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

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 or 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of September, 2023

Commission File Number: 001-38452

MEREO BIOPHARMA GROUP PLC
(Translation of registrant's name into English)

4th Floor, One Cavendish Place,
London, W1G 0QF, United Kingdom
(Address of principal executive office)

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

Form 20-F ☒ Form 40-F ☐

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

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

Other Events

On September 7, 2023, Mereo BioPharma Group plc (the "Company") released its unaudited condensed consolidated financial statements as of June 30, 2023 and Management's Discussion and Analysis of Financial Condition and Results of Operations. The Company's unaudited condensed consolidated financial statements as of June 30, 2023 are attached as Exhibit 99.1 and are incorporated by reference herein. The Company's Management's Discussion and Analysis of Financial Condition and Results of Operations is attached hereto as Exhibit 99.2, and is incorporated by reference herein.

As of June 30, 2023, the Company had cash and short-term deposits of £42.1 million ($53.1 million). Net cash burn during the second quarter of 2023 amounted to £6.1 million ($7.7 million). The Company expects its existing cash and short-term deposits will enable it to fund its currently committed clinical trials, operating expenses and capital expenditure requirements into 2026.

The contents of this Report on Form 6-K and the information in the attached Exhibits 99.1 and 99.2 shall be deemed to be incorporated by reference into the registration statements on Form F-3 (File Numbers 333-239708 and 333-258495) and Form S-8 (File Numbers 333-231636, 333-236498, 333-252147 333-262151 and 333-269388) and related prospectuses, as such registration statements and prospectuses may be amended from time to time, and to be a part thereof from the date on which this report is filed, to the extent not superseded by documents or reports subsequently filed or furnished.

Exhibit Index

Exhibits

99.1	Mereo BioPharma Group plc Unaudited Condensed Consolidated Financial Statements as of June 30, 2023.
99.2	Mereo BioPharma Group plc Management's Discussion and Analysis of Financial Condition and Results of Operations.
99.3	Press release dated September 7, 2023
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the inline XBRL document)

SIGNATURES

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

Date: September 7, 2023

MEREO BIOPHARMA GROUP PLC

By: /s/ Christine Fox
Name: Christine Fox
Title: Chief Financial Officer

MEREO BIOPHARMA GROUP PLC
Condensed Consolidated Statements of Comprehensive Loss
(unaudited)

	Notes	Six months ended June 30, 2023 £'000	Six months ended June 30, 2022 £'000
Revenue	3	7,128	—
Cost of revenue	3	(2,455)	352
Research and development expenses		(7,898)	(13,322)
Administrative expenses		(9,548)	(8,840)
Other operating income	3	2,864	—
Operating loss		**(9,909)**	**(21,810)**
Finance income	4	550	173
Finance costs	4	(1,498)	(1,859)
Changes in the fair value of financial instruments	4	365	1,210
Net foreign exchange (loss)/gain		(1,445)	1,582
Other income	5	—	811
Loss before tax		**(11,937)**	**(19,893)**
Taxation		907	735
Loss for the period, attributable to equity holders of the parent		**(11,030)**	**(19,158)**
Items that may be reclassified subsequently to profit or loss:			
Currency translation of foreign operations		1,493	(1,775)
Total comprehensive loss for the period, attributable to equity holders of the parent		**(9,537)**	**(20,933)**
Basic loss per share for the period (in £)	6	(0.02)	(0.03)
Diluted loss per share for the period (in £)	6	(0.02)	(0.03)

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

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MEREO BIOPHARMA GROUP PLC
Condensed Consolidated Balance Sheets
(unaudited)

	Notes	June 30, 2023 £'000	December 31, 2022 £'000
Assets			
Non-current assets			
Property, plant and equipment	7	1,565	1,831
Intangible assets	8	24,845	24,116
		26,410	25,947
Current assets			
Prepayments		1,376	3,125
R&D tax credits		2,203	1,296
Other taxes receivable		643	614
Trade and other receivables	3	7,893	762
Cash and short-term deposits		42,113	56,334
		54,228	62,131
Total assets		**80,638**	**88,078**
Equity and liabilities			
Non-current liabilities			
Provisions	10	411	—
Convertible loan notes	11	3,665	—
Warrant liability	12	166	129
Lease liability		973	1,222
Other liabilities		220	182
		5,435	**1,533**
Current liabilities			
Trade and other payables		1,911	3,078
Accruals		4,786	4,491
Provisions	10	4,701	4,822
Convertible loan notes	11	4,186	11,085
Warrant liability	12	—	402
Lease liability		488	466
Other liabilities	3	1,386	333
		17,458	**24,677**
Total liabilities		**22,893**	**26,210**
Net assets		**57,745**	**61,868**
Equity			
Issued capital	9	1,930	1,875
Share premium	9	257,343	254,303
Other capital reserves	9	134,999	132,680
Employee Benefit Trust shares		(1,058)	(1,058)
Other reserves		7,401	7,401
Accumulated losses		(342,194)	(331,164)
Translation reserve		(676)	(2,169)
Total equity		**57,745**	**61,868**

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

MEREO BIOPHARMA GROUP PLC
Condensed Consolidated Statements of Cash Flows
(unaudited)

	Notes	Six months ended June 30, 2023 £'000	Six months ended June 30, 2022 £'000
Operating activities			
Loss before tax		(11,937)	(19,893)
Adjustments to reconcile (loss)/profit to net cash flows:			
Depreciation and impairment of property, plant and equipment	7	266	436
Amortization of intangible assets	8	138	—
Share-based payment expense	9	1,931	2,446
Net foreign exchange loss/(gain)		1,282	(2,100)
Increase in provisions and other liabilities	10,3	1,130	307
Finance income	4	(550)	(173)
Finance costs	4	1,084	1,696
Fair value remeasurement on warrants	4	(365)	(1,210)
Other income and expenses	5	—	(811)
Other non-cash movements	3	155	330
Working capital adjustments			
(Increase)/decrease in receivables and prepayments		(5,521)	331
(Decrease)/increase in trade and other payables and accruals		(846)	1,364
Taxation		(29)	(1,529)
Net cash flows used in operating activities		**(13,262)**	**(18,806)**
Investing activities			
Purchase of property, plant and equipment	7	—	(10)
Proceeds from intangible asset (net of transaction costs)	5	—	1,484
Payments to CVR holders	5	—	(673)
Interest earned	4	468	173
Payments to acquire intangible assets		(337)	—
Net cash flows from investing activities		**131**	**974**
Financing activities			
Proceeds from issuance of ordinary shares		2	—
Interest paid	4	(771)	—
Payment of lease liabilities		(226)	(445)
Proceeds from TAP agreement		79	153
Net cash flows used in financing activities		**(916)**	**(292)**
Net decrease in cash and cash equivalents		**(14,047)**	**(18,124)**
Cash and cash equivalents at the beginning of the period		56,334	94,296
Effect of exchange rate changes on cash and cash equivalents		(174)	243
Cash and cash equivalents at the end of the period		**42,113**	**76,415**

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

MEREO BIOPHARMA GROUP PLC
Condensed Consolidated Statements of Changes in Equity
(unaudited)

	Notes	Issued capital £'000	Share premium £'000	Other capital reserves £'000	Employee Benefit Trust £'000	Other reserves £'000	Accumulated losses £'000	Translation reserve £'000	Total equity £'000
At December 31, 2021		**1,755**	**247,460**	**129,835**	**(1,140)**	**7,401**	**(296,968)**	**(341)**	**88,002**
Loss for the period		—	—	—	—	—	(19,158)	—	(19,158)
Other comprehensive loss		—	—	—	—	—	—	(1,775)	(1,775)
Total comprehensive loss		**—**	**—**	**—**	**—**	**—**	**(19,158)**	**(1,775)**	**(20,933)**
Share-based payments	9	—	—	2,446	—	—	—	—	2,446
Exercise of share options		—	—	(82)	82	—	—	—	—
Issuance of warrants		—	—	70	—	—	—	—	70
At June 30, 2022		**1,755**	**247,460**	**132,269**	**(1,058)**	**7,401**	**(316,126)**	**(2,116)**	**69,585**
At December 31, 2022		**1,875**	**254,303**	**132,680**	**(1,058)**	**7,401**	**(331,164)**	**(2,169)**	**61,868**
Loss for the period		—	—	—	—	—	(11,030)	—	(11,030)
Other comprehensive income		—	—	—	—	—	—	1,493	1,493
Total comprehensive loss		**—**	**—**	**—**	**—**	**—**	**(11,030)**	**1,493**	**(9,537)**
Share-based payments	9	—	—	1,931	—	—	—	—	1,931
Exercise of share options		2	—	—	—	—	—	—	2
Issuance of shares	9	53	3,040	347	—	—	—	—	3,440
Issuance of warrants		—	—	41	—	—	—	—	41
At June 30, 2023		**1,930**	**257,343**	**134,999**	**(1,058)**	**7,401**	**(342,194)**	**(676)**	**57,745**

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

MEREO BIOPHARMA GROUP PLC
Notes to the Condensed Consolidated Financial Statements
(unaudited)

1. Corporate information

Mereo BioPharma Group plc (the "Company" or "Mereo") is a clinical-stage, United Kingdom ("UK") based biopharmaceutical company focused on rare diseases and oncology.

