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

FORM 20-F

(Mark One)

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2020

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____to _____.

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report _____

For the transition period from _____to _____.

Commission file number: 001-38452

MEREO BIOPHARMA GROUP PLC
(Exact name of Registrant as specified in its charter)

England and Wales
(Jurisdiction of incorporation or organization)

1 Cavendish Place
4th Floor
London, W1G 0QF
United Kingdom
Tel: +44-333-023-7300
(Address of principal executive offices)

Charles Sermon, General Counsel
Tel: +44-333-023-7300
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1 Cavendish Place
4th Floor
London, W1G 0QF
United Kingdom
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered

American Depositary Shares, each representing five ordinary shares, nominal value of £0.003 per share	**MREO**	**The Nasdaq Stock Market LLC**
Ordinary Shares, nominal value of £0.003 per share		**The Nasdaq Stock Market LLC***

* Not for trading, but only in connection with the registration of American Depositary Shares representing such Ordinary Shares pursuant to the requirements of the U.S. Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

The number of outstanding shares as of December 31, 2020 was:

Title of each class	Number of Shares Outstanding at December 31, 2020
Ordinary shares, nominal value of £0.003 per share	338,953,141

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or an emerging growth company (as defined in Rule 12b-2 of the Act).

Large accelerated filer	☐	Accelerated filer	☒	Non-accelerated filer	☐
				Emerging growth company	☒

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐	International Financial Reporting Standards as issued by the International Accounting Standards Board ☒	Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. ☐ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

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CERTAIN DEFINITIONS

Unless otherwise indicated and except where the context otherwise requires, references in this annual report on Form 20-F to:

- "AATD" are to alpha-1 antitrypsin deficiency, a lack of alpha 1 anti-trypsin protein, a protein made by the liver that's released into the bloodstream to protect the body from neutrophil serine proteases damaging the lungs;
- "Acumapimod" are to an oral p38 MAP kinase inhibitor for potential treatment of AECOPD;
- "Alvelestat" are to an oral neutrophil elastase inhibitor for potential treatment of AATD;
- "ADSs" are to our American Depositary Shares, each of which represents five ordinary shares of Mereo BioPharma Group plc;
- "ADRs" are to the American Depositary Receipts that evidence our ADSs;
- "AECOPD" are to acute exacerbation of chronic obstructive pulmonary disease;
- "BLA" are to Biologics License Application;
- "CMA" are to Conditional Marketing Authorization;
- "COPD" are to chronic obstructive pulmonary disease, the name for a group of lung conditions that cause breathing difficulties;
- "EMA" are to European Medicines Agency;
- "Exchange Act" are to the United States Securities Exchange Act of 1934, as amended;
- "Etigilimab" are to an anti-TIGIT therapeutic candidate designed to activate the immune system through multiple mechanisms and enable anti-tumor activity;
- "FDA" are to the United States Food and Drug Administration;
- "HH" are to hypogonadotropic hypogonadism, a condition in which the male testes or the female ovaries produce little or no sex hormones;
- "Leflutrozole" are to an oral aromatase inhibitor for potential treatment of obese men with HH;
- "MAA" are to Marketing Authorization Application;
- "Mereo," the "Company," the "Group," "we," "our," "ours," "us" or similar terms are to Mereo BioPharma Group plc, together with its subsidiaries;
- the "Merger" are to the merger of Mereo MergerCo One Inc. and OncoMed Pharmaceuticals, Inc. ("OncoMed"), with OncoMed surviving as a wholly-owned subsidiary of Mereo US Holdings Inc., and as an indirect wholly-owned subsidiary of Mereo BioPharma Group plc, and in 2020 OncoMed was renamed as Mereo BioPharma 5, Inc. ("Mereo BioPharma 5");
- the "Merger Agreement" are to the Agreement and Plan of Merger and Reorganization, dated December 5, 2018, by and among Mereo BioPharma Group plc, Mereo US Holdings Inc., Mereo MergerCo One Inc. and OncoMed;
- "Navi" are to Navicixizumab;
- "NDA" are to New Drug Application;

- "NE" neutrophil elastase, a serine protease and a major constituent of lung elastoytic activity;
- "OI" are to osteogenesis imperfecta a rare genetic bone disorder characterized by fragile bones that break easily, also known as brittle bone disease;
- "OncXerna" are to OncXerna Therapeutics, Inc.
- "ordinary shares" are to our ordinary shares, each of £0.003 nominal value;
- "SEC" are to the United States Securities and Exchange Commission;
- "Securities Act" are to the Securities Act of 1933, as amended;
- "Setrusumab" are to a fully human monoclonal antibody for potential treatment of OI;
- "$," "USD," "US$" and "U.S. dollar" are to the United States dollar;
- "TIGIT" are to T-cell immunoreceptor with Ig and ITIM domains;
- "Ultragenyx" are to Ultragenyx Pharmaceutical, Inc.;

and

- "£," "GBP," "pound sterling," "pence" and "p" are to the British pound sterling (or units thereof).

PRESENTATION OF FINANCIAL INFORMATION

This annual report contains our audited consolidated financial statements as of December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018 (our "audited consolidated financial statements"), prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Our financial information is presented in pound sterling. None of our financial statements were prepared in accordance with generally accepted accounting principles in the United States.

This annual report contains translations of certain pound sterling amounts into U.S. dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the pound sterling amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. Unless otherwise indicated, such U.S. dollar amounts have been translated from pound sterling at an exchange rate of £0.7327 to US$1.00, the exchange rate for pound sterling on December 31, 2020.

USE OF TRADEMARKS, SERVICE MARKS AND TRADENAMES

"Mereo," the Mereo logo and other trademarks, trade names or service marks of Mereo appearing in this annual report are the property of Mereo. This Form 20-F also contains trade names, trademarks and service marks of others, which are the property of their respective owners. We do not intend our use or display of other companies' trade names, trademarks or service marks to imply a relationship with, or endorsement or sponsorship of us by, these other companies.

This annual report contains additional trademarks, service marks, and trade names of others, which are the property of their respective owners. All trademarks, service marks, and trade names appearing in this annual report are, to Mereo's knowledge, the property of their respective owners. Mereo does not intend its use or display of other companies' trademarks, service marks, copyrights or trade names to imply a relationship with, or endorsement or sponsorship of Mereo by, any other companies.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

Forward-looking statements appear in a number of places in this annual report and include, but are not limited to, statements regarding intent, belief or current expectations. Forward-looking statements are based on the current beliefs and assumptions of the management of Mereo and on information currently available to such management. While the management of Mereo believes that these forward-looking statements are reasonable as and when made, there can be no assurance that future developments will be as anticipated. Such statements are subject to risks and uncertainties, and actual results may differ materially from those expressed or implied in the forward-looking statements due to of various factors, including, but not limited to, those identified under the section "Item 3. Key Information—D. Risk Factors" in this annual report. These risks and uncertainties include factors relating to:

- the development of our product candidates, including statements regarding the expected initiation, timing, progress, and availability of data from our clinical trials;
- the potential attributes and benefits of our product candidates and their competitive position;
- our ability to partner or sell our non-core product candidates, acumapimod for the treatment of AECOPD and leflutrozole for the treatment of infertility and HH in obese men, on attractive terms or at all;
- our ability to successfully commercialize, or enter into strategic relationships with third parties to commercialize, our product candidates, if approved;
- our estimates regarding expenses, future revenues, capital requirements, and our need for additional financing;
- our being subject to ongoing regulatory obligations if our products secure regulatory approval;
- our reliance on third parties to conduct our clinical trials and on third-party suppliers to supply or produce our product candidates;
- the patient market size of any diseases and market adoption of our products by physicians and patients;
- our ability to obtain and maintain adequate intellectual property rights and adequately protect and enforce such rights;
- the duration of our patent portfolio;
- the COVID-19 pandemic and the associated disruptions that could materially impact our business, including, delays to clinical trial supplies, planned clinical developments and our ongoing clinical studies;
- the United Kingdom's withdrawal from the European Union may adversely impact our ability to obtain regulatory approvals of our product candidates in the European Union and may require us to incur additional expenses in order to develop, manufacture and commercialize our product candidates in the European Union;
- our ability to retain key personnel and recruit additional qualified personnel;
- our ability to manage growth;
- our ability to successfully integrate and realize the benefits of our past or future strategic acquisitions or investments; and
- other risk factors discussed under "Item 3. Key Information—D. Risk Factors".

Our actual results or performance could differ materially from those expressed in, or implied by, any forward-looking statements relating to those matters. Accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what impact they will have on our results of operations, cash flows or financial condition. Except as required by law, we are under no obligation, and expressly disclaim any obligation, to update, alter or otherwise revise any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future events or otherwise.

SUMMARY RISK FACTORS

You should carefully consider the risks and uncertainties described below, together with the other information contained in this annual report, before making any investment decision. Any of the following risks and uncertainties could have a material adverse effect on our business, prospects, results of operations and financial condition. The market price of our ADSs could decline due to any of these risks and uncertainties, and you could lose all or part of your investment. The risks described below are those that we currently believe may materially affect us. We may face additional risks and uncertainties not currently known to us or that we currently deem to be immaterial.

- We have a limited operating history and have never generated any product revenue.
- We will need additional funding to complete the development of our current product candidates; to license, acquire, and develop future product candidates; and to commercialize our product candidates, if approved. If we are unable to raise capital when needed, we could be forced to delay, reduce, or eliminate research and development programs, any future commercialization efforts or acquisitions of potential product candidates.
- We depend heavily on the success of etigilimab, alvelestat, setrusumab, acumapimod, leflutrozole and navicixizumab. We cannot give any assurance that any of these product candidates or therapeutic candidates will receive regulatory approval, which is necessary before they can be commercialized. If we are unable to commercialize etigilimab, alvelestat, setrusumab, acumapimod, leflutrozole and navicixizumab, whether on our own or through agreements with third parties, or experience significant delays in doing so, our ability to generate revenue and our financial condition will be adversely affected.
- The COVID-19 pandemic or any other similar pandemic may materially impact our business, including, delays to clinical trial supplies, planned clinical developments and our ongoing clinical studies.
- We depend on enrollment of patients in our clinical trials for our product candidates. If we are unable to enroll patients in our clinical trials, or enrollment is slower than anticipated, in particular for our product candidates with rare disease indications, our research and development efforts could be adversely affected.
- We may become exposed to costly and damaging liability claims, either when testing our product candidates in the clinic or at the commercial stage, and our product liability insurance may not cover all damages from such claims.
- Enacted and future healthcare legislation may increase the difficulty and cost for us to obtain marketing approval of and commercialize our product candidates and may affect the prices we may set.
- We operate in a highly competitive and rapidly changing industry, which may result in others acquiring, developing, or commercializing competing product candidates before or more successfully than we do.
- We intend to directly commercialize or co-commercialize our product candidates for rare diseases and potentially rare tumor types and to seek strategic relationships with third parties for the development and/or commercialization of our other product candidates. If we are unable to develop our own sales, marketing, and distribution capabilities or enter into business arrangements, we may not be successful in commercializing our product candidates.
- The successful commercialization of our product candidates will depend in part on the extent to which governmental authorities and health insurers establish adequate coverage, reimbursement levels, and pricing policies. Failure to obtain or maintain coverage and adequate reimbursement for our product candidates, if approved, could limit our ability to market those product candidates and decrease our ability to generate revenue.
- Our existing and future product candidates may not gain market acceptance, in which case our ability to generate product revenues will be compromised.

- We rely, and expect to continue to rely, on third parties, including independent investigators and CROs, to conduct our clinical trials. If these CROs do not successfully carry out their contractual duties or meet expected deadlines, we may not be able to obtain regulatory approval for or commercialize our product candidates, or such approval or commercialization may be delayed, and our business could be substantially harmed.
- We currently rely on third-party CMOs for the production of clinical supply of our product candidates and intend to rely on CMOs for the production of commercial supply of our product candidates, if approved. Our dependence on CMOs may impair the development of our product candidates and may impair the commercialization of our product candidates, which would adversely impact our business and financial position.
- We rely on patents and other intellectual property rights to protect our product candidates, the obtainment, enforcement, defense and maintenance of which may be challenging and costly. Failure to enforce or protect these rights adequately could harm our ability to compete and impair our business.
- We may become subject to third parties' claims alleging infringement of third-party patents and proprietary rights, or we may be involved in lawsuits to protect or enforce our patents and other proprietary rights, which could be costly and time consuming, delay or prevent the development and commercialization of our product candidates, or put our patents and other proprietary rights at risk.
- Our future growth and ability to compete depends on retaining our key personnel and recruiting additional qualified personnel.
- Failure to establish and maintain effective internal controls could have a material adverse effect on our business and stock price.
- If our partners do not satisfy their obligations under our agreements with them, or if they terminate our licenses, partnerships or collaborations with them, we may not be able to develop or commercialize our licensed or partnered product candidates as planned.

PART ONE

Item 1. Identity of Directors, Senior Management And Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

3.A. Selected Financial Data

Reserved.

3.B. Capitalization and Indebtedness

Not applicable.

3.C. Reasons For the Offer and Use of Proceeds

Not applicable.

3.D. Risk Factors

You should carefully consider the risks and uncertainties described below, together with the other information contained in this annual report, before making any investment decision. Any of the following risks and uncertainties could have a material adverse effect on our business, prospects, results of operations and financial condition. The market price of our ADSs could decline due to any of these risks and uncertainties, and you could lose all or part of your investment. The risks described below are those that we currently believe may materially affect us. We may face additional risks and uncertainties not currently known to us or that we currently deem to be immaterial.

Risks Related to Our Business and Industry

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

We are a multi-asset, clinical-stage biopharmaceutical company with a limited operating history, and have incurred significant operating losses since our formation. We had net losses of £163.6 million, £34.8 million and £32.0 million, in the years ended December 31, 2020, 2019 and 2018, respectively. As of December 31, 2020, we had an accumulated net loss of £309.7 million (£146.1 million as of December 31, 2019). Our losses have resulted principally from expenses incurred from the research and development of our product candidates and from general and administrative costs that we have incurred while building our business infrastructure. We expect to continue to incur significant operating losses for the foreseeable future as we expand our research and development efforts, and seek to obtain regulatory approval and potentially commercialize our product candidates. We anticipate that our expenses will increase substantially as we:

- conduct our Phase 1b/2 trial of etigilimab in a range of tumor types and expand the initial cohorts in the study;
- continue to conduct our ongoing Phase 2 clinical trial of alvelestat for the treatment of severe AATD and COVID-19 infections;
- complete the extension study for setrusumab in adults with osteogenesis imperfecta and undertake the activities required as part of our collaboration with Ultragenyx and eventual commercialization of setrusumab in Europe and the UK;
- undertake development of our product candidates in additional disease indications;
- seek regulatory approvals for our product candidates;
- potentially establish a commercial infrastructure and work with contract manufacturing organizations (“CMOs”) to develop manufacturing processes to commercialize or co-commercialize selected product candidates, if approved;
- maintain, expand, and protect our intellectual property portfolio;
- secure, maintain, or obtain freedom to operate for our technologies and product candidates;
- add clinical, scientific, operational, financial, and management personnel, including personnel to support the development of our product candidates and potential future commercialization or co-commercialization efforts;
- expand our operations in the United Kingdom and potentially hire additional employees in the United States and in Europe, territories where we anticipate direct commercialization or commercialization with a partner; and
- seek to acquire additional novel product candidates to treat oncology and rare diseases.

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

We have devoted substantially all of our financial resources and efforts to the acquisition and clinical development of our product candidates. We have not completed the clinical development of any product through approval and have never generated any product revenue.

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

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

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

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

While we raised $183 million (£137.9 million) in private placements of ordinary shares and convertible loan notes in 2020 and in a public offering of ADSs in February 2021, we expect our expenses to increase substantially in connection with our ongoing activities, particularly as we continue to advance our oncology and rare disease portfolio. In addition, if we obtain marketing approval for product candidates where we retain commercial rights, we expect to incur significant commercialization expenses related to product sales, marketing, distribution and manufacturing. Furthermore, we expect to incur additional costs associated with operating as a public company in the United Kingdom and the United States and maintaining a quotation and listing, respectively, on Nasdaq. Accordingly, we will need to obtain substantial additional funding in connection with our continuing operations. If we are unable to raise capital when needed or on attractive terms, we could be forced to delay, reduce or eliminate our research and development programs or any future commercialization efforts.

We believe that our existing cash and cash equivalents will be sufficient to enable us to fund our operating expenses and capital expenditure requirements into 2024 at which point we will require additional capital. Our failure to obtain sufficient funds on acceptable terms when needed could have a material adverse effect on our business, results of operations and financial condition.

We have based our liquidity and capital resources estimates on assumptions that may prove to be wrong. As a result, we could use our capital resources sooner than we currently expect, or our operating plan may change as a result of many factors unknown to us. These factors, among others, may necessitate that we seek additional capital sooner than currently planned.

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

- The costs, timing and results of our ongoing Phase 1b/2 study for etigilimab and, and our ongoing clinical trials for alvelestat in AATD and COVID-19 infected patients; and the costs for our activities related to our ongoing collaboration with Ultragenyx for setrusumab for the treatment of adults and children with OI;
- 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, life cycle management 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 the third party's 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 our license and option agreement with AstraZeneca; and
- our ability to satisfy HM Revenue & Custom's ("HMRC") enquiries with respect to claims in respect of all filed and future years.

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

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

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

Since our formation, we have devoted substantially all of our resources to acquiring our product candidates and developing setrusumab, alvelestat, acumapimod and leflutrozole; building our intellectual property portfolio; developing our supply chain; planning our business; raising capital; and providing general and administrative support for these operations. Additionally, prior to our acquisition of etigilimab and navicixizumab in the Merger, Mereo BioPharma 5 (formerly OncoMed) had invested significant resources to developing both product candidates. We have not yet demonstrated our ability to successfully complete any Phase 3 or other pivotal clinical trials, obtain regulatory approval, arrange for third parties to manufacture commercial-scale product candidates, or conduct or partner with others to conduct sales and marketing activities necessary for successful product commercialization. Additionally, although we have acquired product candidates from two large pharmaceutical companies, we have not demonstrated the sustainability of our business model of acquiring and developing product candidates from, and becoming a partner of choice for, large pharmaceutical companies, nor have we demonstrated our ability to obtain approvals for or to commercialize or co-commercialize these product candidates. Consequently, any predictions you make about our future success or viability may not be as accurate as they could be if we had a longer operating history.

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

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

- any product candidates we acquire that have generated positive clinical data for our target indication or in diseases other than our target indications may not prove to be effective in treating our target indications;
- potential product candidates may, with further studies, be shown to have harmful side effects or other characteristics that indicate that they are unlikely to be product candidates that will receive marketing approval and achieve market acceptance;
- the regulatory pathway for a potential product may be too complex and difficult to navigate successfully or economically; and
- there may be competitive bids for potential product candidates which we do not seek to or are unable to match.

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

Raising additional capital may cause dilution to, or adversely affect the rights of, our security holders, restrict our operations; or require us to relinquish rights to our technologies or product candidates.

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

We depend heavily on the success of etigilimab, alvelestat, setrusumab, acumapimod, leflutrozole and navicixizumab. We cannot give any assurance that any of these product candidates or therapeutic candidates will receive regulatory approval, which is necessary before they can be commercialized. If we are unable to commercialize etigilimab, alvelestat, setrusumab, acumapimod and leflutrozole, whether on our own or through agreements with third parties, or experience significant delays in doing so, our ability to generate revenue and our financial condition will be adversely affected.

We do not currently generate any revenue from sales of any product candidates, and we may never be able to develop or commercialize a marketable product. We have invested substantially all of our efforts and financial resources in the acquisition and development of etigilimab, alvelestat, setrusumab, acumapimod, leflutrozole and navicixizumab. Our ability to generate royalty and product revenues, which we do not expect will occur for at least the next several years, if ever, will depend heavily on the successful development and eventual commercialization of our current product candidates, if approved, which may never occur. Our current product candidates will require additional clinical development, management of clinical and manufacturing activities, regulatory approval in multiple jurisdictions, procurement of manufacturing supply, commercialization, substantial additional investment, and significant marketing efforts before we generate any revenue from product sales.

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

- we may not be able to demonstrate that any of our current product candidates is safe and effective as a treatment for the targeted indications to the satisfaction of the applicable regulatory authorities;
- the applicable regulatory authorities may require additional clinical trials of our current product candidates, which would increase our costs and prolong development;
- the results of clinical trials of our current product candidates may not meet the level of statistical or clinical significance required by the applicable regulatory authorities for marketing approval;
- the applicable regulatory authorities may disagree with the number, design, size, conduct, or implementation of our planned and future clinical trials for our current product candidates;
- the contract research organizations ("CROs"), that we retain to conduct clinical trials may take actions outside of our control that materially adversely impact clinical trials for our current product candidates;
- the applicable regulatory authorities may not find the data from clinical trials sufficient to demonstrate that the clinical and other benefits of our current product candidates outweigh their safety risks;
- the applicable regulatory authorities may disagree with our interpretation of data from our clinical trials or may require that we conduct additional trials;
- the applicable regulatory authorities may not accept data generated at our clinical trial sites;
- if we submit a BLA or NDA to the FDA, and it is reviewed by an advisory committee, the FDA may have difficulties scheduling an advisory committee meeting in a timely manner or the advisory committee may recommend against approval of our application or may recommend that the FDA require, as a condition of approval, additional pre-clinical studies or clinical trials, limitations on approved labeling, or distribution and use restrictions;
- the applicable regulatory authorities may require development of a risk evaluation and mitigation strategy (a "REMS") as a condition of approval;
- the applicable regulatory authorities may identify deficiencies in the product and process CMC development activities defining our manufacturing processes or facilities of our third-party manufacturers;
- the applicable regulatory authorities may change their approval policies or adopt new regulations;
- through our clinical trials, we may discover factors that limit the commercial viability of our current product candidates or make the commercialization of any of our current product candidates unfeasible; and
- if approved, acceptance of our current product candidates by patients, the medical community, and third-party payors; our ability to compete with other therapies to treat certain oncology indications, OI, AATD, AECOPD or HH; continued acceptable safety profiles following approval of our current product candidates; and our ability to qualify for, maintain, enforce, and defend our intellectual property rights and claims.

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

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

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

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

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

The COVID-19 pandemic or any other similar pandemic may materially impact our business including planned clinical developments and our ongoing clinical studies.

The outbreak of COVID-19 has developed into a global pandemic, spreading to most regions of the world including the United States and the United Kingdom and to locations where we have facilities or ongoing clinical trials. The pandemic has resulted in impacts both direct and indirect to businesses including disruptions to resources, inability of workers to carry out their jobs effectively, disruptions to manufacturing, supply chains, inability to travel and increased pressure on health systems required to treat COVID-19.

As a result of government and local regulation we have been required to introduce a work-from-home policy for the large majority of our work force and our facilities remain open only for business-critical activities. The requirement by governments to stay at home or to "social distance" limits normal communications and may also increase cyber security risk or create data accessibility concerns. It also significantly curtails the numbers of individuals who can work in our offices.

COVID-19 has created an unprecedented burden on health systems in impacted countries around the world. As a result, clinical centers have diverted resources away from the performance of clinical trials and because of that and the vulnerability of patients in the Company's Phase 2 alvelestat program for patients with severe AATD, the Company's clinical activities will face some delays. AATD patients, in particular, are at greater risk from COVID-19 given that the condition is a respiratory and lung condition, for this reason, our Phase 2 alvelestat trial will be delayed with topline data or an interim analysis now expected in late 2021. We have recently initiated a Phase 1b/2 study with etigilimab in a range of tumor types and we may face delays in enrolment in this study.

As a result of the COVID-19 pandemic and depending on the length of such pandemic, we may experience disruptions that would significantly impact our business including:

- A delay or interruption in our ability to enroll and treat patients and to obtain data from ongoing clinical trials;
- A delay in our timelines for the initiation of new clinical trials;
- A delay in our ability to further recruit patients to our clinical trials and to screen patients for eligibility for our clinical trials;
- Interruption to key clinical trial activities including monitoring of clinical sites, patient visits, inability to follow patients after they have received treatment and patient assessments and patients dropping out from trials early reduce the numbers impacting efficacy analysis;

- A delay in availability of additional drug product for etigilimab and setrusumab due to lack of manufacturing capacity and/or raw materials at our third-party CMOs;
- A delay in our ability to close and negotiate third-party partnerships or collaborations or to progress third-party collaborations already in place;
- Limitations on employee resources as a result of increased sickness, requirement for employees to care for family members or requirement for employees to self-isolate themselves;
- Interruptions and delays in our development programs as a result of the government required "stay-at-home" guidelines;
- Delay in responses from regulatory authorities in relation to approvals, amendments or other regulatory engagements required for our ongoing development activities;
- Supply chain interruptions; or
- Diversion of CMO activities and raw materials to COVID-19 products, including restrictions imposed by various governments, causing delays to clinical trial supplies.

The COVID-19 pandemic continues to rapidly evolve and the extent to which it may impact our future business is highly uncertain and difficult to predict. In particular it is not currently known how long travel restrictions and social distancing/isolation requirements will continue to apply in the countries in which we operate and the impact on global health systems, financial markets or the economy as a whole is not yet known.

The United Kingdom's withdrawal from the European Union may adversely impact our ability to obtain regulatory approvals of our product candidates in the European Union and may require us to incur additional expenses in order to develop, manufacture and commercialize our product candidates in the European Union.

Our principal office space is located in the United Kingdom. The United Kingdom formally exited the European Union, commonly referred to as Brexit, on January 31, 2020. Under the terms of its departure, the United Kingdom entered a transition period, or the Transition Period, during which it continued to follow all European Union rules. The Transition Period ended on December 31, 2020. On December 30, 2020, the United Kingdom and European Union signed the Trade and Cooperation Agreement, which includes an agreement on free trade between the two parties.

There is considerable uncertainty resulting from a lack of precedent and the complexity of the United Kingdom and EU's intertwined legal regimes as to how Brexit (following the Transition Period) will impact the life sciences industry in Europe, including our Company, including with respect to ongoing or future clinical trials, among other aspects. Since a significant proportion of the regulatory framework in the United Kingdom applicable to our business and our product candidates is derived from EU directives and regulations, the withdrawal could materially impact the regulatory regime with respect to the development, manufacture, importation, approval and commercialization of our product candidates in the United Kingdom or the European Union. The impact will largely depend on the model and means by which the United Kingdom's relationship with the European Union is governed post-Brexit and the extent to which the United Kingdom chooses to diverge from the EU regulatory framework. For example, following the Transition Period, Great Britain will no longer be covered by the centralized procedures for obtaining EU-wide marketing authorizations and our products will therefore require a separate marketing authorization to allow us to market such products in Great Britain. It is unclear as to whether the relevant authorities in the EU and the United Kingdom are adequately prepared for the additional administrative burden caused by Brexit. Also as a result of Brexit, as of January 1, 2021, incentives related to an orphan designation granted in the European Union are limited to the European Union and Ireland, but are not valid in Great Britain. The UK competent authority, MHRA, will review applications for orphan designation at the time of a marketing authorization, and there is no pre-marketing authorization orphan designation. The MHRA has announced that it will offer incentives in the form of market exclusivity and full or partial refunds for marketing authorization fees to encourage the development of medicines in rare diseases, but it is at this time uncertain what these incentives will be. Any delay in obtaining, or an inability to obtain, any marketing approvals, as a result of Brexit or otherwise, would prevent us from or delay us commercializing our product candidates in the United Kingdom and/or the European Economic Area (the "EEA") and restrict our ability to generate revenue and achieve and sustain profitability. In the short term, following the expiry of the Transition Period, there is a risk of disrupted import and export processes due to a lack of administrative processing capacity by the respective United Kingdom and EU customs agencies that may delay time-sensitive shipments and may negatively impact our product supply chain. Further, under current plans, orphan designation in the United Kingdom (or Great Britain, depending on whether there is a prior centralized marketing authorization in the EEA) following Brexit is to be based on the prevalence of the condition in Great Britain as opposed to the current position where prevalence in the EU is the determinant. It is therefore possible that conditions that are currently designated as orphan conditions in the United Kingdom will no longer be and that conditions not currently designated as orphan conditions in the European Union will be designated as such in the United Kingdom.

If any of these outcomes occur, we may be forced to restrict or delay efforts to seek regulatory approval in the United Kingdom and/or EEA for our product candidates, which could significantly and materially harm our business. There is a degree of uncertainty regarding the overall impact that Brexit will have on (i) the marketing of pharmaceutical products, (ii) the process to obtain regulatory approval in the United Kingdom for product candidates or (iii) the award of exclusivities that are normally part of the EU legal framework (for instance Supplementary Protection Certificates, Pediatric Extensions or Orphan exclusivity).

Brexit may also result in a reduction of funding to the EMA once the United Kingdom no longer makes financial contributions to European institutions, such as the EMA. If funding to the EMA is so reduced, it could create delays in the EMA issuing regulatory approvals for our product candidates and, accordingly, have a material adverse effect on our business, financial condition, results of operations or prospects.

In addition, we may be required to pay taxes or duties or be subjected to other hurdles in connection with the importation of our product candidates into the European Union, or we may incur expenses in establishing a manufacturing facility in the European Union in order to circumvent such hurdles. If any of these outcomes occur, we may be forced to restrict or delay efforts to seek regulatory approval in the United Kingdom or the European Union for our product candidates, or incur significant additional expenses to operate our business, which could significantly and materially harm or delay our ability to generate revenues or achieve profitability of our business.

As a result of Brexit, other European countries may seek to conduct referenda with respect to their continuing membership with the European Union. Given these possibilities and others we may not anticipate, as well as the absence of comparable precedent, it is unclear what financial, regulatory and legal implications the withdrawal of the United Kingdom from the European Union will have and how such withdrawal will affect us, and the full extent to which our business could be adversely affected.

Following the licensing agreement for navicixizumab and the completion of a strategic partnership for setrusumab, and if we sell or out-license our non-core product candidates or out-license any of our core or rare disease product candidates for any territories, we could be exposed to future liabilities.

We recently completed a strategic partnership for setrusumab and completed the out-license of navicixizumab in January 2020. We plan to partner or sell or out-license our non-core product candidates acumapimod for the treatment of AECOPD and leflutrozole for the treatment of infertility and HH in obese men, recognizing the need for a larger sales infrastructure and greater resources to take these product candidates to market.

We may be exposed to future liabilities and/or obligations with respect to any such sale or out-licensing arrangements or partnerships. We may be required to set aside provisions for warranty claims or contingent liabilities in respect of such sales or out-licensing arrangements. We may be required to pay damages (including, but not limited to, litigation costs) to a purchaser or licensee to the extent that any representations or warranties that we had given to that purchaser or licensee prove to be inaccurate or to the extent that we have breached any of our covenants or obligations contained in the disposal documentation. In certain circumstances, it is possible that any incorrect representations and warranties could give rise to a right by the purchaser or licensee to unwind the contract in addition to receiving damages. Furthermore, we may become involved in disputes or litigation in connection with such product candidates. Certain obligations and liabilities associated with our prior management of the development of any disposed product candidate can also continue to exist notwithstanding any sale, such as liabilities arising from the infringement of intellectual property rights of others.

As a result of the above, the total amount of costs and expenses that may be incurred with respect to liabilities associated with a sale or out-license may exceed our expectations, and we may experience other unanticipated adverse effects, all of which could adversely affect our business, financial condition, results of operations, and prospects.

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

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

- economic weakness, including inflation, or political instability in particular non-U.K. economies and markets;

- differing regulatory requirements for drug approvals in non-U.K. countries;
- differing jurisdictions could present different issues for securing, maintaining, or obtaining freedom to operate for our intellectual property in such jurisdictions;
- potentially reduced protection for intellectual property rights;
- difficulties in compliance with non-U.K. laws and regulations;
- changes in non-U.K. regulations and customs, tariffs, and trade barriers;
- changes in non-U.K. currency exchange rates of the pound sterling and currency controls;
- changes in a specific country's or region's political or economic environment, including the implications of the United Kingdom's withdrawal from the EU;
- trade protection measures, import or export licensing requirements or other restrictive actions by U.K. or non-U.K. governments;
- differing reimbursement regimes and price controls in certain non-U.K. markets;
- negative consequences from changes in tax laws;
- compliance with tax, employment, immigration, and labor laws for employees living or traveling outside of the United Kingdom;
- workforce uncertainty in countries where labor unrest is more common than in the United Kingdom;
- difficulties associated with staffing and managing international operations, including differing labor relations;
- production shortages resulting from any events affecting raw material supply or manufacturing capabilities abroad;
- business interruptions resulting from geo-political actions, including war and terrorism, health epidemics and other widespread outbreaks of contagious disease, or natural disasters, including earthquakes, typhoons, hurricanes, floods and fires; and
- business interruptions resulting from the COVID-19 pandemic or any other similar pandemic.

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

Prior to our acquisition of etigilimab, alvelestat, setrusumab, acumapimod, leflutrozole and navicixizumab, we were not involved in the development of these product candidates and, as a result, we are dependent on Novartis, AstraZeneca and Mereo BioPharma 5 (formerly OncoMed) having accurately reported the results and correctly collected and interpreted the data from all clinical trials conducted prior to our acquisition.

We were not involved in the development of our current product candidates prior to our acquisition of such product candidates from Novartis, AstraZeneca and Mereo BioPharma 5. For all of our current product candidates, we have had no involvement with or control over their manufacturing or pre-clinical and clinical development prior to our acquisition of them. We are dependent on Novartis, AstraZeneca and Mereo BioPharma 5 having conducted their research and development in accordance with the applicable protocols and legal, regulatory, and scientific standards; having accurately reported the results of all clinical trials conducted prior to our acquisition; and having correctly collected and interpreted the data from these trials. To the extent Novartis, AstraZeneca or Mereo BioPharma 5 has not done this, the clinical development, regulatory approval, or commercialization of our product candidates may be adversely affected.

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

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

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

Undesirable side effects that may be caused by etigilimab, alvelestat, setrusumab, acumapimod and leflutrozole could cause us or regulatory authorities to interrupt, delay or halt clinical trials, and could result in a more restrictive label or the delay or denial of regulatory approval by the FDA, the EMA, or other comparable UK or foreign authorities. Each of our product candidates has completed one or more clinical trials. In the trials conducted prior to our ownership and following our ownership, adverse events observed have included the following:

- for etigilimab, rash, fatigue, nausea, pruritus and autoimmune hepatitis;
- for alvelestat, headache, nasopharyngitis, and elevated levels of the liver enzymes aspartate aminotransferase and alanine aminotransferase;
- for setrusumab, headache, influenza, arthralgia and fatigue;
- for acumapimod, a mild acne-like rash, tachycardia, dizziness and headache; and
- for leflutrozole, headache, increased hematocrit and small increases in blood pressure.

Clinical development for etigilimab, alvelestat and setrusumab is ongoing. Results of our ongoing and future clinical trials, or results from clinical trials for other similar product candidates, could reveal a high and unacceptable severity and prevalence of adverse side effects. In such an event, our trials could be suspended or terminated and the FDA, EMA, or other comparable foreign regulatory authorities could order us to cease further development of or deny approval of our product candidates for any or all targeted indications.

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

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

- sales of the product may decrease significantly;
- third-party private or government payors may not offer, or may offer inadequate, reimbursement coverage for our product candidates, or reimbursement payments may be delayed or impossible to recover;
- we may be subject to litigation or product liability claims; and
- our reputation may suffer.

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

Manufacturing tests of setrusumab have shown that it may cause an opalescence appearance to the liquid antibody formulation.

Our product candidate for treating OI, setrusumab, is of the IgG2 type subclass monoclonal antibody. The IgG2 subclass is known for having a tendency to reversibly self-associate and this can cause an opalescence appearance to the liquid antibody formulation that can be mediated by protein concentration, pH and temperature. The presence of an opalescence solution does not have an impact on product potency and effectiveness and does not generally correlate with the formation of aggregates or particles. We have conducted several large-scale manufacturing runs of drug substance and drug product at third-party CMOs without observing any opalescence and we have further conducted formulation studies in order to minimize any risk of significant opalescence or of aggregate formation. We have also conducted product stability studies and excipient optimization, resulting in a change in the methodology for product reconstitution; however, there can be no assurances that this opalescence will not occur in future manufacturing runs.

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

Successful and timely completion of clinical trials for our product candidates will require that we enroll a sufficient number of patient candidates. Trials may be subject to delays as a result of the limited number of patients with the diseases that these product candidates target, patient enrollment taking longer than anticipated or patient withdrawal. We will compete with other companies in enrolling the same limited population of patients, which may further challenge our ability to timely enroll patients in our clinical trials as there are a significant number of studies ongoing in oncology in the United States and Europe. Due to the small number of patients for any rare disease or tumor type, it may be difficult for us to enroll a sufficient number of patients in our clinical trials for our product candidates with indications in rare diseases or enrollment for these product candidates may take significantly longer than we anticipate. There are an estimated 50,000 and 60,000 persons in North America and Europe, respectively, with the genotypes that we intend to enroll in our clinical trials for AATD, the target indication for alvelestat. Patient enrollment depends on many factors, including the size and nature of the patient population, eligibility criteria for the trial, the proximity of patients to clinical sites, the design of the clinical protocol, the availability of competing clinical trials, the availability of new drugs or biologics approved for the indication the clinical trial is investigating, and clinicians' and patients' perceptions as to the potential advantages of the drug being studied in relation to other available therapies. These factors may make it difficult for us to enroll enough patients to complete our clinical trials in a timely and cost-effective manner. For example, our Phase 2 alvelestat trial recruits individuals with alpha-1 antitrypsin deficiency-related lung disease, who are potentially at greater risk from COVID-19 exposure. As a consequence of the COVID-19 pandemic, recruitment into our Phase 2 alpha-1 antitrypsin deficiency study has been delayed, with topline data or an interim analysis now expected in late 2021. Delays in the completion of any clinical trial of our product candidates will increase our costs, slow down our development and approval of our product candidates, and delay or potentially jeopardize our ability to commence product sales and generate revenue. In addition, some of the factors that cause or lead to a delay in the commencement or completion of clinical trials may also ultimately lead to the denial of regulatory approval of our product candidates.

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

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

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

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

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

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

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

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

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

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

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

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

Misconduct by our employees and independent contractors, including principal investigators, CROs, CMOs, consultants, vendors, and any other third parties we may engage in connection with the development and commercialization of our product candidates, could include intentional, reckless, or negligent conduct or unauthorized activities that violate: (i) the laws and regulations of the FDA, the EMA and other similar regulatory authorities, including those laws that require the reporting of true, complete and accurate information to such authorities; (ii) manufacturing standards; (iii) data privacy, security, fraud and abuse, and other healthcare laws and regulations; or (iv) laws that require the reporting of true, complete, and accurate financial information and data. Specifically, sales, marketing, and business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent fraud, misconduct, kickbacks, self-dealing, and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs, and other business arrangements. Activities subject to these laws could also involve the improper use or misrepresentation of information obtained in the course of clinical trials, creation of fraudulent data in pre-clinical studies or clinical trials, or illegal misappropriation of drug product, which could result in regulatory sanctions and cause serious harm to our reputation. It is not always possible to identify and deter misconduct by

employees and other third parties, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to comply with such laws or regulations. Additionally, we are subject to the risk that a person or government could allege such fraud or other misconduct, even if none occurred. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business and results of operations, including the imposition of significant civil, criminal and administrative penalties, damages, monetary fines, disgorgements, possible exclusion from participation in Medicare, Medicaid, other U.S. federal healthcare programs or healthcare programs in other jurisdictions, individual imprisonment, other sanctions, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of our operations. We are also subject to the data privacy regime in the EU and UK, which imposes obligations and restrictions on the collection and use of personal data relating to individuals located in the EU and UK, respectively, and includes the EU and UK General Data Protection Regulation (the "GDPR") and, in the EU, any national laws implementing or supplementing the GDPR. If we do not comply with our obligations under these privacy regimes, we could be exposed to significant fines and may be the subject of litigation and/or adverse publicity, which could have a material adverse effect on our reputation and business.

Risks Related to Healthcare Laws and Other Legal Compliance Matters

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

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

- an annual, non-deductible fee payable by any entity that manufactures or imports certain branded prescription drugs and biologic agents (other than those designated as orphan drugs), which is apportioned among these entities according to their market share in certain government healthcare programs;
- a Medicare Part D coverage gap discount program, in which manufacturers must agree to offer 50% point-of-sale discounts off negotiated prices of applicable brand drugs to eligible beneficiaries during their coverage gap period, as a condition for the manufacturer's outpatient drugs to be covered under Medicare Part D;
- requirements to report certain financial arrangements with physicians and teaching hospitals, including reporting "transfers of value" made or distributed to prescribers and other healthcare providers and reporting investment interests held by physicians and their immediate family members;
- an increase in the statutory minimum rebates a manufacturer must pay under the Medicaid Drug Rebate Program to 23.1% and 13.0% of the average manufacturer price ("AMP") of branded and generic drugs, respectively, and capped the total rebate amount for innovator drugs at 100% of the AMP;
- a methodology by which rebates owed by manufacturers under the Medicaid Drug Rebate Program are calculated for drugs and biologics, including our product candidates, that are inhaled, infused, instilled, implanted, or injected;
- extension of a manufacturer's Medicaid rebate liability to covered drugs dispensed to individuals who are enrolled in Medicaid managed care organizations;
- expansion of eligibility criteria for Medicaid programs by, among other things, allowing states to offer Medicaid coverage to certain individuals with income at or below 133% of the federal poverty level, thereby potentially increasing a manufacturer's Medicaid rebate liability;
- a Patient-Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research;

- creation of the Independent Payment Advisory Board, which, once empaneled, would have the authority to recommend certain changes to the Medicare program that could result in reduced payments for prescription drugs and those recommendations could have the effect of law unless overruled by a supermajority vote of Congress. The Bipartisan Budget Act of 2018 repealed the creation of the Independent Payment Advisory Board before it could take effect;
- establishment of a Center for Medicare Innovation at the Centers for Medicare & Medicaid Services ("CMS"), to test innovative payment and service delivery models to lower Medicare and Medicaid spending, potentially including prescription drug spending;
- expansion of the entities eligible for discounts under the Public Health Service program; and
- a licensure framework for follow on biologic product candidates.

Since its enactment, there have been judicial and congressional challenges to certain aspects of the ACA, as well as efforts by the last presidential administration to repeal or replace certain aspects of the ACA. A bipartisan bill to appropriate funds for cost-sharing reduction ("C-SR") payments has been introduced in the Senate, but the future of that bill is uncertain. In addition, CMS has proposed regulations that would give states greater flexibility in setting benchmarks for insurers in the individual and small group marketplaces, which may have the effect of relaxing the essential health benefits required under the ACA for plans sold through such marketplaces. Further, each chamber of Congress has put forth multiple bills designed to repeal or repeal and replace portions of the ACA. Although none of these measures have been enacted by Congress to date, Congress may consider other legislation to repeal and replace elements of the ACA. We continue to evaluate the effect that the ACA and its possible repeal and replacement has on our business. It is uncertain the extent to which any such changes may impact our business or financial condition.

Other legislative changes have been proposed and adopted in the United States since the ACA was enacted. In August 2011, the Budget Control Act of 2011, among other things, created measures for spending reductions by Congress. A Joint Select Committee on Deficit Reduction, tasked with recommending a targeted deficit reduction of at least $1.2 trillion for the years 2013 through 2021, was unable to reach required goals, thereby triggering the legislation's automatic reduction to several government programs. This includes aggregate reductions of Medicare payments to providers of 2% per fiscal year. These reductions went into effect in April 2013 and, due to subsequent legislative amendments to the statute, will remain in effect through 2025 unless additional action is taken by Congress. In January 2013, the American Taxpayer Relief Act of 2012 was signed into law, which, among other things, further reduced Medicare payments to several types of providers, including hospitals, imaging centers and cancer treatment centers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. These new laws or any other similar laws introduced in the future may result in additional reductions in Medicare and other health care funding, which could negatively affect our future customers and accordingly, our financial operations.

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

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

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

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

We cannot predict the likelihood, nature, or extent of government regulation that may arise from future legislation or administrative action in the United States, the EU, the UK, or any other jurisdiction. If we or any third parties we may engage are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we or such third parties are not able to maintain regulatory compliance, our product candidates may lose any regulatory approval that may have been obtained and we may not achieve or sustain profitability.

There have been, and likely will continue to be, additional legislative and regulatory proposals at the foreign, federal and state levels directed at broadening the availability of healthcare and containing or lowering the cost of healthcare. Such reforms could have an adverse effect on anticipated revenues from product candidates that we may successfully develop and for which we may obtain marketing approval and may affect our overall financial condition and ability to develop product candidates.

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

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

- the U.S. federal Anti-Kickback Statute, which prohibits, among other things, persons or entities from knowingly and willfully soliciting, offering, receiving, or providing any remuneration (including any kickback, bribe, or certain rebate), directly or indirectly, overtly or covertly, in cash or in kind, to induce or reward, or in return for, either the referral of an individual for, or the purchase, lease, order, or recommendation of, any good, facility, item, or service, for which payment may be made, in whole or in part, under U.S. federal and state healthcare programs such as Medicare and Medicaid. A person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation. The U.S. federal Anti-Kickback Statute has been interpreted to apply to arrangements between pharmaceutical manufacturers on the one hand and prescribers, purchasers, and formulary managers on the other hand;
- the U.S. federal false claims and civil monetary penalties laws, including the civil False Claims Act (“FCA”) which, among other things, impose criminal and civil penalties, including through civil whistleblower or qui tam actions, against individuals or entities for knowingly presenting, or causing to be presented, to the U.S. federal government, claims for payment or approval that are false or fraudulent, knowingly making, using or causing to be made or used, a false record or statement material to a false or fraudulent claim, or from knowingly making a false statement to avoid, decrease or conceal an obligation to pay money to the U.S. federal government. In addition, the government may assert that a claim including items and services resulting from a violation of the U.S. federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the FCA. As a result of a modification made by the Fraud Enforcement and Recovery Act of 2009, a claim includes “any request or demand” for money or property presented to the federal government. In addition, manufacturers can be held liable under the FCA even when they do not submit claims directly to government payors if they are deemed to “cause” the submission of false or fraudulent claims;

- the U.S. federal Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), which imposes criminal and civil liability for, among other things, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program or obtain, by means of false or fraudulent pretenses, representations, or promises, any of the money or property owned by, or under the custody or control of, any healthcare benefit program, regardless of the payor (e.g., public or private) and knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false statement, in connection with the delivery of, or payment for, healthcare benefits, items or services; similar to the U.S. federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009 ("HITECH") and its respective implementing regulations, which impose, among other things, specified requirements relating to the privacy, security and transmission of individually identifiable health information without appropriate authorization by covered entities subject to the rule, such as health plans, healthcare clearinghouses and healthcare providers as well as its business associates that perform certain services involving the use or disclosure of individually identifiable health information. HITECH also created new tiers of civil monetary penalties, amended HIPAA to make civil and criminal penalties directly applicable to business associates, and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce the federal HIPAA laws and seek attorneys' fees and costs associated with pursuing federal civil actions;
- the U.S. federal Food, Drug and Cosmetic Act ("FDCA"), which prohibits, among other things, the adulteration or misbranding of drugs, biologics, and medical devices;
- the U.S. Public Health Service Act ("PHSA"), which prohibits, among other things, the introduction into interstate commerce of a biological product unless a biologics license is in effect for that product;
- the U.S. federal legislation commonly referred to as the "Physician Payments Sunshine Act," enacted as part of the ACA, and its implementing regulations, which requires certain manufacturers of drugs, devices, biologics, and medical supplies that are reimbursable under Medicare, Medicaid, or the Children's Health Insurance Program to report annually to the government information related to certain payments and other transfers of value to physicians and teaching hospitals, as well as ownership and investment interests held by the physicians described above and their immediate family members;
- analogous U.S. state laws and regulations, including: state anti-kickback and false claims laws, which may apply to our business practices, including but not limited to, research, distribution, sales, and marketing arrangements and claims involving healthcare items or services reimbursed by any third-party payor, including private insurers; state laws that require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the U.S. federal government, or otherwise restrict payments that may be made to healthcare providers and other potential referral sources; state laws and regulations that require drug manufacturers to file reports relating to pricing and marketing information, which requires tracking gifts and other remuneration and items of value provided to healthcare professionals and entities; and state laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts; and
- similar healthcare laws and regulations in the EU, the UK and other jurisdictions, including reporting requirements detailing interactions with and payments to healthcare providers.

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

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

We are subject to governmental regulation and other legal obligations related to privacy, data protection and data security. Our actual or perceived failure to comply with such obligations could harm our business.

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

The GDPR applies extraterritorially and implements stringent operational requirements for controllers and processors of personal data. For example, the GDPR in both the EU and UK: (i) requires detailed disclosures to data subjects; (ii) requires disclosure of the legal basis on which personal data is processed; (iii) makes it harder to obtain valid consent for processing; (iv) requires the appointment of a data protection officer where sensitive personal data (i.e. health data) is processed on a large scale; (v) provides more robust rights for data subjects; (vi) introduces data breach notification requirements with a very low threshold; (vii) imposes additional obligations when contracting with service providers; and (viii) requires an appropriate privacy governance framework to be implemented including policies, procedures, training and data audit. The EU GDPR permits member state derogations for certain issues and allows member states, in some instances, to impose additional requirements. Accordingly, we are also subject to EU national laws relating to the processing of certain data such as genetic data, biometric data and data concerning health. Complying with these numerous, complex and often changing regulations is expensive and difficult. Failure by us, or our partners or service providers, to comply with the GDPR could result in regulatory investigations, enforcement notices and/or fines of up to the higher of 20 million euros or 17.5 million pounds sterling or up to 4% of our total worldwide annual turnover. In addition to the foregoing, any breach of privacy laws or data security laws, particularly those resulting in any security incident or breach involving the misappropriation, loss or other unauthorized use or disclosure of sensitive or confidential patient or consumer information, could have a material adverse effect on our business, reputation and financial condition.

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

We are also subject to evolving European privacy laws on electronic marketing and cookies. The EU is in the process of replacing the e-Privacy Directive (2002/58/EC) (the “e-Privacy Directive”) with a new set of rules taking the form of a regulation, which will be directly applicable to the laws of each EU member state, without need for further implementation. The draft e-Privacy Regulation (the “e-Privacy Regulation”), if enacted, is expected to maintain strict opt-in marketing rules with limited exceptions for business-to-business communications, maintain restrictive rules on the use of non-essential cookies, web beacons and similar technology and significantly increase fining powers to the same levels as the EU GDPR (i.e. the greater of 20 million euros or 4% of total global annual revenue). While the e-Privacy Regulation was originally intended to be adopted on May 25, 2018 (alongside the GDPR), it is still going through the European legislative process.

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

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

We are also subject to other laws and regulations governing any international operations, including regulations administered by the governments of the United Kingdom and the United States, including applicable export control regulations, economic sanctions on countries and persons and customs requirements (collectively, the "Trade Control Laws").

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

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

Risks Related to Commercialization

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

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

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

- We consider etigilimab's current closest potential competitors to be existing cancer treatments such as the commercially available immuno-oncology agents (e.g., Yervoy, Keytruda, and Opdivo), chemotherapeutic agents, and antibody-based therapeutics such as Avastin and Erbitux. In addition, other potential competitors include other anti-TIGIT agents. Leading clinical stage programs include those currently being developed by

Genentech (Roche), Merck, Bristol-Myers Squibb or BMS, Arcus Biosciences, iTeos Therapeutics, Compugen, Seattle Genetics, and BeiGene and investigational immuno-oncologic agents against other targets. There are other established pharmaceutical and biotechnology companies that are known to be involved in oncology research that may compete in the tumor types we are targeting.

- We consider alvelestat's current closest potential competitors for the treatment of severe AATD to be alpha1-proteinase inhibitors that are administered intravenously in AAT augmentation therapy. Currently, there are four inhibitors on the market in the United States and the EU: Prolastin-C from Grifols, S.A. ("Grifols"), Aralast from Shire plc, now a subsidiary of Takeda Pharmaceutical Company Ltd ("Shire"), Zemaira from CSL Limited ("CSL"), and Glassia from Kamada Ltd. ("Kamada"). Kamada is also investigating an inhaled version of augmentation therapy, InhibRx, Inc. ("InhibRx") is in Phase 1 development of INBRX-101, a recombinant human alpha-1 antitrypsin Fc fusion protein (rhAAT-Fc) for replacement therapy, and Apic Bio, Inc. ("Apic Bio") is in the early stages of developing a dual function vector (df-AAV) gene-therapy approach for AATD silencing the mutant Z-AAT protein and augmenting wildtype M-AAT production. Insmed DPP1 inhibitor, brensocatib showed positive Ph2 efficacy data in bronchiectasis, and is being investigated in ARDS and Cystic Fibrosis with AATD listed as a potential additional indication; Ph Pharma acquired an oral NE inhibitor, PHP 303 from Bayer with EU approval for a Phase 2 trial in AATD. Vertex Pharmaceuticals Inc. ("Vertex") has a small molecule corrector program for AATD with VX-864 in Phase 2 development. Centessa (previously Z-factor) is in Ph1 with ZF874 protein folding corrector for Z-AATD. Santhera Pharmaceuticals ("Santhera"), has in-licensed the inhaled NE inhibitor POL6014 and has completed a multiple ascending dose study, in the initial indication of CF; and CHF-6333 is an inhaled human NE inhibitor in Phase 1 development by Chiesi Farmaceutici S.p.A. ("Chiesi") for the treatment of non-cystic fibrosis bronchiectasis and CF.
- We consider setrusumab's current closest potential competitors in development for the treatment of OI to be Amgen denosumab (Prolia) an anti-resorptive agent, which is in an open label study in pediatric patients with OI, and Amgen and UCB's anti-sclerostin antibody, romosozumab (Evenity), which was approved in the United States in April 2019 for osteoporosis. In June 2019, the EMA's CHMP adopted a negative opinion recommending the refusal of a marketing authorization for Evenity. However, Amgen and UCB announced in October 2019 that following a re-examination procedure the CHMP has adopted a positive opinion recommending marketing authorization for Evenity. Romosozumab is also in a Phase 1 trial in OI in Europe, looking at the pharmacokinetics and pharmacodynamics of romosozumab in OI. In December 2019, the European Commission approved the MAA for romosozumab (Evenity). In addition, Jiangsu Hengrui has commenced Phase 1 development of an anti-sclerostin antibody for osteoporosis in China, and Transcenta Holding has licensed the Chinese rights to the anti-sclerostin antibody blosozumab from Eli Lilly and Company ("Lilly") and plans to develop it for osteoporosis. Additionally, Bone Therapeutics S.A. ("Bone Therapeutics") is developing osteoblastic cell therapy product candidates. Baylor College of Medicine is conducting a Phase 1 open label trial of fresolimumab, a TGF-B inhibitor, in adult OI patients.
- For acumapimod, although we are not aware of any approved therapies for the treatment of AECOPD, there are a wide range of established therapies available for COPD as well as a number of product candidates in development, with Verona Pharma plc ("Verona Pharma"), GlaxoSmithKline plc. ("GlaxoSmithKline"), and AstraZeneca each conducting Phase 2 trials on drugs for the treatment of COPD. In addition, Pulmatrix, Inc. ("Pulmatrix") has PUR1800, a narrow-spectrum kinase inhibitor (NSKI) expected to begin a Phase 1b for AECOPD in 2020. We consider acumapimod's current closest potential competitor in development for the treatment of AECOPD to be Verona Pharma's nebulized and inhaled ensifentrine (RPL554), a PDE3 / PDE4 dual inhibitor that is currently being developed as a bronchodilator and anti-inflammatory agent for COPD, Asthma and Cystic Fibrosis patients.
- We consider leflutrozole's current closest potential competitors for the treatment of HH to be testosterone replacement therapies ("TRT"). These include Androgel from AbbVie Inc. ("AbbVie"), and Lilly's Axiron, both administered transdermally by applying a gel formulation, which are approved in the United States and Europe, Andriol from Merck & Co., Inc. ("Merck"), an oral testosterone therapy, which is approved in Europe but not in the United States and Jatenzo from Clarus Therapeutics, Inc. ("Clarus") approved in the United States in March 2019. There are also other approved TRT product candidates that are administered via injection and other oral TRTs that are still in the development or registration stages, such as Tlando from Lipocine, Inc. ("Lipocine"). The FDA held advisory committee meetings in January 2018 for Tlando. On May 9, 2018, Lipocine announced that it had received a complete response letter from the FDA and on May 14, 2019, Lipocine announced the acceptance of the NDA for Tlando and according to Lipocine is eligible to launch after March 27, 2022 when competitors existing patent protection and/or market exclusivity expire. Lipocine also has a pending lawsuit against Clarus for its product Jatenzo.

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

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

Smaller and other early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These third parties compete with us in recruiting and retaining qualified scientific and management personnel; establishing clinical trial sites and patient registration; and in acquiring technologies complementary to, or necessary for, our programs. Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize product candidates that are more effective, have fewer or less severe side effects, are more convenient or are less expensive than our product candidates. Our competitors may also obtain FDA, EMA, or other regulatory approval for their product candidates more rapidly than we may obtain approval for our own product candidates, which could result in our competitors establishing a strong market position before we are able to enter the market. In addition, existing products approved for other indications could be used off-label and may compete with our products. For example, the only treatments available to OI patients are drugs such as bisphosphonates, which are not approved for this indication but are commonly used off-label in children.

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

Under the Orphan Drug Act of 1983 (the “Orphan Drug Act”), the FDA may designate a product as an orphan drug if it is intended to treat a rare disease or condition, defined as one occurring in a patient population of fewer than 200,000 in the United States, or a patient population greater than 200,000 in the United States where there is no reasonable expectation that the cost of developing the drug will be recovered from sales in the United States. In the EU, the EMA’s Committee for Orphan Medicinal Products (“COMP”) recommends to the European Commission the granting of orphan designation to promote the development of medicinal products that are intended for the diagnosis, prevention or treatment of a life-threatening or chronically debilitating condition affecting not more than five in 10,000 persons in the EU. Additionally, designation is granted for medicinal products intended for the diagnosis, prevention, or treatment of a life-threatening, seriously debilitating, or serious and chronic condition when, without incentives, it is unlikely that sales of the drug in the EU would be sufficient to justify the necessary investment in developing the drug or biological product or where there is no satisfactory method of diagnosis, prevention, or treatment, or, if such a method exists, where the medicine can demonstrate that it is of significant benefit to those affected by the condition.

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

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

There have been legal challenges to aspects of the FDA's regulations and policies concerning the exclusivity provisions of the Orphan Drug Act, and future challenges could lead to changes that affect the protections afforded to our product candidates in ways that are difficult to predict. In 2014, a U.S. district court invalidated the FDA's denial of orphan exclusivity to an orphan designated drug, which the FDA had based on its determination that the drug was not proven to be clinically superior to a previously approved "same drug." In response to the decision, the FDA released a policy statement stating that the court's decision is limited to the facts of that particular case and that the FDA will continue to deny orphan drug exclusivity to a designated drug upon approval if the drug is the "same" as a previously approved drug, unless the drug is demonstrated to be clinically superior to that previously approved drug. Since then, similar legal challenges have been initiated against the FDA for its denial of orphan drug exclusivity to other designated drugs, and in 2017, Congress amended the Orphan Drug Act to require a demonstration of clinical superiority upon approval as a condition of receiving orphan drug exclusivity when another "same drug" has already been approved for the same indication. In the future, there is the potential for additional legal challenges to the FDA's orphan drug regulations and policies, and it is uncertain how ongoing and future challenges might affect our business. In September 2020 we received rare pediatric disease designation for setrusumab in pediatric osteogenesis imperfecta.

The FDA grants Rare Pediatric Disease Designation for serious and life-threatening diseases that primarily affect children aged 18 years or younger and fewer than 200,000 people in the United States. If a Biologics License Application ("BLA") in the United States for setrusumab is approved, Mereo may be eligible to receive a priority review voucher from the FDA, which can be redeemed to obtain priority review for any subsequent marketing application and may be sold or transferred to other companies for their programs, as has been done by other voucher recipients.

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

In 2012, the FDA established a breakthrough therapy designation which is intended to expedite the development and review of product candidates that treat serious or life-threatening diseases where preliminary clinical evidence indicates that the product may demonstrate substantial improvement over existing therapies on one or more clinically-significant endpoints, such as substantial treatment effects observed early in clinical development. The designation of a product as a breakthrough

therapy provides potential benefits that include but are not limited to more frequent meetings with the FDA to discuss the development plan for the product and ensure collection of appropriate data needed to support approval; more frequent written correspondence from the FDA about such things as the design of the proposed clinical trials and use of biomarkers; intensive guidance on an efficient drug development program, beginning as early as Phase 1; organizational commitment involving senior managers; and eligibility for rolling review and priority review. Drugs and biologics designated as breakthrough therapies by the FDA are also eligible for accelerated approval. Similarly, the EMA has established the PRIME scheme to expedite the development and review of product candidates that show a potential to address to a significant extent an unmet medical need, based on early clinical data. In November 2017, setrusumab was admitted to the PRIME scheme of the EMA.

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

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

We have no marketing, sales, or distribution capabilities and we currently have no experience with marketing, selling or distributing pharmaceutical product candidates. We also currently have no strategic relationships in place for the commercialization of our product candidates. We have partnered setrusumab in a global licensing transaction with Ultragenyx, under which we retained EU and UK commercial rights. We currently intend to commercialize setrusumab for children and adults with OI in the EU and UK. We may seek to partner etigilimab and alvelestat following further clinical development or regulatory approval.

We currently intend to enter into strategic relationships with pharmaceutical, biopharmaceutical or other partners for the continued development of our non-core disease product candidates, acumapimod and leflutrozole, and we may take the same approach for other product candidates. These arrangements would also likely include the commercialization of a product. Alternatively, we may seek to sell or out-license one or more of our non-core disease product candidates.

