which the Rights Agent or any successor Rights Agent may be merged or with which it may be consolidated, or any corporation or limited liability company or other Person resulting from any merger or consolidation to which the Rights Agent or any successor Rights Agent shall be a party, or any corporation or limited liability company succeeding to the stock transfer or other shareholder services business of the Rights Agent or any successor Rights Agent, shall be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such corporation or limited liability company or other entity would be eligible for appointment as a successor Rights Agent under the provisions of Section 3.3. The purchase of all or substantially all of the Rights Agent's assets employed in the performance of transfer agent activities shall be deemed a merger or consolidation for purposes of this Section 7.4.

Section 7.5 *Successors and Assigns.*

This Agreement will be binding upon, and will be enforceable by and inure solely to the benefit of, the Holders, Milan and the Rights Agent and their respective successors and assigns. Except for assignments to its Affiliates and as provided in Section 7.4, the Rights Agent may not assign this Agreement without Milan's prior written consent. Subject to Section 5.1(a)(ii) and Article 6 hereof, Milan may assign, in its sole discretion and without the consent of any other party, any or all of its rights, interests and obligations hereunder to one or more of its Affiliates or to any Person with whom Milan is merged or consolidated, or any entity resulting from any merger or consolidation to which Milan shall be a party (each, an "Assignee"); *provided*, *however*, that in connection with any assignment to an Assignee, Milan shall agree to remain liable for the performance by Milan of its obligations hereunder (to the extent Milan exists following such assignment). Milan or an Assignee may not otherwise assign this Agreement without the prior consent of the Majority of Holders. Any attempted assignment of this Agreement in violation of this Section 7.5 will be void *ab initio* and of no effect.

Section 7.6 *Benefits of Agreement; Action by Majority of Holders.*

Nothing in this Agreement, express or implied, will give to any Person (other than Milan, the Rights Agent, the Holders and their respective permitted successors and assigns hereunder) any benefit or any legal or equitable right, remedy or claim under this Agreement or under any covenant or provision herein contained, all such covenants and provisions being for the sole benefit of Milan, the Rights Agent, the Holders and their permitted successors and assigns. The Holders will have no rights hereunder except as are expressly set forth herein. Except for the rights of the Rights Agent set forth herein, the Majority of Holders will have the sole right, on behalf of all Holders, by virtue of or under any provision of this Agreement, to institute any action or proceeding at law or in equity with respect to this Agreement, and no individual Holder or other group of Holders will be entitled to exercise such rights.

Section 7.7 *Governing Law.*

This Agreement and the CVRs will be governed by, and construed in accordance with, the laws of the State of New York, without regard to the conflicts of law rules of such state.

Section 7.8 *Jurisdiction.*

In any action or proceeding between any of the parties hereto arising out of or relating to this Agreement or any of the transactions contemplated hereby, each of the parties hereto: (a) irrevocably and unconditionally consents and submits to the exclusive jurisdiction and venue of the Supreme Court of the State of New York, County of New York, or, if under applicable Law exclusive jurisdiction is vested in the Federal courts, the United States District Court for the Southern District of New York (and

appellate courts thereof); (b) agrees that all claims in respect of such action or proceeding shall be heard and determined exclusively in accordance with clause (a) of this Section 7.8; (c) waives any objection to laying venue in any such action or proceeding in such courts; (d) waives any objection that such courts are an inconvenient forum or do not have jurisdiction over any Party; and (e) agrees that service of process upon such Party in any such action or proceeding shall be effective if notice is given in accordance with Section 7.1 or Section 7.2 of this Agreement.

Section 7.9 ***WAIVER OF JURY TRIAL.***

EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (I) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (II) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATION OF THIS WAIVER, (III) EACH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (IV) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 7.8.

Section 7.10 *Severability Clause.*

In the event that any provision of this Agreement, or the application of any such provision to any Person or set of circumstances, is for any reason determined to be invalid, unlawful, void or unenforceable to any extent, the remainder of this Agreement, and the application of such provision to Persons or circumstances other than those as to which it is determined to be invalid, unlawful, void or unenforceable, will not be impaired or otherwise affected and will continue to be valid and enforceable to the fullest extent permitted by applicable Law. Upon such a determination, the parties hereto will negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible; provided, however, that if an excluded provision shall affect the rights, immunities, liabilities, duties or obligations of the Rights Agent, the Rights Agent shall be entitled to resign upon forty-five (45) days' written notice to Milan.

Section 7.11 *Counterparts; Effectiveness.*

This Agreement may be signed in any number of counterparts, each of which will be deemed an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement or any counterpart may be executed and delivered by facsimile copies or delivered by electronic communications by portable document format (.pdf), each of which shall be deemed an original. This Agreement will become effective when each party hereto will have received a counterpart hereof signed by the other party hereto. Until and unless each party has received a counterpart hereof signed by the other party hereto, this Agreement will have no effect and no party will have any right or obligation hereunder (whether by virtue of any oral or written agreement or any other communication).

Section 7.12 *Termination.*

This Agreement will automatically terminate and be of no further force or effect and, except as provided in Section 3.2, the parties hereto will have no further liability hereunder, and the CVRs will expire without any consideration or compensation therefor, upon the earlier to occur of (i) payment by Milan of each of the TIGIT Milestone Payment and each NAVI Milestone Payment eligible to be attained and (ii) the expiration of each of the TIGIT Milestone Period and the NAVI Milestone Period.

The termination of this Agreement will not affect or limit the right of Holders to receive the Milestone Payments under Section 2.4 to the extent earned prior to the termination of this Agreement, and the provisions applicable thereto will survive the expiration or termination of this Agreement.

Section 7.13 *Force Majeure*.

Notwithstanding anything to the contrary contained herein, none of the Rights Agent, Milan or any of its Subsidiaries will be liable for any delays or failures in performance resulting from acts beyond its reasonable control including acts of God, terrorist acts, shortage of supply, breakdowns or malfunctions, interruptions or malfunctions of computer facilities, or loss of data due to power failures or mechanical difficulties with information storage or retrieval systems, labor difficulties, war or civil unrest.

Section 7.14 *Construction.*

(a) For purposes of this Agreement, whenever the context requires: singular terms will include the plural, and vice versa; the masculine gender will include the feminine and neuter genders; the feminine gender will include the masculine and neuter genders; and the neuter gender will include the masculine and feminine genders.

(b) As used in this Agreement, the words “include” and “including,” and variations thereof, will not be deemed to be terms of limitation, but rather will be deemed to be followed by the words “without limitation.”

(c) The headings contained in this Agreement are for convenience of reference only, will not be deemed to be a part of this Agreement and will not be referred to in connection with the construction or interpretation of this Agreement.

(d) Any reference in this Agreement to a date or time shall be deemed to be such date or time in New York City, United States, unless otherwise specified. The parties hereto and the Company have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties and the Company and no presumption or burden of proof shall arise favoring or disfavoring any Person by virtue of the authorship of any provision of this Agreement.

(e) All references herein to “$” are to United States Dollars.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, each of the parties has caused this Agreement to be executed as of the day and year first above written.

MEREO BIOPHARMA GROUP PLC

By: _____
Name:
Title:

COMPUTERSHARE INC.

By: _____
Name:
Title

[*Signature Page to Contingent Value Rights Agreement*]

Annex C

December 4, 2018

The Board of Directors
OncoMed Pharmaceuticals, Inc.
800 Chesapeake Drive
Redwood City, CA 94063

Ladies and Gentlemen:

You have requested our opinion as to the fairness, from a financial point of view, to the holders (other than the holders of Excluded Shares, as defined below) of the outstanding shares of common stock, par value $0.001 per share (the "Company Capital Stock"), of OncoMed Pharmaceuticals, Inc., a Delaware corporation (the "Company"), of the Merger Consideration (as defined below) proposed to be paid to such holders pursuant to the terms of the Agreement and Plan of Merger and Reorganization (the "Merger Agreement") to be entered into by and among Mereo BioPharma Group Plc, a public limited company incorporated under the laws of England and Wales ("Mereo"), Mereo US Holdings Inc., a Delaware corporation and wholly-owned subsidiary of Mereo ("HoldCo"), Mereo Mergerco One Inc., a Delaware corporation and wholly-owned subsidiary of HoldCo ("Merger Sub"), and the Company. The Merger Agreement provides for the acquisition of the Company by Mereo through the merger of Merger Sub with and into the Company, with the Company as the surviving entity (the "Merger"). As a result of the Merger, the Company will become a wholly-owned subsidiary of HoldCo and indirect, wholly-owned subsidiary of Mereo. At the effective time of the Merger, each share of Company Capital Stock (other than Excluded Shares) outstanding immediately prior to such effective time shall be converted solely into the right to receive (i) the Share Consideration (as defined below) and (ii) one CVR (as defined below and, together with the Share Consideration, the "Merger Consideration"). The "Share Consideration" consists of Mereo Depositary Receipts (as defined below) evidencing a number of Mereo Depositary Shares (as defined below) equal to the Exchange Ratio (as defined below). The "Mereo Depositary Receipts" are American depositary receipts representing Mereo Depositary Shares to be issued pursuant to a Deposit Agreement to be entered into among Mereo, the Depositary named therein and the holders from time to time of the Mereo Depositary Receipts. The "Mereo Depositary Shares" are American depositary shares, each representing five ordinary shares, £0.003 par value per share, of Mereo (the "Mereo Ordinary Shares"). The "Exchange Ratio" is the number of Mereo Depositary Shares to be received by holders of Company Capital Stock (other than Excluded Shares) that is derived from the relative percentage ownership of the combined company following the Merger by holders of Mereo Ordinary Shares and Company Capital Stock prior to the consummation of the Merger, which is equal to 75.24% and 24.76%, respectively. The Exchange Ratio is based upon an assumed amount of Net Cash (as defined in the Merger Agreement) and is subject to certain adjustments set forth in the Merger Agreement. At your direction, we have assumed that the Net Cash amount will equal $37 million, and we express no opinion as to such amount or any adjustment to the Exchange Ratio as set forth in the Merger Agreement. The "CVRs" are contingent value rights to be issued pursuant to the Contingent Value Rights Agreement (the "CVR Agreement") to be entered into between Mereo and a rights agent in the form attached to the Merger Agreement. Each CVR will represent the right to receive contingent payments upon the achievement of certain milestones set forth in, and subject to and in accordance with the terms and conditions of, the CVR Agreement. Under the terms of the Merger Agreement, the number of Mereo Ordinary Shares

underlying the Mereo Depositary Shares to be issued in the Merger or pursuant to the CVR Agreement shall not, in the aggregate, exceed sixty-six point sixty-seven percent (66.67%) of the Mereo Outstanding Shares (the "Share Consideration Cap"), and in such event the Exchange Ratio and/or the number of Mereo Ordinary Shares underlying Mereo Depositary Shares issued pursuant to the CVR Agreement, as the case may be, shall be adjusted so that the Share Consideration Cap is not exceeded. We express no opinion as to any adjustment to the Merger Consideration pursuant to the preceding sentence. "Excluded Shares" means (a) shares of Company Capital Stock held as treasury stock immediately prior to the effective time of the Merger and (b) shares of Company Capital Stock that are outstanding immediately prior to the effective time of the Merger and which are held by stockholders who have exercised and perfected appraisal rights for such shares of Company Capital Stock in accordance with the Delaware General Corporation Law. The Merger and the other transactions summarized above are collectively referred to herein as the "Transaction." The terms and conditions of the Transaction are more fully set forth in the Merger Agreement and the terms and conditions of the CVRs are more fully set forth in the CVR Agreement.

We have been engaged by the Company to act as its financial advisor in connection with the proposed Transaction and we will receive a fee from the Company for providing such services, a portion of which is payable upon delivery of this opinion and the principal portion of which is contingent upon consummation of the Transaction. In addition, the Company has agreed to reimburse certain of our expenses arising, and indemnify us against certain liabilities that may arise, out of our engagement.

Leerink Partners LLC is a full-service securities firm engaged in securities trading and brokerage activities as well as investment banking and financial advisory services. We have provided certain investment banking services to the Company from time to time, for which we have received compensation, including customary underwriting compensation for our roles as a joint book-running manager for the Company's initial public offering in July 2013 and as the sole book-running manager for the Company's follow-on equity offering in August 2016. In the ordinary course of business, we and our affiliates may, in the future, provide commercial and investment banking services to the Company, Mereo or their respective affiliates and would expect to receive customary fees for the rendering of such services. In the ordinary course of our trading and brokerage activities, we or our affiliates have in the past and may in the future hold positions, for our own account or the accounts of our customers, in equity, debt or other securities of the Company, Mereo or their respective affiliates.

Consistent with applicable legal and regulatory requirements, we have adopted policies and procedures to establish and maintain the independence of our research departments and personnel. As a result, our research analysts may hold views, make statements or investment recommendations and/or publish research reports with respect to the Company, Mereo and the proposed Transaction and other participants in the Transaction that differ from the views of our investment banking personnel.

In connection with this opinion, we have reviewed, among other things: (i) a draft of the Merger Agreement, dated December 4, 2018; (ii) a draft of the CVR Agreement, dated December 4, 2018; (iii) the annual report on Form 10-K of the Company for the fiscal year ended December 31, 2017, as filed by the Company with the Securities and Exchange Commission (the "SEC"); (iv) the annual report to shareholders of Mereo for the fiscal year ended December 31, 2017, as filed by Mereo with the United Kingdom Companies House; (v) quarterly reports on Form 10-Q for the quarterly periods ended

March 31, 2018, June 30, 2018 and September 30, 2018, as filed by the Company with the SEC; (vi) interim results for the six month period ended on June 30, 2018, as issued by Mereo; (vii) certain current reports on Form 8-K, as filed by the Company with, or furnished by the Company to, the SEC; (viii) the registration statement on Form F-1 and amendment No. 1 thereto, as filed by Mereo with the SEC on March 23, 2018 and April 9, 2018, respectively; (ix) certain publicly available research analyst reports for the Company and Mereo; (x) certain other communications from the Company and Mereo to each of its respective stockholders; (xi) certain internal information relating to the business, operations, earnings, cash flow, assets, liabilities and prospects of the Company, including certain financial forecasts, analyses and projections relating to the Company prepared by management of the Company and furnished to us by the Company for purposes of our analysis (the "Company Forecast" and, collectively, the "Company Internal Data"); and (xii) certain internal information relating to the business, operations, earnings, cash flow, assets, liabilities and prospects of Mereo, including certain financial forecasts, analyses and projections relating to Mereo prepared by management of Mereo and furnished to us by Mereo for purposes of our analysis (the "Mereo Forecast" and, collectively, the "Mereo Internal Data"). We conducted discussions with members of the senior management and representatives of the Company regarding their assessment of the Company Internal Data and the Mereo Internal Data and with members of the senior management and representatives of Mereo regarding their assessment of the Mereo Internal Data. In addition, we reviewed publicly available financial and stock market data for the Company and Mereo and compared that data with similar data for certain other companies, the securities of which are publicly traded, in lines of business that we deemed relevant. We also compared certain of the proposed financial terms of the Transaction with the financial terms, to the extent publicly available, of certain other transactions that we deemed relevant and conducted such other financial studies and analyses and took into account such other information as we deemed appropriate.

We have assumed, without independent verification or any responsibility therefor, the accuracy and completeness of the financial, legal, regulatory, tax, accounting and other information supplied to, discussed with, or reviewed by us for purposes of this opinion and have, with your consent, relied upon such information as being complete and accurate. In that regard, we have assumed, at your direction, that the Company Internal Data (including, without limitation, the Company Forecast) has been reasonably prepared on bases reflecting the best currently available estimates and judgments of the management of the Company as to the matters covered thereby and that the Mereo Internal Data (including, without limitation, the Mereo Forecast) has been reasonably prepared on bases reflecting the best currently available estimates and judgments of the management of Mereo as to the matters covered thereby. We have relied, at your direction, on the Company Internal Data and the Mereo Internal Data for purposes of our analysis and this opinion. We express no view or opinion as to the Company Internal Data or the Mereo Internal Data or the respective assumptions on which each is based. In addition, at your direction, we have not made any independent evaluation or appraisal of any of the assets or liabilities (contingent, derivative, off-balance-sheet or otherwise) of the Company or Mereo, nor have we been furnished with any such evaluation or appraisal, and we have not been asked to conduct, and did not conduct, a physical inspection of the properties or assets of the Company or Mereo. We have assumed, at your direction, that the final executed Merger Agreement and the final executed CVR Agreement will not differ in any respect material to our analysis or this opinion from the last draft of the Merger Agreement or the last draft of the CVR Agreement reviewed by us. We have also assumed, at your direction, that the Transaction will be consummated on the terms set forth in the Merger Agreement and the CVR Agreement and in accordance with all applicable laws and other relevant documents or requirements, without delay or the waiver, modification or amendment of any term, condition or agreement, the effect of which would be material to our analysis

or this opinion and that, in the course of obtaining the necessary governmental, regulatory and other approvals, consents, releases and waivers for the Transaction, no delay, limitation, restriction, condition or other change will be imposed, the effect of which would be material to our analysis or this opinion. We have not evaluated and do not express any opinion as to the solvency or fair value of the Company or Mereo, or their respective abilities to pay their obligations when they come due, or as to the impact of the Transaction on such matters, under any state, federal or other laws relating to bankruptcy, insolvency or similar matters. We are not legal, regulatory, tax or accounting advisors, and we express no opinion as to any legal, regulatory, tax or accounting matters.