The Company is a public limited company incorporated and domiciled in the UK, and registered in England, with shares publicly traded on the Nasdaq Capital Market via American Depositary Shares ("ADSs") under the ticker symbol MREO. The Company's registered office is located at Fourth Floor, 1 Cavendish Place, London, W1G 0QF, United Kingdom.

These financial statements are the unaudited condensed consolidated financial statements of Mereo BioPharma Group plc and its subsidiaries for the six months ended June 30, 2023. The principal activities of the Company are the development and commercialization of innovative therapeutic pharmaceutical products for rare diseases.

2. Significant accounting policies

Basis of preparation

The unaudited condensed consolidated financial statements for the six months ended June 30, 2023 have been prepared in accordance with International Accounting Standards (IAS) 34, Interim Financial Reporting. These unaudited condensed consolidated financial statements do not include all information and disclosures required in the annual financial statements in accordance with International Financial Reporting Standards (IFRS) and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2022 filed with the Securities and Exchange Commission ("SEC") on March 28, 2023.

The financial information is presented in pound sterling ("£"), which is the presentational currency of the Company. The functional currencies of consolidated subsidiaries are pound sterling and US dollars ("$"). All amounts disclosed in the condensed consolidated financial statements and notes have been rounded to the nearest thousand, unless otherwise stated.

The financial information for the year ended December 31, 2022 has been extracted from the Company's audited financial statements for that year, filed with the SEC on March 28, 2023.

These condensed consolidated financial statements are unaudited and do not constitute statutory accounts of the Company as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for financial year ended December 31, 2022 has been delivered to the Registrar of Companies. The auditors reported on those accounts and their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

Segmental information

The Company has one operating segment. The Chief Operating Decision Maker ("CODM") is the Chief Executive Officer. The Company has a single portfolio of product candidates, with only direct research and development expenses monitored by product candidate. The CODM makes decisions over resource allocation at an overall portfolio level and the Company's financing is managed and monitored on a consolidated basis.

Going concern

The going concern basis has been applied in these condensed consolidated financial statements as the Company has adequate resources to meet its liabilities as they fall due for the foreseeable future and at least 12 months from the issuance date of these condensed consolidated financial statements.

The Company expects to incur significant operating losses for the foreseeable future as it continues its research and development efforts, seeks to obtain regulatory approval of its product candidates and pursues any future product candidates the Company may develop.

Until such time as the Company can generate significant revenue from product sales, or other commercial revenues, if ever, or through licensing and/or collaboration agreements for its rare disease or oncology product candidates, the Company will seek to finance its operations through a combination of public or private equity or debt financings or other non-dilutive sources.

Summary of significant accounting policies

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Company's consolidated financial statements for the year ended December 31, 2022.

Significant accounting estimates and judgments

The preparation of these condensed consolidated financial statements requires the management of the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. The Company bases its estimates and judgments 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.

The significant accounting estimates and judgments adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Company's consolidated financial statements for the year ended December 31, 2022.

3. Revenue, Cost of revenue and Other operating income

The Company recognized milestone proceeds of $9 million (£7.1 million) as revenue under the collaboration and license agreement with Ultragenyx for setrusumab following achievement of a development milestone in the six months ended June 30, 2023. The milestone proceeds were received in July 2023. The variable consideration relating to future milestones and sales royalties will be recognized in the statement of comprehensive income when the milestones are achieved or the underlying commercial sales are made, in the event regulatory approval is obtained.

As a consequence of the milestone proceeds paid to the Company under the collaboration and license agreement with Ultragenyx and in accordance with the terms of the 2015 asset purchase agreement with Novartis, the Company also accrued for a payment to Novartis of £1.7 million. The payment included a deduction for costs of £1.4 million which was deferred to be recognized in the statement of comprehensive loss when the associated costs are incurred.

In the six month period ended June 30, 2023, £0.6 million (six months ended June 30, 2022: £0.4 million) of these deductions were recognized in the condensed consolidated statement of comprehensive loss. As of June 30, 2023, the remaining balance to be recognized of £1.1 million (December 31, 2022: £0.3 million) is included within “Other liabilities” in the condensed consolidated balance sheets.

In June 2023, the Company received a payment of £2.9 million from its depositary for reimbursement of certain expenses incurred by the Company in respect of its ADR program in the current and prior years pursuant to the agreement between both parties. The Company recognizes such amounts as “Other operating income” when it becomes entitled to them.

4. Finance income, finance costs and changes in the fair value of financial instruments

Finance income

	Six months ended June 30, 2023 £’000	Six months ended June 30, 2022 £’000
Interest income on short-term deposits	468	173
Modification of convertible loan notes	82	—
Total	**550**	**173**

Finance income includes a £0.1 million (2022: £nil) gain recognized on the modification of the Private Placement Loan Notes (see Note 11).

Finance costs

	Six months ended June 30, 2023 £’000	Six months ended June 30, 2022 £’000
Interest on convertible loan notes	(1,004)	(1,567)
Interest on lease liabilities	(79)	(113)
Discounting of provisions for deferred contingent cash consideration	(395)	(163)
Other	(20)	(16)
Total	**(1,498)**	**(1,859)**

Interest on convertible loan notes includes £0.7 million of accrued interest paid as part of the amendment of the Novartis convertible loan note (see Note 11).

Changes in the fair value of financial instruments

	Six months ended June 30, 2023 £’000	Six months ended June 30, 2022 £’000
Changes in the fair value of warrants – private placement	402	1,091
Changes in the fair value of warrants – bank loan	(37)	119
Total	**365**	**1,210**

See Note 12 for additional information on the warrant liability.

5. Other income and expenses

In February 2022, the Company received a milestone payment of $2.0 million (£1.5 million) under the Navi License Agreement with OncXerna. An associated payment was made to the former shareholders of Mereo BioPharma 5, Inc. under the Contingent Value Rights Agreement ("CVR") of a total of $0.9 million (£0.7 million), after deductions of costs, charges and expenditures, which resulted in other income, net of £0.8 million.

6. 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. Diluted loss per share is based on dividing the loss attributable for the period, adjusted for the effect of dilutive ordinary shares, by ordinary share equivalents, which includes the weighted average number of ordinary shares outstanding and the effect of dilutive ordinary share equivalents.

	Six months ended June 30, 2023 £'000	Six months ended June 30, 2022 £'000
Numerator – Basic loss per share (£'000)		
Loss attributable to equity holders of the parent	(11,030)	(19,158)
Denominator – Basic loss per share		
Weighted average number of ordinary shares	627,087,752	583,892,445
Loss per share – basic (£)	(0.02)	(0.03)
Numerator – Diluted loss per share (£'000):		
Loss attributable to equity holders of the parent	(11,030)	(19,158)
Effect of dilutive ordinary shares	—	—
Numerator – Diluted loss per share	(11,030)	(19,158)
Denominator – Diluted loss per share:		
Number of ordinary shares used for basic loss per share	627,087,752	583,892,445
Weighted average effect of dilutive ordinary shares	—	—
Weighted average number of diluted ordinary shares outstanding	627,087,752	583,892,445
Loss per share – diluted (£)	(0.02)	(0.03)

For both periods, share options, convertible loan notes and warrants were considered to be anti-dilutive as they would have decreased the loss per share and were therefore excluded from the calculation of diluted loss per share. Therefore, the weighted average shares outstanding used to calculate both the basic and diluted loss per share was the same.

7. Property, plant and equipment

	Right-of-use asset (building) (£'000)	Leasehold improvements (£'000)	Office Equipment (£'000)	IT Equipment (£'000)	Total (£'000)
Cost or valuation at January 1, 2023 and June 30, 2023	**2,465**	**557**	**164**	**173**	**3,359**
Depreciation and impairment					
At January 1, 2023	**(1,088)**	**(219)**	**(76)**	**(145)**	**(1,528)**
Depreciation for the period	(199)	(48)	(11)	(9)	(266)
At June 30, 2023	**(1,287)**	**(267)**	**(87)**	**(154)**	**(1,794)**
Net book value					
At January 1, 2023	1,377	338	88	28	1,831
At June 30, 2023	**1,178**	**290**	**77**	**19**	**1,565**

8. Intangible assets

	Acquired development programs
Cost	
At January 1, 2023	**33,005**
Additions	1,166
At June 30, 2023	**34,172**
Accumulated revision to estimated value	
At January 1, 2023	(8,889)
Revision to estimated value	(300)
At June 30, 2023	(9,189)
Accumulated amortization	
At January 1, 2023	—
Amortization for the period	(138)
At June 30, 2023	(138)
Net book value	
At January 1, 2023	24,116
At June 30, 2023	**24,845**

On February 3, 2023, the Company's wholly-owned subsidiary Mereo BioPharma 3 Limited, Ultragenyx, UCB Pharma SA ("UCB") and Amgen Inc. ("Amgen") entered into a non-exclusive worldwide, royalty-free license (the "UCB/Amgen License") to research, develop, and commercialize setrusumab in osteogenesis imperfecta ("OI") under certain UCB/Amgen-owned patent rights related to anti-sclerostin compounds and their uses. An intangible asset of £1.2 million was recognized in the period reflecting payments under the agreement that are not contingent. A corresponding liability of £0.6 million and a provision of £0.6 million for contingent consideration payable was also recognized (see Note 10). The license is amortized on a straight-line basis over its useful economic life. During the six months ended June 30, 2023, amortization expense of £0.1 million (2022: £nil) has been recorded within "Administrative expenses" in the condensed consolidated statement of comprehensive (loss)/income.