As a result of the entering into any such planned partnerships or arrangements, our revenue from product sales may be lower than if we directly marketed or sold these product candidates on our own. In addition, any revenue we receive will depend upon the terms of such partnership or arrangement, which may not be as favorable to us as possible, and the efforts of the other party, which may not be adequate or successful and are likely to be beyond our control. We may not be successful in identifying a suitable partner or partners, and we may not be able to reach agreement with them at all. If we are unable to enter into these partnerships or arrangements on acceptable terms or at all, we may not be able to successfully commercialize these product candidates.

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

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

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

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

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

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

Our operations are also subject to extensive governmental price controls and other market regulations in the United Kingdom and other countries outside of the United States, and we believe the increasing emphasis on cost-containment initiatives in European and other countries will put pressure on the pricing and usage of our product candidates. In many countries, the prices of medical product candidates are subject to varying price control mechanisms as part of national health systems. To obtain reimbursement or pricing approval, some of these countries might compare the new product to an existing standard of care, including other treatments aimed at the same disease, if they exist. Health technology assessments, including cost-effectiveness evaluations, may be conducted in order to assess the medical value or added clinical benefit of a therapy. Countries may also conduct budget-impact assessments for a new therapy. In some cases, tendering is used to decide which therapy will be reimbursed and made available for a group of patients where more than one treatment exists. Countries might also require further studies or in-use evidence to be developed, or create coverage with evidence generation under some form of so-called managed access agreements. Some countries allow for a company to set the price, which is then agreed in negotiation with the country authorities, who might then monitor sales for that product and re-assess or re-evaluate when a certain statutory health insurance expenditure threshold is reached. Other countries might set their price based on prices in a selected country or group of countries under international or external reference pricing systems. If an agreement cannot be reached, confidential discounts might be negotiated between the manufacturer and the healthcare system authorities. Additional foreign price controls or other changes in pricing regulation could restrict the amount that we are able to charge for our product candidates. Accordingly, in markets outside the United States, the reimbursement for our product candidates may be reduced compared with the United States and may be insufficient to generate commercially reasonable revenue and profits.

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

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

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

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

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

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

In the United States, the Biologics Price Competition and Innovation Act of 2009 (the “BPCIA”) created an abbreviated approval pathway for biological product candidates that are biosimilar to or interchangeable with an FDA-licensed reference biological product. Under the BPCIA, an application for a biosimilar product may not be submitted to the FDA until four years following the date that the reference product was first licensed by the FDA. In addition, the approval of a biosimilar product may not be made effective by the FDA until 12 years from the date on which the reference product was first licensed. During this 12-year period of exclusivity, another company may still market a competing version of the reference product if the FDA approves a full BLA for the competing product containing the sponsor’s own pre-clinical data

and data from adequate and well-controlled clinical trials to demonstrate the safety, purity, and potency of its product. The law is complex and is still being interpreted and implemented by the FDA. As a result, its ultimate impact, implementation, and meaning are subject to uncertainty. While it is uncertain when processes intended to implement the BPCIA may be fully adopted by the FDA, any such processes could adversely affect the future commercial prospects for any biological product candidates.

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

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

Risks Related to Our Dependence on Third Parties

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

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

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

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

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

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

We have limited personnel with experience in manufacturing and CMC development requirements and we do not own facilities for manufacturing our product candidates. Instead, we rely on and expect to continue to rely on CMOs for the supply of cGMP grade clinical trial materials, performance of process and product development activities to facilitate supply of commercial quantities of our product candidates, if approved. Reliance on CMOs may expose us to more risk than if we were to manufacture our product candidates ourselves. However, the shortage of, and diversion of, certain raw material supplies due to the COVID-19 pandemic response have demonstrated that both internal and external manufacturing activities have been subject to disruption and risk. Novartis previously provided clinical supplies for setrusumab, acumapimod, and leflutrozole and certain transitional services. We have transitioned the clinical supply manufacture for these product candidates to CMOs while demonstrating the manufactured product is equivalent to the Novartis form. We have also contracted with CMOs for the clinical supply of etigilimab and alvelestat.

The facilities used to manufacture our product candidates must be approved by the FDA, the EMA, and comparable foreign authorities pursuant to inspections. We will follow all relevant regulatory guidance's for the development and manufacture of our products. Given that setrusumab and etigilimab are derived from mammalian cell culture all requirements for prevention of adventitious agents are followed. While we provide oversight of manufacturing activities, we do not and will not control the execution of our manufacturing activities by, and are or will be essentially dependent on, our CMOs for compliance with cGMP requirements for the manufacture of our product candidates. We aim to minimize this risk by entering into quality agreements, by auditing of the CMOs and by ongoing review of all activities linked to product manufacture. Due to this dependence on CMOs, we are potentially subject to the risk that our product candidates may have manufacturing defects that we have limited ability to prevent. If a CMO cannot successfully manufacture material that conforms to our specifications and the regulatory requirements it may delay ongoing clinical studies as we will not be able to secure or maintain regulatory approval for the use of our investigational medicinal product candidates in clinical trials, or for commercial distribution of our product candidates, if approved. In addition, while we have limited direct control over the ability of our CMOs to maintain adequate quality control, quality assurance and qualified personnel, we aim to maintain control through the use of quality agreements and manufacturing supply agreements. If the FDA, the EMA or the comparable foreign regulatory authority does not approve these facilities for the manufacture of GMP certified products including our product candidates or if it withdraws any such approval in the future, we may need to find alternative manufacturing facilities, which would delay our development program and significantly impact our ability to develop, obtain regulatory approval for or commercialize our product candidates, if approved. In addition, any failure to achieve and maintain compliance with these laws, regulations and standards could subject us to the risk that we may have to suspend the manufacturing of our product candidates or that obtained approvals could be revoked. Furthermore, CMOs may breach existing agreements they have with us because of factors beyond our control. They may also terminate or refuse to renew their agreement at a time that is costly or otherwise inconvenient for us. In addition, etigilimab and setrusumab are biologics. The manufacture of biologics involves expensive and complex processes and worldwide capacity at CMOs for the manufacture of biologics is currently limited. This situation has been exacerbated due to the additional constraints caused by the priority given to the manufacture of COVID-19 therapeutics and vaccines, and the resultant decrease in available CMO capacity. In addition, Novartis has a contractual right to approve or reject any additional CMO we wish to engage for the manufacture of setrusumab, other than those CMOs that we and Novartis have already agreed upon. Following the license of setrusumab to Ultragenyx, CMO capacity in relation to the manufacture of clinical trial and commercial supplies is a key focus and most likely means additional CMO capacity will be a future priority to secure sufficient supplies. If we or our partners were unable to find an acceptable CMO within a reasonable timeframe, our clinical trials could be delayed or our commercial activities could be negatively impacted.

We rely on and will continue to rely on CMOs to purchase from third-party suppliers the raw materials meeting for our specifications that are necessary to produce our product candidates. We do not and will not have control over the process or timing of the acquisition of these raw materials by our CMOs. Moreover, we currently do not have any agreements for the production of these raw materials. Supplies of raw material could be interrupted from time to time and we cannot be certain that alternative supplies could be obtained within a reasonable timeframe, at an acceptable cost, or at all. In addition, a disruption in the supply of raw materials could delay the commercial launch of our product candidates, if approved, or result in a shortage in supply, which would impair our ability to generate revenues from the sale of our product candidates. Growth in the costs and expenses of raw materials may also impair our ability to cost effectively manufacture our product candidates. There are a limited number of suppliers for the raw materials that we may use to manufacture our product candidates and we may need to assess alternate suppliers to prevent a possible disruption of the manufacture of our product candidates. The recent restrictions imposed by various governments, including the United States, United Kingdom and EU, among others, on use of certain raw materials required for the manufacture of therapeutics and vaccines in response to the current COVID-19 pandemic has demonstrated this vulnerability.

We rely on our CMOs to conduct all product and process development activities necessary to support regulatory submissions. These activities are critical to the meeting the regulatory expectations and if these studies are not considered adequate by FDA, the EMA or comparable foreign regulatory authority then significant delays could be encountered as a result. This risk is mitigated by following all relevant guidance's and using staff knowledge and previous experience to guide the product and process development programs but is still a potential risk of regulatory non-compliance.

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

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

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

Our development program for our product candidates, particularly as we enter late-stage development for some of our product candidates, will require substantial additional funds. We currently intend to enter into strategic relationships with pharmaceutical, biopharmaceutical or other partners for the continued development of our product candidates, acumapimod and leflutrozole, and we may take the same approach for other product candidates. Alternatively, we may seek to sell or out-license one or more of our product candidates.

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

If we are unable to enter into an appropriate arrangement for the development of our product candidates, we may have to reduce, delay, or terminate the development of such product candidates. We could also seek to sell or out-license one or more of our product candidates. If we, instead, decide to increase our expenditures to fund development activities on our own, we will need to obtain additional capital, which may not be available to us on acceptable terms or at all. As a result, our business may be substantially harmed.

If our partners do not satisfy their obligations under our agreements with them, or if they terminate our licenses, partnerships or collaborations with them, we may not be able to develop or commercialize our licensed or partnered product candidates as planned.

We have announced two out-licensing collaborations. On December 17, 2020, we announced a license and collaboration agreement with Ultragenyx, for setrusumab, a monoclonal antibody in clinical development for OI. Under the terms of the collaboration, Ultragenyx will lead future global development of setrusumab in both pediatric and adult patients. We granted Ultragenyx an exclusive license to develop and commercialize setrusumab in the U.S. and rest of the world, excluding Europe where we retain commercial rights. Under the terms of the agreement, Ultragenyx will pay up to $254 million in development, regulatory and commercial milestones and tiered double digit percentage royalties to us on net sales outside of Europe and we will pay a fixed double digit percentage royalty to Ultragenyx on net sales in Europe. On January 13, 2020, we announced a global out-licensing agreement with OncXerna (formerly Oncologie) for development and commercialization of navicixizumab. Under the terms of the agreement OncXerna will pay up to $300 million in future clinical, development and commercial milestones and royalties ranging from the mid-single digit to sub-teen percentages on global annual net sales of navicixizumab, as well as a negotiated percentage of sublicensing revenues from certain sublicensees. Our future plans may include entering into out-licensing collaboration agreements on our other development programs including leflutrozole, acumapimod, etigilimab and alvelestat.

We also have existing acquisition agreements with Novartis which we entered into in 2015 in respect of our purchase of setrusumab, leflutrozole and acumapimod, and an existing in-licensing agreement with AstraZeneca which we entered into in 2017 in respect of our exclusive license of alvelestat.

Our partners might not fulfill all of their obligations under these agreements, and, in certain circumstances including our licensing agreement with AstraZeneca, they or we may terminate our partnerships with them. In either event, we may be unable to assume the development and commercialization responsibilities covered by these agreements or enter into alternative arrangements with a third-party to develop and commercialize product candidates. If a partner elected to promote alternative products and product candidates such as its own products and product candidates in preference to those licensed with us, does not devote an adequate amount of time and resources to our product candidates or is otherwise unsuccessful in its efforts with respect to our product candidates, the development and commercialization of product candidates covered by the agreements could be delayed or terminated and our business and financial condition could be materially and adversely affected. Accordingly, our ability to receive any revenue from the product candidates covered by these agreements is dependent on the efforts of our partners.

If a partner terminates or breaches its agreements with us, otherwise fails to complete its obligations in a timely manner or alleges that we have breached our contractual obligations under these agreements, the chances of successfully developing or commercializing product candidates under the collaboration could be materially and adversely affected. We could also become involved in disputes with a partner, which could lead to delays in or termination of our development and commercialization programs and time-consuming and expensive litigation or arbitration. Furthermore, termination of an agreement by a partner could have an adverse effect on the price of our ADSs.

Risks Related to Intellectual Property

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

Our commercial success depends in part on obtaining and maintaining patents and other forms of intellectual property protection, for example, for compositions-of-matter of our product candidates, formulations of our product candidates, polymorphs, salts and analogs of our product candidates, methods used to manufacture our product candidates, methods for manufacturing of the final drug product candidates, and methods of using our product candidates for the treatment of the indications we are developing or plan to develop, or on in-licensing such rights. Our patent portfolio comprises patents and patent applications which cover navicixizumab (which was licensed to OncXerna in January 2020) and our etigilimab product candidate (solely owned by Mereo BioPharma 5 (formerly OncoMed)), patents and patent applications which cover our setrusumab, acumapimod, and leflutrozole product candidates acquired from Novartis and patents and patent applications which cover our alvelestat product candidate exclusively licensed (with the option to purchase) from AstraZeneca. The assignments of those patents and patent applications which we acquired from Novartis have been registered with the relevant authorities in key territories. There is no assurance that our pending patent

applications will result in issued patents, or if issued as patents, will include claims with sufficient scope of coverage to protect our product candidates, or that any pending patent applications will be issued as patents in a timely manner. Failure to obtain, maintain or extend adequate patent and other intellectual property rights could adversely affect our ability to develop and market our product candidates, resulting in harm to our business.

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

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

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

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

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

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

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

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

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

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

- others may be able to make compounds that are the same as or similar to our product candidates but that are not covered by the claims of the patents that we own or have exclusively licensed;
- the patents of third parties may impair our ability to develop or commercialize our product candidates;
- the patents of third parties may be extended beyond the expected patent term and thus may impair our ability to develop or commercialize our product candidates;
- we or our licensors or any future strategic collaborators might not have been the first to conceive or reduce to practice the inventions covered by the issued patents or pending patent applications that we own or have exclusively licensed;
- we or our licensors or any future strategic collaborators might not have been the first to file patent applications covering our inventions, our product candidates, or uses of the product candidates in the indications under our development or to be developed;
- it is possible that the pending patent applications that we own or have exclusively licensed may not lead to issued patents;
- issued patents that we own or have exclusively licensed may not provide us with any competitive advantage, or may be held invalid or unenforceable, as a result of legal challenges by our competitors;
- issued patents that we own or have exclusively licensed may not provide coverage for all aspects of our product candidates in all countries, such as for uses of our product candidates in the indications under our development or to be developed;

- others may independently develop similar or alternative technologies or duplicate any of our technologies without infringing our intellectual property rights;
- our competitors might conduct research and development activities in countries where we do not have patent rights and then use the information learned from such activities to develop competitive product candidates for sale in our major commercial markets;
- others performing manufacturing or testing for us using our product candidates or technologies could use the intellectual property of others without obtaining a proper license;
- our or our licensors' inventions or technologies may be found to be not patentable; and
- we may not develop additional technologies that are patentable.

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

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

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

Any of our patents may be challenged, narrowed, circumvented, or invalidated by third parties. The issuance of a patent is not conclusive as to its inventorship, scope, validity, or enforceability, and our patents may be challenged in the courts or patent offices in the United States and abroad. We may be subject to a third party preissuance submission of prior art to the USPTO or become involved in opposition, derivation, revocation, reexamination, post-grant and inter partes review, or interference proceedings challenging our patent rights or the patent rights of others. An adverse determination in any such submission, proceeding or litigation could reduce the scope of, or invalidate, our patent rights, allow third parties to commercialize our technology or products and compete directly with us, without payment to us, or result in our inability to manufacture or commercialize products without infringing third-party patent rights. Moreover, we may have to participate in interference proceedings declared by the USPTO to determine priority of invention or in post-grant challenge proceedings, such as oppositions in a foreign patent office, that challenge priority of invention or other features of patentability. Such challenges may result in loss of patent rights, loss of exclusivity, or in patent claims being narrowed, invalidated, or held unenforceable, which could limit our ability to stop others from using or commercializing similar or identical technology and products, or limit the duration of the patent protection of our technology and product candidates. Such proceedings also may result in substantial cost and require significant time from us, even if the eventual outcome is favorable to us.

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

If we were to initiate legal proceedings against a third party to enforce a patent covering one of our product candidates, the defendant could counterclaim that our patent is invalid or unenforceable. In patent litigation in the United States and in Europe, defendant counterclaims alleging invalidity or unenforceability are commonplace. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, for example, lack of novelty, obviousness, or non-enablement. Third parties might allege unenforceability of our patents because someone connected with prosecution of the patent withheld relevant information, or made a misleading statement, during prosecution. The outcome of proceedings involving assertions of invalidity and unenforceability during patent litigation is unpredictable. With respect to the validity of patents, for example, we cannot be certain that there is no invalidating prior art of which we and the patent examiner were unaware during prosecution. There is a risk that in connection with such proceedings, a court will decide that a patent of ours is invalid or unenforceable, in whole or in part, and that we do not have the right to stop the other party from using the invention at issue. If a defendant were to prevail on a legal assertion of invalidity or unenforceability, we would lose at least part, and perhaps all, of the patent protection on our product candidates. There is also a risk that, even if the validity of such patents is upheld, the court will construe the patent's claims narrowly or decide that we do not have the right to stop the other party from using the invention at issue on the grounds that our patent claims do not cover the invention. Even if we establish infringement, the court may decide not to grant an injunction against further infringing activity and instead award only monetary damages, which may or may not be an adequate remedy. An adverse outcome in a litigation or proceeding involving one or more of our patents could limit our ability to assert those patents against those parties or other competitors, and may curtail or preclude our ability to exclude third parties from making and selling similar or competing product candidates. In addition, if the breadth or strength of protection provided by our patents is threatened, it could dissuade companies from collaborating with us to license, develop, or commercialize our current or future product candidates.

Furthermore, our patents and other intellectual property rights also will not protect our technology if competitors and other third parties design around our protected technology without infringing our patents or other intellectual property rights. For example, a third party may develop a competitive product that provides benefits similar to our product candidates but that uses a technology that falls outside the scope of our patent protection. Our competitors may also seek approval to market generic versions of any approved products and in connection with seeking such approval may claim that our patents are invalid, unenforceable or not infringed. In these circumstances, we may need to defend or assert our patents, or both, including by filing lawsuits alleging patent infringement. In any of these types of proceedings, a court or other agency with jurisdiction may find our patents invalid or unenforceable, or that our competitors are competing in a non-infringing manner. Thus, even if we have valid and enforceable patents, these patents still may not provide protection against competing products or processes sufficient to achieve our business objectives. If the patent protection provided by the patents and patent applications we hold or pursue with respect to our product candidates is not sufficiently broad to impede such competition, our ability to successfully commercialize our product candidates could be negatively affected.

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

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

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

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

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

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

We currently own and have in-licensed rights to intellectual property, including patents, patent applications and know-how, relating to our product candidates, and our success will likely depend on maintaining these rights. Because our programs may require the use of proprietary rights held by third parties, the growth of our business will likely depend in part

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

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

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

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

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

We may be subject to claims challenging the inventorship of our patents and patent applications or ownership of our intellectual property. In particular, we may be subject to claims that former employees or other third parties have an interest in our patents or other intellectual property as an inventor or co-inventor. While it is our policy to require our employees and contractors who may be involved in the conception or development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who, in fact, conceives or develops intellectual property that we regard as our own. For example, the assignment of intellectual property rights may not be self-executing or the assignment agreements may be breached, or we may have inventorship disputes arise from conflicting obligations of consultants or others who are involved in developing our product candidates. Litigation may be necessary to defend against these and other claims challenging inventorship. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights, such as exclusive ownership of, or right to use, valuable intellectual property. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees.

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

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

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

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

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

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

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

Depending upon the timing, duration and conditions of FDA marketing approval of our product candidates, one or more of our U.S. patents may be eligible for patent term extension under the Drug Price Competition and Patent Term Restoration Act of 1984, referred to as the "Hatch-Waxman Amendments." The Hatch-Waxman Amendments permit a patent term extension of up to five years for a patent covering an approved product or method of use as compensation for patent term lost during product development and the FDA regulatory review process. A patent term extension cannot extend the remaining term of a patent beyond a total of 14 years from the date of product approval. Similar patent term extensions may be available in other jurisdictions. For example, a supplementary protection certificate in Europe may be applied for approval to recover some of the time lost between the patent application filing date and the date of first marketing authorization. However, we may not receive an extension if we fail to apply within applicable deadlines, fail to apply prior to expiration of relevant patents, or otherwise fail to satisfy applicable requirements. Moreover, the length of the extension could be less than we request. If we are unable to obtain patent term extension or the term of any such extension is less than we request, the period during which we can enforce our patent rights for that product will be shortened and our competitors may obtain approval to market competing product candidates sooner. As a result, our revenue from applicable product candidates could be reduced, possibly materially.

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

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

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

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

To protect this type of information against disclosure or appropriation by competitors, our policy is to require our employees, consultants, contractors and advisors to enter into confidentiality agreements with us. We also seek to preserve the integrity and confidentiality of our data, trade secrets, and know-how by maintaining physical security of our premises and physical and electronic security of our information technology systems. Monitoring unauthorized uses and disclosures is difficult, and we cannot know whether the steps we have taken to protect our proprietary technologies will be effective. In addition, current or former employees, consultants, contractors, and advisers may unintentionally or willfully disclose our confidential information to competitors, and confidentiality agreements may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. We therefore cannot guarantee that our trade secrets and other proprietary and confidential information will not be disclosed or that competitors will not otherwise gain access to our trade secrets. Enforcing a claim that a third party obtained illegally and is using trade secrets or confidential know-how is expensive, time consuming, and unpredictable. The enforceability of confidentiality agreements may vary from jurisdiction to jurisdiction. Furthermore, if a competitor lawfully obtained or independently developed any of our trade secrets, we would have no right to prevent such competitor from using that technology or information to compete with us, which could harm our competitive position. Additionally, if the steps taken to maintain our trade secrets are deemed inadequate, we may have insufficient recourse against third parties for misappropriating the trade secret.

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

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

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

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

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

In the ordinary course of our business, we collect and store sensitive data, including intellectual property, clinical trial data, proprietary business information, personal data and personally identifiable information of our clinical trial subjects and employees, in our data centers and on our networks. The secure processing, maintenance and transmission of this information is critical to our operations. Despite our security measures, our information technology and infrastructure and

those of our CROs or other contractors or consultants may be vulnerable to attacks by hackers or breached due to employee error, malfeasance, or other disruptions. The loss of clinical trial data from completed, ongoing, or planned trials could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. Although, to our knowledge, we have not experienced any such material security breach to date, any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost, or stolen. Any such access, disclosure, or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, and significant regulatory penalties; disrupt our operations; damage our reputation; and cause a loss of confidence in us and our ability to conduct clinical trials, which could adversely affect our reputation and delay our clinical development of our product candidates.

In addition, in response to the ongoing COVID-19 pandemic, varying parts of our workforce are currently working remotely on a part or full time basis. This could increase our cyber security risk, create data accessibility concerns, and make us more susceptible to communication disruptions. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations or prospects.

Risks Related to Employee Matters and Managing Growth

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

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

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

To manage our planned future growth, we must continue to implement and improve our managerial, operational and financial systems, expand our facilities or acquire new facilities, and continue to retain, recruit and train additional qualified personnel. Due to our limited financial resources and the limited experience of our management team in managing a company with such planned growth, we may not be able to effectively manage the expansion of our operations or recruit and train additional qualified personnel. The expansion of our operations may lead to significant costs and may divert our management and business development resources. Any inability to manage growth could delay the execution of our business plans or disrupt our operations.

Risks Related to our ADSs

The market price for ADSs and the value of your investment could materially decline.

The trading price of ADSs may fluctuate and is likely to continue to fluctuate, substantially.

The market price of ADSs may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

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

- developments concerning proprietary rights, including patents and litigation matters;
- the impact of public health epidemics, such as the ongoing COVID-19 pandemic, and government efforts to slow their spread;
- economic, public health, financial or geopolitical events that affect us or the financial markets generally, including the duration and severity of the impact of the ongoing COVID-19 pandemic;
- public concern relating to the commercial value or safety of our product candidates;
- financing or other corporate transactions;
- publication of research reports or comments by securities or industry analysts, and variances in our periodic results of operations from securities analysts' estimates;
- general market conditions in the biopharmaceutical and pharmaceutical industries or in the economy as a whole;
- the loss of any of our key scientific or senior management personnel;
- sales of our ADSs by us, our senior management and board members, holders of ADSs or our other security holders in the future;
- actions by institutional shareholders;
- speculation in the press or the investment community; or
- other events and factors, many of which are beyond our control.

These and other market and industry factors may cause the market price and demand for our ADSs to fluctuate substantially, regardless of our actual operating performance, which may limit or prevent investors from readily selling ADSs and may otherwise negatively affect the liquidity of ADSs. In addition, the stock market in general, and emerging companies in particular, have experienced significant price and volume fluctuations that often have been unrelated to the operating performance of the companies affected by these fluctuations. These broad market fluctuations may adversely affect the trading price of ADSs, regardless of our operating performance. Furthermore, the trading prices for our ADSs as well as the ordinary shares of our competitors have been highly volatile as a result of the COVID-19 pandemic. In addition, a recession, depression or other sustained adverse market event resulting from the spread of COVID-19 could materially and adversely affect our business and the market price of our ADSs.

In the past in the United States, when the market price of a security has been volatile, holders of that security have often instituted securities class action litigation against the issuer of such securities. If any of the holders of ADSs were to bring such a lawsuit against us, we could incur substantial costs defending the lawsuit and the attention of our senior management would be diverted from the operation of our business. Any adverse determination in litigation could also subject us to significant liabilities.

You may be subject to limitations on the transfer of ADSs and the withdrawal of the underlying ordinary shares.

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

In addition, you may not be able to cancel your ADSs and withdraw the underlying ordinary shares when you owe money for fees, taxes and similar charges to the depositary and when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to our ADSs or to the withdrawal of our ordinary shares or other deposited securities.

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

We are incorporated under English law. The rights of holders of ordinary shares and are governed by English law, including the provisions of the U.K. Companies Act 2006, and by our Articles of Association (our "Articles"). These rights differ in certain respects from the rights of shareholders in typical U.S. corporations. The rights of the holders of ADSs are governed by the deposit agreement.

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

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

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

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

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

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

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

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

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

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

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

Under English law, shareholders (being those shareholders that are included in a company's register of members as holders of the legal title to that company's shares) usually have pre-emptive rights to subscribe on a pro rata basis in the issuance of new shares for cash. The exercise of those pre-emptive rights by certain shareholders not resident in the United Kingdom may be restricted by applicable law or practice in the United Kingdom and overseas jurisdictions. In particular, the exercise of pre-emptive rights by United States shareholders would be prohibited unless an offering is registered under the Securities Act or an exemption from the registration requirements of the Securities Act applies. Furthermore, under the deposit agreement for our ADSs, the depositary generally will not make available those pre-emptive rights to holders of ADSs unless certain conditions are met, including that the provision of such pre-emptive rights to the ADS holders is reasonably practicable. If no exemption applies and we determine not to register such offering, shareholders in the United States may not be able or permitted to exercise their pre-emptive rights. We are also permitted under English law to disapply pre-emptive rights (subject to the approval of our shareholders by special resolution or the inclusion in the articles of a power to disapply such rights) either generally or in relation to a specific allotment and thereby exclude certain shareholders, such as overseas shareholders, from participating in a rights offering (usually to avoid a breach of local securities laws).

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

Holders of ADSs are not able to exercise voting rights attaching to ordinary shares underlying our ADSs on an individual basis. Each holder of ADSs has appointed the depositary or its nominee as the holder's representative to exercise, pursuant to the instructions of the holder, the voting rights attaching to our ordinary shares underlying our ADSs. Holders of ADSs may not receive voting materials in time to instruct the depositary to vote, and it is possible that they, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote.

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

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

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

- the requirement to comply with Regulation Fair Disclosure ("Regulation FD"), which imposes certain restrictions on the selective disclosure of material information.

In addition, our officers, directors and principal shareholders are exempt from the reporting and "short-swing" profit recovery provisions of Section 16 of the Exchange Act and the related rules with respect to their purchases and sales of our ADSs.

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

Our Board is required to meet certain corporate governance standards under Nasdaq Listing Rules, including the requirement to maintain an audit committee comprised of three or more directors satisfying the independence standards of Nasdaq applicable to audit committee members. While foreign private issuers are not required to comply with most of the other corporate governance rules of Nasdaq, we believe we currently comply with, and intend to continue to comply with, the majority of such requirements, including the requirements to maintain a majority of independent directors and the nominating and compensation committees of our Board to comprise solely of independent directors. We follow UK requirements with respect to shareholder meetings including shareholder meetings required to disapply preemption rights and issue ordinary shares to investors in connection with private placements or public offering of our securities. As a result, holders of our ADSs may not be afforded the benefits of the corporate governance standards of Nasdaq to the same extent applicable to companies incorporated in the United States. See "Item 16G. Corporate Governance—Foreign Private Issuer Exemption" elsewhere in this annual report.

Additional reporting requirements may apply if we lose our status as a foreign private issuer.

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

Although our reporting obligations as a foreign private issuer are fewer than those of a public company incorporated in the United States, our costs of complying with our SEC reporting requirements are significant, and our management is required to devote substantial time to complying with SEC regulations.

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

We are an "emerging growth company," and the reduced disclosure requirements applicable to emerging growth companies may make the ADSs less attractive to investors.

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. As such, we are eligible to, and intend to, take advantage, for up to five years, of certain exemptions from various reporting requirements applicable to other public companies that are not Emerging Growth Companies, such as not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002. These exemptions include:

- not being required to comply with the auditor attestation requirements in the assessment of our internal control over financial reporting;
- not being required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements;
- reduced disclosure obligations regarding executive compensation; and
- exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved.

We expect to continue to take advantage of some or all of the available exemptions. We cannot predict whether investors will find the ADSs less attractive if we rely on these exemptions. If some investors find the ADSs less attractive as a result, there may be a less active trading market for the ADSs and the market price of the ADSs may be more volatile.

In addition, the JOBS Act also provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. This allows an emerging growth company to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of this exemption and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

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

Pursuant to Section 404, we are required to furnish a report by our senior management on our internal control over financial reporting. However, while we remain an emerging growth company, we will not be required to include an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. To achieve compliance with Section 404, we have been engaged in a process to document and evaluate our internal control over financial reporting, which is both costly and challenging. In this regard, we will need to continue to dedicate internal resources, potentially continue to engage outside consultants and adopt a detailed work plan to assess and document the adequacy of internal control over financial reporting, continue steps to improve control processes as appropriate, validate through testing that controls are functioning as documented and implement a continuous reporting and improvement process for internal control over financial reporting. Despite our efforts, there is a risk that we will not be able to conclude, within the prescribed timeframe or at all, that our internal control over financial reporting is effective as required by Section 404. If we identify one or more material weaknesses, it could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements.

We may be a passive foreign investment company ("PFIC") for any taxable year, which could result in material adverse U.S. federal income tax consequences if you are a U.S. investor.

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

Based on our gross income, the average value of our assets, including goodwill, and the nature of the current state of our business, we do not believe we were a PFIC for the year ended December 31, 2020. There can be no assurance regarding our PFIC status for any particular year in the future because PFIC status is factual in nature, depends upon factors not wholly within our control, generally cannot be determined until the close of the taxable year in question and is determined annually. Whether we will be a PFIC in the current or any future taxable year is uncertain because, among other things, we currently own a substantial amount of passive assets, including cash, and because the valuation of our assets that generate non-passive income for PFIC purposes, including our goodwill and other intangible assets, is uncertain and may vary substantially over time. In addition, the composition of our assets and income may vary substantially over time. The average quarterly value of our assets for purposes of determining our PFIC status for any taxable year (to the extent applicable) will generally be determined in part by reference to our market capitalization, which has fluctuated and may continue to fluctuate significantly over time. Accordingly, there can be no assurance that we will not be a PFIC in the current or for any future taxable year. In addition, we may, directly or indirectly, hold equity interests in other entities, including certain of our subsidiaries that are PFICs. Accordingly, U.S. investors should invest in our ADSs only if they are willing to bear the U.S. federal income tax consequences associated with investments in PFICs.

If we were a PFIC for any taxable year during which a U.S. investor owns ADSs, certain adverse U.S. federal income tax consequences could apply to such U.S. investor. We will provide the information necessary for a U.S. investor to make a qualified electing fund election with respect to us. See "Item 10. Additional Information—E. Taxation" for further information. U.S. investors should consult their tax advisers regarding our PFIC status for any taxable year and the potential application of the PFIC rules to an investment in our ADSs.

Item 4. Information On The Company

4.A. History and Development of the Company

Our legal and commercial name is Mereo BioPharma Group plc. Our company was incorporated on March 10, 2015, and was registered as a private limited company under the laws of England and Wales with the company number 09481161. On June 3, 2016, we were re-registered as a public limited company under the laws of England and Wales. Our principal executive offices are located at 4th Floor, 1 Cavendish Place, London, W1G 0QF, United Kingdom, and our telephone number is +44 333 023 7300. Our website is www.mereobiopharma.com. Information on Mereo's website is not incorporated by reference into or otherwise part of this annual report. We have included our website address in this annual report solely for informational purposes. The SEC also maintains a website that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. The address of this website is http://www.sec.gov.

Mereo's portfolio consists of six clinical-stage product candidates, four of which were acquired from large pharmaceutical companies and two oncology anti-cancer product candidates which we acquired in the Merger. Mereo does not have any approved products and, as a result, has not generated any revenue from product sales. Pursuant to the terms of a global out-licensing agreement for navicixizumab to OncXerna in January 2020, the Company received an upfront payment of $4 million. In December 2020, the Company entered into a license and collaboration agreement with Ultragenyx for setrusumab, under which the Company subsequently received an upfront payment of $50 million in 2021.

On April 23, 2019, we completed the Merger, with OncoMed, now called Mereo BioPharma 5, Inc., surviving as a wholly owned subsidiary of Mereo US Holdings, Inc. and as an indirect subsidiary of Mereo BioPharma Group plc.

Since April 24, 2019, our ADSs commenced trading on Nasdaq under the symbol “MREO.”

On December 18, 2020, admission of our ordinary shares to trading on the AIM market of London Stock Exchange plc was cancelled.

We are an Emerging Growth Company. As such, we are eligible to, and intend to, take advantage, for up to five years, of certain exemptions from various reporting requirements applicable to other public companies that are not Emerging Growth Companies, such as not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002.

We will remain an Emerging Growth Company until the earliest of: (i) the last day of our fiscal year during which we have total annual gross revenues of at least $1.07 billion; (ii) the last day of our fiscal year following the fifth anniversary of the closing of our initial public offering; (iii) the date on which we have, during the previous three-year period, issued more than $1.0 billion in non-convertible debt; (iv) the date on which we are deemed to be a Large Accelerated Filer under the Exchange Act, with at least $700 million of equity securities held by non-affiliates.

For information regarding our capital expenditures, see “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources.”

4.B. Business Overview

We are a biopharmaceutical company focused on the development and commercialization of innovative therapeutics that aim to improve outcomes for oncology and rare diseases. Our existing portfolio consists of six clinical stage product candidates two of which are in ongoing clinical studies, two are partnered for further development and the remaining two will be further developed by a partner. Our lead oncology product candidate, etigilimab (an “anti-TIGIT”), 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 recently initiated a Phase1b/2 basket study for etigilimab in combination with an anti-PD-1 in three rare tumors, including sarcoma, several gynecological carcinomas including cervical and endometrial carcinomas and tumors with high mutation burden. Our other rare disease product candidates are alvelestat, which is being investigated in an ongoing Phase 2 proof-of-concept study for the treatment of severe AATD and in an investigator-initiated study in hospitalized COVID-19, and setrusumab for the treatment of OI. Following the announcement of the results for setrusumab in a Phase 2b study in adults with OI which demonstrated a dose dependent increase in bone mineral density and bone strength and alignment with the FDA and the EMA following scientific advice on the pivotal study design for children with OI, we announced a strategic partnership with Ultragenyx in December 2020 for the development of setrusumab in children and adults with OI. Ultragenyx have announced their intention to initiate a Phase 2/3 study in children with OI in the second half of 2021 following additional discussions with the regulators.

We plan to develop our product candidates for oncology and rare diseases through the next key clinical milestone and then partner where it makes sense to do so strategically but also in select cases 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 has been partnered for further development with OncXerna on a global basis.

We plan to partner or sell our other two product candidates acumapimod for the treatment of AECOPD and leflutrozole for the treatment of infertility and HH in obese men, recognizing the need for greater resources to take these product candidates to market.

Our strategy is selectively to acquire and develop product candidates for oncology and rare diseases that have already received significant investment from large pharmaceutical and biotechnology companies and that have substantial pre-clinical, clinical and manufacturing data packages. Since our formation in March 2015, we have successfully executed on this strategy by acquiring six clinical-stage product candidates of which four were in oncology and rare diseases. Four of our six clinical-stage product candidates were acquired from large pharmaceutical companies and two were acquired in the Merger. We aim to efficiently develop our product candidates through the clinic and have successfully commenced or completed large, randomized Phase 2 clinical trials for five of our product candidates.

Oncology and rare diseases represent an attractive development and, in some cases, commercialization opportunity for us since they typically have high unmet medical need and can utilize regulatory pathways that facilitate acceleration to approval and to the potential market. Development of products for oncology and rare diseases both involve close collaboration with key opinion leaders and investigators. Development of rare disease products generally involves close coordination with the patient organizations and patients are treated at a limited number of specialized sites which helps identification of the patient population and enables a small targeted sales infrastructure to commercialize the products in key markets.

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

Our Pipeline

The following tables summarize our pipeline for our oncology and rare disease product candidates and our other product candidates. We have global commercial rights to etigilimab, alvelestat, acumapimod and leflutrozole. We have commercial rights to setrusumab in Europe.

Core Oncology and Rare Disease Product Candidates

- **Etigilimab (OMP-313M32): Etigilimab is an antibody against TIGIT (T-cell immunoreceptor with Ig and ITIM domains). TIGIT is a next generation checkpoint receptor shown to block T-cell activation and the body's natural anti-cancer immune response. Etigilimab is an IgG1 monoclonal antibody which binds to the human TIGIT receptor on immune cells with a goal of improving the activation and effectiveness of T-cell and NK cell anti-tumor activity. We completed a Phase 1a dose escalation clinical trial with etigilimab in patients with advanced solid tumors and enrolled patients in a Phase 1b study in combination with nivolumab in selected tumor types.**

  23 patients were treated in the Phase 1a dose escalation study with doses up to 20mg/kg Q2W. Tumor types included colorectal cancer, endometrial cancer, head and neck cancer, pancreatic cancer and other tumor types. No dose limiting toxicities were observed. In the Phase 1b combination study, a total of ten patients, nine of whom had progressed on prior anti-PD1/PD-L1 therapies, were enrolled at doses of 3, 10 and 20 mg/kg. Tumor types included gastric cancer and six other tumor types. Eight patients were evaluable for tumor growth assessment, and all of these patients had progressed on PD1/PD-L1 therapies with best responses, including two patients with a partial response and stable disease. Patients remained on study for up to 224 days. No dose limiting toxicities (DLTs) were observed.

  Treatment emergent adverse events (TEAEs) related to study drug were reported by 16 patients (69.6%) in the Phase 1a portion of the study and 7 patients (70.0%) in the Phase 1b portion of the study. The most commonly reported related TEAEs in the Phase 1a portion of the study were pruritus (4 patients, 17.4%) and fatigue, nausea, rash and maculopapular rash (each reported by 3 patients, 8.7%). In the Phase 1b portion of the study, the most commonly reported related TEAEs were fatigue (3 patients, 30.0%) and pruritus, rash and pruritic rash (each reported by 2 patients, 20.0%).

There was only one treatment-related serious adverse event in the Phase 1a portion (autoimmune hepatitis) and there were no treatment-related serious adverse events in the Phase 1b portion of the study. The Phase 1b study has now been completed.

We recently advanced etigilimab into an open label Phase 1b/2 basket study in combination with an anti-PD-1 in the US in a range of tumor types. This is initially focused on three rare tumors, including sarcoma, several gynecological carcinomas including cervical, ovarian and endometrial carcinomas and tumors with high mutation burden, and we expect to report some data from these initial cohorts in the second half of 2021.We have worldwide rights to etigilimab.

- **Alvelestat (MPH-966):** Alvelestat is a novel, oral small molecule we are developing for the treatment of severe AATD Lung Disease, a potentially life-threatening, rare, genetic condition caused by a lack of effective alpha-1 antitrypsin ("AAT"). The lungs are normally protected from enzymatic degradation by neutrophil elastase by the AAT protein, but in severe AATD the AAT is either misfolded and fails to be released into the circulation, inactive or completely missing, The degradation of tissue by unopposed neutrophil elastase leads to severe debilitating diseases, including early-onset pulmonary emphysema, a disease that irreversibly destroys the tissues that support lung function. There are an estimated 50,000 patients in North America and 60,000 patients in Europe with severe AATD. Alvelestat is designed to inhibit NE, a neutrophil protease, which is a key enzyme involved in the destruction of lung tissue. We believe the inhibition of NE has the potential to protect patients with AATD from further lung damage.

  Prior to our license of alvelestat, AstraZeneca conducted 12 clinical trials involving 1,776 subjects, including trials in bronchiectasis and CF. Although these trials were conducted in diseases other than AATD, we believe the data demonstrated potential clinical benefit and biomarker evidence of treatment effect for AATD patients. These trials created a safety database of 1149 subjects treated with alvelestat.

  We have initiated a Phase 2 proof-of-concept clinical trial in patients with severe AATD in the United States and the EU and expect to report data from this trial or an interim analysis in late 2021. An investigator-initiated complementary study, including testing of alvelestat on top of AAT replacement therapy in AATD is also underway in the US. Emerging data on the potential of NE inhibition to reduce the inflammatory and thrombotic effects of Neutrophil Extracellular Traps (NETs) in COVID-19, led to the initiation of an ongoing study in this disease which we expect to report on in the second half of 2021.

- **Setrusumab (BPS-804)**: Setrusumab is a novel antibody designed to inhibit sclerostin, a protein that inhibits the activity of bone-forming cells. Inhibiting sclerostin has been shown to promote increases in bone mineral density through stimulation of bone-formation (through osteoblasts) and inhibition of bone-resorption (through osteoclasts). We are developing setrusumab as a treatment for OI, a rare genetic disease that results in bones that can break easily and is commonly known as brittle bone disease. OI is a debilitating orphan disease for which there are no treatments approved by the FDA or EMA. It is estimated that OI affects a minimum of 25,000 people in the United States and approximately an aggregate of 32,000 people in Germany, Spain, France, Italy and the United Kingdom. We believe setrusumab's mechanism of action is well suited for the treatment of OI and has the potential to become a novel treatment option for patients that could reduce fractures and improve patient quality of life.

  Prior to our acquisition of setrusumab, Novartis conducted four clinical trials in 106 patients and healthy volunteers. In 2016, we obtained orphan drug designation in OI for setrusumab in the United States and the EU and, in November 2017, it was accepted into the Priority Medicines scheme ("PRIME") of the EMA. In September 2020 we received rare pediatric disease designation for setrusumab in OI from the FDA. In November 2019 we reported top-line data on a Phase 2b clinical trial of setrusumab for adults with OI. The Phase 2b was a dose ranging study with three blinded arms at high, medium and low doses to establish the dose response curve and an open label arm at the top dose. Setrusumab demonstrated statistically significant improvements in bone formation biomarkers and bone mineral density (measured by Dual Energy X-ray Absorptiometry) and a trend to a reduction in fractures at the high dose, compared to the other doses, even though the study was not powered for fracture reduction. The results support the progression of setrusumab into a pediatric pivotal study in OI.

Following the completion of the dosing part of the study, patients have continued to be followed for a further twelve months to examine the off-effects of setrusumab. We expect to report the results of this extension study by mid-2021.

We completed a Type B end of Phase 2b meeting with the FDA in February 2020, a priority medicines scheme (PRIME) meeting with the EMA in May 2020 and sought scientific advice from the EMA in December 2020. These meetings resulted in alignment between the regulators on a Phase 2/3 pediatric study in children with OI.

In December 2020 we announced a partnership with Ultragenyx for the development of setrusumab for OI. Under the terms of the partnership, Ultragenyx will lead future global development of setrusumab in both pediatric and adult patients. We granted Ultragenyx an exclusive license to develop and commercialize setrusumab in the US and rest of the world, excluding Europe and the UK where we retain commercial rights. Each party will be responsible for post-marketing commitments in their respective territories.

Ultragenyx made an upfront payment of $50 million to Mereo and will fund global development of the program until approval and has agreed to pay a total of up to $254 million upon achievement of certain clinical, regulatory and commercial milestones. Ultragenyx will pay tiered double digit percentage royalties to us on net sales outside of Europe and the UK and we will pay a fixed double digit percentage royalty to Ultragenyx on net sales in Europe and the UK. Under the terms of our 2015 agreement with Novartis, we will pay Novartis a percentage of proceeds, subject to certain deductions, with Mereo receiving a substantial majority of the payments from Ultragenyx.

We and Ultragenyx will initially prioritize the development of setrusumab for pediatric patients with OI. Development plans are being finalized and these require discussions with the regulators. The first part of the pediatric study will focus on determining the optimal dose based on using biomarkers of bone formation and an acceptable safety profile. Following determination of dose, the study is intended to adapt into a pivotal Phase 3, evaluating fracture reduction over a 15-24 month period as the primary end point. The pediatric Phase 2/3 study is expected to start in late 2021 following discussions with the regulators and separate planning is underway for adults. We believe that the results from this Phase 2/3 trial, if favorable, will be sufficient to support the submission of an MAA to the EMA and BLA to the FDA for setrusumab for the treatment of children with severe OI.

Our Partnering Portfolio

Following completion of successful Phase 1 or Phase 2 studies the products below are either partnered or programs which we intend to partner or spin-out with separate funding.

- **Acumapimod (BCT-197):** Acumapimod is a p38 MAP kinase inhibitor therapy for treatment of severe acute exacerbations of COPD (AECOPD). In a Phase 2 trial, acumapimod given over 5 days in patients hospitalized with AECOPD demonstrated a statistically significant reduction in re-hospitalization for treatment failure and recurrent exacerbations. Acumapimod was reported to be safe and well tolerated. Following meetings with FDA and EMA a global Phase 3 registrational program has been designed and we intend to seek separate funding for further development**.**
- **Leflutrozole (BGS-649):** Leflutrozole is an oral inhibitor of aromatase for the treatment of infertility and HH in obese men. Excess aromatase in fat tissue reduces testosterone, LH and FSH, leading to HH. In Phase 2 trials, leflutrozole normalized testosterone, increased LH and FSH and was reported to be well-tolerated. Effects on sperm counts supported that future development of leflutrozole should focus on male infertility. We intend to explore strategic options with third parties for the further development of leflutrozole.
- **Navicixizumab (OMP-305B83)**: Navi is a bispecific antibody that inhibits delta-like ligand 4 (DLL4) and vascular endothelial growth factor (VEGF). We acquired this therapeutic product in the merger with Mereo BioPharma 5 (formerly OncoMed). In a Phase 1a clinical trial, Navi demonstrated single agent activity. Following this we conducted a Phase 1b clinical trial in ovarian cancer, in combination with paclitaxel, in platinum-resistant ovarian cancer. A successful FDA Type B meeting was held in July 2019 and the potential for accelerated approval was discussed. Navicixizumab has also been granted Fast Track Approval by the FDA. In January 2020, Navi was licensed by the Company to OncXerna pursuant to the terms of a global licensing agreement. Under the terms of the contingent value rights agreement between us and Computershare from April 2019 (the “Mereo CVR Agreement”), the holders of contingent value rights are entitled to receive the benefit of certain cash milestone payments made to Mereo under the license agreement. Pursuant to the terms of the

Mereo CVR Agreement, if a milestone occurs prior to the fifth anniversary of the closing of the Merger, then holders of CVRs will be entitled to receive an amount in cash equal to 70% of the aggregate principal amount received by Mereo after deduction of costs, charges and expenditures set out in detail in the Mereo CVR Agreement. Such milestone payments are also subject to a cash consideration cap, pursuant to which the aggregate principal amount of all cash payments made to holders of CVRs under the Mereo CVR Agreement shall in no case exceed $79.7 million. See "—Material Agreements—CVR Agreement Between Us and Computershare—The NAVI Milestones."

Our Strategy

We intend to become a leading biopharmaceutical company developing innovative therapeutics that aim to improve outcomes for patients with rare diseases and select oncology indications. The key elements of our strategy to achieve this goal include:

- ***Rapidly develop and potentially commercialize our rare disease and oncology product candidates***. Etigilimab, our lead oncology program, has completed a Phase 1a dose escalating monotherapy study and has been evaluated in a Phase 1b combination study with nivolumab in a range of tumor types. We recently advanced etigilimab into an open label Phase 1b/2 basket study evaluating our anti-TIGIT in combination with an anti-PD-1 in a range of tumor types including three rare tumors, including sarcoma, several gynecological carcinomas including cervical and endometrial carcinomas and tumors with high mutation burden. We have commenced a Phase 2 proof-of-concept clinical trial of alvelestat for the treatment of severe AATD and now expect to report top-line data or an interim analysis from this trial in late 2021. If the results are favorable and pending regulatory feedback, we will determine the optimum path forward for development of alvelestat towards approval and commercialization. We also announced the initiation of a Phase 1b/2 placebo-controlled clinical trial to evaluate the safety and efficacy of alvelestat in hospitalized, adult patients with moderate to severe COVID-19 respiratory disease. We have completed and announced top-line data on a Phase 2b clinical trial of setrusumab for the treatment of OI in adults in the United States, Europe and Canada. We reported top-line data on the three blinded dose ranging arms in November 2019 with the results supporting progression of setrusumab into a pediatric pivotal study in OI. Following the completion of the dosing part of the study, patients have been followed for a further twelve months to examine the off-effects of setrusumab and we expect to report these results by mid-2021. In September 2020, the FDA granted Rare Pediatric Disease designation to setrusumab for the treatment of OI. Following our completion of the Phase 2b ASTEROID study, we met with both the FDA (end-of-Phase 2 (EOP2) meeting in February 2020) and the EMA (PRIME meeting in May 2020) to discuss the principles of a design of a single Phase 2/3 registrational pediatric study in OI. In December 2020, we signed a license and collaboration agreement for setrusumab in OI with Ultragenyx Pharmaceutical Inc. We intend to commercialize our oncology and rare disease product candidates where it makes strategic sense to do so. For example, in our global licensing collaboration with Ultragenyx we have retained commercial rights to setrusumab for children and adults with OI in the EU and UK.
- ***Efficiently advance our other product candidates and explore strategic relationships with third parties for further clinical development and/or commercialization or strategic sales or out-licensing***. Based on the results from our Phase 2 clinical trial of acumapimod, we plan to enter into one or more strategic relationships with third parties for acumapimod to undertake the next phase of clinical development and, if approved, commercialization. In March 2018, we reported top-line Phase 2b data for leflutrozole for the treatment of HH and in December 2018, we reported positive results from the safety extension study for leflutrozole. We intend to explore strategic relationships with third parties for the further development and commercialization of leflutrozole. Our second oncology product, Navicixizumab, for the treatment of late line ovarian cancer, has completed a Phase 1 study and has been partnered on a global basis with OncXerna.
- ***Continue to be a partner of choice for large pharmaceutical and biotechnology companies***. We believe that we are a preferred partner for large pharmaceutical and biotechnology companies as they seek to unlock the potential in their development pipelines and deliver therapeutics to patients in areas of high unmet medical need. We have strong relationships with these companies, as evidenced by our agreements with Novartis and AstraZeneca, as well as by the Merger, and a track record of structuring transactions that enable us to leverage our core capabilities while creating value for all stakeholders. We intend to continue to enter into strategic relationships that align our interests with those of large pharmaceutical and biotechnology companies and that we believe to be mutually beneficial.

- ***Leverage our expertise in business development***. Our senior management team has extensive relationships with large pharmaceutical and biotechnology companies. These relationships are important to us as we seek to form strategic partnerships on our product candidates and as appropriate, to grow our pipeline of product candidates in oncology and rare diseases.

Therapeutic Candidates

Etigilimab (OMP-313M32) for the Treatment of Advanced Solid Tumors

Overview

We acquired etigilimab in the Merger with Mereo BioPharma 5 (formerly OncoMed) in 2019. TIGIT (T-cell immunoreceptor with Ig and ITIM domains) is an inhibitory receptor and via interactions with its ligands may block T-cells from attacking tumor cells. The anti-TIGIT therapeutic candidate, etigilimab, is an IgG1 human-specific antibody. It is intended to activate the immune system, through multiple mechanisms and enable anti-tumor activity. In preclinical studies with anti-TIGIT antibodies, immune activation and robust anti-tumor activity have been observed—both as a single agent and in combination with other cancer immunotherapeutics including anti-PD1. At the 2017 American Association of Cancer Research ("AACR") meeting, preclinical data demonstrating the capacity of an anti-TIGIT antibody to induce long-term immune memory and durable anti-tumor response was presented. Also, at the 2018 AACR meeting data that showed that anti-TIGIT treatment reduced the abundance of regulatory T-cells (Tregs) within tumors in animal models, and mechanistic studies that demonstrated an important contribution of effector function for anti-tumor efficacy in animal models was presented.

Our Approach

A Phase 1a/b clinical trial of etigilimab enrolled patients with advanced solid tumors into either a Phase 1a single-agent portion (dose escalation in all patients and expansion in selected tumor types) or Phase 1b combination portion in with nivolumab (dose escalation). 23 patients were treated in the Phase 1a dose escalation portion of the study with doses up to 20mg/kg every two weeks and 10 patients were treated in the Phase 1b combination portion of the study at doses up to 20 mg/kg every two weeks in combination with nivolumab. Tumor types in the Phase 1a portion of the study were colorectal cancer (6 patients), endometrial cancer (4 patients), head & neck cancer (4 patients), pancreatic cancer (2 patients), triple negative breast cancer (2 patients) and five other tumor types and those included in the Phase 1b portion of the study included gastric cancer (3 patients) and six other tumor types. No dose limiting toxicities were observed in the Phase 1a or 1b portions of the study. The most common reported related TEAEs in the Phase 1a portion of the study were pruritus (4 patients, 17.4%) and fatigue, nausea, rash and maculopapular rash (each reported by 3 patients, 8.7%). In the Phase 1b portion of the study, the most common reported related TEAEs were fatigue (3 patients, 30.0%) and pruritus, rash, and pruritic rash (each reported by 2 patients, 20.0%). There was only one treatment-related serious adverse event in the Phase 1a portion (autoimmune hepatitis) and there were no treatment-related serious adverse events in the Phase 1b portion of the study.

None of the patients in the Phase 1a portion had an objective response and 30% had stable disease. One of the ten patients in the Phase 1b portion had an objective response and one additional patient had stable disease. The study has now completed enrollment. A biomarker analysis of patients enrolled in the Phase 1a portion (single agent etigilimab) revealed a dose-dependent reduction of peripheral Tregulatory cells (Treg) with no change evident in circulating CD8 cells, resulting in an increased CD8/Treg ratio. The study also revealed increased proliferation and activation of effector Tcells and NK cells in response to etigilimab.

We recently advanced etigilimab into an open label Phase 1b/2 basket study in combination with an anti-PD-1 in a range of tumor types. This multi-center study is initially focused on three rare tumors, including sarcoma, several gynecological carcinomas including cervical and endometrial carcinomas and tumors with high mutation burden. These indications were selected based on observations of clinical activity in our prior Phase 1a/1b study and/or based on a comprehensive biomarker analysis of solid tumors which revealed tumor types with a high prevalence of expression of TIGIT and its principal ligand poliovirus receptor (PVR) and concordant expression of TIGIT and PD1. The selected tumor types have shown responsiveness to anti-PD1 therapies with response rates generally ranging from 5-20%. The combination of etigilimab and anti-PD1 may lead to improved responses in these patients.

The first stage of this trial is expected to enroll approximately 100 patients. The trial will evaluate objective response rate as a primary endpoint and will also evaluate safety, duration of response, pharmacokinetics, anti-drug antibodies, progression-free survival and additional secondary and exploratory endpoints. The study is designed to expand select cohorts of patients, based on outcomes, to further evaluate responses to etigilimab and anti-PD1. Biomarker analyses will be conducted on tumor tissues and blood samples from treated patients, including quantification of levels of tumor-associated TIGIT, PVR and related biomarkers to evaluate their potential utility for selecting patients most likely to respond to the combination of etigilimab and anti-PD1.

We currently plan to report data from the first group of patients from this Phase1b/2 basket study during the second half of 2021. We have worldwide rights to etigilimab.

Alvelestat (MPH-966) for the Treatment of Severe Alpha-1-Antitrypsin Deficiency ("AATD")

Overview

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

Background of Alpha-1-Antitrypsin Deficiency

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

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

Current Treatment Landscape for Alpha-1-Antitrypsin Deficiency

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

Augmentation therapy is available for AATD, using a partially purified plasma preparation highly enriched for AAT that is administered weekly by intravenous infusion. This therapy was first approved by the FDA in the 1980s based on its biochemical efficacy, meaning its ability to raise blood levels of AAT, but not based on clinical outcome data. Several observational studies have suggested that AAT augmentation therapy may slow the rate of decline in lung function in a subgroup of AATD patients with moderate-to-severe airflow obstruction. In a randomized, controlled trial of augmentation therapy, patients had some reduction in the progression of emphysema, as assessed by measuring lung density using computed tomography. The study did not show significant slowing in the decline in FEV1.

We believe that current therapies for AATD are inadequate. Surgical options are limited to a few patients, are highly invasive, have variable results, and do not address the underlying pathology of AATD. AAT augmentation therapy, while FDA approved, was not approved on the basis of clinical outcome data. Further, AAT augmentation therapy is not reimbursed and thus is not currently available to patients in several jurisdictions, including some key European markets. In addition, AAT augmentation therapy requires potentially inconvenient weekly intravenous infusions.

Our Approach

Our product candidate for treating severe AATD is alvelestat, a potent, specific oral small molecule that is designed to inhibit NE. We believe that by inhibiting NE, alvelestat has the potential to reduce the enzymatic destruction of lung tissue. Furthermore, we believe that convenient oral dosing of alvelestat could provide a significant advantage compared to the current treatments for AATD of surgery or weekly intravenous AAT augmentation therapy. In our clinical development programs, we intend to generate data to allow healthcare authorities to take evidence-based decisions.

Clinical Development of Alvelestat

Phase 2 Clinical Trials

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

Phase 2 Clinical Trial in Severe AATD

We are conducting a Phase 2 proof-of-concept clinical trial of alvelestat in 165 patients with severe AATD in the United States and the EU. AATD patients are at greater risk from COVID-19 given that the condition is a respiratory and lung condition, and for this reason, our Phase 2 alvelestat trial will be delayed with topline data now expected in late 2021. We continue to closely monitor enrollment in our Phase 2 study and are putting in place a contingency plan that if we have not reached full enrollment on our revised schedule, we will conduct an interim analysis that will provide direction on the primary end point for the study and the number of patients required. The trial is a 12-week, double-blind, placebo-controlled clinical trial examining two doses of alvelestat compared to placebo with primary endpoints of elastin breakdown as measured by the biomarker desmosine. We believe that by inhibiting NE, alvelestat will reduce the breakdown of elastin and therefore the amount of desmosine. Planned secondary endpoints are plasma A-Val(360), a biomarker of NE activity, NE activity in sputum and lung function tests, including FEV1.

We plan to enroll only patients with PiZZ or Null/Null genotypes with confirmed emphysema, who have not received AAT augmentation therapy or have undergone a wash-out period following AAT augmentation therapy.

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

We received an investment from, and are collaborating with, the venture philanthropy arm of the Alpha-1 Foundation, TAP, with respect to our alvelestat development program. TAP is investing in the program subject to our meeting agreed-upon development milestones. We also agreed to issue warrants to TAP to subscribe for shares in us, at certain future dates and subject to TAP making agreed-upon investments in the alvelestat development program. On October 8, 2018, we entered into a funding agreement with TAP, which provided for funding of up to $0.4 million. On November 1, 2018, the first tranche of $0.1 million was received and as a result we issued 41,286 warrants to subscribe for our ordinary shares at an exercise price of £0.003 per share.

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

Overview

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

Background of Osteogenesis Imperfecta

OI is a genetic disorder characterized by fragile bones and reduced bone mass, resulting in bones that break easily, loose joints and weakened teeth. In severe cases, patients may experience hundreds of fractures in a lifetime. In addition, people with OI often suffer from muscle weakness, early hearing loss, fatigue, curved bones, scoliosis (curved spine), brittle

teeth, respiratory problems and short stature. The disease can be extremely debilitating and even fatal in newborn infants with a severe form of the disease. OI is a rare condition that affects a minimum of 25,000 people, an incidence rate of 6.2 out of 100,000, in the United States, according to estimates by the Osteogenesis Imperfecta Foundation, and approximately 32,000 people, an incidence rate of 10 out of 100,000, in Germany, Spain, France, Italy and the United Kingdom, according to estimates by Orphanet. OI occurs across the globe without any currently described discernable higher prevalence in one population specifically.

There are eight recognized forms of OI, designated type I through type VIII. Type I is the least severe form, although it still has a significant impact on patients' lives, including fractures and other physical manifestations, while type II is the most severe and frequently causes death at or shortly after birth. The most prevalent form of OI is type I, which is estimated to occur in approximately 50% to 60% of OI patients. The less severe forms of OI, such as type I and type IV, are still serious conditions and are characterized by broken bones, often as a result of minor trauma. Patients typically have a blue or gray tint to the sclera, the part of the eye that is usually white, and there is a risk of early hearing loss in adults.

The most severe forms of OI, particularly type II, may be characterized by an extremely small, fragile rib cage and underdeveloped lungs. Infants with these abnormalities have life-threatening problems related to breathing and often die shortly after birth.

Current Treatment Landscape for Osteogenesis Imperfecta

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

Current treatment of OI is directed towards management of fractures with casting or surgical fixation. Following either of these, physical therapy will often be required. Preventative surgeries, such as intramedullary, or in-bone, nailing fixation are also undertaken. Supportive care for the disease involves surgery to correct deformities, internal splinting of bones with metal rods, bracing to support weak limbs and decrease pain, physical therapy and muscle strengthening and aerobic conditioning to improve bone mass and strength.