We express no view as to, and our opinion does not address, the Company's underlying business decision to proceed with or effect the Transaction, or the relative merits of the Transaction as compared to any alternative business strategies or transactions that might be available to the Company or in which the Company might engage. This opinion is limited to and addresses only the fairness, from a financial point of view, as of the date hereof, to the holders of the Company Capital Stock (other than Excluded Shares) of the Merger Consideration to be paid to such holders pursuant to the terms of the Merger Agreement. We have not been asked to, nor do we express any view on, and our opinion does not address, any other term or aspect of the Merger Agreement, the CVR Agreement or the Transaction, including, without limitation, the structure or form of the Transaction, the form or terms of the CVRs with respect to transferability, illiquidity or otherwise, or any other agreements or arrangements contemplated by the Merger Agreement or entered into in connection with or otherwise contemplated by the Transaction, including, without limitation, the fairness of the Transaction or any other term or aspect of the Transaction to, or any consideration to be received in connection therewith by, or the impact of the Transaction on, the holders of any other class of securities, creditors or other constituencies of the Company or any other party. In addition, we express no view or opinion as to the fairness (financial or otherwise) of the amount, nature or any other aspect of any compensation to be paid or payable to any of the officers, directors or employees of the Company or any other party, or class of such persons in connection with the Transaction, whether relative to the Merger Consideration to be paid to the holders of the Company Capital Stock (other than Excluded Shares) pursuant to the terms of the Merger Agreement or otherwise. Our opinion is necessarily based on financial, economic, monetary, currency, market and other conditions and circumstances as in effect on, and the information made available to us as of, the date hereof, and we do not have any obligation or responsibility to update, revise or reaffirm this opinion based on circumstances, developments or events occurring after the date hereof. Our opinion does not constitute a recommendation to any stockholder of the Company as to whether or how such holder should vote with respect to the Merger or otherwise act with respect to the Transaction or any other matter.

Our financial advisory services and the opinion expressed herein are provided for the information and assistance of the Board of Directors of the Company (in their capacity as directors and not in any other capacity) in connection with and for purposes of its consideration of the Transaction. This opinion has been authorized by our Fairness Opinion Review Committee.

Based upon and subject to the foregoing, including the various assumptions and limitations set forth herein, it is our opinion that, as of the date hereof, the Merger Consideration to be paid to the holders of the Company Capital Stock (other than Excluded Shares) pursuant to the terms of the Merger Agreement is fair, from a financial point of view, to such holders.

Very truly yours,

/s/ Leerink Partners LLC

Annex D

SECTION 262 OF THE DELAWARE GENERAL CORPORATION LAW

(a) Any stockholder of a corporation of this State who holds shares of stock on the date of the making of a demand pursuant to subsection (d) of this section with respect to such shares, who continuously holds such shares through the effective date of the merger or consolidation, who has otherwise complied with subsection (d) of this section and who has neither voted in favor of the merger or consolidation nor consented thereto in writing pursuant to § 228 of this title shall be entitled to an appraisal by the Court of Chancery of the fair value of the stockholder's shares of stock under the circumstances described in subsections (b) and (c) of this section. As used in this section, the word "stockholder" means a holder of record of stock in a corporation; the words "stock" and "share" mean and include what is ordinarily meant by those words; and the words "depository receipt" mean a receipt or other instrument issued by a depository representing an interest in 1 or more shares, or fractions thereof, solely of stock of a corporation, which stock is deposited with the depository.

(b) Appraisal rights shall be available for the shares of any class or series of stock of a constituent corporation in a merger or consolidation to be effected pursuant to § 251 (other than a merger effected pursuant to § 251(g) of this title), § 252, § 254, § 255, § 256, § 257, § 258, § 263 or § 264 of this title:

(1) Provided, however, that, except as expressly provided in § 363(b) of this title, no appraisal rights under this section shall be available for the shares of any class or series of stock, which stock, or depository receipts in respect thereof, at the record date fixed to determine the stockholders entitled to receive notice of the meeting of stockholders to act upon the agreement of merger or consolidation (or, in the case of a merger pursuant to § 251(h), as of immediately prior to the execution of the agreement of merger), were either: (i) listed on a national securities exchange or (ii) held of record by more than 2,000 holders; and further provided that no appraisal rights shall be available for any shares of stock of the constituent corporation surviving a merger if the merger did not require for its approval the vote of the stockholders of the surviving corporation as provided in § 251(f) of this title.

(2) Notwithstanding paragraph (b)(1) of this section, appraisal rights under this section shall be available for the shares of any class or series of stock of a constituent corporation if the holders thereof are required by the terms of an agreement of merger or consolidation pursuant to §§ 251, 252, 254, 255, 256, 257, 258, 263 and 264 of this title to accept for such stock anything except:

a. Shares of stock of the corporation surviving or resulting from such merger or consolidation, or depository receipts in respect thereof;

b. Shares of stock of any other corporation, or depository receipts in respect thereof, which shares of stock (or depository receipts in respect thereof) or depository receipts at the effective date of the merger or consolidation will be either listed on a national securities exchange or held of record by more than 2,000 holders;

c. Cash in lieu of fractional shares or fractional depository receipts described in the foregoing paragraphs (b)(2)a. and b. of this section; or

d. Any combination of the shares of stock, depository receipts and cash in lieu of fractional shares or fractional depository receipts described in the foregoing paragraphs (b)(2)a., b. and c. of this section.

(3) In the event all of the stock of a subsidiary Delaware corporation party to a merger effected under § 253 or § 267 of this title is not owned by the parent immediately prior to the merger, appraisal rights shall be available for the shares of the subsidiary Delaware corporation.

(4) In the event of an amendment to a corporation's certificate of incorporation contemplated by § 363(a) of this title, appraisal rights shall be available as contemplated by § 363(b) of this title, and

the procedures of this section, including those set forth in subsections (d) and (e) of this section, shall apply as nearly as practicable, with the word “amendment” substituted for the words “merger or consolidation”, and the word “corporation” substituted for the words “constituent corporation” and/or “surviving or resulting corporation.”

(c) Any corporation may provide in its certificate of incorporation that appraisal rights under this section shall be available for the shares of any class or series of its stock as a result of an amendment to its certificate of incorporation, any merger or consolidation in which the corporation is a constituent corporation or the sale of all or substantially all of the assets of the corporation. If the certificate of incorporation contains such a provision, the provisions of this section, including those set forth in subsections (d), (e), and (g) of this section, shall apply as nearly as is practicable.

(d) Appraisal rights shall be perfected as follows:

(1) If a proposed merger or consolidation for which appraisal rights are provided under this section is to be submitted for approval at a meeting of stockholders, the corporation, not less than 20 days prior to the meeting, shall notify each of its stockholders who was such on the record date for notice of such meeting (or such members who received notice in accordance with § 255(c) of this title) with respect to shares for which appraisal rights are available pursuant to subsection (b) or (c) of this section that appraisal rights are available for any or all of the shares of the constituent corporations, and shall include in such notice a copy of this section and, if 1 of the constituent corporations is a nonstock corporation, a copy of § 114 of this title. Each stockholder electing to demand the appraisal of such stockholder’s shares shall deliver to the corporation, before the taking of the vote on the merger or consolidation, a written demand for appraisal of such stockholder’s shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of such stockholder’s shares. A proxy or vote against the merger or consolidation shall not constitute such a demand. A stockholder electing to take such action must do so by a separate written demand as herein provided. Within 10 days after the effective date of such merger or consolidation, the surviving or resulting corporation shall notify each stockholder of each constituent corporation who has complied with this subsection and has not voted in favor of or consented to the merger or consolidation of the date that the merger or consolidation has become effective; or

(2) If the merger or consolidation was approved pursuant to § 228, § 251(h), § 253, or § 267 of this title, then either a constituent corporation before the effective date of the merger or consolidation or the surviving or resulting corporation within 10 days thereafter shall notify each of the holders of any class or series of stock of such constituent corporation who are entitled to appraisal rights of the approval of the merger or consolidation and that appraisal rights are available for any or all shares of such class or series of stock of such constituent corporation, and shall include in such notice a copy of this section and, if 1 of the constituent corporations is a nonstock corporation, a copy of § 114 of this title. Such notice may, and, if given on or after the effective date of the merger or consolidation, shall, also notify such stockholders of the effective date of the merger or consolidation. Any stockholder entitled to appraisal rights may, within 20 days after the date of mailing of such notice or, in the case of a merger approved pursuant to § 251(h) of this title, within the later of the consummation of the offer contemplated by § 251(h) of this title and 20 days after the date of mailing of such notice, demand in writing from the surviving or resulting corporation the appraisal of such holder’s shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of such holder’s shares. If such notice did not notify stockholders of the effective date of the merger or consolidation, either (i) each such constituent corporation shall send a second notice before the effective date of the merger or consolidation notifying each of the holders of any class or series of stock of such constituent corporation that are entitled to appraisal rights of the effective date of the merger or consolidation or (ii) the surviving or resulting corporation shall send such a second notice to all such holders on or within 10 days after such

effective date; provided, however, that if such second notice is sent more than 20 days following the sending of the first notice or, in the case of a merger approved pursuant to § 251(h) of this title, later than the later of the consummation of the offer contemplated by § 251(h) of this title and 20 days following the sending of the first notice, such second notice need only be sent to each stockholder who is entitled to appraisal rights and who has demanded appraisal of such holder's shares in accordance with this subsection. An affidavit of the secretary or assistant secretary or of the transfer agent of the corporation that is required to give either notice that such notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein. For purposes of determining the stockholders entitled to receive either notice, each constituent corporation may fix, in advance, a record date that shall be not more than 10 days prior to the date the notice is given, provided, that if the notice is given on or after the effective date of the merger or consolidation, the record date shall be such effective date. If no record date is fixed and the notice is given prior to the effective date, the record date shall be the close of business on the day next preceding the day on which the notice is given.

(e) Within 120 days after the effective date of the merger or consolidation, the surviving or resulting corporation or any stockholder who has complied with subsections (a) and (d) of this section hereof and who is otherwise entitled to appraisal rights, may commence an appraisal proceeding by filing a petition in the Court of Chancery demanding a determination of the value of the stock of all such stockholders. Notwithstanding the foregoing, at any time within 60 days after the effective date of the merger or consolidation, any stockholder who has not commenced an appraisal proceeding or joined that proceeding as a named party shall have the right to withdraw such stockholder's demand for appraisal and to accept the terms offered upon the merger or consolidation. Within 120 days after the effective date of the merger or consolidation, any stockholder who has complied with the requirements of subsections (a) and (d) of this section hereof, upon written request, shall be entitled to receive from the corporation surviving the merger or resulting from the consolidation a statement setting forth the aggregate number of shares not voted in favor of the merger or consolidation (or, in the case of a merger approved pursuant to § 251(h) of this title, the aggregate number of shares (other than any excluded stock (as defined in § 251(h)(6)(d) of this title)) that were the subject of, and were not tendered into, and accepted for purchase or exchange in, the offer referred to in § 251(h)(2)), and, in either case, with respect to which demands for appraisal have been received and the aggregate number of holders of such shares. Such written statement shall be mailed to the stockholder within 10 days after such stockholder's written request for such a statement is received by the surviving or resulting corporation or within 10 days after expiration of the period for delivery of demands for appraisal under subsection (d) of this section hereof, whichever is later. Notwithstanding subsection (a) of this section, a person who is the beneficial owner of shares of such stock held either in a voting trust or by a nominee on behalf of such person may, in such person's own name, file a petition or request from the corporation the statement described in this subsection.

(f) Upon the filing of any such petition by a stockholder, service of a copy thereof shall be made upon the surviving or resulting corporation, which shall within 20 days after such service file in the office of the Register in Chancery in which the petition was filed a duly verified list containing the names and addresses of all stockholders who have demanded payment for their shares and with whom agreements as to the value of their shares have not been reached by the surviving or resulting corporation. If the petition shall be filed by the surviving or resulting corporation, the petition shall be accompanied by such a duly verified list. The Register in Chancery, if so ordered by the Court, shall give notice of the time and place fixed for the hearing of such petition by registered or certified mail to the surviving or resulting corporation and to the stockholders shown on the list at the addresses therein stated. Such notice shall also be given by 1 or more publications at least 1 week before the day of the hearing, in a newspaper of general circulation published in the City of Wilmington, Delaware or such publication as the Court deems advisable. The forms of the notices by mail and by publication shall be approved by the Court, and the costs thereof shall be borne by the surviving or resulting corporation.

(g) At the hearing on such petition, the Court shall determine the stockholders who have complied with this section and who have become entitled to appraisal rights. The Court may require the stockholders who have demanded an appraisal for their shares and who hold stock represented by certificates to submit their certificates of stock to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings; and if any stockholder fails to comply with such direction, the Court may dismiss the proceedings as to such stockholder. If immediately before the merger or consolidation the shares of the class or series of stock of the constituent corporation as to which appraisal rights are available were listed on a national securities exchange, the Court shall dismiss the proceedings as to all holders of such shares who are otherwise entitled to appraisal rights unless (1) the total number of shares entitled to appraisal exceeds 1% of the outstanding shares of the class or series eligible for appraisal, (2) the value of the consideration provided in the merger or consolidation for such total number of shares exceeds $1 million, or (3) the merger was approved pursuant to § 253 or § 267 of this title.

(h) After the Court determines the stockholders entitled to an appraisal, the appraisal proceeding shall be conducted in accordance with the rules of the Court of Chancery, including any rules specifically governing appraisal proceedings. Through such proceeding the Court shall determine the fair value of the shares exclusive of any element of value arising from the accomplishment or expectation of the merger or consolidation, together with interest, if any, to be paid upon the amount determined to be the fair value. In determining such fair value, the Court shall take into account all relevant factors. Unless the Court in its discretion determines otherwise for good cause shown, and except as provided in this subsection, interest from the effective date of the merger through the date of payment of the judgment shall be compounded quarterly and shall accrue at 5% over the Federal Reserve discount rate (including any surcharge) as established from time to time during the period between the effective date of the merger and the date of payment of the judgment. At any time before the entry of judgment in the proceedings, the surviving corporation may pay to each stockholder entitled to appraisal an amount in cash, in which case interest shall accrue thereafter as provided herein only upon the sum of (1) the difference, if any, between the amount so paid and the fair value of the shares as determined by the Court, and (2) interest theretofore accrued, unless paid at that time. Upon application by the surviving or resulting corporation or by any stockholder entitled to participate in the appraisal proceeding, the Court may, in its discretion, proceed to trial upon the appraisal prior to the final determination of the stockholders entitled to an appraisal. Any stockholder whose name appears on the list filed by the surviving or resulting corporation pursuant to subsection (f) of this section and who has submitted such stockholder's certificates of stock to the Register in Chancery, if such is required, may participate fully in all proceedings until it is finally determined that such stockholder is not entitled to appraisal rights under this section.

(i) The Court shall direct the payment of the fair value of the shares, together with interest, if any, by the surviving or resulting corporation to the stockholders entitled thereto. Payment shall be so made to each such stockholder, in the case of holders of uncertificated stock forthwith, and the case of holders of shares represented by certificates upon the surrender to the corporation of the certificates representing such stock. The Court's decree may be enforced as other decrees in the Court of Chancery may be enforced, whether such surviving or resulting corporation be a corporation of this State or of any state.

(j) The costs of the proceeding may be determined by the Court and taxed upon the parties as the Court deems equitable in the circumstances. Upon application of a stockholder, the Court may order all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorney's fees and the fees and expenses of experts, to be charged pro rata against the value of all the shares entitled to an appraisal.