The present value of the provision for deferred contingent cash consideration relating to the agreement with AstraZeneca was reviewed as of June 30, 2023 (see Note 10). The decrease in the present value due to changes in timelines or probability of contractual milestones being achieved was £0.3 million (2022: £0.4 million) and was recognized as a reduction of the intangible asset.

During the period the Company did not revise the value of any other intangible assets (2022: £nil). With the exception of the UCB/Amgen License which is amortized, the intangible assets remain under development and no amortization charge has been recognized.

9. Issued capital and reserves

	Number of ordinary shares	Ordinary Share Capital £'000	Share Premium £'000
At January 1, 2022 and June 30, 2022	584,908,239	1,755	247,460
At January 1, 2023	**624,928,519**	**1,875**	**254,303**
Issued during the period	18,276,275	55	3,040
At June 30, 2023	643,204,794	1,930	257,343

During the six months ended June 30, 2023, Private Placement Loan Notes with a carrying value of £3.1 million were converted into 17,774,895 ordinary shares at a conversion price of £0.174 per ordinary share (see Note 11) and 501,380 ordinary shares were issued upon the vesting of equity awards.

Other capital reserves

	Share-based payments £'000	Equity component of convertible loan £'000	Other warrants issued £'000	Merger reserve £'000	Other reserve £'000	Total £'000
At January 1, 2022	**23,026**	**32,843**	**44**	**40,818**	**33,104**	**129,835**
Share-based payments expense during the period	2,446	—	—	—	—	2,446
Share option exercise	(82)	—	—	—	—	(82)
Issuance of warrants	—	—	70	—	—	70
At June 30, 2022	**25,390**	**32,843**	**114**	**40,818**	**33,104**	**132,269**
At January 1, 2023	**26,806**	**31,838**	**114**	**40,818**	**33,104**	**132,680**
Share-based payments expense during the period	1,931	—	—	—	—	1,931
Extinguishment and issuance of Novartis Loan Note	—	347	—	—	—	347
Issue of warrants	—	—	41	—	—	41
At June 30, 2023	**28,737**	**32,185**	**155**	**40,818**	**33,104**	**134,999**

Equity component of convertible loan

The amendment of the Novartis Loan Note was treated as the extinguishment of the original instrument and the issuance of a new instrument (see Note 11). Accordingly, £0.3 million was allocated to the equity components of the new Novartis Loan Note, representing the embedded conversion option and the new warrants.

Other warrants issued

Other warrants issued also relate to funding arrangements with The Alpha-1 Project which are a compound instrument consisting of a liability and an equity component. In 2023, the Company issued 408,730 warrants over ordinary shares and received funding of £0.1 million, of which less than £0.1 million was allocated to the equity component. The total value of the equity component (consideration received for the warrants) as of June 30, 2023 is £0.2 million (2022: £ 0.1 million).

Share-based payments

The Company has two principal share-based incentive schemes under which options at market value to subscribe for the Company's shares, restricted stock units ("RSUs") and performance share units ("PSUs") have been granted to certain executives, non-executive directors ("NEDs") and employees. The share-based payment reserve is used to recognize the value of equity settled share-based payments provided to employees, including key management personnel, as part of their remuneration.

The total charge for the six months ended June 30, 2023 in respect of all share-based incentive schemes was £1.9 million (June 30, 2022: £2.4 million).

The following awards were granted during the six months ended June 30, 2023:

	Mereo 2019 Equity Incentive Plan			Mereo 2019 NED Equity Incentive Plan		
	Awards (ADS)	Weighted average fair value ($) per share	Weighted average exercise price ($) per share	Awards (ADS)	Weighted average fair value ($) per share	Weighted average exercise price ($) per share
Options	4,617,000	0.91	1.01	440,000	0.84	0.94
RSU's	617,750	1.01	—	479,813	0.94	—
PSU's	1,543,150	0.61	—	—	—	—

Mereo 2019 Equity Incentive Plan

- Options over ADSs granted during the six months ended June 30, 2023, were valued using the Black-Scholes model with the following weighted average inputs: expected volatility of 98.06%; risk free interest rate of 3.43%; expected life of 10 years; and market price per ADS of $1.01.
- RSUs over ADSs granted during the six months ended June 30, 2023 vest over three years with one third of the awards vesting after twelve months and the remainder vesting equally every six months thereafter. These awards were valued by reference to the value of the shares awarded.

- PSUs over ADSs granted during the six months ended June 30, 2023 will only vest upon achievement of specified stretching share price performance targets. These awards were valued using a Monte Carlo model with the following key inputs: expected volatility of 105.6%; expected life of between 0.9 and 1.1 years; risk free interest rate of 4.14% and market price per ADS of $1.01.

Mereo 2019 NED Equity Incentive Plan

- Options over ADSs granted under the Mereo 2019 NED Equity Incentive Plan to certain non-executive directors during the six months ended June 30, 2023 were valued using the Black-Scholes model with the following inputs: expected volatility of 97.94%; risk free interest rate of 3.36%; expected life of 10 years; and market price per ADS of $0.94.
- Deferred RSU's over ADSs were granted during the six months ended June 30, 2023 under the Mereo 2019 NED Equity Incentive Plan to certain non-executive directors who elected to receive restricted stock units in lieu of their cash fees for the year commencing February 1, 2023. These awards were valued by reference to the value of the shares awarded.

10. Provisions

	June 30, 2023 £'000	December 31, 2022 £'000
Social security contribution on vested share options	56	9
Provisions for deferred contingent cash consideration	5,056	4,634
Restructuring	—	179
Total	**5,112**	**4,822**
Current	4,701	4,822
Non-Current	411	—

Provisions for deferred contingent cash consideration is the estimate of the quantifiable but not certain future cash payment obligations due to AstraZeneca for the acquisition of certain intangible assets and to UCB/Amgen for the UCB/Amgen License.

The provision for amounts payable to AstraZeneca is calculated as the risk adjusted net present value of future cash payments to be made by the Company. 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 (see Note 13).

The provision for deferred contingent cash consideration under the UCB/Amgen License is calculated as the present value of fees expected to be paid under the license which are dependent on the expected expiry date of certain intellectual property owned by UCB/Amgen and the outcome of clinical trials and regulatory consideration.

11. Convertible Notes

	June 30, 2023 £'000	December 31, 2022 £'000
Novartis Loan Note	3,665	4,449
Loan Notes – Private Placement	4,186	6,636
Total	**7,851**	**11,085**
Current	4,186	11,085
Non-Current	3,665	—

Novartis Loan Note

The Novartis Loan Note is convertible at a fixed price of £0.265 per ordinary share and originally bore interest at a rate of 6% per annum with a maturity date of February 2023. Effective 10 February 2023, the maturity date of the Novartis Loan Note was extended to February 10, 2025 and the interest rate amended to 9%. Interest accrued to the amendment date of £0.7 million was paid in cash, and warrants to purchase 2,000,000 ordinary shares were issued (see Note 9).

The amendments to the Novartis Loan Note have been treated as the extinguishment of the original instrument and the issuance of a new instrument. Accordingly, on the extinguishment date, the carrying value of £4.5 million was derecognized. At the same time, a new liability of £3.5 million was recognized which represents the fair value of the liability component of the new Novartis Loan Notes, net of fees. The remaining amount was allocated between the £0.7 million of interest paid in cash (see Note 4) and the residual £0.3 million which was recorded in equity to reflect the warrants and the conversion option embedded in the new Novartis Loan Notes. No extinguishment gain or loss was recognized in the condensed consolidated statement of comprehensive loss.

Private Placement Loan Notes

Loan Notes from the June 2020 private placement are convertible at a fixed price of £0.174 per ordinary share and bears interest at a rate of 6% per annum with an original maturity date of June 3, 2023. On May 31, 2023, the maturity date of the Loan Notes was extended to August 3, 2023, with all other terms remaining unchanged. The maturity date extension was treated as a modification with a modification gain of £0.1 million recognized within finance income (see Note 4).

During the six months ended June 30, 2023, the Company issued and allotted 17,774,895 ordinary shares (2022: nil) at a price of £0.174 per share on conversion of the Loan Notes.

A further conversion and subsequent redemption of the remaining Loan Notes took place in July and August 2023, respectively (see Note 15).

12. Warrant liability

	June 30, 2023 £'000	June 30, 2022 £'000
At January 1	531	8,336
Fair Value changes during the period	(365)	(1,210)
At June 30	166	7,126

	June 30, 2023 £'000	December 31, 2022 £'000
Current	—	402
Non-current	166	129
Total	166	531

The change in fair value of the warrant liability represents an unrealized gain for the six months ended June 30, 2023 and for the six months ended June 30, 2022.