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

Our Approach

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

In 2016, we obtained orphan drug designation in OI for setrusumab in the United States and the EU and, in November 2017, it was accepted into PRIME by the EMA. In Europe, the EMA has an adaptive pathways program which allows for early and progressive patient access to medicine. In July 2016, the EMA launched the PRIME scheme, a voluntary scheme aimed at enhancing the EMA's support for the development of medicines that target unmet medical needs. In February 2017 setrusumab was accepted into the adaptive pathways program and in November 2017, the EMA granted PRIME designation for setrusumab for the treatment of OI. In September 2020 we received rare pediatric disease designation for setrusumab in OI from the FDA. See "—Government Regulation—Foreign Government Regulation."

Clinical Development of Setrusumab

In April 2017, we commenced a Phase 2b clinical trial of setrusumab in adults in the United States, Europe and Canada. The Phase 2b clinical trial is a multi-center, randomized trial with three blinded arms at a high, medium and low doses to establish the dose response curve and an open label arm at the top dose. The trial completed enrollment of 112 patients and we reported 12-month top-line data from the trial in November 2019. Following the 12-month dosing part of the trial, patients will be followed for a further twelve months to examine the off-effects of setrusumab. Similar to the Phase 2 clinical trial conducted by Novartis, we enrolled patients with type I, III and IV OI.

12 month Top-line Data From Setrusumab Phase 2b Dose-ranging Study in Adult Patients

On November 11, 2019, we reported 12-month top-line data from our Phase 2b dose-ranging clinical trial for setrusumab in adults with Type I, III or IV OI. The study enrolled 112 adults (69 with type I, 28 with type IV and 15 with type III OI) at 27 clinical sites across the United States and Europe and randomized patients originally to one of four different blinded monthly dosing regimens of setrusumab: high, medium, low and placebo. The study was subsequently revised to convert the placebo arm into an open-label arm where patients received the high dose regimen of setrusumab. The top-line 12-month results reported on November 11, 2019, and on January 14, 2020, are from the three-arm blinded portion of the study.

The primary endpoint of the trial was change in trabecular volumetric bone mineral density ("Tr vBMD") of the radius (wrist) over baseline after 12 months of treatment as measured by high resolution peripheral quantitative computerized tomography ("HRpQCT"). As a result of the unexpected high heterogeneity of the trial patients' trabecular bone baseline values at the wrist (including both very low and very high trabecular bone at baseline as compared to the literature available), the primary endpoint was not met at any of the three setrusumab dose levels. HRpQCT is a relatively new imaging technique that has not been used widely in clinical studies and was chosen in order to improve the understanding of the effect of setrusumab on the bone biology in OI patients, given it can measure both trabecular and cortical volumetric BMD separately.

Importantly, when the percentage change in trabecular and cortical volumetric bone mineral density ("BMD") at the wrist were combined (the total volumetric BMD as measured by HRpQCT, a secondary endpoint of the study), an increase in total volumetric BMD was observed and reached statistical significance in the medium and high dose cohorts. Mean increases in total volumetric BMD were 4.11% ($p=0.004$), 4.5% ($p=0.028$), and 0.58% ($p=0.97$) in the high, medium and low dose cohorts (post hoc analysis), respectively. This suggests total volumetric BMD increases were driven by the ability of setrusumab to increase cortical volumetric BMD.

The study achieved its important secondary endpoint of increase in areal BMD at the lumbar spine at six and 12 months over baseline using dual energy x-ray absorptiometry ("DXA"), a well-established measurement tool of BMD (cortical and trabecular bone), reaching statistical significance in the high and medium doses cohorts at both six and 12 months, with a clear dose-dependent response. Mean increases in areal BMD at the lumbar spine were 8.8% ($p<0.001$), 6.8 % ($p<0.001$), and 2.6% ($p=0.057$) in the high, medium, and low dose cohorts at 12 months, respectively. Moreover, increases in areal BMD were consistent across all OI subtypes (I, III and IV) represented in the study and improved with duration of treatment. Statistically significant changes in areal BMD were also observed by DXA at the femoral neck and total hip with mean increases of 3.1% ($p=0.022$) and 2.2% ($P=0.011$), respectively, at 12 months in the high dose cohort.

On January 14, 2020, we reported additional data to the above from our Phase 2b dose-ranging clinical trial for setrusumab. This additional data demonstrated a dose dependent increase in bone strength (stiffness and failure load) as measured by Finite Element Analysis ("FEA"). This was a second pre-specified primary end point and reached statistical significance in the high dose cohort. FEA is a technique that, based on the HRpQCT, allows for the estimation of physical properties of bone.

We also reported on the end point of Trabecular Bone Score (TBS) at the lumbar spine. Setrusumab demonstrated a statistically significant increase in TBS at both the high ($p<0.001$) and medium dose cohorts ($p<0.001$). TBS is a gray-level texture index determined from patient lumbar spine DXA scans that correlates with 3D parameters of trabecular bone architecture thought to help predict fracture.

Although the Phase 2b trial was not powered to show a difference in fracture rates, a trend of reduction in fractures was observed in the high-dose cohort. Setrusumab was safe and well-tolerated in the study. There were no cardiac-related safety concerns observed in the study.

Summary of Top-line Safety Results

Top-line 12-month safety results suggest setrusumab was safe and well tolerated in the study. The adverse event profile was balanced across the arms. There were five, eight and four serious treatment emergent adverse events in the high, medium and low dose groups, three of which were initially recorded as treatment related. Two events occurred in one patient. These were headache and hydrocephalus. The patient had a history of basilar invagination, subdural hematoma and subdural hemorrhage; the neurologist and Data Monitoring Committee ("DMC") concluded that the events were unlikely related to the study drug. There was a temporary interruption to the study drug but the patient restarted treatment and continued the study with no complications. The other serious adverse event that was initially recorded as related was of anaphylactic reaction, which occurred two days following setrusumab infusion. This was the patient's sixth infusion. As the reaction was two days following the infusion and the patient previously had five doses, it was determined that it was unlikely to be a drug reaction and the patient continued therapy, without symptoms or signs with repeat infusions. All of the nine adverse events that were reported as potentially cardiac related were discussed at the DMC (including cardiology review), and none were concluded to represent a cardiovascular safety concern.

Next Steps

Patients who have completed 12 months of treatment in the ASTEROID study continue into a 12-month extension "off therapy" portion to examine the off effect of setrusumab. Patients who continue in the extension portion have the option to receive 12 months of treatment with the bisphosphonate zoledronic acid (given at months six and/or 12). Such patients will receive both DXA and HRpQCT scans at six and 12 months after entering the extension portion.

Partnership with Ultragenyx

In December 2020, we announced a partnership with Ultragenyx for the development of setrusumab for OI. Under the terms of the partnership, Ultragenyx will lead future global development of setrusumab in both pediatric and adult patients. We granted Ultragenyx an exclusive license to develop and commercialize setrusumab in the US and rest of the world, excluding Europe and the UK where we retain commercial rights. Each party will be responsible for post-marketing commitments in their respective territories.

We and Ultragenyx will initially prioritize the development of setrusumab for pediatric patients with OI. Development plans are being finalized which will require discussions with the regulators. The first part of the study will focus on determining the optimal dose based on using biomarkers of bone formation and an acceptable safety profile. Following determination of dose, the study is intended to adapt into a pivotal Phase 3, evaluating fracture reduction over a 15-24 month period as the primary end point. The pediatric Phase 2/3 study is expected to start in late 2021 and separate planning is underway for adults. We believe that the results from this Phase 2/3 trial, if favorable, will be sufficient to support the submission of an MAA to the EMA and BLA to the FDA for setrusumab for the treatment of children with severe OI.

Acumapimod (BCT-197) for the Treatment of AECOPD

Overview

Acumapimod is a novel, orally active p38 MAP kinase inhibitor in development for first-line acute therapy in patients with a severe hospitalized AECOPD.

Background of COPD and AECOPD

Of all COPD-related hospital admissions in the United States, approximately 63% are for AECOPD patients, representing more than 1.5 million emergency room visits in the United States accounting for approximately 45% to 50% of the total direct costs of COPD.

Current Treatment Landscape of AECOPD

The current recommended management for AECOPD includes bronchodilators, systemic corticosteroids and antibiotics, and with supportive oxygen therapy. We believe that there is a significant medical need for a drug which to improve the outcome of severe hospitalized AECOPDs.

Clinical Development of Acumapimod

Phase 2 Dose-Ranging Clinical Trial in Severe AECOPD

Two dosing regimens of acumapimod were compared to placebo,in patients hospitalized for AECOPD. Both showed a statistically significant change in FEV1 from baseline to Day 7. The high-dose acumapimod group showed a greater than 50% reduction in the number of rehospitalization for recurrent AECOPD compared to the placebo group, at Days 90 through 150. Acumapimod was observed to be generally safe and well tolerated. In 2019, end of Phase 2 meeting was held with the FDA and EMA enabling design of a global Phase 3 programme.

We intend to explore strategic options for further funding and development of acumapimod.

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

Overview

Leflutrozole is in development for the treatment of infertility and HH in obese men. Leflutrozole is a once-weekly oral aromatase inhibitor designed to normalize testosterone levels and improve HH.

Background of Hypogonadotropic Hypogonadism

Symptoms that are most commonly associated with testosterone deficiency include reduced libido, erectile dysfunction, along with a decrease sperm counts.

Current Treatment Landscape of Hypogonadotropic Hypogonadism

The primary treatment for HH is testosterone replacement therapy. One of the common side effects associated with TRT is impaired sperm formation. There is need for a treatment of HH that can improve the inferiltiy and maintain or improve sperm count.

Clinical Development of Leflutrozole

Phase 2b Clinical Trial in Hypogonadotropic Hypogonadism

We conducted a randomized double-blind, dose-ranging, trial of three doses of leflutrozole or placebo in obese males with HH. The primary endpoint of the trial was percentage of patients whose testosterone levels normalized at week 24. Other endpoints were: changes in gonadotropins LH and FSH; sexual function and semen analysis, with evaluation of safety and tolerability.

All doses of leflutrozole normalized total testosterone levels in over 75% of subjects after 24 weeks of treatment, with an increase in LH and FSH. The trial also showed an improvement in sperm counts.

Leflutrozole was observed to be well tolerated. An increased incidence of elevated haematocrit levels was observed in each of the treatment arms of the trial, consistent with increasing testosterone levels, with a small increase in blood pressure at the two highest doses. A subset of patients entered into a six-month extension study to examine if leflutrozole resulted in reduction in bone mineral density (BMD) at 48 weeks of treatment. None of the doses met the lower bound of the pre-specified safety criterion of reduction in BMD.

We concluded that the future development of leflutrozole should focus on male infertility. We intend to develop a clinical and regulatory path accordingly. We intend to explore strategic options with third parties for the further development of leflutrozole.

Navicixizumab (OMP-305B83) for Treatment of Ovarian Cancer

We acquired Navicixizumab (“Navi”) in the Merger. In January 2020, we out-licensed Navi to OncXerna. See “—Material Agreements—Licensing Agreement for Navicixizumab.” In addition, Navi is the subject of the CVR Agreement which sets forth certain rights and obligations of us with respect to Navi. See “—Material Agreements—CVR Agreement Between Us and Computershare—The NAVI Milestones.”

Material Agreements

Licensing Agreement with Ultragenyx for setrusumab

On December 17, 2020, we announced that we entered into a license and collaboration agreement with Ultragenyx, for setrusumab for OI. Under the terms of the agreement, Ultragenyx will lead future global development of setrusumab in both pediatric and adult patients. We granted Ultragenyx an exclusive license to develop and commercialize setrusumab in the U.S. and rest of the world, excluding Europe, where we retain commercial rights. Each party will be responsible for post-marketing commitments in their respective territories. Under the terms of the agreement, Ultragenyx made an upfront payment of $50 million to Mereo and will pay up to $254 million in development, regulatory and commercial milestones and tiered double digit percentage royalties to us on net sales outside of Europe and we will pay a fixed double digit percentage royalty to Ultragenyx on net sales in Europe. Under the terms of our 2015 agreement with Novartis, we will pay Novartis a percentage of proceeds, subject to certain deductions, and we will receive a substantial majority of the payments from Ultragenyx.

Collaboration Agreement with Celgene

In December 2013, OncoMed entered into the Collaboration Agreement with Celgene pursuant to which OncoMed and Celgene were to collaborate on research and development programs directed to the discovery and development of novel biologic therapeutics, and, if Celgene exercised its option to do so, the discovery, development and commercialization of novel small molecule therapeutics. We acquired Mereo BioPharma 5 (formerly OncoMed) in the Merger.

Mereo BioPharma 5's etigilimab program was the last remaining biologic therapeutic program that was active under the Collaboration Agreement. Pursuant to the Collaboration Agreement, Celgene had an option to obtain an exclusive license to develop further and commercialize biologic therapeutics in the etigilimab program, which could be exercised during time periods specified in the Collaboration Agreement through the earlier of completion of a certain clinical trial or the twelfth anniversary of the date of the Collaboration Agreement. In turn, Mereo BioPharma 5 agreed to lead the development of etigilimab prior to Celgene's exercise of the option for the program and was also responsible for funding all research and development activities for therapeutics in the etigilimab program prior to such exercise.

In June 2019, we announced that Celgene had notified Mereo BioPharma 5 that Celgene had decided, in light of strategic product portfolio considerations, not to exercise its option to license etigilimab. The Collaboration Agreement was terminated with respect to etigilimab effective on October 11, 2019. As a result, we have worldwide rights to the etigilimab program.

Navi was previously a part of the Collaboration Agreement, but the Collaboration Agreement was terminated with respect to Navi effective on January 23, 2019. As a result of this termination, we received worldwide rights to the Navi program, which we subsequently out-licensed to OncXerna. See "—Licensing Agreement for Navicixizumab."

Licensing Agreement for Navicixizumab

On January 13, 2020, we entered into a global license agreement with OncXerna for the development and commercialization of navicixizumab, an anti-DLL4/VEGF bispecific antibody currently being evaluated in an ongoing Phase 1b study in combination with paclitaxel in patients with advanced heavily pretreated ovarian cancer. Navi previously completed a Phase 1a monotherapy study in patients with various types of refractory solid tumors and is one of two product candidates we acquired through the Merger.

Under the terms of the license agreement, OncXerna received an exclusive worldwide license to develop and commercialize Navi. We received an upfront payment of $4.0 million and will receive an additional payment of $2.0 million, conditional on a CMC (Chemistry, Manufacturing and Controls) milestone. OncXerna will be responsible for all future research, development and commercialization of Navi. Additionally, we will be eligible to receive up to $300 million in future clinical, regulatory and commercial milestones, tiered royalties ranging from the mid-single-digit to sub-teen percentages on global annual net sales of Navi, as well as a negotiated percentage of sublicensing revenues from certain sublicensees.

As a consequence of the license agreement with OncXerna, and in accordance with the terms and conditions of the CVR Agreement, holders of CVRs pursuant to the CVR Agreement will be entitled to receive certain eligible cash milestone payments made to us under the license agreement relating to the development and commercialization of Navi. See "—CVR Agreement Between Us and Computershare."

CVR Agreement Between Us and Computershare

Following the closing of the Merger, OncoMed's stockholders received, in exchange for each outstanding share of OncoMed common stock owned immediately prior to the closing of the Merger (except for any dissenting shares): (1) a number of our ADSs determined by reference to an exchange ratio, and (2) one contingent value right (a "CVR"), representing the right to receive contingent payments if specified milestones are achieved within agreed time periods, subject to and in accordance with the terms and conditions of the Contingent Value Rights Agreement (the "CVR Agreement"), dated April 23, 2019, by and among Computershare, as rights agent, and us.

Except in limited circumstances, the CVRs may not be transferred, pledged, hypothecated, encumbered, assigned or otherwise disposed of.

Milestone Events and Payments

The CVR milestones relate to Mereo BioPharma 5 (formerly OncoMed)'s etigilimab and Navi therapeutic candidates, though the milestone relevant to etigilimab can no longer be achieved. The contingent payments would become payable to the rights agent, for subsequent distribution to the holders of the CVRs, upon the achievement of a milestone as follows:

The TIGIT Milestone

A payment, in the form of our ADSs, would have been made to CVR holders if, following April 23, 2019, but prior to December 31, 2019, Celgene had exercised its exclusive option granted by Mereo BioPharma 5 to Celgene in relation to reaching a milestone of Mereo BioPharma 5's etigilimab product candidate pursuant to the Collaboration Agreement (the "TIGIT Milestone"), and Mereo BioPharma 5 had actually received the cash payment payable by Celgene pursuant to such Celgene option exercise.

In June 2019, we announced that Celgene had notified Mereo BioPharma 5 that Celgene had decided, in light of strategic product portfolio considerations, not to exercise its option to license etigilimab. The Collaboration Agreement was terminated with respect to etigilimab effective on October 11, 2019. See "—Collaboration Agreement with Celgene" above. As a result, no payments are expected to become due or payable to CVR holders pursuant to the TIGIT Milestone.

The NAVI Milestones

A cash payment will be made to CVR holders if, (1) within eighteen months following the closing of the Merger, we or any of our subsidiaries enters into a definitive partnership agreement, collaboration agreement, joint venture agreement, profit sharing agreement, license or sublicense agreement, asset sale agreement, stock sale agreement, investment agreement or similar agreement duly approved by our Board with one or more third parties regarding Navi, and (2) within five years of the closing of the Merger, we or any of our subsidiaries actually receives certain eligible cash milestone payments.

On January 13, 2020, we entered into a global license agreement with OncXerna for the development and commercialization of Navi. Eligible cash milestone payments pursuant to the NAVI Agreement (as defined in the CVR Agreement) will include each cash milestone payment payable to our Company or one or more of our subsidiaries pursuant to a NAVI Agreement (or any agreement contemplated by such NAVI Agreement), except for any (i) royalty or similar sales-based payment that is measured, in whole or in part, by reference to the quantity of Navi that is produced or sold or the revenues (or a formula that makes reference to such revenues) derived therefrom and (ii) for the avoidance of doubt only, any fees for service, research and development funding, reimbursement of intellectual property filing, prosecution, litigation and maintenance-related expenses or reimbursement of manufacturing expenses received from a counterparty pursuant to a NAVI Agreement.

If a NAVI Milestone is achieved, holders of CVRs would be entitled to receive an amount in cash equal to 70% of the aggregate principal amount actually received by us or one or more of our subsidiaries (other than NAVI Sub), net of (A) any tax (including any applicable value added or sales taxes and including any tax which would be payable but for the utilization of a relief), (B) 50% of any expenditure by us or our subsidiaries pursuant to the budget set forth on a confidential schedule to the CVR Agreement, and (C) any other reasonable cost or expense attributable to the receipt of such payment (including (i) any costs, reasonable out-of-pocket fees, expenses or charges we incurred in excess of the commitments provided for in the budget set forth on a confidential schedule to the CVR Agreement, (ii) any costs, reasonable out-of-pocket fees, expenses or charges we incurred under the NAVI Agreement, and (iii) any costs, reasonable out-of-pocket fees, expenses or charges we incurred, or for which we are responsible, in connection with the preparation, negotiation and execution of the relevant NAVI Agreement, in each case to the extent such costs, out-of-pocket fees, expenses or charges have not been previously accounted for in the calculation of a prior NAVI Milestone payment).

The NAVI milestone payments are subject to a cash consideration cap, pursuant to which the aggregate principal amount of all cash payments made to holders of CVRs by us shall in no case exceed $79.7 million. If the aggregate principal amount to be paid to holders of CVRs by us pursuant to the CVR Agreement would, together with the aggregate principal amount of any prior such cash payments, otherwise exceed $79.7 million, then the applicable NAVI Milestone payment will be appropriately reduced.

If a NAVI Milestone occurs at any time prior to the fifth anniversary of the closing of the Merger, and on each such occurrence, then, thirty days following the achievement thereof, we are obligated to notify the rights agent and pay the amounts owed pursuant to the NAVI Agreement.

The receipt of the upfront milestone payment of $4.0 million by us under the Navi License Agreement with OncXerna in January 2020 resulted in a payment to CVR holders of approximately 1.2 cents per CVR, a total of approximately $0.5 million, after deductions of costs, charges and expenditures.

Novartis Agreements

In July 2015, three of our wholly-owned subsidiaries, Mereo BioPharma 3 Limited, Mereo BioPharma 2 Limited, and Mereo BioPharma 1 Limited (the “Subsidiaries”), entered into asset purchase agreements (the “Purchase Agreements”), to acquire from Novartis rights to setrusumab, acumapimod, and leflutrozole (the “Compounds”), respectively, and certain related assets (together with the Compounds, the “Novartis Assets”).

In connection with the acquisition of the Novartis Assets, we issued 3,849,000 ordinary shares to Novartis pursuant to a subscription agreement. In addition, we paid Novartis $1.5 million for a payment made by Novartis to a third party in full satisfaction of all monetary obligations of Novartis to such third party with respect to acumapimod. Under the Purchase Agreements, we have agreed to make tiered royalty payments to Novartis based on annual worldwide net sales of product candidates that include the Compounds (the “Acquired Novartis Product Candidates”), at percentages ranging from the high single digits to low double digits. In the event that the parties agree or it is otherwise determined in accordance with the Purchase Agreements that we require third-party intellectual property rights to exploit the Acquired Novartis Product Candidates, we are entitled to offset a specified percentage of amounts paid to such third parties in consideration for such intellectual property rights against the royalties due to Novartis. The royalty payments are payable for a period of ten years after the first commercial sale of an Acquired Novartis Product. We further agreed that in the event of a change in control that involves the transfer, license, assignment or lease of all or substantially all of a Subsidiary’s assets, including a Compound and related assets, we will pay Novartis a percentage of the proceeds of such transaction, with the majority of the proceeds being retained by us. No payment, however, is required with respect to any transaction of Mereo BioPharma Group plc involving its equity interests, a merger or consolidation of it, or a sale of any of its assets.

We granted Novartis an irrevocable, transferable, royalty-free, worldwide and non-exclusive license to use know-how included within the Novartis Assets for Novartis’ activities unrelated to any Acquired Novartis Product Candidates. We have agreed to use commercially reasonable efforts to develop at least one Acquired Novartis Product.

We also entered into a sublicense agreement with Novartis (the “Sublicense Agreement”), pursuant to which Novartis granted us an exclusive, worldwide, royalty-bearing sublicense for certain therapeutic antibody product candidates directed against sclerostin (the “Antibody Product Candidates”), including setrusumab. Under the Sublicense Agreement, we have agreed to pay Novartis royalties in the low single digits on worldwide net sales of Antibody Product Candidates. Royalties will be payable on a country-by-country basis until the later of expiration of the last valid claim of the licensed

patents covering the Antibody Product Candidates in a country and ten years after the first commercial sale of the Antibody Product Candidates in such country, with a maximum royalty term of 12 years after the first commercial sale of the Antibody Product Candidates in such country. We have also agreed to pay Novartis up to $3.25 million in development and regulatory milestones, and to use commercially reasonable efforts to develop and commercialize an Antibody Product. The Sublicense Agreement will expire on the earlier of the termination of the agreement under which Novartis is granting us a sublicense (the "Original License Agreement") and, on a product-by-product and country-by-country basis, the expiration of the royalty term with respect to such Antibody Product Candidate in such country. The Original License Agreement has a perpetual term and may be terminated for breach or upon a change in control of the licensing party. We may terminate the Sublicense Agreement upon written notice to Novartis and either party may terminate the Sublicense Agreement for the other party's uncured material breach or bankruptcy.

AstraZeneca Agreement

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

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

The License Agreement will expire on the expiry of the last-to-expire royalty term with respect to all licensed product candidates. Upon the expiration of the royalty term for a licensed product in a particular country, the licenses to us for such product in such country will become fully-paid and irrevocable. Prior to exercise of the Option, if at all, we may terminate the License Agreement upon prior written notice. Either party may terminate the agreement upon prior written notice for the other party's material breach that remains uncured for a specified period of time or insolvency. AstraZeneca agreed not to assert any AstraZeneca intellectual property rights that were included in the scope of the License Agreement against us.

Agreements relating to June 2020 Private Placement

On June 4, 2020, we announced completion of a private placement transaction with a number of new and existing principally U.S.-based institutional and accredited investors (the "June 2020 Private Placement"). OrbiMed Private Investments VI, LP (acting through its general partner, OrbiMed Capital GP VI LLC, acting through its managing member, OrbiMed Advisors LLC, collectively referred to herein as "OrbiMed") led the June 2020 Private Placement with participants including Vivo Capital, Surveyor Capital (a Citadel company), Pontifax Venture Capital, Samsara BioCapital, Commodore Capital, and funds managed by Janus Henderson Investors alongside existing investors Boxer Capital of Tavistock Group and Aspire Capital Fund, LLC (collectively, the "Purchasers"). On June 3, 2020, we entered into a securities purchase agreement (the "June 2020 Purchase Agreement") with the Purchasers pursuant to which we received $70.0 million (£56.0 million) from the Purchasers comprising: the allotment of ordinary shares at a subscription price of $19.4 (£15.5) million utilizing the pre-existing share authorities of the Company, and the subscription for Tranche 1 convertible loan notes ("Loan Notes") in an aggregate principal amount of $50.6 million (£40.5 million).

Following the passing of resolutions at our General Meeting on June 30, 2020, the Loan Notes automatically converted into ordinary shares of £0.003 each in the capital of the Company except that no new ordinary shares were issued which would result in any person holding in excess of 9.99 percent of the aggregate voting rights in the Company as a result of the relevant conversion. Accordingly, the automatic conversion resulted in Loan Notes in an aggregate principal amount of £21.8 million (together with accrued interest) converting into 125,061,475 ordinary shares on June 30, 2020. As of December 31, 2020, Loan Notes in an aggregate principal amount of £18.9 million remained outstanding and convertible into ordinary shares or ADSs in accordance with their terms.

The Purchasers also received warrants entitling the holders to subscribe for an aggregate of 161,048,366 new ordinary shares. As of December 31, 2020, there were 160,358,161 warrants outstanding to purchase ordinary shares at an exercise price of £0.348 per ordinary share, subject to the terms of the warrants. In accordance with the terms of the warrants, holders may elect to exercise their warrants on a cashless basis.

Arrangements with OrbiMed

In recognition of OrbiMed's participation in, and assistance with, the June 2020 Private Placement, we agreed to grant OrbiMed certain rights. OrbiMed had the right to nominate two persons to be appointed to the Board of Directors (out of a maximum number of 9 directors) and Dr. Jeremy Bender and Dr. Brian Schwartz were accordingly nominated to our Board of Directors effective October 1, 2020. OrbiMed has also been granted the right to participate in future financings of the Company, subject, among other things, to the existing pre-emption rights of the Shareholders under the Companies Act 2006 and existing agreements. OrbiMed has been paid a subscription fee by the Company in relation to its participation in the June 2020 Private Placement.

February 2021 Public Offering

On February 12, 2021, we announced the completion of an underwritten public offering of 39,675,000 ADSs, at a public offering price of $2.90 per ADS, which included 5,175,000 additional ADSs issued upon the exercise in full of the underwriters' option to purchase additional ADSs. The aggregate gross proceeds to us from the public offering, before deducting underwriting discounts and commissions and offering expenses were $115.1 million.

Manufacturing

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

We intend to enter into contractual relationships for the manufacture of commercial supplies for etigilimab, alvelestat and setrusumab, if approved for commercial sale. Any batches of product candidates for commercialization will need to be manufactured in facilities, and by processes, that comply with the requirements of the FDA, the EMA, and the regulatory agencies of other jurisdictions in which we are seeking approval. We employ internal resources to manage our manufacturing contractors and ensure they are compliant with current good manufacturing practices.

Commercialization, Sales and Marketing

We do not have our own marketing, sales, or distribution capabilities. In order to commercialize our oncology and rare disease product candidates, if approved for commercial sale, we must either develop a sales and marketing infrastructure or collaborate with third parties that have sales and marketing experience. We have recently entered into a license and collaboration agreement with Ultragenyx for setrusumab. For etigilimab, and alvelestat, if approved, and for any future product candidates for oncology or rare diseases, we intend either to establish a sales and marketing organization with

technical expertise and supporting distribution capabilities to commercialize or co-commercialize these product candidates in major markets or potentially to outsource aspects of these functions to third parties or partners. We intend to seek to enter into one or more strategic relationships with third parties for our non-core disease product candidates, acumapimod and leflutrozole to undertake the next phase of clinical development and, if approved, for commercialization.

Competition

We compete directly with other biopharmaceutical and pharmaceutical companies that focus on the treatment of solid tumor cancers and hematologic cancers, OI, AATD, AECOPD or HH. We may also face competition from academic research institutions, governmental agencies and other various public and private research institutions. We expect to face increasingly intense competition as new technologies become available. Any product candidates, including etigilimab, alvelestat, setrusumab, acumapimod and leflutrozole that we successfully develop and commercialize will compete with existing therapies and new therapies that may become available in the future.

We consider etigilimab's current closest potential competitors to be existing cancer treatments such as the commercially available immuno-oncology agents (e.g., Yervoy, Keytruda and Opdivo), chemotherapeutic agents, and antibody-based therapeutics such as Avastin and Erbitux. In addition, other potential competitors include several other anti-TIGIT agents (e.g., those currently being developed by Genentech (Roche), Merck, Bristol-Myers Squibb or BMS, Arcus Biosciences, iTeos Therapeutics, Compugen and BeiGene) and investigational immuno-oncologic agents against other targets. There are established pharmaceutical and biotechnology companies that are known to be involved in oncology research.

We consider alvelestat's current closest potential competitors for the treatment of severe AATD to be alpha1-proteinase inhibitors that are administered intravenously in AAT augmentation therapy.

Currently, there are four inhibitors on the market in the United States and the EU: Grifols' Prolastin-C, Shire's Aralast, CSL's Zemaira and Kamada's Glassia. Kamada is also investigating an inhaled version of augmentation therapy, InhibRx is in Phase 1 development of INBRX-101, a recombinant human alpha-1 antitrypsin Fc fusion protein (rhAAT-Fc) for replacement therapy and Apic Bio is in the early stages of developing a dual function vector (df-AAV) gene-therapy approach for AATD silencing the mutant Z-AAT protein and augmenting wildtype M-AAT production. Insmed DPP1 inhibitor, brensocatib showed positive Ph2 efficacy data in bronchiectasis, and is being investigated in ARDS and Cystic Fibrosis with AATD listed as a potential additional indication; Ph Pharma acquired an oral NE inhibitor, PHP 303 from Bayer with EU approval for a Phase 2 trial in AATD Vertex has a small molecule corrector for AATD VX-864 in Phase 2 development. Centessa (previously Z-factor) is in Ph1 with ZF874 protein folding corrector for Z-AATD. Santhera has in-licensed an inhaled NE inhibitor and has completed a multiple ascending dose study, in the initial indication of CF; and CHF-6333 is an inhaled human NE inhibitor in Phase 1 development by Chiesi for the treatment of non-cystic fibrosis bronchiectasis and CF.

We consider setrusumab's current closest potential competitors in development for the treatment of OI to be Amgen's denosumab (Prolia) an anti-resorptive agent, and Amgen and UCB's anti-sclerostin antibody, romosozumab (Evenity), which was approved in the United States in April 2019 for osteoporosis. In June 2019, the EMA's CHMP adopted a negative opinion recommending the refusal of a marketing authorization for Evenity. However, Amgen and UCB announced in October 2019 that following a re-examination procedure the CHMP has adopted a positive opinion recommending marketing authorization for Evenity. The CHMP's recommendation was reviewed by the European Commission Evenity was authorized in December 2019. In addition, Jiangsu Hengrui has commenced Phase 1 development of an anti-sclerostin antibody for osteoporosis, and Transcenta Holding has licensed the anti-sclerostin antibody blosozumab from Lilly and plans to develop it for osteoporosis. Additionally, Bone Therapeutics is developing osteoblastic cell therapy product candidates. Baylor College of Medicine is also conducting a Phase 1 open label trial of fresolimumab, a TGF-B inhibitor, in adult OI patients.

We consider leflutrozole's current closest potential competitors for the treatment of HH to be TRT. These include Androgel from AbbVie and Lilly's Axiron, both administered transdermally by applying a gel formulation, which are approved in the United States and Europe, Andriol from Merck, an oral testosterone therapy, which is approved in Europe but not in the United States and Jatenzo from Clarus approved in the United States in March 2019. There are also other approved TRT product candidates that are administered via injection and other oral TRTs that are still in the development or registration stages, such as Tlando from Lipocine. The FDA held advisory committee meetings in January 2018 for Tlando. On May 9, 2018, Lipocine announced that it had received a complete response letter from the FDA and on May 14, 2019, Lipocine announced the acceptance of the NDA for Tlando and according to Lipocine is eligible to launch after March 27, 2022 when competitors existing patent protection and/or market exclusivity expire. Lipocine also has a pending lawsuit against Clarus for its product Jatenzo.

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

The key competitive factors affecting the success of etigilimab, alvelestat, setrusumab, acumapimod and leflutrozole, if approved, are likely to be their efficacy, safety, dosing convenience, price, the effectiveness of companion diagnostics in guiding the use of related therapeutics, the level of generic competition and the availability of reimbursement from government and other third-party payors.

Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize product candidates that are safer, more effective, less expensive, more convenient or easier to administer or have fewer or less severe side effects than any product candidates that we may develop. Our competitors may also obtain FDA, EMA or other regulatory approval for their product candidates more rapidly than we may obtain approval for our own product candidates, which could result in our competitors establishing a strong market position before we are able to enter the market. Even if etigilimab, alvelestat, setrusumab, acumapimod or leflutrozole achieve marketing approval, they may be priced at a significant premium over competing product candidates if any have been approved by then. For more information, please see "Risk Factors—Risks Related to Commercialization—We operate in a highly competitive and rapidly changing industry, which may result in others acquiring, developing, or commercializing competing product candidates before or more successfully than we do."

Intellectual Property

We have acquired or exclusively licensed our intellectual property portfolio from Mereo BioPharma 5 (formerly OncoMed), Novartis and AstraZeneca. We strive to protect and enhance the proprietary technologies, inventions and improvements that we believe are important to our business, including seeking, maintaining and defending patent rights, whether developed internally or acquired or licensed from third parties. Our policy is to seek to protect our proprietary position by, among other methods, pursuing and obtaining patent protection in the United States and in jurisdictions outside of the United States related to our proprietary technology, inventions, improvements, platforms and our product candidates that are important to the development and implementation of our business.

Our intellectual property is held by Mereo BioPharma 5 Inc., Mereo BioPharma 1 Limited, Mereo BioPharma 2 Limited, Mereo BioPharma 3 Limited and Mereo BioPharma 4 Limited, each of which is a wholly-owned subsidiary of our Company and holds the intellectual property for our product candidates etigilimab and navicixizumab, acumapimod, leflutrozole, setrusumab and alvelestat respectively. As of December 31 2020, our patent portfolio comprises approximately 566 issued patents and approximately 200 pending patent applications on a global basis.

Individual patents extend for varying periods depending on the date of filing of the patent application or the date of patent issuance and the legal term of patents in the countries in which they are obtained. Generally, patents issued for regularly filed applications in the United States are granted a term of 20 years from the earliest effective non-provisional filing date. In addition, in certain instances, a patent term can be extended to recapture a portion of the USPTO delay in issuing the patent as well as a portion of the term effectively lost as a result of the FDA regulatory review period. However, as to the FDA component, the restoration period cannot be longer than five years and the total patent term including the

restoration period must not exceed 14 years following FDA approval. The duration of foreign patents varies in accordance with provisions of applicable local law, but typically the duration of foreign issued patents is also 20 years from the earliest effective filing date. However, the actual protection afforded by a given patent varies on a product-by-product basis and from country to country, dependent on many factors, including the type of patent, the scope of its coverage, the availability of regulatory-related extensions, the availability of legal remedies in a particular country and the validity and enforceability of the patent.

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

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

Etigilimab (OMP-313M32)

As of December 31, 2020, our patent portfolio relating to our therapeutic candidate etigilimab consisted of two granted U.S. patents and two pending U.S. patent applications, as well as corresponding patent applications in major foreign jurisdictions.

The patent portfolio relating to our therapeutic candidate etigilimab contains one core patent family that covers the product per se as well as medical uses thereof. This patent family currently consists of two granted U.S. patents, three granted or allowed foreign patents and 22 pending foreign patent applications. Patents that issue from this core family are generally expected to expire in 2036.

The portfolio also includes a second patent family that relates to specific methods of treatment using etigilimab. This patent family currently consists of two pending U.S. applications, and 9 pending foreign patent applications. Any patents that issue from this family are generally expected to expire in 2037.

Alvelestat (MPH-966)

As of December 31, 2020, our patent portfolio relating to our product candidate alvelestat consisted of three issued U.S. patents, no pending U.S. patent applications, 36 issued or allowed foreign patents and three pending foreign patent applications. These patents have all been licensed under our agreement with AstraZeneca. See “Business—Material Agreements—AstraZeneca Agreement.” These issued patents and patent applications, if issued, include claims directed to 2-pyridone derivatives as NE inhibitors and their uses as well as claims to polymorphs of the tosylate salt of a 5-pyrazolyl-2-pyridone derivative, with expected expiry dates between 2024 and 2030. Our patent portfolio relating to our product candidate alvelestat also includes two pending foreign applications which have been filed subsequent to the license agreement with AstraZeneca. These patent applications, if issued, include claims directed to dosage regimens of alvelestat with expected expiry dates in 2041.

Our patent portfolio relating to our product candidate alvelestat also includes one pending international patent application filed under the PCT and one pending U.S. patent application which have been filed subsequent to the license agreement with AstraZeneca. These patent applications, if issued, include claims directed to methods of treatment using alvelestat with expected expiry dates of 2040 and 2041.

Setrusumab (BPS-804)

As of December 31, 2020, our patent portfolio relating to our product setrusumab consisted of three issued U.S. patents, three pending U.S. patent applications, 117 issued foreign patents and 28 pending foreign patent applications. These issued patents and patent applications, if issued, include claims directed to the setrusumab antibody as well as nucleic acids encoding the antibody and the antibody's use as a medicament; the use of anti-sclerostin antibodies in the treatment of OI; the use of the setrusumab antibody in the treatment of OI with a specific dosing regimen; and use of a sclerostin antagonist in the treatment of a myopathy with expected expiry dates between 2028 and 2039. In December 2020, we entered into a license and collaboration agreement with Ultragenyx for setrusumab for OI. See "—Licensing Agreement with Ultragenyx for setrusumab."

Navicixizumab (OMP-305B83)

As of December 31, 2020, our patent portfolio relating to Navi consisted of 17 issued U.S. patents and two pending U.S. patent applications, as well as corresponding patents or patent applications in major foreign jurisdictions.

The patent portfolio relating to Navi contains two core patent families, both of which cover the product per se as well as medical uses thereof. Patents and patent applications, if issued, in these core families are expected to expire between 2030 and 2032.

The portfolio also includes several other patent families including issued U.S. and foreign patents and pending applications that relate to specific methods of treatment using Navi. Patents and patent applications, if issued, in these families are expected to expire between 2030 and 2039. Navi was licensed by the Group to OncXerna Inc. in January 2020 pursuant to the terms of a global licensing agreement. See "—Licensing Agreement for Navicixizumab."

Acumapimod (BCT-197)

As of December 31, 2020, our patent portfolio relating to our product acumapimod consisted of 7 issued or allowed U.S. patents, 5 pending U.S. patent applications, 140 issued or allowed foreign patents, 52 pending foreign applications, and three pending international patent applications filed under the PCT. These issued patents and patent applications, if issued, include claims directed to 5-membered heterocycle-based p38 kinase inhibitors, the use of a pyrazole derivative in the treatment of AECOPD, dosage regimens of acumapimod, the use of acumapimod in the treatment of specific patient subpopulations, methods of producing specific polymorphs of acumapimod and synthetic methods of production of acumapimod with expected expiry dates between 2024 and 2039.

Leflutrozole (BGS-649)

As of December 31, 2020, our patent portfolio relating to our product leflutrozole consisted of four issued U.S. patents, one pending U.S. patent application, 90 issued foreign patents, and 7 pending foreign patent applications. These issued patents and patent applications, if issued, include claims directed to leflutrozole formulations and the use of leflutrozole in treating hypogonadism according to a specific dosing regimen, with expected expiry dates between 2032 and 2037.

Government Regulation

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

U.S. Government Regulation

In the United States, the FDA regulates drugs under the FDCA and its implementing regulations, and biological product candidates ("biologics"), under both the FDCA and the PHSA and its implementing regulations.

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

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

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

Pre-clinical Studies

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

Clinical Trials

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

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

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

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

Special FDA Expedited Review and Approval

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

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

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

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

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

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

Priority Review Voucher Program

This FDA Priority Review Voucher program is intended to encourage development of new drug and biological products for prevention and treatment of certain rare pediatric diseases. Under this program, a sponsor who receives an approval for a drug or biologic designated as a "rare pediatric disease" may qualify for a voucher that can be redeemed to receive a priority review of a subsequent marketing application for a different product. Priority review means that the FDA aims to render a decision in six months. The sponsor receives the priority review voucher upon approval of the rare pediatric disease product application and it can be sold or transferred.

Orphan Product Designation and Exclusivity

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

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

Marketing Approval

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

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

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

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

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

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

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

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

Post-Approval Requirements

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

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

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

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

- restrictions on the marketing or manufacturing of the product, complete withdrawal of the product from the market or product recalls;
- fines, warning letters or holds on post-approval clinical trials;
- refusal of the FDA to approve pending applications or supplements to approved applications or suspension or revocation of product approvals;
- product seizure or detention or refusal to permit the import or export of product candidates;
- injunctions or the imposition of civil or criminal penalties;
- consent decrees, corporate integrity agreements, debarment or exclusion from federal healthcare programs;
- mandated modification of promotional materials and labeling and the issuance of corrective information; or
- the FDA or other regulatory authorities may issue safety alerts, "Dear Healthcare Provider" letters, press releases or other communications containing warnings or other safety information about the product.

The FDA strictly regulates marketing, labeling, advertising and promotion of product candidates that are placed on the market. Product candidates may be promoted only for the approved indications and in accordance with the provisions of the approved label. The FDA and other agencies actively enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have improperly promoted off-label uses may be subject to significant liability.

Foreign Government Regulation

Our product candidates will be subject to similar laws and regulations imposed by jurisdictions outside of the United States, and, in particular, Europe, which may include, for instance, applicable post-marketing requirements, including safety surveillance, anti-fraud and abuse laws and implementation of corporate compliance programs and reporting of payments or other transfers of value to healthcare professionals.

In order to market our future product candidates in the European Economic Area (which is comprised of the 27 Member States of the EU plus Norway, Iceland and Liechtenstein) (the "EEA"), and many other foreign jurisdictions, we must obtain separate regulatory approvals. More concretely, in the EEA, medicinal product candidates can only be commercialized after obtaining a Marketing Authorization ("MA"). There are two types of marketing authorizations:

- the "Community MA," which is issued by the European Commission through the Centralized Procedure, based on the opinion of the Committee for Medicinal Product candidates for Human Use of the EMA and which is valid throughout the entire territory of the EEA. The Centralized Procedure is mandatory for certain types of product candidates, such as biotechnology medicinal product candidates, orphan medicinal product candidates and medicinal product candidates indicated for the treatment of AIDS, cancer, neurodegenerative disorders, diabetes, auto-immune and viral diseases. The Centralized Procedure is optional for product candidates containing a new active substance not yet authorized in the EEA, or for product candidates that constitute a significant therapeutic, scientific or technical innovation or which are in the interest of public health in the EU; and
- "National MAs," which are issued by the competent authorities of the Member States of the EEA and only cover their respective territory, are available for product candidates not falling within the mandatory scope of the Centralized Procedure. Where a product has already been authorized for marketing in a Member State of the EEA, this National MA can be recognized in another Member State through the Mutual Recognition Procedure. If the product has not received a National MA in any Member State at the time of application, it can be approved simultaneously in various Member States through the Decentralized Procedure.

Under the above described procedures, before granting the MA, the EMA or the competent authorities of the Member States of the EEA make an assessment of the risk-benefit balance of the product on the basis of scientific criteria concerning its quality, safety and efficacy.

Data and marketing exclusivity. In the EEA, new product candidates authorized for marketing, or reference product candidates, qualify for eight years of data exclusivity and an additional two years of market exclusivity upon marketing authorization. The data exclusivity period prevents generic or biosimilar applicants from relying on the pre-clinical and clinical trial data contained in the dossier of the reference product when applying for a generic or biosimilar marketing authorization in the EU during a period of eight years from the date on which the reference product was first authorized in the EU. The market exclusivity period prevents a successful generic or biosimilar applicant from commercializing its product in the EU until 10 years have elapsed from the initial authorization of the reference product in the EU. The 10-year market exclusivity period can be extended to a maximum of eleven years if, during the first eight years of those 10 years, the marketing authorization holder obtains an authorization for one or more new therapeutic indications which, during the scientific evaluation prior to their authorization, are held to bring a significant clinical benefit in comparison with existing therapies.

Pediatric investigation plan. In the EEA, marketing authorization applications for new medicinal product candidates not authorized have to include the results of studies conducted in the pediatric population, in compliance with a pediatric investigation plan ("PIP"), agreed with the EMA's Pediatric Committee ("PDCO"). The PIP sets out the timing and measures proposed to generate data to support a pediatric indication of the drug for which marketing authorization is being sought. The PDCO can grant a deferral of the obligation to implement some or all of the measures of the PIP until there are sufficient data to demonstrate the efficacy and safety of the product in adults. Further, the obligation to provide pediatric clinical trial data can be waived by the PDCO when these data are not needed or appropriate because the product is likely to be ineffective or unsafe in children, the disease or condition for which the product is intended occurs only in adult populations, or when the

product does not represent a significant therapeutic benefit over existing treatments for pediatric patients. Once the marketing authorization is obtained in all Member States of the EU and study results are included in the product information, even when negative, the product is eligible for a six-month supplementary protection certificate extension or, in the case of orphan medicinal products, a two-year extension of orphan market exclusivity.

Orphan drug designation. In the EEA, a medicinal product can be designated as an orphan drug if its sponsor can establish that the product is intended for the diagnosis, prevention or treatment of a life-threatening or chronically-debilitating condition affecting not more than five in 10,000 persons in the EU when the application is made, or that the product is intended for the diagnosis, prevention or treatment of a life-threatening, seriously-debilitating or serious and chronic condition in the European Community and that without incentives it is unlikely that the marketing of the drug in the EU would generate sufficient return to justify the necessary investment. For either of these conditions, the applicant must demonstrate that there exists no satisfactory method of diagnosis, prevention or treatment of the condition in question that has been authorized in the EU or, if such method exists, the drug will be of significant benefit to those affected by that condition.

In the EEA, an application for designation as an orphan product can be made any time prior to the filing of an application for approval to market the product. Marketing authorization for an orphan drug leads to a 10 year period of market exclusivity. During this market exclusivity period, the EMA or the competent authorities of the Member States, cannot accept another application for a marketing authorization, or grant a marketing authorization, for a similar medicinal product for the same indication. The period of market exclusivity is extended by two years for orphan medicinal products that have also complied with an agreed PIP.

This period of orphan market exclusivity may, however, be reduced to six years if, at the end of the fifth year, it is established that the product no longer meets the criteria for which it received orphan drug destination, i.e. the prevalence of the condition has increased above the threshold or it is judged that the product is sufficiently profitable not to justify maintenance of market exclusivity. Granting of an authorization for another similar orphan medicinal product where another product has market exclusivity can happen only in selected cases, such as, for example, demonstration of “clinical superiority” by a similar medicinal product, inability of a manufacturer to supply sufficient quantities of the first product or where the manufacturer itself gives consent. A company may voluntarily remove a product from the orphan register. Medicinal products or medicinal product candidates designated as orphan are eligible for incentives made available by the EU and its Member States to support research into, development and availability of orphan medicinal products. In March 2016, we obtained orphan drug designation for setrusumab for the treatment of OI in the EU. We intend to pursue orphan designation for alvelestat and for future, eligible rare disease programs.

Adaptive pathways. The EMA has an adaptive pathways program which allows for early and progressive patient access to a medicine. The adaptive pathways concept is an approach to medicines approval that aims to improve patients’ access to medicines in cases of high unmet medical need. To achieve this goal, several approaches are envisaged: identifying small populations with severe disease where a medicine’s benefit-risk balance could be favorable; making more use of real-world data where appropriate to support clinical trial data; and involving health technology assessment bodies early in development to increase the chance that medicines will be recommended for payment and ultimately covered by national healthcare systems. The adaptive pathways concept applies primarily to treatments in areas of high medical need where it is difficult to collect data via traditional routes and where large clinical trials would unnecessarily expose patients who are unlikely to benefit from the medicine. The approach builds on regulatory processes already in place within the existing EU legal framework. These include: scientific advice; compassionate use; the conditional approval mechanism (for medicines addressing life-threatening conditions); patient registries and other pharmacovigilance tools that allow collection of real-life data and development of a risk-management plan for each medicine.

The adaptive pathways program does not change the standards for the evaluation of benefits and risks or the requirement to demonstrate a positive benefit-risk balance to obtain marketing authorization. In February 2017, setrusumab was accepted into the adaptive pathways program.

PRIME scheme. In July 2016, the EMA launched the PRIME scheme. PRIME is a voluntary scheme aimed at enhancing the EMA’s support for the development of medicines that target unmet medical needs. It is based on increased interaction and early dialogue with companies developing promising medicines, to optimize their product development plans and speed up their evaluation to help them reach patients earlier. Product developers that benefit from PRIME designation can expect to be eligible for accelerated assessment but this is however not guaranteed. The benefits of a PRIME designation includes the appointment of a rapporteur from the Committee for Medicinal Product candidates for Human Use before submission of an MAA, early dialogue and scientific advice at key development milestones, and the potential to qualify product candidates for accelerated review earlier in the application process. In November 2017, the EMA granted PRIME designation for setrusumab for the treatment of OI.

Regulation in the United Kingdom

Brexit may influence the attractiveness of the United Kingdom as a place to conduct clinical trials. The European Union's regulatory environment for clinical trials is being harmonized as part of the Clinical Trial Regulations, which are due to enter into full effect at the end of 2021, but it is currently unclear as to what extent the United Kingdom will seek to align its regulations with the European Union. Failure of the United Kingdom to closely align its regulations with the EU may have an effect on the cost of conducting clinical trials in the United Kingdom as opposed to other countries and/or make it harder to seek a marketing authorization for our product candidates on the basis of clinical trials conducted in the United Kingdom.

In the short term, there will be few changes to clinical trials that only have sites in the United Kingdom. The Medicines and Healthcare Products Regulatory Agency (the "MHRA") have confirmed that the sponsor of a clinical trial can be based in the EEA for an initial period following Brexit. Further investigational medicinal products can be supplied directly from the EU/EEA to a trial site in Great Britain without further oversight until 1 January 2022, and to Northern Ireland beyond such date. The United Kingdom is now a "third country" for the purpose of clinical trials that have sites in the EEA. For such trials the sponsor/legal representative must be based in the EEA, and the trial must be registered on the EU Clinical Trials Register (including data on sites outside of the EEA).

Other U.S. Healthcare Laws

In addition to FDA restrictions on marketing of pharmaceutical and biologic product candidates, other U.S. federal and state healthcare regulatory laws restrict business practices in the pharmaceutical and biotechnology industry, which include, but are not limited to, state and federal anti-kickback, false claims, data privacy and security and physician payment and pricing transparency laws.

The U.S. federal Anti-Kickback Statute prohibits, among other things, any person or entity from knowingly and willfully offering, paying, soliciting, receiving or providing any remuneration, directly or indirectly, overtly or covertly, to induce or in return for purchasing, leasing, ordering, or arranging for or recommending the purchase, lease or order of any good, facility, item or service reimbursable, in whole or in part, under Medicare, Medicaid or other federal healthcare programs. The term "remuneration" has been broadly interpreted to include anything of value. The Anti-Kickback Statute has been interpreted to apply to arrangements, such as those between pharmaceutical manufacturers on the one hand and prescribers, purchasers, formulary managers and beneficiaries on the other. Although there are a number of statutory exceptions and regulatory safe harbors protecting some common activities from prosecution, the exceptions and safe harbors are drawn narrowly. Practices that involve remuneration that may be alleged to be intended to induce prescribing, purchases, or recommendations may be subject to scrutiny if they do not meet the requirements of a statutory or regulatory exception or safe harbor. Failure to meet all of the requirements of a particular applicable statutory exception or regulatory safe harbor does not make the conduct per se illegal under the U.S. federal Anti-Kickback Statute. Instead, the legality of the arrangement will be evaluated on a case-by-case basis based on a cumulative review of all facts and circumstances. Several courts have interpreted the statute's intent requirement to mean that if any one purpose of an arrangement involving remuneration is to induce referrals of federal healthcare covered business, the statute has been violated.

Additionally, the intent standard under the U.S. federal Anti-Kickback Statute was amended by the ACA to a stricter standard such that a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation. In addition, the ACA codified case law that a claim including items or services resulting from a violation of the U.S. federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the federal civil FCA. The majority of states also have anti-kickback laws, which establish similar prohibitions and in some cases may apply to items or services reimbursed by any third-party payor, including commercial insurers, or to self-pay patients.

The federal false claims and civil monetary penalties laws, including the civil FCA, prohibit any person or entity from, among other things, knowingly presenting, or causing to be presented, a false, fictitious or fraudulent claim for payment to, or approval by, the federal government, knowingly making, using, or causing to be made or used a false record or statement material to a false or fraudulent claim to the federal government, or from knowingly making a false statement to avoid, decrease or conceal an obligation to pay money to the U.S. federal government. A claim includes "any request or demand" for money or property presented to the U.S. government. Actions under the civil FCA may be brought by the

Attorney General or as a qui tam action by a private individual in the name of the government. Violations of the civil FCA can result in very significant monetary penalties and treble damages. Several pharmaceutical and other healthcare companies have been prosecuted under these laws for, among other things, allegedly providing free product to customers with the expectation that the customers would bill federal programs for the product. Other companies have been prosecuted for causing false claims to be submitted because of the companies' marketing of product candidates for unapproved, or off-label, uses. In addition, the civil monetary penalties statute imposes penalties against any person who is determined to have presented or caused to be presented a claim to a federal health program that the person knows or should know is for an item or service that was not provided as claimed or is false or fraudulent. Many states also have similar fraud and abuse statutes or regulations that apply to items and services reimbursed under Medicaid and other state programs, or, in several states, apply regardless of the payor.

HIPAA created additional federal criminal statutes that prohibit, among other actions, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, including private third-party payors, knowingly and willfully embezzling or stealing from a healthcare benefit program, willfully obstructing a criminal investigation of a healthcare offense and knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services. Similar to the U.S. federal Anti-Kickback Statute, the ACA broadened the reach of certain criminal healthcare fraud statutes created under HIPAA by amending the intent requirement such that a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation.

In addition, there has been a trend of increased federal and state regulation of payments made to physicians and certain other healthcare providers. The ACA imposed, among other things, new annual reporting requirements through the Physician Payments Sunshine Act for applicable manufacturers for certain payments and "transfers of value" provided to physicians and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members. Failure to submit timely, accurately and completely the required information for all payments, transfers of value and ownership or investment interests may result in civil monetary penalties. Applicable manufacturers must submit reports by the 90th day of each subsequent calendar year. In addition, certain states require implementation of compliance programs and compliance with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government, impose restrictions on marketing practices and/or tracking and reporting of gifts, compensation and other remuneration or items of value provided to physicians and other healthcare professionals and entities.

We may also be subject to data privacy and security regulation by both the federal government and the states in which we conduct our business. HIPAA, as amended by HITECH, and their respective implementing regulations, including the Final HIPAA Omnibus Rule published on January 25, 2013, impose specified requirements relating to the privacy, security and transmission of individually identifiable health information held by covered entities and their business associates. Among other things, HITECH made HIPAA's security standards directly applicable to "business associates," defined as independent contractors or agents of covered entities that create, receive, maintain or transmit protected health information in connection with providing a service for or on behalf of a covered entity. HITECH also increased the civil and criminal penalties that may be imposed against covered entities, business associates and possibly other persons, and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce the federal HIPAA laws and seek attorney's fees and costs associated with pursuing federal civil actions. In addition, state laws govern the privacy and security of health information and other personal information in certain circumstances. For example, the California Consumer Privacy Act of 2018 came into effect on January 1, 2020. State laws are rapidly evolving and often differ from each other in significant ways and may not have the same requirements, thus complicating compliance efforts.

The scope and enforcement of each of these laws is uncertain and subject to rapid change in the current environment of healthcare reform, especially in light of the lack of applicable precedent and regulations. Ensuring that internal operations and business arrangements with third parties comply with applicable healthcare laws and regulations involve substantial costs.

Violations of any of these laws may be punishable by criminal and civil sanctions, including fines and civil monetary penalties, the possibility of exclusion from federal healthcare programs (including Medicare and Medicaid), disgorgement and corporate integrity agreements, which impose, among other things, rigorous operational and monitoring requirements on companies. Similar sanctions and penalties, as well as imprisonment, also can be imposed upon executive officers and employees of such companies. Given the significant size of actual and potential settlements, it is expected that the government authorities will continue to devote substantial resources to investigating healthcare providers' and manufacturers' compliance with applicable laws.

Privacy and Data Protection Laws in Europe

We are subject to European laws relating to our and our suppliers', partners' and subcontractors' collection, control, processing and other use of personal data (i.e., any data relating to an identifiable living individual, whether that individual can be identified directly or indirectly). We are subject to the data protection laws in those jurisdictions where we are established and processing personal data. We are also subject to such laws, when outside the EU or UK (as the case may be), where we process personal data relating to individuals in the EU or UK "in the context of" an establishment in those markets, where we specifically target goods or services to EU or UK residents and where we monitor the behavior of individuals in the EU or UK (e.g., undertaking clinical trials). We and our suppliers, partners and subcontractors process personal data including in relation to our employees, employees of customers, clinical trial patients, healthcare professionals and employees of suppliers including health and medical information. The data privacy regime in the EU includes the GDPR, the e-Privacy Directive and the e-Privacy Regulation (once in force) and the national laws and regulations implementing or supplementing each of them. In the UK, we are subject to the UK Data Protection Act 2018 and the GDPR, as implemented into UK law by regulation, along with UK regulations implementing the e-Privacy Directive. The UK's data protection regime, while currently closely aligned with the EU's, may diverge over time based on the decisions of the English courts.

The GDPR requires that personal data is only collected for specified, explicit and legal purposes as set out in the GDPR or local laws, and the data generally may then only be processed in a manner consistent with those purposes. The personal data collected and processed must be adequate, relevant and not excessive in relation to the purposes for which it is collected and processed, it must be held securely, not transferred outside of the EEA or UK, in the case of the UK's GDPR, (unless certain steps are taken to ensure an adequate level of protection), and must not be retained for longer than necessary for the purposes for which it was collected. In addition, the GDPR requires companies processing personal data to take certain organizational steps to ensure that they have adequate records, policies, security, training and governance frameworks in place to ensure the protection of data subject rights, including as required to respond to complaints and requests from data subjects. For example, the GDPR requires us to make more detailed disclosures to data subjects, requires disclosure of the legal basis on which we can process personal data, makes it harder for us to obtain valid consent for processing, will require the appointment of a data protection officer where sensitive personal data (i.e., health data) is processed on a large scale, introduces data breach notification requirements with a low threshold for notifying regulators and imposes additional obligations on us when we are contracting with service providers.

In addition, to the extent a company processes, controls or otherwise uses "special category" personal data (including patients' health or medical information, genetic information and biometric information), more stringent rules apply, further limiting the circumstances and the manner in which a company is legally permitted to process that data. Finally, the EU's GDPR provides a broad right for EU member states to create supplemental national laws which may result in divergence across Europe making it harder to maintain a consistent operating model or standard operating procedures. Such laws, for example, may relate to the processing of health, genetic and biometric data, which could further limit our ability to use and share such data or could cause our costs to increase, and harm our business and financial condition.

We depend on a number of third parties in relation to the provision of our services, a number of which process personal data on our behalf. With each such provider we enter into contractual arrangements to ensure that they only process personal data according to our instructions, and that they have sufficient technical and organizational security measures in place. Where we transfer personal data outside the EU or UK, we do so in compliance with the relevant data export requirements from time to time. We take our data protection obligations seriously, as any improper, unlawful or accidental disclosure, loss, alteration or access to, personal data, particularly sensitive personal data (i.e., special category), could negatively impact our business and/or our reputation.

We are also subject to EU and UK laws on personal data export, as we may transfer personal data from the EU or UK to other jurisdictions which are not considered by the European Commission or UK Government, respectively, to offer adequate protection of personal data. Such transfers need to be legitimized by a valid transfer mechanism under the GDPR. Recently, moreover, the EU courts invalidated the EU-U.S. Privacy Shield (the "Privacy Shield"), an EU-US bi-lateral framework, and it remains unclear under what circumstances parties can rely upon the so-called "EU model clauses", which the Commission is expected to replace soon, to transfer data to countries, like the U.S., not deemed to provide protection for EU personal data. Invalidation of any mechanism on which we rely could require operational changes and increased costs and may lead to governmental enforcement actions, litigation, fines and penalties or adverse publicity that could have an adverse effect on our business.

The EU is in the process of replacing the e-Privacy Directive with a new set of rules taking the form of a regulation, which will be directly applicable to the laws of each European member state, without the need for further implementation.

The draft e-Privacy Regulation should reaffirm strict opt-in marketing rules with limited exceptions for business-to-business communications and re-enforce current strict rules relating to non-essential cookies, web beacons and similar technology. Regulation of cookies, web beacons and similar technology may lead to broader restrictions on online research activities, including efforts to understand users' internet usage. The current draft also significantly increases fining powers to the same levels as GDPR (i.e., the greater of 20 million euros or 4% of total global annual revenue). While no official timeframe has been provided, some commentators have stated that the e-Privacy Regulation could be agreed in 2021 or 2022, with a further one-year implementation period. It remains unclear at the present time whether the UK will change its laws to align with this change in EU law.