(k) From and after the effective date of the merger or consolidation, no stockholder who has demanded appraisal rights as provided in subsection (d) of this section shall be entitled to vote such

stock for any purpose or to receive payment of dividends or other distributions on the stock (except dividends or other distributions payable to stockholders of record at a date which is prior to the effective date of the merger or consolidation); provided, however, that if no petition for an appraisal shall be filed within the time provided in subsection (e) of this section, or if such stockholder shall deliver to the surviving or resulting corporation a written withdrawal of such stockholder's demand for an appraisal and an acceptance of the merger or consolidation, either within 60 days after the effective date of the merger or consolidation as provided in subsection (e) of this section or thereafter with the written approval of the corporation, then the right of such stockholder to an appraisal shall cease. Notwithstanding the foregoing, no appraisal proceeding in the Court of Chancery shall be dismissed as to any stockholder without the approval of the Court, and such approval may be conditioned upon such terms as the Court deems just; provided, however that this provision shall not affect the right of any stockholder who has not commenced an appraisal proceeding or joined that proceeding as a named party to withdraw such stockholder's demand for appraisal and to accept the terms offered upon the merger or consolidation within 60 days after the effective date of the merger or consolidation, as set forth in subsection (e) of this section.

(l) The shares of the surviving or resulting corporation to which the shares of such objecting stockholders would have been converted had they assented to the merger or consolidation shall have the status of authorized and unissued shares of the surviving or resulting corporation.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 20. Indemnification of Directors and Officers

The Articles of Association of Mereo BioPharma Group plc ("Mereo" or the "Registrant") provide that Mereo may indemnify the directors and other officers of Mereo in respect of any proceedings, whether civil or criminal, brought against them by reason of their being directors or officers of Mereo and to the fullest extent permitted by the Companies Act 2006 of the United Kingdom ("CA 2006").

Generally, under CA 2006, any provision by which Mereo directly or indirectly provides an indemnity (to any extent) for a director of Mereo or of an "associated company" (i.e., a company that is a parent, subsidiary or sister company of Mereo) 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 (subject to certain exceptions specified under CA 2006) void.

Mereo has entered into a deed of indemnity with each of its directors, and expects to enter into a new deed of indemnity with each of its directors and executive officers in connection with the Merger. Except as prohibited by applicable law, these deeds of indemnity may require Mereo, among other things, to indemnify its directors and executive officers for certain expenses, including attorneys' fees, costs and expenses incurred by such directors and executive officers with the prior written consent of Mereo in any action or proceeding arising out of their service as a director or executive officer of Mereo, or one of its subsidiaries.

Mereo maintains directors' and officers' insurance coverage, which, subject to policy terms and limitations is expected to include coverage to reimburse Mereo for amounts that it may be required or permitted by law to pay directors or officers of Mereo.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the "Securities Act"), may be permitted to directors, officers or persons controlling Mereo pursuant to the foregoing provisions, Mereo has been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

Item 21. Exhibits and Financial Statement Schedules

(a) Exhibits.

The exhibits listed below in the "Exhibit Index" are part of this registration statement and are numbered in accordance with Item 601 of Regulation S-K.

(b) Financial Statement Schedules.

Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or the notes thereto.

Item 22. Undertakings

The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:
   (i) to include any prospectus required by section 10(a)(3) of the Securities Act;
   (ii) to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which,

individually or in the aggregate, represent a fundamental change in the information in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

(iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment 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.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) To file a post-effective amendment to the registration statement to include any financial statements required by Item 8.A. of Form 20-F at the start of any delayed offering or throughout a continuous offering. Financial statements and information otherwise required by Section 10(a)(3) of the Act need not be furnished, provided that the registrant includes in the prospectus, by means of a post-effective amendment, financial statements required pursuant to this paragraph (a)(4) and other information necessary to ensure that all other information in the prospectus is at least as current as the date of those financial statements.

(5) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser:

(i) Each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use;

The undersigned Registrant hereby undertakes as follows: that prior to any public reoffering of the securities registered hereunder through use of a prospectus which is a part of this registration statement, by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c), the issuer undertakes that such reoffering prospectus will contain the information called for by the applicable registration form with respect to reoffering by persons who may be deemed underwriters, in addition to the information called for by the other items of the applicable form.

The Registrant undertakes that every prospectus (i) that is filed pursuant to the immediately preceding paragraph, or (ii) that purports to meet the requirements of Section 10(a)(3) of the Securities Act and is used in connection with an offering of securities subject to Rule 415, will be filed as a part of an amendment to the registration statement and will not be used until such amendment is effective, and that, for purposes of determining any liability under the Securities Act, each such post-effective amendment 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.

The undersigned Registrant hereby undertakes (i) to respond to requests for information that is incorporated by reference into the prospectus pursuant to Items 4, 10(b), 11 or 13 of this Form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means and (ii) to arrange or provide for a facility in the U.S. for purpose of responding to such requests. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

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 the opinion of the 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 of 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 Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

EXHIBIT INDEX

The following documents are filed as part of this registration statement on Form F-4:

Exhibit No.	Description
2.1*	Agreement and Plan of Merger and Reorganization, dated December 5, 2018, by and among the Registrant, Mereo US Holdings Inc., Mereo MergerCo One Inc. and OncoMed Pharmaceuticals, Inc. (included as Annex A to the proxy statement/prospectus forming a part of this registration statement and incorporated herein by reference)
3.1	Articles of Association of the Registrant
4.1	Form of Warrant Instrument
4.2	Deposit Agreement between the Registrant and Citibank, N.A.
4.3	Form of American Depositary Receipt of the Registrant (included in Exhibit 4.2 and incorporated herein by reference)
5.1	Opinion of Davis Polk & Wardwell London LLP regarding the validity of the securities being registered
8.1	Opinion of Davis Polk & Wardwell London LLP regarding the material U.S. federal income tax consequences of owning the ADSs of the Registrant
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, January 23, 2019, 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	Contract of Employment, dated February 19, 2018, and amendment, dated May 29, 2018, between the registrant and Alexandra (Wills) Hughes-Wilson
10.8	Letter of Appointment, dated July 29, 2015, between the Registrant and Dr. Peter Fellner
10.9	Letter of Appointment, dated July 29, 2015, between the Registrant and Frank Armstrong
10.10	Letter of Appointment, dated July 29, 2015, between the Registrant and Peter Bains
10.11	Letter of Appointment, dated October 28, 2015, between the Registrant and Paul Blackburn
10.12	Letter of Appointment, dated July 29, 2015, between the Registrant and Anders Ekblom
10.13	Letter of Appointment, dated July 29, 2015, between the Registrant and Kunal Kashyap
10.14	Rules of the Mereo BioPharma Group plc Share Option Scheme, as adopted June 9, 2016 and amended April 4, 2017 and March 20, 2018 and form of option documentation
10.15	Rules of the Mereo BioPharma Group Limited Share Option Scheme, as adopted July 8, 2015
10.16	Rules of the Mereo BioPharma Group plc Long Term Incentive Plan, as adopted June 9, 2016 and amended March 20, 2018

Exhibit No.	Description
10.17	Rules of the Mereo BioPharma Group plc Deferred Bonus Share Plan, as adopted June 9, 2016 and amended March 20, 2018
10.18	Rules of the Mereo BioPharma Group plc New Deferred Bonus Plan, as adopted January 15, 2019
10.19	Rules of the Mereo BioPharma Group plc Share Option Scheme for Non-Executive Directors, as adopted March 20, 2018 and form of option documentation
10.20†	BCT197 Asset Purchase Agreement, dated July 28, 2015, by and between Mereo BioPharma 1 Limited and Novartis Pharma AG
10.20.1	Amendment Agreement for BCT197, dated October 19, 2018, by and between Mereo BioPharma 1 Limited and Novartis Pharma AG
10.20.2	Addendum to the Asset Purchase Agreement, dated October 4, 2017, by and between Mereo BioPharma 1 Limited and Novartis Pharma AG
10.20.3	Addendum to the Asset Purchase Agreement, dated April 12, 2016, by and between Mereo BioPharma 1 Limited and Novartis Pharma AG
10.21†	BGS649 Asset Purchase Agreement, dated July 28, 2015, by and between Mereo BioPharma 2 Limited and Novartis Pharma AG
10.21.1	Amendment Agreement for BGS649, dated October 19, 2018, by and between Mereo BioPharma 2 Limited and Novartis Pharma AG
10.21.2	Addendum to the Asset Purchase Agreement, dated August 17, 2017, by and between Mereo BioPharma 2 Limited and Novartis Pharma AG
10.22†	BPS804 Asset Purchase Agreement, dated July 28, 2015, by and between Mereo BioPharma 3 Limited and Novartis Pharma AG
10.22.1†	Amendment Agreement, dated August 10, 2018, by and between Mereo BioPharma 3 Limited and Novartis Pharma AG
10.22.2	Addendum to the Asset Purchase Agreement, dated December 21, 2016, by and between Mereo BioPharma 3 Limited and Novartis Pharma AG
10.23†	Sublicense Agreement, dated July 29, 2015, by and between Mereo BioPharma 3 Limited and Novartis Pharma AG
10.24†	Exclusive License and Option Agreement, dated October 28, 2017, by and between Mereo BioPharma 4 Limited and AstraZeneca AB
10.25	Loan Agreement, dated September 28, 2018, 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
10.26	Form of Deed of Indemnity for members of the board of directors of the Registrant
10.27	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
22.1	List of Subsidiaries of the Registrant
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm
23.2	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm
23.3	Consent of Davis Polk & Wardwell London LLP (included in Exhibit 5.1 and incorporated herein by reference)
23.4	Consent of Latham & Watkins LLP
23.5	Consent of Davis Polk & Wardwell London LLP (included in Exhibit 8.1 and incorporated herein by reference)
24.1	Powers of Attorney (included on signature page of this registration statement)

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Exhibit No.	Description
99.1	Form of Proxy for OncoMed Pharmaceuticals, Inc.
99.2	Consent of SVB Leerink LLC (previously known as Leerink Partners LLC)
99.3	Consent of Michael Wyzga
99.4	Consent of Dr. Deepika Pakianathan

* Certain schedules to this exhibit have been omitted pursuant to Item 601(b)(2) of Regulation S-K. Mereo BioPharma Group plc agrees to furnish a supplemental copy of any omitted schedule to the SEC upon request.

† 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 has duly caused this registration statement on Form F-4 to be signed on its behalf by the undersigned, thereunto duly authorized, in London, United Kingdom, on January 24, 2019.

MEREO BIOPHARMA GROUP PLC

By: /s/ Denise Scots-Knight
Name: Dr. Denise Scots-Knight
Title: Chief Executive Officer

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Dr. 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 and in his name, place and stead in any and all capacities, in connection with this registration statement on Form F-4, including to sign in the name and on behalf of the undersigned, this registration statement on Form F-4 and any and all amendments thereto, including post-effective amendments and registrations filed pursuant to Rule 462 under the U.S. 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 desirable to be done in and about the premises, as fully to all intents and purposes as he or she 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 on Form F-4 has been signed by the following persons in the capacities and on the dates indicated:

Name	Title	Date
/s/ Denise Scots-Knight Dr. Denise Scots-Knight	Chief Executive Officer, Principal Executive Officer	January 24, 2019
/s/ Richard Jones Richard Jones	Chief Financial Officer, Principal Financial and Accounting Officer	January 24, 2019
/s/ Peter Fellner Dr. Peter Fellner	Chairman (non-executive) of the Board of Directors	January 24, 2019
/s/ Anders Ekblom Dr. Anders Ekblom	Non-executive Director	January 24, 2019
/s/ Frank Armstrong Dr. Frank Armstrong	Non-executive Director	January 24, 2019
/s/ Peter Bains Peter Bains	Non-executive Director	January 24, 2019
/s/ Kunal Kashyap Kunal Kashyap	Non-executive Director	January 24, 2019
/s/ Paul Blackburn Paul Blackburn	Non-executive Director	January 24, 2019

AUTHORIZED REPRESENTATIVE

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement on Form F-4 has been signed by the undersigned on January 24, 2019.

By: /s/ Colleen A. DeVries
Name: Colleen A. DeVries
Title: SVP on behalf of Cogency Global Inc.

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)

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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.

EXECUTION VERSION

DATED 2018

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

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CONTENTS

THIS WARRANT INSTRUMENT is made on 2018

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 (*Timing for exercise of Subscription Rights*), 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;
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, such price being equal to **£**_____;

Subscription Rights the rights of the Warrantholder(s) to subscribe for Warrant Shares under clause 6 (*Exercise of Subscription Rights*);

Takeover Code	the UK City Code on Takeovers and Mergers (as amended from time to time);
UKLA	the United Kingdom Listing Authority;
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;

1.2.3 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 (*Calculation of number of Warrant Shares*).

2.2 Subject to clause 6.3.2 (*Exercise of Subscription Rights*), 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**

The number of Warrant Shares over which Warrants will be issued at the date of this instrument (the **Issue Date**) shall be _____ Warrant Shares, such Warrants to be issued to Silicon Valley Bank and Kreos Capital V (Expert Fund) LP in equal proportions.

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 (*Calculation of number of Warrant Shares*).

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 (*Exercise of Subscription Rights*).

5.2 Subject to clause 7 (*Automatic Exercise of Subscription Rights*), 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 (*Liquidation*), 13 (*Takeovers*) and 14 (*Company reorganisations – Exchange of Warrants*), 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 (*Exercise of Subscription Rights*). 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 (*Exercise of Subscription Rights*) 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 (*Exercise of Subscription Rights*) shall be allotted and issued to the Warrantholder credited as fully paid up in accordance with clause 6.3.2 (*Exercise of Subscription Rights*) and clause 8.3.1 (*Completion*). 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 (*Automatic exercise of Subscription Rights*) or clause 13.2.2 (*Takeovers*), 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 Company, 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(*Exercise of Subscription Rights*). 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 (*Exercise of Subscription Rights*) shall be allotted and issued to the Warrantholder credited as fully paid up in accordance with clause 6.3.2 (*Exercise of Subscription Rights*) 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 Date), to grant the Warrant to the Warrantholder(s) on the Issue Date 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 Company 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 _____ 2018 ("**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: _____ 2018

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 [number], 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 2018 ("**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 (*Exercise of Subscription Rights*)].

[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/percentage of shares	Name of proposed allottee	Address of proposed allottee	CREST Details
1			Participant ID: [●] Member account ID: [●] INSP Custodian Client Ref: [●] Custodian Name: [●]
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: _____

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], 2019

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DEPOSIT AGREEMENT

DEPOSIT AGREEMENT, dated as of [DATE], 2019, 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 will, in the case of ADSs held through a central depository such as DTC and notwithstanding any other provision of this Agreement, 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.

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 **"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 1.29 **"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 1.30 **"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 1.31 **"Restricted ADR(s)", "Restricted ADS(s)" and "Restricted Shares"** shall have the respective meanings set forth in Section 2.14.

Section 1.32 **"Securities Act"** shall mean the United States Securities Act of 1933, as amended from time to time.

Section 1.33 **"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 1.34 **"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 1.35 **"Uncertificated ADS(s)"** shall have the meaning set forth in Section 2.13.

Section 1.36 **"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. 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) *in 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.

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(a).

(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.** Subject to Section 1.4 but 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 issued to the Holders thereof (such ADSs, the "Uncertificated ADS(s)" and the ADS(s) evidenced by ADR(s) issued to the Holders thereof, 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 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. 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"). Subject to Section 1.4 but 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 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 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(a), 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 held on behalf of such Holder and/or Beneficial Owner, and may sell for the account of a Holder and/or Beneficial Owner any or all of such 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(a)) 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. Notwithstanding anything to the contrary contained in the Deposit Agreement or any ADR, 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 contained in the Deposit Agreement or any ADR(s) to the contrary, 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(a).

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 (to the extent not limited by Section 7.8(b)) (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.

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, for the value of any Deposited Property or any distribution thereon, for any interest on Deposited Property, 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 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 solely in its capacity as Custodian pursuant to the Deposit Agreement. Notwithstanding anything contained in the Deposit Agreement or any ADR to the contrary, 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 or (y) any fees, charges or expenses payable by third party Holders or Beneficial Owners under this Deposit Agreement.

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. In the case of (i) registration of ADS transfers, the ADS transfer fee will be payable by the ADS Holder whose ADSs are being transferred or by the person to whom the ADSs are transferred, and (ii) conversion of ADSs of one series for ADSs of another series, the ADS conversion fee will be payable by the Holder whose ADSs are converted or by the person to whom the converted ADSs are delivered.

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 **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 existing 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 own and deal in any class of securities of the Company and its Affiliates and in ADSs, and 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, or (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, the ADRs and the ADSs 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 to the contrary, 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).