Warrants - private placement

As a part of the private placement transaction on June 3, 2020, the participating investors received conditional warrants entitling them to subscribe for an aggregate of 161,048,366 ordinary shares in the Company. The warrants were conditional on certain resolutions being passed at the Company's general meeting on June 30, 2020. On the passing of the resolutions, the warrants entitled the investors to subscribe for ordinary shares at an exercise price of £0.348 per warrant and were exercisable until June 2023 when they expired. The warrants were classified as liabilities as the Company did not have an unconditional right to avoid redeeming the instruments for cash. As the warrants expired during the period, the fair value of the warrant liability was £nil as of June 30, 2023 (£0.4 million as of December 31, 2022). The change in the fair value of £0.4 million was recognized as a gain in the condensed consolidated statement of comprehensive loss. In the six months ended June 30, 2023, no warrants were exercised.

Warrants – bank loan

As of June 30, 2023 and December 31, 2022, the former lenders to the Company have warrants outstanding to purchase a total of 1,243,908 ordinary shares at an exercise price of £2.95 per share exercisable until August 2027 and a total of 1,243,908 ordinary shares at an exercise price of $0.4144 per share exercisable until October 2028.

As of June 30, 2023, the fair value of these warrants were £0.2 million (December 31, 2022: £0.1 million. There were no warrants exercised during the six months ended June 30, 2023 (2022: nil).

Total outstanding warrants

As of June 30, 2023, a total of 2,487,816 liability-classified warrants are outstanding. The warrants outstanding are equivalent to 0.4% of the ordinary share capital of the Company.

The following table lists the weighted average inputs to the models used for the fair value of warrants:

	June 30, 2023 £'000	December 31, 2022 £'000
Expected volatility (%)	100	95
Risk-free interest rate (%)	3.45	3.99
Expected life of warrants (years)	4.70	0.5
Market price of ADS($)	1.32	0.75
Model used	Black-Scholes	Black-Scholes

Volatility was estimated by reference to the one-year historical volatility of the share price of the Company.

13. Financial instruments fair value disclosures

The Company held the following financial instruments at fair value as of June 30, 2023. There are no non-recurring fair value measurements.

	Fair value measured using unadjusted quoted prices (Level 1)	Fair value measured using significant observable inputs (Level 2)	Fair value measured using significant unobservable inputs (Level 3)
Warrant liabilities	—	166	—
Provisions for deferred contingent cash consideration	—	—	5,056
Total	—	166	5,056

There were no transfers between any level during 2023.

The management of the Company 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 movements for level 3 instruments during the period are detailed in the table below:

	Provisions for deferred contingent cash consideration £'000	Warrant liability £'000
At January 1, 2023	**4,634**	**402**
Additions during the period	561	—
Revisions to estimate	(300)	—
Movement during the period	161	(402)
At June 30, 2023	**5,056**	**—**

The warrant liability is estimated using a Black Scholes model, taking into account appropriate amendments to inputs in respect of volatility, remaining expected life of the warrants and rates of interest at each reporting date.

The fair value of the provision for the AstraZeneca deferred contingent 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 contingent 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 fair value of the provision for the deferred contingent cash consideration under the UCB/Amgen License is estimated by discounting future cash flows using the Company's Weighted Average Cost of Capital ("WACC"). In addition to being dependent on the discount rate, the fair value of the deferred contingent cash consideration is also sensitive to a reasonably possible change in the expectation of the timing of the outcome of clinical trials and regulatory approvals. A 10% change in either of these assumptions would not result in a material change in the provision amount.

	Valuation technique	Significant unobservable inputs	Input range	Sensitivity of the input to fair value
Provision for AstraZeneca deferred contingent cash consideration	Discounted cash flow	WACC	2023: 15%	1% increase/decrease would result in a decrease/increase in fair value by £21,000.
		WACC	2022: 15%	1% increase/decrease would result in a decrease/increase in fair value by £31,000.
		Probability of success	2023: 40.6% - 81.2%	10% increase/decrease would result in an increase/decrease in fair value by £0.5 million.
		Probability of success	2022: 40.6% - 81.2%	10% increase/decrease would result in an increase/decrease in fair value by £0.5 million.

14. Related party disclosures

Transactions between the parent and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Employee benefit trust

In 2016 the Company set up an Employee Benefit Trust ("EBT"). The EBT holds ADS's to satisfy the exercise of options by employees under the Company's share-based incentive schemes.

No funding was loaned to the EBT by the Company during the six months ended June 30, 2023 (June 30, 2022: nil).

The EBT did not purchase any ordinary shares during the six months ended June 30, 2023 (2022: nil). No ordinary shares owned by the EBT were used to satisfy exercise of options by employees under the Company's share-based incentive schemes during the six months ended June 30, 2023 (June 30, 2022: 78,225). As of June 30, 2023, a cash balance of £17,241 was held by the EBT. As of December 31, 2022, a cash balance of £17,741 was held by the EBT.

15. Events after reporting period

Issuance of ordinary shares

In July 2023, the Company issued and allotted 9,645,200 ordinary shares of £0.003 in nominal value in the capital of the Company, equivalent to 1,929,040 ADSs, at an exercise price of £0.174 per ordinary share on conversion of convertible loan notes with a principal amount of £1,025,641 issued as part of the June 2020 private placement transaction.

In July 2023, 9,673,419 ADSs representing 48,367,095 ordinary shares were issued for aggregate gross proceeds of $12.0 million (£9.3 million) through an "at-the-market" offering pursuant to an Open Market Sale Agreement with Jefferies LLC.

Settlement of convertible loan notes

On the maturity date in August 2023, the Company paid £2.6 million to settle the outstanding principal and accrued interest balance on convertible loan notes issued as part of the June 2020 private placement transaction.

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

The following discussion of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes included as Exhibit 99.1 to this Report on Form 6-K furnished to the Securities and Exchange Commission, or the SEC, on September 7, 2023 together with our audited consolidated financial statements and the notes thereto, and the section entitled "Risk Factors", each of which appear in our annual report on Form 20-F for the year ended December 31, 2022 filed with the SEC on March 28, 2023 (the "Annual Report").

The following discussion is based on our financial information prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" or IAS 34, which may differ in material respects from generally accepted accounting principles in other jurisdictions, including generally accepted accounting principles in the United States.

Unless otherwise indicated or the context otherwise requires, all references to "Mereo," the "Company," the "Group," "we," "our," "ours," "us" or similar terms refer to Mereo BioPharma Group plc, and its consolidated subsidiaries.

The following discussion includes forward-looking statements that involve risks, uncertainties, and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to those described under "Item 3. Key Information—D. Risk Factors" and elsewhere in our Annual Report.

Overview

We are a biopharmaceutical company focused on the development of innovative therapeutics for rare diseases. We have developed a robust portfolio of clinical stage product candidates. Our two rare disease product candidates are setrusumab for the treatment of osteogenesis imperfecta (OI) and alvelestat primarily for the treatment of severe alpha-1-anti-trypsin deficiency (AATD-LD).

Our partner, Ultragenyx, announced successful completion of the Phase 2 portion of the pivotal Phase 2/3 ORBIT study in 24 pediatric and young adult patients (5 to <26 years old) for setrusumab in OI in June 2023 which compared two different doses of setrusumab. Across all patients evaluated at both doses, these data showed statistically significant increases in levels of serum P1NP, a sensitive marker of bone formation, and substantial and significant improvement in bone mineral density ("BMD") by three months. An increase in lumbar spine BMD from baseline of 9.4% at 20 mg/kg was observed, which represents a substantial mean change in the Z-score of +0.65. There was no significant difference between the two doses tested. The changes observed in BMD in these younger patients at 3 months are equivalent to the changes following 12 months treatment with setrusumab in adult patients reported from the Phase 2 ASTEROID study. Following selection of the dose from this Phase 2 portion of the ORBIT study, in July 2023 Ultragenyx announced that the first patients have been dosed ("FPI") in the Phase 3 portion of the pivotal study (5 to <26 years old) and also in the Phase 3 study in younger children (2 to <7 years old). The FPI event in the ORBIT study resulted in a one-time milestone payment of $9 million from Ultragenyx. The 24 patients from the Phase 2 portion of the ORBIT study will continue to receive setrusumab treatment in an open-label extension study.

We announced successful completion of a Phase 2 study for alvelestat in AATD-LD in May 2022 which demonstrated statistically significant changes in biomarkers of lung function at different time points up to 12 weeks. In October 2022, we also announced that Fast Track designation has been granted by the U.S. Food and Drug Administration (FDA) for alvelestat in AATD, along with additional program updates. In March 2023, we announced the outcome of the end-of-Phase 2 discussions with the FDA and the EMA (Scientific Advice) and based on clear recommendations from both Regulatory Agencies, we are designing a single, global, Phase 3 study evaluating the 240 mg dose of alvelestat versus placebo in patients with AATD-LD to support applications for full marketing approvals in both the U.S. and EU. Alvelestat is also in an ongoing Phase 2 investigator-led study in AATD, including in patients who are on augmentation therapy, with data expected in the third quarter of 2023. Following successful completion of a Phase 1b investigator-led study in BOS patients following allogenic stem cell transplant, an investigator-led Phase 2 study was initiated in the second half of 2022.