There are costs and administrative burdens associated with compliance with the GDPR and the resultant changes in the EU and EEA member states' national laws and the introduction of the e-Privacy Regulation once it takes effect. Any failure or perceived failure to comply with global privacy laws carries with it the risk of significant penalties and sanctions, such as fines of up to 20 million euros or 4% of global turnover in the EU. These laws or new interpretations, enactments or supplementary forms of these laws, could create liability for us, could impose additional operational requirements on our business, could affect the manner in which we use and transmit patient information and could increase our cost of doing business. Claims of violations of privacy rights or contractual breaches, even if we are not found liable, could be expensive and time-consuming to defend and could result in adverse publicity that could harm our business.

Coverage and Reimbursement

Significant uncertainty exists as to the coverage and reimbursement status of any pharmaceutical or biological product for which we obtain regulatory approval. In the United States and markets in other countries, patients who are prescribed treatments for their conditions and providers performing the prescribed services generally rely on third-party payors to reimburse all or part of the associated healthcare costs. Patients are unlikely to use our product candidates unless coverage is provided and reimbursement is adequate to cover a significant portion of the cost of our product candidates. Sales of any product candidates for which we receive regulatory approval for commercial sale will therefore depend, in part, on the availability of coverage and adequate reimbursement from third-party payors. Third-party payors include government authorities, managed care plans, private health insurers and other organizations.

In the United States, the process for determining whether a third-party payor will provide coverage for a pharmaceutical or biologic product typically is separate from the process for setting the price of such product or for establishing the reimbursement rate that the payor will pay for the product once coverage is approved. Third-party payors may limit coverage to specific product candidates on an approved list, also known as a formulary, which might not include all of the FDA-approved product candidates for a particular indication. A decision by a third-party payor not to cover our product candidates could reduce physician utilization of our product candidates once approved and have a material adverse effect on our sales, results of operations and financial condition. Moreover, a third-party payor's decision to provide coverage for a pharmaceutical or biologic product does not imply that an adequate reimbursement rate will be approved. Adequate third-party reimbursement may not be available to enable us to maintain price levels sufficient to realize an appropriate return on our investment in product development. Additionally, coverage and reimbursement for product candidates can differ significantly from payor to payor. One third-party payor's decision to cover a particular medical product or service does not ensure that other payors will also provide coverage for the medical product or service, or will provide coverage at an adequate reimbursement rate. As a result, the coverage-determination process will require us to provide scientific and clinical support for the use of our product candidates to each payor separately and will be a time-consuming process.

In the EEA, governments set the price of product candidates through their health technology assessment, and reimbursement rules and control of national health care systems that fund a large part of the cost of those product candidates to consumers. Some jurisdictions operate positive and negative list systems under which product candidates may only be marketed once a reimbursement price has been agreed to by the government. To obtain reimbursement or pricing approval, some of these countries might compare the new product to an existing standard of care, including other treatments aimed at the same disease, if they exist. Health technology assessments, including cost-effectiveness evaluations, may be conducted in order to assess the medical value or added clinical benefit of a therapy. Countries may also conduct budget-impact assessments for a new therapy. In some cases, tendering is used to decide which therapy will be reimbursed and made available for a group of patients where more than one treatment exists. Countries might also require further studies or in-use evidence to be developed, or create coverage with evidence generation under some form of so-called managed access agreements. Some countries allow for a company to set the price, which is then agreed in negotiation with the country authorities, who might then monitor sales for that product and re-assess or re-evaluate when a certain statutory health insurance expenditure threshold is reached. Other countries might set their price based on prices in a selected country or group of countries under international or external reference pricing systems. If an agreement cannot be reached, confidential discounts might be negotiated between the manufacturer and the healthcare system authorities. The downward pressure on

health care costs in general, particularly prescription product candidates, has become very intense. As a result, increasingly high barriers are being erected to the entry of new product candidates. In addition, in some countries, legally permissible cross-border imports from low-priced markets within the EU single market exert a commercial pressure on pricing within a country.

The containment of healthcare costs has become a priority of federal, state and foreign governments, and the prices of pharmaceutical or biological product candidates have been a focus in this effort. Third-party payors are increasingly challenging the prices charged for medical product candidates and services, examining the medical necessity and reviewing the cost-effectiveness of pharmaceutical or biological product candidates, medical devices and medical services, in addition to questioning safety and efficacy. If these third-party payors do not consider our product candidates to be cost effective compared to other available therapies, they may not cover our product candidates after approval, if any, or, if they do, the level of payment may not be sufficient to allow us to sell our product candidates at a profit.

Healthcare Reform

A primary trend in the U.S. healthcare industry and elsewhere is cost containment. Government authorities and other third-party payors have attempted to control costs by limiting coverage and the amount of reimbursement for particular medical product candidates. For example, the ACA, among other things, increased the minimum Medicaid rebates owed by most manufacturers under the Medicaid Drug Rebate Program; introduced a new methodology by which rebates owed by manufacturers under the Medicaid Drug Rebate Program are calculated for product candidates that are inhaled, infused, instilled, implanted or injected; extended the Medicaid Drug Rebate Program to utilization of prescriptions of individuals enrolled in Medicaid-managed care plans; imposed mandatory discounts for certain Medicare Part D beneficiaries as a condition for manufacturers' outpatient drugs coverage under Medicare Part D; subjected manufacturers to new annual fees based on pharmaceutical companies' share of sales to federal healthcare programs; created a new Patient Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research; created the Independent Payment Advisory Board, which, once empaneled, will have authority to recommend certain changes to the Medicare program that could result in reduced payments for prescription drugs and biologics; and established a Center for Medicare Innovation at CMS to test innovative payment and service delivery models to lower Medicare and Medicaid spending. Since its enactment, the U.S. federal government has delayed or suspended implementation of certain provisions of the ACA. In addition, there have been judicial and Congressional challenges to certain aspects of the ACA, and we expect there will be additional challenges and amendments to the ACA in the future.

We expect that the ACA, as well as other healthcare reform measures that may be adopted in the future, may result in more rigorous coverage criteria and lower reimbursement, and additional downward pressure on the price that we receive for any approved product. Any reduction in reimbursement from Medicare or other government-funded programs may result in a similar reduction in payments from private payors. Moreover, recently there has been heightened governmental scrutiny over the manner in which manufacturers set prices for their marketed product candidates. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability or commercialize our product candidates.

Additionally, in August, 2011, the Budget Control Act of 2011 was signed into law, which, among other things, included aggregate reductions of Medicare payments to providers of 2% per fiscal year. These reductions went into effect on April 1, 2013 and, due to subsequent legislative amendments to the statute, will stay in effect through 2025 unless additional action is taken by Congress. In January 2013, the American Taxpayer Relief Act of 2012 was signed into law, which, among other things, further reduced Medicare payments to several types of providers, including hospitals, imaging centers and cancer treatment centers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. More recently, there has been heightened governmental scrutiny over the manner in which manufacturers set prices for their marketed product candidates, which have resulted in several Congressional inquiries and proposed bills designed to, among other things, bring more transparency to product pricing, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies for pharmaceutical and biologic product candidates.

We expect that additional state and federal healthcare reform measures will be adopted in the future, any of which could limit the amounts that federal and state governments will pay for healthcare product candidates and services, which could result in reduced demand for our product candidates once approved or additional pricing pressures.

Employees

As of December 31, 2020, 2019 and 2018, Mereo had 38, 50, and 37 employees, respectively. As at December 31, 2020, 25 employees are located in the United Kingdom and 13 employees are located in the United States.

All of our employees are engaged in either general and administrative or research and development functions. None of our employees are covered by a collective bargaining agreement. We consider our relationship with our employees to be good.

Legal Proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which we are aware) that may have, or have had in the recent past (covering the 12 months immediately preceding the date of this annual report), significant effects on our financial position or profitability.

4.C. Organizational Structure

Mereo BioPharma Group plc was formed as a private limited company organized under the laws of England and Wales on March 10, 2015 and re-registered as a public limited company on June 3, 2016.

As at December 31, 2020, Mereo BioPharma Group plc has the following wholly-owned direct or indirect subsidiaries:

Legal Name of Subsidiary	Jurisdiction of Organization
Mereo BioPharma 1 Limited	United Kingdom
Mereo BioPharma 2 Limited	United Kingdom
Mereo BioPharma 3 Limited	United Kingdom
Mereo BioPharma 4 Limited	United Kingdom
Mereo BioPharma Ireland Limited	Ireland
Mereo US Holdings Inc.	Delaware
Mereo BioPharma 5, Inc.	Delaware
Navi Subsidiary, Inc.	Delaware

4.D. Property, Plants and Equipment

Mereo's principal office is located at 4th Floor, One Cavendish Place, London W1G 0QF, United Kingdom, where Mereo leases approximately 4,000 square feet of office space. Mereo leases this office space under a lease that terminates on August 16, 2025.

Mereo leases approximately 10,000 square feet of office space in Redwood City, California which expires on August 30, 2022.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating And Financial Review And Prospects

5.A. Operating Results

The following discussion of our financial condition and results of operations should be read in conjunction with Mereo's audited consolidated financial statements and related notes included elsewhere in this annual report. The following discussion is based on Mereo's financial information prepared in accordance with IFRS as issued by the IASB, which may differ in material respects from generally accepted accounting principles in other jurisdictions, including generally accepted accounting principles in the United States. The following discussion includes forward-looking statements that involve risks, uncertainties, and assumptions. Mereo's actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to those described under "Item 3. Key Information—D. Risk Factors" and elsewhere in this annual report.

Overview

We are a biopharmaceutical company focused on the development and commercialization of innovative therapeutics that aim to improve outcomes for oncology and rare diseases. Our existing portfolio consists of six clinical stage product candidates two of which are in ongoing clinical studies, two are partnered for further development and the remaining two will be further developed by a partner. Our lead oncology product candidate, etigilimab (an "anti-TIGIT"), 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 recently initiated a Phase1b/2 basket study for etigilimab in combination with an anti-PD-1 in three rare tumors, including sarcoma, several gynecological carcinomas including cervical and endometrial carcinomas and tumors with high mutation burden. Our rare disease product candidates are alvelestat which is being investigated in an ongoing Phase 2 proof-of-concept study for the treatment of severe AATD and in an investigator-initiated study in hospitalized COVID-19 and setrusumab for the treatment of OI. Following the announcement of the results for setrusumab in a Phase 2b study in adults with OI which demonstrated a dose dependent increase in bone mineral density and bone strength and alignment with the FDA and the EMA on the pivotal study design for children with OI, we announced a strategic partnership with Ultragenyx in December 2020 for the development of setrusumab in children and adults with OI.

We plan to develop our product candidates for oncology and rare diseases through the next key clinical milestone and then partner where it makes sense to do so strategically but also in select cases 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 1 study and has been partnered for further development with OncXerna on a global basis.

We plan to partner or sell our other two product candidates, acumapimod for the treatment of AECOPD and leflutrozole for the treatment of infertility and HH in obese men, recognizing the need for greater resources to take these product candidates to market.

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 our successful development and eventual commercialization of our core oncology and rare disease product candidates, if approved, and our ability to complete partnering deals in respect of our non-core product candidates. Since our inception, we have incurred significant operating losses. We had net losses of £163.6 million, £34.8 million and £32.0 million, in the years ended December 31, 2020, 2019 and 2018, respectively. As of December 31, 2020, we had an accumulated net loss of £309.7 million (£146.1 million as of December 31, 2019).

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 product candidates and the potential clinical development of any such product candidates.

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.

Financial Operations Overview

Revenue

We do not currently have any approved product candidates. Accordingly, we have not generated any product related revenue during 2020. In 2021 and in subsequent years, 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.

On January 13, 2020, we entered into a license agreement with OncXerna for the development and commercialization of navicixizumab. Under the terms of the agreement, we received an upfront gross payment of £3.1 million ($4 million). The transaction was recorded as a disposal of an intangible asset with a loss on disposal of £10.9 million recognized.

Subsequent to the completion of the licensing and collaboration agreement with Ultragenyx for the development and commercialization of setrusumab on January 25, 2021, we anticipate reporting revenue for the first time in the financial year ending December 31, 2021 relating to income from an out-licensing arrangement.

Research and Development Expenses

Research and development expenses include:

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

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. We expect that our research and development expense will increase substantially as we continue to advance the clinical development of our product candidates, including through our Phase1b/2 basket study for etigilimab and our ongoing Phase 2 proof-of-concept trial for alvelestat; hire additional clinical, scientific, and commercial personnel; and acquire or in-license future product candidates and technologies. As a result, we expect our research and development expenses will increase for the foreseeable future.

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

Our future expenditure on developing its 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 in its 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, costs incurred relating to the issue of equity to the extent not capitalized and the costs associated with the cancellation of admission of our ordinary shares to trading on the AIM market of London Stock Exchange plc in December 2020.

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

Finance Income

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

Changes in Fair Value of Financial Instruments

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

Loss on Disposal of Intangible Assets

On January 13, 2020, we entered into a license agreement with OncXerna for the development and commercialization of navicixizumab. The transaction was recorded as a disposal of an intangible asset and IP with a carrying value of £13.4 million ($16.5 million) was derecognized as a result of the agreement. Under the terms of the agreement, we received an upfront gross payment of £3.1 million ($4 million). After transaction costs and exchange differences, a loss on disposal of £10.9 million was recognized.

Finance Costs

Finance costs comprise interest on convertible loan notes, interest on our credit facility, finance charges on lease liabilities and any loan modification gains and losses. For further information on the terms of our convertible loan notes see "—Liquidity and Capital Resources—Indebtedness".

Net Foreign Exchange Gain/(Loss)

Our functional currency is 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 our foreign currencies, which are primarily held in U.S. dollars.

Net income recognized on acquisition of subsidiary

In 2019, as Mereo BioPharma 5 (formerly OncoMed) was acquired for an amount less than the fair market value of the net assets acquired on the date control was obtained, a gain on bargain purchase of £3.7 million was realized (recognized net against the acquisition transaction costs within the consolidated statement of comprehensive loss). Total acquisition transaction costs amounted to £2.7 million which were wholly incurred in connection with the acquisition. The resulting net income recognized on acquisition of Mereo BioPharma 5 was £1.0 million.

Taxation

As a U.K. resident trading entity, we are subject to U.K. corporate taxation. Due to the nature of our business, we have generated losses since formation. As at December 31, 2020, 2019 and 2018, we had cumulative carry-forward tax losses of £136.9 million, £70.2 million and £50.6 million, respectively. Our cumulative carry-forward tax losses are expected to increase throughout 2021. Subject to any relevant restrictions, we expect these to be available to carry forward and offset against future operating profits. As a company that carries out extensive research and development ("R&D") activities, we benefit from the U.K. R&D small or medium-sized enterprise tax credit regime and are able to surrender some of our trading losses that arise from our research and development activities for a cash rebate of up to 33.35% of eligible R&D expenditure. Qualifying expenditures largely comprise employment costs for research staff, subcontracted CRO and CMO costs, consumables and certain internal overhead cost incurred as part of research projects. Certain subcontracted qualifying research expenditures are eligible for a cash rebate of up to 21.67%. 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 from April 1, 2013. When taken in combination with the enhanced relief available on our R&D expenditures, we expect a long-term lower rate of corporation tax to apply to us. If, however, there are unexpected adverse changes to the U.K. R&D tax credit regime or the "patent box" regime, or for any reason we are unable to qualify for such advantageous tax legislation, or we are unable to use net operating loss and tax credit carryforwards and certain built-in losses to reduce future tax payments, our business, results of operations, and financial condition may be adversely affected.

As of December 31, 2020, the Group had U.S. federal tax losses to be carried forward of approximately £50.1 million (2019: £47.5 million), of which £44.0 million can be carried forward indefinitely and £6.1million which will begin to expire in 2022. As of December 31, 2020, the Group had U.S. state tax losses to be carried forward of approximately £3.3 million which begin to expire in 2027.

As of December 31, 2020, total receivables related to tax credits previously recognized amount to £3.6 million, of which £2.8 million relates to cash rebates for eligible types of research and development activities in the U.K. and the remaining £0.8 million relates to an Alternative Minimum Tax ("AMT") refund in the U.S. In 2020, the Group recovered £10.4 million of the cash rebate from the R&D claims for the financial years ended December 31, 2019 and 2018. The R&D claim for the financial year ended December 31, 2020 will be submitted around mid-2021 and the Group expects to receive the estimated claim amount of £2.8 million in the second half of 2021.

Critical Accounting Judgments and Estimates

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

Further details relating to critical accounting judgments and estimates can be found in the consolidated financial statements, incorporated herein by reference.

Recent Accounting Pronouncements

During the year ended December 31, 2019, Mereo adopted IFRS 16 (Leases). Related consequential amendments to other IFRSs have been adopted, where relevant, during the year ended December 31, 2020, however they have not had a material impact on the consolidated financial statements.

5.A. Operating Results

The following table sets forth Mereo's results of operations for the years ended December 31, 2020 and 2019.

	Year Ended December 31,	
	2020	2019
	£'000s	£'000s
Research and development expenses	(16,347)	(23,608)
Administrative expenses	(21,222)	(15,909)
Operating loss	(37,569)	(39,517)
Net income recognized on acquisition of subsidiary	—	1,035
Finance income	44	377
Finance costs	(6,383)	(4,371)
Changes in fair value of financial instruments	(109,849)	875
Loss on disposal of intangible assets	(10,872)	—
Net foreign exchange (loss)/gain	(1,821)	483
Taxation	(166,450)	(41,118)
Income tax benefit	2,822	6,274
Loss attributable to equity holders of the parent	(163,628)	(34,844)
Exchange differences on translation of foreign operations	349	(499)
Total comprehensive loss attributable to equity holders of the parent	(163,279)	(35,343)

Comparison of Years Ended December 31, 2020 and 2019

Research and development ("R&D") Expenses

The following table sets forth our R&D expenses by product development program for the years ended December 31, 2020 and 2019.

	Year Ended December 31,	
	2020	2019
	£'000s	£'000s
Setrusumab (BPS-804)	7,695	13,734
Alvelestat (MPH-966)	4,709	4,976
Etigilimab	1,029	767
Leflutrozole (BGS-649)	135	1,089
Acumapimod (BCT-197)	108	388
Navicixizumab ("Navi")	1,734	1,721
Other	153	432
Unallocated costs	784	501
Total R&D expenses	16,347	23,608

Total R&D expenses decreased by £7.3 million, or 31%, from £23.6 million in 2019 to £16.3 million in 2020.

R&D expenses relating to setrusumab decreased by £6.0 million, or 44%. The decrease was driven primarily by the completion of the adult Phase 2b study which reported top-line data in November 2019, with a further update in January 2020. Following the licensing and collaboration agreement with Ultragenyx, future ongoing development costs for setrusumab are expected to decrease significantly.

R&D expenses relating to alvelestat remained consistent, reflecting the ongoing Phase 2 proof-of-concept study.

R&D expenses relating to leflutrozole decreased by £1.0 million, or 88%, due to the completion of the Phase 2b study in 2019 and limited activity in 2020 following the completion of the study. Similarly, there were no ongoing studies for acumapimod in 2020 and this resulted in a decrease in R&D expenses for acumapimod of £0.3 million, or 72%.

Partially offsetting the decrease, R&D expenses relating to etigilimab increased by £0.3 million, or 34%. The increase was driven primarily by the costs associated with preparing for the open label Phase 1b/2 basket study in combination with an anti-PD-1 in a range of tumor types. We expect the costs related to the etigilimab program to increase significantly in 2021.

Administrative expenses

Administrative expenses increased by £5.3 million, or 33%, from £15.9 million in 2019 to £21.2 million in 2020.

The increase was primarily due to incremental in legal and professional fees associated with various transactions during the year. Professional and legal fees increased from £1.7 million to £6.9 million in 2019 and 2020, respectively. The increase reflects transaction costs associated with the June 2020 Private Placement and the cancellation of admission of our ordinary shares to trading on the AIM market of London Stock Exchange in December 2020, along with higher costs associated with the Nasdaq listing and managing a larger business in two jurisdictions following the acquisition of Mereo BioPharma 5, partially offset by intellectual property related costs as a result of lower activity associated with setrusumab. Employee-related costs increased by £1.5 million to £7.3 million in 2020 primarily due to the expansion of our management team in 2020 compared to 2019. Premises-related costs increased by £1.7 million in 2020 primarily due to transaction costs associated with renegotiation of our office lease in Redwood City. This was partially offset by a gain on lease modification of £0.9 million. Offsetting these increases were lower travel-related costs, which decreased by £0.5 million from 2019 due to COVID-19 travel restrictions.

Net income recognized on acquisition of subsidiary

In 2019, as Mereo BioPharma 5 (formerly OncoMed) was acquired for an amount less than the fair market value of the net assets acquired on the date control was obtained, a gain on bargain purchase of £3.7 million was realized (recognized net against the acquisition transaction costs within the consolidated statement of comprehensive loss). Total acquisition transaction costs amounted to £2.7 million which were wholly incurred in connection with the acquisition. The resulting net income recognized on acquisition of Mereo BioPharma 5 was £1.0 million.

Finance income and costs

In 2020, a minimal amount of finance income was earned on short-term deposits and the £0.3 million decrease from the prior year was due to the sale of short-term investments in 2019.

Total finance costs increased from £4.4 million in 2019 to £6.4 million in 2020. The increase is primarily related to £2.2 million of additional interest costs on convertible loan notes. This increase was partially offset by a decrease in bank loan interest of £0.4 million and decrease in lease liability finance charges of £0.2 million. In addition, in 2019, there was a bank loan modification gain of £0.5 million. In 2020, there were no such gains or losses and the bank loan was settled in full in December 2020.

Changes in fair value of financial instruments

The total change in fair value of financial instruments for 2020 was a loss of £109.8 million. The loss primarily resulted from the Loan Notes and Warrants in respect of the June 2020 Private Placement, including: (i) a £63.2 million loss realized on the embedded derivative associated with the Loan Notes that was conditional on the passing of the Resolutions at a subsequent general meeting of shareholders held on June 30, 2020, and (ii) a £46.0 million unrealized loss on the Warrants. In addition, the unrealized loss on warrants issued to our former lenders in connection with the loan facility was £0.7 million in 2020.

Net foreign exchange gain/(loss)

The net foreign exchange loss for the year was £1.8 million, a decrease of £2.3 million from a £0.5 million gain in 2019. The net foreign exchange loss consists of a £1.6 million foreign exchange loss on the translation of cash deposits which are primarily held in U.S. dollars throughout the year.

Taxation

The income tax benefit for the year was £2.8 million, a decrease of £3.5 million or 55% from £6.3 million in 2019. The income tax benefit represents eligible cash rebates paid or 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”).

Further, in February 2020, Mereo BioPharma 5 received a tax refund in respect of AMT of £0.2 million from the U.S. Internal Revenue Service (“IRS”). We currently estimate that an additional £0.8 million of tax refund in respect of AMT will be received in 2021 with respect to 2019.

Loss per share

The loss attributable to equity holders increased £128.8 million from a loss of £34.8 million in 2019 to a loss of £163.6 million in 2020, and during the same period, the weighted average number of ordinary shares increased from 89.4 million in 2019 to 339.0 million in 2020. The resulting increase in basic and diluted loss per share was £0.09 from a loss per share of £0.39 and £0.48 in 2019 and 2020, respectively.

Comparison of the Years Ended December 31, 2019 and 2018

For information relating to the comparison of the years ended December 31, 2019 and 2018, see “Item 5. Operating and Financial Review and Prospects” in our annual report on Form 20-F for the fiscal year ended December 31, 2019 filed with the SEC on June 15, 2020.

5.B. Liquidity and Capital Resources

Overview

Under the current business plan and cash flow forecasts, and in consideration of (i) our ongoing research and development efforts which are focused on our etigilimab, our oncology product candidate, and on our rare disease product candidates, setrusumab and alvelestat, (ii) our general corporate funding requirements, (iii) the upfront payment of $50 million received under the license and collaboration agreement with Ultragenyx for setrusumab, and (iv) our recently completed public offering of ADSs in February 2021 which raised approximately $108.2 million (£78.3 million) net cash proceeds, we anticipate that our current on-hand cash resources will extend into 2024. However, we will need additional external funding to complete our development plans and take selected products through to commercialization.

We do not currently have any approved product candidates and have never generated any revenue from product sales or otherwise. As a result, to date, we have financed our operations primarily through the issuances of our equity securities and convertible debt and our credit facility, which we entered into in August 2017 and subsequently repaid in full in December 2020. We raised $183 million (£137.9 million) in private placements of ordinary shares and convertible loan notes in 2020 and in a public offering of ADSs in February 2021.

In September 2018, we entered into a revised loan agreement which enabled us to extend the interest only period of the credit facility from September 30, 2018 to April 30, 2019. On April 23, 2019, we agreed a revision to the loan agreement which extended the interest only period of the credit facility through December 31, 2020. On December 15, 2020, we repaid the outstanding principal and accrued interest in full. In connection with the credit facility, we have issued warrants in respect of an aggregate of 1,243,908 ordinary shares at a weighted average exercise price of £2.95 per ordinary share, which are capable of exercise until October 1, 2028. We issued warrants in respect of an aggregate of 1,243,908 ordinary shares in December 2020 at a price of $0.4144 per share. These are in addition to the previously issued warrants also in respect of 1,243,908 shares. For additional information, see “—Indebtedness—Credit Facility”.

On October 8, 2018, we entered into a funding agreement with The Alpha-1 Project, Inc. (“TAP”), which provided for funding of up to $0.4 million as a contribution towards the development of our product candidate alvelestat. On November 1, 2018, the first tranche of $0.1 million was received and as a result we issued 41,286 warrants to subscribe for our ordinary shares at an exercise price of £0.003 per share.

Aspire Capital Transaction

On February 10, 2020, we entered into a Purchase Agreement with Aspire Capital, which provides that, upon the terms and subject to the conditions and limitations set forth therein, Aspire Capital is committed to purchase up to an aggregate of $25.0 million worth of our ordinary shares that are exchangeable for ADSs over the approximately 30-month term of the Purchase Agreement. In addition, pursuant to the Purchase Agreement, Aspire Capital purchased 11,432,925 ordinary shares equivalent to 2,286,585 ADSs for $3.0 million (£2.3 million). In consideration for entering into the Purchase Agreement, concurrently with the execution of the Purchase Agreement, we paid Aspire Capital a commission fee of $0.3 million, which was wholly satisfied by the issuance to Aspire Capital of 2,862,595 ordinary shares equivalent to 572,519 ADSs.

Novartis Loan Note

On February 10, 2020, we entered into a £3.8 million convertible loan note instrument with Novartis pursuant to which we issued 3,841,479 unsecured convertible loan notes (the “Novartis Loan Note”) and warrants to purchase 1,449,614 ordinary shares, exercisable until February 2025.

Boxer Capital Transaction

On February 19, 2020, we entered into a securities purchase agreement with Boxer Capital. Under the terms of the agreement, Boxer Capital agreed to invest $3.0 million (£2.3 million) by purchasing 12,252,715 ordinary shares equivalent to 2,450,543 ADSs.

June 2020 Private Placement

On June 3, 2020, we entered into a securities purchase agreement with institutional investors pursuant to which we received approximately $70.0 million (£56.0 million) from the purchasers comprising: $19.4 million (£15.5 million) of ordinary shares and the subscription for Loan Notes in an aggregate principal amount of approximately $50.6 million (£40.5 million). Following the passing of resolutions at our General Meeting on June 30, 2020 the Loan Notes automatically converted into ordinary shares except that no new ordinary shares were issued which would result in any person holding in excess of 9.99 percent of the aggregate voting rights in the Company as a result of the relevant conversion. As a result of automatic conversion, Loan Notes in an aggregate principal amount of £21.8 million (together with accrued interest) converted into 125,061,475 new ordinary shares ("New Ordinary Shares") on June 30, 2020. As of December 31, 2020, Loan Notes in an aggregate principal amount of £18.9 million remained outstanding and convertible into new ordinary shares or ADSs in accordance with their terms.

Investors in the June 2020 Private Placement also received warrants entitling the holders to subscribe for an aggregate of 161,048,366 new ordinary shares. As of December 31, 2020, there were 160,358,161 warrants outstanding to purchase ordinary shares at an exercise price of £0.348 per ordinary share, subject to the terms of the warrants. In accordance with the terms of the warrants, holders may elect to exercise their warrants on a cashless basis.

February 2021 Public Offering

On February 12, 2021, we announced the completion of an underwritten public offering of 39,675,000 ADSs, at a public offering price of $2.90 per ADS, which includes 5,175,000 additional ADSs issued upon the exercise in full of the underwriters' option to purchase additional ADSs. The aggregate gross proceeds to us from the offering, before deducting underwriting discounts and commissions and offering expenses were $115.1 million.

Cash Flows

Comparison of Years Ended December 31, 2020 and 2019

The table below summarizes our cash flows from (used in) operating, investing and financing activities for the years ended December 31, 2020 and 2019.

	Year Ended December 31,	
	2020	2019
	£'000s	£'000s
Net cash used in operating activities	(28,341)	(45,931)
Net cash from investing activities	1,495	43,295
Net cash from/(used) in financing activities	34,737	(5,710)
Net increase/(decrease) in cash and cash equivalents	7,891	(8,346)

Operating Activities

Net cash used in operating activities for the year ended December 31, 2020 was £28.3 million, a decrease of £17.6 million from £45.9 million in 2019. The decrease was primarily driven by tax credits received of £10.4 million (2019: £1.1 million), an increase of £9.4 million, along with an increase in working capital due mainly to a £3.2 million reduction in trade and other payables. Tax credits received during 2020 relate primarily to the 2018 and 2019 R&D tax credits from the U.K. tax authorities.

Investing Activities

Net cash from investing activities for the year ended December 31, 2020 was £1.5 million, a decrease from £43.3 million in 2019. The decrease was due to the acquisition of Mereo BioPharma 5 in 2019, which provided a net cash inflow on acquisition of £10.1 million and receipt of £32.9 million of short-term investments in the form of short-dated US treasuries, all of which were sold by December 31, 2019. In 2020, we received net proceeds of £1.8 million following the global licensing arrangement for navicixizumab to OncXerna.

Financing Activities

Net cash from financing activities for the year ended December 31, 2020 was £34.8 million, an increase of £40.5 million from a cash outflow of £5.7 million in 2019. The increase is primarily attributable to the total proceeds from the issuance of ordinary shares of £20.1 million and convertible loan notes of £44.4 million, gross of associated transaction costs of £1.3 million and £3.6 million, respectively. These financing transactions included the Aspire Capital Transaction, the Novartis Loan Note, the Boxer Capital Transaction and the June 2020 Private Placement, described above. This increase was partially offset by the repayment of the principal amount and interest of our credit facility in December 2020 of £22.7 million.

Operating and Capital Expenditure Requirements

As of December 31, 2020, we had an accumulated loss of £309.7 million. We expect to continue to report significant operating losses for the foreseeable future as it continues its research and development efforts and seek to obtain regulatory approval of our product candidates and any future product we develop. See also “Risk Factors—Risks Related to Our Business and Industry—If we do not obtain adequate and timely funding, we may not be able to continue as a going concern”.

We expect our expenses to increase substantially in connection with its ongoing development activities related to its product candidates. We also expect to incur costs associated with operating as a U.S. public company listed on Nasdaq.

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

- seek to develop additional product candidates;
- seek regulatory approvals for any of our product candidates that successfully completes clinical trials;
- potentially establish a sales, marketing, and distribution infrastructure and scale-up manufacturing capabilities to commercialize 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; 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 and operating expenses and capital expenditure requirements into 2024. We have based these estimates on assumptions that may prove to be wrong, and we may use our available capital resources sooner than we currently expect. Because of the numerous risks and uncertainties associated with the development of our product candidates and any future product candidates and because the extent to which we may enter into collaborations with third parties for development of any of our product candidates is unknown, we are unable to estimate the amounts of increased capital outlays and operating expenses associated with completing the research and development of our product candidates. Our future capital requirements will depend on many factors, including:

- The costs, timing and results of our ongoing Phase 1b/2 study for etigilimab and our ongoing clinical trials for alvelestat in AATD and COVID-19 infected patients; and the costs for our activities related to our ongoing collaboration with Ultragenyx for setrusumab for the treatment of adults and children with OI;
- 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 its 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
- our ability to satisfy HMRC’s enquiries with respect to claims in respect of all filed and future years.

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

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

Indebtedness

Credit Facility

On August 7, 2017, we entered into a loan agreement (the "Original Loan Agreement"), with Silicon Valley Bank and Kreos Capital V (UK) Limited, which provided for total borrowings of £20.0 million. Under the Original Loan Agreement, we borrowed £10.0 million on each of August 21, 2017 and December 29, 2017 for general working capital purposes. We were obligated to make interest-only payments on the loan amount until September 30, 2018, and thereafter we were obligated to pay interest and principal in 30 equal monthly installments until March 31, 2021. The loan bore interest at an annual fixed rate equal to 9.0%.

In connection with the borrowings under the Original Loan Agreement, in 2017, we issued to the lenders warrants to subscribe for an aggregate of 363,156 of our ordinary shares at an exercise price of £3.029 per ordinary share and warrants to subscribe for an aggregate of 333,334 of our ordinary shares at an exercise price of £3.30 per ordinary share pursuant to a warrant instrument dated August 21, 2017.

On September 28, 2018, we, Silicon Valley Bank and Kreos Capital V (UK) Limited entered into a new loan agreement (the "New Loan Agreement"), which replaced the Original Loan Agreement in its entirety and (i) increased the total commitments of the lenders to £20,455,000, (ii) extended the interest-only period from September 30, 2018 to April 30, 2019, and (iii) reduced the interest rate from 9.0% to 8.5%. Under the New Loan Agreement, both the interest-only period and the maturity date may be further extended subject to the achievement by us of certain conditions set forth in the New Loan Agreement.

In connection with the New Loan Agreement, in 2018 we issued warrants giving the lenders the right to subscribe for 225,974 ordinary shares at an exercise price of £2.31 per ordinary share pursuant to a warrant instrument dated October 1, 2018. These warrants will be capable of exercise until October 1, 2028.

On April 23, 2019, we agreed on a revision to the New Loan Agreement, which extended the interest-only period to December 31, 2019. In connection with the revised New Loan Agreement and following the closing of the Merger, on May 3, 2019, we issued warrants giving the lenders the right to subscribe for 321,444 shares at an exercise price of £2.95 per share. These warrants will be capable of exercise until October 1, 2028.

On December 15, 2020 we prepaid all amounts due and owing under the New Loan Agreement and Kreos Capital V UK Limited signed a deed of release in respect of all security interests over our collateral. On December 15, 2020 we also issued additional warrants giving each of the former lenders the right to subscribe for 621,954 ordinary shares at a price of $0.4144 per share (the "2020 Warrants"). The 2020 Warrants are an adjustment to the warrant instruments dated August 21, 2017 (the 2017 Warrant Instrument) and October 1, 2018 (the 2018 Warrant Instrument) and those warrants issued to each lender were apportioned between the 2017 Warrant Instrument and 2018 Warrant Instrument in the number of 469,575 and 152,379 respectively for each lender and are subject to the same final exercise date as all prior warrants issued to the lenders being August 21, 2027 for the 2017 Warrant Instrument and October 1, 2028 for the 2018 Warrant Instrument.

June 2020 Private Placement

On June 4, 2020, we announced completion of a private placement transaction with a number of new and existing principally U.S based institutional and accredited investors (the "June 2020 Private Placement"). OrbiMed Private Investments VI, LP (acting through its general partner, OrbiMed Capital GP VI LLC, acting through its managing member, OrbiMed Advisors LLC, collectively referred to herein as "OrbiMed") led the June 2020 Private Placement with participants including Vivo Capital, Surveyor Capital (a Citadel company), Pontifax Venture Capital, Samsara BioCapital, Commodore Capital, and funds managed by Janus Henderson Investors alongside existing investors Boxer Capital of Tavistock Group and Aspire Capital Fund, LLC (collectively, the "Purchasers"). On June 3, 2020, we entered into a securities purchase agreement (the "June 2020 Purchase Agreement") with the Purchasers pursuant to which we received $70.0 million (£56.0 million) from the Purchasers comprising: the allotment of ordinary shares at a subscription price of $19.4 million (£15.5 million) utilizing the pre-existing share authorities of the Company, and the subscription for Tranche 1 convertible loan notes ("Loan Notes") in an aggregate principal amount of $50.6 million (£40.5 million).

Following the passing of resolutions at our General Meeting on June 30, 2020 the Loan Notes automatically converted into ordinary shares of £0.003 each in the capital of the Company except that no new ordinary shares were issued which would result in any person holding in excess of 9.99 percent. of the aggregate voting rights in the Company as a result of the relevant conversion. Accordingly, the automatic conversion resulted in Loan Notes in an aggregate principal amount of £21.8 million (together with accrued interest) converted into 125,061,475 ordinary shares on June 30, 2020. As of December 31, 2020 Loan Notes in an aggregate principal amount of £18.9 million remained outstanding and convertible into ordinary shares or ADSs in accordance with their terms.

Novartis Notes

On June 3, 2016, as part of the fundraising for our product development programs and for general corporate purposes and in connection with our ordinary shares being admitted to trading on AIM, we issued 3,463,563 unsecured convertible loan notes to Novartis (the "Novartis Notes"), for aggregate proceeds of £3,463,563. The Novartis Notes bore interest at 4% per annum payable annually and accruing daily and ranked senior to any other unsecured obligations. Novartis had the right to convert all or some of the Novartis Notes, together with accrued interest, at any time into our ordinary shares at a conversion price of £2.21 per ordinary share as long as, following such conversion, Novartis held no more than 19.5% of the aggregate voting rights of our company. In addition, upon conversion, Novartis was entitled to receive an additional number of our ordinary shares equal to the number of shares into which such Novartis Notes and accrued interest were converted multiplied by 0.93 (the "Bonus Shares"). At December 31, 2016, Novartis was entitled to receive up to 1,453,520 Bonus Shares.

On April 6, 2017, Novartis delivered to us a notice of conversion with respect to £1,398,552 aggregate principal amount of Novartis Notes. Pursuant to such notice, on April 26, 2017, £1,398,552 aggregate principal amount of Novartis Notes was converted into 632,829 fully paid ordinary shares. Additionally, in connection with such conversion, we issued 588,532 Bonus Shares to Novartis. At December 31, 2019, Novartis was entitled to receive up to 864,998 Bonus Shares.

On June 6, 2019 Novartis delivered to us a notice of conversion with respect to the aggregate principal amount and interest of the Novartis Notes. Pursuant to such notice, on June 21, 2019 the aggregate principal amount and interest of £2,367,004 due under the Novartis Notes was converted into 1,071,042 fully paid ordinary shares at the fixed conversion price of £2.21 per share. Additionally, in connection with such conversion, we issued 864,988 Bonus Shares to Novartis. At December 31, 2020 there was no further liability under the Novartis Notes which were converted in full as at that date.

On February 10, 2020, we entered into a £3.8 million convertible loan note instrument relating to the issue of 3,841,479 New Novartis Notes. The New Novartis Notes are convertible at any time at a fixed price of £0.265 per ordinary share. In addition, on February 10, 2020, in connection with the New Novartis Notes, we entered into a warrant instrument with Novartis to issue 1,449,614 ordinary shares at a weighted average exercise price of £0.265 per ordinary share. These warrants will be capable of exercise until February 10, 2025. The New Novartis Notes and the warrants include an adjustment provision to prevent the dilution of the ordinary shares issuable to Novartis under certain circumstances.

Contingent Value Rights ("CVR") arrangement

As a consequence of the License Agreement with OncXerna, and in accordance with the terms and conditions of the Contingent Value Rights Agreement for former stockholders of Mereo BioPharma 5 (formerly OncoMed), dated April 23, 2019, by and among Mereo and Computershare Inc., as rights agent, (the "CVR Agreement"), holders of contingent value rights ("CVRs") pursuant to the CVR Agreement will be entitled to receive certain eligible cash milestone payments made to Mereo under the License Agreement relating to Navi. The receipt of the upfront milestone payment of $4.0 million by us in January 2020 resulted in a payment to CVR holders of approximately 1.2 cents per CVR, a total of approximately $0.5 million (after deductions of costs, charges and expenditures). Future milestone payments occurring prior to the fifth anniversary of the closing of the Merger are also subject to a cash consideration cap, pursuant to which the aggregate principal amount of all cash payments made to holders of CVRs under the CVR Agreement shall in no case exceed $79.7 million.

Mereo accounts for the CVR arrangement as contingent consideration at fair value. As at December 31, 2020, the fair value of the contingent consideration is estimated to be nil. The estimated contingent consideration payable is based on a risk-adjusted, probability-based scenario. Under this approach, the likelihood of future payments being made to the former shareholders of Mereo BioPharma 5 under the CVR arrangement is considered. The estimate could materially change over time in line with the development plan and subsequent commercialization of the Navi product.

5.C. Research and development, patents and licenses, etc.

As a development stage company, most of our business operations are focused on research and development. Please refer to "Item 4. Information On the Company—B. Business Overview—Our Strategy and –Intellectual Property". For a description of the Company's research and development policies for the last three years see "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Financial Overview—Research and Development Expenses." For a description of Mereo's intellectual property, see "Item 4. Information On the Company—B. Business Overview—Intellectual Property."

5.D. Trend Information

We are currently in the development stage and we expect to remain in that stage for the upcoming year, and therefore trends relating to production, sales, inventory, backlog and selling prices are not applicable. See "—A. Operating Results."

5.E. Off-Balance Sheet Arrangements

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

5.F. Contractual Obligations

The table below summarizes Mereo's contractual obligations at December 31, 2020.

	Payments Due by Period				
	Up to 1 year(1)	1-3 Years	3-5 Years	Over 5 Years	Total
	(in thousands of pounds)				
Lease liability(1)	849	960	448	—	2,257
Total	849	960	448	—	2,257

(1) Reflects payments due for our office leases in the UK and the US. The UK lease agreement expires in August 2025 and the US lease agreement, expires in August 2022.

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

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

5.G. Safe Harbor

This annual report contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act and as defined in the Private Securities Litigation Reform Act of 1995. See the section titled "Special Note Regarding Forward-Looking Statements" at the beginning of this annual report.

Item 6. Directors, Senior Management And Employees

6.A. Directors, Senior Management and Employees

Executive Officers and Directors

The following table presents information about Mereo's executive officers and directors, including their ages, as of the date of this annual report:

Name	Age	Position
Executive Officers		
Denise Scots-Knight, Ph.D.	61	Chief Executive Officer and Director
Christine Fox	40	Chief Financial Officer
John Lewicki, Ph.D.	69	Chief Scientific Officer
Alastair MacKinnon, MBBS	50	Chief Portfolio Management and Pipeline Strategy
John Richard	63	Chief Business Officer
Charles Sermon	51	General Counsel
Alexandra (Wills) Hughes-Wilson	49	Chief Patient Access and Commercial Planning
Non-Executive Directors		
Peter Fellner, Ph.D.	77	Chairman of the Board and Director
Peter Bains	63	Director
Jeremy Bender, Ph.D.	59	Director
Anders Ekblom, M.D., Ph.D.	66	Director
Kunal Kashyap	56	Director
Deepika R. Pakianathan, Ph.D.	56	Director
Brian Schwartz, M.D.	49	Director
Michael S. Wyzga	66	Director

The current business addresses for Mereo's executive officers and directors is c/o Mereo BioPharma Group plc, 4th Floor, One Cavendish Place, London, W1G 0QF, United Kingdom.

The following are brief biographies of Mereo's executive officers and directors:

Denise Scots-Knight, Ph.D. Dr. Scots-Knight has served as our Chief Executive Officer since July 2015 and as a member of our Board since our formation. From 2010 until joining us, Dr. Scots-Knight was the Managing Partner of Phase4 Partners Ltd. ("Phase4"), a global life science venture capital firm. Dr. Scots-Knight is currently a board member of Elanco Animal Health Incorporated (NYSE: ELAN). Dr. Scots-Knight previously served as a member of the board of directors of Idenix Pharmaceuticals, Nabriva, Albireo and OncoMed. Dr. Scots-Knight holds a B.Sc. (Hons.) and a Ph.D. from Birmingham University.

Christine Fox. Ms. Fox joined as our Chief Financial Officer in January 2021. From 2015 until joining us, Ms. Fox was the Vice President Finance, External Reporting and most recently Group Financial Controller and Treasurer of Travelport, and prior to that served more than 10 years at KPMG in the U.S. and Switzerland. Ms. Fox is a Certified Public Accountant (CPA) and holds a B.S. in Accounting from Butler University.

John Lewicki, Ph.D. Dr. Lewicki has served as our Chief Scientific Officer since July 2020. He has over 35 years of experience in the biotechnology industry. Dr. Lewicki was President, CEO and a board member of OncoMed from March 2018 to April 2019. Previously, Dr. Lewicki served as Vice President of Research, at Scios Inc. where he co-discovered human B-type natriuretic peptide (BNP). Dr. Lewicki contributed to development of BNP into an FDA-approved treatment (Natrecor) for acute congestive heart failure. Dr. Lewicki received his PhD from the University of California, San Diego. He has coauthored over 80 papers and is co-inventor on over 30 issued US patents.

Alastair MacKinnon, MBBS. Dr. MacKinnon has served as our Chief of Portfolio and Pipeline Strategy since January 2021 and previously as our Chief Medical Officer from July 2015 to December 2020. From 2010 until joining us, Dr. MacKinnon was a Partner of Phase4. Dr. MacKinnon holds a B.Sc. and a MBBS from King's College London and is a Member of the Royal College of Surgeons in Edinburgh.

John Richard. Mr. Richard has served as our Chief Business Officer, previously titled Head of Corporate Development, since July 2015. Prior to joining us, he was a consultant for Nomura, a global investment bank, and Phase4, and previously served as the head of business development for Sequus Pharmaceuticals Inc., VIVUS Inc. and Genome Therapeutics Corporation. Mr. Richard serves on the boards of QUE Oncology, and previously served on the boards of Catalyst Biosciences, Vaxart, Inc., Aviragen Therapeutics, Inc., and Targacept, Inc. Mr. Richard holds a B.S. from Stanford University and an MBA from Harvard Business School.

Charles Sermon. Mr. Sermon has served as our General Counsel and Company Secretary since July 2015. From 2010 until joining us, Mr. Sermon was a Partner of Phase4, where he currently serves as a member of the board of directors. Mr. Sermon trained and qualified as a lawyer with Freshfields after completing the Law Society's Final Examination. Mr. Sermon holds an LL.B. (Hons.) from Hull University.

Alexandra (Wills) Hughes-Wilson. Ms. Hughes-Wilson has served as our Chief of Patient Access and Commercial Planning, previously titled Head of Patient Access and Commercial Planning, since March 2018. Prior to joining us, Ms. Hughes-Wilson was Senior Vice President, Chief Patient Access Officer at Swedish Orphan Biovitrum (publ.) AB, a biotechnology company, from 2012 to 2018, and prior to that served as Vice President Health & Market Access Policy EMEA at Genzyme (now Sanofi Genzyme), a biotechnology company. Ms. Hughes-Wilson holds a bachelor's degree in Law and Politics (Hons.) from the University of Durham, U.K.

Peter Fellner, Ph.D. Dr. Fellner has been Chairman of our Board since July 2015. He served as Chairman of the board of directors of Consort Medical plc from May 2009 until April 2019 and was Chairman of the board of directors of Ablynx NV from November 2013 until January 2018 and Vernalis plc until October 2018. Dr. Fellner was previously Chairman of the board of directors of Acambis plc from 2006 until its acquisition by Sanofi Pasteur and Optos plc from 2000 until its acquisition by Nikon Corporation, and Vice Chairman of Astex Pharmaceuticals Inc. until its acquisition by Otsuka Pharmaceutical Company. He also served as a Director of UCB S.A. and was CEO and then Chairman of Celltech Group plc. Dr. Fellner holds a B.Sc. (Hons.) from the University of Sheffield and a Ph.D. from the University of Cambridge.

Peter Bains. Mr. Bains has served on our Board since July 2015. Mr. Bains was a Representative Executive Officer and Chief Executive Officer of Sosei Group Corporation, a Japanese listed biotechnology company until December 2018. Previously, he was Chief Executive Officer and Executive Director of Syngene International Ltd, a BSE listed contract research organization, where he served as a Non-Executive Director until 2016. Mr. Bains also served as Non-Executive Chairman of Fermenta Biotech Ltd, an Indian specialty manufacturing company until April 2018. Mr. Bains currently serves as Chief Business Officer for MiNA Therapeutics Ltd and as a Non-Executive Director for Apterna Ltd, both privately held UK biotechnology companies. Mr. Bains also serves as a Non-Executive Director of Indivior PLC, a FTSE listed specialty pharmaceuticals company. Mr. Bains holds a B.Sc. (Hons.) from Sheffield University.

Dr. Jeremy Bender. Dr. Bender has served on our board since October 2020. Dr. Bender was recently appointed Chief Executive Officer of DayOne Biopharmaceuticals, Inc. Previously he served as Vice President of Corporate Development at Gilead Sciences, Inc., where he was responsible for development and negotiation of partnerships, alliances, joint ventures, equity investments, licensing agreements and M&A transactions including Gilead's $4.9bn acquisition of Forty Seven, Inc., and the establishment of a 10-year partnership with Arcus Biosciences Inc., to advance next-generation cancer immunotherapies. Dr. Bender joined Gilead from Tizona Therapeutics, Inc., where he was Chief Operating Officer. Prior to Tizona, he was Chief Business Officer of Sutro Biopharma, Inc.. During his time at Sutro, he successfully completed partnering transactions with Celgene Corporation and EMD Serono. Dr. Bender received his undergraduate degree in Biological Sciences from Stanford University and his Ph.D.in Microbiology & Immunology from the University of Colorado, where he worked on peripheral T-cell selection in the labs of Philippa Marrack and John Kappler. He also holds an M.B.A. from the MIT Sloan School of Management.

Anders Ekblom, M.D., Ph.D. Dr. Ekblom has served on our Board since July 2015. Dr. Ekblom has held a number of executive positions at AstraZeneca, including Executive Vice President Global Drug Development, Executive Vice President Global Medicines Development, Global Head Clinical Development and Chief Executive Officer of AstraZeneca AB Sweden. He currently serves as Chairman of the Board of Elypta AB, as Vice Chairman of the Board of LEO Pharma A/S, and on the boards of directors of Alligator Bioscience AB and AnaMar AB. Dr. Ekblom is a board-certified medical doctor and an Associate Professor at the Karolinska Institutet. Dr. Ekblom holds a M.D., Ph.D. and a D.D.S. from Karolinska Institutet.

Kunal Kashyap. Mr. Kashyap has served on our Board since July 2015. Mr. Kashyap is Chairman and Managing Director of Allegro Capital Advisors. He had also served as an Independent Director of GlaxoSmithKline Consumer Healthcare Ltd until June 2019. Mr. Kashyap was a partner with Arthur Andersen, responsible for establishing and managing their operations in South India. Mr. Kashyap is also the Founder and was the Executive Director of Celstream Technologies Private Limited. Mr. Kashyap is a Chartered Accountant from the Institute of Chartered Accountants of India.

Deepika R. Pakianathan, Ph.D. Dr. Pakianathan has served on our Board since April 2019 following completion of the Merger and served as a director of OncoMed since December 2008 until the closing of the Merger. Since 2001, Dr. Pakianathan has been a Managing Member at Delphi Ventures, a venture capital firm focused on biotechnology and medical device investments. Dr. Pakianathan serves on the boards of directors of Karyopharm Therapeutics, Inc., Theravance Biopharma, Inc., Foresite Development Corporation II and Calithera Biosciences, Inc. Dr. Pakianathan previously served on the boards of directors of Alexza Pharmaceuticals, Inc., Alder Biopharmaceuticals, Inc., PTC Therapeutics, Inc. and Relypsa, Inc. Dr. Pakianathan received a B.Sc. from the University of Bombay, India, a M.Sc. from The Cancer Research Institute at the University of Bombay, India, and an M.S. and Ph.D. from Wake Forest University.

Dr. Brian Schwartz. Dr. Schwartz has served on our Board of Directors since October 2020. During the past decade he has served as Senior Vice President, Head of Research & Development and Chief Medical Officer of ArQule Inc., which was acquired for $2.7bn by Merck & Co. in 2020. Prior to ArQule Inc., Dr. Schwartz was Chief Medical Officer at Ziopharm, having previously held several senior leadership roles at Bayer and LEO Pharma. Dr. Schwartz is a Board Member of Cyclacel Pharmaceuticals and Enlivex Therapeutics, an advisor for the California Institute of Regenerative Medicine and acts as an independent consultant for numerous biotech companies. He received his medical degree from the University of Pretoria, South Africa, completed a fellowship at the University of Toronto, Canada and practiced medicine prior to his career in the biopharmaceutical industry.

Michael S. Wyzga. Mr. Wyzga has served on our Board since April 2019 following completion of the Merger and had served as a director of OncoMed since October 2013 until the closing of the Merger. On May 14, 2020, we entered into the Consulting and Interim Chief Financial Officer Agreement with MSW Consulting Inc. and Michael Wyzga by which Mr. Wyzga served as Interim Chief Financial Officer from August 1, 2020 to January 4, 2021, following the departure of Mr. Jones. Mr. Wyzga is currently the President of MSW Consulting Inc., a strategic consulting group focused in the life sciences area. From December 2011 until November 2013, Mr. Wyzga served as President and Chief Executive Officer and a member of the board of directors of Radius Health, Inc. Prior to that, Mr. Wyzga served in various senior management positions at Genzyme Corporation, including as Chief Financial Officer from July 1999 until November 2011. Mr. Wyzga is a member of the boards of directors of Exact Sciences Corporation and LogicBio, and is Chairman of the board of directors of GenSight Biologics S.A. and of X4 Biologics. Mr. Wyzga previously served as a member of the boards of directors of Idenix Pharmaceuticals, Inc. and Altus Pharmaceuticals, Inc., and as a member of the supervisory board of Prosensa Holding B.V. He received an M.B.A. from Providence College and a B.S. from Suffolk University.

Arrangements Concerning Election of Directors; Family Relationships

We are not a party to, and are not aware of, any voting agreements among our shareholders. In addition, there are no family relationships among our executive officers and directors.

6.B. Compensation

Executive Officer Remuneration

The following table sets forth the approximate remuneration paid during the year ended December 31, 2020.

Name and Principal Position	Salary (£)	Cash Bonus(1) (£)	All Other Compensation(2) (£)	Total(3) (£)
Denise Scots-Knight, Ph.D.	398,808	398,808	70,271	867,887
Jill Henrich(4)	196,376	-	7,014	203,390
Richard Jones(5)	230,513	-	67,339	297,852
Alastair MacKinnon, MBBS	295,886	295,849	33,920	625,655
John Richard	292,770	276,504	23,779	593,053
Charles Sermon	296,783	296,783	41,360	634,927
Alexandra Hughes-Wilson	189,108	151,286	18,911	359,305
John Lewicki, Ph.D.(6)	81,665	31,651	365,835	479,151
Michael S Wyzga(7)	113,424	76,929	-	190,353

(1) Amount shown reflects cash bonuses awarded for achievement of performance goals.
(2) Amount shown represents health benefit payments and pension contributions made by us.
(3) Total compensation set out in this table does not include any amounts for awards under the DBSP or the value of options to acquire Mereo ordinary shares or awards granted to or held by current senior management, which is described in "—Equity Compensation Arrangements."
(4) Ms. Henrich left on August 28, 2020.
(5) Under a settlement agreement dated March 27, 2020, Mr. Jones was not required to acquire Mereo ordinary shares under the 2019 DBP (as defined below) and was paid £100,000, of which £37,500 was treated as salary and £62,500 is included within "All other compensation". No cash bonus was payable in respect of 2020 to Mr. Jones. Mr. Jones left on July 31, 2020.
(6) Appointed in July 2020. Amounts received by Mr. Lewicki pursuant to (i) a Consulting Agreement, dated April 23, 2019, between Dr. Lewicki and OncoMed and (ii) a Severance Agreement, dated October 17, 2018, between Dr. Lewicki and OncoMed are included within "All other compensation".
(7) Mr. Wyzga served as Interim Chief Financial Officer following the departure of Mr. Jones from August 1, 2020 until January 4, 2021. His compensation for this role is included within this table. His compensation for his role a non-executive director prior to August 1, 2020 is included separately within Non-Executive Directors Remuneration below.

Executive Officer Employment and Consultancy Agreements

Denise Scots-Knight, Ph.D.

We entered into an employment agreement with Dr. Scots-Knight on July 29, 2015. This agreement entitles Dr. Scots-Knight to receive an initial annual base salary of £275,000 (which was subsequently increased to £379,600 for 2018, £390,988 for 2019 and £398,808 for 2020) and an opportunity to earn an annual discretionary performance-based bonus, subject to the achievement of performance goals determined in accordance with our annual bonus plan. We currently contribute to Dr. Scots-Knight's Self-Invested Personal Pension Scheme an amount equal to 15% of Dr. Scots-Knight's annual salary, provided that she contributes 4% or more of her annual salary to that scheme. In lieu of a pension contribution, we may, at Dr. Scots-Knight's request, pay a pro-rata amount equal to 10% of her base salary as additional compensation. Either party may terminate the employment agreement by giving the other party not less than 12 months' written notice, provided that we may terminate Dr. Scots-Knight at any time with immediate effect for cause or by giving written notice to Dr. Scots-Knight that we will instead pay her basic salary for any remaining notice period. Dr. Scots-Knight's employment agreement also contains restrictive covenants pursuant to which she has agreed to refrain from competing with us or soliciting our key employees for a period of six months following her termination of employment or soliciting our customers for a period of nine months following her termination of employment.

John Lewicki, Ph.D.

We entered into an employment agreement with Dr. Lewicki on July 1, 2020 pursuant to which he commenced employment with us and serves as our Chief Scientific Officer. This agreement entitles Dr. Lewicki to receive an initial annual base salary of $216,000 and an opportunity to earn an annual discretionary performance-based bonus, subject to the achievement of performance goals determined in accordance with our annual bonus plan. Either party can terminate the employment agreement at any time, with or without cause. Dr. Lewicki's employment agreement also contains restrictive covenants pursuant to which he has agreed to refrain from soliciting our key employees for a period of one year following his termination of employment. During 2020, we also made payments due to Dr. Lewicki pursuant to (i) a Consulting Agreement, dated April 23, 2019, between Dr. Lewicki and OncoMed and (ii) a Severance Agreement, dated October 17, 2018, between Dr. Lewicki and OncoMed.

Jill Henrich

OncoMed entered into an employment agreement with Ms. Henrich on May 22, 2008, pursuant to which she commenced employment with OncoMed on January 5, 2009. This agreement was subsequently amended on October 27, 2015. Following the acquisition of OncoMed, Ms. Henrich became our Senior Vice President of Regulatory Affairs. On November 1, 2019, we entered into a letter agreement with Ms. Henrich amending all prior employment agreements between Ms. Henrich and OncoMed.

The employment agreement between us and Ms. Henrich entitled Ms. Henrich to receive an annual base salary of $357,200 per year and an opportunity to earn an annual discretionary performance-based bonus, subject to achievement of corporate goals. Either party could terminate the employment agreement at any time, with or without cause. Ms. Henrich's employment agreement also contained restrictive covenants pursuant to which she has agreed to refrain from soliciting our employees for one year following her termination of employment. Ms. Henrich left the Company on August 28, 2020.

Richard Jones

We entered into an employment agreement with Mr. Jones on November 7, 2016 pursuant to which he commenced employment with us on January 28, 2017. This agreement entitled Mr. Jones to receive an initial annual base salary of £250,000 (which was subsequently increased to £260,000 for 2018, £291,200 for 2019 and 2020) and an opportunity to earn an annual discretionary performance-based bonus, subject to the achievement of performance goals determined in accordance with our annual bonus plan. Mr. Jones was also eligible to participate in our group personal pension scheme and we agreed to contribute to the pension scheme an amount equal to 10% of Mr. Jones's annual salary provided that he contributed 4% or more of his annual salary to that scheme. In lieu of a pension contribution, we could, at Mr. Jones's request, pay a pro-rata amount equal to 10% of his base salary as additional compensation. Either party could terminate the employment agreement by giving the other party not less than six months' written notice, provided that we could terminate Mr. Jones at any time with immediate effect for cause or by giving written notice to Mr. Jones that we would instead pay his basic salary for any remaining notice period. Mr. Jones's employment agreement also contained restrictive covenants pursuant to which he agreed to refrain from competing with us or soliciting our key employees for a period of six months following his termination of employment or soliciting our customers for a period of nine months following his termination of employment.

On March 27, 2020 we entered into a Settlement Agreement with Richard Jones including the terms whereby Mr. Jones left the Company. Mr. Jones remained in his position as CFO with the Company for a transitionary period until July 31, 2020.

Alastair MacKinnon, MBBS

We entered into an employment agreement with Dr. MacKinnon on July 29, 2015, and subsequently amended the agreement on November 24, 2017. This agreement entitles Dr. MacKinnon to receive an initial annual base salary of £210,000 (which was subsequently increased to £281,600 for 2018, £290,048 for 2019 and £295,849 for 2020) and an opportunity to earn an annual discretionary performance-based bonus, subject to the achievement of performance goals determined in accordance with our annual bonus plan.

Dr. MacKinnon is also eligible to participate in our group personal pension scheme and we have agreed to contribute to the pension scheme an amount equal to 10% of Dr. MacKinnon's annual salary provided that he contributes 4% or more of his annual salary to that scheme. In lieu of a pension contribution, we may, at Dr. MacKinnon's request, pay a pro-rata amount equal to 10% of his base salary as additional compensation. Either party may terminate the employment agreement by giving the other party not less than six months' written notice, provided that we may terminate Dr. MacKinnon at any time with immediate effect for cause or by giving written notice to Dr. MacKinnon that we instead pay his basic salary for any

remaining notice period. Dr. MacKinnon's employment agreement also contains restrictive covenants pursuant to which he has agreed to refrain from competing with us for a period of three months following his termination of employment, soliciting our key employees for a period of six months following his termination of employment, or soliciting our customers for a period of nine months following his termination of employment.

John Richard

We entered into a consultancy agreement with Mr. Richard on January 23, 2019, pursuant to which he provided services to us during 2019 and which terminated on September 1, 2019. Mr. Richard currently provides services to us pursuant to a revised and restated employment agreement dated September 1, 2019 (the "Richard Employment Agreement").