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, and No Disclaimer under, U.S. Securities Laws.

(a) 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.

(b) Each of the parties to the Deposit Agreement (including, without limitation, each Holder and Beneficial Owner) acknowledges and agrees that no provision of the Deposit Agreement or any ADR shall, or shall be deemed to, disclaim any liability under the Securities Act or the Exchange Act, in each case to the extent established under applicable U.S. laws.

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 five (5) 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 five (5) 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 [ ], 2019 (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 contained in this ADR or of the Deposit Agreement to the contrary, 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 held on behalf of such Holder and/or Beneficial Owner, and may sell for the account of a Holder and/or Beneficial Owner any or all of such 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. Notwithstanding anything to the contrary contained in the Deposit Agreement or any ADR, 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);

(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;

(vii) Transfer Fee: by any Holder of ADS(s) being transferred or by any person to whom ADSs are transferred, a fee not in excess of U.S. $5.00 per 100 ADSs (or fraction thereof) transferred; and

(viii) Conversion Fee: by any Holder of ADS(s) being transferred or by any person to whom the converted ADSs are delivered, a fee not in excess of U.S. $5.00 per 100 ADSs (or fraction thereof) converted from one ADS series to another ADS series (*e.g.*, upon conversion of Partial Entitlement ADSs for Full Entitlement ADSs, or upon conversion of Restricted ADSs into freely transferrable ADSs).

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, charges, costs and expenses incurred by the Depositary, the Custodian, or any nominee in connection with the ADR program.

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	CITIBANK, N.A. as Depositary
By: _____ Authorized Signatory	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 of the Deposit Agreement 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 (to the extent not limited by paragraph (25) hereof) (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.

(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 existing 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, and No Disclaimer under, U.S. Securities Laws.

(a) 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.

(b) Each of the parties to the Deposit Agreement (including, without limitation, each Holder and Beneficial Owner) acknowledges and agrees that no provision of the Deposit Agreement or any ADR shall, or shall be deemed to, disclaim any liability under the Securities Act or the Exchange Act, in each case to the extent established under applicable U.S. laws.

(26) No Third Party Beneficiaries/Acknowledgements. 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 own and deal in any class of securities of the Company and its Affiliates and in ADSs, and 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, or (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, (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, and (vi) the Company, the Depositary, the Custodian and their respective agents and controlling persons may be subject to the laws and regulations of jurisdictions other than the U.S. and the United Kingdom, and the authority of courts and regulatory authorities of such other jurisdictions, and, consequently, the requirements and the limitations of such other laws and regulations, and the decisions and orders of such other courts and regulatory authorities, may affect the rights and obligations of the parties to the Deposit Agreement.

(27) Governing Law and Jurisdiction. The Deposit Agreement, the ADRs and the ADSs 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 to the contrary, 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 Mereo BioPharma Group 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. Except as otherwise specified herein, any reference to ADSs herein includes Partial Entitlement ADSs, Full Entitlement ADSs, Certificated ADSs, Uncertificated ADSs, and Restricted ADSs

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.
7) Registration of ADS Transfers (*e.g.*, upon a registration of the transfer of registered ownership of ADSs, upon a transfer of ADSs into DTC and *vice versa*, or for any other reason).	Up to U.S. $5.00 per 100 ADSs (or fraction thereof) transferred.	Person for whom or to whom ADSs are transferred.
8) Conversion of ADSs of one series for ADSs of another series (*e.g.*, upon conversion of Partial Entitlement ADSs for Full Entitlement ADSs, or upon conversion of Restricted ADSs into freely transferable ADSs, and *vice versa*).	Up to U.S. $5.00 per 100 ADSs (or fraction thereof) converted.	Person for whom ADSs are converted or to whom the converted ADSs are delivered.

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 Property 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 Deposited Property, ADSs and ADRs; and

(vi) the fees, charges, costs and expenses incurred by the Depositary, the Custodian, or any nominee in connection with the ADR program.

New York
Northern California
Washington DC
São Paulo
London
Paris
Madrid
Tokyo
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Hong Kong

Davis Polk

Davis Polk & Wardwell London LLP
5 Aldermanbury Square
London EC2V 7HR

020 7418 1300 tel
020 7418 1400 fax

24 January 2019

Mereo BioPharma Group plc
4th Floor
One Cavendish Place
London W1G 0QF
United Kingdom

Ladies and Gentlemen

Mereo BioPharma Group plc (the "*Company*") – Registration Statement on Form F-4

We have acted as advisers as to English law to the Company, a public limited company incorporated under the laws of England and Wales with company number 09481161, in connection with its preparation and filing with the Securities and Exchange Commission (the "**SEC**") of a Registration Statement on Form F-4 (the "**Registration Statement**") under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), relating to the registration of new ordinary shares of £0.003 each in the capital of the Company (such ordinary shares, the "**New Shares**") to be issued by the Company pursuant to the merger contemplated by the agreement and plan of merger and reorganization dated 5 December 2018 between the Company, Mereo US Holdings Inc., Mereo Mergerco One Inc. and Oncomed Pharmaceuticals, Inc. (the "**Merger Agreement**").

Scope

This opinion is confined to matters of English law as at the date of this opinion, and this opinion and any non-contractual obligations arising out of or in relation to it are governed by and shall be construed in accordance with English law. Accordingly, we express no opinion with regard to any system of law other than English law as currently applied by the English courts. In particular, we express no opinion on European Union law as it applies to any jurisdiction other than England and Wales. To the extent that the laws of any other jurisdiction may be relevant, we have made no independent investigation thereof and our opinion is subject to the effect of such laws.

By accepting this opinion you irrevocably agree and accept that the courts of England shall have exclusive jurisdiction to hear and determine any dispute or claim arising out of or in connection with this opinion or its formation, including without limitation, (i) the creation, effect or interpretation of, or the legal relationships established by, this opinion and (ii) any non-contractual obligations arising out of or in connection with this opinion.

We assume no obligation to notify you of any future changes in law, which may affect the opinions expressed herein, or otherwise to update this opinion in any respect.

Opinion

On the basis of our examination of the documents listed in Schedule 1 to this opinion and the other matters referred to above, and subject to the assumptions set out in Schedule 2 to this opinion, the qualifications set out in Schedule 3 to this opinion and any matters not disclosed to us, we are of the opinion that the New Shares will be duly and validly issued and non-assessable if and when (i) the Registration Statement, as finally amended, shall have become effective under the Securities Act, (ii) the New Shares shall have been issued against receipt of the consideration therefor, in accordance with the Merger Agreement and the Articles, and (iii) valid entries in the books and registers of the Company have been made.

For the purposes of this opinion, the term “non-assessable” in relation to the New Shares, which has no recognised meaning in English law, means that, under the Companies Act 2006 (as amended), the Articles and any resolution taken under the Articles approving the issue of the New Shares, no holder of such New Shares is liable, by reason solely of being a holder of such New Shares, for additional payments or calls for further funds by the Company or any other person.

General

This opinion is addressed to you in relation to the Registration Statement and may not be used or relied upon for any other purpose.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and further consent to the reference to Davis Polk & Wardwell London LLP under the caption “Legal Matters” in the Registration Statement. In giving this consent, we do not 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 of the SEC thereunder.

Capitalised terms used in this opinion shall, unless otherwise defined, have the meaning given to them in the Schedules to this opinion.

Yours faithfully

/s/ Davis Polk & Wardwell London LLP

SCHEDULE 1
DOCUMENTS EXAMINED

For the purposes of this opinion, we have examined the following documents:

1. a copy of the executed New York law governed Merger Agreement;

2. a certificate from the general counsel and secretary of the Company dated 24 January 2019 (the "**Certificate**") having attached to it:

   (a) a copy of the certificate of incorporation of the Company, certified to be a true and correct copy;

   (b) a copy of the certificate of incorporation on re-registration as a public limited company of the Company, certified to be a true and correct copy;

   (c) a copy of the articles of association of the Company, certified to be a true and correct copy as at the date and time of authorisation and execution of the Merger Agreement and as at the date hereof (the "**Articles**");

   (d) a copy of the written resolutions passed by the shareholders of the Company dated 2 June 2016, certified to be a true and correct copy; and

3. a copy of the Registration Statement to be filed under the Securities Act on 24 January 2019.

Except as stated above we have not examined any contracts, instruments or other documents or any corporate records of any party and have not made any other enquiries, other than the Company Search and the Central Registry Search.

SCHEDULE 2
ASSUMPTIONS

For the purposes of this opinion, we have assumed:

1. all documents submitted to us as originals are authentic and complete;

2. all documents submitted to us as copies, whether in physical or electronic form, conform to authentic, complete originals and, where a document has been examined by us in draft or specimen form, it will be or has been executed in the form of that draft or specimen;

3. all signatures, stamps and seals on all documents that we reviewed are genuine;

4. the capacity, power and authority to execute, deliver and perform each of the documents listed in Schedule 1 to this opinion by or on behalf of each of the parties to such documents;

5. none of the documents examined by us has been amended or modified in any way, and there are no other arrangements or course of dealings which modify, supersede or otherwise affect any of the terms thereof, and no unknown facts or circumstances (and no documents, agreements, instruments or correspondence) which are not apparent from the face of the documents listed in Schedule 1 to this opinion or which have not been disclosed to us that may affect the conclusions in this opinion;

6. the Merger Agreement is valid and binding on each party to it under the laws of the State of New York and that the words and phrases used in the Merger Agreement have the same meaning and effect as they would have if it were governed by English law;

7. each of the statements contained in the Certificate is true and correct as at the date of the Certificate and as at the date hereof and will be as at the time of the allotment and issue of the New Shares;

8. that a meeting of the board of directors of the Company or a duly authorised and constituted committee thereof has been or will be duly convened and held, prior to the allotment and issue of the New Shares, at which it will be resolved to allot and issue the New Shares and the directors of the Company, in authorising the allotment and issue of the New Shares, will exercise their powers in accordance with their duties under all applicable laws, the Articles and the obligations of the Company under the Merger Agreement;

9. the aggregate nominal value of the New Shares to be allotted and issued in connection with the Merger Agreement will not be greater than the aggregate nominal value remaining available for allotment and issue pursuant to the written resolutions passed by the shareholders of the Company referred to in paragraph 2(d) of Schedule 1 to this opinion;

10. the information revealed by our search of the entries shown on the Companies House Direct online service on 24 January 2019 with respect to the Company (the "**Company Search**") (i) was accurate in all respects and has not since the time of such search been altered, and (ii) was complete and included all relevant information which should properly have been submitted to the Registrar of Companies;

11. the information revealed by the results of a telephone search with the Companies Court in London of the Central Registry of Winding Up Petitions on 24 January 2019 with respect to the Company (the "**Central Registry Search**") was accurate in all respects and has not since the time of such enquiry been altered;

12. each person who is a party to the Merger Agreement has complied and will continue to comply with all applicable anti-corruption, anti-money laundering, anti-terrorism, sanctions and human rights laws and regulations and that the performance and enforcement of the Merger Agreement is consistent therewith; and

13. the Company has complied with and will comply with all applicable provisions of Regulation (EU) No 596/2014 on market abuse ("**MAR**"), the Financial Services and Markets Act 2000, as amended ("**FSMA**") and the Financial Services Act 2012 (the "**FSA**") and any regulations made under MAR, the FSMA and the FSA with respect to anything done or to be done by it in connection with the New Shares, any of the documents listed in Schedule 1 to this opinion or the Merger Agreement in, from, or otherwise involving the United Kingdom including, without limitation, Article 14 (prohibition of insider dealing etc.) and Article 15 (prohibition of market manipulation) of MAR, section 19 (the general prohibition) and section 21 (restrictions on financial promotion) of the FSMA, and section 89 (misleading statements), section 90 (misleading impressions) and section 91 (misleading statements etc in relation to benchmarks) of the FSA.

SCHEDULE 3
QUALIFICATIONS

Our opinion is subject to the following qualifications:

1. the Company Search is not capable of revealing conclusively whether or not, inter alia, (i) a winding-up order has been made or a resolution passed for the winding up of a company; or (ii) an administration order has been made; or (iii) a receiver, administrative receiver, administrator or liquidator has been appointed; or (iv) a court order has been made under the Cross-Border Insolvency Regulations 2006, since notice of these matters may not be filed with the Registrar of Companies immediately and, when filed, may not be entered on the electronic records of the relevant company immediately. In addition, the Company Search is not capable of revealing, prior to the making of the relevant order or the appointment of an administrator otherwise taking effect, whether or not a winding-up petition or an application for an administration order has been presented or notice of intention to appoint an administrator under paragraphs 14 or 22 of Schedule B1 to the Insolvency Act 1986 has been filed with the court;

2. the Central Registry Search relates only to the presentation of (i) a petition for the making of a winding-up order or the making of a winding-up order by the Court; (ii) an application to the High Court of Justice in London for the making of an administration order and the making by such court of an administration order; and (iii) a notice of intention to appoint an administrator or a notice of appointment of an administrator filed at the High Court of Justice in London. It is not capable of revealing conclusively whether or not such a winding-up petition, application for an administration order, notice of intention or notice of appointment has been presented or winding-up or administration order granted;

3. this opinion is subject to all applicable laws relating to bankruptcy, insolvency, liquidation, administration, voluntary arrangement, scheme of arrangement, moratorium, reorganisation, rescheduling, fraudulent transfer, preference, transactions at undervalue or other laws of general application relating to or affecting the rights of creditors;

4. we have not been responsible for investigating or verifying the accuracy of the facts, including the statements of foreign law or the reasonableness of any statement or opinion or intention contained in or relevant to the Registration Statement or any other document referred to therein, or that no material facts have been omitted therefrom; and

5. we express no opinion as to whether the Registration Statement (or any part of it) contains all the information required to be contained in it or whether the persons responsible for the Registration Statement have discharged their obligations thereunder.

New York **Paris**
Northern California **Madrid**
Washington DC **Tokyo**
São Paulo **Beijing**
London **Hong Kong**

Davis Polk

Davis Polk & Wardwell London LLP
5 Aldermanbury Square
London EC2V 7HR

020 7418 1300 tel
020 7418 1400 fax

January 24, 2019

Mereo Biopharma Group PLC
One Cavendish Place, 4th Floor
London W1G 0QF
United Kingdom

Ladies and Gentlemen:

We are acting as United States counsel to Mereo Biopharma Group plc, a company incorporated in England and Wales (the "**Company**"), in connection with the preparation of the registration statement on Form F-4 (the "**Registration Statement**"), relating to American depositary shares (the "**ADSs**") representing new ordinary shares of £0.003 each in the capital of the Company to be issued by the Company pursuant to the merger contemplated by the agreement and plan of merger and reorganization dated 5 December 2018 between the Company, Mereo US Holdings Inc., Mereo Mergerco One Inc. and Oncomed Pharmaceuticals, Inc. The Company is filing the Registration Statement with the Securities and Exchange Commission under the Securities Act of 1933, as amended.

We have examined such matters of fact and law as we have deemed necessary or advisable for the purpose of our opinion.

We hereby confirm that our opinion as to the material U.S. federal income tax consequences to U.S. Holders of the ownership of the ADSs following their receipt from the Company is set forth in full under the caption "Material U.S. Federal Income Tax Considerations—Material U.S. Federal Income Tax Considerations of Owning Mereo ADSs or Mereo Shares" in the Registration Statement.

We are members of the Bar of the State of New York, and we express no opinion as to the laws of any jurisdiction other than the laws of the State of New York and the federal laws of the United States.

We hereby consent to the use of our name under the caption "Legal Matters" in the Registration Statement and to the filing, as an exhibit to the Registration Statement, of this letter.

In giving such consent we do not admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended.