Our lead oncology product candidate, etigilimab (an anti-TIGIT antibody), has completed a Phase 1a dose escalation clinical trial in patients with advanced solid tumors and has been evaluated in a Phase 1b study in combination with nivolumab in select tumor types. We have completed the Phase 1b portion of an open label Phase1b/2 basket study (the ACTIVATE study) evaluating etigilimab in combination with nivolumab in three rare tumors, sarcoma, uveal melanoma and germ cell cancer, three gynecological carcinomas, cervical, ovarian and endometrial carcinomas, and tumors with high mutation burden. Enrollment is continuing in an investigator led Phase 1b/2 study in clear cell ovarian cancer at The University of Texas MD Anderson Cancer Center, financed by Cancer Focus Fund.

We plan to develop our product candidates through the next key clinical milestone and then partner where it makes sense to do so strategically but also in select cases for our rare disease candidates, to develop through regulatory approval and potentially commercialization.

Our second oncology product, navicixizumab for the treatment of late line ovarian cancer has completed a Phase 1b study and was partnered in January 2020 for further development with OncXerna Inc. ("OncXerna") on a global basis. In February 2022, we received a milestone payment of $2.0 million (£1.5 million) under the license agreement with OncXerna. An associated payment was made to the former shareholders of Mereo BioPharma 5, Inc. under the Contingent Value Rights Agreement ("CVR") of a total of $0.9 million (£0.7 million), after deductions of costs, charges and expenditures. The milestone received and the associated CVR payment were recorded within "Other income and expense."

We plan to partner or sell our other two product candidates, acumapimod for the treatment of acute exacerbation of chronic obstructive pulmonary disease ("AECOPD") and leflutrozole for the treatment of infertility and hypogonadotropic hypogonadism ("HH") in obese men, recognizing the need for greater resources to take these product candidates to market.

In 2022, we conducted a comprehensive strategic review of our portfolio and capital allocation strategy. This review included a detailed evaluation of current market conditions, the status of our ongoing programs, an analysis of emerging clinical data, our overall cost base and contractual commitments, consideration of obligations in our existing partnership agreements, and feedback from potential new partners and shareholders. The resulting changes in our operating plan included a targeted reduction in the employee base of up to 40% and a significant reduction in other costs. Our operating plan maintains the ability to progress our core programs, deliver on multiple near-term milestones and optimize value for shareholders. We retained the core capabilities and key personnel needed to advance our two core rare disease programs, setrusumab and alvelestat, and to generate value from our assets. Our cash runway continues to be into 2026.

We do not have any approved product candidates and, as a result, have not generated any revenue from product sales. Our ability to generate revenue sufficient to achieve profitability will depend on successful development and eventual commercialization of our product candidates either directly or with partners, if approved. Since our inception, we have incurred significant operating losses. We expect to continue to incur significant expenses and operating losses for the foreseeable future as we advance the clinical and manufacturing development of our product candidates and seek regulatory approval. If approved, we also expect to incur significant commercialization expenses related to product manufacturing, marketing, sales, and distribution.

We also expect to incur expenses in connection with the in-license or acquisition of additional rare disease product candidates and the potential clinical development of any such product candidates.

Additionally, we will transition from foreign private issuer to U.S. domestic filer status beginning in 2024 and expect to incur increased costs associated with being a U.S. domestic filer, including expenses related to more frequent financial reporting, preparation of financial statements in accordance with US GAAP, compliance with U.S. federal proxy rules, and additional resources and services we will require in order to comply with Nasdaq and SEC rules and requirements applicable to U.S. domestic filers.

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

Recent Developments

On May 3, 2023, the Company transferred the listing of its American Depositary Shares ("ADSs") from the Nasdaq Global Market to the Nasdaq Capital Market. On May 8, 2023, the Company received notification from the Nasdaq Listings Qualifications Department that the ADSs had, for the last 10 consecutive business days, a closing bid price at $1.00 per share or greater, and accordingly had regained compliance with Nasdaq Listing Rules.

In July 2023, we issued 1,929,040 ADSs representing 9,645,200 ordinary shares on conversion of convertible loan notes issued as part of a private placement transaction in June 2020. The convertible loan notes matured on August 3, 2023, and on the maturity date we paid £2.6 million to settle the outstanding principal and accrued interest due to the maturity date. In July 2023 we also issued 9,673,419 ADSs representing 48,367,095 ordinary shares for aggregate gross proceeds of $12.0 million (£9.3 million) through an "at-the-market" offering pursuant to an Open Market Sale Agreement with Jefferies LLC which we entered into on August 5, 2021.

Significant Risks and Uncertainties

As a biopharmaceutical company, the Company faces a number of risks and uncertainties. These are common for the industry and relate to operations, intellectual property, research and development, commercial and financial activities. For further information about risks and uncertainties, which the Company faces, refer to the Annual Report. There have been no significant changes to the Company's overall risk profile since the publication of the Annual Report.

Financial Operations Overview

Revenue

The Company's ordinary business activities are the development of product candidates to key clinical milestones and either strategically partnering them or further developing such product candidates through regulatory approval and potentially commercialization. The Company may enter into a range of different agreements with third parties, including, but not limited to: (i) licensing agreements where the global rights to a product candidate are licensed to a partner; and (ii) collaboration agreements where rights to a product candidate are licensed to a partner but the Company retains certain rights, for example to further develop or commercialize the product candidate in specified geographical territories. Under both licensing and collaboration agreements, rights to product candidates are provided to a partner typically in exchange for consideration in the form of upfront payments and/or development, regulatory, commercial or other similar milestones, and royalties on commercial sales, should regulatory approval be obtained for the product candidates. Where the Company has performed significant development activities for its product candidates, income from agreements with third parties are considered to be proceeds derived from the Company's ordinary activities and therefore represent revenue.

Revenue includes income from licensing and collaboration agreements. Consideration received up front is recognized at the point in time in which the right to use an intangible asset is transferred. Income from development, regulatory, commercial or similar milestones is recognized when considered highly probable that a significant reversal will not occur.

Intangible assets out-licensed under a license or collaboration agreement are recorded within "Cost of revenue" in the Company's consolidated statement of comprehensive loss based on an allocation of cost or value of the rights that have been out-licensed. Payments to third parties arising as a direct consequence of the income recognized are also recorded within "Cost of revenue" in the Company's consolidated statement of comprehensive loss. We do not currently have any approved product candidates. Accordingly, we have not generated any commercial sales revenue during the period. In the future, we expect to be able to generate revenues if we are able to obtain regulatory approval and commercialize one or more of our product candidates or through the recognition of milestones and other potential revenues from out-licensing or partnering arrangements for any of our product candidates.

Research and Development ("R&D") 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.

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

Product candidates in a later stage of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later stage clinical trials as well as preparation for potential specific post-authorization evidence generation that might be demanded by regulatory authorities. As we advance the clinical development of our product candidates, we expect that our research and development expense will continue to include costs associated with laying the groundwork for price reimbursement and manufacturing in Europe, and input into development and regulatory plans with our partner, Ultragenyx, for setrusumab; activities associated with preparation of alvelestat for the Phase 3 study, including CMC and drug formulation, activities associated with validation of the patient reported outcome (PRO) and additional required FDA regulatory interactions; and the close-out of the Phase 1b portion of the Phase1b/2 basket study for etigilimab.

The successful development, approval, and commercialization of our product candidates is highly uncertain. At this time, we cannot reasonably estimate the nature, timing, and estimated costs of the efforts that will be necessary to complete the development of, or the period, if any, in which material net cash inflows may commence from any of our product candidates. Our future expenditure on developing our product candidates is therefore highly uncertain. This is due to numerous risks and uncertainties associated with developing our product candidates, including the uncertainty of:

- the scope, rate of progress, and expense of our research and development activities;

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

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

Administrative Expenses

Our administrative expenses principally consist of salaries and related benefits, including share-based compensation, for personnel in our executive, finance and other administrative functions. Other general and administrative costs include facility-related costs and professional services fees for auditing, tax and general legal services, our requirements of being a public company listed on Nasdaq, and costs incurred relating to the issue of equity to the extent not capitalized.

Other Operating Income

Other operating income includes amounts received from our depositary for reimbursement of certain expenses incurred by us in respect of our ADR program in the current and prior years pursuant to the agreement between both parties.

Finance Income

Finance income principally consist of interest earned on short-term cash deposits.

Finance Costs

Finance costs comprise interest on convertible loan notes, finance charges on lease liabilities and discounting on provisions for deferred contingent cash consideration. For further information on the terms of our convertible loan notes see “—Liquidity and Capital Resources—Indebtedness” which appear in our Annual Report.

Changes in Fair Value of Financial Instruments

The fair value changes in financial instruments are recognized in the statement of comprehensive loss.

Net Foreign Exchange Gain/(Loss)

Our condensed consolidated financial statements are presented in pound sterling. We initially record transactions in foreign currencies at the rate prevailing on the date the transaction first qualifies for recognition. Net foreign exchange gain/(loss) consists of the difference arising on settlement or translation of transactions denominated in foreign currencies, which are primarily held in U.S. dollars.