The Richard Employment Agreement entitles Mr. Richard to receive an annual base salary of $370,000 which was subsequently increased to $377,400 for 2020), and an opportunity to earn an annual discretionary performance-based bonus, subject to the achievement of performance goals determined in accordance with our annual bonus plan. Either party may terminate the employment agreement by giving the other party not less than three months' written notice, provided that we may terminate Mr. Richard at any time with immediate effect for cause or by giving written notice to Mr. Richard that we will instead pay his basic salary for any remaining notice period. Mr. Richard's employment agreement also contains restrictive covenants pursuant to which he has agreed to refrain from competing with us or soliciting our key employees or customers for a period of six months following his termination of employment.

Charles Sermon

We entered into an employment agreement with Mr. Sermon on July 29, 2015. This agreement entitles Mr. Sermon to receive an initial annual base salary of £245,000 (which was subsequently increased to £282,490 for 2018, £290,964 for 2019 and £296,783 for 2020) and an opportunity to earn an annual discretionary performance- based bonus, subject to the achievement of performance goals determined in accordance with our annual bonus plan. We have agreed to contribute to Mr. Sermon's Self-Invested Personal Pension Scheme an amount equal to 10% of Mr. Sermon's annual salary provided that he contributes 4% or more of his annual salary to that scheme. In lieu of a pension contribution, we may, at Mr. Sermon's request, pay a pro-rata amount equal to 10% of his base salary as additional compensation. Either party may terminate the employment agreement by giving the other party not less than six months' written notice, provided that we may terminate Mr. Sermon at any time with immediate effect for cause or by giving written notice to Mr. Sermon that we will instead pay his basic salary for any remaining notice period. Mr. Sermon's employment agreement also contains restrictive covenants pursuant to which he has agreed to refrain from competing with us or soliciting our key employees for a period of six months following his termination of employment or soliciting our customers for a period of nine months following his termination of employment.

Alexandra (Wills) Hughes-Wilson

Mereo entered into a part-time employment agreement with Ms. Alexandra (Wills) Hughes-Wilson on February 19, 2018, and subsequently amended the agreement on May 29, 2018 and on March 8, 2019. Ms. Hughes-Wilson commenced part-time employment with Mereo as its Head of Patient Access and Commercial Planning on March 5, 2018. The employment agreement entitles Ms. Hughes-Wilson to receive an initial annual base salary of £185,400 which was subsequently increased to £189,108 for 2020) and an opportunity to earn an annual discretionary performance-based bonus, subject to the achievement of performance goals determined in accordance with Mereo's annual bonus plan.

Ms. Hughes-Wilson is also eligible to participate in Mereo's group personal pension scheme and Mereo has agreed to contribute to the pension scheme an amount equal to 10% of Ms. Hughes-Wilson annual salary provided that she contributes 4% or more of her annual salary to that scheme. In lieu of a pension contribution, Mereo may, at Ms. Hughes-Wilson's request, pay a pro-rata amount equal to 10% of her base salary as additional compensation. Either party may terminate the employment agreement by giving the other party not less than six months' written notice, provided that Mereo may terminate Ms. Hughes-Wilson at any time with immediate effect for cause or by giving written notice to Ms. Hughes-Wilson that Mereo instead pay her basic salary for any remaining notice period. Ms. Hughes-Wilson's employment agreement also contains restrictive covenants pursuant to which she has agreed to refrain from competing with Mereo or soliciting its key employees for a period of six months following her termination of employment or soliciting Mereo customers for a period of nine months following her termination of employment.

Equity Compensation Awards to Directors and Executive Officers of Mereo

The following table summarizes: (i) the outstanding number of options and awards under the equity incentive plans; and (ii) the number of shares granted to directors, executive officers, and non-executive directors, as of December 31, 2020:

Name(1)	Ordinary Shares (including those represented by ADSs)	Ordinary Shares Underlying Options	Exercise Price Per Ordinary Share (£)	ADSs Underlying Options	Exercise Price Per ADS ($)	Grant Date	Expiration Date
Denise Scots-Knight, Ph.D.	—	1,544,745	1.29	—	—	September 25, 2015	September 25, 2025
	—	230,769	nil	—	—	June 9, 2016	June 9, 2026
	—	25,319	nil	—	—	April 4, 2017	April 4, 2021
	—	32,205	nil	—	—	April 26, 2018	January 31, 2022
	—	—	—	87,500	5.40	May 20, 2019	May 20, 2029
	—	—	—	87,500	3.00	July 23, 2019	July 23, 2029
	—	—	—	175,000	1.84	February 20, 2020	February 20, 2030
	935,999	—	—	—	—	—	—
John Lewicki, Ph.D.	—	—	—	100,000	2.77	August 12, 2020	August 12, 2030
Jill Henrich	—	—	—	40,000	5.40	May 20, 2019	May 20, 2029
	10,380	—	—	—	—	—	—
Richard Jones	—	650,000	3.03	—	—	April 4, 2017	April 4, 2027
	—	22,058	nil	—	—	April 26, 2018	January 31, 2022
	—	—	—	8,019	5.40	May 20, 2019	May 20, 2029
	—	—	—	6,875	3.00	July 23, 2019	July 23, 2029
	66,915	—	—	—	—	—	—
Alastair MacKinnon, MBBS	—	772,371	1.29	—	—	September 25, 2015	September 25, 2025
	—	117,018	nil	—	—	June 9, 2016	June 9, 2026
	—	17,127	nil	—	—	April 4, 2017	April 4, 2021
	—	22,588	nil	—	—	April 26, 2018	January 31, 2022
	—	—	—	27,500	5.40	May 20, 2019	May 20, 2029
	—	—	—	27,500	3.00	July 23, 2019	July 23, 2029
	—	—	—	85,000	1.84	February 20, 2020	February 20, 2030
	507,920	—	—	—	—	—	—
John Richard	—	772,371	1.29	—	—	September 25, 2015	September 25, 2025
	—	50,000	2.21	—	—	June 1, 2016	June 1, 2026
	—	—	—	27,500	5.40	May 20, 2019	May 20, 2029
	—	—	—	27,500	3.00	July 23, 2019	July 23, 2029
	—	—	—	85,000	1.84	February 20, 2020	February 20, 2030
	314,658	—	—	—	—	—	—
Charles Sermon	—	772,371	1.29	—	—	September 25, 2015	September 25, 2025
	—	134,898	nil	—	—	June 9, 2016	June 9, 2026
	—	19,734	nil	—	—	April 4, 2017	April 4, 2021
	—	23,966	nil	—	—	April 26, 2018	January 31, 2022
	—	—	—	27,500	5.40	May 20, 2019	May 20, 2029
	—	—	—	27,500	3.00	July 23, 2019	July 23, 2029
	—	—	—	85,000	1.84	February 20, 2020	February 20, 2030
	569,859	—	—	—	—	—	—
Alexandra (Wills) Hughes-Wilson	—	30,769	3.25	—	—	May 2, 2018	May 2, 2028
	—	9,231	3.25	—	—	May 2, 2018	May 2, 2028
	—	—	—	18,000	5.40	May 20, 2019	May 20, 2029
	—	—	—	18,000	3.00	July 23, 2019	July 23, 2029
	—	—	—	50,000	1.84	February 20, 2020	February 20, 2030
	16,250	—	—	—	—	—	—
Peter Fellner, Ph.D.	—	1,692,673	1.29	—	—	September 29, 2015	September 29, 2025
	—	—	—	5,500	5.40	May 20, 2019	May 20, 2029
	—	—	—	5,500	3.00	July 23, 2019	July 23, 2029
	—	—	—	11,000	1.84	February 20, 2020	February 20, 2030
	65,500	—	—	—	—	—	—
Peter Bains	—	710,583	1.29	—	—	September 29, 2015	September 29, 2025
	—	—	—	5,500	5.40	May 20, 2019	May 20, 2029
	—	—	—	5,500	3.00	July 23, 2019	July 23, 2029
	—	—	—	11,000	1.84	February 20, 2020	February 20, 2030
	206,796	—	—	—	—	—	—
Paul Blackburn	—	236,974	1.84	—	—	May 11, 2016	May 11, 2026
	—	—	—	5,500	5.40	May 20, 2019	May 20, 2029
	—	—	—	5,500	3.00	July 23, 2019	July 23, 2029

Name(1)	Ordinary Shares (including those represented by ADSs)	Ordinary Shares Underlying Options	Exercise Price Per Ordinary Share (£)	ADSs Underlying Options	Exercise Price Per ADS ($)	Grant Date	Expiration Date
	—	—	—	11,000	1.84	February 20, 2020	February 20, 2030
	22,624	—	—	—	—	—	—
Anders Ekblom, M.D., Ph.D.	—	216,264	1.29	—	—	September 29, 2015	September 29, 2025
	—	—	—	5,500	5.40	May 20, 2019	May 20, 2029
	—	—	—	5,500	3.00	July 23, 2019	July 23, 2029
	—	—	—	11,000	1.84	February 20, 2020	February 20, 2030
	189,702	—	—	—	—	—	—
Kunal Kashyap	—	216,264	1.29	—	—	September 29, 2015	September 29, 2025
	—	—	—	5,500	5.40	May 20, 2019	May 20, 2029
	—	—	—	5,500	3.00	July 23, 2019	July 23, 2029
	—	—	—	11,000	1.84	February 20, 2020	February 20, 2030
	1,497,735	—	—	—	—	—	—
Deepika R. Pakianathan, Ph.D.	—	—	—	5,500	5.40	May 20, 2019	May 20, 2029
	—	—	—	5,500	3.00	July 23, 2019	July 23, 2029
	—	—	—	11,000	1.84	February 20, 2020	February 20, 2030
	1,283,670	—	—	—	—	—	—
Michael S. Wyzga	—	—	—	5,500	5.40	May 20, 2019	May 20, 2029
	—	—	—	5,500	3.00	July 23, 2019	July 23, 2029
	—	—	—	11,000	1.84	February 20, 2020	February 20, 2030

(1) No grants were made to Jeremy Bender or Brian Schwartz as of December 31, 2020.

Mereo has granted or may grant or intend to grant share options and awards under the following seven equity award plans (the "Mereo Share Plans"): (i) the 2015 Plan; (ii) the Share Option Plan; (iii) the LTIP; (iv) the 2016 DBSP; (v) the Mereo 2019 DBP; (vi) the Mereo 2019 Equity Incentive Plan (the 2019 Plan), (vii) the 2019 NED Equity Incentive Plan (the 2019 NED plan) (each as defined below).

The 2015 Plan

Prior to the admission of Mereo ordinary shares to trading on the AIM Market of the London Stock Exchange ("Admission"), Mereo granted options under the 2015 Plan. No further grants have been made under the 2015 Plan since Admission. The 2015 Plan was amended on December 3, 2020.

Eligibility, Awards and Administration

The 2015 Plan provides for the grant of options to executive directors, non-executive directors, employees and consultants.

Options granted under the 2015 Plan vest in accordance with the vesting schedule set out in each option holder's option agreement, in normal circumstances, between the first and fourth anniversary (or between the first and third anniversary for non-executive directors) of the vesting start date (typically the date of commencement of employment, appointment as a director, or entering into a consultancy agreement with us).

Admission did not automatically accelerate the vesting of options, and unvested options continue to vest in accordance with their original vesting schedule, subject to the rules of the 2015 Plan. The options are not subject to performance conditions other than continued service.

Options are not automatically exercisable on vesting, but upon Admission became exercisable to the extent vested. Options may generally be exercised until the day immediately preceding the tenth anniversary of the date of grant.

Options have been granted under the 2015 Plan with an exercise price ranging from £1.26 per Mereo ordinary share to £2.17 per Mereo ordinary share.

Plan Leavers

Options held by option holders who leave their office or employment will lapse immediately, unless the option holder is a Good Leaver (as defined in the plan rules). If the option holder is a Good Leaver, the option may be exercised to the extent vested at the date of cessation of services and for such period as the Mereo Board determines and communicates to the option holder at that time (except upon death, in which case, options may be exercised for a period of one year), after which time they will lapse.

Certain Transactions

Under the 2015 Plan, certain corporate events such as a Takeover or a Trade Sale (as defined in the plan rules) will accelerate the vesting of all unvested options upon the occurrence of such event. Options will then be exercisable for a period of 40 days thereafter, after which they will lapse.

Adjustments

In the event of any capitalization, rights issue, consolidation, subdivision, reduction or any other variation of Mereo's share capital, the number of Mereo ordinary shares subject to an option and the exercise price applying to an option may be varied in such manner as the Mereo Board may determine.

Amendment and Termination

The Mereo Board may, at any time, amend the rules of the 2015 Plan with effect from a current, future or past date by way of a resolution, except that no amendment may be made which would abrogate or adversely affect the subsisting rights of option holders, unless consent from a majority of the affected option holders is obtained (by reference to the number of Mereo ordinary shares subject to options). However, any amendment to benefit the administration of the 2015 Plan, to take account of legislative changes, a Takeover or a Trade Sale (as defined in the plan rules) or to obtain or maintain favorable tax treatment or regulatory treatment may be made by the Mereo Board without the consent of option holders.

The Mereo Share Option Plan (the "Share Option Plan")

The Mereo Board adopted the Share Option Plan on June 9, 2016, and has subsequently amended it. Except where the context indicates otherwise, references to Mereo ordinary shares shall be deemed to include a number of our ADSs representing the right to receive our ordinary shares.

Eligibility, Awards and Administration

The Share Option Plan provides for the grant of options to acquire Mereo ordinary shares to employees and executive directors. Options may be granted to all eligible employees on commencement of employment and may be granted on a periodic basis after that. The Share Option Plan is administered by the Mereo Board who also set the terms and conditions of all options granted under the Share Option Plan, including any vesting and vesting acceleration conditions. Options are granted under the Share Option Plan at the discretion of the Mereo Board.

Vesting and Exercise

Under the Share Option Plan, the Mereo Board may determine the vesting schedule of an option and whether the vesting of an option will be subject to the satisfaction of a performance condition, although options are not currently granted subject to performance conditions other than continued service with Mereo. Once an option has vested, it may be exercised during the period ending on the tenth anniversary of the date of grant, after which time it will lapse. The exercise price of an option may not be less than the greater of: (i) the market value of a share on the date of grant; or (ii) if the shares are to be subscribed, the nominal value of a share. The Mereo Board may determine that an option be settled in cash or by "net exercise" of the option.

Limitation on Awards

No eligible employee may be granted options that, at the time they are granted, would cause the market value of shares subject to the options granted to the employee in respect of a financial year to exceed 400% of the employee's salary.

Plan Leavers

If a participant ceases to hold office or employment with Mereo as a result of dismissal for gross misconduct, any option the participant holds, whether vested or unvested, will lapse.

If a participant ceases to hold office or employment with Mereo for any reason other than dismissal for gross misconduct then: (i) if the option is already vested, it may be exercised within six months from the date of cessation of services if such cessation did not occur as a result of the participant's death, and within 12 months from the date of cessation of services if such cessation occurred as a result of the participant's death; and (ii) if the option is not already vested, it will vest on the normal vesting date as described above, unless the Mereo Board determines that the option will vest on the date of cessation of services. Where an option vests in these circumstances, any performance condition will be taken into account and, unless the Mereo Board determines otherwise, will be pro-rated for time.

Unless the board determines otherwise, options may not be transferred in any way and will lapse immediately on any attempt to do so, except that options may be transferred to a participant's personal representative upon death.

Certain Transactions

Under the Share Option Plan, if certain changes are made in, or events occur with respect to, Mereo ordinary shares (including any variation of share capital, demerger, cancellation of admission, special dividend, rights issue or any other event, which may, in the opinion of the Mereo Board affect the current or future value of Mereo ordinary shares), the number of shares subject to an option or the exercise price of an option may be adjusted as determined by the Mereo Board. In addition, upon such an event, the Mereo Board will determine: (i) whether and to what extent options which have not yet vested will vest; and (ii) the period of time during which any vested option may be exercised.

In the event of certain corporate transactions, including a scheme of arrangement or general offer, the vesting and exercisability of all options will accelerate to the extent determined by the Mereo Board, after which they will be exercisable for one month (or such longer period as determined by the Mereo Board, but not exceeding six months), following which they will lapse. However, if there is an internal reorganization, unless the Mereo Board determines otherwise, an option will generally be exchanged in consideration of the grant of a new option which, as determined by the Mereo Board, is equivalent to the option but relates to shares in a different company (whether the acquiring company or a different company). Any option that does not vest or is not exchanged will lapse immediately.

Amendment and Termination

The Mereo Board may, at any time, amend the rules of the Share Option Plan, except that no amendment may be made: (i) which would be to the material disadvantage of the existing rights of participants unless every participant who may be affected by such amendment has been invited to indicate whether he or she approves the amendment and the amendment is approved by a majority of such participants; or (ii) which would prevent the Share Option Plan from being an employees' share scheme in accordance with the U.K. Companies Act 2006. No options may be granted pursuant to the Share Option Plan after the tenth anniversary of the date of Mereo's Admission.

The Mereo Long Term Incentive Plan (the "LTIP")

In order to further incentivize Mereo's employees and align their interests with shareholders, the Mereo Board adopted the LTIP on June 9, 2016 and has subsequently amended it.

Eligibility, Awards and Administration

The LTIP provides for the grant of nil-cost options, conditional awards, cash conditional awards or cash options (the "LTIP Awards"), to Mereo's employees. The shares used to satisfy the LTIP Awards are currently delivered through the Mereo BioPharma Group plc Employee Benefit Trust, which is based in Jersey.

The Mereo Board may determine that the LTIP Awards are settled in cash.

Vesting and Exercise

The LTIP Awards are subject to a vesting schedule as determined by the Mereo Board. LTIP Awards granted to key executive directors and senior management are subject to: (i) a share price performance condition; and (ii) the achievement of strategic operational targets. If on the date a LTIP Award is due to vest or be exercisable a restriction on share dealing (as may be imposed by Mereo's share dealing code) applies to the award, then the award will vest on the date on which such dealing restriction lifts. During the year ended December 31, 2020, 427,324 options under the LTIP lapsed as the performance conditions for a tranche were not met. To date, no options under the LTIP have vested.

Limitation on Awards

No eligible employee may be granted LTIP Awards that, at the time they are granted, would cause the market value of shares subject to the LTIP Awards granted to the employee in respect of a financial year to exceed 300% of the employee's salary.

The LTIP Awards may be: (i) reduced; or (ii) where the underlying shares or cash has already been transferred to the participant following vesting or exercise of the LTIP Award (as applicable), clawed back, where prior to the second anniversary of the end of the relevant performance period there has been a material misstatement of Mereo's accounts, an error in assessing a performance condition such that the LTIP Award vests to a greater extent than it would have vested, or fraudulent or material misconduct on the part of the participant.

Scheme Leavers

The LTIP Awards will usually lapse on the participant's cessation of employment or office, unless the cessation is because of death, ill health, injury or disability, or where the participant is no longer employed by Mereo, or for any other reason at the Mereo Board's discretion, except where the participant is summarily dismissed, in which case any unvested LTIP Awards will usually continue until the normal vesting date, unless the Mereo Board determines otherwise.

Certain Transactions

Under the LTIP, if certain changes are made in or events occur with respect to Mereo ordinary shares (including any variation of share capital, any demerger, cancellation of admission, special dividend, rights issue or other event which may, in the opinion of the Mereo Board, affect the current or future value of Mereo ordinary shares), the number of shares subject to a LTIP Award, or any performance condition, may be adjusted as determined by the Mereo Board. In addition, upon such an event, the Mereo Board will determine: (i) whether and to what extent awards which have not yet vested will vest; and (ii) the period of time during which any vested option may be exercised.

In the event of certain corporate transactions, including a general offer or a scheme of arrangement, the vesting and exercisability of all LTIP Awards will accelerate to the extent determined by the Mereo Board (taking into account the extent to which any performance conditions have been satisfied and usually the period of time from the date of grant to the date of the corporate transaction), and any nil-cost options will remain exercisable for one month (or such other period as determined by the Mereo Board), following which they will lapse. However, if there is an internal reorganization, a LTIP Award will be exchanged in consideration of the grant of a new award which, as determined by the Mereo Board, is equivalent to the LTIP Award but relates to shares in a different company (whether the acquiring company or a different company). Any LTIP Award that does not vest or is not exchanged will lapse immediately.

Amendment and Termination

The Mereo Board may, at any time, amend the rules of the LTIP or the terms of any LTIP Award, except that no amendment may be made: (i) which would be to the material disadvantage of the existing rights of participants unless every participant who may be affected by such amendment has been invited to indicate whether he or she approves the amendment and the amendment is approved by a majority of such participants; or (ii) which would prevent the LTIP from being an employees' share scheme in accordance with the U.K. Companies Act 2006. No LTIP Awards may be granted pursuant to the LTIP after the tenth anniversary of the date of Admission.

The Mereo Deferred Bonus Share Plan (the "2016 DBSP")

The Mereo Board adopted the 2016 DBSP on June 9, 2016 and has subsequently amended it. Following the adoption of the 2019 DBP in January 2019, no further grants are expected to be made under the 2016 DBSP.

Eligibility, Awards and Administration

The 2016 DBSP provides for the deferral of a percentage (currently 30%) of the annual bonuses awarded to Mereo's employees into the right to acquire shares equal in value to the amount deferred, free of charge.

Under the 2016 DBSP, conditional awards or nil-cost options (the "2016 DBSP Awards") may only be granted to participants who have earned a bonus, pursuant to Mereo's annual bonus plan, for the financial year immediately preceding the financial year in which the grant date occurs. A 2016 DBSP Award will be granted over such number of shares as have at the grant date a market value, as determined by the Mereo Board, equal to the deferred bonus (the amount of bonus which is to be delivered in the form of a conditional award or a nil-cost option).

Vesting and Exercise

The 2016 DBSP Awards will generally vest three years after the date of grant and have no performance conditions or service condition. The 2016 DBSP Awards may be settled in cash if determined by the Mereo Board. The shares used to satisfy the 2016 DBSP Awards are currently delivered through the Mereo BioPharma Group plc Employee Benefit Trust, which is based in Jersey.

If on the date a 2016 DBSP Award is due to vest or be exercisable a restriction on share dealing (as may be imposed by Mereo's share dealing code) applies to the award, then the award will vest on the date on which such dealing restriction lifts.

Once a nil-cost option has vested, it may be exercised during the period ending on the first anniversary of the date on which it vested in such manner as the Mereo Board determines, after which time it will lapse.

Limitation on Awards

No eligible employee may be granted 2016 DBSP Awards that, at the time they are granted, would cause the market value of shares subject to the 2016 DBSP Awards granted to the employee in respect of a financial year to exceed 100% of the employee's salary.

The 2016 DBSP Awards may, prior to the third anniversary of the grant date, be: (i) reduced; or (ii) where the underlying shares or cash have already been transferred to the participant following vesting or exercise of the 2016 DBSP Award (as applicable), clawed back, where there has been a material misstatement of Mereo's accounts, an error in assessing the information on which the bonus was determined such that the bonus was overpaid, or fraudulent or material misconduct on the part of the participant.

Certain Transactions

Under the 2016 DBSP, if certain changes are made in or events occur with respect to Mereo ordinary shares (including any variation of share capital, any demerger, cancellation of admission, special dividend, rights issue or other event which may in the opinion of the Mereo Board, affect the current or future value of Mereo ordinary shares), the number of shares subject to a 2016 DBSP Award may be adjusted as determined by the Mereo Board. In addition, upon such an event, the Mereo Board will determine: (i) whether and to what extent 2016 DBSP Awards which have not yet vested will vest; and (ii) the period of time during which any vested option may be exercised.

In the event of certain corporate transactions, including a general offer or a scheme of arrangement, the vesting and exercisability of all 2016 DBSP Awards will accelerate to the extent determined by the Mereo Board, after which, the 2016 DBSP Awards will be exercisable for one month (or such other period as or determined by the Mereo Board), following which they will lapse. However, if there is an internal reorganization, a 2016 DBSP Award will be exchanged in consideration of the grant of a new award which, as determined by the Mereo Board, is equivalent to the 2016 DBSP Award but relates to shares in a different company (whether the acquiring company or a different company).

Scheme Leavers

Except for where a participant is summarily dismissed (in which case the awards will be forfeited), the 2016 DBSP Awards usually will continue upon cessation of office or employment with Mereo and vest in full on the normal vesting date as described above. Options will remain exercisable for a period of 12 months from the date of vesting.

Amendment and Termination

The Mereo Board may, at any time, amend the rules of the 2016 DBSP, except that no amendment may be made: (i) which would be to the material disadvantage of the existing rights of participants unless every participant who may be affected by such amendment has been invited to indicate whether he or she approves of the amendment and the amendment is approved by a majority of such participants; or (ii) which would prevent the 2016 DBSP from being an employees' share scheme in accordance with the U.K. Companies Act 2006.

No 2016 DBSP Awards may be granted pursuant to the 2016 DBSP after the tenth anniversary of the date of Admission.

Mereo's Remuneration Committee has approved awards under the 2016 DBSP in respect of bonuses awarded to certain of Mereo's executive officers for 2017. These awards are in the form of nil-cost option grants under the 2016 DBSP in the following amounts: Dr. Scots-Knight: 32,205 shares subject to the option; Mr. Jones: 22,058 shares subject to the option; Dr. MacKinnon: 22,588 shares subject to the option; and Mr. Sermon: 23,966 shares subject to the option. These options have vested.

The Mereo New Deferred Bonus Plan (the "2019 DBP")

The Mereo Board adopted Mereo's the 2019 DBP on January 15, 2019.

Holding of Deferred Shares

Under the 2019 DBP, Mereo ordinary shares may be purchased by participants using an after-tax bonus amount paid to them pursuant to Mereo's annual bonus plan ("Deferred Shares").

Restrictions on Deferred Shares

The participants must hold the Deferred Shares for two years (or such other period as the Mereo Board may determine in advance) beginning on the date or dates on which a participant purchases those shares with the bonus. Participants must not transfer, assign, charge, sell or dispose of or encumber any Deferred Shares during this period except as permitted under the 2019 DBP or by the Mereo Board. The 2019 DBP permits participants to transfer Deferred Shares to an immediate family member or nominee to hold for them or as a beneficiary, or to a personal representative in the event of the participant's death.

Cessation of Employment

If a participant ceases employment with Mereo, he or she must continue to hold the Deferred Shares in accordance with the restrictions under the 2019 DBP unless the Mereo Board disapply some or all of the restrictions in respect of some or all of that participant's Deferred Shares. The Mereo Board will not have discretion to disapply any of the restrictions in the case of a participant who has been dismissed lawfully without notice or could have been so dismissed if he or she had not resigned.

Certain Transactions

Under the 2019 DBP, if any person obtains control of Mereo (by means of holding shares, the possession of voting power, or as a result of any powers conferred by Mereo's Articles or other document relating to Mereo), the restrictions on Deferred Shares under the 2019 DBP will cease to apply from that date unless the Mereo Board determines otherwise. The Mereo Board may not extend the restrictions under the 2019 DBP.

If an internal reorganization occurs (whereby immediately after a change of control of Mereo, all or substantially all of the issued share capital of the acquiring company is owned directly or indirectly by the persons who were shareholders in Mereo before the change of control) and the Deferred Shares are exchanged for shares in another company, the rules of the 2019 DBP will apply to those shares as if they were Deferred Shares.

Regulatory Issues

The purchase or transfer of Mereo ordinary shares under the 2019 DBP will be subject to obtaining any approval or consent required by Nasdaq (or any other relevant authority) and any restrictions imposed by Mereo's share dealing code, or any applicable laws or regulations which impose restrictions on share dealing.

Amendment and Termination

The Mereo Board may, at any time, amend the rules of the 2019 DBP or the terms of the Deferred Shares, except that no amendment may be made: (i) which would be to the material disadvantage of the existing rights of participants unless every participant who may be affected by such amendment has been invited to indicate whether he or she approves of the amendment and the amendment is approved by a majority of such participants; or (ii) which would prevent the 2019 DBP from being an employees' share scheme in accordance with the U.K. Companies Act 2006.

The 2019 DBP will terminate on the tenth anniversary of its adoption by the Mereo Board or at any earlier time by resolution of the Mereo Board. Termination of the 2019 DBP will be without prejudice to the existing rights of participants.

The Mereo 2019 Equity Incentive Plan (The 2019 EIP)

Our Board adopted the 2019 EIP on April 4, 2019. The Remuneration Committee made minor amendments to the rules of the 2019 EIP on May 16, 2019 and subsequently on February 13, 2020 and January 15, 2021.

Eligibility, Awards and Administration

The 2019 EIP provides for the grant of the following types of awards to non-executive directors: (i) market value options; (ii) share appreciation rights; (iii) restricted stock / restricted stock unit awards; (iv) performance awards (awards subject to performance conditions) and (v) other share-based awards.

Subject to the terms of the 2019 EIP awards can be granted in respect of ordinary shares, ADSs, cash or a combination thereof. References in this section to ordinary shares will be deemed references to ADSs, as applicable.

The 2019 EIP is administered by the Remuneration Committee unless the Remuneration Committee designates one or more directors as a subcommittee who may act for the Remuneration Committee if necessary. The Board may also choose to administer the 2019 EIP itself.

Vesting Schedule

Awards vest in accordance with the vesting schedule set for the relevant award in its award agreement.

Awards

On May 20, 2019, the Remuneration Committee of the Board agreed to grant awards in respect of market value options over an aggregate of 255,500 ADSs to executives, at an exercise price of $5.40 per ADS. On July 23, 2019, the Remuneration Committee of the Board agreed to grant awards in respect of market value options over an additional 215,500 ADSs to executives, at an exercise price of $3.00 per ADS. On February 20, 2020, the Remuneration Committee of the Board agreed to grant awards in respect of market value options over an additional 565,000 ADSs to executives, at an exercise price of $1.84 per ADS. On August 12, 2020, the Remuneration Committee of the Board agreed to grant an award in respect of market value options over an additional 100,000 ADSs to an executive, at an exercise price of $2.77 per ADS. On January 19, 2021, the Remuneration Committee of the Board agreed to grant an award in respect of market value options over an additional 170,000 ADSs to an executive, at an exercise price of $3.32 per ADS. On February 1, 2021, the Remuneration Committee of the Board agreed to grant awards in respect of market value options over an additional 1,150,000 ADSs to executives, at an exercise price of $2.72 per ADS.

In the normal course of events and subject to the participant's continued employment through each applicable vesting date, one fourth of each such market value option grant shall vest on the first anniversary of the grant date and the remainder shall vest in equal monthly installments over the three year period following the first anniversary. No performance conditions apply to such market value options.

Limitation on Awards

Subject to adjustment, the aggregate number of shares available for issuance under the 2019 EIP and the 2019 NED EIP will not exceed 9,590,180 ordinary shares. Beginning in the 2021 calendar year, the total number of ordinary shares available for issuance under the 2019 EIP and the 2019 NED EIP is increased on January 1st of each year in an amount equal to the lesser of (i) 5.3% of our issued and outstanding ordinary shares (measured as of January 1st of such year) and (ii) such number of ordinary shares as determined by the Remuneration Committee of the Board, or such other committee as may be designated by the Board, in its discretion.

Leavers

Unvested awards will usually lapse on termination of office or service (including voluntary departure) save for potentially different good leaver treatment. The effect of a participant's termination of office or service on outstanding awards, including whether the awards may be exercised, settled, vested, paid or forfeited, will be determined by the Remuneration Committee and may be set forth in the participant's award agreement.

Certain Transactions

In the event of certain corporate transactions, including a change of control, the Remuneration Committee may determine the appropriate treatment of an award which may include (but is not limited to) it vesting in full, being settled in cash or being varied or replaced so as to relate to other assets (including shares in another company).

The number and type of securities subject to award and any exercise price may also be adjusted for various events that may affect the value of ADSs and for changes in applicable laws, regulations or accounting principles.

Amendment and Termination

The Board may amend, alter, suspend, discontinue or terminate the 2019 EIP or any portion thereof at any time, subject to shareholder approval where required by applicable law or the rules of the stock market or exchange, if any, on which the shares are principally quoted or traded.

However, no such Board action that would materially adversely affect participants' rights under an outstanding award may be taken without such participants' consent, except to the extent that such action is made to cause the 2019 EIP to comply with applicable law, stock market or exchange rules and regulations or accounting or tax rules and regulations or to impose any recoupment provisions on any awards in accordance with the 2019 EIP.

No Award may be granted under the 2019 EIP after the earliest to occur of: (i) the tenth anniversary of the effective date of the 2019 EIP; provided that to the extent permitted by the listing rules of any stock exchange on which we are listed, such ten-year term may be extended indefinitely so long as the maximum number of shares available for issuance under the 2019 EIP have not been issued; (ii) the maximum number of shares available for issuance under the 2019 EIP have been issued; and (iii) our Board terminates the 2019 EIP.

Beginning in the 2021 calendar year, the total number of ordinary shares available for issuance under the 2019 EIP and the 2019 NED EIP is increased on January 1st of each year in an amount equal to the lesser of (i) 5.3% of our issued and outstanding ordinary shares (measured as of January 1st of such year) and (ii) such number of ordinary shares as determined by the Remuneration Committee of the Board, or such other committee as may be designated by the Board, in its discretion.

The Mereo 2019 NED Equity Incentive Plan (The 2019 NED EIP)

Our Board adopted the 2019 NED EIP on April 4, 2019. The Remuneration Committee made minor amendments to the rules of the 2019 NED EIP on May 16, 2019 and subsequently on February 13, 2020 and January 15, 2021.

Eligibility, Awards and Administration

The 2019 NED EIP provides for the grant of the following types of awards to non-executive directors: (i) market value options; (ii) share appreciation rights; (iii) restricted stock / restricted stock unit awards; (iv) performance awards (awards subject to performance conditions) and (v) other share-based awards.

Subject to the terms of the 2019 NED EIP awards can be granted in respect of ordinary shares, ADSs, cash or a combination thereof. References in this section to ordinary shares will be deemed references to ADSs, as applicable.

The 2019 NED EIP is administered by the Remuneration Committee unless the Remuneration Committee designates one or more directors as a subcommittee who may act for the Remuneration Committee if necessary. The Board may also choose to administer the 2019 NED EIP itself.

Vesting Schedule

Awards vest in accordance with the vesting schedule set for the relevant award in its award agreement.

Awards

Awards were granted under the 2019 NED EIP to non-executive directors on May 20, 2019 in respect of (in aggregate) 38,500 ADSs at a per ADS exercise price of $5.40. The terms of the awards include that, at our discretion, the awards will be settled either in ADSs (for payment of the exercise price) or in cash (by reference to the growth in value in excess of the reference exercise price). On July 23, 2019, the Remuneration Committee of the Board agreed to grant awards in respect of market value options over an additional 38,500 ADSs to non-executive directors, at an exercise price of $3.00 per ADS. On February 20, 2020, the Remuneration Committee of the Board agreed to grant awards in respect of market value options over an additional 77,000 ADSs to non-executive directors, at an exercise price of $1.84 per ADS. On January 19, 2021, the Remuneration Committee of the Board agreed to grant awards in respect of market value options over an additional 44,000 ADSs to non-executive directors, at an exercise price of $3.32 per ADS. On February 1, 2021, the Remuneration Committee of the Board agreed to grant awards in respect of market value options over an additional 252,000 ADSs to non-executive directors, at an exercise price of $2.72 per ADS.

In the normal course of events and subject to the participant holding the participant's current office (or being otherwise employed) through each applicable vesting date, such awards shall vest in equal monthly installments over the one year period following their grant date. No performance conditions apply to such awards.

Limitation on Awards

Subject to adjustment, the aggregate number of shares available for issuance under the 2019 EIP and the 2019 NED EIP will not exceed 5.3% of our issued and outstanding ordinary shares (such limit will be measured as of the date of grant of an award).

Leavers

Unvested awards will usually lapse on termination of office or service (including voluntary departure) save for potentially different good leaver treatment. The effect of a participant's termination of office or service on outstanding awards, including whether the awards may be exercised, settled, vested, paid or forfeited, will be determined by the Remuneration Committee and may be set forth in the participant's award agreement.

Certain Transactions

In the event of certain corporate transactions, including a change of control, the Remuneration Committee may determine the appropriate treatment of an award which may include (but is not limited to) it vesting in full, being settled in cash or being varied or replaced so as to relate to other assets (including shares in another company).

The number and type of securities subject to award and any exercise price may also be adjusted for various events that may affect the value of ADSs and for changes in applicable laws, regulations or accounting principles.

Amendment and Termination

The Board may amend, alter, suspend, discontinue or terminate the 2019 NED EIP or any portion thereof at any time, subject to shareholder approval where required by applicable law or the rules of the stock market or exchange, if any, on which the shares are principally quoted or traded.

However, no such Board action that would materially adversely affect participants' rights under an outstanding award may be taken without such participants' consent, except to the extent that such action is made to cause the 2019 NED EIP to comply with applicable law, stock market or exchange rules and regulations or accounting or tax rules and regulations or to impose any recoupment provisions on any awards in accordance with the 2019 NED EIP.

No Award may be granted under the 2019 NED EIP after the earliest to occur of: (i) the tenth anniversary of the effective date of the 2019 NED EIP; provided that to the extent permitted by the listing rules of any stock exchange on which we are listed, such ten-year term may be extended indefinitely so long as the maximum number of shares available for issuance under the 2019 NED EIP have not been issued; (ii) the maximum number of shares available for issuance under the 2019 NED EIP have been issued; and (iii) our Board terminates the 2019 NED EIP.

Incentive Award Arrangements

We have no incentive award arrangements in place as of the date of this prospectus.

For a description of the equity incentive plans see "—E. Share Ownership—Equity Compensation Arrangements."

Non-Executive Directors Remuneration

The following table sets forth the remuneration paid during 2020 to the current non-executive directors, all of which was in the form of annual fees:

Name	Annual Fees (£)
Peter Fellner, Ph.D.	100,000
Peter Bains	48,000
Jeremy Bender, Ph.D.	10,000
Anders Ekblom, M.D., Ph.D.	48,000
Kunal Kashyap	40,000
Deepika R. Pakianathan, Ph.D.	44,000
Brian Schwartz, M.D.	10,000
Michael S. Wyzga	23,333

Paul Blackburn served as a non-executive director until his resignation on October 1, 2020. Between January 1, 2020 and October 1, 2020 Paul Blackburn was paid total remuneration of £48,000. Jeremy Bender and Brian Schwartz were appointed as non-executive directors on October 1, 2020.

Non-Executive Director Service Contracts

The remuneration of the non-executive directors is determined by the Mereo Board as a whole, based on a review of current practices in other companies. Mereo has entered into service contracts with Mereo's directors for their services, which are subject to a three-month termination period. There are no arrangements under which any non-executive director is entitled to receive compensation upon the early termination of his or her appointment.

On May 14, 2020, we entered into the Consulting and Interim Chief Financial Officer Agreement with MSW Consulting Inc. and Michael Wyzga by which Mr. Wyzga served as Interim Chief Financial Officer following the departure of Richard Jones.

Pension, Retirement or Similar Benefits

Mereo operates a defined contribution pension scheme which is available to all employees. Mereo makes payments of up to 10% of basic salary for executives (up to 15% for Mereo's Chief Executive Officer) into any pension scheme or similar arrangement as the participating executive may reasonably request (or a payment in lieu thereof). Such payments are not counted for the purposes of determining bonuses or awards under the LTIP. The total amount set aside or accrued by Mereo to provide pension, retirement or similar benefits to Mereo's current directors and Mereo's senior management with respect to 2020 was £143,831, which represents contributions made by Mereo in 2020 in respect of a defined contribution scheme.

6.C. Board practices

Composition of the Mereo Board

Our Board currently consists of nine members. Our Board has determined that none of our directors have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of director and that each of these directors is "independent" as that term is defined under the rules of Nasdaq. As a foreign private issuer, we are not required to meet the Nasdaq rule that our board be comprised of a majority of independent directors. However, we currently comply and intend to continue to comply with this requirement. There are no family relationships among any of our directors or senior management.

Insurance and Indemnification

To the extent permitted by the U.K. Companies Act 2006, Mereo is empowered under its Articles to indemnify its directors against any liability they incur by reason of their directorship. Mereo maintains directors' and officers' insurance to insure such persons against certain liabilities. Mereo has entered into a deed of indemnity with each of its directors.

Insofar as indemnification of liabilities arising under the Securities Act may be permitted to the Mereo Board, executive officers, or persons controlling Mereo pursuant to the forgoing provisions, Mereo has been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Committees of the Mereo Board

The Mereo Board has four standing committees: an audit and risk committee, a remuneration committee, a nomination and governance committee, and a research and development committee.

Audit and Risk Committee

The audit and risk committee, which, from January 4, 2021, consists of Michael S. Wyzga, Kunal Kashyap and Jeremy Bender, assists the board in overseeing our accounting and financial reporting processes and the audits of our financial statements. Mr. Wyzga serves as Chairman of the committee. The audit and risk committee consists exclusively of members of our board who are financially literate, and Mr. Wyzga is considered an "audit committee financial expert" as defined by applicable SEC rules and has the requisite financial sophistication as defined under the applicable Nasdaq rules and regulations. Our board has determined that all of the members of the audit and risk committee satisfy the "independence" requirements set forth in Rule 10A-3 under the Exchange Act. The audit and risk committee is governed by a charter that complies with Nasdaq rules.

The audit and risk committee's responsibilities include:

- recommending the appointment of the independent auditor to the general meeting of shareholders;
- the appointment, compensation, retention and oversight of any accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit services;
- pre-approving the audit services and non-audit services to be provided by our independent auditor before the auditor is engaged to render such services;
- evaluating the independent auditor's qualifications, performance and independence, and presenting its conclusions to the full board on at least an annual basis;
- reviewing and discussing with the executive officers, the board, and the independent auditor our financial statements and our financial reporting process; and
- approving or ratifying any related person transaction (as defined in our related person transaction policy) in accordance with our related person transaction policy.

The audit and risk committee will meet as often as one or more members of the audit and risk committee deem necessary, but in any event will meet at least four times per year. The audit and risk committee will meet at least once per year with our independent accountant, without our senior management being present.

Remuneration Committee

The remuneration committee, which, from April 1, 2021, consists of Deepika R. Pakianathan, Brian Schwartz and Anders Ekblom, assists the board in determining senior management compensation. Dr. Pakianathan serves as Chairman of the committee. Under Nasdaq rules, there are heightened independence standards for members of the remuneration committee, including a prohibition against the receipt of any compensation from us other than standard board member fees. However, foreign private issuers are not required to meet this heightened standard. Nonetheless, our board has determined that Dr. Pakianathan, Dr. Schwartz and Dr. Ekblom meet this heightened standard. The remuneration committee is governed by a charter that complies with Nasdaq rules.

The remuneration committee's responsibilities include:

- identifying, reviewing, and proposing policies relevant to senior management compensation;
- evaluating each member of senior management's performance in light of such policies and reporting to the board;
- analyzing the possible outcomes of the variable compensation components and how they may affect the compensation of senior management;
- recommending any equity long-term incentive component of each member of senior management's compensation in line with any compensation policy and reviewing our senior management compensation and benefits policies generally; and
- reviewing and assessing risks arising from our compensation policies and practices.

Nomination and Corporate Governance Committee

The nomination and corporate governance committee, which, from April 1, 2021, consists of Michael S. Wyzga, Jeremy Bender, Anders Ekblom, Kunal Kashyap and Peter Fellner, assists our board in identifying individuals qualified to become members of our board and senior management consistent with criteria established by our board and in developing our corporate governance principles. Dr. Fellner serves as Chairman of the nomination and corporate governance committee. The nomination and corporate governance committee is governed by a charter that complies with Nasdaq rules.

The nomination and corporate governance committee's responsibilities include:

- drawing up selection criteria and appointment procedures for board members;
- reviewing and evaluating the size and composition of our board and making a proposal for a composition profile of the board at least annually;
- recommending nominees for election to our board and its corresponding committees;
- assessing the functioning of individual members of the board and senior management and reporting the results of such assessment to the board; and
- developing and recommending to the board rules governing the board, reviewing and reassessing the adequacy of such rules governing the board, and recommending any proposed changes to the board.

Research and Development Committee

The research and development committee, which consists of Peter Bains, Brian Schwartz, Deepika R. Pakianathan and Anders Ekblom, assists our senior management with oversight and guidance related to strategic research and development matters and provides guidance and makes recommendations to our board regarding strategic research and development matters. Dr. Ekblom serves as Chairman of the research and development committee.

The research and development committee's responsibilities include oversight of:

- our strategic development plans for product candidates, taking into account any regulatory feedback; and
- the acquisition of new product candidates.

In addition, the research and development committee is tasked with keeping informed of strategic issues and commercial changes affecting our development programs and potential product acquisitions.

6.D. Employees

As of December 31, 2020, 2019 and 2018, Mereo had 38, 50, and 37 employees, respectively. As at December 31, 2020, 25 employees are located in the United Kingdom and 13 employees are located in the United States.

All of our employees are engaged in either general and administrative or research and development functions. None of our employees are covered by a collective bargaining agreement.

6.E. Share Ownership

Share Ownership

The total number of ordinary shares of the company beneficially owned by our directors and executive officers including in the form of ADSs, as of the date of this annual report, was 14,901,114 (which includes shares subject to options that are currently exercisable or will be exercisable within 60 days of February 28, 2021) which represents 2.8% of the total number of ordinary shares outstanding as of February 28, 2021. See Item 7.A. below.

Share Options

See "E. Compensation — Equity Compensation Arrangements."

Item 7. Major Shareholders And Related Party Transactions

7.A. Major Shareholders

The following table sets forth information relating to the beneficial ownership of Mereo ordinary shares as of February 28, 2021 by each person, or group of affiliated persons, known by Mereo to own beneficially 5% or more of the outstanding Mereo ordinary shares.

The number of Mereo ordinary shares beneficially owned by each entity, person, board member, or executive officer is determined in accordance with the rules of the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares over which the individual has sole or shared voting power or investment power as well as any shares that the individual has the right to acquire within 60 days through the exercise of any option, warrant or other right. Except as otherwise indicated, and subject to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all Mereo ordinary shares held by that person.

The percentage of Mereo ordinary shares beneficially owned as of February 28, 2021 is computed on the basis of 541,226,308 ordinary shares outstanding as of February 28, 2021. As of the date of this annual report, Mereo's share capital consists of 541,226,308 fully subscribed and paid up shares. Mereo ordinary shares that a person has the right to acquire within 60 days of February 28, 2021 are deemed outstanding for purposes of computing the percentage ownership of the person holding such rights, but are not deemed outstanding for purposes of computing the percentage ownership of any other person.

Name and address of beneficial owner	Number of Ordinary Shares Beneficially Owned (1)	Percentage of Ordinary Shares Beneficially Owned
5% or Greater Shareholders:		
OrbiMed Funds (2)	68,658,145	12.69%
Tavistock Group (3)	56,347,731	9.99%
Baker Brothers (4)	56,340,289	9.99%
Vivo Funds (5)	56,685,103	9.83%
Point72 Asset Management LP (6)	34,498,345	6.37%
Citadel Advisors LLC (7)	33,980,386	6.28%
Suvretta Capital Management, LLC (8)	31,827,500	5.88%

(1) Ordinary shares figures include ordinary shares represented by ADSs.

(2) Based on information known to Mereo and information contained in a Statement on Schedule 13G filed by OrbiMed Capital GP VII LLC ("GP VII"), OrbiMed Advisors LLC ("OrbiMed Advisors") and OrbiMed Capital LLC ("OrbiMed Capital", and together with GPVII and OrbiMed Advisors, the "OrbiMed Funds") on February 12, 2021. Consists of (i) 17,241,375 ordinary shares that are represented by 3,448,275 ADSs from the February 2021 Public Offering and (ii) 51,416,770 ordinary shares that are represented by 10,283,354 ADSs held by the OrbiMed Funds. The address of the principal business office of the OrbiMed Funds is 601 Lexington Avenue, 54th Floor, New York, NY 10022.

(3) Based on information known to Mereo and information contained in a Statement on Schedule 13G/A filed by the shareholder on February 16, 2021. Consists of (i) 31,133,365 ordinary shares that are represented by 6,226,673 ADSs held by Boxer Capital, LLC, (ii) 22,815,015 ordinary shares that are represented by 4,563,010 ADSs exercisable upon conversion of warrants held by Boxer Capital, LLC and (iii) 2,399,315 ordinary shares that are represented by 479,863 ADSs held by MVA Investors, LLC. Boxer Capital, LLC is a Delaware company with office address 11682 El Camino Real, Suite 320, San Diego, CA 92130. MVA Investors, LLC is a Delaware company with office address 11682 El Camino Real, Suite 320, San Diego, CA 9213.

(4) Based on information known to Mereo and information contained in a Statement on Schedule 13G filed by the shareholder on February 16, 2021. Consists of (i) 3,448,275 ordinary shares that are represented by 689,655 ADSs from the February 2021 Public Offering, (ii) 30,151,465 ordinary shares that are represented by 6,030,293 ADSs and (iii) 22,740,550 ordinary shares that are represented by 4,548,110 ADSs exercisable upon conversion of warrants held by held by Baker Bros. Advisors LP. The address of the principal business office of Baker Bros. Advisors LP is 860 Washington St, 3rd Floor, New York, NY 10014.

(5) Based upon information contained in a Statement on Schedule 13G/A filed by Vivo Capital IX, LLC and Vivo Opportunity, LLC (together with Vivo Capital IX, LLC, the "Vivo Funds") on February 16, 2021. Consists of (i) 3,850,150 ordinary shares that are represented by 770,030 ADSs held by Vivo Capital IX, LLC, (ii) 17,254,540 ordinary shares that are represented by 3,450,908 ADSs held by Vivo Opportunity, LLC and (iii) 35,580,415 ordinary shares that are represented by 7,116,083 ADSs exercisable upon conversion of warrants held by the Vivo Funds. Vivo Capital IX, LLC is a Delaware limited liability company with an office address of 192 Lytton Avenue, Palo Alto, CA 94301. Vivo Opportunity, LLC is a Delaware limited liability company with an office address of 192 Lytton Avenue, Palo Alto, CA 94301.

(6) Based upon information contained in a Statement on Schedule 13G filed by the shareholder on March 1, 2021. Consists of 34,498,345 ordinary shares that are represented by 6,899,669 ADSs held by Point72 Asset Management, L.P. The address of the principal business office of Point72 Asset Management is 72 Cummings Point Road, Stamford, CT 06902.

(7) Based on information known to Mereo and information contained in a Statement on Schedule 13G filed by the shareholder on February 16, 2021. Consists of (i) 3,050,000 ordinary shares that are represented by 610,000 ADSs from the February 2021 Public Offering and (ii) 30,930,386 ordinary shares that are represented by 6,186,077 ADSs held by Citadel Advisors LLC. The address of the principal business office of Citadel Advisors LLC is 131 S. Dearborn Street, 32nd Floor, Chicago, Illinois 60603.

(8) Based upon information contained in a Statement on Schedule 13G filed by the shareholder on February 19, 2021. Consists of 31,827,500 ordinary shares that are represented by 6,365,500 ADSs held by Suvretta Capital Management, LLC. The address of the principal business office of Suvretta Capital Management, LLC is 540 Madison Avenue, 7th Floor, New York, New York 10022.

To our knowledge, and other than changes in percentage ownership as a result of the shares issued in connection with the Merger, there has been no significant change in the percentage ownership held by the major shareholders listed above in the last three years, except as discussed in "—B. Related Party Transactions".

7.B. Related Party Transactions

The following is a description of related party transactions we have entered into since January 1, 2020, or currently in effect with any member of our board of directors or executive officers and the holders of more than 5% of our ordinary shares or ADSs.

Transactions with Mereo's Executive Officers and Directors

We have entered into employment agreements or consultancy agreements with our executive officers. See "Item 6. Directors, Senior Management and Employees—B. Compensation—Executive Officer Employment and Consultancy Agreement."

Employee Benefit Trust

In 2016, we established an Employee Benefit Trust ("EBT") for the purpose of holding ordinary shares (subsequently ADSs) to satisfy the exercise of options under the Company's share-based incentive schemes.

A total of £nil funding was loaned to the EBT by us during the year ended December 31, 2020 (2019: £1.0 million). A total of 7 ordinary shares were purchased by the EBT during the year ended December 31, 2020 (2019: 1,074,274). In December 2020, the EBT converted its ordinary shares into 247,456 ADSs which it holds along with a cash balance of £21,762 as of December 31, 2020.

Indemnity Agreements

We have entered into deeds of indemnity with each of our directors. See "Item 6. Directors, Senior Management and Employees—C. Board practices—Composition of the Mereo Board—Insurance and Indemnification."

Related Person Transaction Policy

Our Board has a written related person transaction policy, which sets forth the policies and procedures for the review and approval or ratification of related person transactions. This policy will cover, any transaction or proposed transactions between us and a related person that are material to us or the related person, including without limitation, purchases of goods or services by or from the related person or entities in which the related person has a material interest, indebtedness, guarantees of indebtedness and employment by us of a related person. In reviewing and approving any such transactions, our audit and risk committee is tasked to consider all relevant facts and circumstances, including, but not limited to, whether the transaction is on terms comparable to those that could be obtained in an arm's length transaction and the extent of the related person's interest in the transaction.

7.C. Interests of Experts and Counsel

Not applicable.

Item 8. Financial Information

8.A. Consolidated Statements and Other Financial Information

See "Item 18. Financial Statements."

Legal Proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Mereo is aware) that may have, or have had in the recent past (covering the 12 months immediately preceding the date of this annual report), significant effects on Mereo's financial position or profitability.

Dividend Policy

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

8.B. Significant changes

Except as disclosed elsewhere in this annual report, there have been no other significant changes since December 31, 2020.

Item 9. The Offer And Listing

9.A.4 Offer and Listing Details

Our ADSs, each representing five of our ordinary shares, nominal value £0.003 per share, have been listed on the Nasdaq Global Market since April 24, 2019. Our ADSs trade under the symbol "MREO." Prior to that date, there was no public trading market for our ADSs. The Company's ordinary shares were previously admitted to trading on the AIM market of London Stock Exchange plc with admission canceled with effect from December 18, 2020.

9.B. Plan of Distribution

Not applicable.

9.C. Markets

Our ADSs are listed on the Nasdaq Global Market under the symbol "MREO".

9.D. Selling Shareholders

Not applicable.

9.E. Dilution

Not applicable.

9.F. Expenses of the Issue

Not applicable.

Item 10. Additional Information

10.A. Share Capital

Not applicable.

10.B. Memorandum and Articles of Association

The information in response to this item is contained under the caption "10.B Memorandum and Articles of Association" in our registration statement filed with the SEC on January 25, 2019 and is incorporated herein by reference.

10.C. Material Contracts

For a description of our material contracts, please see "Item 4. Information on the Company—B. Business Overview—Material Agreements."

10.D. Exchange Controls

There are no governmental laws, decrees, regulations or other legislation in the United Kingdom that may affect the import or export of capital, including the availability of cash and cash equivalents for use by Mereo, or that may affect the remittance of dividends, interest, or other payments by Mereo to non-resident holders of our ADSs, other than withholding tax requirements. There is no limitation imposed by English law or in the Articles on the right of non-residents to hold or vote shares.

10.E. Taxation

Material U.S. Federal Income Tax Considerations

The following is a discussion of the material U.S. federal income tax consequences to U.S. Holders (as defined below) of owning and disposing of the ADSs or ordinary shares, but it does not purport to be a comprehensive description of all tax considerations that may be relevant to a particular person's decision to acquire the ADSs or ordinary shares. This discussion applies only to a U.S. Holder that holds the ADSs or ordinary shares as capital assets for U.S. federal income tax purposes. In addition, it does not describe all of the tax consequences that may be relevant in light of the U.S. Holder's particular circumstances, including any estate, gift, alternative minimum or Medicare contribution tax consequences, any U.S. state, local, or non-U.S. tax considerations, and any tax consequences applicable to U.S. Holders subject to special rules, such as:

- banks, insurance companies and other financial institutions;
- real estate investment trusts or regulated investment companies;
- dealers or traders in securities that use a mark-to-market method of tax accounting;
- persons holding our ADSs or ordinary shares as part of a straddle, integrated transaction or similar transaction;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- entities or arrangements treated as partnerships for U.S. federal income tax purposes and their partners or investors;
- tax-exempt entities, "individual retirement accounts" or "Roth IRAs";
- S corporations;
- former citizens or residents of the United States;
- a person that is subject to special tax accounting rules under section 451(b) of the U.S. Internal Revenue Code of 1986, as amended (the "Code");
- persons that own or are deemed to own 10% or more of our stock by vote or value; or
- persons holding our ADSs or ordinary shares in connection with a trade or business outside the United States.

If a partnership (or other entity that is classified as a partnership for U.S. federal income tax purposes) owns the ADSs or ordinary shares, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partner and the partnership. Partnerships owning the ADSs or ordinary shares and partners in such partnerships should consult their tax advisers as to the particular U.S. federal income tax consequences of owning and disposing of the ADSs or ordinary shares.

Persons that own or are deemed to own 10% or more of our stock by vote or value should consult their tax advisers regarding the application of the "controlled foreign corporation" rules to their ownership of our ADSs or ordinary shares.

This discussion is based on the Code, administrative pronouncements, judicial decisions, and final, temporary and proposed Treasury regulations, all as of the date hereof, any of which is subject to change, possibly with retroactive effect.

We have not sought and do not intend to seek any ruling from the Internal Revenue Service (the "IRS") with respect to the U.S. federal income tax consequences described herein and there can be no assurance that the IRS or a court will not take a contrary position.

As used herein, a "U.S. Holder" is a person that, for U.S. federal income tax purposes, is a beneficial owner of our ADSs or ordinary shares and is:

- an individual who is a citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust that (i) is subject to the primary supervision of a court within the United States and subject to the control of one or more U.S. persons for all substantial decisions or (ii) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

U.S. Holders should consult their tax advisers concerning the U.S. federal, state, local and non-U.S. tax consequences of owning and disposing of our ADSs or ordinary shares in their particular circumstances.

For U.S. federal income tax purposes, a beneficial owner of our ADSs generally will be treated as the owner of the underlying ordinary shares represented by such ADSs. Accordingly, gain or loss will generally not be recognized if a U.S. Holder exchanges our ADSs for the underlying ordinary shares.

Passive Foreign Investment Company Rules

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

Based on our gross income, the average value of our assets, including goodwill, and the nature of the current stage of our business, we do not believe we were a PFIC for the year ended December 31, 2020. There can be no assurance regarding our PFIC status for any particular year in the future because PFIC status is factual in nature, depends upon factors not wholly within our control, generally cannot be determined until the close of the taxable year in question and is determined annually. Whether we will be a PFIC in the current or any future taxable year is uncertain because, among other things, we currently own a substantial amount of passive assets, including cash, and because the valuation of our assets that generate non-passive income for PFIC purposes, including our goodwill and other intangible assets, is uncertain and may vary substantially over time. In addition, the composition of our assets and income may vary substantially over time. The average quarterly value of our assets for purposes of determining our PFIC status for any taxable year (to the extent applicable) will generally be determined in part by reference to our market capitalization, which has fluctuated and may continue to fluctuate significantly over time. Accordingly, there can be no assurance that we will not be a PFIC in the current or for any future taxable year. Accordingly, U.S. Holders should invest in our ADSs only if they are willing to bear the U.S. federal income tax consequences associated with investments in PFICs.

If we are a PFIC for any taxable year and any of our non-U.S. subsidiaries or other companies in which we own equity interests were also a PFIC (any such entity, a "Lower-tier PFIC"), U.S. Holders would be deemed to own a proportionate amount (by value) of the shares of each Lower-tier PFIC and would be subject to U.S. federal income tax according to the rules described in the subsequent paragraph on (i) certain distributions by a Lower-tier PFIC and (ii) dispositions of shares of Lower-tier PFICs, in each case as if the U.S. Holders held such shares directly, even though the U.S. Holders had not received the proceeds of those distributions or dispositions.

Generally, if we were a PFIC for any taxable year during which a U.S. Holder holds our ADSs or ordinary shares and the U.S. Holder does not make a valid QEF Election or a mark-to-market election (described below), gain recognized upon a disposition (including, under certain circumstances, a pledge) of our ADSs or ordinary shares by the U.S. Holder will be allocated ratably over the U.S. Holder's holding period for such ADSs or ordinary shares. The amounts allocated to the taxable year of disposition and to years before we became a PFIC will be taxed as ordinary income. The amounts allocated to each other taxable year will be subject to tax at the highest rate in effect for that taxable year for individuals or corporations, as applicable, and an interest charge will be imposed on the resulting tax liability for each relevant taxable year. Further, to the extent that any distribution received by a U.S. Holder on our ADSs or ordinary shares exceeds 125% of the average of the annual distributions received on such securities during the preceding three years or the U.S. Holder's holding period, whichever is shorter (an "excess distribution"), such excess distribution will be subject to taxation in the same manner. If we are a PFIC for any taxable year during which a U.S. Holder owns our ADSs or ordinary shares, we will generally continue to be treated as a PFIC with respect to such U.S. Holder for all succeeding years during which such U.S. Holder owns our ADSs or ordinary shares, even if we cease to meet the threshold requirements for PFIC status. If we are a PFIC for any taxable year but cease to be PFIC for subsequent years, U.S. Holders should consult their tax advisers regarding the advisability of making a "deemed sale" election that would allow them to eliminate the continuing PFIC status under certain circumstances.

To avoid the foregoing rules, a U.S. Holder can make a qualified electing fund election (a "QEF Election") to treat us and each Lower-tier PFIC as a qualified electing fund in the first taxable year that the entity is treated as a PFIC with respect to the U.S. Holder. A U.S. Holder must make the QEF Election for each PFIC by attaching a separate properly completed IRS Form 8621 for that PFIC to the U.S. Holder's timely filed U.S. federal income tax return. A U.S. Holder making a QEF election other than for the first taxable year in which it owns (or is treated as owning) an equity interest in a PFIC would continue to be subject to the rules described in the preceding paragraph with respect to such PFIC, unless the U.S. Holder makes a "deemed sale" election with respect to the PFIC and recognizes gain taxed under the general PFIC rules described above with respect to the PFIC stock's appreciation before the year for which the QEF Election is made.