Very truly yours,

/s/ Davis Polk & Wardwell London LLP

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

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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;

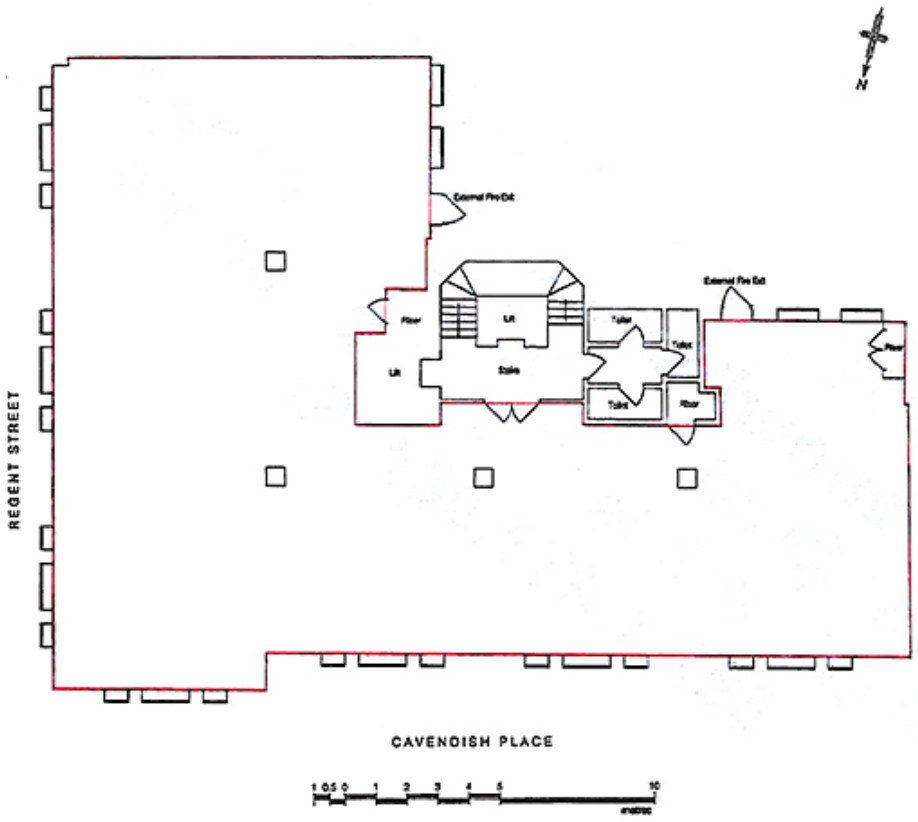
(h) all Conduits within and exclusively serving the Property, except those of any utility company;

(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

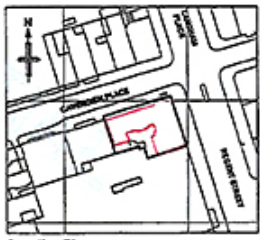
Notes:

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

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"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]

Mereo BioPharma Group plc
4th Floor, 1 Cavendish Place
London, W1G 0QF
T: +44 (0) 3330237300
www.mereobiopharma.com

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 23rd day of January 2019 and shall replace the agreement between the Parties dated 1 February 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 23rd January 2019 and will remain in effect until 31 January 2020 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.

Date: 23 January 2019

MEREO BIOPHARMA GROUP PLC

/s/ Denise Scots-Knight

Date: 23 January 2019

John Richard & Associates, LLC

Date: 23 January 2019

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

Alexandra (Wills) Hughes-Wilson
29C Brook Mews North
London
W2 3BW

29 May 2018

Dear Wills

Changes in Terms and Conditions of Employment

This letter sets out changes in your terms and conditions of your employment dated 19 February 2018 (the "Contract") with effect from 1 June 2018.

1. Hours of Work

Clause 7.1 of the Contract shall be deleted in its entirety and replaced with the following revised Clause 7.1:

"7.1 Your normal working hours are from 09:00 to 17:00 for two working days 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."

2. Salary

Clause 8.1 of the Contract shall be deleted in its entirety and replaced with the following revised Clause 8.1:

"8.1 Your salary is £90,000 per annum based on working two days 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 arrears on the last business day of each calendar month directly into your bank or building society account"

3. Holidays

Clause 12.1 and 12.5 of the Contract shall be deleted in its entirety and replaced with the following revised Clauses 12.1 and 12.5:

"12.1 In addition to the usual public and bank holidays of England and Wales, you shall be entitled to 10 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."

"12.5 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 2/52 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."

Please can you review, sign and date this letter to indicate your acceptance of these changes to your terms and conditions of employment.

Yours sincerely

/s/ Denise Scots-Knight
Denise Scots-Knight
Chief Executive Officer

Signed as a deed by ALEXANDRA HUGHES-WILSON /s/ Alexandra Hughes-Wilson

in the presence of

Signature of witness /s/ Florence Steadman

Name of witness F. Steadman

Address of witness 151 Balls Pond R.D., Islington

N1 4BG

Mereo BioPharma Group plc
4th Floor, 1 Cavendish Place
London, W1G 0QF
T: +44 (0) 3330237300
www.mereobiopharma.com

THIS CONTRACT OF EMPLOYMENT dated 19 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) **ALEXANDRA (WILLS) HUGHES-WILSON, rue du Mail, 59, B-1050 Brussels, Belgium**

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:** 5TH March 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(l)(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 Head of Patient Access and Commercial Planning 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 one working day 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 £45,000 per annum 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 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

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 your participation with the Mechanism of Coordinated Access to orphan medicinal products ("MoCA") Steering Group.

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 3 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 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

21.3.3 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

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

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

/s/ Jessica Doughty
Name of witness

14 Sheraton Mews, WD 18, 7PE
Address-of-witness

/s/ Alexandra Hughes-Wilson

Signed as a deed by Alexandra (Wills) Hughes-Wilson

/s/ Darcy Nicolle
Signature of witness

19th February 2018

Darcy Nicolle
Name of witness

Rue du Mail, 59
B-1050 Brussels, Belgium
Address of witness

SCHEDULE I

WRITTEN JOB DESCRIPTION

The Employee's duties and responsibilities shall be as follows:-

Head of Patient Access and Commercial Planning

Building and leading a best-in-class biopharmaceutical commercialisation approach in order to develop and launch products to build early and sustainable revenue to achieve Mereo's short-term and long-range business objectives and build value for all its stakeholders.

Establish and lead Mereo's capabilities covering pricing, reimbursement and related external visibility for Mereo's business as part of the commercialisation planning, readiness and delivery; accomplish successful commercialisation by leading integrated external engagement function with market-based healthcare systems to secure reimbursed availability of Mereo's portfolio in concert with the Chief Medical Officer (CMO) and the Head of Corporate Development (HCD).

Key Responsibilities/Scope of the Job include but are not limited to the following:

- Define and execute, together with the CMO and the HCD, the strategy for the development and delivery of commercialisation-oriented development programmes for Mereo's portfolio and products to secure effective transition from development status to timely and sustainable launch, patient availability and revenue.
- Define and deliver the strategy for launch and commercialisation of Mereo's lead rare disease programmes in alignment with the company's vision.
- Creation, build-out and leadership, of the global, regional and local capabilities required to build and deliver an overarching and integrated, multi-functional external customer-facing commercialisation strategy at a global and local level working closely with the HCD and the CMO
- Drive geographic assessment and prioritisation for development programmes, product launch and availability together with key internal partners.
- Establish Mereo's Patient Access (Market Access) commercialisation capabilities, together with the CMO, as a key strategic element within the organisation and a critical determinant within the company's ability to effectively develop and make available its portfolio, programmes and products from the earliest phases through launch to lifecycle management to create commercial value and returns as well as sustainable commercial outcomes. Secure that Patient-Access-Centred / outcomes-focussed Research and Development is embedded across the organisation as an essential component of successful commercialisation.
- Support the identification, evaluation and successful completion of business transactions and alliances to drive Mereo's successful execution of its strategy in support of the CEO and the HCD
- Build and optimise a clear path to timely and sustainable value for all stakeholders, while remaining true to Mereo's vision,
- Working together with the CMO and HCD, elevate Mereo's profile as a recognised and acknowledged pioneering company in the rare disease sector, in support of the business development, where Mereo's way of working is an acknowledged and recognised value driver; enabling Mereo's way of working to become a visible USP for potential partners and licensing / acquisition opportunities as well as attracting and retaining talent.
- Ensure that Mereo's commercialisation activities are reflective of Mereo's corporate values and ways of working, and in ensuring that our engagement with all our stakeholders, decision-makers and decision-influencers is conducted on the basis of authenticity and a genuine desire to understand the needs of the communities that we serve – be they medical, commercial or healthcare system related.

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.

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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.

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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.

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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.

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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.

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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.

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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.

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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 9 June 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.

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 9 June 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 9 June 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.

Exhibit 10.18

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The Rules of the Mereo BioPharma Group plc New Deferred Bonus Plan
Adopted by the board of directors of Mereo BioPharma Group plc on 15 January 2019

Expiry date: 15 January 2029

The Rules of the Mereo BioPharma Group plc New Deferred Bonus Plan

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THE MEREO BIOPHARMA GROUP PLC NEW DEFERRED BONUS PLAN

The Rules of the Mereo BioPharma Group plc New Deferred Bonus Plan

THE MEREO BIOPHARMA GROUP PLC NEW DEFERRED BONUS PLAN

1. DEFINITIONS AND INTERPRETATION

1.1 In this Plan, unless otherwise stated, the words and expressions below have the following meanings:

"AIM"	the Alternative Investment Market of the London Stock Exchange;
"Board"	the board of the Company or any duly authorised committee of the board;
"Bonus"	the after-tax bonus payable (if any) to a Participant pursuant to an annual bonus plan operated by any Group Member;
"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;
"Deferred Shares"	that number of Shares which a Participant purchases with an amount of Bonus paid to them and holds in accordance with the rules of the Plan;
"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;
"Participant"	any person who holds Deferred Shares;
"Plan"	the Mereo BioPharma Group plc New Deferred Bonus Plan in its present form or as from time to time amended;
"Purchase Date"	the date or dates on which a Participant purchases the Deferred Shares with the Bonus;
"Retention Period"	the period of two years (or such other period as the Board may determine before the Purchase Date) which will begin on the Purchsase Date provided that if Shares are purchased by an Executive on more than one date, the Retention Period applicable to all Shares purchased on Purchase Dates which fall within any single quarter of the Company's financial year will begin on the first day of that quarter;
"Share"	a fully paid ordinary share in the capital of the Company; and
"Subsidiary"	the meaning given by section 1159 of the Companies Act 2006.

The Rules of the Mereo BioPharma Group plc New Deferred Bonus Plan

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; and

1.2.2 the singular include the plural and vice versa.

1.3 Headings do not form part of the Plan.

2. HOLDING OF DEFERRED SHARES

2.1 Subject to rules 3, 4 and 5, a Participant must hold the Deferred Shares until the end of the Retention Period which applies to the Deferred Shares in accordance with the Purchase Date of the relevant Deferred Shares and in accordance with rule 2.2.

2.2 A Participant must not transfer, assign, charge, sell or dispose of or encumber in any way any Deferred Shares before the end of the Retention Period which applies to the relevant Deferred Shares except:

2.2.1 that a Participant is permitted to transfer some or all of the Deferred Shares to their spouse, civil partner, children over the age of 18 (each being an immediate family member) or to a nominee who holds the Deferred Shares for the Participant or an immediate family member as a beneficiary provided in each case that the Participant procures that any such transferee agrees not to themselves transfer, assign, charge, sell, dispose of or encumber in any way any of the Deferred Shares transferred to them before the end of the Retention Period as if they were the Participant for the purposes of the Plan;

2.2.2 that a Participant's Deferred Shares may be transferred to their personal representatives (or equivalent) in the event of their death; or

2.2.3 in any other way permitted by the Board.

3. CESSATION OF EMPLOYMENT

3.1 Subject to rule 3.2, if a Participant ceases employment with any Group Member before the end of the Retention Period, they must continue to hold their Deferred Shares in accordance with the restrictions in rule 2.2 until the end of the Retention Period unless the Board decides to disapply some or all of the restrictions in respect of some or all of the Deferred Shares.

3.2 The Board will not have discretion to disapply any of the restrictions in accordance with rule 3.1 in the case of any Participant whose employment with any Group Member ceases in circumstances in which the Participant was dismissed lawfully without notice or could have been had they not resigned.

4. CHANGE OF CONTROL OF THE COMPANY

4.1 Subject to rule 4.2, if any person obtains Control of the Company (or if already having Control acquires the remaining Shares not already owned by them) before the end of the Retention Period the restrictions in rule 2.2 will cease to apply from that date unless the Board determines otherwise, provided that the Board may not extend the restrictions beyond the original Retention Period.

4.2 If an Internal Reorganisation occurs and the Deferred Shares are exchanged for shares in another company, the rules of the Plan will apply to those shares as if they were the Deferred Shares.

5. REGULATORY ISSUES

5.1 The purchase or transfer of Shares under the Plan will be subject to obtaining any approval or consent required by AIM or NASDAQ (or any other relevant authority), any Dealing Restrictions, or any other applicable laws or regulations (whether in the UK or overseas).

The Rules of the Mereo BioPharma Group plc New Deferred Bonus Plan

6. AMENDMENTS

6.1 Except as described in this rule 6, the Board may at any time amend the rules of the Plan or the terms of any Deferred Shares.

6.2 No amendment to the material disadvantage of existing rights of Participants will be made under rule 6.1 unless:

6.2.1 every Participant who may be affected by such amendment has been invited to indicate whether or not they approve the amendment; and

6.2.2 the amendment is approved by a majority of those Participants who have so indicated.

6.3 No amendment will be made under this rule 6 if it would prevent the Plan from continuing to be an employees' share scheme in accordance with section 1166 of the Companies Act 2006.

7. LEGAL ENTITLEMENT

7.1 This rule 7 applies during a Participant's employment with any Group Member and after the termination of such employment, whether or not the termination is lawful.

7.2 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, their participation in the Plan. Participation in the Plan does not create any right to continued employment with a Group Member for any Participant.

7.3 Participation in the Plan on one or more occasions does not create any right for a Participant to participate in the future, either at all or to participate on any particular terms.

7.4 By participating in the Plan, a Participant waives all rights to compensation for any loss in relation to the Plan, including:

7.4.1 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);

7.4.2 any exercise of a discretion or a decision taken in relation to any Deferred Shares or to the Plan, or any failure to exercise a discretion or take a decision; and

7.4.3 the operation, suspension, termination or amendment of the Plan.

8. GENERAL

8.1 The Plan will terminate on the tenth anniversary of its adoption by the Board or at any earlier time by the passing of a resolution by the Board. Termination of the Plan will be without prejudice to the existing rights of Participants.

8.2 The personal data of any Participant or former Participant may be processed in connection with the operation of the Plan in accordance with the Group's prevailing data protection policy and as notified to Participants in accordance with the GDPR. By participating in the Plan, a Participant consents (otherwise than for the purposes of the GDPR) to the processing of their personal data in connection with the operation of the Plan.

8.3 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.

8.4 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 their last known address, or, where they are a director or employee of a Group Member, either to their last known address or to the address of the place of business at which they perform the whole or substantially the whole of the duties of their 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.

8.5 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).

8.6 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.

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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]

["Initial NED Options"]

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]

["On-going NED Options"]

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

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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

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.

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*]

[***] 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 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.

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.

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. Xxxxxxxxx (if applicable)

THIS AMENDMENT AGREEMENT for BCT197 is dated October 19, 2018 (the **Agreement**) and made between:

(1) **MEREO BIOPHARMA 1 LIMITED**, a company incorporated and registered in England and Wales with company number 09646998 whose registered office is at 4th floor, One Cavendish Place, London W1G 0QF (the **Buyer**); and

(2) **NOVARTIS PHARMA AG**, a company incorporated and registered in Switzerland whose registered office is Postfach, 4002 Basel Switzerland (**Novartis**).

RECITALS

(A) On 28 July 2015, the Company executed an asset purchase agreement (the **Purchase Agreement**) to acquire certain assets/rights of Novartis and its Affiliates related to the Compounds or Products (defined in the Purchase Agreement).

(B) The Buyer has entered into this Agreement in order to amend certain provisions of the Purchase Agreement.

(C) In consideration of the foregoing premises and the mutual covenants and agreements contained herein, Buyer and, on behalf of itself, and as applicable, its Affiliates, Novartis hereby agree as follows:

1. DEFINITIONS AND INTERPRETATIONS

Unless otherwise stated, all words and phrases defined in the Purchase Agreement shall have the same meanings when used herein.

2. AMENDMENT

2.1 Save as set out below, the Purchase Agreement shall remain in full force and effect.

2.2 With effect from the date of this Agreement, the following amendments are made to the provisions of the Purchase Agreement with the addition of the following new Section 5.10 entitled “Chemistry, Manufacturing and Controls Support” in Article V Covenants:

“5.10 The Sellers shall:

(a) comply with GXP, including GLP and GMP, documentation in connection with the Development and Manufacture of the Product;

(b) following reasonable prior notice, provide the Buyer with information, including books, records, files and other information reasonably requested by the Buyer to respond to questions from any Governmental Authority, if such information is available to Seller and not previously transferred or made accessible to Buyer, including without limitation the FDA and the European Medicines Agency, on the Development and Manufacture of the Product including the Manufacture of clinical batches of the Product by the Sellers for the purpose of regulatory filings to support clinical trial applications;

(c) subject to Applicable Law, allow reasonable access by any Governmental Authority for the purpose of inspecting the Sellers’ facilities responsible for the Manufacture of the Product and to permit representatives of the Buyer to be present and participate in any such inspection, upon reasonable prior written request and within reasonable hours.