Taxation

As a U.K. resident trading entity, we are subject to U.K. corporate taxation. Due to the nature of our business, we have generated operating losses since formation. Our cumulative carry-forward tax losses are expected to increase throughout 2023. Subject to any relevant restrictions, we expect these to be available to carry forward and offset against future operating profits. As a company that carries out extensive research and development activities, we benefit from the U.K. R&D small or medium-sized enterprise tax credit regime and are able to surrender some of our trading losses that arise from our research and development activities for a cash rebate. To date, a cash rebate of up to 33.35% of eligible R&D expenditure has been available, but the cash rebate has reduced to a maximum of 27% for R&D intensive companies where at least 40% of their total expenditure is on qualifying R&D, or 18.6% of eligible R&D expenditure for other companies with effect from April 1, 2023 pursuant to changes made by the Finance Act 2023. Certain subcontracted qualifying research expenditures are eligible for a cash rebate, though the rate of the cash rebate has reduced with effect from April 1, 2023 from up to 21.67% of the subcontracted expenditures to 17.53% for R&D intensive companies or 12.09% for other companies. Qualifying expenditures largely comprise employment costs for research staff, subcontracted CRO and CMO costs, consumables and certain internal overhead cost incurred as part of research projects. We may not be able to continue to claim payable R&D tax credits in the future because we may no longer qualify as a small or medium-sized company.

In the event we generate revenues in the future, we may benefit from the U.K. “patent box” regime that allows profits attributable to revenues from patents or patented product candidates to be taxed at an effective rate of 10%. This relief applies to profits earned following election into the regime. When taken in combination with the enhanced relief available on our R&D expenditures, we expect a long-term lower rate of corporation tax to apply to us. If, however, there are unexpected adverse changes to the U.K. R&D tax credit regime or the “patent box” regime, or for any reason we are unable to qualify for such advantageous tax legislation, or we are unable to use net operating loss and tax credit carryforwards and certain built-in losses to reduce future tax payments, our business, results of operations, and financial condition may be adversely affected.

Critical Accounting Judgments and Estimates

The preparation of our unaudited condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the revenues and expenses incurred during the reported periods. We base our estimates on historical experience and on various other factors that we believe are relevant under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The accounting policies considered to be critical to the judgments and estimates used in the preparation of our financial statements are disclosed in the Operating And Financial Review And Prospects included in our Annual Report.

Controls and Procedures

In connection with the preparation of our unaudited interim condensed consolidated financial statements as of and for the six-month period ended June 30, 2023, a material weakness in our internal control over financial reporting was identified. The material weakness related to the operating effectiveness of a control over determining the presentation of a significant or non-routine transaction in the unaudited condensed consolidated statement of comprehensive loss in accordance with IFRS. Management is in the process of remediating the material weakness set forth above and the transaction has been presented appropriately in the unaudited condensed consolidated financial statements for the six-month period ended June 30, 2023.

Operating Results

The following table sets forth Mereo’s results of operations for the six months ended June 30, 2023 and 2022.

	Six months ended June 30,		Change	
	2023	2022		
	£’000	£’000	£’000	%
Revenue	7,128	—	7,128	*
Cost of revenue	(2,455)	352	(2,807)	*
Research and development expenses	(7,898)	(13,322)	5,424	(41)%
Administrative expenses	(9,548)	(8,840)	708	8%
Other operating income	2,864	—	2,864	*
Operating loss	**(9,909)**	**(21,810)**	11,901	(55)%
Finance income	550	173	377	*
Finance costs	(1,498)	(1,859)	361	(19)%
Changes in fair value of financial instruments	365	1,210	(845)	(70)%
Net foreign exchange (loss)/gain	(1,445)	1,582	(3,027)	*
Other income and expenses	—	811	(811)	*
Loss before tax	**(11,937)**	**(19,893)**	7,956	(40)%
Taxation	907	735	172	23%
Loss attributable to equity holders of the parent	**(11,030)**	**(19,158)**	8,128	(42)%

* *Percentage change not meaningful*

Comparison of the six months ended June 30, 2023 and 2022

Revenue

Revenue was £7.1 million for the six months ended June 30, 2023 compared to nil for the six months ended June 30, 2022.

In June 2023, the first patients were dosed in both of the Phase 3 clinical trials evaluating setrusumab in pediatric and young adult patients with osteogenesis imperfecta ("OI"). Upon dosing of the first patient in the Phase 3 portion of the ORBIT study in patients aged five to under 26, the Company became eligible to receive a one-time milestone payment of $9 million (£7.1 million) from Ultragenyx under the collaboration and license agreement between the two parties. This payment was received in July 2023.

Cost of revenue

Cost of revenue for the six months ended June 30, 2023 was £2.5 million of expense compared to a credit of £0.4 million for the six months ended June 30, 2022.

Cost of revenue for the six months ended June 30, 2023 principally comprised an accrued payment of £1.7 million in relation to our 2015 agreement with Novartis, under which the Company pays a percentage of proceeds, subject to certain exceptions, and deductions for cost of £1.4 million which was deferred to be recognized in the statement of comprehensive loss when the associated costs are incurred. In the six-month period ended June 30, 2023, £0.6 million of these deductions were recognized in cost of revenue compared to £0.4 million in the six month period ended June 30, 2022.

Research and development ("R&D") Expenses

The following table sets forth our R&D expenses by product development program for the six months ended June 30, 2023 and 2022.

	Six months ended June 30,		Change	
	2023	2022		
	£'000	£'000	£'000	%
Setrusumab (BPS-804)	1,401	1,764	(363)	(21)%
Alvelestat (MPH-966)	2,700	3,561	(861)	(24)%
Etigilimab	3,236	7,641	(4,405)	(58)%
Leflutrozole (BGS-649)	112	24	88	*
Acumapimod (BCT-197)	12	23	(11)	*
Unallocated costs	386	277	109	39%
Other	51	32	19	*
Total R&D expenses	**7,898**	**13,322**	**(5,424)**	**(41)%**

* *Percentage change not meaningful*

Total R&D expenses decreased by £5.4 million, or 41%, from £13.3 million for the six months ended June 30, 2022 to £7.9 million for the six months ended June 30, 2023.

R&D expenses relating to etigilimab decreased by £4.4 million. The decrease was primarily due to the winding down of the open label Phase 1b/2 basket study in combination with an anti-PD-1 in a range of tumor types. R&D expenses relating to alvelestat decreased by £0.9 million. R&D expenses for the six-month periods ended June 30, 2023 and 2022 were primarily related to activities associated with the preparation for the Phase 3 study of alvelestat, including CMC and drug formulation activities, and costs associated with the completion of the Phase 2 proof-of-concept study in AATD-LD, respectively. R&D expenses relating to setrusumab decreased by £0.4 million due to timing of activities.

Administrative expenses

Administrative expenses increased by £0.7 million, or 8%, from £8.8 million for the six months ended June 30, 2022 to £9.5 million for the six months ended June 30, 2023. This increase was principally due to professional fees associated with various corporate transactions in the period.

Other operating income

In the six months ended June 30, 2023, the Company received a payment of £2.9 million from its depositary for reimbursement of certain expenses incurred by the Company in respect of its ADR program in the current and prior years pursuant to the agreement between both parties.

Finance income and costs

Total finance costs decreased by £0.4 million, or 20%, from £1.9 million for the six months ended June 30, 2022 to £1.5 million for the six months ended June 30, 2023. This decrease was principally due to the lower balance in the period of the loan notes issued as part of the June 2020 private placement transaction as a result of the conversion of a portion of these notes in July 2022.

Finance income increased by £0.4 million from £0.2 million for the six months ended June 30, 2022 to £0.6 million for the six months ended June 30, 2023. This increase was principally due to higher interest rates on short-term deposits.

Changes in fair value of financial instruments

The total change in fair value of financial instruments for the six months ended June 30, 2023 was an unrealized gain of £0.4 million, a decrease of £0.8 million, or 70%, compared to a gain of £1.2 million for the six months ended June 30, 2022. The unrealized gain in both periods was primarily related to the June 2020 Private Placement warrants, which expired on June 30, 2023.

Net foreign exchange (loss)/gain

The net foreign exchange amount for the six months ended June 30, 2023 was a loss of £1.4 million, a decrease of £3.0 million from a gain of £1.6 million for the six months ended June 30, 2022, primarily reflecting the impact of the strengthening of the pound sterling when translating non-functional currency balances, primarily denominated in U.S. dollars.

Taxation

The income tax benefit for the six months ended June 30, 2023 was £0.9 million, an increase of £0.2 million, or 23%, from £0.7 million for the six months ended June 30, 2022. The income tax benefit represents qualifying cash rebates receivable from the tax authorities in the jurisdictions within which we operate for eligible types of research and development activities and associated expenditure (the "R&D tax credit").

Liquidity and Capital Resources

Overview

Under the current business plan and cash flow forecasts, and in consideration of our ongoing research and development efforts and our general corporate funding requirements, we anticipate that our current on-hand cash resources will extend into 2026. However, we will need additional external funding to complete our development plans and potentially commercialize selected rare disease products. We plan to fund our operations through cash on hand and a combination of non-dilutive funding sources, public or private equity or debt financings or other sources.