We will provide the information necessary for a U.S. Holder to make a QEF election with respect to us and we will also use our best efforts to cause each Lower-tier PFIC (as defined below) that we control to provide such information. We intend to provide this information for any taxable year during which our only income is interest income or income from financial investments and for any other taxable year for which we determine that we were a PFIC. However, no assurance can be given that such QEF information will be available for any Lower-tier PFIC that we do not wholly-own. We will post the information necessary to make QEF Elections on our website. If we are a PFIC for any taxable year, the consequences to any U.S. Holder will depend in part on whether the U.S. Holder makes a valid QEF Election or mark-to-market election as described below.

If a U.S. Holder makes a QEF Election with respect to a PFIC, the U.S. Holder will be taxed on its *pro rata* share of the PFIC's ordinary earnings and net capital gain (at ordinary income and capital gain rates, respectively) for each taxable year that the entity is a PFIC. If a U.S. Holder makes a QEF Election with respect to us, any distributions we pay out of our earnings and profits that were previously included in the U.S. Holder's income under the QEF Election would not be taxable to the U.S. Holder. A U.S. Holder will increase its tax basis in its ADSs or ordinary shares by an amount equal to any income included under the QEF Election and will decrease its tax basis by any amount distributed on the ADSs or ordinary shares that is not included in the U.S. Holder's income. In addition, a U.S. Holder will recognize capital gain or loss on the disposition of ADSs or ordinary shares in an amount equal to the difference between the amount realized and the U.S. Holder's adjusted tax basis in the ADSs or ordinary shares, as determined in U.S. dollars. A. U.S. Holder will not be taxed on the ordinary income and net capital gain under the QEF rules for any year that we are not a PFIC.

Based on the nature of our expected income, the expected composition of our assets, and our business prospects, we do not currently expect to have significant ordinary earnings or net capital gain in any taxable year in which we may be a PFIC. However, it is difficult to predict the nature and composition of our income and assets and the value of our assets in light of the volatile nature of earnings patterns of emerging pharmaceutical or biotechnology companies such as us. Accordingly, U.S. Holders should note that if they make QEF Elections with respect to us and our subsidiaries, they may be required to pay U.S. federal income tax with respect to their ADSs or ordinary shares for any taxable year in which we have a positive amount of earnings or net capital gains even if we do not make any distributions in such year. U.S. Holders should consult their tax advisers regarding the advisability of making QEF Elections in their particular circumstances.

Alternatively, if we are a PFIC for any taxable year and if our ADSs or ordinary shares are "regularly traded" on a "qualified exchange," a U.S. Holder could make a mark-to-market election that will result in tax treatment different from the general tax treatment described in the two preceding paragraphs. Our ADSs and/or ordinary shares will be treated as "regularly traded" in any calendar year in which more than a *de minimis* quantity of the ADSs and/or ordinary shares are traded on a qualified exchange on at least 15 days during each calendar quarter. NASDAQ, on which the ADSs are listed, is a qualified exchange for this purpose. The Internal Revenue Service has not identified specific non-U.S. exchanges that are "qualified" for this purpose. If a U.S. Holder makes a valid mark-to-market election, the U.S. Holder generally will recognize as ordinary income any excess of the fair market value of its ADSs or ordinary shares at the end of each taxable year over the adjusted tax basis of such ADSs or ordinary shares, and will recognize an ordinary loss in respect of any excess of the adjusted tax basis of its ADSs or ordinary shares over their fair market value at the end of the taxable year (but only to the extent of the net amount of income previously included as a result of the mark-to-market election). If a U.S. Holder makes the election, the U.S. Holder's tax basis in our ADSs or ordinary shares will be adjusted to reflect these income or loss amounts. Any gain recognized on the sale or other disposition of our ADSs or ordinary shares in a year in which we are a PFIC will be treated as ordinary income and any loss will be treated as an ordinary loss (but only to the extent of the net amount of income previously included as a result of the mark-to-market election). If a valid mark-to-market election is made for any year in which we are a PFIC, distributions will be treated as described below under "—Taxation of Distributions" except that the preferential tax rates on dividends paid to non-corporate U.S. Holders will not apply. U.S. Holders will not be able to make a mark-to-market election with respect to Lower-tier PFICs, if any. U.S. Holders should consult their tax advisers as to the availability and desirability of a mark-to-market election in their particular circumstances if we are a PFIC for any taxable year.

If a U.S. Holder owns our ADSs or ordinary shares during any year in which we are a PFIC, the U.S. Holder generally will be required to file annual reports on IRS Form 8621 (or any successor form) with respect to us and any Lower-tier PFIC, generally with the U.S. Holder's U.S. federal income tax return for that year. U.S. Holders should consult their tax advisers regarding our PFIC status for any taxable year and the potential application of the PFIC rules to an investment in our ADSs or ordinary shares.

Taxation of Distributions

This discussion under "—Taxation of Distributions" is subject to the PFIC rules described in "—Passive Foreign Investment Company Rules" above. Distributions paid on ADSs or ordinary shares, other than certain pro rata distributions of our ordinary shares, will be treated as dividends to the extent paid out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Distributions in excess of our current and accumulated earnings and profits will be treated first as a tax-free return of capital to the extent of the U.S. Holder's basis in the ADSs or ordinary shares and then as capital gain. For any taxable year in which we do not maintain calculations of our earnings and profits under U.S. federal income tax principles, it is expected that any distributions generally will be reported to U.S. Holders as dividends. Dividends will not be eligible for the dividends-received deduction generally available to U.S. corporations under the Code. Subject to applicable limitations, dividends paid to certain non-corporate U.S. Holders may be eligible for taxation at a preferential tax rate provided that we were not a PFIC for the taxable year in which the dividend is paid or the prior taxable year. Non-corporate U.S. Holders should consult their tax advisers regarding the availability of this preferential rate in the light of the discussion in "—Passive Foreign Investment Company Rules" above and in their particular circumstances.

If dividend payments in respect of our ADSs or ordinary shares are made in a currency other than the U.S. dollar, the amount of the dividend distribution that a U.S. Holder must include in income will be the U.S. dollar value of the payments made in such other currency, determined at the spot U.S. dollar exchange rate on the date the dividend distribution is includible in income, regardless of whether the payment is in fact converted into U.S. dollars. Generally, if the foreign currency received as a dividend is not converted into U.S. dollars on the date of receipt, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend payment is includible in income to the date the payment is actually converted into U.S. dollars will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. The gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes. U.S. Holders are urged to consult their tax advisers regarding the tax consequences of receiving, converting or disposing of any non-U.S. currency, received or deemed received as dividends on our ADSs or on the sale or retirement of an ADS or an ordinary share.

Dividends will be included in a U.S. Holder's income on the date of the U.S. Holder's, or in the case of our ADSs, the depositary's, receipt. Dividends generally will be income from non-U.S. sources, which may be relevant in calculating a U.S. Holder's foreign tax credit limitation. Subject to certain conditions and limitations, non-U.S. tax withheld, if any, on dividends may be deducted from such U.S. Holder's taxable income or credited against such U.S. Holder's U.S. federal income tax liability. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes

of income. For this purpose, dividends that we distribute generally should constitute "passive category income," or, in the case of certain U.S. Holders, "general category income." A foreign tax credit for foreign taxes imposed on distributions may be denied if a U.S. Holder does not satisfy certain minimum holding period requirements. The rules relating to the determination of the foreign tax credit are complex, and U.S. Holders are urged to consult their tax advisors to determine whether and to what extent such U.S. Holder will be entitled to a foreign tax credit.

Sale or Other Taxable Disposition

Except as described under "—Passive Foreign Investment Company Rules" above, a U.S. Holder will generally recognize capital gain or loss on a sale or other taxable disposition of our ADSs or ordinary shares in an amount equal to the difference between the amount realized on the sale or disposition and the U.S. Holder's tax basis in the ADSs or ordinary shares disposed of, in each case as determined in U.S. dollars. A U.S. Holder's initial tax basis in the ordinary shares or ADSs will generally equal the cost of such ordinary shares or ADSs. If a U.S. Holder used foreign currency to purchase the ordinary shares or ADSs, the cost of the ordinary shares or ADSs will be the U.S. dollar value of the foreign currency purchase price on the date of purchase, translated at the spot rate of exchange on that date. Any such gain or loss will be long-term capital gain or loss if at the time of the sale or disposition the U.S. Holder has owned our ADSs or ordinary shares for more than one year. Long-term capital gains recognized by non-corporate U.S. Holders may be subject to a tax rate that is lower than the rate applicable to ordinary income. The deductibility of capital losses is subject to limitations. Any capital gain or loss recognized upon the sale or disposition of ADSs or ordinary shares will generally be treated as U.S.-source income for foreign tax credit limitation purposes. U.S. Holders should consult their tax advisers regarding the proper treatment of gain or loss, the availability of a foreign tax credit, and for U.S. Holders that sell the ADSs or ordinary shares for an amount denominated in a currency other than the U.S. dollar should consult their tax advisers regarding any potential foreign currency gain or loss that may have to be recognized.

Information Reporting and Backup Withholding

In general, payments of dividends and proceeds from the sale or other disposition of our ADSs or ordinary shares that are made within the United States or through certain U.S.-related financial intermediaries may be subject to information reporting and backup withholding, unless (i) in the case of information reporting, the U.S. Holder is a corporation or other "exempt recipient" and (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder generally will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle it to a refund, provided that the required information is timely furnished to the IRS. U.S. Holders should consult their tax advisers regarding the application of the information reporting and backup withholding rules.

Information with Respect to Foreign Financial Assets

Certain U.S. Holders who are individuals (or certain specified entities) may be required to report information relating to their ownership of our ADSs or ordinary shares, or non-U.S. accounts through which our ADSs or ordinary shares are held, subject to certain exceptions. Penalties and potential other adverse tax consequences may be imposed if a U.S. Holder is required to submit such information to the IRS and fails to do so. U.S. Holders should consult their tax advisers regarding their reporting obligations with respect to our ADSs or ordinary shares.

Material United Kingdom Tax Considerations

The following is a description of the material U.K. tax considerations relating primarily to the ownership and disposal of our ADSs by the U.S. Holders described above. The U.K. tax comments set out below are based on current U.K. tax law as applied in England and Wales, and HMRC practice (which may not be binding on HMRC) as at the date of this summary, both of which are subject to change, possibly with retrospective effect. They are intended as a general guide and, save where otherwise stated, only apply to you if you are not resident in the U.K. for U.K. tax purposes and do not hold our ADSs for the purposes of a trade, profession or vocation that you carry on in the U.K. through a branch, agency or permanent establishment in the U.K. and if you hold our ADSs as an investment for U.K. tax purposes and are not subject to special rules.

This summary does not address all possible tax consequences relating to an investment in our ADSs. In particular it does not cover the U.K. inheritance tax consequences of holding our ADSs. It assumes that DTC has not made an election under section 97A(1) of the Finance Act 1986. It assumes that we do not (and will not at any time) derive 75% or more of our

qualifying asset value, directly or indirectly, from U.K. land, and that we are and remain solely resident in the U.K. for tax purposes. This summary is for general information only and is not intended to be, nor should it be considered to be, legal or tax advice to any particular holder. Holders of our ADSs are strongly urged to consult their tax advisers in connection with the U.K. tax consequences of their investment in our ADSs.

U.K. Taxation of Dividends

Mereo will not be required to withhold amounts for or on account of U.K. tax at source when paying a dividend in respect of its ordinary shares.

Holders who hold our ADSs as an investment, who are not resident in the U.K. for U.K. tax purposes and who do not hold their ADSs in connection with any trade, profession or vocation carried on by them in the U.K. through a branch, agency or permanent establishment in the U.K. should not be subject to U.K. tax in respect of any dividends on our ordinary shares.

U.K. Taxation of Capital Gains

An individual holder who is not resident in the U.K. for U.K. tax purposes should not be liable to U.K. capital gains tax on capital gains realized on the disposal of their ADSs unless such holder carries on a trade, profession or vocation in the U.K. through a branch or agency in the U.K. to which ADSs are attributable.

Any such individual holder of our ADSs who is temporarily non-resident for U.K. tax purposes will, in certain circumstances, become liable to U.K. tax on capital gains in respect of gains realized while they were not resident in the U.K.

A corporate holder of our ADSs which is not resident in the U.K. for U.K. tax purposes should not be liable for U.K. corporation tax on chargeable gains realized on the disposal of our ADSs unless it carries on a trade in the U.K. through a permanent establishment in the U.K. to which our ADSs are attributable.

Stamp Duty and Stamp Duty Reserve Tax

The following statements apply to all holders, regardless of their jurisdiction of tax residence.

No stamp duty is payable on the issue of our ordinary shares into a depositary receipt system (such as, Mereo understands, that operated by Citibank) or a clearance service (such as, Mereo understands, DTC). Based on current published HMRC practice and case law, no stamp duty reserve tax (“SDRT”) should be payable on the issue of our ordinary shares into a depositary receipt system or a clearance service. Accordingly, no stamp duty or SDRT should be payable on the creation and issue of our ADSs pursuant to the issue of our ordinary shares to Citibank’s custodian.

Transfers of ordinary shares to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts or to, or to a nominee or agent for, a person whose business is or includes the provision of clearance services, will generally be regarded by HMRC as subject to stamp duty or SDRT at 1.5% of the amount or value of the consideration or, in certain circumstances, the value of the ordinary shares transferred. In practice, this liability for stamp duty or SDRT is in general borne by such person depositing the relevant shares in the depositary receipt system or clearance service.

No SDRT or stamp duty should be payable on paperless transfers of, or agreements to transfer, our ADSs through the facilities of DTC.

The transfer on sale of ordinary shares by a written instrument of transfer will generally be liable to U.K. stamp duty at the rate of 0.5% of the amount or value of the consideration for the transfer. The purchaser normally pays the stamp duty.

An agreement to transfer ordinary shares outside a depositary receipt system or a clearance service will generally give rise to a liability on the purchaser to SDRT at the rate of 0.5% of the amount or value of the consideration. Such SDRT is payable on the seventh day of the month following the month in which the charge arises, but where an instrument of transfer is executed and duly stamped before the expiry of a period of six years beginning with the date of that agreement, (i) any SDRT that has not been paid ceases to be payable, and (ii) any SDRT that has been paid may be recovered from HMRC, generally with interest.

10.F. Dividends and Paying Agents

Not applicable.

10.G. Statement by Experts

Not applicable.

10.H. Documents on Display

We are subject to certain of the information reporting requirements of the Exchange Act. As a foreign private issuer, we are exempt from the rules and regulations under the Exchange Act prescribing the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act, with respect to their purchase and sale of our shares. In addition, we are not required to file reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act. However, we are required to file with the SEC, within four months after the end of each fiscal year, an annual report on Form 20-F containing financial statements audited by an independent accounting firm. We publish unaudited interim financial information after the end of the second quarter. We furnish this half-year financial information to the SEC under cover of a Form 6-K.

The SEC maintains a website that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. The address of this website is http://www.sec.gov. The Company’s website is www.mereobiopharma.com.

10.I. Subsidiary Information

Not applicable.

Item 11. Quantitative And Qualitative Disclosures About Market Risk

We are exposed to a variety of financial risks. Our overall risk management program seeks to minimize potential adverse effects of these financial risks on our financial performance. Further information relating to quantitative and qualitative disclosures about market risk can be found within Note 23 (Financial and capital risk management and fair value measurement) of our annual financial statements, incorporated by reference into this document.

Interest Rate Risk

We manage interest rate risk by monitoring short and medium-term interest rates and placing cash on deposit for periods that optimize the amount of interest earned while maintaining access to sufficient funds to meet day-to-day cash requirements. In December 2020, we repaid the outstanding principal and accrued interest of our credit facility in full. Prior to the repayment of the credit facility, the interest payable was at a fixed rate of 8.5% per annum. Consequently, there is no material exposure to interest rate risk in respect of interest payable.

Credit Risk

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

Liquidity Risk

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

Foreign Currency Risk

Foreign currency risk reflects the risk that the value of a financial commitment or recognized asset or liability will fluctuate due to changes in foreign currency rates. The majority of our operating costs are denominated in pound sterling, U.S. dollars and Euros. Our financial position, as expressed in pound sterling, is exposed to movements in foreign exchange rates, principally against the U.S. dollar and Euro.

We are exposed to foreign currency risk as a result of operating transactions, translation of foreign currency bank accounts and short-term deposits as well as funding arrangements with our subsidiary.

In addition, the assets and liabilities of our subsidiaries are translated into pound sterling at exchange rates in effect at each balance sheet date and operations accounts are translated using the average exchange rate for the relevant period (where the functional currency of the subsidiary is not pound sterling). Foreign currency translation adjustments are accounted for as a component of comprehensive income and reflected in the foreign exchange translation reserve and in comprehensive income on the consolidated statement of changes in equity.

We monitor our exposure to foreign exchange risk. We have not entered into foreign exchange contracts to hedge against foreign exchange fluctuations but maintain cash and short-term deposits in U.S. dollars to cover anticipated forward commitments. For the year ended December 31, 2020, we recorded a net foreign exchange gain of £0.5 million, compared to less than a £0.1 million loss for the year ended December 31, 2019.

Item 12. Description of Securities Other Than Equity Securities

12.A. Debt Securities

Not applicable.

12.B. Warrants and Rights

Not applicable.

12.C. Other Securities

Not applicable.

12.D. American Depositary Shares

Fees and Charges

As an ADS holder, you will be required to pay the following fees under the terms of the deposit agreement:

Service	Fee
Issuance of ADSs (e.g., an issuance of ADS upon a deposit of ordinary shares or upon a change in the ADS(s)-to-ordinary shares ratio), excluding ADS issuances as a result of distributions of ordinary Shares	Up to $5.00 per 100 ADSs (or fraction thereof) issued
Cancellation of ADSs (e.g., a cancellation of ADSs for delivery of deposited property or upon a change in the ADS(s)-to-ordinary shares ratio)	Up to $5.00 per 100 ADSs (or fraction thereof) cancelled
Distribution of cash dividends or other cash distributions (e.g., upon a sale of rights and other entitlements)	Up to $5.00 per 100 ADSs (or fraction thereof) held
Distribution of ADSs pursuant to (i) stock dividends or other free stock distributions, or (ii) exercise of rights to purchase additional ADSs	Up to $5.00 per 100 ADSs (or fraction thereof) held
Distribution of securities other than ADSs or rights to purchase additional ADSs (e.g., upon a spin-off)	Up to $5.00 per 100 ADSs (or fraction thereof) held
ADS Services	Up to $5.00 per 100 ADSs (or fraction thereof) held on the applicable record date(s) established by the depositary
Registration of ADS Transfers (e.g., upon a registration of the transfer of registered ownership of ADSs, upon a transfer of ADSs into DTC and vice versa, or for any other reason)	Up to $5.00 per 100 ADSs (or fraction thereof) transferred
Conversion of ADSs of one series for ADSs of another series (e.g., upon conversion of Partial Entitlement ADSs for Full Entitlement ADSs, or upon conversion of Restricted ADSs (each as defined in the Deposit Agreement) into freely transferable ADSs, and vice versa)	Up to $5.00 per 100 ADSs (or fraction thereof) converted

As an ADS holder you will also be responsible to pay certain charges such as:

- taxes (including applicable interest and penalties) and other governmental charges;
- the registration fees as may from time to time be in effect for the registration of ordinary shares on the share register and applicable to transfers of ordinary shares to or from the name of the custodian, the depositary, or any nominees upon the making of deposits and withdrawals, respectively;
- certain cable, telex, and facsimile transmission and delivery expenses;
- the expenses and charges incurred by the depositary in the conversion of foreign currency;
- the fees and expenses incurred by the depositary in connection with compliance with exchange control regulations and other regulatory requirements applicable to ordinary shares, ADSs, and ADRs; and
- the fees, charges, costs and expenses incurred by the depositary, the custodian, or any nominee in connection with the ADR program.

ADS fees and charges payable upon (i) the issuance of ADSs, and (ii) the cancellation of ADSs are charged to the person to whom the ADSs are issued (in the case of ADS issuances) and to the person whose ADSs are cancelled (in the case of ADS cancellations). In the case of ADSs issued by the depositary into DTC, the ADS issuance and cancellation fees and charges may be deducted from distributions made through DTC, and may be charged to the DTC participant(s) receiving the ADSs being issued or the DTC participant(s) holding the ADSs being cancelled, as the case may be, on behalf of the beneficial owner(s) and will be charged by the DTC participant(s) to the account of the applicable beneficial owner(s) in accordance with the procedures and practices of the DTC participants as in effect at the time. ADS fees and charges in respect of distributions and the ADS service fee are charged to the holders as of the applicable ADS record date. In the case of distributions of cash, the amount of the applicable ADS fees and charges is deducted from the funds being distributed. In the case of (i) distributions other than cash and (ii) the ADS service fee, holders as of the ADS record date will be invoiced for the amount of the ADS fees and charges and such ADS fees and charges may be deducted from distributions made to holders of ADSs. For ADSs held through DTC, the ADS fees and charges for distributions other than cash and the ADS service fee may be deducted from distributions made through DTC, and may be charged to the DTC participants in accordance with the procedures and practices prescribed by DTC and the DTC participants in turn charge the amount of such ADS fees and charges to the beneficial owners for whom they hold ADSs. In the case of (i) registration of ADS transfers, the ADS transfer fee will be payable by the holders of ADSs whose ADSs are being transferred or by the person to whom the ADSs are transferred, and (ii) conversion of ADSs of one series for ADSs of another series, the ADS conversion fee will be payable by the holder whose ADSs are converted or by the person to whom the converted ADSs are delivered.

In the event of refusal to pay the depositary fees, the depositary may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depositary fees from any distribution to be made to the ADS holder. Certain of the depositary fees and charges (such as the ADS services fee) may become payable shortly after the closing of the ADS offering. Note that the fees and charges you may be required to pay may vary over time and may be changed by us and by the depositary. You will receive prior notice of such changes. The depositary may reimburse us for certain expenses incurred by us in respect of the ADR program, by making available a portion of the ADS fees charged in respect of the ADR program or otherwise, upon such terms and conditions as we and the depositary agree from time to time.

PART TWO

Item 13. Defaults, Dividend Arrearages And Delinquencies

None.

Item 14. Material Modifications To The Rights Of Security Holders And Use Of Proceeds

A.-D. Material Modifications to the Rights of Security Holders

On April 23, 2019, pursuant to the terms of the Merger Agreement, OncoMed merged with and into an indirect wholly-owned subsidiary of Mereo. Upon completion of the Merger, each OncoMed common stock was cancelled and converted into the right to receive (1) 0.127694 ADSs, representing five ordinary shares in the capital of Mereo, as determined by the exchange ratio set forth in the Merger Agreement, and (2) one contingent value right, representing the right to receive contingent consideration upon the achievement of certain milestones relating to certain OncoMed products or product candidates. Accordingly, the shares became governed by Mereo's Articles. See "Item 10. Additional Information—B. Memorandum and Articles of Association." On April 24, 2019, our ADSs were listed on Nasdaq under the symbol of "MREO".

E. Use of Proceeds

Not applicable.

Item 15. Controls And Procedures

(a) Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act and regulations promulgated thereunder) as of December 31, 2020, or the Evaluation Date. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective in recording, processing, summarizing and reporting, on a timely basis, information required to be included in periodic filings under the Exchange Act and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

(b) Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act.

In connection with the preparation of our unaudited interim condensed consolidated financial statements as of and for the six-month period ended June 30, 2020, management identified a material weakness in our internal controls related to the understaffing of our accounting department and the resulting lack of IFRS technical accounting skills and lack of effective management review controls as part of our overall financial statement close process. This material weakness has been remediated as of December 31, 2020.

Our management conducted an assessment of the effectiveness of our internal control over financial reporting based on the criteria set forth in "Internal Control – Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on this assessment, our management concluded that, as of December 31, 2020, our internal control over financial reporting was effective.

(c) Attestation Report of the Registered Public Accounting Firm

Not applicable.

(d) Changes in Internal Control over Financial Reporting

Except for the material weakness described above which has been remediated as of December 31, 2020, there were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this annual report that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

Item 16A. Audit Committee Financial Expert

Our board has determined that Mr. Michael S. Wyzga qualifies to serve as an "audit committee financial expert" as defined under the SEC rules, and has the requisite financial sophistication as defined under the applicable Nasdaq rules and regulations. Mr. Wyzga also qualifies as an independent director under the corporate governance standards of the Nasdaq listing requirements and the audit committee independence requirements of Rule 10A-3 of the Exchange Act. For more information see "Item 6. Directors, Senior Management and Employees—C. Board Practices—Committees of the Mereo Board—Audit and Risk Committee."

Item 16B. Code of Ethics

Code of Business Conduct and Ethics and Anti-Bribery and Anti-Corruption Policy

We have adopted a Code of Business Conduct and Ethics and an Anti-Bribery and Anti-Corruption Policy applicable to all of our directors, executive officers and employees, including our Chief Executive Officer, Chief Financial Officer, controller or principal accounting officer, or other persons performing similar functions, which is a code of ethics as defined in Item 16B of Form 20-F promulgated by the SEC. The full text of the Code of Business Conduct and Ethics and the Anti-Bribery and Anti-Corruption Policy can be found on our website at www.mereobiopharma.com. Information contained on, or that can be accessed through, our website does not constitute a part of this report and is not incorporated by reference herein. If we make any amendment to the Code of Business Conduct and Ethics or the Anti-Bribery and Anti-Corruption Policy or grant any waivers, including any implicit waiver, from a provision of the code of ethics, we will disclose the nature of such amendment or waiver on our website to the extent required by the rules and regulations of the SEC. Under Item 16B of Form 20-F, if a waiver or amendment of the Code of Business Conduct and Ethics applies to our principal executive officer, principal financial officer, principal accounting officer or controller and relates to standards promoting any of the values described in Item 16B(b) of Form 20-F, we are required to disclose such waiver or amendment on our website in accordance with the requirements of Instruction 4 to such Item 16B.

Item 16C. Principal Accountant Fees and Services

Our consolidated financial statements have been prepared in accordance with IFRS and were audited by Ernst & Young LLP, our independent registered public accounting firm registered with the Public Company Accounting Oversight Board in the United States.

Ernst & Young LLP, has served as our independent registered public accounting firm for each of the two years ended December 31, 2019 and 2020, for which audited financial statements appear in this annual report.

The following table provides information regarding fees paid by us to Ernst & Young LLP for all services, for the years ended December 31, 2020 and 2019:

	Year Ended December 31,	
	2020	2019
	(in thousands of pounds)	
Audit fees(1)	498	559
Audit related fees(2)	318	311
Other fees	—	—
Total fees	**816**	**870**

(1) Includes professional services rendered in connection with the audit of our annual financial statements, review of our interim financial statements and audits of our subsidiary accounts.

(2) Includes professional services rendered in connection with planned equity fundraising, and the acquisition of OncoMed in 2019.

Audit Committee Pre-Approval Policies and Procedures

Our audit committee's specific responsibilities in carrying out its oversight of the quality and integrity of the accounting, auditing and reporting practices of Mereo include the approval of audit and non-audit services to be provided by the independent auditor before the auditor is engaged to render such services. The audit committee approves in advance the particular services or categories of services to be provided to Mereo during the following yearly period and also sets forth a specific budget for such audit and non-audit services. Additional non-audit services may be pre-approved by the audit committee.

Item 16D. Exemptions From The Listing Standards For Audit Committees

None.

Item 16E. Purchases of Equity Securities By The Issuer And Affiliated Purchasers

In the years ending December 31, 2020 and 2019 Mereo's Employee Benefit Trust ("EBT") purchased 7 ordinary shares and 1,074,274 ordinary shares, respectively. In December 2020, the EBT converted its ordinary shares into 247,456 ADS's. As at December 31, 2020 a total balance of £21,762 was held by the EBT. Mereo utilizes the EBT to hold ADSs to satisfy the exercise of options under the Mereo's share-based incentive schemes.

	Total Number of Ordinary Shares Purchased	Average Price Paid Per Ordinary Share	Total Number of Ordinary Shares Purchased as Part of Publicly Announced Plans or Programs(1)	Maximum Number of Ordinary Shares that May Yet Be Purchased Under the Plans or Programs
Month #1 (October 1, 2018 – October 31, 2018)	131,487	£ 1.90	—	—
Month #2 (December 1, 2018 – December 31, 2018)	31,513	£ 1.80	—	—
Month #3 (May 1, 2019 – May 31, 2019)	1,074,274	£ 0.93	—	—
June 4, 2020	7	£ 0.17	—	—
Total	1,237,274	£ 1.88	—	—

(1) The ordinary shares were not purchased as part of a publicly announced plan or program

Item 16F. Change In Registrant's Certifying Accountant

None.

Item 16G. Corporate Governance

Foreign Private Issuer Exemption

As a "foreign private issuer," as defined by the SEC, Mereo is permitted to follow home country corporate governance practices, instead of certain corporate governance practices required by Nasdaq for U.S. domestic issuers. While Mereo intends to follow most Nasdaq corporate governance rules, it intends to follow U.K. corporate governance practices in lieu of Nasdaq corporate governance rules as follows:

- Mereo does not intend to follow Nasdaq Rule 5620(c) regarding quorum requirements applicable to meetings of shareholders. Such quorum requirements are not required under English law. In accordance with the U.K. Companies Act 2006, Mereo's Articles provide alternative quorum requirements that are generally applicable to meetings of shareholders.
- Mereo does not intend to follow Nasdaq Rule 5605(b)(2), which requires that independent directors regularly have scheduled meetings at which only independent directors are present.
- Mereo does not intend to follow Nasdaq Rule 5635, which generally requires an issuer to seek shareholder approval in connection with certain private placements of equity securities. Mereo intends to follow the requirements of the U.K. Companies Act 2006 with respect to any requirement to obtain shareholder approval to authorize Mereo's directors to allot shares and to disapply statutory pre-emption rights prior to any private placements of equity securities.

Although Mereo may rely on certain home country corporate governance practices, Mereo must comply with Nasdaq Rule 5640 Notification of Noncompliance and Rule 5640 Voting Rights. Further, Mereo must have an audit committee that satisfies Rule 5605(c)(3), which addresses audit committee responsibilities and authority, and that consists of committee members that meet the independence requirements of Rule 5605(c)(2)(A)(ii).

Mereo intends to take all actions necessary for it to maintain compliance as a foreign private issuer under the applicable corporate governance requirements of the Sarbanes-Oxley Act of 2002, the rules adopted by the SEC and the Nasdaq corporate governance rules and listing standards.

Because Mereo is a foreign private issuer, Mereo's directors and senior management are not subject to short-swing profit and insider trading reporting obligations under Section 16 of the Exchange Act. Mereo will, however, be subject to the obligations to report changes in share ownership under Section 13 of the Exchange Act and related SEC rules.

Mereo Shareholder Rights Under U.K. Law

The rights of the holders of our ordinary shares are governed by the laws of England and Wales and Mereo's Articles. The rights of the holders of our ADSs are governed by the deposit agreement.

Purchase and Redemption Rights

Under the U.K. Companies Act 2006, a public limited company may issue redeemable shares if authorized by its articles of association, subject to any conditions stated therein. No redeemable shares may be issued at a time when there are no issued shares of the company existing which are not redeemable. Mereo is empowered to issue redeemable shares under its Articles.

Under the U.K. Companies Act 2006, a company may redeem shares only if the shares are fully paid and, in the case of public limited companies, only out of: (1) distributable profits; or (2) the proceeds of a new issue of shares made for the purpose of such redemption.

Preemptive Rights

Under the U.K. Companies Act 2006, the issuance of "equity securities" (being (1) shares in a company other than shares that, with respect to dividends and capital, carry a right to participate only up to a specified amount in a distribution or (2) rights to subscribe for, or to convert securities into, such shares) that are to be paid for wholly in cash must be offered first to the existing holders of Mereo Shares in proportion to the respective nominal values (i.e., par values) of their holdings on the same or more favorable terms, unless an exception applies or a special resolution to the contrary has been passed or the articles of association otherwise provide, in each case in accordance with the provisions of the U.K. Companies Act 2006 and Mereo's Articles. An exclusion of pre-emptive rights can be granted for a maximum of five years from the date that Mereo's directors are granted authority to allot the relevant Mereo ordinary shares, after which shareholders' approval would be required to renew such exclusion.

Inspection Rights

Under English law, a company must retain and keep available for inspection by shareholders, free of charge, and by any other person on payment of a prescribed fee, its register of members. It must also keep available for inspection by shareholders, free of charge, records of all resolutions passed by and minutes of meetings of shareholders for a period of at least ten years from the date of the relevant resolution or meeting, and for a fee, provide copies of such records to shareholders who request them.

Appraisal Rights

There is no mandatory provision in English law for appraisal rights. Such rights could, in theory, be provided for in the articles of association or in a shareholders' agreement. Mereo's Articles do not provide for appraisal/dissenters' rights. However, English law provides dissenters' rights which would permit a shareholder to object to a court of England and Wales in the context of the compulsory acquisition of minority shares.

Votes on Certain Transactions

The U.K. Companies Act 2006 provides for schemes of arrangement, which are arrangements or compromises between a company and any class of shareholders or creditors and used in certain types of reconstructions, amalgamations, capital reorganizations or takeovers. These arrangements require: (1) the approval, at a shareholders' or creditors' meeting convened by order of a court of England and Wales, of a majority in number representing 75% in value of the creditors or class of creditors or members or class of members (as the case may be) present and voting, either in person or by proxy; and (2) the approval of a court of England and Wales.

Amendment of Corporate Governance Documents

Under the U.K. Companies Act 2006, a company incorporated in England and Wales may amend its articles of association by way of a special resolution.

Shareholder Action by Written Consent

Under the U.K. Companies Act 2006, a resolution of the members (or of a class of members) of a public company must be passed at a general meeting of the members. Written resolutions are not permitted.

Notwithstanding the foregoing: (1) English law currently provides that certain matters could be effected by a company otherwise than by passing a resolution where it can be shown that all shareholders of that company have provided unanimous informed consented to the relevant matter; and (2) under the U.K. Companies Act 2006, rights attached to a class of the company's shares may, where the company's articles contain no provision for the variation of the relevant rights, be carried by consent in writing from the holders of at least three-quarters in nominal value of the issued shares of that class.

Shareholder Meetings

The U.K. Companies Act 2006 requires that a public limited company, such as Mereo, must convene an annual general meeting within six months following its accounting reference date.

Subject to the notice requirements of the U.K. Companies Act 2006 outlined below and Mereo's Articles, a general meeting of the shareholders of Mereo may be called by the Mereo Board whenever and at such times and places as it shall determine.

A general meeting may also be convened by the Mereo Board on the requisition of two or more Mereo shareholders who hold at least 5% of the paid-up capital of Mereo carrying voting rights at a general meeting.

General meetings at which special resolutions are proposed and passed generally involve proposals to change the name of the company, permit the company to issue new shares for cash without the shareholders' pre-emptive right, amend the company's articles of association, or carry out other matters where either the company's articles of association or the U.K. Companies Act 2006 prescribe that a special resolution is required.

Other proposals relating to the ordinary course of the company's business, such as the election of directors, would generally be the subject of an ordinary resolution.

Under the U.K. Companies Act 2006, 21 clear days' notice must be given for an annual general meeting and any resolutions to be proposed at that meeting. At least 14 clear days' notice is required for any other general meeting.

In addition, certain matters, such as the removal of directors or auditors, require special notice, which is 28 clear days' notice.

Shareholder Proposals and Shareholder Nomination of Directors

Under the U.K. Companies Act 2006, shareholders of a company may require the directors to call a general meeting of the company and may specify the text of a resolution to be voted on at that meeting if the request is made by two or more shareholders holding at least 5% of the paid-up capital of Mereo carrying voting rights at a general meeting.

In certain circumstances, shareholders may also require the company to circulate to shareholders that are entitled to receive notice of a general meeting, a statement of not more than 1,000 words with respect to (1) a matter referred to in a proposed resolution to be dealt with at that meeting, or (2) other business to be deal with at that meeting. A company is required to circulate a statement once it has received requests to do so from (1) two or more shareholders representing at least 5% of the total voting rights of all shareholders who have a relevant right to vote, or (2) by at least 100 shareholders who have a relevant right to vote and hold shares in the company on which there has been paid up an average sum, per shareholder, of at least £100.

Resolutions to appoint or re-appoint directors to a public limited company such as Mereo must generally be put to shareholders on the basis of one resolution for each nominated director.

Number of Directors

Under the U.K. Companies Act 2006, a public limited company must have at least two directors being natural persons.

Classification of the Board

Under the U.K. Companies Act 2006, a company may not enter into a service contract with a fixed term of more than two years with a director or (where the director is a director of a holding company) with a member of the group consisting of that company and its subsidiaries unless such contract has been approved by an ordinary resolution of the shareholders of the company or (in the case of a director of a holding company) of the shareholders of the holding company. Such a resolution must not be passed unless a memorandum setting out the proposed contract incorporating the provision is made available to members of the company both (1) at the company's registered office for not less than 15 days ending with the date of the meeting; and (2) at the meeting itself.

Removal of Directors

Under the U.K. Companies Act 2006, a company may remove a director without cause at a general meeting by way of an ordinary resolution of shareholders, irrespective of any provision of any agreement or service contract between the director and the company, provided that 28 clear days' notice of the proposed resolution to remove the director is given and certain other procedural requirements under the U.K. Companies Act 2006 are followed (such as allowing the director to make representations against his or her removal either at the meeting or in writing).

Limitation of Director Liability

Under the U.K. Companies Act 2006, any provision (whether contained in a company's articles of association or any contract or otherwise) that purports to exempt a director of a company (to any extent) from any liability that would otherwise attach to him in connection with any negligence, default, breach of duty or breach of trust in relation to the company is void, and any provision where the company is seeking to indemnify a director for such liability is also void except as allowed by the provision of insurance.

Directors and Officers Indemnity

Any provision by which Mereo directly or indirectly provides an indemnity (to any extent) for a director of the company or of an "associated company" (i.e., a company that is a parent, subsidiary or sister company of Mereo) against any liability attaching to him in connection with any negligence, default, breach of duty or breach of trust in relation to the company of which he or she is a director is void except as permitted by the U.K. Companies Act 2006, which provides exceptions for Mereo to:

- purchase and maintain director and officer insurance insuring its directors or the directors of an associated company against any liability attaching in connection with any negligence, default, breach of duty or breach of trust in relation to the company of which he or she is a director;
- provide a "qualifying third party indemnity," which is an indemnity against liability incurred by Mereo's directors and directors of an associated company to a person other than Mereo or an associated company. Such indemnity must not cover criminal fines, penalties imposed by regulatory bodies, the defense costs of criminal proceedings where the director is found guilty, the defense costs of civil proceedings successfully brought against the director by the company or an associated company, or the costs of unsuccessful applications by the director for relief from liabilities for such matters; and

- provide a "qualifying pension scheme indemnity," which is an indemnity against liability incurred in connection with the company's activities as trustee of an occupational pension plan. Such indemnity must not cover a fine imposed in criminal proceedings, or sum payable to a regulatory authority by way of a penalty in respect of non-compliance with any requirement of a regulatory nature (however arising), or any liability incurred by the director in defending criminal proceedings in which he or she is convicted.

The U.K. Companies Act 2006 also provides that Mereo may lend a director of Mereo funds to meet expenditure incurred by him in defending any criminal or civil proceedings in connection with any alleged negligence, default, breach of duty or breach of trust by him in relation to Mereo or an associated company, or in connection with an application for certain specified relief, subject to the requirement that the loan must be on terms that it is to be repaid if the defense or the application for relief is unsuccessful.

Derivative Suits and Class Action Suits

Under English law, generally, the company, rather than its shareholders, is the proper claimant in an action in respect of a wrong done to the company or where there is an irregularity in the company's internal management. Notwithstanding this general position, the U.K. Companies Act 2006 provides that (1) a court may allow a shareholder to bring a derivative claim (that is, an action in respect of and on behalf of the company) in respect of a cause of action arising from a director's negligence, default, breach of duty or breach of trust and (2) a shareholder may bring a claim for a court order on the ground that the company's affairs have been or are being conducted in a manner that is unfairly prejudicial to the interests of its shareholders generally or of some of its shareholders, or that an actual or proposed act or omission of the company is or would be so prejudicial.

The U.K. Limitation Act 1980 imposes a limitation period, with certain exceptions, of civil claims. The period is six years in respect of actions in contract and tort, and 12 years for "actions on a specialty," such as a breach of any obligation contained in a deed. The limitation period begins to run from the date on which the action accrued. In the case of contract, this is the date on which the breach of contract occurred, and in tort this is the date on which the damage is suffered.

Conflicts of Interest Transactions

Under English law, a director is under a duty to avoid conflicts of interest, and is obliged to declare his or her interest (whether direct or indirect) in a proposed transaction with the company to the other directors. It is an offense to fail to declare an interest (whether direct or indirect) in an existing transaction with the company.

The duty to avoid a conflict of interest is not infringed if the situation cannot reasonably be regarded as likely to give rise to a conflict of interest or if the matter has been authorized by the directors.

Other U.K. Law Considerations

See "Item 10. Additional Information—B. Memorandum and Articles of Association—Other U.K. Law Considerations" for other applicable corporate governance practices.

Item 16H. Mine Safety Disclosure

Not applicable.

PART THREE

Item 17. Financial Statements

We have elected to provide financial statements pursuant to Item 18.

Item 18. Financial Statements

Our audited consolidated financial statements are included in this annual report beginning at page F-1.

Item 19. Exhibits

EXHIBIT INDEX

Exhibit No.	Description
1.1*	Articles of Association of Mereo BioPharma Group plc (incorporated into this Form 20-F by reference to Mereo's Form F-4 filed January 24, 2019 (File No. 333-229351)).
2.1*	Form of American Depositary Receipt of Mereo BioPharma Group plc (incorporated into this Form 20-F by reference to Mereo's Form F-4/A filed March 15, 2019 (File No. 333-229351)).
2.2**	Description of Securities Registered under Section 12 of the Exchange Act.
4.1*	Agreement and Plan of Merger and Reorganization, dated December 5, 2018, by and among Mereo BioPharma Group plc, Mereo US Holdings Inc., Mereo MergerCo One Inc. and OncoMed Pharmaceuticals, Inc. (incorporated into this Form 20-F by reference to Mereo's Form F-4/A filed March 15, 2019 (File No. 333-229351)).
4.9*†	BCT197 Asset Purchase Agreement, dated July 28, 2015, by and between Mereo BioPharma 1 Limited and Novartis Pharma AG (incorporated into this Form 20-F by reference to Mereo's Form F-4 filed January 25, 2019 (File No. 333-229351)).

Exhibit No.	Description
4.9.1*	Amendment Agreement for BCT197, dated October 19, 2018, by and between Mereo BioPharma 1 Limited and Novartis Pharma AG (incorporated into this Form 20-F by reference to Mereo's Form F-4 filed January 25, 2019 (File No. 333-229351)).
4.9.2*	Addendum to the Asset Purchase Agreement, dated October 4, 2017, by and between Mereo BioPharma 1 Limited and Novartis Pharma AG (incorporated into this Form 20-F by reference to Mereo's Form F-4 filed January 25, 2019 (File No. 333-229351)).
4.9.3*	Addendum to the Asset Purchase Agreement, dated April 12, 2016, by and between Mereo BioPharma 1 Limited and Novartis Pharma AG (incorporated into this Form 20-F by reference to Mereo's Form F-4 filed January 25, 2019 (File No. 333-229351)).
4.10*†	BGS649 Asset Purchase Agreement, dated July 28, 2015, by and between Mereo BioPharma 2 Limited and Novartis Pharma AG (incorporated into this Form 20-F by reference to Mereo's Form F-4 filed January 25, 2019 (File No. 333-229351)).
4.10.1*	Amendment Agreement for BGS649, dated October 19, 2018, by and between Mereo BioPharma 2 Limited and Novartis Pharma AG (incorporated into this Form 20-F by reference to Mereo's Form F-4 filed January 25, 2019 (File No. 333-229351)).
4.10.2*	Addendum to the Asset Purchase Agreement, dated August 17, 2017, by and between Mereo BioPharma 2 Limited and Novartis Pharma AG (incorporated into this Form 20-F by reference to Mereo's Form F-4 filed January 25, 2019 (File No. 333-229351)).
4.11*†	BPS804 Asset Purchase Agreement, dated July 28, 2015, by and between Mereo BioPharma 3 Limited and Novartis Pharma AG (incorporated into this Form 20-F by reference to Mereo's Form F-4 filed January 25, 2019 (File No. 333-229351)).
4.11.1*†	Amendment Agreement, dated August 10, 2018, by and between Mereo BioPharma 3 Limited and Novartis Pharma AG (incorporated into this Form 20-F by reference to Mereo's Form F-4 filed January 25, 2019 (File No. 333-229351)).
4.11.2*	Addendum to the Asset Purchase Agreement, dated December 21, 2016, by and between Mereo BioPharma 3 Limited and Novartis Pharma AG (incorporated into this Form 20-F by reference to Mereo's Form F-4 filed January 25, 2019 (File No. 333-229351)).
4.12*†	Sublicense Agreement, dated July 29, 2015, by and between Mereo BioPharma 3 Limited and Novartis Pharma AG (incorporated into this Form 20-F by reference to Mereo's Form F-4 filed January 25, 2019 (File No. 333-229351)).
4.13*†	Exclusive License and Option Agreement, dated October 28, 2017, by and between Mereo BioPharma 4 Limited and AstraZeneca AB (incorporated into this Form 20-F by reference to Mereo's Form F-4 filed January 25, 2019 (File No. 333-229351)).
4.14*	Form of Deed of Indemnity for members of the board of directors of Mereo BioPharma Group plc (incorporated into this Form 20-F by reference to Mereo's Form F-4 filed January 25, 2019 (File No. 333-229351)).
4.15*	Form of Contingent Value Rights Agreement by and between Computershare, Inc., as rights agent, and Mereo BioPharma Group plc (incorporated into this Form 20-F by reference to Mereo's Form F-4/A filed March 15, 2019 (File No. 333-229351)).
4.16†*	Master Research and Collaboration Agreement, dated December 2, 2013, by and between OncoMed Pharmaceuticals, Inc., Celgene Corporation and Celgene Alpine Investment Company II, LLC (incorporated into this Form 20-F by reference to OncoMed's 10-K filed March 18, 2014 (File No. 001-35993)).

Exhibit No.	Description
4.17*	Form of Letter of Appointment for members of the board of directors of Mereo BioPharma Group plc (incorporated by reference to Exhibit 4.19 to the registrant's Annual Report on Form 20-F for the year ended December 31, 2018, filed with the SEC on April 29, 2019 (File No. 001-38452)).
4.19*	Form of Convertible Loan Note Instrument, dated June 3, 2020, relating to Mereo BioPharma Group plc and amended March 29, 2021 (incorporated by reference to Exhibit 10.3 to the registrant's report on Form 6-K filed with the SEC on June 5, 2020 (File No. 001-38452)).
4.20*	Form of Warrant Instrument, dated June 3, 2020, relating to Mereo BioPharma Group plc and amended March 29, 2021 (incorporated by reference to Exhibit 10.4 to the registrant's report on Form 6-K filed with the SEC on June 5, 2020 (File No. 001-384520).
4.21**	Deed of Consent and Amendment to Convertible Loan Note Instrument, dated December 17, 2020 between Mereo BioPharma Group plc. and the Noteholders named therein.
4.22**	Form of Amended Convertible Loan Note Instrument, dated December 18, 2020 relating to Mereo BioPharma Group plc.
4.23**	Form of Amended Convertible Loan Note Instrument, dated February 5, 2021 relating to Mereo BioPharma Group plc.
4.24**	Form of Amended Convertible Loan Note Instrument, dated March 29, 2021 relating to Mereo BioPharma Group plc.
4.25**	Deed of Consent and Amendment to Warrant Instrument, dated March 29, 2021 between Mereo BioPharma Group plc. and the Alpha-1 Project, Inc.
4.26**	Contract of Employment, dated October 20, 2020 between Mereo BioPharma Group plc and Christine Fox.
4.27**	Employment Agreement, dated July 1, 2020 between Mereo BioPharma Group plc and John Lewicki.
4.28**	Form of Convertible Loan Instrument, dated February 10, 2020 relating to Mereo BioPharma Group plc.
4.29**	Form of Warrant Instrument, dated February 10, 2020 relating to Mereo BioPharma Group plc.
4.30**	Deed of Consent and Amendment to Note Instrument, dated November 24, 2020 between Mereo BioPharma Group plc. and Novartis Pharma AG.
4.31**	Deed of Consent and Amendment to Warrant Instrument, dated November 24, 2020 between Mereo BioPharma Group plc. and Novartis Pharma AG.
4.32**††	Collaboration and License Agreement, dated December 17, 2020, between Mereo BioPharma 3 Limited and Ultragenyx Pharmaceutical Inc.
8.1**	List of Subsidiaries of Mereo BioPharma Group plc
10.1*	Securities Purchase Agreement, dated February 10, 2020, by and between Mereo BioPharma Group PLC and Aspire Capital Fund, LLC (incorporated by reference to Exhibit 10.1 to the registrant's report on Form 6-K filed with the SEC on February 10, 2020 (File No. 001-38452)).
10.2*	Registration Rights Agreement, dated February 10, 2020, by and between Mereo BioPharma Group PLC and Aspire Capital Fund, LLC (incorporated by reference to Exhibit 10.2 to the registrant's report on Form 6-K filed with the SEC on February 10, 2020 (File No. 001-38452)).
10.3*	Securities Purchase Agreement, dated February 19, 2020, by and between Mereo BioPharma Group PLC and Boxer Capital, LLC (incorporated by reference to Exhibit 10.1 to the registrant's report on Form 6-K filed with the SEC on February 19, 2020 (File No. 001-38452)).
10.4*	Registration Rights Agreement, dated February 19, 2020, by and between Mereo BioPharma Group PLC and Boxer Capital, LLC (incorporated by reference to Exhibit 10.2 to the registrant's report on Form 6-K filed with the SEC on February 19, 2020 (File No. 001-38452)).
10.5*	Form of Securities Purchase Agreement, dated June 3, 2020, by and among Mereo BioPharma Group PLC and the several purchasers named therein (incorporated by reference to Exhibit 10.1 to the registrant's report on Form 6-K filed with the SEC on June 5, 2020 (File No. 001-38452)).
10.6*	Form of Registration Rights Agreement, dated June 3, 2020, by and between Mereo BioPharma Group PLC and the several purchasers named therein (incorporated by reference to Exhibit 10.2 to the registrant's report on Form 6-K filed with the SEC on June 5, 2020 (File No. 001-38452)).
12.1**	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2**	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1***	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2***	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit No.	Description
15.1**	Consent of Independent Registered Public Accounting Firm
101	The following materials from this annual report on Form 20-F formatted in XBRL (Extensible Business Reporting Language) are furnished herewith: (i) the Report of Independent Registered Public Accounting Firm, (ii) the consolidated statements of financial position data, (iii) the consolidated statements of comprehensive loss data, (iv) the consolidated statements of changes in shareholders' equity (capital deficiency), (v) the consolidated statements of cash flows, and (vi) the notes to consolidated financial statements, in each case tagged as blocks of text and in detail.

* Previously filed.
** Filed herewith.
*** Furnished herewith.
† Portions of this exhibit are subject to a previously filed confidential treatment order pursuant to Rule 406 under the Securities Act.
†† Confidential portions of this exhibit were redacted pursuant to Item 601(b)(10) of Regulation S-K and the Company agrees to furnish supplementally to the Commission a copy of of any omissions upon request.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Mereo BioPharma Group plc

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Mereo BioPharma Group plc (the Company) as of December 31, 2020 and 2019, and the related consolidated statements of comprehensive loss, changes in equity, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Adoption of New Accounting Standard

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for leases in 2019 due to the adoption of IFRS 16 (Leases).

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2015.
Reading, United Kingdom
March 31, 2021

MEREO BIOPHARMA GROUP PLC
FINANCIAL STATEMENTS: CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS
for the years ended December 31, 2020, 2019 and 2018

	Notes	Year ended December 31, 2020 £'000s	2019 £'000s	2018 £'000s
Research and development expenses		(16,347)	(23,608)	(22,703)
Administrative expenses		(21,222)	(15,909)	(11,775)
Operating loss		(37,569)	(39,517)	(34,478)
Net income recognized on acquisition of subsidiary		—	1,035	—
Finance income	8	44	377	307
Finance costs	8	(6,383)	(4,371)	(3,807)
Changes in the fair value of financial instruments	8	(109,849)	875	716
Loss on disposal of intangible assets	12	(10,872)	—	—
Net foreign exchange (loss)/gain		(1,821)	483	(44)
Loss before tax	6	(166,450)	(41,118)	(37,306)
Taxation	9	2,822	6,274	5,277
Loss attributable to equity holders of the parent		(163,628)	(34,844)	(32,029)
Other comprehensive gain/(loss) – items that may be reclassified to profit or loss				
Exchange differences on translation of foreign operations		349	(499)	—
Other comprehensive gain/(loss), net of tax		349	(499)	—
Total comprehensive loss attributable to equity holders of the parent		(163,279)	(35,343)	(32,029)
Basic and diluted loss per share	10	(0.48)	(0.39)	(0.45)

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

MEREO BIOPHARMA GROUP PLC
FINANCIAL STATEMENTS: CONSOLIDATED BALANCE SHEET
as at December 31, 2020 and 2019

	Notes	Year Ended December 31, 2020 £'000s	2019 £'000s
Assets			
Non-current assets			
Property, plant and equipment	11	1,573	11,558
Intangible assets	12	31,648	44,456
		33,221	56,014
Current assets			
Prepayments		1,619	2,111
R&D tax credits	9	2,818	10,426
Other taxes recoverable	9	804	979
Other receivables	14	1,016	572
Cash and short-term deposits	15	23,469	16,347
		29,726	30,435
Total assets		62,947	86,449
Equity and liabilities			
Non-current liabilities			
Provisions	19	1,216	1,449
Interest-bearing loans and borrowings	18	16,142	5,373
Warrant liability	20	50,775	131
Other liabilities		62	44
Lease liability	11	1,158	9,318
		69,353	16,315
Current liabilities			
Trade and other payables	21	3,333	6,352
Accruals		4,178	5,138
Provisions	19	418	309
Interest-bearing loans and borrowings	18	—	15,139
Contingent consideration liability	22	—	354
Lease liability	11	636	2,586
		8,565	29,878
Total liabilities		77,918	46,193
Net (liabilities)/assets		(14,971)	40,256
Equity			
Issued capital	16	1,017	294
Share premium	16	161,785	121,684
Other capital reserves	16	128,374	59,147
Employee Benefit Trust shares	26	(1,305)	(1,305)
Other reserves	16	5,001	7,000
Accumulated loss	16	(309,693)	(146,065)
Translation reserve	16	(150)	(499)
Total equity		(14,971)	40,256

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

MEREO BIOPHARMA GROUP PLC
FINANCIAL STATEMENTS: CONSOLIDATED STATEMENT OF CASH FLOWS
for the years ended December 31, 2020, 2019 and 2018

	Notes	Year ended December 31, 2020 £'000s	2019 £'000s	2018 £'000s
Operating activities				
Loss before tax		(166,450)	(41,118)	(37,306)
Adjustments to reconcile loss before tax to net cash flows:				
Depreciation of property, plant and equipment	11	1,599	1,577	39
Share-based payments expense	24	1,558	1,636	2,190
Net foreign exchange loss/(gain)		1,821	(483)	44
Increase/(decrease) in provisions	19	162	(517)	(1,003)
Finance income	8	(44)	(377)	(307)
Finance costs	8	6,226	4,606	3,807
Modification (gain)/loss on bank loan	8	—	(456)	730
Gain on bargain purchase		—	(3,681)	—
Gain on lease modification	6	(957)	—	—
Fair value remeasurement on contingent consideration	23	—	354	—
Fair value remeasurement on warrants	8	109,849	(875)	(716)
Loss on disposal of intangible assets	12	10,872	—	—
Working capital adjustments:				
(Increase)/decrease in trade and other receivables		141	(936)	804
Increase/(decrease) in trade and other payables		(3,551)	(6,730)	1,602
Tax credits received	9	10,433	1,069	8,152
Net cash flows (used in) operating activities		(28,341)	(45,931)	(23,139)
Investing activities				
Acquisition of subsidiary		(354)	10,074	—
(Purchase)/disposal of property, plant and equipment	11	(16)	(21)	(34)
Disposal of intangible assets (net of transaction costs)	12	1,821	—	—
Proceeds from sale of short-term investments		—	32,865	—
Interest earned		44	377	286
Net cash flows from investing activities		1,495	43,295	252
Financing activities				
Proceeds from issuance of ordinary shares	16	20,136	—	273
Transaction costs on issuance of shares	16	(1,307)	(761)	(8)
Proceeds from issuance of convertible loan	18	44,375	—	—
Transaction costs issuance of convertible loan		(3,598)	—	—
Repayment of bank loans	18	(19,802)	—	—
Proceeds from loans and borrowings	18	—	—	455
Transaction costs related to loans and borrowings		(81)	—	(921)
Interest paid on bank loan	8	(2,900)	(1,739)	(1,645)
Other financing proceeds		—	—	78
Purchase of treasury shares	26	—	(998)	(307)
Payment of lease liabilities	11	(2,086)	(2,212)	—
Net cash flows from/(used in) financing activities		34,737	(5,710)	(2,075)
Net increase/(decrease) in cash and cash equivalents		7,891	(8,346)	(24,962)
Cash and cash equivalents at January 1		16,347	25,042	50,045
Effect of exchange rate changes		(769)	(349)	(41)
Cash and cash equivalents at December 31	15	23,469	16,347	25,042

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

MEREO BIOPHARMA GROUP PLC
FINANCIAL STATEMENTS: CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the years ended December 31, 2020, 2019 and 2018

	Issued capital (in £'000s)	Share premium (in £'000s)	Other capital reserves (in £'000s)	Employee Benefit Trust (in £'000s)	Other reserves (in £'000s)	Accumulated losses (in £'000s)	Translation reserve (in £'000s)	Total equity (in £'000s)
At December 31, 2017	213	118,227	16,359	—	7,000	(79,316)	—	62,483
Loss for the year to December 31, 2018	—	—	—	—	—	(32,029)	—	(32,029)
Adoption of IFRS 9	—	—	—	—	—	124	—	124
Share-based payments – share options (Note 24)	—	—	1,871	—	—	—	—	1,871
Share-based payments – LTIPs (Note 24)	—	—	319	—	—	—	—	319
Issuance of share capital on June 1, 2018 (Note 16)	—	150	—	—	—	—	—	150
Issuance of share capital on August 3, 2018 on exercise of options (Note 16)	—	13	—	—	—	—	—	13
Issue of share capital on October 22, 2018 on exercise of options (Note 16)	1	110	—	—	—	—	—	111
Issuance of warrants (Note 16)	—	—	44	—	—	—	—	44
Transaction costs on issuance of share capital (Note 16)	—	(8)	—	—	—	—	—	(8)
Purchase of treasury shares (Note 26)	—	—	—	(307)	—	—	—	(307)
At December 31, 2018	214	118,492	18,593	(307)	7,000	(111,221)	—	32,771
Loss for the year to December 31, 2019	—	—	—	—	—	(34,844)	—	(34,844)
Currency translation of foreign operations	—	—	—	—	—	—	(499)	(499)
Share-based payments – share options (Note 24)	—	—	1,543	—	—	—	—	1,543
Share-based payments – LTIPs (Note 24)	—	—	93	—	—	—	—	93
Issuance of share capital on April 23, 2019 (Note 16)	74	—	40,818	—	—	—	—	40,892
Transaction costs related to issuance of share capital on April 23, 2019 (Note 16)	—	(761)	—	—	—	—	—	(761)
Issuance of share capital on conversion of loan note (Note 16)	3	2,366	—	—	—	—	—	2,369
Issuance of share capital on Novartis bonus shares (Note 16)	3	1,587	(1,590)	—	—	—	—	—
Equity element of convertible loan note (Note 16)	—	—	(310)	—	—	—	—	(310)
Purchase of treasury shares (Note 26)	—	—	—	(998)	—	—	—	(998)
At December 31, 2019	294	121,684	59,147	(1,305)	7,000	(146,065)	(499)	40,256

MEREO BIOPHARMA GROUP PLC
FINANCIAL STATEMENTS: CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Issued capital (in £'000s)	Share premium (in £'000s)	Other capital reserves (in £'000s)	Employee Benefit Trust (in £'000s)	Other reserves (in £'000s)	Accumulated losses (in £'000s)	Translation reserve (in £'000s)	Total equity (in £'000s)
Loss for the year to December 31, 2020	—	—	—	—	—	(163,628)	—	(163,628)
Other comprehensive income	—	—	—	—	—	—	349	349
Share-based payments (Note 24)	—	—	1,558	—	—	—	—	1,558
Issuance of share capital, net (Note 16)	347	18,715	—	—	(2,125)	—	—	16,937
Issuance of share capital on conversion of loan notes (Note 16)	375	21,386	33,104	—	—	—	—	54,865
Issuance of share capital on conversion of loan notes and warrants (Note 16)	—	—	1,084	—	—	—	—	1,084
Reclassification of loan notes embedded derivative (Note 17)	—	—	33,481	—	—	—	—	33,481
Conversion of warrants	1	—	—	—	126	—	—	127
At December 31, 2020	1,017	161,785	128,374	(1,305)	5,001	(309,693)	(150)	(14,971)

MEREO BIOPHARMA GROUP PLC
FINANCIAL STATEMENTS: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

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

The Company is a public limited company incorporated and domiciled in the UK, and registered in England, with shares publicly traded on the Nasdaq Global Market via American Depositary Shares ("ADSs") under the ticker symbol MREO. The Company's ordinary shares were previously admitted to trading on the AIM market of London Stock Exchange plc with admission canceled with effect on December 18, 2020. The Company's registered office is located at Fourth Floor, 1 Cavendish Place, London, W1G 0QF, United Kingdom.