If the main scope of such inspection is related to the Buyer's product such inspection shall be at the cost of Buyer. Buyer shall furnish to Seller any reports by such Governmental Authority to the extent relevant to the Seller as soon as reasonably practicable following receipt thereof by the Buyer. The parties acknowledge that the drug substance batches manufactured in support of Buyers clinical studies were released by Seller for use in P2 studies only;

(d) provide additional information requested by any Governmental Authority and not previously transferred or made accessible to the Buyer relating to the Development and Manufacture of the Product in support of any responses to questions from any Governmental Authority during review of any MAA or NDA for the Product, if such information is available to Seller; The above support by Seller shall however be limited for the first two MAA or NDA for each molecule;

(e) render any assistance that Buyer may reasonably request pursuant to this Section 5.10 provided that Buyer shall pay the Seller's reasonable costs at the rate of Seller's then current hourly rates, in the provision of such assistance following the receipt of the relevant invoice.

3. 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.

4. GOVERNING LAW AND 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.

IN WITNESS WHEREOF, the Parties hereto have duly executed this Agreement as of the date first above written

Buyer

MEREO BIOPHARMA 1 LIMITED

acting by: Charles Sermon } /s/ Charles Sermon
} Director
}

Seller

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/ Barbara Haeberlin
Name: Barbara Haeberlin
Senior Head of Strategic Projects, TRD

/s/ Miki Nakamori
Name: Miki Nakamori

ADDENDUM TO ASSET PURCHASE AGREEMENT

This Addendum to Asset Purchase Agreement ("Addendum") is entered into as of October 4, 2017 by and between Novartis Pharma AG, a Swiss company ("Novartis") and Mereo BioPharma 1 Limited, a private limited company incorporated in England and Wales, and a wholly owned subsidiary of Mereo BioPharma Group Limited, a company incorporated in England and Wales (collectively "Mereo"). Hereinafter "Parties" shall mean Novartis and Mereo Biopharma l, and "Party" shall mean either Novartis or Mereo Biopharma l , as the context requires.

WHEREAS the Parties entered into an asset purchase agreement on July 28, 2015 entitled "BCT Asset Purchase Agreement" (hereinafter "the APA");

WHEREAS subsequent to the execution of the APA the Parties have jointly filed patent applications identified as PCT/GB2017/052055, filed on on 13 July 2017 claiming priority from the earlier British application No. 1612238.4 dated 14 July 2016 and PCT/GB2017/052056, claiming priority from British application No. 1612240.0 dated 14 July 2016 (hereinafter "the Patent Applications").

WHEREAS Novartis wishes to assign and Mereo Biopharma 1 wishes to receive all rights in the jointly conceived inventive concepts.

NOW, THEREFORE, in consideration of the ongoing premises and the mutual covenants contained herein, Mereo Biopharma 1 and Novartis hereby agree as follows:

l. Novartis hereby assigns all title rights and interest in the Patent Applications. The Parties acknowledge and agree that the Patent Applications shall be considered Purchased IP as defined in the APA and as such all of the terms and conditions of the APA shall govern the rights and obligations of the Parties as they relate to the Patent Applications,

2. Novartis acknowledges that it shall have no further rights to the Patent Applications unless specifically enumerated in the APA.

3. This Agreement shall be governed by the laws of the State of New York, without regard to the conflict of law principles thereof.

SIGNATURE PAGE TO FOLLOW

SIGNATURE PAGE

/s/ Charles Sermon

Mereo BioPharma I Limited Print Name:
Print Name: CHARLES SERMON

/s/ Denise Scots-Knight

Mereo BioPharma I Limited
Print Name: DENISE SCOTS-KNIGHT

/s/ Isabelle Schubert Santana

Novartis Pharma AG
Print Name: ISABELLE SCHUBERT SANTANA

/s/ Ian Iiiscock

Novartis Pharma AG
Print Name: IAN IIISCOCK

ADDENDUM TO ASSET PURCHASE AGREEMENT

This Addendum to Asset Purchase Agreement ("Addendum") is entered into as of April 12, 2016 by and between Novartis Pharma AG, a Swiss company ("Novartis") and Mereo BioPharma 1 Limited, a private limited company incorporated in England and Wales, and a wholly owned subsidiary of Mereo BioPharma Group Limited, a company incorporated in England and Wales (collectively ''Mereo"). Hereinafter "Parties" shall mean Novartis and Mereo Biopharma 1, and "Party" shall mean either Novartis or Mereo Biopharma l, as the context requires.

WHEREAS the Parties entered into an asset purchase agreement on July 28, 2015 entitled "BCT Asset Purchase Agreement" (hereinafter "the APA");

WHEREAS subsequent to the execution of the APA the Parties have jointly filed patent applications at the UK Patent Office identified as PCT/GB2016/050635 and PCT/GB2016/050636 (hereinafter "the Patent Applications").

WHEREAS Novartis wishes to assign and Mereo Biopharma 1 wishes to receive all rights in the jointly conceived inventive concepts.

NOW, THEREFORE, in consideration of the ongoing premises and the mutual covenants contained herein, Mereo Biopharma 1 and Novartis hereby agree as follows:

1. The Parties acknowledge and agree that the Patent Applications shall be considered Purchased IP as defined in the APA and as such all of the terms and conditions of the APA shall govern the rights and obligations of the Parties as they relate to the Patent Applications.

2. Novartis acknowledges that it shall have no further rights to the Patent Applications unless specifically enumerated in the APA.

3. This Agreement shall be governed by the laws of the State of New York, without regard to the conflict of law principles thereof.

SIGNATURE PAGE TO FOLLOW

SIGNATURE PAGE

/s/ Denise Scots-Knight

Mereo BioPharma I Limited
Print Name: DENISE SCOTS KNIGHT
CEO AND DIRECTOR

/s/ Charles Sermon

Mereo BioPharma I Limited
Print Name: C. SERMON
DIRECTOR

/s/ Paul Fehlner

Novartis Pharma AG
Print Name: Paul Fehlner
Head Intellectual Property Pharma
Novartis Pharma AG

/s/ Matt Owens

Novartis Pharma AG
Print Name: Matt Owens
Global Head Legal-
Strategic Partnership & Digital Medicine

[***] 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

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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

[***] 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.

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

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	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

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	(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.

[***] 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.

[***] 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.

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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.

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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

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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%	

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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

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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:

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 **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:

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) 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:

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.

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*]

[***] 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 2 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 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.

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 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)

THIS AMENDMENT AGREEMENT for BGS649 is dated October 19, 2018 (the **Agreement**) and made between:

(1) **MEREO BIOPHARMA 2 LIMITED**, a company incorporated and registered in England and Wales with company number 09647035 whose registered office is at 4th floor, One Cavendish Place, London W1G 0QF (the **Buyer**); and

(2) **NOVARTIS PHARMA AG**, a company incorporated and registered in Switzerland whose registered office is Postfach, 4002 Basel Switzerland (**Novartis**).

RECITALS

(A) On 28 July 2015, the Company executed an asset purchase agreement (the **Purchase Agreement**) to acquire certain assets/rights of Novartis and its Affiliates related to the Compounds or Products (defined in the Purchase Agreement).

(B) The Buyer has entered into this Agreement in order to amend certain provisions of the Purchase Agreement.

(C) In consideration of the foregoing premises and the mutual covenants and agreements contained herein, Buyer and, on behalf of itself, and as applicable, its Affiliates, Novartis hereby agree as follows:

1. DEFINITIONS AND INTERPRETATIONS

Unless otherwise stated, all words and phrases defined in the Purchase Agreement shall have the same meanings when used herein.

2. AMENDMENT

2.1 Save as set out below, the Purchase Agreement shall remain in full force and effect.

2.2 With effect from the date of this Agreement, the following amendments are made to the provisions of the Purchase Agreement with the addition of the following new Section 5.10 entitled “Chemistry, Manufacturing and Controls Support” in Article V Covenants:

“5.10 The Sellers shall:

(a) comply with GXP, including GLP and GMP, documentation in connection with the Development and Manufacture of the Product;

(b) following reasonable prior notice, provide the Buyer with information, including books, records, files and other information reasonably requested by the Buyer to respond to questions from any Governmental Authority, if such information is available to Seller and not previously transferred or made accessible to Buyer, including without limitation the FDA and the European Medicines Agency, on the Development and Manufacture of the Product including the Manufacture of clinical batches of the Product by the Sellers for the purpose of regulatory filings to support clinical trial applications;

(c) subject to Applicable Law, allow reasonable access by any Governmental Authority for the purpose of inspecting the Sellers’ facilities responsible for the Manufacture of the Product and to permit representatives of the Buyer to be present and participate in any such inspection, upon reasonable prior written request and within reasonable hours.

If the main scope of such inspection is related to the Buyer's product such inspection shall be at the cost of Buyer. Buyer shall furnish to Seller any reports by such Governmental Authority to the extent relevant to the Seller as soon as reasonably practicable following receipt thereof by the Buyer. The parties acknowledge that the drug substance batches manufactured in support of Buyers clinical studies were released by Seller for use in P2 studies only;

(d) provide additional information requested by any Governmental Authority and not previously transferred or made accessible to the Buyer relating to the Development and Manufacture of the Product in support of any responses to questions from any Governmental Authority during review of any MAA or NDA for the Product, if such information is available to Seller; The above support by Seller shall however be limited for the first two MAA or NDA for each molecule;

(e) render any assistance that Buyer may reasonably request pursuant to this Section 5.10 provided that Buyer shall pay the Seller's reasonable costs at the rate of Seller's then current hourly rates, in the provision of such assistance following the receipt of the relevant invoice.

3. 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.

4. GOVERNING LAW AND 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.

IN WITNESS WHEREOF, the Parties hereto have duly executed this Agreement as of the date first above written

Buyer

MEREO BIOPHARMA 2 LIMITED

acting by: Charles Sermon } /s/ Charles Sermon
} Director
}

Seller

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/ Barbara Haeberlin

Name: Barbara Haeberlin
Senior Head of Strategic Projects,
TRD

/s/ Miki Nakamori

Name: Miki Nakamori

ADDENDUM TO ASSET PURCHASE AGREEMENT

This Addendum to Asset Purchase Agreement ("Addendum") is entered into as of August 17, 2017 by and between Novartis Pharma AG, a Swiss company ("Novartis") and Mereo BioPharma 2 Limited, a private limited company incorporated in England and Wales, and a wholly owned subsidiary of Mereo BioPharma Group Limited, a company incorporated in England and Wales (collectively "Mereo"). Hereinafter "Parties" shall mean Novartis and Mereo Biopharma 2, and "Party" shall mean either Novartis or Mereo Biopharma 2, as the context requires.

WHEREAS the Parties entered into an asset purchase agreement on July 28, 2015 entitled "BGS Asset Purchase Agreement" (hereinafter the "APA");

WHEREAS subsequent to the execution of the APA Mereo BioPharma 2 has filed a patent application at the United Kingdom Intellectual Property Office identified as UK Application No. GB161479.8 (hereinafter "the Patent Application").

NOW, THEREFORE, in consideration of the ongoing premises and the mutual covenants contained herein, Mereo Biopharma 2 and Novartis hereby agree as follows:

1. The Parties acknowledge and agree that the Patent Applications shall be considered Purchased IP as defined in the APA and as such all of the terms and conditions of the APA shall govern the rights and obligations of the Parties as they relate to the Patent Application.
2. Novartis acknowledges that it shall have no further rights to the Patent Applications unless specifically enumerated in the APA.
3. This Agreement shall be governed by the laws of the United Kingdom, without regard to the conflict of law principles thereof.

SIGNATURE PAGE TO FOLLOW

SIGNATURE PAGE

/s/ Charles Sermon

Mereo BioPharma 2 Limited
Print Name: CHARLES SERMON

/s/ Denise Scots - Knight

Mereo BioPharma 2 Limited
Print Name: DENISE SCOTS - KNIGHT

/s/ Isabelle Schubert Santana

Novartis Pharma AG
Print Name: Isabelle Schubert Santana
Authorized Signatory

/s/ Jurgen Dressel

Novartis Pharma AG
Print Name: Jurgen Dressel
Authorized Signatory

[***] 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

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[***] 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

[***] 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.

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

[***] 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.

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

[***] 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:

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.

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: _____

[***] 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 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.

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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.

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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.

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 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)

[***] 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 AMENDMENT AGREEMENT is dated 10 August 2018 (the **Agreement**) and made between:

(1) **MEREO BIOPHARMA 3 LIMITED**, a company incorporated and registered in England and Wales with company number 09647034 whose registered office is at 4th floor, One Cavendish Place, London W1G 0QF (the **Buyer**); and

(2) **NOVARTIS PHARMA AG**, a company incorporated and registered in Switzerland whose registered office is Postfach, 4002 Basel Switzerland (**Novartis**).

RECITALS

(A) On 28 July 2015, the Company executed an asset purchase agreement (the **Purchase Agreement**) to acquire certain assets/rights of Novartis and its Affiliates related to the Compounds or Products (defined in the Purchase Agreement).

(B) The Buyer has entered into this Agreement in order to amend certain provisions of the Purchase Agreement.

(C) In consideration of the foregoing premises and the mutual covenants and agreements contained herein, Buyer and, on behalf of itself, and as applicable, its Affiliates, Novartis hereby agree as follows:

1. DEFINITIONS AND INTERPRETATIONS

Unless otherwise stated, all words and phrases defined in the Purchase Agreement shall have the same meanings when used herein.

2. AMENDMENT

2.1 Save as set out below, the Purchase Agreement shall remain in full force and effect.

2.2 With effect from the date of this Agreement, the following amendments are made to the provisions of the Purchase Agreement with the addition of the following new Section 5.10 entitled “Chemistry, Manufacturing and Controls Support” in Article V Covenants:

“5.10 The Sellers shall:

(a) comply with GXP, including GLP and GMP, documentation in connection with the Development and Manufacture of the Product;

(b) following reasonable prior notice, provide the Buyer with information, including books, records, files and other information reasonably requested by the Buyer to respond to questions from any Governmental Authority, if such information is available to Seller and not previously transferred or made accessible to Buyer, including without limitation the FDA and the European Medicines Agency, on the Development and Manufacture of the Product including the Manufacture of clinical batches of the Product by the Sellers for the purpose of regulatory filings to support clinical trial applications;

(c) subject to Applicable Law, allow reasonable access by any Governmental Authority for the purpose of inspecting the Sellers’ facilities responsible for the Manufacture of the Product and to permit representatives of the Buyer to be present and participate in any such inspection, upon reasonable prior written request and within reasonable hours.

If the main scope of such inspection is related to the Buyer's product such inspection shall be at the cost of Buyer. Buyer shall furnish to Seller any reports by such Governmental Authority to the extent relevant to the Seller as soon as reasonably practicable following receipt thereof by the Buyer. The parties acknowledge that the drug substance batches manufactured in support of Buyers clinical studies were released by Seller for use in P2 studies only;

(d) provide additional information requested by any Governmental Authority and not previously transferred or made accessible to the Buyer relating to the development, manufacture and characterisation of the recombinant cell line (including the cell line construct) in support of any biologics license application ("BLA") or MAA submission for the Product , and more generally relating to the Development and Manufacture of the Product, if such information is available to Seller, in support of any responses to questions from any Governmental Authority during review of any BLA or MAA for the Product ; The above support by Seller shall however be limited for the first two MAA or NDA for each molecule;

(e) render any assistance that Buyer may reasonably request pursuant to this Section 5.10 provided that Buyer shall pay the Seller's reasonable costs at the rate of Seller's then current hourly rates, in the provision of such assistance following the receipt of the relevant invoice.

2.3 Mereo shall not have the right in any way to use, transfer and/or sublicense the Drug Substance Process as described in the Novartis Work Order A-7 for Project BPS804 dated 1 February 2016 with Buyer, to any third party other than [***] or [***] without the [***], such [***].

3. 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.

4. GOVERNING LAW AND 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.

IN WITNESS WHEREOF, the Parties hereto have duly executed this Agreement as of the date first above written

Buyer

MEREO BIOPHARMA 3 LIMITED }
}
acting by: } /s/ Denise Scots-Knight
} 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.

Seller

NOVARTIS PHARMA AG	}	/s/ K. Baer
a company incorporated in Switzerland acting by,	}	Name
	}	
being a person who, in accordance with the laws of that territory, is acting	}	
under the authority of the company	}	/s/ Miki Nakamori
		Name

[***] 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.