We do not currently have any approved product candidates and have never generated any revenue from product sales. As a result, to date, we have financed our operations primarily through the issuances of our equity securities, convertible debt and warrants. Through these offerings, we raised $183 million (£137.9 million). We also received an upfront payment of $50 million under the license and collaboration agreement with Ultragenyx for setrusumab in 2021 and a further milestone payment of $9 million from Ultragenyx in July 2023. Additionally in July 2023, we raised a further $12 million through an "at-the-market" offering pursuant to our Open Market Sale Agreement with Jefferies LLC.

Cash Flows

Comparison of the six months ended June 30, 2023 and 2022

The table below summarizes our cash flows (used in)/from operating, investing and financing activities for the six months ended June 30, 2023 and June 30, 2022.

	Six months ended June 30, 2023 £'000	2022 £'000
Net cash flows used in operating activities	(13,262)	(18,806)
Net cash flows from investing activities	131	974
Net cash flows used in financing activities	(916)	(292)
Net decrease in cash and cash equivalents	**(14,047)**	**(18,124)**

Operating Activities

Net cash used in operating activities for the six months ended June 30, 2023 was £13.3 million, a decrease of £5.5 million compared to £18.8 million in 2022. This difference is principally due to expenses in the six months ended June 30, 2023 net of movements in working capital.

Investing Activities

Net cash from investing activities for the six months ended June 30, 2023 was £0.1 million, a decrease of £0.8 million compared to £1.0 million in 2022. The decrease was due to the non-recurrence in 2023 of milestone payments from OncXerna following the global licensing arrangement for navicixizumab and associated payments to CVR holders in 2022, which more than offset an increase in interest earned on cash and short-term deposits, net of payments to acquire intangible assets.

Financing Activities

Net cash used in financing activities for the six months ended June 30, 2023 was £0.9 million, an increase of £0.6 million compared to £0.3 million in 2022. The increase was principally due to the payment of £0.7 million of accrued interest on the Novartis Convertible Loan Notes.

Operating and Capital Expenditure Requirements

As of June 30, 2023, we had an accumulated loss of £342.2 million. We expect to continue to report significant operating losses for the foreseeable future as we continue our research and development efforts and potentially seek regulatory approval of our product candidates and any future product we develop. See also “Risk Factors—Risks Related to Our Business and Industry” in our Annual Report.

We expect to continue to incur our expenses in connection with our ongoing development activities related to our product candidates, our outsourced manufacturing activities and other associated costs including the management of our intellectual property portfolio. We also expect to continue to incur costs associated with operating as a U.S. public company listed on Nasdaq. These costs will increase further if or when we:

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

We expect that our existing cash and short-term deposits will enable us to fund our currently committed clinical trials, operating expenses and capital expenditure requirements into 2026. We have based these estimates on assumptions that may prove to be wrong, and we may use our available capital resources sooner than we currently expect. Because of the numerous risks and uncertainties associated with the development of our product candidates and any future product candidates and because the extent to which we may enter into collaborations with third parties for development of any of our product candidates is unknown, we are unable to estimate the amounts of increased capital outlays and operating expenses associated with completing the research and development of our product candidates. Our future capital requirements will depend on many factors, including:

- The costs for our activities related to our ongoing collaboration with Ultragenyx for setrusumab for the treatment of adults and children with OI; and potential future clinical trials for alvelestat in AATD and other potential indications;
- the costs and timing of manufacturing clinical supplies of our product candidates;
- the costs, timing, and outcome of regulatory review of our product candidates, including post-marketing studies that could be required by regulatory authorities;
- the costs, timing, and outcome of potential future commercialization activities, including manufacturing, marketing, sales and distribution, for our product candidates that we commercialize directly;
- the timing and amount of revenue, if any, received from commercial sales of our product candidates;

- the costs and timing of preparing, filing, and prosecuting patent applications, maintaining and enforcing our intellectual property rights; and defending any intellectual property-related claims, including any claims by third parties that we are infringing, misappropriating or otherwise violating their intellectual property rights;
- the sales price and availability of adequate third-party coverage and reimbursement for our product candidates;
- the effect of competitors and market developments;
- the performance of our collaborators and partners under the existing agreements on setrusumab and navicixizumab;
- the extent to which we are able to acquire new product candidates or enter into licensing or collaboration arrangements for our product candidates, although we currently have no commitments or agreements to complete any such transactions;
- milestone and deferred payments under Mereo's license and option agreement with AstraZeneca; and
- tax liabilities or other assessments and our ability to claim R&D tax credits or other reliefs.

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

Adequate additional funds may not be available to us on acceptable terms, or at all. If we raised additional funds through collaborations, strategic alliances, or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or grant licenses on terms that may not be favorable to us.

Any future debt financing or preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends and may require the issuance of warrants, which could potentially dilute your ownership interests.

To the extent that we raise additional capital through the sale of equity or convertible debt securities, your ownership interest may be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect your rights as a shareholder. If we are unable to raise additional funds through partnerships, debt or equity financings when needed, we may be required to delay, limit, reduce, or terminate our product development programs or any future commercialization efforts or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

Exhibit 99.3

Mereo BioPharma Reports Interim Financial Results for the Six Months Ended June 30, 2023 and Provides Corporate Update

London, September 7, 2023 - Mereo BioPharma Group plc (NASDAQ: MREO) ("Mereo" or the "Company"), a clinical-stage biopharmaceutical company focused on rare diseases, today announced its unaudited interim financial results for the six months ended June 30, 2023 and provided an update on recent corporate highlights.

"The first half of 2023 was highlighted by significant updates on each of our lead rare disease programs, as we announced, alongside our partner Ultragenyx, positive data from the dose-selection Phase 2 portion of the Phase 2/3 Orbit study of setrusumab in osteogenesis imperfecta (OI), and we received regulatory guidance around the pivotal study design for alvelestat in Alpha-1 Antitrypsin Deficiency-Associated Lung Disease (AATD-LD)," said Dr. Denise Scots-Knight, Chief Executive Officer of Mereo. "With the two Phase 3 setrusumab studies underway, which triggered a $9 million milestone payment from Ultragenyx, and with continued progress being made on the alvelestat program, we believe we are well positioned with several important potentially value creating inflection points expected in the coming quarters. With cash and short-term deposits of $53.1 million (£42.1 million) as of June 30, 2023, and with the subsequent milestone payment from our partner Ultragenyx, plus the sale of common stock under our at-the-market offering program, we continue to expect that we have sufficient runway to fund operations into 2026."

First Half 2023 Highlights, Recent Developments and Anticipated Milestones

Setrusumab (UX143)

- With our partner Ultragenyx, we reported positive data from the Phase 2 portion of the Phase 2/3 Orbit study of setrusumab in OI patients aged five to <26 years old. Setrusumab demonstrated statistically significant increases in levels of serum P1NP, a sensitive marker of bone formation, and a substantial and significant improvement in bone mineral density (BMD) by 3 months in these pediatric patients. All 24 patients are now enrolled in a Phase 2 open-label extension study, with additional data expected to be shared by Ultragenyx in mid-October 2023.
- Ultragenyx dosed the first patients in both registrational trials evaluating setrusumab in pediatric and young adult patients with OI – the Phase 3 portion of the Orbit study in patients aged 5 to <26 years old and the Phase 3 Cosmic study in patients aged 2 to <7 years old.
- The IMPACT Survey, a research initiative led by the Osteogenesis Imperfecta Federation Europe (OIFE), the OI Foundation and Mereo exploring the impact of OI on people's lives, will publish additional data over the next several months. The survey was designed to capture data supporting the availability of potential future treatments for OI.

Alvelestat (MPH-966)

- We received clear guidance from the U.S. Food and Drug Administration (FDA) and European Medicines Agency (EMA) that a single, global, 12-18 month placebo-controlled Phase 3 study in approximately 200 patients, if successful, could be sufficient to support full marketing approvals of alvelestat for AATD-LD in both the United States (U.S.) and European Union (EU).
- The independent primary endpoints of the proposed Phase 3 study are the change in a Patient-Reported Outcome (PRO) as guided by the FDA, which is proposed to be the St. George's Respiratory Questionnaire (SGRQ) Activity domain, and change in lung density measured by CT scan, as guided by the EMA.
- Two abstracts were presented in an oral and a poster session, respectively, at the American Thoracic Society (ATS) 2023 annual meeting in May 2023.

- Data from the ongoing placebo-controlled Phase 2 investigator-led study in AATD-LD (ATALANTa), studying the 120mg dose of alvelestat including in patients who may be on augmentation therapy, is expected in the coming weeks.

Etigilimab (MPH-313)

- The Phase 1b portion of the ACTIVATE open-label trial investigating etigilimab (anti-TIGIT) in combination with nivolumab has been completed. The basket study enrolled 76 patients in a range of tumor types not typically responsive to anti-PD(L)-1 monotherapy including gynecologic and rare tumors. Preliminary efficacy data, showing that some patients achieved clinical benefit associated with prolonged duration on study, supports continued evaluation in tumor types not typically responsive to anti-PD(L)1 monotherapy.

- An abstract entitled “Safety and efficacy of etigilimab with nivolumab in select recurrent/advanced solid tumors**”** has been accepted for a mini-oral presentation at the upcoming European Society for Medical Oncology (ESMO) Annual Meeting, being held October 20-24, 2023 in Madrid, Spain.