The consolidated financial statements of Mereo BioPharma Group plc and its subsidiaries (collectively, the "Group") for the year ended December 31, 2020 were authorized for issue in accordance with a resolution of the Directors on March 31, 2021. The principal activities of the Group are the development and commercialization of innovative therapeutic pharmaceutical products.

2. Significant accounting policies

2.1 Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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

2.2 Basis of consolidation

The consolidated financial information comprises the financial statements of Mereo BioPharma Group plc and its subsidiaries as at December 31, 2020. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated in preparing the consolidated financial statements. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

The Company has an employee share trust to facilitate share transactions pursuant to employee share schemes. Although the trust is a separate legal entity from the Group, it is consolidated into the Group's results in accordance with the IFRS 10 rules on special purpose vehicles. The Company is deemed to control the trust principally because the trust cannot operate without the funding the Group provides.

2.3 Segmental information

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

Following the acquisition of Mereo BioPharma 5, Inc. (formerly OncoMed Pharmaceuticals, Inc. or "OncoMed") in 2019, non-current assets held by the Group are located in the United Kingdom and United States. As at December 31, 2020, approximately £0.5 million (2019: £22.4 million) of non-current assets are located in the United States.

2.4 Going concern

The Group 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 Group may develop.

As a result of these anticipated expenditures, the Group will need additional financing to support its continuing operations. Until such time as the Group can generate significant revenue from product sales, or other commercialization revenues, if ever, in respect of its oncology or rare disease product candidates or through partnering and/or out-licensing deals for its non-core disease product candidates, the Group will seek to finance its operations through a combination of public or private equity or debt financings or other sources.

In February 2021, the Group completed a public offering of American Depository Shares ("ADSs") and raised gross proceeds of $115.1 million (Note 27). This funding, together with the Group's existing funds, will enable the Group to meet its liabilities as they fall due for the foreseeable future and at least 12 months. Therefore, the Group continues to adopt the going concern basis of accounting in preparing these consolidated financial statements.

2.5 Summary of significant accounting policies

a) Research and development (R&D) costs

Expenditure on product development is capitalized as an intangible asset and amortized over the expected useful economic life of the product candidate concerned. Capitalization commences from the point at which technical feasibility and commercial viability of the product candidate can be demonstrated and the Group is satisfied that it is probable that future economic benefits will result from the product candidate once completed. Capitalization ceases when the product candidate receives regulatory approval for launch. No such costs have been capitalized to date.

Expenditure on R&D activities that do not meet the above criteria, including ongoing costs associated with acquired intellectual property rights and intellectual property rights generated internally by the Group, is recognized in the consolidated statement of comprehensive loss as incurred. Intellectual property and in-process R&D from asset acquisitions are recognized as intangible assets at cost.

b) Taxation

Tax expense recognized in the consolidated statement of comprehensive income comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the consolidated financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted, or substantively enacted, by the end of the reporting period in the jurisdictions in which the Group operates.

Amounts receivable in respect of research and development tax credits are recognized in the consolidated financial statements provided there is sufficient evidence that the amounts are recoverable. These credits are recognized within income tax in the consolidated statement of comprehensive loss.

A provision is recognized for matters in which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. Where applicable, the assessment is based on management judgment supported by previous experience in respect of such activities and independent tax advice.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply in the year when the asset or liability is realized, based on tax rates (and tax laws) enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

c) Foreign currencies

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in pound sterling (“£”), which is the presentational currency of the Group. The functional currencies of consolidated subsidiaries are pound sterling and US dollars (“$”).

Transactions in foreign currencies are initially recorded by the Group’s entities at the rate prevailing on the date the transaction first qualifies for recognition. Differences arising on settlement or translation of monetary items as well as gains or losses on the retranslation of foreign currency balances at the period-end are recognized in the consolidated statement of comprehensive loss.

The results and financial position of Group entities that have a functional currency different from the presentational currency of the Group are translated into the presentational currency (pound sterling). The assets and liabilities of such entities are translated into pound sterling at the rate of exchange prevailing at the balance sheet date. Income and expenses are translated at the average rate for the period. Fair value adjustments arising on acquisition of such entities are treated as assets and liabilities of the relevant entity and translated into pound sterling at the closing rate. The exchange differences arising on translation for consolidation are recognized in other comprehensive income.

d) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment if the recognition criteria are met. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Useful lives of various property, plant and equipment are as follows:

- Leasehold improvements — shorter of lease term or ten years
- Office equipment — five years
- IT equipment — three years

Property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive loss when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed annually and adjusted prospectively, if appropriate.

e) Business combinations

Business combinations are accounted for using the acquisition method of accounting. At the date of the acquisition, the Group initially recognizes the fair value of the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquired business.

The consideration transferred is measured at fair value at the date acquisition. The excess of the consideration transferred over the fair value of net identifiable assets of the business acquired is recorded as goodwill, unless the amount of consideration transferred is less than the fair value of net identifiable assets of the business acquired in which case the difference is recognized directly in the consolidated statement of comprehensive loss as a bargain purchase. A valuation is performed of assets and liabilities assumed on each acquisition accounted for as a business combination based on our best estimate of fair value.

f) Leases

Effective January 1, 2019, the Group adopted IFRS 16 (Leases) using the modified retrospective approach.

The Group assesses whether a contract is, or contains, a lease at inception of the contract. The Group recognizes a right-of-use asset and a corresponding liability with respect to all lease arrangements in which it is a lessee.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise of fixed lease payments, less any lease incentives receivable.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever there is a significant change in lease term, lease payments or if the lease contract is modified and the lease modification is not accounted for as a separate lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability and lease payments made at or before the commencement date, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

The right-of-use assets are presented within property, plant and equipment. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset:

- Right-of-use asset (building) six to nine years
- Right-of-use asset (equipment) one to two years

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

g) Intangible assets

Intangible assets are initially recorded at cost which has been determined as the fair value of the consideration paid and payable. Assets that have been acquired through a business combination are initially recorded at fair value. The fair value of consideration is regularly reviewed based on the probability of achieving contractual milestones.

Where the consideration paid or payable is in shares, the cost is measured in accordance with IFRS 2 (Share Based Payments).

Intangible assets that are not yet available for use are reviewed for impairment at each reporting date by allocating the assets to the cash-generating units to which they relate. The estimated useful life is the lower of the legal duration and economic useful life. The estimated useful lives of intangible assets are reviewed at least annually.

Intangible assets are amortized from the date they are available for commercial use. No amortization has been recognized to date.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

h) Financial instruments

Financial assets and liabilities are recognized in the consolidated balance sheet only when the Group becomes party to the contractual provisions of the instrument.

Financial assets

On initial recognition, a financial asset is classified into one of three primary measurement categories:

- Amortized cost;
- Fair value through other comprehensive income (“FVOCI”); or
- Fair value through profit or loss (“FVTPL”).

The initial classification into a primary measurement category depends on the nature and purpose of the financial asset.

For each reporting period covered herein, the Group’s financial assets included only financial assets held at FVOCI. The Group’s financial assets include short-term investments which are not classified as cash and short-term deposits and are held in a business model whose objective is achieved by both collecting contractual cash flows and selling the short-term investment on maturity.

For short-term investments, interest income and impairment gains or losses are recognized directly in the consolidated statement of comprehensive loss. The difference between cumulative fair value gains or losses and the cumulative amounts recognized in the consolidated statement of comprehensive loss is recognized in other comprehensive income until derecognition, when the amounts in other comprehensive income are reclassified to the consolidated statement of comprehensive loss.

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Compound instruments

Convertible loan notes are regarded as compound instruments consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using a discount rate for an equivalent liability without the conversion feature. The difference between the proceeds from the issue of the convertible loan note and the fair value assigned to the liability component is included in equity.

Financial liabilities

Borrowings (including interest-bearing loans) are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Under the effective interest method, amortization is included as a finance cost in the consolidated statement of comprehensive loss.

Non-substantial modifications to financial liabilities measured at amortized cost with the associated gain or loss recognized in the consolidated statement of comprehensive loss. The gain or loss is computed as the difference between the original contractual cash flows and the modified cash flows, discounted at the original effective interest rate. For substantial modifications, the existing financial liability is derecognized and a new financial liability is established.

Borrowings are derecognized from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

The warrant instruments are recorded at fair value, with changes in the fair value recognized in the consolidated statement of comprehensive loss, where the terms of the warrant instruments allow for cashless exercise.

i) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

j) Impairment of non-financial assets

Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

- Disclosures for significant assumptions — Note 3
- Property, plant and equipment — Note 11
- Intangible assets not yet available for use — Notes 12 and 13

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses are recognized in the consolidated statement of comprehensive loss in expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

k) Cash and short-term deposits

Cash and short-term deposits in the balance sheet comprise cash at banks and on hand along with short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

l) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of comprehensive loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Where contingent payments relate to future use of the in-licensed IP, no liability or provision is recognized for variable amounts to be paid to the vendors based on future events unless such arrangements are onerous. The liability (and corresponding expense in the income statement) to the vendors is recognized as an obligation arises.

m) Provision for deferred cash consideration

Provision for deferred cash consideration consists of future payments which are contractually committed but not yet certain. In respect of products which are not yet approved, such deferred cash consideration excludes potential milestones, royalties or other payments that are deemed to be so uncertain as to be unquantifiable. Deferred cash consideration is recognized as a liability with the amounts calculated as the risk adjusted net present value of anticipated deferred payments.

The provision is reviewed at each balance sheet date and adjusted based on the likelihood of contractual milestones being achieved and therefore the deferred payment being settled. Increases in the provision relating to changes in the probability are recognized as an intangible asset. Increases in the provision relating to the unwinding of the time value of money are recognized as a finance expense.

n) Share-based payments

Employees (including executives) and non-executive directors of the Group receive remuneration in the form of share-based payments, whereby employees and non-executive directors render services as consideration for equity instruments (equity settled transactions).

Incentives in the form of shares are provided to employees under various plans (Note 24). Executive officers also have outstanding shares under a deferred bonus share plan (“DBSP Plan”) and a long-term incentive plan (“LTIP Plan”).

In accordance with IFRS 2 Share-based Payments (“IFRS 2”), charges for these incentives are expensed through the consolidated statement of comprehensive loss on a straight-line basis over their vesting period, based on the Group’s estimate of shares that will eventually vest. The total amount to be expensed is determined by reference to the fair value of the options or awards at the date they were granted. For LTIP shares, the fair value on grant date excludes the impact of any non-market vesting conditions, which are taken into account by adjusting the number of equity instruments included in the measurement of the share-based payment transaction and are adjusted each period until such time as the equity instruments vest.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

In accordance with IFRS 2, the cancellation of share options is accounted for as an acceleration of the vesting period and therefore any amount unrecognized that would otherwise have been charged in future accounting periods is recognized immediately. When options are forfeited, the accounting expense for any unvested awards is reversed.

o) Costs of issuing capital

Incremental costs incurred and directly attributable to the offering of equity securities are deducted from the related proceeds of the offering. The net amount is recorded as share premium in the period when such shares are issued. Where such expenses are incurred prior to the offering they are recorded in prepayments until the offering completes. Other costs incurred in such offerings are expensed as incurred and included in general and administrative expenses.

p) Employee Benefit Trust

The Group operates an Employee Benefit Trust (“EBT”), the Mereo BioPharma Group plc Employee Benefit Trust.

The EBT holds ADS’s to satisfy the exercise of options under the Company’s share-based incentive schemes (Note 24). The EBT is a Jersey-based trust which was initially funded by a loan from the Company, which it utilized to purchase shares in sufficient quantity to fulfill the envisaged awards. The Company will issue ordinary shares to a custodian for conversion by a depositary bank to ADS’s and delivery to the EBT. These ordinary shares will be deducted from the shareholders’ funds on the consolidated balance sheet at their nominal value.

Shares held by the EBT are included in the consolidated balance sheet as a reduction in equity.

MEREO BIOPHARMA GROUP PLC
FINANCIAL STATEMENTS: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Significant judgments, estimates and assumptions

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

3.1 Judgments

a) Share-based compensation

Incentives in the form of shares are provided to employees under certain equity award plans (which consist of both share awards and option grants). The fair value of the employee services received in exchange for equity award plans is recognized as an expense. The expense is based upon a number of assumptions disclosed in Note 24. The selection of different assumptions in the measurement of fair value of the equity award plans could affect the results of the Group.

b) Impairment of intangible assets and property, plant and equipment

An assessment was made in respect of indicators of impairment in the carrying value of the Group's intangible assets (see Note 13), right-of-use assets, leasehold improvements, office equipment and IT equipment as at December 31, 2020.

If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is recognized as an impairment in the consolidated statement of comprehensive income. The assessment of intangible assets involves a number of significant judgments regarding the likelihood of successful product approval, the costs of attaining approval, the estimated useful life of intangible assets following commercialization and the subsequent commercial profitability of the product once approved.

c) Incremental borrowing rate and lease modification

Future lease payments are discounted using the interest rate implicit in the lease, or, if that rate cannot be readily determined, the incremental borrowing rate. IFRS 16 (Leases) defines the incremental borrowing rate as the rate of interest a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use assets in a similar economic environment.

For the year ended December 31, 2020, the determination of an appropriate discount rate has a significant effect on the lease liabilities recognized. For the current lease portfolio, the incremental borrowing rate was determined based on relevant and available information as the interest rate implicit in the lease arrangements cannot be readily determined.

In addition to the determination of an appropriate discount rate, the Group was also required to assess the lease term for qualifying leases. The determination of the lease term is judgmental as for certain qualifying leases held by the Group, the contract includes an extension option beyond the non-cancellable period for which the Group has the right to use the underlying asset. In applying this judgment, the Group considered the period over which it was reasonably certain to make use of the extension option.

In August 2020, a lease for office space was modified to reduce the size of the office space leased. At the time of this lease modification, judgment was applied in determining the new lease term and remeasuring the lease liability by discounting the revised lease payments using a revised incremental borrowing rate.

d) Identification and classification of financial instruments

On June 3, 2020, the Company completed a private placement transaction (Note 17) which comprised the issue of ordinary shares, Loan Notes and Warrants. Judgment is applied under IAS 32 (Financial instruments: Presentation) in determining the features of the identified financial instruments on both the transaction date and the date of the general meeting at which Resolutions relating to the private placement were voted on by the Shareholders, to determine the appropriate recognition in accordance with IAS 32. In applying this judgment, management considered the probability of passing the Resolutions at the general meeting and the likelihood of a change of control prior to the passing of the Resolutions, which impact the settlement terms of the financial instruments, and the classification of the financial instruments as liabilities or equity. Management concluded that a change of control event is uncertain and outside of the Company's control, and therefore the conversion feature on the Loan Notes at the transaction date represented a financial liability with an embedded derivative for the conversion option. On the passing of the Resolutions, judgment was applied to determine that the effective terms of the Loans Notes changed and the embedded derivative financial liability representing the conversion option was reclassified to equity at its fair value, with no associated gain or loss recognized in profit or loss.

e) Business combination

On April 23, 2019, the Group obtained a 100% controlling interest in Mereo BioPharma 5, Inc. (formerly OncoMed), a Company based in the United States ("US"). The value of the net identifiable assets acquired was £44.6 million. Total consideration paid, being the fair value of 24.8 million ordinary shares of the Company, was £40.9 million. As the Group acquired Mereo BioPharma 5, Inc. for an amount less than the fair market value of the net assets acquired, a gain on bargain purchase of £3.7 million was recognized.

Judgment is applied under IFRS 3 (Business Combinations) in determining whether a transaction meets the definition of a business combination, and so accounted for in accordance with its requirements. In applying this judgement, management has considered the underlying economic substance of the transaction in addition to the contractual terms. Our assessment is that Mereo BioPharma 5, Inc. meets the definition of a 'business' and the transaction has therefore been accounted for as a business combination.

3.2 Estimates and assumptions

a) Deferred consideration

Deferred consideration in the form of cash is recognized as a provision at each balance sheet date, to the extent its amount is quantifiable at the inception of the arrangement (see Note 19). The amount provided is based on estimates regarding the timing and progress of the related research and development activities.

Deferred consideration in the form of shares is recognized as a share-based payment when it is probable that shares will be transferred.

b) Fair value of financial instruments

As part of the private placement transaction (Note 17), the Group performed a valuation of the fair value of the identified financial instruments including the embedded derivative and the warrants on the transaction date and the general meeting date. For qualifying financial instruments, the fair value is reassessed at each balance sheet date. Specific consideration was applied to the estimation of implied share price on the transaction date, the volatility, credit spread and discount rate.

c) Fair value of intangible assets acquired in business combination

The Group performed a valuation of the fair value of assets acquired and liabilities assumed following the acquisition of Mereo BioPharma 5, Inc.

Based on the assets acquired and liabilities assumed, specific consideration was applied to the valuation of the intangible asset acquired which required an estimation of the expected useful life and future cash flows of the intangible asset alongside the determination of an appropriate discount rate. The intangible asset acquired was valued using a risk adjusted net present value model.

In January 2020, the Group entered into a license agreement with OncXerna Therapeutics, Inc. ("OncXerna") under which an exclusive worldwide license was granted in respect of intellectual property rights for the development and commercialization of navicixizumab and the associated intangible asset was derecognized (Note 12).

d) Contingent consideration

The Group makes a provision for the estimated fair value of amounts payable to the former shareholders of Mereo BioPharma 5, Inc. under the Contingent Value Rights Agreement ("CVR"), which is accounted for as a contingent consideration liability.

At December 31, 2020, the Group estimates the fair value of the contingent consideration liability to be £nil (2019: £0.4 million ($0.5 million)). The decrease in the fair value of the contingent consideration liability reflects the terms subsequently agreed with OncXerna. Total potential payments under the CVR on a gross, undiscounted basis, are approximately £58.6 million ($80.0 million).

The estimated contingent consideration payable is based on a risk-adjusted, probability-based scenario. Under this approach the likelihood of future payments being made to the former shareholders of Mereo BioPharma 5, Inc. under the CVR is considered. The estimate could materially change over time in line with the development plan and potential subsequent commercialization of the product.

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4. Changes in accounting policies

a) New standards, interpretations and amendments adopted from January 1, 2020

In the current year, the Group has applied the below amendments to IFRS issued by the IASB that are effective for an annual period that begins on or after January 1, 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements:

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IAS 1 and IAS 8 – Definition of "material"
- Amendments to IFRS 3 – Definition of a "business"
- Amendments to IFRS 7 and IFRS 9 – Interest Rate Benchmark Reform
- Amendment to IFRS 16 – COVID-19 Related Rent Concessions

b) New standards, interpretations and amendments not yet effective

At the date of authorization of these consolidated financial statements, the Group has not applied the following new and revised IFRS that have been issued but are not yet effective:

Effective January 1, 2021

- Amendments to IFRS 4 Insurance Contracts
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform – Phase 2

Effective January 1, 2022

- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41)
- Amendments to IAS 16 – Proceeds before Intended Use
- Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract

Effective January 1, 2023

- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current
- Amendments to IFRS 17 – Insurance Contracts

The Group does not expect the adoption of the IFRS listed above will have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

5. Group information

Information about subsidiaries

The consolidated financial statements of the Group include:

Name	Principal activities	Country of incorporation	% Equity interest December 31, 2020	% Equity interest December 31, 2019
Mereo BioPharma 1 Limited	Pharmaceutical R&D	UK	100	100
Mereo BioPharma 2 Limited	Pharmaceutical R&D	UK	100	100
Mereo BioPharma 3 Limited	Pharmaceutical R&D	UK	100	100
Mereo BioPharma 4 Limited	Pharmaceutical R&D	UK	100	100
Mereo BioPharma Ireland Limited	Pharmaceutical R&D	Ireland	100	100
Mereo BioPharma 5, Inc.	Pharmaceutical R&D	U.S.	100	100
Navi Subsidiary, Inc.	Pharmaceutical R&D	U.S.	100	100
Mereo US Holdings Inc.	Holding company	U.S.	100	100
Mereo BioPharma Group plc Employee Benefit Trust	Employee share scheme	Jersey	–	–

The registered office of Mereo BioPharma 1 Limited, Mereo BioPharma 2 Limited, Mereo BioPharma 3 Limited and Mereo BioPharma 4 Limited is located at Fourth Floor, 1 Cavendish Place, London W1G 0QF. The registered office of Mereo BioPharma Ireland Limited is Rocktwist House, Block 1, Western Business Park, Shannon, County Clare, V14 FW97, Republic of Ireland.

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Mereo US Holdings Inc. was incorporated on December 3, 2018 for the sole purpose of effecting the business combination with Mereo BioPharma 5, Inc. (formerly OncoMed Pharmaceuticals, Inc.) on April 23, 2019. The registered office of Mereo US Holdings Inc., Mereo BioPharma 5, Inc. and its wholly owned subsidiary, Navi Subsidiary, Inc., is 251 Little Falls Drive, City of Wilmington, County of New Castle, Delaware 19808, US.

6. Loss before taxation

Loss before tax is stated after charging:

	Year ended December 31,		
	2020 £'000s	2019 £'000s	2018 £'000s
Fees payable to the Company's Auditor for the audit of Group accounts	449	514	323
Fees payable to the Company's Auditor for other services:			
Audit of subsidiary accounts	49	45	30
Audit-related assurance services	318	311	171
Accounting advisory services	–	–	10
Legal and professional fees, including patent costs	4,619	2,413	936
Gain on modification of lease	(957)	–	–
Income from sub-lease	(646)	(855)	–
Operating lease expense (IAS 17)	–	–	293
Depreciation of right-of-use assets (IFRS 16)	1,531	1,505	–
Depreciation (excluding right-of-use assets)	68	52	40

Gain on modification of lease, sub-lease income and transaction costs associated with lease modification are included within administrative expenses within the consolidated statement of comprehensive loss.

7. Employees

The average monthly number of persons employed by the Group during the year was:

	Year ended December 31,		
	2020	2019	2018
By activity			
Administrative	22	28	24
Research and development	17	18	12
Total	**39**	**46**	**36**

Total compensation costs for persons employed by the Group (including Directors) during the year was:

	Year ended December 31,		
	2020 £'000s	**2019 £'000s**	**2018 £'000s**
Included in research and development expenses:			
Salaries	3,046	2,824	1,792
Social security costs	397	110	(30)
Pension contributions	66	62	73
Share-based payment expenses	446	152	526
Included in administrative expenses:			
Salaries	4,832	3,384	2,903
Social security costs	681	(124)	(828)
Pension contributions	89	114	99
Share-based payment expenses	1,112	1,485	1,663
Total employee benefit expenses	**10,669**	**8,007**	**6,198**

Total compensation costs for Directors during the year was:

	Year ended December 31,		
	2020 £'000s	2019 £'000s	2018 £'000s
Salaries and fees	1,114	1,106	1,047
Benefits in kind	14	17	15
Pension contributions	61	25	11
Bonus	538	294	512
Total	**1,727**	**1,442**	**1,585**

During 2020, one Director was a member of a defined contribution pension scheme (period ended December 31, 2019: two).

Further details concerning the remuneration of key management personnel can be found in Note 26.

8. Other income/expenses and adjustments

8.1 Finance income

	Year ended December 31,		
	2020 £'000s	2019 £'000s	2018 £'000s
Bank interest earned	5	42	307
Interest earned on short-term investments	–	141	–
Gain on short-term investments	39	194	–
Total finance income	**44**	**377**	**307**

8.2 Finance costs

	Year ended December 31		
	2020 £'000s	2019 £'000s	2018 £'000s
Interest on convertible loan notes	(2,241)	(20)	(185)
Other interest	–	(10)	–
Interest on bank loan	(2,900)	(1,739)	(1,645)
Interest on lease liabilities	(1,085)	(1,314)	–
Accreted interest on bank loan	–	(1,523)	(782)
Modification gain/(loss) on bank loan	–	456	(730)
Loss on short-term deposits	–	–	(22)
Discounting of provision for deferred cash consideration	(157)	(221)	(443)
Total finance costs	**(6,383)**	**(4,371)**	**(3,807)**

8.3 Changes in the fair value of financial instruments

	Year ended December 31		
	2020 £'000s	2019 £'000s	2018 £'000s
Changes in the fair value of warrants – placement (Note 20)	(45,977)	–	–
Changes in the fair value of warrants – bank loan (Note 20)	(714)	875	716
Changes in the fair value of embedded derivative (Note 18)	(63,158)	–	–
Total	**(109,849)**	**875**	**716**

In 2019 and 2018, changes in the fair value of financial instruments were included within finance costs. The 2019 and 2018 comparative balances have been reclassified accordingly.

9. Taxation

	Year ended December 31,		
	2020 £'000s	2019 £'000s	2018 £'000s
UK corporation tax R&D credit	2,822	5,149	5,277
Other tax income / (expense)	–	1,125	–
Taxation	**2,822**	**6,274**	**5,277**

UK income tax

The Group is entitled to claim tax credits in the United Kingdom (the "UK") under the UK R&D small or medium-sized enterprise ("SME") scheme, which provides additional taxation relief for qualifying expenditure on R&D activities, and includes an option to surrender a portion of tax losses arising from qualifying activities in return for a cash payment from HM Revenue & Customs ("HMRC"). The amount included in the financial statements represents the credit receivable by the Group for the year. The claims in respect of the year ended December 31, 2019 have been received by the Group.

US income tax

As at December 31, 2020, £0.8 million is receivable related to Alternative Minimum Tax ("AMT") credits, recognized as other taxes recoverable within the consolidated balance sheet. At December 31, 2020, the Group had an Uncertain Tax Position of £2.5 million being held off the Balance Sheet, in respect of the R&D tax credits in the US. The Uncertain Tax Position is calculated based upon historic US R&D claims and equates to approximately 20% of the outstanding US R&D claims.

Reconciliation of effective tax rate

	Year ended December 31,		
	2020	2019	2018
	£'000s	£'000s	£'000s
Loss on ordinary activities before income tax	(166,450)	(41,118)	(37,306)
Loss on ordinary activities before tax at the UK's statutory income tax rate of 19% (2019: 19%)	31,626	7,812	7,088
Expenses not deductible for income tax purposes (permanent differences)	(13,270)	(317)	(1,070)
Income not taxable	4	–	–
Temporary timing differences	–	(343)	(277)
R&D relief uplift	1,214	2,540	2,271
Losses (unrecognized)	(14,479)	(4,380)	(2,804)
Deferred income from MBG loan guarantee costs	–	(54)	69
Foreign tax	184	–	–
Differences in overseas tax rates	261	340	–
Derecognition of deferred tax	(2,686)	–	–
Gain on bargain purchase	–	699	–
Other	(32)	(23)	–
Tax credit for the year	**2,822**	**6,274**	**5,277**

Deferred tax

The analysis of unrecognized deferred tax is set out below:

	Year ended December 31,		
	2020	2019	2018
	£'000s	£'000s	£'000s
Losses	37,021	19,443	8,604
Loan relationships	421	–	–
US tax credits	9,880	10,032	–
Accruals	–	947	–
Fixed assets	414	400	–
Share options	55	–	–
Other US deferred tax	86	–	–
Other	137	202	6
Temporary differences	18	4	495
Net deferred tax asset (unrecognized)	**48,032**	**31,028**	**9,105**

The analysis of recognized deferred tax is set out below:

	At January 1, 2020	Recognized in income	At December 31, 2020
Deferred tax liabilities			
Intangible asset and right-of-use asset	(2,686)	2,590	(96)
Deferred tax asset			
Net operating losses	2,686	(2,590)	96
Net deferred tax asset / (liability)	**–**	**–**	**–**

The deferred tax liability has arisen from the recognition of separately identifiable intangible assets on the acquisition of Mereo BioPharma 5, Inc. A deferred tax asset on losses has been recognized up to the level of the deferred tax liability, resulting in a net deferred tax liability of £nil.

The remaining deferred tax assets, as set out in the table above, have not been recognized as there is uncertainty regarding when suitable future profits against which to offset the accumulated tax losses will arise.

UK deferred tax

The deferred tax assets have not been recognized as there is uncertainty regarding when suitable future profits against which to offset the accumulated tax losses will arise. There is no expiration date for the accumulated tax losses.

The standard rate of corporation tax applied to the reported loss is 19% (2019: 19%). In the UK Budget on March 11, 2020, it was announced that the reduction in the rate of UK corporation tax from 19% to 17% will now not occur and the UK corporation tax rate will instead remain at 19%. This change was substantively enacted on March 17, 2020 and the rate applicable from April 1, 2020 now remains at 19%. As the 19% corporation tax rate was substantively enacted by the balance sheet date, UK deferred tax assets and liabilities have been measured at a rate of 19%.

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023. This rate has not been substantively enacted at the balance sheet date, as a result deferred tax balances as at December 31, 2020 continue to be measured at 19%.

At December 31, 2020, the Group had UK tax losses to be carried forward of approximately £136.9 million (2019: £70.2 million).

US deferred tax

US deferred tax assets and liabilities are calculated at a blended rate of approximately 21%.

For Mereo BioPharma 5, Inc, with respect to accumulated tax losses carried forward prior to its acquisition by the Company, there is a change of control restriction which will limit the amount available in any one year.

At December 31, 2020, the Group had US federal tax losses to be carried forward of approximately £50.1 million, of which £44.0 million can be carried forward indefinitely and £6.1 million which will begin to expire in 2022. At December 31, 2020, the Group had US state tax losses to be carried forward of approximately £3.3 million which begin to expire in 2027.

10. Loss per share

Basic loss per share is calculated by dividing the loss attributable for the year to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

As the net amount attributable to ordinary equity holders of the parent was a loss for the years ended December 31, 2020, 2019 and 2018, the dilutive potential shares are anti-dilutive for the earnings per share calculation.

	2020 Loss £'000	December 31, 2020 Weighted shares number	2020 Loss per share £	2019 Loss £'000	December 31, 2019 Weighted shares number	2019 Loss per share £	2018 Loss £'000	December 31, 2018 Weighted shares number	2018 Loss per share £
Basic and diluted	(163,628)	338,953,141	(0.48)	(34,844)	89,424,476	(0.39)	(32,029)	71,144,786	(0.45)

The Company operates share option schemes (see Note 24) which could potentially dilute basic earnings per share in the future.

As part of a license and option agreement with AstraZeneca (see Note 25) additional future payments of a maximum of 1,349,692 new ordinary shares would be payable on reaching certain clinical milestones.

Warrants totaling 162,292,274 were issued in 2020 (2019: 321,444) that could potentially dilute basic earnings per share if converted.

The equity-settled transactions 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.

For transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorization of these consolidated financial statements, see Note 27.

11. Property, plant and equipment

	Right-of-use asset (building) £'000s	Right-of-use asset (equipment) £'000s	Leasehold improvements £'000s	Office equipment £'000s	IT equipment £'000s	Total £'000s
Cost or valuation						
At January 1, 2020	11,877	1,024	164	71	116	13,252
Additions	—	—	—	—	16	16
Lease modification	(10,220)	149	—	—	—	(10,071)
Disposals	—	—	—	—	—	—
Currency translation effects	191	(4)	—	—	—	187
At December 31, 2020	**1,848**	**1,169**	**164**	**71**	**132**	**3,384**
Depreciation and impairment						
At January 1, 2020	(996)	(509)	(69)	(30)	(90)	(1,694)
Lease modification	1,482	—	—	—	—	1,482
Depreciation for the year	(1,017)	(514)	(16)	(35)	(17)	(1,599)
At December 31, 2020	**(531)**	**(1,023)**	**(85)**	**(65)**	**(107)**	**(1,811)**
Net book value						
At January 1, 2020	10,881	515	95	41	26	11,558
At December 31, 2020	**1,318**	**146**	**79**	**6**	**25**	**1,573**

	Right-of-use asset (building) £'000s	Right-of-use asset (equipment) £'000s	Leasehold improvements £'000s	Office equipment £'000s	IT equipment £'000s	Total £'000s
Cost or valuation						
At January 1, 2019	—	—	164	31	71	266
Additions		—	—	—	21	21
Transition to IFRS 16 (Leases)	1,237	1,314	—	—	—	2,551
Acquisition of subsidiary	10,755	—	—	58	24	10,837
Disposals	—	—	—	(18)	—	(18)
Adjustment to carrying value	—	(290)	—	—	—	(290)
Currency translation effects	(115)	—	—	—	—	(115)
At December 31, 2019	**11,877**	**1,024**	**164**	**71**	**116**	**13,252**
Depreciation and impairment						
At January 1, 2019	—	—	(53)	(16)	(48)	(117)
Depreciation for the year	(996)	(509)	(16)	(14)	(42)	(1,577)
At December 31, 2019	**(996)**	**(509)**	**(69)**	**(30)**	**(90)**	**(1,694)**
Net book value						
At January 1, 2019	—	—	111	15	23	149
At December 31, 2019	**10,881**	**515**	**95**	**41**	**26**	**11,558**

In August 2020, the Group modified the scope of the leased office space in the US included in right-of-use asset (building). The new lease payments were allocated between lease and non-lease components, determining a new lease term, and remeasuring the lease liability using a revised discount rate. This resulted in a reduction in the right-of-use asset of £8.7 million and a reduction in lease liability of £9.5 million with the associated gain on modification of £0.7 million recognized in the consolidated statement of comprehensive loss. Related transaction costs of £2.5 million are also recognized in the consolidated statement of comprehensive loss.

The Group leases office space and equipment for use in research and development activities. The maturity of lease liabilities are as follows:

	Within 1 year £'000s	Between 1 and 3 years £'000s	Between 3 and 5 years £'000s	Over 5 years £'000s	Total £'000s
December 31, 2020					
Maturity of lease liabilities	636	753	405	—	1,794

12. Intangible assets

	Acquired development programs £'000s
Cost at January 1, 2019	33,005
Additions	12,693
Currency translation effects	(171)
Cost at December 31, 2019	45,527
Disposals	(13,386)
Currency translation	864
Cost at December 31, 2020	**33,005**
Revision to estimated value at January 1, 2019	(373)
Revisions to estimated value	(698)
Revision to estimated value at December 31, 2019	(1,071)
Revision to estimated value	(286)
Revision to estimated value at December 31, 2020	**(1,357)**
Net book value at January 1, 2019	32,632
Net book value at December 31, 2019	44,456
Net book value at December 31, 2020	**31,648**

The Group's strategy is to acquire and develop clinical-stage development programs for the treatment of oncology and rare diseases.

In October 2017, the Group acquired the exclusive license for MPH-966 and included the option to acquire certain assets from AstraZeneca AB ("AstraZeneca"). On that date the fair value of MPH-966 was measured at £7.2 million, which consisted of upfront cash and equity payments as well as deferred cash and equity consideration. The provision for deferred cash consideration is re-measured to fair value at each balance sheet date and recognized as an increase to or reduction of the intangible asset. During the year, the provision for deferred cash consideration has decreased by £0.3 million (2019: £0.7 million) due to changes in timelines and the probability of contractual milestones being achieved.

During the year the Group did not revise the value of any other intangible assets (2019: £nil). As the intangible assets remain under development, no amortization charge has been recognized (2019: £nil).

On April 23, 2019, the Group acquired an intangible asset of £12.7 million following the acquisition of Mereo BioPharma 5, Inc. The intangible asset represented the intellectual property associated with etigilimab and navicixizumab, for which the fair value at acquisition was fully attributed to navicixizumab. On January 13, 2020, the Company entered into a license agreement with OncXerna under which an exclusive worldwide license was granted in respect of intellectual property rights for the development and commercialization of navicixizumab. Under the terms of the license agreement, the Company received an upfront gross payment of £3.1 million ($4 million).

The transaction was recorded as a disposal and intellectual property with a carrying value of £13.4 million was derecognized. Consequently, the Group recognized a loss on disposal in the amount of £10.9 million (net of transaction costs) in the year ended December 31, 2020. Pursuant to the license agreement, the Company is entitled to additional payments of up to $302 million, however, no reliable estimate can currently be made of the future amounts to be received as the amounts are contingent on future events that are uncertain, accordingly, these milestone payments have not been recognized in the year ended December 31, 2020.

13. Impairment testing of acquired development programs not yet available for use

Acquired development programs not yet available for use are assessed annually for impairment. The carrying amount of acquired development programs is as follows:

	As at December 31,	
	2020	2019
	£'000s	£'000s
Acquired development programs		
Navicixizumab (navi)	—	12,522
BSP-804 (setrusumab)	11,616	11,616
MPH-966 (alvelestat)	5,835	6,121
BSG-649 (leflutrozole)	9,886	9,886
BCT-197 (acumapimod)	4,311	4,311
	31,648	**44,456**

The Group considers the future development costs, the probability of successfully progressing each program to product approval and the likely commercial returns after product approval, among other factors, when reviewing for indicators of impairment. The results of this testing did not indicate any impairment of the acquired products' rights for the year ended December 31, 2020. Management believe that the likelihood of a materially different outcome using different assumptions is remote.

The acquired development programs are assets which are not used in commercialized products. These assets have not yet begun to be amortized but have been tested for impairment by assessing their value in use. Value in use calculations for each program are utilized to calculate the recoverable amount. The calculations use pre-tax cash flow projections covering the period through product development to commercial sales up to the later of loss of patent protection or market exclusivity, which extend beyond five years from the balance sheet date. Approved products are assumed to be out-licensed such that the Group receives signature fees, milestone receipts and royalties on sales; therefore, the Group does not incur any costs of commercialization after out-licensing except when such terms are agreed.

Key assumptions for the value in use calculations are described as follows:

- Development costs to obtain regulatory approval – costs are estimated net of any contributions expected from collaborative arrangements with future partners. Management have developed cost estimates based on their previous experience and in conjunction with the expertise of their clinical development partners;
- Launch dates of products – these reflect management's expected date of launch for products based on the timeline of development programs required to obtain regulatory approval. The assumptions are based on management's and clinical development partners' prior experience;
- Probability of successful development – management estimates probabilities of success for each phase of development based on industry averages and knowledge of specific programs;
- Out-licensing signature fees, milestones and royalty rates on sales – management estimates these amounts based on prior experience and access to values from similar transactions in the industry, which are collated and accessible from specialist third-party sources;
- Sales projections – these are based on management's internal projections using external market data and market research commissioned by the Company;
- Profit margins and other operational expenses – these are based on the Company's internal projections of current product manufacturing costings, with input from manufacturing partners where applicable, and estimates of operating costs based on management's prior industry experience;
- Cash flow projections – for all assets, cash flows are assessed over an industry-standard asset life of 20 years; and

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- Discount rates – the discount rate is estimated on a pre-tax basis reflecting the estimated cost of capital of the Group and is applied consistently across each of the acquired development programs. The cost of capital was calculated at 12.0% (2019: 15.3%).

Where an out-licensing agreement has been reached with a third party, including in respect of setrusumab, known and observable inputs replace management assumptions if available.

At this stage of product development, the key sensitivity for all development programs is the probability of successful completion of clinical trials in order to obtain regulatory approval necessary for commercial sales. Therefore, full impairment of a development program is expected should such clinical trials be unsuccessful.

14. Other receivables

	December 31, 2020 £'000s	December 31, 2019 £'000s
Rent deposit	407	293
VAT recoverable	370	269
Other	239	10
	1,016	**572**

15. Cash and short-term deposits

	December 31, 2020 £'000s	December 31, 2019 £'000s
Cash	22,922	15,803
Short-term deposits	547	544
	23,469	**16,347**

Short-term deposits are available immediately and earn fixed interest at the respective short-term deposit rates and are held in a diversified portfolio of counterparties.

16. Issued capital and reserves

	Number of Ordinary Shares Number	Ordinary share capital £'000s	Share premium £'000s
Ordinary share capital			
As at January 1, 2018	71,094,974	213	118,227
Issued on June 1, 2018 for public offering	50,076	—	150
Issued on August 3, 2018 for exercise of share options	10,000	—	13
Issued on October 22, 2018 for exercise of share options	85,222	1	110
Transaction costs for issued share capital	—	—	(8)
As at December 31, 2018	**71,240,272**	**214**	**118,492**
Issued on April 23, 2019 for Mereo BioPharma 5, Inc	24,783,320	74	—
Issued on June 21, 2019 for conversion of loan note	1,936,030	6	3,953
Transaction costs for issued share capital	—	—	(761)
As at December 31, 2019	**97,959,622**	**294**	**121,684**
Issued on February 11, 2020 for Securities Purchase Agreement	11,432,925	34	2,287
Issued on February 11, 2020 for Securities Purchase Agreement	2,862,595	9	224
Issued on February 20, 2020 for Securities Purchase Agreement	12,252,715	37	2,267
Issued on June 4, 2020 for private placement of ordinary shares	89,144,630	267	15,244
Transaction costs for issued share capital	—	—	(1,307)
Issued on June 30, 2020 for conversion of the Loan Notes	125,061,475	375	21,386
Conversion of warrants on December 23, 2020	239,179	1	—
As at December 31, 2020	**338,953,141**	**1,017**	**161,785**

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Since January 1, 2018, the following alterations to the Company's share capital have been made. For each share issuance, ordinary shares of £0.003 in nominal value in the capital of the Company were issued.

- Under the public offering dated June 1, 2018, the Company issued and allotted 50,076 ordinary shares at a price of £3.00 per share to investors. Gross cash received was £0.2 million;
- On August 3, 2018 the Company issued and allotted 10,000 ordinary shares pursuant to an exercise of employee share options;
- On October 22, 2018 the Company issued and allotted 85,222 ordinary shares pursuant to an exercise of employee share options;
- On April 23, 2019, the Company issued and allotted 24,783,320 ordinary shares as consideration for the acquisition of Mereo BioPharma 5, Inc. The fair value of the ordinary shares, measured on the date of acquisition, was £1.65;
- On June 21, 2019, Novartis converted £2.4 million of loan notes dated June 3, 2016 into 1,071,042 ordinary shares at a fixed conversion price of £2.21 per share. Under the terms of the notes, Novartis also received 864,988 bonus shares.
- On February 11, 2020, the Company issued and allotted 11,432,925 ordinary shares at a price of £0.20 per share to Aspire Capital Fund, LLC ("Aspire Capital"). Gross cash received was £2.3 million. Aspire Capital has also committed to subscribe for up to an additional $25 million of ordinary shares exchangeable for ADSs from time to time during a 30-month period at the Company's request. In consideration for this, the Group paid Aspire Capital a commission satisfied through a non-cash transaction wholly by the issue of a further 2,862,595 of the Company's ordinary shares (equivalent to 572,519 ADSs) at a price of £0.08.
- On February 20, 2020, the Company issued and allotted 12,252,715 ordinary shares at a price of £0.19 per share. Gross cash received was £2.3 million;
- On June 4, 2020, the Company issued and allotted 89,144,630 ordinary shares at a price of £0.174 per share to investors. Gross cash received was £15.5 million. The ordinary shares were in substance issued at a discount to the gross cash received. The fair value of the consideration of the ordinary shares was determined to be £13.4 million and therefore the ordinary shares were in substance issued at a discount of £2.1 million, which was recorded as a reduction to other reserves (other reserves represent amounts that relate to changes to the Company's paid up equity and which are not capital reserves) in the consolidated statement of changes in equity. The incremental directly attributable transaction costs in relation to the issue of the ordinary shares were included within share premium;
- On June 30, 2020, the Company issued and allotted 125,061,475 ordinary shares at a price of £0.174 per share to investors on conversion of the Loan Notes. The legal proceeds were £21.8 million; and
- On December 23, 2020, 690,205 Warrants (equivalent to 138,041 ADSs) were exercised. This transaction was completed by way of a cashless exercise resulting in 47,835 ADSs being issued at the aggregate nominal value of the ordinary shares underlying the ADSs issued, in place of the exercise price of £0.348 per ordinary share.

Other capital reserves

	Shares to be issued	Share-based payments	Equity component of convertible loan	Other Warrants issued	Merger reserve	Other reserve	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
At January 1, 2018	**1,590**	**14,459**	**310**	**—**	**—**	**—**	**16,359**
Share-based payments expense during the year	—	2,302	—	—	—	—	2,302
Share-based payments release for exercise of options	—	(112)	—	—	—	—	(112)
Issuance of warrants	—	—	—	44	—	—	44
At December 31, 2018	**1,590**	**16,649**	**310**	**44**	**—**	**—**	**18,593**
At January 1, 2019	**1,590**	**16,649**	**310**	**44**	**—**	**—**	**18,593**
Acquisition of Mereo BioPharma 5, Inc	—	—	—	—	40,818	—	40,818
Shares issued during the year	(1,590)	—	—	—	—	—	(1,590)
Convertible loan conversion	—	—	(310)	—	—	—	(310)
Share-based payments expense during the year	—	1,636	—	—	—	—	1,636
At December 31, 2019	**—**	**18,285**	**—**	**44**	**40,818**	**—**	**59,147**
At January 1, 2020	**—**	**18,285**	**—**	**44**	**40,818**	**—**	**59,147**
Share-based payments expense during the period	—	1,558	—	—	—	—	1,558
Novartis convertible loan instrument and warrants	—	—	1,084	—	—	—	1,084
Conversion of the Loan Notes	—	—	—	—	—	33,104	33,104
Reclassification of the embedded derivative	—	—	33,481	—	—	—	33,481
At December 31, 2020	**—**	**19,843**	**34,565**	**44**	**40,818**	**33,104**	**128,374**

Shares to be issued

At January 1, 2019, a maximum of 864,988 shares were remaining to be issued to Novartis pro-rata to their percentage shareholding as and when the Company issued further ordinary shares. The fair value of these shares was £1.84 per share.

On June 21, 2019, the remaining 864,988 shares were issued to Novartis as fully paid up bonus shares for £nil consideration. There were no movement in this reserve in 2020 and the balance on January 1, 2020 and December 31, 2020 were £ nil.

Share-based payments

The Group has various share option schemes under which options to subscribe for the Group's shares have been granted to certain executives, non-executive directors ("NEDs") and employees.

The share-based payment reserve is used to recognize (i) the value of equity settled share-based payments provided to employees, including key management personnel, as part of their remuneration and (ii) deferred equity consideration. Refer to Note 24 for further details.

Equity component of convertible loan instrument

The convertible loan notes issued to Novartis are a compound instrument consisting of a liability and an equity component. The value of the equity component (cost of the conversion option) as at December 31, 2020 is £1.08 million (December 31, 2019: £nil).

On June 30, 2020, the Loan Notes in an aggregate principal amount of £21.8 million (together with accrued interest) were automatically converted into 125,061,475 ordinary shares. This resulted in £33.5 million recognized in other reserves in equity as a difference between the share capital and share premium recognized on conversion and the carrying value of the financial liability extinguished. See Note 17.

Other Warrants issued

The funding arrangements with The Alpha-1 Project are a compound instrument consisting of a liability and an equity component. The value of the equity component (consideration received for the warrants) as at December 31, 2020 and 2019 is less than £ 0.1 million.

Merger reserve

The consideration paid to acquire Mereo BioPharma 5, Inc. was 24,783,320 ordinary shares with an acquisition date fair value of £40.9 million, based on the Group's quoted share price. The nominal value of the issued capital was £0.1 million with the excess, £40.8 million, classified within other capital reserves as a 'Merger reserve'.

Other reserves

On June 30, 2020, the Company issued and allotted 125,061,475 ordinary shares of £0.003 in nominal value in the capital of the Company at a price of £0.174 per share to investors following the partial conversion of the Loan Notes. The legal proceeds were £21.8 million. This resulted in £33.1 million recognized in other reserves as a difference between the carrying value of the financial liability extinguished and the legal proceeds.

Accumulated loss

	Year ended December 31,		
	2020	2019	2018
	£'000s	£'000s	£'000s
Other reserves	5,001	7,000	7,000
Accumulated losses	(309,693)	(146,065)	(111,221)

Other reserves represent a capital reduction undertaken in 2016 which created a reserve of £7.0 million. On June 3, 2020 the Company issued and allotted 89,144,630 ordinary shares to investors. The difference between the gross proceeds, £15.5 million, and the fair value of the consideration of the ordinary shares, £13.4 million, of £2.1 million, was recognized as a reduction to other reserves.

17. Private Placement

On June 3, 2020, the Company completed a £56 million private placement transaction which comprised of the issuance of 89,144,630 ordinary shares of £0.003 each at a price of £0.174 per share for total proceeds of £15.5 million, and the issue of Tranche 1 convertible loan notes (the "Loan Notes") for total proceeds of £40.5 million. The investors also received conditional warrants to subscribe for an additional 161,048,366 ordinary shares (the "Warrants").

The terms of the Loan Notes and Warrants, and, in particular, their ability to be converted into ordinary shares was conditional on the passing of certain resolutions (the "Resolutions") at a subsequent general meeting of shareholders held on June 30, 2020. At that date, the Resolutions were passed, and the Loan Notes became convertible into ordinary shares.

Loan Notes

The Loan Notes bear interest at a rate of 6% per annum and have an initial maturity date of June 2023. The Loan Notes are convertible into ordinary shares at the discretion of the holder and, if not converted by the initial maturity date, may be extended for an additional seven years, but will cease to bear interest from any extension date. The Loan Notes were initially recognized at their fair value of £38.6 million (debt host instrument in the amount of £26.7 million and the embedded derivative in the amount of £11.9 million, before transaction costs).

Loan Notes in an aggregate principle amount of £40.5 million were issued on June 3, 2020 and became convertible upon the passing of the Resolutions. As a result, on June 30, 2020, Loan Notes in an aggregate principal amount of £21.8 million, together with accrued interest, were automatically converted into 125,061,475 ordinary shares, and Loan Notes in an aggregate principal amount of £18.9 million remain outstanding and as of December 31, 2020. See Note 18.

Warrants

Participants in the private placement transaction received conditional warrants to subscribe for further ordinary shares in an aggregate number equal to 50 percent of both the ordinary shares purchased and the ordinary shares issuable upon conversion of the Loan Notes. A total of 161,048,366 Warrants were issued. The fair value of the warrants at inception was £4.1 million.

The Warrants have an exercise price of £0.348 per share and are exercisable at any time until their expiry in June 2023. The Warrants can be exercised for cash or on a cashless basis at the discretion of the warrant holder. Warrants outstanding at the expiry date may be converted into Tranche 2 Notes, with an expiry date of up to seven years from conversion, and do not bear interest. See Note 20.

The Loan Notes and the Warrants were recognized as separate financial instruments. Transaction costs directly attributable to the private placement transaction were apportioned across the ordinary shares, Loan Notes and Warrants.

18. Interest-bearing loans and borrowings

	Year ended December 31,	
	2020	2019
	£'000s	£'000s
Convertible loan notes	3,196	—
Bank loan	—	20,512
Private placement – Loan Notes	12,946	—
At December 31	**16,142**	**20,512**
Current	—	15,139
Non-current	16,142	5,373

Convertible loan notes

On February 10, 2020, the Company entered into a convertible equity financing with Novartis Pharma (AG) ("Novartis") under which Novartis purchased a £3.8 million convertible loan note (the "Novartis Loan Note").

The Novartis Loan Note is convertible at the discretion of the holder, at a fixed price of £0.265 per ordinary share and bears an interest rate of 6% per annum with a maturity date of February 2025. In connection with the Novartis Loan Note, the Company issued 1,449,614 warrants which are exercisable until February 2025 at an exercise price of £0.265.

The fair value of the equity components of the Novartis Loan Note at December 31, 2020 was £1.1 million which includes the conversion feature and the warrants.

Bank loan

On December 15, 2020, the bank loan between the Company and its lenders, Silicon Valley Bank and Kreos Capital V (UK) Limited (the "Lenders"), was repaid in full. Accordingly, the total carrying value of the loan at December 31, 2020 was £ nil (2019: £20.5 million). No non-cash interest was recognized in the consolidated statement of comprehensive loss in the period (2019: £1.5 million).

The terms of the bank loan required interest-only payments up until April 30, 2019, and thereafter payments of interest and principle in 23 equal monthly installments through maturity. The bank loan bore interest at an annual fixed rate of 8.5% and was secured by substantially all of the Group's assets, including intellectual property rights owned or controlled by the Group. Following the repayment of the bank loan, the collateral was released by the Lenders.

The bank loan was modified in both 2019 and 2018 and a modification gain of £0.5 million and a modification loss of £0.7 million, respectively, was recognized in the consolidated statement of comprehensive loss on the respective modification dates.

Private placement – convertible loan notes

The initial issuance of Loan Notes in an aggregate principle amount of £40.5 million were issued on June 3, 2020 and formed part of the private placement transaction (Note 17) were classified as a financial liability on initial recognition. Non-closely related embedded derivatives relating to the conversion feature, term-extension and change of control features were bifurcated and accounted for at FVTPL, with the debt host contract being measured at amortized cost.

The fair value of the embedded derivative liability was £11.9 million on initial recognition and the fair value of the liability component was £24.4 million (net of transaction costs). During the year, between initial recognition and the passing of the Resolutions (note 17), changes in the fair value of the embedded derivative totaling £63.2 million were recognized as an expense in the consolidated statement of changes in comprehensive income.

The Loan Notes were not convertible until certain Resolutions were passed at the Company's general meeting on June 30, 2020, following which Loan Notes in an aggregate principal amount of £21.7 million (together with accrued interest) were automatically converted into 125,061,475 ordinary shares. Accordingly, a reduction in interest bearing loans of £13.3 million together with the derecognition of the embedded derivative relating to the conversion feature (£41.6 million) was recognized; no gain or loss recognized on conversion. The remaining portion of the embedded derivative relating to the conversion feature attributable to the Loan Notes outstanding (£33.5m) was reclassified to equity to reflect the effective change in the terms of the feature following the passing of the Resolutions.

The movements in the carrying value of the liability component of the Loan Notes is included in the table below:

	Year ended December 31,	
	2020	2019
	£'000s	£'000s
Liability component at date of issue (net of transaction costs)	24,417	—
Interest charged (using effective interest rate)	1,803	—
Converted to equity	(13,274)	—
Carrying amount of liability component	**12,946**	**—**

The movements in the carrying value of the embedded derivative relating to the conversion feature is included in the table below:

	Year ended December 31,	
	2020	2019
	£'000s	£'000s
January 1	—	—
Arising during the year	11,913	—
Change in fair value	63,158	—
Reclassified to equity	(75,071)	—
December 31	**—**	**—**

The change in fair value of the embedded derivative liability represents an unrealized loss (recognized within fair value changes on derivative financial instruments held at FVTPL) in the consolidated statement of comprehensive loss.

The fair value of the embedded derivative was determined by comparing the fair value of the hybrid instrument and the fair value of the host debt, which excludes the conversion features, using a discounted cash flow model as well as Black-Scholes model for the hybrid contract.

Inputs into the models used to fair value the embedded derivative at inception (June 3, 2020), at conversion (June 30, 2020) and at the balance sheet date are as follows:

	December 31, 2020	June 30, 2020	June 3, 2020
Expected volatility (%)	—	61	61
Risk-free interest rate (%)	—	0.19	0.27
Credit spread %	—	1.86	2.01
Expected life of share options (years)	—	3	3
Market price of ordinary shares (£)	—	0.46	0.19
Probability of resolutions passing (%)	—	100	90
Models used	—	Discounted cash flow/Black-Scholes model	Discounted cash flow/Black-Scholes model

Volatility was estimated by reference to the one-month historical volatility of the share price of the Company. The credit spread was determined based on the estimate of an implied credit rating of the Group between B and C. The volatility and credit spread are key unobservable inputs that require significant judgment and, therefore, the embedded derivatives were categorized within level 3 of the fair value hierarchy.

19. Provisions

	Year ended December 31,	
	2020	2019
	£'000s	£'000s
Social security contributions on vested share options	109	104
Provision for deferred cash consideration	1,525	1,654
At December 31	**1,634**	**1,758**
Current	418	309
Non-current	1,216	1,449

	Social security contributions on vested share options	Deferred cash consideration
	£'000s	£'000s
At January 1, 2019	842	2,131
Arising during the year	—	—
Released	(738)	—
Increase in provision due to the unwinding of the time value of money	—	221
Decrease in provision due to a change in estimates relating to timelines and probabilities of contractual milestones being achieved (Note 12)	—	(698)
At December 31, 2019	**104**	**1,654**
Arising during the year	5	—
Increase in provision due to the unwinding of the time value of money	—	157
Decrease in provision due to a change in estimates relating to timelines and probabilities of contractual milestones being achieved (revision to intangible asset, see Note 12)	—	(286)
At December 31, 2020	**109**	**1,525**
Current	—	309
Non-current	109	1,216

The provision for social security contributions on share options is calculated based on the number of vested options outstanding at the reporting date that are expected to be exercised. The provision is based on the estimated taxable gain arising on exercise of the share options, using the best estimate of the market price at the balance sheet date. The provision has been classified as non-current as the options are expected to be held for their full contractual life of ten years (see Note 24), and has been discounted accordingly.

The deferred cash consideration is the estimate of the quantifiable but not certain future cash payment obligations due to AstraZeneca for the acquisition of certain assets (see Note 12). This provision is calculated as the risk-adjusted net present value of future cash payments to be made by the Group. The payments are dependent on reaching certain milestones based on the commencement and outcome of clinical trials. The likelihood of achieving such milestones is reviewed at the balance sheet date and increased or decreased as appropriate.

20. Warrant liability

	Year ended December 31,	
	2020	2019
	£'000s	£'000s
January 1	131	1,006
Issued during the year	4,080	131
Settled during the year	(127)	—
Fair value changes during the year	46,691	(1,006)
At December 31	50,775	131

The change in fair value of the warrant liability disclosed above represents an unrealized loss.

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. The Warrants were conditional on the Resolutions being passed at the 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 are exercisable until June 2023. The Warrants are classified as liabilities as the Group does not have an unconditional right to avoid redeeming the instruments for cash. The fair value of the warrant liability was £4.1 million on initial recognition and was £49.9 million as of December 31, 2020. The change in the fair value of £46.0 million was recognized as an expense in the consolidated statement of comprehensive loss.

As of December 31, 2020, 690,205 Warrants (equivalent to 138,041 ADSs) were exercised. This transaction was completed by way of a cashless exercise resulting in 47,835 ADSs being issued at the aggregate nominal value of the ordinary shares underlying the ADSs issued, in place of the exercise price of £0.348 per ordinary share.

Warrants – bank loan

Pursuant to the terms of its loan facility, the Company issued warrants to the Lenders constituted by Warrant Instruments dated August 21, 2017 and October 1, 2018 (the "Warrant Instruments"). The terms of the Warrant Instruments allow for a cashless exercise and provide for 'adjustment' of the warrants in the event that the Company takes certain corporate actions, including issuing further equity securities or effecting a consolidation/subdivision of its shares, among others.

There have been several adjustments to the Warrants Instruments to date to address issuances of shares by the Company, and in each case the prior adjustment has taken the form of an issue of additional warrants to the Lenders. At December 31, 2018, as part of the bank loan facility, the Company had issued 922,464 warrants to its lenders giving them the right to subscribe for ordinary shares at a range of exercise prices between £2.31 and £3.30. In 2019, the Company issued a further 321,444 warrants giving the counterparties the right to subscribe for ordinary shares at an exercise price of £2.95. In December 2020, the Company issued a further 1,243,908 warrants giving the Lenders the right to subscribe for ordinary shares at an exercise price of $0.4144.

At December 31, 2020 the fair value of the warrants was £0.8 million (2019: £0.1 million). There were no warrants exercised as at December 31, 2020.

Total outstanding warrants

At December 31, 2020, a total of 162,845,977 warrants are outstanding. The warrants outstanding are equivalent to 48% of the ordinary share capital of the Company.

The weighted average inputs to the Black-Scholes models used for the fair value of warrants granted during the year ended December 31 are as follows:

	Year ended December 31,	
	2020	2019
Expected volatility (%)	84-85	67
Risk-free interest rate (%)	0.25-(0.05)	1.26
Expected life of warrants (years)	3	10.0
Market price of ADS ($)/ordinary shares (£)	$ 3.58	£ 0.83
Model used	Black-Scholes	Black-Scholes

The contractual life of the options was used in calculating the expense for the year as there is no historical data in relation to the expected life of the warrants. Following cancellation of admission of the Company's ordinary shares to trading on the AIM market of London Stock Exchange plc in December 2020, the market price of ADSs that are publicly traded on the Nasdaq Global Market was used to calculate the fair value of the warrants at December 31, 2020.

Volatility was estimated by reference to the six-month historical volatility of the historical share price of the Company.

The fair value of Warrants issued as part of the private placement transaction on June 3, 2020 were measured using a Black-Scholes model and the inputs disclosed on such date in Note 18.

21. Trade and other payables

	Year ended December 31,	
	2020	2019
	£'000s	£'000s
Trade payables	3,165	6,148
Social security and other taxes	146	183
Other payables	22	21
At December 31	3,333	6,352

Trade and other payables are non-interest bearing and have an average term of one month.

22. Changes in liabilities arising from financing activities

	Contingent consideration £'000s	Lease liability £'000s	Bank loan £'000s	Novartis Notes £'000s	Warrant liability £'000s	Deferred cash consideration £'000s	Convertible loan notes – private placement £'000s	Other £'000s	Total £'000s
Carrying value									
At January 1, 2019	—	—	19,446	2,038	1,005	2,131	—	34	24,654
Adoption of IFRS 16 (Leases)	—	2,534	—	—	—	—	—	—	2,534
Financing cash flows	—	(2,212)	(1,739)	—	—	—	—	—	(3,951)
Changes in foreign exchange	—	(131)	—	—	—	—	—	—	(131)
Changes in fair values	354	—	—	—	(874)	(477)	—	10	(987)
Interest expense	—	1,314	3,262	20	—	—	—	—	4,596
Gain on modification	—	—	(457)	—	—	—	—	—	(457)
Issuance of equity	—	—	—	(2,058)	—	—	—	—	(2,058)
Acquisition of subsidiary	—	10,689	—	—	—	—	—	—	10,689
Lease term reassessment	—	(290)	—	—	—	—	—	—	(290)
Carrying value at December 31, 2019	**354**	**11,904**	**20,512**	**—**	**131**	**1,654**	**—**	**44**	**34,599**
Settled during the year	(354)	—	(23,412)	—	(127)	—	—	—	(23,893)
Financing cash flows	—	(2,086)	—	2,758	—	—	36,330	18	37,020
Issuance of warrants	—	—	—	—	4,080	—	—		4,080
Interest expense	—	1,085	2,900	438	—	—	1,803	—	6,226
Lease modification	—	(9,547)	—	—	—	—	—	—	(9,547)
Changes in fair values	—	—	—	—	46,691	(129)	63,158	—	109,720
Changes in foreign exchange	—	438	—	—	—	—	—	—	438
Reclassified to equity	—	—	—	—	—	—	(88,345)	—	(88,345)
Carrying value at December 31, 2020	**—**	**1,794**	**—**	**3,196**	**50,775**	**1,525**	**12,946**	**62**	**70,298**

23. Financial and capital risk management and fair value measurement

23.1 Capital risk management

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern and ensure that sufficient capital is in place to fund the Group's R&D activities and operations. The Group's principal method of adjusting the capital available is through issuing new shares or arranging suitable debt financing, including issuance of related warrants. The Group's share capital and share premium are disclosed in Note 16. The Group's loans are disclosed in Note 18. The Group monitors the availability of capital with regards to its committed and forecasted future expenditure on an ongoing basis.