ADDENDUM TO ASSET PURCHASE AGREEMENT

This Addendum to Asset Purchase Agreement ("Addendum") is entered into as of December 21, 2016 by and between Novartis Pharma AG, a Swiss company ("Novartis") and Mereo BioPharma 3 Limited, a private limited company incorporated in England and Wales, and a wholly owned subsidiary of Mereo BioPharma Group Limited, a company incorporated in England and Wales (collectively "Mereo"). Hereinafter "Parties" shall mean Novartis and Mereo Biopharma 3, and "Party" shall mean either Novartis or Mereo Biopharma 3, as the context requires.

WHEREAS the Parties entered into an asset purchase agreement on July 28, 2015 entitled "BPS Asset Purchase Agreement" (hereinafter "the APA");

WHEREAS subsequent to the execution of the APA Mereo BioPharma 3 has filed patent applications at the United States Patent and Trademark Office identified as US Serial Nos. 62/437,353, 62/437,358, and 15/386,893 (hereinafter "the Patent Applications").

WHEREAS Novartis wishes to assign and Mereo Biopharma 3 wishes to receive all rights in the jointly conceived inventive concepts.

NOW, THEREFORE, in consideration of the ongoing premises and the mutual covenants contained herein, Mereo Biopharma 3 and Novartis hereby agree as follows:

1. The Parties acknowledge and agree that the Patent Applications shall be considered Purchased IP as defined in the APA and as such all of the terms and conditions of the APA shall govern the rights and obligations of the Parties as they relate to the Patent Application.

2. Novartis acknowledges that it shall have no further rights to the Patent Applications unless specifically enumerated in the APA.

3. This Agreement shall be governed by the laws of the State of New York, without regard to the conflict of law principles thereof.

SIGNATURE PAGE TO FOLLOW

SIGNATURE PAGE

/s/ Charles Sermon

Mereo BioPharma 3 Limited
Print Name: C. SERMON

Print /s/ Denise Scots-Knight

Mereo BioPharma 3 Limited
Print Name:

/s/ Paul Fehlner

Novartis Pharma AG
Print Name: Paul Fehlner

/s/ James Lynch

Novartis Pharma AG
Print Name: James Lynch

[***] 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;

[***] 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.

2.1.2 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:	[***]

[***] 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.

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 [***].

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

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;

[***] 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.

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).

[***] 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.

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.

[***] 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.

15.2 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.

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.

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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 28 September 2018

(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

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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	£20,455,000.
Availability Period	On or before 1 October 2018.
Interest Rate	8.5% fixed per annum.
Loan Term	Subject to clause 2.3, interest only until 30 April 2019, followed by equal monthly repayment of interest and principal until the Final Repayment Date.
Arrangement Fee	0.5% of the Term Loan Amount payable on the Closing Date.
Final Payment	10.5% of the Term Loan Amount.

CONTENTS

THIS LOAN AGREEMENT is made on 28 September 2018

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 (subject to and in accordance with the Pay Off Confirmation) 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 the Facility is not drawn during its Availability Period, then the whole Facility shall be cancelled automatically at the end of such Availability Period.

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.

2.2.3 The initial Final Repayment Date of 1 March 2011 shall automatically be extended to 1 March 2022 upon the Lenders confirming to the Borrower in writing (and the Lenders shall confirm so in writing, as soon as reasonably practicable), that the Lenders have received satisfactory evidence that (i) the MPH-966 or BPS-205 Phase 2 trials have met all necessary primary endpoints as described in **Exhibit F** in line with the agreed trial designs; and (ii) the MPH-966 or BPS-205 Phase 2 trials have met sufficient secondary endpoints as described in **Exhibit F** in line with the agreed trial designs, such that there is agreement by the board of directors of the Borrower 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 of the Borrower also being provided).

2.3 **Repayment of Term Loan**

2.3.1 The initial Repayment Schedule for the Term Loan shall state that, subject to Clause 2.3.2:

(a) 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 April 2019 ("**Interest Only Period**");

(b) following the expiry of the Interest Only Period and up until the Final Repayment Date, the Borrower shall repay the Term Loan in equal instalments of interest and principal on the first Business Day of each month in accordance with the Repayment Schedule (the "**Monthly Repayments**") during such period.

2.3.2 If prior to 30 April 2019, the Borrower shall deliver evidence satisfactory to the Lenders that (i) the MPH-966 Phase 2 trial has commenced, and (ii) it has raised at least US$25,000,000 of additional cash from other sources (excluding cash raised from transactions giving rise to Indebtedness which is secured and which has not otherwise been subordinated to the Obligations), then the Interest Only Period for the Term Loan shall continue until 31 December 2019 and the following Monthly Repayments shall reduce accordingly. For the avoidance of doubt, nothing in this clause 2.3.2 shall operate to extend or has the effect of extending the Final Repayment Date.

2.4 **Permitted Prepayment of Term Loan**

2.4.1 The Borrower shall have the option to prepay the Term Loan (but not part of the Term Loan), 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 Term Loan 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 Term Loan 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 the Refinancing and 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 eight and a half per cent. (8.5%) 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**

(a) 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.

(b) If the Final Repayment Date is extended in accordance with Clause 2.2.3, the Monthly Repayment shall be recalculated to account for such extension and Clause 2.3.2 (if applicable) on a basis consistent with prior Monthly Repayments and the Repayment Schedule shall be revised accordingly so that on the Final Repayment Date (as extended) there will be no amounts owing from the Obligors to the Finance Parties pursuant to the Loan Documents.

2.10 **Fees**

Borrower shall pay to Agent:

2.10.1 **Arrangement Fee**

A fully earned, non-refundable arrangement fee of the One Hundred Two Thousand Two Hundred and Seventy Five Pounds (£102,275) due and payable on the Drawdown Date (the "**Arrangement Fee**") to be deducted from the Term Loan Amount;

2.10.2 **Lender Expenses**

All Lender Expenses when due. For the avoidance of doubt, the deposit of Twelve Thousand and Five Hundred Pounds (inclusive of VAT) (£12,500) ("**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 the Term Loan**

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 (save as provided for in Clause 3.5.2 *(Conditions Subsequent)*, 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 26 September 2018) 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 ***[Intentionally left blank]***;

3.1.11 the Subordination Agreement duly executed by Novartis, the Finance Parties and the Obligors;

3.1.12 the Warrant Instrument and Warrant Certificates in favour of Kreos Capital V (Expert Fund) LP and SVB respectively;

3.1.13 evidence reasonably satisfactory to Agent that the insurance policies required by Clause 6.5 (*Insurance*) are in full force and effect;

3.1.14 an excerpt from the website of the US National Library of Medicine in respect of clinical trials (www.clinicaltrial.gov) evidencing that the Borrower is progressing the trial for BPS-205 under the new protocol amendment;

3.1.15 payment of the fees and Lender Expenses then due and payable;

3.1.16 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;

3.1.17 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.

3.1.18 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;

3.1.19 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);

3.1.20 Powers of Attorney for any documents required by this Agreement; and

3.1.21 such other documents, and completion of such other matters, as Agent may reasonably deem necessary or appropriate.

3.2 ***[Intentionally left blank]***

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**

3.4.1 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 on or before the Drawdown Date. 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 shall be the date of this Agreement); (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.

3.4.2 Each of the Lenders and the Borrower acknowledge that an amount of the Term Loan Amount shall be applied towards paying off the amount due under the Original Term Loan Facility Agreement. The precise amount so applied will be set out in the Pay Off Confirmation. Subject to Closing and the Drawdown Date occurring, the Lenders and the Obligors hereby agree that on the Drawdown Date:

(a) the Original Term Loan Facility Agreement is cancelled and terminated as between themselves save for any confidentiality obligations and other obligations which, by their terms, are to survive the termination of the Original Term Loan Facility Agreement (which shall remain in force in accordance with their terms); and

(b) any Lien created in respect of the Original Term Loan Facility Agreement shall be released and discharged by the Lenders with effect from the Drawdown Date.

3.5 **Conditions Subsequent**

3.5.1 Promptly and without delay after the Credit Extension of the Term Loan, 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.

3.5.2 The Borrower shall, as soon as reasonably practicable and in any event no later than 21 days from the date of this Agreement, deliver to the Agent the original Guarantor 5 Debenture (and any relevant notices and/or documents annexed to it) duly executed by Guarantor 5.

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 (save in respect of Guarantor 5, which is duly incorporated and validly existing under the laws of the Republic of Ireland) 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.

5.2 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 31 August 2018 ("**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, except in the case of Guarantor 5, whose centre of main interest is Ireland.

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 **Alpha 1 Grant**

The terms of the Alpha 1 Grant as disclosed to the Lenders prior to the date of this Agreement are true and complete and all facts and/or circumstances which, in the reasonable opinion of the Borrower, may be material to the terms and/or continuation of such grant have been disclosed to the Lenders.

5.19 **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 AND FUTURE DEBT FINANCING

7.1 Banking

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 Future debt financing

Save in respect of the Alpha 1 Grant, 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.

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 as that other party reasonably requests for the purposes of that other party's compliance with FATCA; and

(iii) supply to that other party such forms, documentation and other information relating to its status as that other party reasonably requests for the purposes of that other party's compliance with any other law, regulation, or exchange of information regime.

(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 such party shall be treated for the purposes of the Loan Documents as if it is not a FATCA Exempt Party until such time as the party in question provides the requested confirmation, forms, documentation or other information.

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 Lenders' rights under 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” Nine Hundred Sixty Thousand Ninety Seven Pounds and Twenty Eight Pence (£960,097.28).

“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.

“Alpha 1 Grant” means the unsecured funding of up to Four Hundred Thousand US Dollars (US$400,000) proposed to be obtained by Mereo BioPharma Group Plc from The Alpha-1 Project, Inc;

“Arrangement Fee” is defined in Clause 2.10.1 (*Arrangement Fee*).

“Availability Period” the period up to and including 1 October 2018.

“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 the Facility to Clause 3 (*Conditions of Loans*) being in any event a date not later than 1 October 2018.

"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 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 between the Borrower (as the issuer) and Novartis Pharma AG (as the noteholder) as amended from time to time.

"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, Guarantor 3 Debenture, Guarantor 4 Debenture and Guarantor 5 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 the Term Loan 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.

"Final Payment" means ten and a half per cent. (10.5%) 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" as at the date of this Agreement being 1 March 2021, or as may be extended to 1 March 2022 in accordance with Clause 2.2.3.

"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.

"**Guarantor 4**" Mereo BioPharma 4 Limited, a company formed in England and Wales with CRO number 11029583 and registered office at 4th Floor, One Cavendish Place, London, W1G 0QF, England.

"**Guarantor 5**" Mereo Biopharma Ireland Limited, a company formed in the Republic of Ireland with CRO number 627891 and registered office at 25 – 28 North Wall Quay, Dublin 1, D01H104, Ireland.

"Guarantors" Guarantor 1, Guarantor 2, Guarantor 3, Guarantor 4 and Guarantor 5 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.

“Guarantor 4 Debenture” a debenture in respect of all assets and undertaking of Guarantor 4 in the Agreed Form.

“Guarantor 5 Debenture” a debenture in respect of all assets and undertaking of Guarantor 5 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(a) (*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 eight and a half per cent. (8.5%), 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" is Ten Million Two Hundred Twenty Seven Thousand and Five Hundred Pounds (£10,227,500.00).

"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 Ł20,000 plus VAT); 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;

"Monthly Financial Statements" is defined in Clause 6.2.1 (*Monthly Financial Statements*).

"Monthly Repayments" is defined in Clause 2.3.1(b) (*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.

"**Original Term Loan Facility Agreement**" means the up to £20,000,000 term loan facility agreement between, amongst others, the Lenders and the Borrower dated 7 August 2017.

"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.

"Pay Off Confirmation" a statement confirming the final repayment amount under or in connection with the Original Term Loan Facility Agreement and the balance of the Term Loan Amount available for drawdown by the Borrower in the Agreed Form.

"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) an Obligor's Indebtedness in respect of the Alpha 1 Grant substantially as disclosed to the Lenders prior to the date of this Agreement;

(e) Indebtedness existing on the date of this Agreement and shown on the Perfection Certificates;

(f) 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;

(g) Indebtedness incurred as a result of endorsing negotiable instruments received in the ordinary course of business;

(h) Indebtedness secured by Liens permitted under paragraphs (a) and (c) of the definition of "Permitted Liens";

(i) any Indebtedness in respect of a Permitted Guarantee or Permitted Investment;

(j) Indebtedness owed by any member of the Group to another member of the Group;

(k) any Indebtedness in respect of any currency hedging agreement;

(l) any Indebtedness otherwise approved by the Agent; and/or

(m) any other Indebtedness not otherwise covered by the provisions of (a) to (l) above, provided that the principal aggregate amount of the Indebtedness permitted under this paragraph (m) 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;

(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; and/or

(i) Liens arising under the Original Term Loan Facility Agreement pending their release in accordance with the terms of this Agreement with effect from the Drawdown Date.

"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;

"Refinancing" means repayment in full of the principal and interest outstanding and owing by the Obligors to the Lenders under the Original Term Loan Facility Agreement.

"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" the fully amortising repayment schedule issued by the Agent to the Borrower prior to the Drawdown Date as set out in **Exhibit G** (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) Guarantor 4 Debenture, (vi) Guarantor 5 Debenture, and (vii) 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 Ten Million Two Hundred Twenty Seven Thousand and Five Hundred Pounds (£10,227,500.00).

"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 Four Hundred and Fifty Five Thousand Pounds (£20,455,000).

"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 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.

"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.

"US Dollar" or use of the sign "**US$**" means the lawful currency of the United States of America.

"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.

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: SILICON VALLEY BANK

KREOS CAPITAL V (UK) LIMITED

FROM: MEREO BIOPHARMA 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 45 days of each month end	Yes No
Annual financial statement (Audited)	180 days of financial year end	Yes No
Board approved operating plan	Within 60 days after the expiration of the immediately preceding financial year	Yes No

Covenant	Required	Complies
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 [●] 2018 (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 [●] 2018.

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.

[INCLUDE EXECUTION BLOCKS TO ACCESSION DEED]

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
[●]	[●]	[●]

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 ☐ / [●]

Office/Title	Name of Officer	Company/Subsidiary
[●]	[●]	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

MPH-966

MPH-966 primary endpoint(s) to be defined as:

- Within-individual % change from baseline in plasma desmosine/isodesmosine at end of treatment compared to placebo

MPH-966 secondary endpoint(s) to be defined as:

- Change from baseline in plasma desmosine/isodesmosine at end of treatment compared to placebo
- Change from baseline in blood Aα- Val360, neutrophil elastase, EL-NE, EL- CG, and EP-3 at end of treatment compared to placebo
- Change from baseline in blood MMP: C6M, Pro-C6, C1M, and PGP at end of treatment compared to placebo

BPS-205

BPS-205 primary endpoint(s) to be defined as:

- Tr. vBMD (radius) on HRpQCT.

BPS-205 secondary endpoint(s) to be defined as:

- Tr. vBMD (tibia & radius) on HRpQCT and bone strength on FEA at 6 months.
- Tr. vBMD (tibia & radius) on HRpQCT and bone strength on FEA at 3 & 6 months in open-label treatment arm.
- Changes in lumbar dual-energy x-ray absorptiometry (DXA) BMD (absolute and T-score) from baseline at Month 6 and Month 12.
- Changes in Tr. vBMD (tibia) from baseline at 12 months
- Changes in bone turnover markers and metabolic biomarkers associated with bone (parathyroid hormone [PTH], amino- terminal propeptide of type 1 procollagen [P1NP], carboxy-terminal propeptide of type 1 procollagen [P1CP], osteocalcin [OC], bone-specific alkaline phosphatase [BSAP], carboxy-terminal telo-peptide [CTX-1], amino-terminal telo-peptide [NTX-1].