- Etigilimab, in combination with nivolumab, is also being studied in an ongoing investigator-led single-arm, two-stage, open-label Phase 1b/2 trial in a subtype of platinum-resistant recurrent ovarian cancer (clear cell ovarian cancer) at The MD Anderson Cancer Center, financed by the Cancer Focus Fund with the next stage being the expected expansion of enrollment from the initial 10 patients to 20 patients.

First Half 2023 Financial Results

Revenue was £7.1 million ($9.0 million) for the six months ended June 30, 2023, representing a one-time milestone payment upon dosing of the first patient in the Phase 3 portion of the Orbit study in patients aged five to under 26 in accordance with the collaboration and license agreement with Ultragenyx. This payment was received in July 2023.

Total research and development expenses decreased by £5.4 million, or 41%, from £13.3 million for the six months ended June 30, 2022 to £7.9 million for the six months ended June 30, 2023. R&D expenses relating to etigilimab decreased by £4.4 million. The decrease was primarily due to the winding down of the open label Phase 1b/2 basket study in combination with an anti-PD-1 in a range of tumor types. R&D expenses relating to alvelestat decreased by £0.9 million. R&D expenses for the six-month periods ended June 30, 2023 and 2022 were primarily related to activities associated with the preparation for the Phase 3 study of alvelestat including CMC and drug formulation activities, and costs associated with the completion of the Phase 2 proof-of-concept study in AATD-LD, respectively. R&D expenses relating to setrusumab decreased by £0.4 million due to timing of activities.

Administrative expenses increased by £0.7 million, or 8%, from £8.8 million for the six months ended June 30, 2022 to £9.5 million for the six months ended June 30, 2023. This increase was principally due to professional fees associated with various corporate transactions in the period.

Net loss attributable to equity holders for the six months ended June 30, 2023 was £11.0 million, compared to £19.2 million during the comparable period in 2022, primarily reflecting an operating loss of £9.9 million and net foreign exchange loss of £1.4 million.

As of June 30, 2023, the Company had cash and short-term deposits of £42.1 million ($53.1 million). In July 2023, the Company received a $9.0 million (£7.1 million) milestone payment from its partner, Ultragenyx and gross proceeds of $12.0 million (£9.3 million) through an “at-the-market” offering pursuant to an Open Market Sale Agreement with Jefferies LLC.

The Company's guidance remains unchanged at this point, and it continues to expect that its existing cash and short-term deposits will enable it to fund its currently committed clinical trials, operating expenses and capital expenditure requirements into 2026.

Total ordinary shares outstanding at August 31, 2023 were 701,217,089. Total ADS equivalents at August 31, 2023 were 140,176,617, with each ADS representing five ordinary shares of the Company.

About Mereo BioPharma

Mereo BioPharma is a biopharmaceutical company focused on the development of innovative therapeutics for rare diseases. The Company has two rare disease product candidates, setrusumab for the treatment of osteogenesis imperfecta (OI) and alvelestat primarily for the treatment of severe alpha-1-antitrypsin deficiency-associated lung disease (AATD-LD). The Company's partner, Ultragenyx Pharmaceutical, Inc., has initiated a pivotal Phase 2/3 pediatric study in young adults (5 to <26 years old) for setrusumab in OI and a Phase 3 study in pediatric patients (2 to <7 years old) in the first half of 2023. The partnership with Ultragenyx includes potential milestone payments of up to $245 million (following the recent $9 million milestone) and royalties to Mereo on commercial sales in Ultragenyx territories. Mereo has retained EU and UK commercial rights and will pay Ultragenyx royalties on commercial sales in those territories. Setrusumab has received orphan designation for osteogenesis imperfecta from the EMA and FDA, PRIME designation from the EMA and has pediatric disease designation from the FDA. Alvelestat has received U.S. Orphan Drug Designation for the treatment of AATD, Fast Track designation from the FDA, and positive data were reported from a Phase 2 proof-of-concept study in North America, Europe and the UK. In addition to the rare disease programs, Mereo has two oncology product candidates in clinical development. Etigilimab (anti-TIGIT) has completed a Phase 1b/2 basket study evaluating its safety and efficacy in combination with an anti-PD-1 in a range of tumor types including three rare tumors and three gynecological carcinomas—cervical, ovarian, and endometrial and is an ongoing Phase 1b/2 investigator led study at the MD Anderson Cancer Center in clear cell ovarian cancer; Navicixizumab, for the treatment of late line ovarian cancer, has completed a Phase 1 study and has been partnered with OncXerna Therapeutics, Inc. in a global licensing agreement that includes payments of up to $300 million in milestones and royalties.

Forward-Looking Statements

This press release contains "forward-looking statements," including the Company's expectations regarding its proposed Phase 3 study evaluating a single dose of alvelestat versus placebo, the expectations regarding a study in pediatric patients evaluating setrusumab, and the Company's pipeline of product candidates. All statements other than statements of historical fact contained in this press release are forward-looking statements within the meaning of Section 27A of the U.S Securities Act of 1933, as amended, and Section 21E of the U.S Securities Exchange Act of 1934, as amended. Forward-looking statements usually relate to future events and anticipated revenues, earnings, cash flows or other aspects of our operations or operating results. Forward-looking statements are often identified by the words "believe," "expect," "anticipate," "plan," "intend," "foresee," "should," "would," "could," "may," "estimate," "outlook" and similar expressions, including the negative thereof. The absence of these words, however, does not mean that the statements are not forward-looking. These forward-looking statements are based on the Company's current expectations, beliefs and assumptions concerning future developments and business conditions and their potential effect on the Company. While management believes that these forward-looking statements are reasonable as and when made, there can be no assurance that future developments affecting the Company will be those that it anticipates. All of the Company's forward-looking statements involve known and unknown risks and uncertainties some of which are significant or beyond its control and assumptions that could cause

actual results to differ materially from the Company's historical experience and its present expectations or projections. Such risks and uncertainties include, among others, the uncertainties inherent in the clinical development process; the Company's reliance on third parties to conduct and provide funding for its clinical trials; the Company's dependence on enrolment of patients in its clinical trials; and the Company's dependence on its key executives. You should carefully consider the foregoing factors and the other risks and uncertainties that affect the Company's business, including those described in the "Risk Factors" section of its latest Annual Report on Form 20-F, reports on Form 6-K and other documents furnished or filed from time to time by the Company with the Securities and Exchange Commission. The Company wishes to caution you not to place undue reliance on any forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to publicly update or revise any of our forward-looking statements after the date they are made, whether as a result of new information, future events or otherwise, except to the extent required by law.

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Consolidated Statements of Comprehensive Loss

	Six months ended June 30, 2023 £'000	Six months ended June 30, 2022 £'000
Revenue	7,128	—
Cost of revenue	(2,455)	352
Research and development expenses	(7,898)	(13,322)
Administrative expenses	(9,548)	(8,840)
Other operating income	2,864	—
Operating loss	**(9,909)**	**(21,810)**
Finance income	550	173
Finance costs	(1,498)	(1,859)
Changes in the fair value of financial instruments	365	1,210
Net foreign exchange (loss)/gain	(1,445)	1,582
Other income	—	811
Loss before tax	**(11,937)**	**(19,893)**
Taxation	907	735
Loss for the period, attributable to equity holders of the parent	**(11,030)**	**(19,158)**
Items that may be reclassified subsequently to profit or loss:		
Currency translation of foreign operations	1,493	(1,775)
Total comprehensive loss for the period, attributable to equity holders of the parent	**(9,537)**	**(20,933)**
Basic loss per share for the period (in £)	(0.02)	(0.03)
Diluted loss per share for the period (in £)	(0.02)	(0.03)

Consolidated Balance Sheets

	June 30, 2023 £'000	December 31, 2022 £'000
Assets		
Non-current assets		
Property, plant and equipment	1,565	1,831
Intangible assets	24,845	24,116
	26,410	**25,947**
Current assets		
Prepayments	1,376	3,125
R&D tax credits	2,203	1,296
Other taxes receivable	643	614
Trade and other receivables	7,893	762
Cash and short-term deposits	42,113	56,334
	54,228	**62,131**
Total assets	**80,638**	**88,078**
Equity and liabilities		
Non-current liabilities		
Provisions	411	—
Convertible loan notes	3,665	—
Warrant liability	166	129
Lease liability	973	1,222
Other liabilities	220	182
	5,435	**1,533**
Current liabilities		
Trade and other payables	1,911	3,078
Accruals	4,786	4,491
Provisions	4,701	4,822
Convertible loan notes	4,186	11,085
Warrant liability	—	402
Lease liability	488	466
Other liabilities	1,386	333
	17,458	**24,677**
Total liabilities	**22,893**	**26,210**
Net assets	**57,745**	**61,868**
Equity		
Issued capital	1,930	1,875
Share premium	257,343	254,303
Other capital reserves	134,999	132,680
Employee Benefit Trust shares	(1,058)	(1,058)
Other reserves	7,401	7,401
Accumulated losses	(342,194)	(331,164)
Translation reserve	(676)	(2,169)
Total equity	**57,745**	**61,868**