EXHIBIT G
REPAYMENT SCHEDULE

All amounts are in Sterling

Payment Due	Drawdown	Fees	Advance Payment	Capital	Interest
Oct-2018	(20,455,000.00)	102,275.00	960,097.28	0.00	144,889.58
Nov-2018	0.00	0.00	0.00	0.00	144,889.58
Dec-2018	0.00	0.00	0.00	0.00	144,889.58
Jan-2019	0.00	0.00	0.00	0.00	144,889.58
Feb-2019	0.00	0.00	0.00	0.00	144,889.58
Mar-2019	0.00	0.00	0.00	0.00	144,889.58
Apr-2019	0.00	0.00	0.00	0.00	144,889.58
May-2019	0.00	0.00	0.00	960,097.28	0.00
Jun-2019	0.00	0.00	0.00	822,008.39	138,088.89
Jul-2019	0.00	0.00	0.00	827,830.94	132,266.33
Aug-2019	0.00	0.00	0.00	833,694.75	126,402.53
Sep-2019	0.00	0.00	0.00	839,600.09	120,497.19
Oct-2019	0.00	0.00	0.00	845,547.25	114,550.03
Nov-2019	0.00	0.00	0.00	851,536.55	108,560.73
Dec-2019	0.00	0.00	0.00	857,568.26	102,529.02
Jan-2020	0.00	0.00	0.00	863,642.70	96,454.58
Feb-2020	0.00	0.00	0.00	869,760.17	90,337.11
Mar-2020	0.00	0.00	0.00	875,920.97	84,176.30
Apr-2020	0.00	0.00	0.00	882,125.42	77,971.86
May-2020	0.00	0.00	0.00	888,373.80	71,723.48
Jun-2020	0.00	0.00	0.00	894,666.45	65,430.83
Jul-2020	0.00	0.00	0.00	901,003.67	59,093.61
Aug-2020	0.00	0.00	0.00	907,385.78	52,711.50
Sep-2020	0.00	0.00	0.00	913,813.10	46,284.18
Oct-2020	0.00	0.00	0.00	920,285.94	39,811.34
Nov-2020	0.00	0.00	0.00	926,804.63	33,292.65
Dec-2020	0.00	0.00	0.00	933,369.50	26,727.78
Jan-2021	0.00	0.00	0.00	939,980.87	20,116.41
Feb-2021	0.00	0.00	0.00	946,639.06	13,458.22
Mar-2021	0.00	2,147,775.00	(960,097.28)	953,344.42	6,752.86

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/ Jessica Doughty
Witness

Name: Jessica Doughty

Address: 14 Sheraton Mews

WD18 7PE

Occupation: Executive Assistant

GUARANTOR 1

EXECUTED as a DEED by)

MEREO BIOPHARMA 1 LIMITED)

acting by Charles Sermon *(director)* a director in the presence of a witness)

/s/ Charles Sermon
Director

/s/ Grace Hamlett
Witness

Name: Grace Hamlett

Address: 12 Oxford Drive, London

SEI 2FB

Occupation: Legal Counsel

GUARANTOR 2)

EXECUTED as a DEED by)

MEREO BIOPHARMA 2 LIMITED)

acting by Charles Sermon *(director)* a)
director in the presence of a witness)
)

/s/ Charles Sermon
Director

/s/ Grace Hamlett
Witness

Name: Grace Hamlett

Address: 12 Oxford Drive, London

SEI 2FB

Occupation: Legal Counsel

GUARANTOR 3)

EXECUTED as a DEED by)

MEREO BIOPHARMA 3 LIMITED)

acting by Charles Sermon *(director)* a)
director in the presence of a witness:)
)

/s/ Charles Sermon
Director

/s/ Grace Hamlett
Witness

Name: Grace Hamlett

Address: 12 Oxford Drive, London

SEI 2FB

Occupation: Legal Counsel

GUARANTOR 4)

EXECUTED as a DEED by)

MEREO BIOPHARMA 4 LIMITED)

acting by Charles Sermon *(director)* a)
director in the presence of a witness:)
)

/s/ Charles Sermon
Director

/s/ Jessica Doughty
Witness

Name: Jessica Doughty

Address: 14 Sheraton Mews

WD18 7PE

Occupation: Executive Assistant

GUARANTOR 5)

SIGNED for and on behalf of)

MEREO BIOPHARMA IRELAND LIMITED)

by its lawfully)

appointed attorney **CHARLES SERMON**)
in the presence of:)

/s/ Charles Sermon
Charles Sermon

/s/ Jessica Doughty
Witness

Name: Jessica Doughty

Address: 14 Sheraton Mews

WD18 7PE

Occupation: Executive Assistant

THE LENDER, AGENT AND SECURITY AGENT

EXECUTED as a DEED by)

KREOS CAPITAL V (UK) LIMITED)

acting by Luca Colciago *(director)* a)
director in the presence of a witness)

/s/ Luca Colciago
Director

/s/ Lauren Mahoney
Witness

Name: Lauren Mahoney

Address: 25 - 28 Old Burlington Pl,
London W15 3AN

Occupation: Administrator

THE LENDER

EXECUTED as a DEED on behalf of)

SILICON VALLEY BANK)

a California corporation by)
Paula Burke *(authorised signatory)*,
being a person who, in accordance with the laws of that territory, is acting)
under the authority of the corporation)

/s/ Paula Burke
Authorised Signatory

Mereo BioPharma Group plc

and

[ ]

Deed of Indemnity

This Deed is dated 2019 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 authorised 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;

Associated Company means an associated company (within the meaning given in section 256(b) of the Act) of the Company;

Board means the board of directors of the Company from time to time;

Business Day means any day which is not a Saturday, a Sunday or a bank or public holiday in England and Wales;

Claims means all claims, actions and proceedings, whether civil, criminal or regulatory;

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);

Losses means losses, damages, penalties, liabilities, compensation or other awards arising in connection with any Claim;

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. I**ndemnity**

2.1 Subject to 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 Indemnified Person may otherwise be entitled, indemnify and hold the Indemnified Person harmless in respect of all Claims, and Losses, whether instigated, imposed or incurred under the laws of England and Wales or the law of any other jurisdiction and arising out of, or in connection with, the actual or purported exercise of, or failure to exercise, any of the Indemnified Person ‘s powers, duties or responsibilities as a director or officer of the Company or an Associated Company, subject to the remaining provisions of this Deed.

2.2 The indemnity in Clause 2.1 of this Deed shall be deemed not to provide for, or entitle the Indemnified Person to, any indemnification that would cause this Deed, or any part of it, to be treated as void under the Act and, in particular, to the extent the liability attaches to the Indemnified Person in connection with any negligence, default, breach of duty or breach of trust in relation to the company of which he is a director, shall not provide directly or indirectly (to any extent) any indemnity against:

(a) any liability incurred by the Indemnified Person to the Company or any Associated Company;

(b) any liability incurred by the Indemnified Person 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);

(c) any liability incurred by the Indemnified Person;

a. in defending any criminal proceedings in which the Indemnified Person is convicted; or

b. in defending any civil proceedings brought by the Company, or an Associated Company, in which judgment is given against the Indemnified Person; or

c. in connection with any Relevant Application in which the court refuses to grant the Indemnified Person relief,

where, in any such case, any such conviction, judgment or refusal of relief 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:

(a) 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;

(b) keeping the Company informed of all material developments in the progress of any Relevant Liability, including providing all such information in relation to any Relevant Liability or any other costs, charges or expenses incurred as the Company may reasonably request; and

(c) taking all such action as the Company may reasonably request to avoid, dispute, resist, appeal, compromise or defend the Relevant Liability.

2.4 If the Board is satisfied that the conditions set out in clause 2.3 have 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 or her 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 clause 2.1 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 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. **Term**

This Deed shall remain in force until such time as any relevant limitation periods for bringing claims against the Director have expired, or for so long as the Director remains liable for any Relevant Liability.

6 **General**

6.1 This Deed shall be binding on and shall enure for the benefit of the successors of the parties to this Deed.

6.2 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.

6.3 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.

6.4 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.

6.5 The Company can amend the terms of this Deed on 10 Business Days' notice to the Indemnified Person. No such amendment shall affect the rights of the Indemnified Person in respect of any Claims and Losses arising out of any act or omission of the Indemnified Person that occurred before any such amendment is made.

6.6 Subject to clause 6.5 of this Deed, 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.

6.7 If this Deed is finally judicially determined in a relevant jurisdiction to provide for, or entitle the Indemnified Person to, indemnification against any Claims or Losses that would cause this Deed, or any part of it, to be treated as void under the laws of that jurisdiction, this Deed shall, in so far as it relates to such jurisdiction, be deemed not to provide for, or entitle the Indemnified Person to, any such indemnification, and the Company shall instead indemnify the Indemnified Person against any Claims or Losses to the fullest extent permitted by law in that jurisdiction.

6.8 Each party shall pay its own costs relating to the negotiation, preparation, execution and performance of this Deed.

6.9 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.

6.10 For the purposes of this Deed, notices or other communications shall not be validly given if sent by e-mail.

6.11 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.

6.12 This Deed shall be governed by and construed in accordance with the laws of England.

6.13 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

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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

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
Mereo BioPharma Ireland Limited	Ireland

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 report dated February 27, 2018, in the Registration Statement (Form F-4) and related Proxy Statement/Prospectus of Mereo BioPharma Group plc dated January 24, 2019.

/s/ Ernst & Young LLP

Reading, United Kingdom
January 24, 2019

Exhibit 23.2

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 report dated March 8, 2018, with respect to the financial statements of OncoMed Pharmaceuticals, Inc. incorporated by reference in the Registration Statement (Form F-4) and related Proxy/Prospectus of Mereo BioPharma Group plc for the registration of shares of its common stock.

/s/ Ernst & Young LLP

Redwood City, California
January 24, 2019

CONSENT
OF
LATHAM & WATKINS LLP

We hereby consent to the reference to our firm name under the caption “Legal Matters” in the proxy statement/prospectus that forms a part of the Registration Statement on Form F-4 of Mereo BioPharma Group plc. In giving the foregoing consent, we do not admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended, or the rules and regulations promulgated thereunder.

/s/ Latham & Watkins LLP

January 24, 2019

OncoMed PHARMACEUTICALS

VOTE

000004

ENDORSEMENT_LINE_____ SACKPACK_____

MR A SAMPLE
DESIGNATION (IF ANY)
ADD 1
ADD 2
ADD 3
ADD 4
ADD 5
ADD 6

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Your vote matters – here's how to vote!

You may vote online or by phone instead of mailing this card.

Votes submitted electronically must be received by 11:59 p.m., Eastern Time, on [•], 2019.

Online
Go to **www.envisionreports.com/OMED** or scan the QR code – login details are located in the shaded bar below.

Phone
Call toll free 1-800-652-VOTE (8683) within the USA, US territories and Canada

Save paper, time and money!
Sign up for electronic delivery at www.envisionreports.com/OMED

Using a **black ink** pen, mark your votes with an **X** as shown in this example.
Please do not write outside the designated areas. X

Special Meeting Proxy Card

1234 5678 9012 345

▼ IF VOTING BY MAIL, SIGN, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. ▼

A Proposals – The Board of Directors recommend a vote FOR Proposals 1 – 3.

	For	Against	Abstain
1. To approve and adopt the Agreement and Plan of Reorganization, dated as of December 5, 2018, referred to as the merger agreement, by and among OncoMed Pharmaceuticals, Inc., referred to as OncoMed, Mereo BioPharma Group plc, referred to as Mereo, Mereo US Holdings Inc. and Mereo MergerCo One Inc.;	☐	☐	☐
2. To approve, on a non-binding, advisory basis, the compensation payments that will or may be paid by OncoMed or Mereo to OncoMed's named executive officers and that are based on or otherwise related to the merger and the agreements and understandings pursuant to which such compensation may be paid or become payable, referred to as the transaction-related named executive compensation; and	☐	☐	☐
3. To approve the adjournment of the OncoMed special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes to approve and adopt the merger agreement.	☐	☐	☐

NOTE: The proxies are authorized to vote on such other business as may properly come before the meeting or any adjournment, continuation or postponement thereof.

B Authorized Signatures – This section must be completed for your vote to count. Please date and sign below.

Note: Please make sure that you complete, sign and date your proxy card. Please sign exactly as your names(s) appear(s) on the account. When signing as a fiduciary, please give your full title as such. Each joint owner should sign personally. Corporate proxies should be signed in full corporate name by an authorized officer.

Date (mm/dd/yyyy) – Please print date below.	Signature 1 – Please keep signature within the box.	Signature 2 – Please keep signature within the box.
/ /		

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1UPX 403875

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PRELIMINARY COPY

OncoMed Pharmaceuticals, Inc.
Special Meeting Admission Ticket
Special Meeting of OncoMed Pharmaceuticals, Inc. Stockholders

[•], 2019, [•] local time
800 Chesapeake Drive
Redwood City, California 94063

Upon arrival, please present this admission ticket and photo identification at the registration desk.

Important notice regarding the Internet availability of proxy materials for the Special Meeting of Stockholders.
The material is available at: www.envisionreports.com/OMED

Small steps make an impact.
Help the environment by consenting to receive electronic delivery, sign up at www.envisionreports.com/OMED

▼ IF VOTING BY MAIL, SIGN, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. ▼

OncoMed Pharmaceuticals, Inc.

Notice of Special Meeting of Stockholders

Proxy Solicited by Board of Directors for Special Meeting – [•], 2019

John A. Lewicki and Alan C. Mendelson, or any of them, each with the power of substitution, are hereby authorized to represent and vote the shares of the undersigned, with all the powers which the undersigned would possess if personally present, at the Special Meeting of Stockholders of OncoMed Pharmaceuticals, Inc. to be held on [•], 2019 or at any postponement or adjournment thereof.

Shares represented by this proxy will be voted by the stockholder. Shares for which an executed proxy is received, but no instruction is given, will be voted by the proxies FOR Proposal 1, FOR Proposal 2 and FOR Proposal 3.

In their discretion, the proxies are authorized to vote upon such other business as may properly come before the meeting.

(Items to be voted appear on reverse side)

C Non-Voting Items

Change of Address – Please print new address below.

Comments – Please print your comments below.

CONSENT OF SVB LEERINK LLC
(Previously known as Leerink Partners LLC)

We hereby consent to the use of our opinion letter dated December 4, 2018 to the board of directors of OncoMed Pharmaceuticals, Inc., included as Annex C to the proxy statement/prospectus which forms a part of the Registration Statement on Form F-4 of Mereo BioPharma Group plc, filed on January [ ], 2019, and to the references to such opinion in such proxy statement/prospectus under the captions: "Summary – Opinion of OncoMed's Financial Advisor," "The Merger – Background of the Merger," "The Merger – OncoMed's Reasons for the Merger" and "The Merger – Opinion of Financial Advisor to OncoMed". Subsequent to the rendering of such opinion, our legal name changed from Leerink Partners LLC to SVB Leerink LLC. In giving such consent, we do not admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended, or the rules and regulations of the Securities and Exchange Commission thereunder, nor do we thereby admit that we are experts with respect to any part of such Registration Statement within the meaning of the term "expert" as used in the Securities Act of 1933, as amended, or the rules and regulations of the Securities and Exchange Commission thereunder. Additionally, such consent does not cover any amendments to the Registration Statement.

/s/ SVB LEERINK LLC

New York, New York
January 24, 2019

CONSENT OF PROSPECTIVE DIRECTOR

In accordance with Rule 438 promulgated under the Securities Act of 1933, as amended, I hereby consent to my being named in the Registration Statement on Form F-4 of Mereo BioPharma Group plc ("Mereo") with the Securities and Exchange Commission, and all amendments (including post-effective amendments) thereto (the "Registration Statement") and any related prospectus and/or proxy statement contained therein and any amendment or supplement thereto, as a person who is to become a director of Mereo upon the Effective Time (as such term is defined in the Agreement and Plan of Merger and Reorganization, dated as of December 5, 2018, by and among OncoMed Pharmaceuticals, Inc., Mereo BioPharma Group plc, Mereo US Holdings Inc. and Mereo MergerCo One Inc.) and to the filing of this consent as an exhibit to the Registration Statement.

/s/ Michael Wyzga

Name: Michael Wyzga

Date: January 24, 2019

CONSENT OF PROSPECTIVE DIRECTOR

In accordance with Rule 438 promulgated under the Securities Act of 1933, as amended, I hereby consent to my being named in the Registration Statement on Form F-4 of Mereo BioPharma Group plc ("Mereo") with the Securities and Exchange Commission, and all amendments (including post-effective amendments) thereto (the "Registration Statement") and any related prospectus and/or proxy statement contained therein and any amendment or supplement thereto, as a person who is to become a director of Mereo upon the Effective Time (as such term is defined in the Agreement and Plan of Merger and Reorganization, dated as of December 5, 2018, by and among OncoMed Pharmaceuticals, Inc., Mereo BioPharma Group plc, Mereo US Holdings Inc. and Mereo MergerCo One Inc.) and to the filing of this consent as an exhibit to the Registration Statement.

/s/ Dr. Deepika Pakianathan

Name: Dr. Deepika Pakianathan

Date: January 24, 2019