The Group has set up an Employee Benefit Trust which currently holds ADSs to satisfy exercises of options under the Company's share option schemes (see Note 26).

23.2 Financial risk management objectives and policies

The Group seeks to maintain a balance between equity capital and convertible and secured debt to provide sufficient cash resources to execute the business plan. In addition, the Group maintains a balance between cash held on deposit and short-term investments in pound sterling and other currencies to reduce its exposure to foreign exchange fluctuations in respect of its planned expenditure.

Group's principal financial instruments comprise warrants, convertible loan notes and trade payables which arise directly from its operations. The Group has various financial assets, including receivables and cash and short-term deposits.

Interest rate risk

The Group's policy in relation to interest rate risk is to monitor short and medium-term interest rates and to place cash on deposit for periods that optimize the amount of interest earned while maintaining access to sufficient funds to meet the cost of is operating activities and future research and development activities.

Prior to the repayment of the bank loan in full in December 2020, the interest payable was fixed. Consequently, there is no material exposure to interest rate risk in respect of interest payable.

Foreign currency risk

The Group currently has no revenue. The majority of operating costs are denominated in pound sterling, US dollars and Euros. Funding to date has been secured in a mixture of pound sterling and US dollars and therefore a level of natural hedging exists in respect of operating costs. Foreign exchange risk arises from R&D activities, commercial transactions and recognized assets and liabilities in foreign currencies.

Credit and liquidity risks

The Group's policy is to deposit funds with multiple highly rated banks and financial institutions and also seeks to diversify its investments where this is consistent with achieving competitive rates of return. The Group's liquid resources are invested with regard to the timing of payments to be made in the ordinary course of business. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis and may be updated throughout the year subject to approval of the Group's Audit and Risk Committee.

The Group's maximum exposure to credit risk for the components of the balance sheet at December 31, 2020 are the carrying amounts. The Group does not face a significant liquidity risk with regards to its lease liabilities. The Group monitors its funding requirements through preparation of short-term, mid-term and long-term forecasts.

23.3 Fair value hierarchy

			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		£'000s	£'000s	£'000s	£'000s
Liabilities measured at fair value					
Provision for deferred cash consideration (Note 19)	December 31, 2020	1,525	—	—	1,525
Warrant liability (Note 20)	December 31, 2020	50,775	—	845	49,930

			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		£'000s	£'000s	£'000s	£'000s
Liabilities measured at fair value					
Provision for deferred cash consideration (Note 19)	December 31, 2019	1,654	—	—	1,654
Provision for contingent consideration	December 31, 2019	354	—	—	354
Warrant liability (Note 20)	December 31, 2019	131	—	131	—
Liabilities for which fair values are disclosed					
Bank loan (Note 18)	December 31, 2019	20,512	—	20,512	—

There were no transfers between Level 1 and Level 2 during the years ended December 31, 2020 and 2019.

The carrying values of financial assets and financial liabilities are recorded at amortized cost in the consolidated financial statements are approximately equal to their fair values.

The following table presents the changes in Level 3 items for the periods ended December 31, 2020 and December 31, 2019:

	Provision for deferred cash consideration	Provision for contingent consideration
	£'000s	£'000s
January 1, 2019	2,131	—
Unwinding of the time value of money (recognized as a finance cost)	221	—
Change in estimate relating to probabilities (revision to intangible asset, see Note 12)	(698)	—
Change in estimate relating to probabilities (recognized as an administrative expense)	—	354
December 31, 2019	**1,654**	**354**
January 1, 2020	1,654	354
Settled during the year	—	(354)
Unwinding of the time value of money (recognized as a finance cost)	157	—
Change in estimate relating to probabilities (revision to intangible asset, see Note 12)	(286)	—
Change in estimate relating to probabilities (recognized as an administrative expense)	—	—
December 31, 2020	**1,525**	—

The following methods and assumptions were used to estimate the fair values:

- 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, cost of capital, probability of success and rates of interest at each reporting date.
- The fair value of the provision for deferred cash consideration is estimated by discounting future cash flows using rates currently available for debt on similar terms and credit risk. In addition to being sensitive to a reasonably possible change in the forecast cash flows or the discount rate, the fair value of the deferred cash consideration is also sensitive to a reasonably possible change in the probability of reaching certain milestones. The valuation requires management to use unobservable inputs in the model, of which the significant unobservable inputs are disclosed in the tables below. Management regularly assesses a range of reasonably possible alternatives for those significant unobservable inputs and determines their impact on the total fair value.
- At December 31, 2020, the Group estimates the fair value of the contingent consideration liability to be £nil. An amount of £0.4 million was paid during the year relating to the Navi milestone received. The estimated contingent consideration payable is based on a risk-adjusted, probability-based scenario. Under this approach the likelihood of future payments being made to the former shareholders of Mereo BioPharma 5, Inc. under the CVR arrangement is considered. The estimate could materially change over time as the development plan and subsequent commercialization of the Navi product progresses.

The significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at December 31, 2020 and 2019 are as follows:

	Valuation technique	Significant unobservable inputs	Input range (weighted average)	Sensitivity of the input to fair value
Provision for deferred cash consideration	DCF	WACC	2020: 12%	1% increase/decrease would result in a decrease/increase in fair value by £25,000
		WACC	2019: 15.3%	1% increase/decrease would result in a decrease/increase in fair value by £33,000
		Probability of success	2020: 13.8%–95%	10% increase/decrease would result in an increase/decrease in fair value by £0.4 million
		Probability of success	2019: 15.8%–95%	10% increase/decrease would result in an increase/decrease in fair value by £0.3 million
Contingent consideration liability	DCF	Ongoing uncertainty in the clinical development of the Navi product	Not applicable	Total potential payments future payments relating to the contingent consideration liability on a gross, undiscounted basis are approximately $80million.
		Regulatory approval and commercialisation risks		Sensitivity of the input to fair value is primarily driven by uncertainty in the clinical development of the Navi product. Future potential payments under the CVR arrangement are contingent on i) future development milestones and ii) future sales of the Navi product, following regulatory approval and commercialization. In January 2020, the Company entered into the licence agreement as detailed in Note 13. Although pursuant to the licence agreement the Company is entitled to additional payments of up to $302 million, there is still significant uncertainty that exist in respect of any milestone and royalty payments under the licence agreement.
Warrant liability related to the private placement	Black-Scholes model	Expected volatility	2020: 85.1%	Volatility was estimated by reference to the six-month historical volatility of the historical share price of the Company. If the volatility is increased to 93.8% based on three-month historical volatility, the carrying value of the warrants as of December 31, 2020 would increase to £52.9 million.

23.4 Liquidity risk

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments at December 31, 2020:

	Payments due by period				
	Up to 1 year £'000s	1–3 years £'000s	3–5 years £'000s	Over 5 years £'000s	Total £'000s
Leases	849	960	448	–	2,257
Trade and other payables (Note 21)	3,333	–	–	–	3,333
	4,182	960	448	–	5,590

The Group may incur potential payments upon achievement of clinical, regulatory and commercial milestones, as applicable, or royalty payments that may be required to be made under license agreements the Group entered into with various entities pursuant to which the Group has in-licensed certain intellectual property, including license agreements with Novartis and AstraZeneca. Due to the uncertainty of the achievement and timing of the events requiring payment under these agreements, the amounts to be paid are not fixed or determinable at this time and no such amounts are included here in.

23.5 Market risk

The functional currency of the Company and all subsidiaries is pound sterling except for Mereo BioPharma 5, Inc. whose functional currency is US dollars. The Group incurs expenditures in foreign currencies and is exposed to the risks of foreign exchange rate movements, with the impact recognized in the consolidated statement of comprehensive loss. The Group seeks to minimize this exposure by passively maintaining foreign currency cash balances at levels appropriate to meet foreseeable foreign currency expenditures. The Group does not hedge potential future cash flows or income.

The table below shows analysis of the pound sterling equivalent of period-end cash and Short-term deposits balances by currency:

	Year ended December 31,	
	2020	2019
Cash:		
Pound sterling	17,809	2,525
US dollars	5,586	13,807
Swiss francs	9	11
Euro	65	4
	23,469	16,347

The table below shows those transactional exposures that give rise to net currency gains and losses recognized in the consolidated statement of comprehensive income. Such exposures comprise the net monetary assets and monetary liabilities of the Group that are not denominated in the functional currency of the relevant Group entity. As at December 31, these exposures were as follows:

	Year ended December 31,	
	2020	2019
Net foreign currency assets/(liabilities):		
US dollars	4,088	(219)
Swiss francs	9	(6)
Euro	(513)	(812)
	3,584	**(1,037)**

The most significant currencies in which the Group transacts, other than pound sterling, are the US dollar and the Euro. The Group also transacts in other currencies as necessary.

The following table illustrates the sensitivity to a 10% weakening or strengthening in the period-end rate in the US dollar and the Euro against pound sterling:

Year ended December 31, 2020	US dollar	Euro
Net foreign currency assets/(liabilities)	£ '000s	£'000s
Loss before tax	(372)	47
Equity	(372)	47

Year ended December 31, 2019	US dollar	Euro
Net foreign currency assets/(liabilities)	£ '000s	£'000s
Loss before tax	20	74
Equity	20	74

24. Share-based payments

The charge for share-based payments under IFRS 2 arises across the following schemes:

	Year ended December 31,		
	2020 £'000s	2019 £'000s	2018 £'000s
2019 Equity Incentive Plan	922	635	–
2019 NED Equity Incentive Plan	167	160	–
2015 Plan	3	63	806
Mereo BioPharma Group plc Share Option Plan	376	685	1,064
Long Term Incentive Plan	90	93	320
Deferred Bonus Share Plan	–	–	–
	1,558	**1,636**	**2,190**

24.1 2019 Equity Incentive Plan ("EIP") and 2019 Non-Executive Director Equity Incentive Plan ("NED EIP")

The 2019 EIP and 2019 NED EIP were adopted on April 4, 2019. The 2019 EIP provides for the grant of market value options over ADSs (each ADS is represented by 5 ordinary shares) to executive directors and employees. The 2019 NED EIP provides for the grant of market value options over ADSs to non-executive directors.

During the year, market value options were granted to executive directors and employees under the 2019 EIP. Subject to the executive director or employees continued employment, one-fourth of each such market value option grant shall vest on the first anniversary of the grant date and the remainder shall vest in equal monthly installments over the three-year period following the first anniversary. No performance conditions apply to such market value options.

During the year, market value options were granted to non-executive directors ("NEDs") under the 2019 NED EIP. Subject to the NEDs holding their current office (or being otherwise employed) through each applicable vesting date, such awards shall vest in equal monthly installments over a one-year period following the grant date. No performance conditions apply to such market value options.

The fair value of share options granted were estimated at the date of grant using a Black-Scholes pricing model, taking into account the terms and conditions upon which the share options were granted. The fair value calculation does not include any allowance for dividends as the Company has no available profits for distribution.

The exercise price of the share options will be equal to the market price of the underlying shares on the date of grant. The contractual term of the share options is 10 years.

Movements during the year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, options for the 2019 EIP and 2019 NED EIP during the year:

	2020 EIP		2020 NED EIP	
	Options over ADS Number	WAEP $	Options over ADS Number	WAEP $
Outstanding at January 1, 2020	798,050	4.29	77,000	4.2
Granted during the year	1,167,836	2.00	77,000	1.84
Cancelled during the year	(406)	5.4	—	—
Forfeited during the year	(397,607)	2.87	(4,584)	1.84
Exercised during the year	—	—	—	—
Outstanding at December 31	1,567,873	2.94	149,416	3.06
Exercisable at December 31, 2020	259,829	4.42	138,412	3.15

	2019 EIP		2019 NED EIP	
	Options over ADS Number	WAEP $	Options over ADS Number	WAEP $
Outstanding at January 1, 2019	—	—	—	—
Granted during the year	801,200	4.29	77,000	4.2
Cancelled during the year	(3,150)	5.4	—	—
Forfeited during the year	—	—	—	—
Exercised during the year	—	—	—	—
Outstanding at December 31	798,050	4.29	77,000	4.2
Exercisable at December 31	—	—	38,478	4.2

The weighted average remaining contractual life for the share options outstanding as at December 31, 2020 was 8.9 years (2019: 9.5 years).

The weighted average fair value of options granted during the year was $2.23 per ADS or £0.33 per ordinary share (2019: £0.49 per ordinary share).

Options outstanding at the end of the year had an exercise price of between $5.40 and $1.84.

24.2 The 2015 Plan

Under the Mereo BioPharma Group Limited Share Option Plan (the "2015 Plan"), the Group, at its discretion, granted share options to employees, including executive management and NEDs. Share options vest over four years for executive management and employees and over three years for NEDs. No further share option grants are envisaged under the 2015 Plan.

At January 1, 2020 and December 31, 2020 there were 8,923,600 (2019: 8,923,600) options outstanding with a WAEP of £1.32. There were no movements in the number of options in 2020. In 2019, 59,533 options with a WAEP of £1.29 were forfeited. All outstanding shares were exercisable at December 31, 2020 (2019: 8,901,478) with a WAEP of £1.32.

The weighted average remaining contractual life for the share options outstanding as at December 31, 2020 was 4.6 years (2019: 5.6 years).

Options outstanding at the end of the year had an exercise price of between £1.26 and £2.17.

24.3 The Mereo BioPharma Group plc Share Option Plan

The Mereo BioPharma Group plc Share Option Plan ("Share Option Plan") provides for the grant of options to acquire ordinary shares to employees, executive directors and executive officers. Options may be granted to all eligible employees on commencement of employment and may be granted on a periodic basis after that. Under the Share Option Plan, the Board of Directors may determine if the vesting of an option will be subject to the satisfaction of a performance condition. Following the introduction of the EIP and NED EIP, no further share option grants under the Share Option Plan are envisaged.

Movements during the year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, options for the Option Plan during the year:

	2020		2019	
	Number	WAEP £	Number	WAEP £
Outstanding at beginning of the year	1,524,065	3.07	1,881,555	3.10
Granted during the year	—	—	—	—
Cancelled during the year	—	—	—	—
Forfeited during the year	(112,670)	3.03	(357,490)	3.21
Outstanding at December 31	1,411,395	3.14	1,524,065	3.07
Exercisable at December 31	1,210,410	3.01	40,141	3.03

The weighted average remaining contractual life for the share options outstanding as at December 31, 2020 was 6.6 years (2019: 7.6 years).

Options outstanding at the end of the year had an exercise price of between £2.71 and £3.19.

24.4 Long Term Incentive Plan

Under the Company's Long Term Incentive Plan (LTIP), initiated in 2016, the Group, at its discretion, may grant nil-cost options to acquire shares to employees. Under the LTIP rules, vesting of 75% of the options issued to employees is subject to a share price performance condition (the "Share Price Element") and vesting of 25% of the options is subject to achievement of strategic operational targets (the "Strategic Element"). Share options vest over a maximum of five years, dependent upon achievement of these targets.

The fair value of the LTIP Share Price Element is estimated at the date of grant using a Monte Carlo pricing model, taking into account the terms and conditions upon which the share options were granted. The fair value of the LTIP Strategic Element is estimated at the date of grant using a Black-Scholes pricing model, taking into account the terms and conditions upon which the share options were granted, and the expense recorded is based upon the expected level of achievement of non-marked based performance measures (strategic targets).

The fair value calculations do not include any allowance for dividends as the Company has no available profits for distribution.

The contractual term of the LTIP options is five years.

The expense recognized for employee services received during the year to December 31, 2020 was £0.1 million (2019: £0.1 million).

	2020 Number	2019 Number	2018 Number
Granted during the year	—	—	—
Cancelled during the year	—	—	—
Lapsed during the year	(427,324)	(241,374)	—
Outstanding at December 31	482,748	910,072	1,151,446
Exercisable at December 31	—	—	—

The weighted average remaining contractual life for the LTIP options outstanding as at December 31, 2020 was 0.5 years (2019: 0.9 years).

The weighted average fair value of LTIP options granted during the year to December 31, 2020 was £nil (2019: £nil).

No LTIP options were granted during the years ended December 31, 2019 and 2020.

24.5 Deferred Bonus Share Plan

Under the previous terms of the Company's Deferred Bonus Share Plan (DBSP), 30% of the annual bonus for 2017 for the senior management team was payable in deferred shares, which are governed by the DBSP plan rules. At the date of grant of the awards, the monetary bonus amount was divided by the closing share price to give the number of shares issued to the employee under the DBSP. The number of shares is fixed and not subject to adjustment between the issue date and vesting date. Under the DBSP, awards vest after three years from the date of the award.

There are no further performance conditions attached to the award, nor any service conditions (including no requirement for continued employment once the awards have been made).

Since the awards are issued at nil cost, they will be satisfied by the issue of ADSs from the Employee Benefit Trust.

There were no movements in the number of DBSP options in 2020 or 2019. The outstanding number of options as at December 31, 2020 is 163,000 (2019: 163,000), of which 62,170 were exercisable (2019: nil).

The weighted average remaining contractual life for the DBSP options outstanding as at December 31, 2020 was 0.6 years (2019: 1.6 years).

For the 2018 and 2019 financial years, under the Deferred Bonus Plan ("2019 DBP"), 100% of the annual bonus was paid in cash, of which 30% of amounts granted to the senior management team (after deduction of income tax and the relevant employee's national insurance contributions) was required to be utilized to acquire shares in the Company in the open market within 12 months of the grant of the award. No further grants under the DBSP are envisaged.

24.6 Deferred equity consideration

In October 2017, the Company's wholly owned subsidiary Mereo BioPharma 4 Limited entered into an exclusive license and option agreement (the "License Agreement") to obtain from AstraZeneca an exclusive worldwide, sub-licensable license under AstraZeneca's intellectual property rights relating to MPH-966, with an option to acquire such intellectual property rights following commencement of a pivotal trial and payment of related milestone payments (the "Option"), together with the acquisition of certain related assets.

Under the agreement with AstraZeneca, the Company may issue up to 1,349,693 ordinary shares which are dependent on achieving certain milestones.

In respect of milestones that are probable, the Group has accounted for, but not yet issued, 429,448 ordinary shares with a grant date fair value of £3.10, representing a value of £1.3 million.

24.7 Weighted average inputs

The following tables list the weighted average inputs to the models used for the fair value of share options granted during the year ended December 31, 2020:

	EIP 2019 grants	NED EIP 2019 grants
Expected volatility (%)	67	68
Risk-free interest rate (%)	0.59	0.64
Expected life of share options (years)	10	10
Market price of ADS's ($)	1.99	1.84
Model used	Black Scholes	Black Scholes

During the year ended December 31, 2020, no grants were issued under any other scheme.

The following tables list the weighted average inputs to the models used for the fair value of share options granted during the year ended December 31, 2019:

	EIP 2019 grants	NED EIP 2019 grants
Expected volatility (%)	66	66
Risk-free interest rate (%)	0.95	0.97
Expected life of share options (years)	10	10
Market price of ordinary shares (£)	0.66	0.63
Model used	Black Scholes	Black Scholes

During the year ended December 31, 2019, no grants were issued under any other scheme.

25. Commitments and contingencies

25.1 Group as a lessee

Information relating to the Group as a lessee can be found in Note 11 (Property, Plant and Equipment) and Note 23 (Financial and capital risk management).

25.2 Operating lease arrangements

Operating leases, in which the Group was the sublessor, related to a portion of an office leased by the Group, with lease terms of between one to two years. One of the subleases had an automatic extension on a month-to-month basis following the initial lease term, with rental increasing at a set percentage on each annual anniversary of the agreement. In August 2020, the Group terminated this lease arrangement. As at December 31, 2020 the Group does not have any leases as a lessor.

The maturity analysis of payments receivable by the Group in its capacity as sublessor is disclosed below:

	December 31,	
	2020	2019
Within one year	—	552
After one year but not more than five years	—	—
More than five years	—	—
	—	552

The Group did not have any leasing arrangements classified as finance leases as of December 31, 2020 and 2019.

25.3 Financial commitments

Each of Mereo BioPharma 1 Limited, Mereo BioPharma 2 Limited and Mereo BioPharma 3 Limited (together, the “Subsidiaries”) issued to Novartis loan notes (which were assigned by Novartis to the Company in exchange for ordinary shares pursuant to the Subscription Agreement) and each of the Subsidiaries agreed to make future payments to Novartis comprising amounts equal to ascending specified percentages of tiered annual worldwide net sales (beginning at high single digits and reaching into double digits at higher sales) by such Subsidiary of products that include the assets acquired. The levels of ascending percentages of tiered annual worldwide net sales are the same for each Subsidiary under the respective Purchase Agreements.

Each Subsidiary further agreed that in the event it transfers, licenses, assigns or leases all or substantially all of its assets, it will pay Novartis a percentage of the proceeds of such transaction. The Company will retain the majority of the proceeds from such a transaction. Such percentage is the same for each Subsidiary under the respective Purchase Agreements. The payment of a percentage of proceeds is not payable with respect to any transaction involving equity interests of Mereo BioPharma Group plc, a merger or consolidation of Mereo BioPharma Group plc, or a sale of any assets of Mereo BioPharma Group plc.

In October 2017, the Group’s wholly owned subsidiary Mereo BioPharma 4 Limited entered into an exclusive license and option agreement (“the License Agreement”), to obtain from AstraZeneca an exclusive worldwide, sub-licensable license under AstraZeneca’s intellectual property rights relating to MPH-966, with an option to acquire such intellectual property rights following commencement of a pivotal trial and payment of related milestone payments (“the Option”), together with the acquisition of certain related assets. Upon entering into the License Agreement, the Group made a payment of $3.0 million and issued 490,798 ordinary shares to AstraZeneca, for an aggregate upfront payment equal to $5.0 million. In connection with certain development and regulatory milestones, the Group has agreed to make payments of up to $115.5 million in the aggregate and issue additional ordinary shares to AstraZeneca for licensed products containing MPH-966. In addition, the Group has agreed to make payments to AstraZeneca based on specified commercial milestones of the product. The Group has also agreed to pay a specified percentage of sub-licensing revenue to AstraZeneca and to make royalty payments to AstraZeneca equal to ascending specified percentages of tiered annual worldwide net sales by the Group of licensed products (subject to certain reductions), ranging from the high single digits to low double digits. Royalties will be payable on a licensed-product-by-licensed-product and country-by-country basis until the later of ten years after the first commercial sale of such licensed product in such country and expiration of the last patent covering such licensed product in such country that would be sufficient to prevent generic entry. The Group has agreed to use commercially reasonable efforts to develop and commercialize at least one licensed product.

The License Agreement will expire on the expiry of the last-to-expire royalty term with respect to all licensed products. Upon the expiration of the royalty term for a licensed product in a particular country, the licenses to the Group for such product in such country will become fully paid and irrevocable. Prior to exercise of the Option, if at all, the Group may terminate the License Agreement upon prior written notice. Either party may terminate the agreement upon prior written notice for the other party’s material breach that remains uncured for a specified period of time or insolvency.

26. Related party disclosures

26.1 Compensation of key management personnel of the Group

The remuneration of key management personnel of the Group is set out below in aggregate:

	Year ended December 31,		
	2020	2019	2018
	£'000s	£'000s	£'000s
Short-term benefits	4,479	3,488	3,176
Post-employment benefits	144	64	60
IFRS 2 share-based payment charge	875	1,152	1,470
Total compensation paid to key management personnel	5,498	4,704	4,706

The amounts disclosed in the table above are the amounts recognized as an expense during the reporting period related to key management personnel. In 2020, key management personnel of the Group consisted of executive directors (the Chief Executive Officer and Chief Financial Officer – until July 2020), non-executive directors and other members of senior executive management (the General Counsel, the Chief Portfolio Management and Pipeline Strategy, Chief Business Officer, Chief Scientific Officer, the Chief Patient Access and Commercial Planning and the US Site Head (SVP Regulatory Affairs) – until July 2020).

26.2 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 under the Company's share-based incentive schemes (Note 24).

No funding was loaned to the EBT by the Company during the year ended December 31, 2020 (2019: £1.0 million). During the year ended December 31, 2020, 7 ordinary shares were purchased by the EBT (2019: 1,074,274). In December 2020, the EBT Converted its ordinary shares into 247,456 ADSs which it holds along with £21,762 as of December 31, 2020 and 2019.

27. Events after the reporting period

27.1 Ultragenyx collaboration agreement

On December 17, 2020, the Company announced a license and collaboration agreement with Ultragenyx for setrusumab, a monoclonal antibody in clinical development for OI. The agreement, which was subject to Hart-Scott-Rodino Antitrust Improvements Act 1976 (HSR) review completed on January, 25, 2021. Under the terms of the collaboration, Ultragenyx will lead future global development of setrusumab in both pediatric and adult patients. The Company granted Ultragenyx an exclusive license to develop and commercialize setrusumab in the U.S. and rest of the world, excluding Europe where the Company will retain commercial rights. Under the terms of the agreement, Ultragenyx made an upfront payment of £36.5 million ($50 million) in January 2021. Ultragenyx will also fund global development of the program until approval, and has agreed to pay a total of up to $254 million in contingent payments upon achievement of certain clinical, regulatory, and commercial milestones. Ultragenyx will pay tiered doubledigit percentage royalties to Mereo on net sales outside of Europe and Mereo will pay a fixed double digit percentage royalty to Ultragenyx on net sales in Europe. As the license and collaboration agreement became effective in January 2021, no revenue was recognized in the year ended December 31, 2020.

As a consequence of the license and collaboration agreement with Ultragenyx and in accordance with terms of the agreement with Novartis as set out in Note 25.3, the Company made a payment to Novartis of approximately £7.3 million ($10 million). As the agreement was not effective until January 2021, a provision for this payment was not recognized in the year ended December 31, 2020.

27.2 Public offering of American Depository Shares

On February 12, 2021, the Company announced an underwritten public offering of 39,675,000 American Depositary Shares, at a public offering price of $2.90 per ADS. Each ADS represents five ordinary shares of the Company. The aggregate gross proceeds to the Company from the offering, before deducting underwriting discounts and commissions and offering expenses were $115.1 million. The net proceeds, after transaction costs were £78.3 million ($108.2 million).

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SIGNATURES

Mereo BioPharma Group plc hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

MEREO BIOPHARMA GROUP PLC

By: /s/ Denise Scots-Knight
Name: Denise Scots-Knight
Title: Chief Executive Officer

Date: March 31, 2021

EXHIBIT 2.2

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

The following is a description of the ordinary shares, par value £0.003 per share, of Mereo BioPharma Group plc (the "Company," "we" or "us") which are represented by American Depositary Shares ("ADSs") with each ADS representing five of our ordinary shares registered under Section 12 of the Securities Exchange Act of 1934, as amended (the " Exchange Act"). This description also summarizes relevant provisions of English law. The following summary does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the applicable provisions of English law and the Company's articles of association, a copy of which is filed as Exhibit 1.1 to the Annual Report on Form 20–F of the Company for the fiscal year ended December 3l, 2020. We encourage you to read the articles and the applicable provisions of English law for additional information.

General

We were incorporated as a private limited company with the legal name Mereo BioPharma Group Limited under the laws of England and Wales on March 10, 2015 with the company number 09481161. On June 3, 2016, we re-registered as a public limited company with the legal name Mereo BioPharma Group plc. Our principal executive offices are located at 4th Floor, One Cavendish Place, London, WIG 0QF, United Kingdom. The principal legislation under which we operate and our ordinary shares are issued is the U.K. Companies Act 2006.

Share Capital

As of February 28, 2021, our issued share capital was £1,623,678.92, comprising 541,226,308 ordinary shares. The nominal value of our ordinary shares, including ordinary shares in the form of ADSs, is £0.003 per ordinary share. Each issued ordinary share is fully paid. As of February 28, 2021, 540,713,905 of our ordinary shares were represented by 108,142,781, ADSs.

Ordinary Shares

The following summarizes the rights of holders of our ordinary shares:

- each holder of our ordinary shares is entitled to one vote per ordinary share at a meeting of shareholders (provided that certain shareholders each have their votes limited to 19.5% of the total voting share capital and any votes which would have otherwise been exercisable by them shall be deemed to be held and exercisable by the other shareholders, other than those and certain other shareholders, on a pro rata basis);

- the holders of the ordinary shares shall be entitled to receive notice of, attend, speak, and vote at our general meetings; and
- holders of our ordinary shares are entitled to receive such dividends as are recommended by our directors and declared by our shareholders.

Registered Shares

We are required by the U.K. Companies Act 2006 to keep a register of our shareholders. Under English law, the ordinary shares are issued when the name of the shareholder is entered in our share register. The share register therefore is prima facie evidence of the identity of our shareholders, and the shares that they hold. The share register generally provides limited, or no, information regarding the ultimate beneficial owners of our ordinary shares. Our share register is maintained by our registrar, Link Asset Services.

Holders of our ADSs will not be treated as shareholders and their names will therefore not be entered in our share register. The depositary, the custodian or their nominees will be the holder of the ordinary shares underlying our ADSs. For discussion on our ADSs and ADS holder rights see "Description of American Depository Shares" in this Annual Report. Holders of our ADSs have a right to receive the ordinary shares underlying their ADSs as discussed in "Description of American Depository Shares" in this Annual Report.

Under the U.K. Companies Act 2006, we must enter an allotment of ordinary shares in our share register as soon as practicable and in any event within two months of the allotment. We will perform all procedures necessary to update the share register with the number of ordinary shares to be issued to the depositary upon the closing of the offering. We also are required by the U.K. Companies Act 2006 to register a transfer of ordinary shares (or give the transferee notice of and reasons for refusal as the transferee may reasonably request) as soon as practicable and in any event within two months of receiving notice of the transfer.

We, any of our shareholders or any other affected person may apply to the court for rectification of the share register if:

- the name of any person, without sufficient cause, is entered in or omitted from our register of members; or
- a default is made or unnecessary delay takes place in entering on the register the fact of any person having ceased to be a member or on which we have a lien, provided that such refusal does not prevent dealings in the shares taking place on an open and proper basis.

Pre-emptive Rights

English law generally provides shareholders with pre-emptive rights when new shares are issued for cash; however, it is possible for the articles of association, or shareholders by special resolution, to exclude pre-emptive rights. Such an exclusion of pre-emptive rights may be for a maximum period of up to five years from the date of adoption of the articles of association, if the exclusion is contained in the articles of association, or from the date of the shareholder resolution, if the exclusion is by shareholder resolution. In either case, this exclusion would need to be renewed by our shareholders upon its expiration (i.e., at least every five years).

On June 29, 2020, our shareholders authorized our Board to exclude pre-emptive rights for a period until the end of our next annual general meeting or, if earlier, 15 months from June 29, 2020 in respect of the allotment of new shares or the grant of rights to subscribe for, or convert other securities into, shares up to a maximum nominal amount of maximum aggregate nominal amount of £288,070.78. The nominal value of our ordinary shares is £0.003 per ordinary share. In addition, on February 1, 2021, our shareholders authorized our Board to exclude pre-emptive rights in respect of the allotment of new shares or the grant of rights to subscribe for, or convert other securities into, shares up to a maximum nominal amount of £1,540,760.28, which authority expires on June 30, 2023.

As at March 31, 2021, non pre-emptive authorization up to a maximum aggregate nominal amount of £1,267,507.53 remained available to the Board pursuant to the June 30, 2020 General Meeting authorization in respect of shares issuable from conversion of loan notes or exercise of warrants from the June 2020 Private Placement and a maximum aggregate nominal amount of £1,233,706 remained available to the Board pursuant to the February 1, 2021 General Meeting authorization.

Articles of Association

The following is a description of our Articles as at the date hereof.

Shares and Rights Attaching to Them

Objects

The objects of our company are unrestricted.

Share Rights

Subject to any special rights attaching to shares already in issue, our shares may be issued with or have attached to them any rights or restrictions as we may resolve by ordinary resolution of the shareholders or, failing such determination, as the board may determine.

Voting Rights

Without prejudice to any special rights, privileges or restrictions as to voting rights attached to any shares forming part of our share capital from time to time, the voting rights attaching to shares are as follows:

- on a show of hands, every shareholder who (being an individual) is present in person and (being a corporation) is present by a duly authorized representative shall have one vote;

- on a show of hands, each proxy present in person has one vote for and one vote against a resolution if the proxy has been duly appointed by more than one shareholder and the proxy has been instructed by one or more of those shareholders to vote for the resolution and by one or more other of those shareholders to vote against it;
- on a show of hands, each proxy present in person has one vote for and one vote against a resolution if the proxy has been duly appointed by more than one shareholder entitled to vote on the resolution and either: (1) the proxy has been instructed by one or more of those shareholders to vote for the resolution and has been given any discretion by one or more other of those shareholders to vote and the proxy exercises that discretion to vote against it; or (2) the proxy has been instructed by one or more of those shareholders to vote against the resolution and has been given any discretion by one or more other of those shareholders to vote and the proxy exercises that discretion to vote for it; or
- on a poll every shareholder who is present in person or by proxy shall have one vote for each share of which he or she is the holder, provided that certain shareholders each have their votes limited to 19.5% of the total voting share capital and any votes which would have otherwise been exercisable by them shall be deemed to be held and exercisable by the other shareholders, other than those and certain other shareholders, on a pro rata basis.

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is demanded. Subject to the provisions of the U.K. Companies Act 2006, a poll may be demanded by:

- the chairman of the meeting; the directors;
- two or more persons having the right to vote on the resolution; or
- a person or persons representing not less than 10% of the total voting rights of all shareholders having the right to vote on the resolution.

Restrictions on Voting

No shareholder shall (unless the Directors otherwise determine) be entitled to vote at any general meeting in respect of any share held by him or her unless all sums payable by him or her in respect of that share have been paid.

The board may from time to time make calls upon the shareholders in respect of any money unpaid on their shares and each shareholder shall (subject to at least 14 days' notice specifying when and how the payment is to be made) pay at the time or times so specified the amount called on his or her shares.

Dividends

We may, subject to the provisions of the U.K. Companies Act 2006 and our Articles, by ordinary resolution of shareholders declare dividends out of profits available for distribution in accordance with the respective rights of shareholders but no such dividend shall exceed the amount recommended by the directors. The board may from time to time pay shareholders such interim dividends as appear to the board to be justified by our financial position but, if at any time, our share capital is divided into different classes the board may not pay such interim dividends in respect of those shares which confer on the holders thereof deferred or non-preferential rights with regard to dividends if, at the time of payment, any preferential dividend is in arrears.

Subject to any special rights attaching to or the terms of issue of any share, all dividends shall be declared and paid according to the amounts paid up on the shares and shall be apportioned and paid pro rata according to the amounts paid up on the shares during any part or parts of the period in respect of which the dividend is paid.

No dividend or other moneys payable by us on or in respect of any share shall bear interest against us unless otherwise provided by the rights attached to the share or the provisions of another agreement between the shareholder and us. Any dividend unclaimed after a period of 12 years from the date such dividend became due for payment shall be forfeited and cease to remain owing.

Dividends may be declared or paid in any currency and the board may decide the rate of exchange for any currency conversions that may be required, and how any costs involved are to be met, in relation to the currency of any dividend.

Any general meeting declaring a dividend may by ordinary resolution of shareholders, upon the recommendation of the board, direct payment or satisfaction of such dividend wholly or in part by the distribution of non-cash assets of equivalent value, including shares or other securities in any company.

The directors may, if authorized by an ordinary resolution of shareholders, offer any holders of ordinary shares the right to elect to receive in lieu of a dividend, or part of a dividend, an allotment of ordinary shares credited as fully paid up.

Change of Control

There is no specific provision in our Articles that would have the effect of delaying, deferring, or preventing a change of control

Distributions on Winding Up

If we are in liquidation, the liquidator may, if authorized by a special resolution of shareholders and any other authority required at law, divide among shareholders (excluding us to the extent we are a shareholder by virtue only of holding treasury shares) in specie or in kind the whole or any part of our assets (whether or not the assets consist of property of

one kind or consist of properties of different kinds and the liquidator may for such purpose set such value as the liquidator deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the shareholder s or different classes of shareholders), or vest the whole or any part of such assets in trustees upon such trusts for the benefit of the shareholders as the liquidator determines (and our liquidation may be closed and we may be dissolved), but no shareholder shall be compelled to accept any shares or other assets upon which there is any liability.

Variation of Rights

All or any of the rights and privileges attached to any class of shares issued may be varied or abrogated only with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class (excluding any shares held as treasury shares) or by special resolution passed at a separate general meeting of the holders of such shares, subject to the other provisions of the U.K. Companies Act 2006 and the terms of their issue. The U.K. Companies Act 2006 also provides a right to object to the variation of the share capital by the shareholders who did not vote in favor of the variation. Should 15% or more of the shareholders of the issued shares in question apply to the court to have the variation cancelled, the variation shall have no effect unless and until it is confirmed by the court.

Alteration to Share Capital

We may, by ordinary resolution of shareholders, consolidate all or any of our share capital into shares of larger amount than our existing shares, or sub-divide our shares or any of them into shares of a smaller amount. We may, by special resolution of shareholder s, confirmed by the court, reduce our share capital or any capital redemption reserve or any share premium account in any manner authorized by the U.K. Companies Act 2006. We may redeem or purchase all or any of our shares as described in "—Other U.K. Law Considerations–Purchase of Own Shares".

Preemption Rights

In certain circumstances, our shareholders may have statutory preemption rights under the U.K. Companies Act 2006 in respect of the allotment of new shares as described in "—Pre-emptive Rights".

Transfer of Shares

Any shareholder holding shares in certificated form may transfer all or any of his or her shares by an instrument of transfer in any usual form or any other form approved by the board. Any written instrument of transfer shall be signed by or on behalf of the transferor and (in the case of a partly paid share) the transferee.

ln the case of uncertificated shares, the directors may take such action as they consider appropriate to achieve a transfer. The Uncertificated Securities Regulations 2001 permit shares to be issued and held in uncertificated form and transferred by means of a computer based system.

The board may decline to register any transfer of any share;

- which is not a fully paid share;
- where the transfer is not lodged at our registered office or such other place as the directors have appointed;
- where the transfer is not accompanied by the share certificate to which it relates, or such other evidence as the board may reasonably require to show the transferor's right to make the transfer, or evidence of the right of someone other than the transferor to make the transfer on the transferor's behalf;
- where the transfer is in respect of more than one class of share; and
- where the number of joint holders to whom the share is to be transferred exceeds four.

If the board declines to register a transfer, it must return to the transferee the instrument of transfer together with notice of the refusal, unless the board suspects that the proposed transfer may be fraudulent.

Shareholder Meetings

Annual General Meetings

In accordance with the U.K. Companies Act 2006, we are required in each year to hold an annual general meeting in addition to any other general meetings in that year and to specify the meeting as such in the notice convening it. The annual general meeting shall be convened whenever and wherever the board sees fit, subject to the requirements of the U.K. Companies Act 2006.

Notice of General Meetings

Under the U.K. Companies Act 2006, 21 clear days' notice must be given for an annual general meeting and any resolutions to be proposed at that meeting. At least 14 clear days' notice is required for any other general meeting.

Subject to the notice requirements of the U.K. Companies Act 2006, a general meeting of our shareholders may be called by the Board whenever and at such times and places as it shall determine. A general meeting may also be convened by the Board on the requisition of two or more shareholders who hold at least 5% of our paid-up capital carrying voting rights at a general meeting.

Quorum of General Meetings

No business, other than the appointment of the chair of the meeting, shall be transacted at any general meeting unless a quorum is present. At least two shareholders present in person or by proxy and entitled to vote shall be a quorum for all purposes.

Class Meetings

The provisions in the Articles relating to general meetings apply to every separate general meeting of the holders of a class of shares.

Directors

Number of Directors

We may not have less than two directors on the Board and not more than nine. We may, by ordinary resolution of the shareholders, vary the minimum and maximum number of directors from time to time.

Appointment of Directors

Subject to the provisions of the Articles, we may, by ordinary resolution of the shareholders or a decision of the directors, elect any person to be a director, either to fill a casual vacancy or as an addition to the existing board, provided the total number of directors does not exceed the maximum number fixed by or in accordance with the Articles. However, any person that is not a director retiring from the existing board must be recommended by the board or the person must have confirmed in writing to us their willingness to be elected as a director not later than seven days before the general meeting at which the relevant resolution is proposed.

Any director appointed by the board will hold office only until the next following annual general meeting at which they must retire. In addition, all directors must retire at the third annual general meeting following the annual general meeting at which such director was elected or last re-elected. Such directors are eligible for re-election at the annual general meeting at which they retire.

The shareholders may, at the meeting at which a director retires, fill the vacated office by electing a person and in default the retiring director shall, if willing to continue to act, be deemed to have been re-elected, unless at such meeting it is expressly resolved not to fill such vacated office or unless a resolution for the re-election of such director shall have been put to the meeting and lost.

Other U.K. Law Considerations

Mandatory Purchases and Acquisitions

Pursuant to Sections 979 to 991 of the U.K. Companies Act 2006, where a takeover offer has been made for us and the offeror has acquired or unconditionally contracted to

acquire not less than 90% in value of the shares to which the offer relates and not less than 90% of the voting rights carried by those shares, the offeror may give notice to the holder of any shares to which the offer relates which the offeror has not acquired or unconditionally contracted to acquire that he or she wishes to acquire, and is entitled to so acquire, those shares on the same terms as the general offer. The offeror would do so by sending a notice to the outstanding minority shareholders telling them that it will compulsorily acquire their shares. Such notice must be sent within three months of the last day on which the offer can be accepted in the prescribed manner. The compulsory acquisition of the minority shareholders' shares can be completed at the end of six weeks from the date the notice has been given, subject to the minority shareholders failing to successfully lodge an application to the court to prevent such compulsory acquisition any time prior to the end of those six weeks following which the offeror can execute a transfer of the outstanding shares in its favor and pay the consideration to us, which would hold the consideration on trust for the outstanding minority shareholders. The consideration offered to the outstanding minority shareholders whose shares are compulsorily acquired under the U.K. Companies Act 2006 must, in general, be the same as the consideration that was available under the takeover offer.

Sell Out

The U.K. Companies Act 2006 also gives our minority shareholders a right to be bought out in certain circumstances by an offeror who has made a takeover offer for all of our shares. The holder of shares to which the offer relates, and who has not otherwise accepted the offer, may require the offeror to acquire his or her shares if, prior to the expiry of the acceptance period for such offer, (i) the offeror has acquired or unconditionally agreed to acquire not less than 90% in value of the voting shares, and (ii) not less than 90% of the voting rights carried by those shares. The offeror may impose a time limit on the rights of minority shareholders to be bought out that is not less than three months after the end of the acceptance period. If a shareholder exercises his or her rights to be bought out, the offeror is required to acquire those shares on the terms of this offer or on such other terms as may be agreed.

Disclosure of Interest in Shares

Pursuant to Part 22 of the U.K. Companies Act 2006, we are empowered to give notice in writing to any person whom we know or have reasonable cause to believe to be interested in our shares, or to have been so interested at any time during the three years immediately preceding the date on which the notice is issued requiring such persons, within a reasonable time to disclose to us particulars of that person's interest and (so far as is within his or her knowledge) particulars of any other interest that subsists or subsisted in those shares.

Under our Articles, if a person defaults in supplying us with the required particulars in relation to the shares in question ("default shares"), within the prescribed period, the directors may by notice direct that:

- in respect of the default shares, the relevant shareholder shall not be entitled to vote (either in person or by proxy) at any general meeting or to exercise any other right conferred by a shareholding in relation to general meetings;
- where the default shares represent at least 0.25% of their class, (a) any dividend or other money payable in respect of the default shares shall be retained by us without liability to pay interest and/or (b) no transfers by the relevant shareholder of any default shares may be registered (unless the shareholder himself is not in default and the shareholder provides a certificate, in a form satisfactory to the directors, to the effect that after due and careful enquiry the shareholder is satisfied that none of the shares to be transferred are default shares); and
- any shares held by the relevant shareholder in uncertificated form shall be converted into certificated form and that shareholder shall not after that be entitled to convert all or any shares held by him or her into uncertificated form (except with the authority of the directors) unless the shareholder himself is not in default and the shares which the shareholder wishes to convert are part only of the shareholder's holding and the shareholder provides a certificate, in a form satisfactory to the directors, to the effect that after due and careful enquiry the shareholder is satisfied that none of the shares to be converted into uncertificated form are default shares.

Purchase of Own Shares

Under English law, a limited company may only purchase its own shares out of the distributable profits of the company or the proceeds of a fresh issue of shares made for the purpose of financing the purchase, provided that they are not restricted from doing so by their articles. A limited company may not purchase its own shares if, as a result of the purchase, there would no longer be any issued shares of the company other than redeemable shares or shares held as treasury shares. Shares must be fully paid in order to be repurchased.

Subject to the above, we may purchase our own shares in the manner prescribed below. We may make a market purchase on a "recognised investment exchange" of our own fully paid shares pursuant to an ordinary resolution of shareholders. The resolution authorizing the purchase must:

- specify the maximum number of shares authorized to be acquired;
- determine the maximum and minimum prices that may be paid for the shares; and
- specify a date, not being later than five years after the passing of the resolution, on which the authority to purchase is to expire.

The Nasdaq Global Market is not a "recognised investment exchange" on which we may make market purchases.

We may purchase our own fully paid shares otherwise than on a "recognised investment exchange" pursuant to a purchase contract authorized by resolution of shareholders before the purchase takes place. Any authority will not be effective if any shareholder from whom we propose to purchase shares votes on the resolution and the resolution would not have been passed if he or she had not done so. The resolution authorizing the purchase must specify a date, not being later than five years after the passing of the resolution, on which the authority to purchase is to expire.

Distributions and Dividends

Under the U.K. Companies Act 2006, before a company can lawfully make a distribution or dividend, it must ensure that it has sufficient distributable reserves (on a non-consolidated basis). The basic rule is that a company's profits available for the purpose of making a distribution are its accumulated, realized profits, so far as not previously utilized by distribution or capitalization, less its accumulated, realized losses, so far as not previously written off in a reduction or reorganization of capital duly made. The requirement to have sufficient distributable reserves before a distribution or dividend can be paid applies to us and to each of our subsidiaries that has been incorporated under English law.

It is not sufficient that we, as a public company, have made a distributable profit for the purpose of making a distribution. An additional capital maintenance requirement is imposed on us to ensure that the net worth of the company is at least equal to the amount of its capital. A public company can only make a distribution:

- if, at the time that the distribution is made, the amount of its net assets (that is, the total excess of assets over liabilities) is not less than the total of its called up share capital and undistributable reserves; and
- if, and to the extent that, the distribution itself, at the time that it is made, does not reduce the amount of the net assets to less than that total.

City Code on Takeovers and Mergers

Following the AIM Delisting, if at the time of a takeover offer the U.K. Panel on Takeovers and Mergers (the "Takeover Panel") determines that we have our place of central management and control in the United Kingdom, we would be subject to the U.K. City Code on Takeovers and Mergers (the "City Code"), which is issued and administered by the Takeover Panel. The City Code provides a framework within which takeovers of companies subject to it are conducted. In particular, the City Code contains certain rules in respect of mandatory offers. Under Rule 9 of the City Code, if a person:

- acquires an interest in our shares which, when taken together with shares in which he or she or persons acting in concert with him or her are interested, carries 30% or more of the voting rights of our shares; or

- who, together with persons acting in concert with him, is interested in shares that in the aggregate carry not less than 30% and not more than 50% of the voting rights of our shares, and such persons, or any person acting in concert with him, acquires additional interests in shares that increase the percentage of shares carrying voting rights in which that person is interested,

the acquirer and depending on the circumstances, its concert parties, would be required (except with the consent of the Takeover Panel) to make a cash offer for our outstanding shares at a price not less than the highest price paid for any interests in the shares by the acquirer or its concert parties during the previous 12 months.

In November 2020, the Takeover Panel confirmed that, based on our current circumstances, following AIM Delisting we are not subject to the City Code. As a result, our shareholders are not entitled to the benefit of the takeover offer protections provided under the City Code. We believe that this position is unlikely to change at any time in the near future but, in accordance with good practice, we will review the situation on a regular basis and consult with the Takeover Panel if there is any change in our circumstances, which may have a bearing on whether the Takeover Panel would determine our place of central management and control to be in the United Kingdom.

Exchange Controls

There are no governmental laws, decrees, regulations or other legislation in the United Kingdom that may affect the import or export of capital, including the availability of cash and cash equivalents for use by us, or that may affect the remittance of dividends, interest, or other payments by us to non-resident holders of our ordinary shares or ADSs, other than withholding tax requirements. There is no limitation imposed by English law or in the Articles on the right of non-residents to hold or vote shares.

DESCRIPTION OF AMERICAN DEPOSITARY SHARES

American Depositary Shares

Citibank, N.A. (“Citibank”) acts as the depositary for the ADSs. Citibank’s depositary offices are located at 388 Greenwich Street, New York, New York 10013. ADSs represent ownership interests in securities that are on deposit with the depositary. ADSs may be represented by certificates that are commonly known as American Depositary Receipts (“ADRs”). The depositary typically appoints a custodian to safekeep the securities on deposit. In this case, the custodian is Citibank, N.A., London Branch, located at 25 Canada Square, Canary Wharf, London, El4 5LB, United Kingdom.

We have appointed Citibank as depositary pursuant to a deposit agreement. A copy of the form of the deposit agreement is on file with the SEC under cover of a registration statement on Form F-6. A copy of the deposit agreement is available from the SEC’s website (www.sec.gov). Please refer to registration number 333-249338 when retrieving such copy.

We are providing you with a summary description of the material terms of the ADSs and of your material rights as an owner of ADSs. Please remember that summaries by their nature lack the precision of the information summarized and that the rights and obligations of an owner of ADSs will be determined by reference to the terms of the deposit agreement and not by this summary. We urge you to review the deposit agreement in its entirety. *The portions of this summary description that are italicized describe matters that may be relevant to the ownership of ADSs but that may not be contained in the deposit agreement.*

"Holder" means the person or persons in whose name an ADS is registered on the register maintained by the depository for such purpose.

Each ADS represents the right to receive, and to exercise the beneficial ownership interests in, five ordinary shares that are on deposit with the depositary and/or custodian. An ADS also represents the right to receive, and to exercise the beneficial interests in, any other property received by the depositary or the custodian on behalf of the owner of the ADS but that has not been distributed to the owners of ADSs because of legal restrictions or practical considerations. We and the depositary may agree to change the ADS-to-Share ratio by amending the deposit agreement. This amendment may give rise to, or change, the depositary fees payable by ADS owners. The custodian, the depositary and their respective nominees will hold all deposited property for the benefit of the holders and beneficial owners of ADSs. The deposited property does not constitute the proprietary assets of the depositary, the custodian or their nominees. Beneficial ownership in the deposited property will under the terms of the deposit agreement be vested in the beneficial owners of the ADSs. The depositary, the custodian and their respective nominees will be the record holders of the deposited property represented by the ADSs for the benefit of the holders and beneficial owners of the corresponding ADSs. A beneficial owner of ADSs may or may not be the holder of ADSs. Beneficial owners of ADSs will be able to receive, and to exercise beneficial ownership interests in, the deposited property only through the registered holders of the ADSs, the registered holders of the ADSs (on behalf of the applicable ADS owners) only through the depositary, and the depositary (on behalf of the owners of the corresponding ADSs) directly, or indirectly, through the custodian or their respective nominees, in each case upon the terms of the deposit agreement.

If you become an owner of ADSs, you will become a party to the deposit agreement and therefore will be bound to its terms and to the terms of any ADR that represents your ADSs. The deposit agreement and the ADR specify our rights and obligations as well as your rights and obligations as owner of ADSs and those of the depositary. As an ADS holder you appoint the depositary to act on your behalf in certain circumstances. The deposit agreement and the ADRs are governed by New York law. However, our obligations to the holders of ordinary shares will continue to be governed by the laws of England and Wales, which may be different from the laws in the United States.

In addition, applicable laws and regulations may require you to satisfy reporting requirements and obtain regulatory approvals in certain circumstances. You are solely responsible for complying with such reporting requirements and obtaining such approvals. Neither the depositary, the custodian, us or any of their or our respective agents or affiliates shall be required to take any actions whatsoever on your behalf to satisfy such reporting requirements or obtain such regulatory approvals under applicable laws and regulations.

The manner in which you own the ADSs (e.g., in a brokerage account vs. as registered holder, or as holder of certificated vs. uncertificated ADSs) may affect your rights and obligations, and the manner in which, and extent to which, the depositary's services are made available to you. As an owner of ADSs, we will not treat you as one of our shareholders and you will not have direct shareholder rights. The depositary will hold on your behalf the shareholder rights attached to the ordinary shares underlying your ADSs. As an owner of ADSs you will be able to exercise the shareholders rights for the ordinary shares represented by your ADSs through the depositary only to the extent contemplated in the deposit agreement. To exercise any shareholder rights not contemplated in the deposit agreement you will, as an ADS owner, need to arrange for the cancellation of your ADSs and become a direct shareholder.

As an owner of ADSs, you may hold your ADSs either by means of an ADR registered in your name, through a brokerage or safekeeping account, or through an account established by the depositary in your name reflecting the registration of uncertificated ADSs directly on the books of the depositary (commonly referred to as the direct registration system or DRS). The direct registration system reflects the uncertificated (book-entry) registration of ownership of ADSs by the depositary. Under the direct registration system, ownership of ADSs is evidenced by periodic statements issued by the depositary to the holders of the ADSs. The direct registration system includes automated transfers between the depositary and DTC, the central book-entry clearing and settlement system for equity securities in the United States. If you decide to hold your ADSs through your brokerage or safekeeping account, you must rely on the procedures of your broker or bank to assert your rights as ADS owner. Banks and brokers typically hold securities such as the ADSs through clearing and settlement systems such as DTC. The procedures of such clearing and settlement systems may limit your ability to exercise your rights as an owner of ADSs. Please consult with your broker or bank if you have any questions concerning these limitations and procedures. All ADSs held through DTC will be registered in the name of a nominee of DTC.

The registration of the ordinary shares in the name of the depositary or the custodian shall, to the maximum extent permitted by applicable law, vest in the depositary or the custodian the record ownership in the applicable ordinary shares with the beneficial ownership rights and interests in such ordinary shares being at all times vested with the beneficial owners of the ADSs representing the ordinary shares. The depositary or the custodian shall at all times be entitled to exercise the beneficial ownership rights in all deposited property, in each case only on behalf of the holders and beneficial owners of the ADSs representing the deposited property.

Dividends and Other Distributions

Holders generally have the right to receive the distributions we make on the securities deposited with the custodian. A Holder's receipt of these distributions may be limited, however, by practical considerations and leg al limitations. Holders of ADSs will

receive such distributions under the terms of the deposit agreement in proportion to the number of ADSs held as of the specified record date, after deduction the applicable fees, taxes, and expenses.

Distributions of Cash

Whenever we make a cash distribution for the securities on deposit with the custodian, we will deposit the funds with the custodian. Upon receipt of confirmation of the deposit of the requisite funds, the depositary will arrange for the funds received in a currency other than U.S. dollars to be converted into U.S. dollars and for the distribution of the U.S. dollars to the holders, subject to the laws and regulations of England and Wales.

The conversion into U.S. dollars will take place only if practicable and if the U.S. dollars are transferable to the United States. The depositary will apply the same method for distributing the proceeds of the sale of any property (such as undistributed rights) held by the custodian in respect of securities on deposit.

The distribution of cash will be made net of the fees, expenses, taxes, and governmental charges payable by holders under the terms of the deposit agreement. The depositary will hold any cash amounts it is unable to distribute in a non-interest bearing account for the benefit of the applicable holders and beneficial owners of ADSs until the distribution can be effected or the funds that the depositary holds must be escheated as unclaimed property in accordance with the laws of the relevant states of the United States.

Distributions of Shares

Whenever we make a free distribution of ordinary shares for the securities on deposit with the custodian, we will deposit the applicable number of ordinary shares with the custodian. Upon receipt of confirmation of such depos it, the depositary will either distribute to holders new ADSs representing the ordinary shares deposited or modify the ADS-to-ordinary shares ratio, in which case each ADS a Holder holds will represent rights and interests in the additional ordinary shares so deposited. Only whole new ADSs will be distributed. Fractional entitlements will be sold and the proceeds of such sale will be distributed as in the case of a cash distribution.

The distribution of new ADSs or the modification of the ADS-to-ordinary shares ratio upon a distribution of ordinary shares will be made net of the fees, expenses, taxes, and governmental charges payable by holders under the terms of the deposit agreement. In order to pay such taxes or governmental charges, the depositary may sell all or a portion of the new ordinary shares so distributed.

No such distribution of new ADSs will be made if it would violate a law *(e.g.*, the U.S. securities laws) or if it is not operationally practicable. If the depositary does not distribute new ADSs as described above, it may sell the ordinary shares received upon the terms described in the deposit agreement and will distribute the proceeds of the sale as in the case of a distribution of cash.

Distributions of Rights

Whenever we intend to distribute rights to subscribe for additional ordinary shares, we will give prior notice to the depositary and we will assist the depositary in determining whether it is lawful and reasonably practicable to distribute rights to purchase additional ADSs to holders.

The depositary will establish procedures to distribute rights to purchase additional ADSs to holders and to enable such holders to exercise such rights if it is lawful and reasonably practicable to make the rights available to holders of ADSs, and if we provide all of the documentation contemplated in the deposit agreement (such as opinions to address the lawfulness of the transaction). Holders may have to pay fees, expenses, taxes and other governmental charges to subscribe for the new ADSs upon the exercise of a Holder's rights. The depositary is not obligated to establish procedures to facilitate the distribution and exercise by holders of rights to subscribe for new ordinary shares other than in the form of ADSs.

The depositary will *not* distribute the rights to a Holder if:

- we do not timely request that the rights be distributed to such Holder or we request that the rights not be distributed to such Holder; or we fail to deliver satisfactory documents to the depositary; or
- it is not reasonably practicable to distribute the rights.

The depositary will sell the rights that are not exercised or not distributed if such sale is lawful and reasonably practicable. The proceeds of such sale will be distributed to holders as in the case of a cash distribution. If the depositary is unable to sell the rights, it will allow the rights to lapse.

Elective Distributions

Whenever we intend to distribute a dividend payable at the election of shareholders either in cash or in additional shares, we will give prior notice thereof to the depositary and will indicate whether we wish the elective distribution to be made available to a Holder. In such case, we will assist the depositary in determining whether such distribution is lawful and reasonably practicable.

The depositary will make the election available to a Holder only if it is reasonably practicable and if we have provided all of the documentation contemplated in the deposit agreement. In such case, the depositary will establish procedures to enable such Holder to elect to receive either cash or additional ADSs, in each case as described in the deposit agreement.

If the election is not made available to a Holder, such Holder will receive either cash or additional ADSs, depending on what a shareholder in England and Wales would receive upon failing to make an election, as more fully described in the deposit agreement.

Other Distributions

Whenever we intend to distribute property other than cash, ordinary shares, or rights to purchase additional ordinary shares, we will notify the depositary in advance and will indicate whether we wish such distribution to be made to a Holder. If so, we will assist the depositary in determining whether such distribution to holders is lawful and reasonably practicable.

If it is reasonably practicable to distribute such property to a Holder and if we provide to the depositary all of the documentation contemplated in the deposit agreement, the depositary will distribute the property to the holders in a manner it deems practicable.

The distribution will be made net of fees, expenses, taxes, and governmental charges payable by holders under the terms of the deposit agreement.

In order to pay such taxes and governmental charges, the depositary may sell all or a portion of the property received.

The depositary will *not* distribute the property to a Holder and will sell the property if:

- we do not request that the property be distributed to such Holder or if we request that the property not be distributed to such Holder; or
- we do not deliver satisfactory documents to the depositary; or
- the depositary determines that all or a portion of the distribution to such Holder is not reasonably practicable.

The proceeds of such a sale will be distributed to holders as in the case of a cash distribution.

Redemption

Whenever we decide to redeem any of the securities on deposit with the custodian, we will notify the depositary in advance. If it is practicable and if we provide all of the documentation contemplated in the deposit agreement, the depositary will provide notice of the redemption to the holders.

The custodian will be instructed to surrender the shares being redeemed against payment of the applicable redemption price. The depositary will convert into U.S. dollars upon the terms of the deposit agreement the redemption funds received in a currency other than U.S. dollars and will establish procedures to enable holders to receive the net proceeds from the redemption upon surrender of their ADSs to the depositary. A Holder may have to pay fees, expenses, taxes, and other governmental charges upon the redemption of such Holder’s ADSs. If less than all ADSs are being redeemed, the ADSs to be retired will be selected by lot or on a *pro rata* basis, as the depositary may determine .

Changes Affecting Ordinary Shares

The ordinary shares held on deposit for a Holder's ADSs may change from time to time. For example, there may be a change in nominal (or par) value, split-up, cancellation, consolidation, or any other reclassification of such ordinary shares or a recapitalization, reorganization, merger, consolidation, or sale of assets of ours.

If any such change were to occur, such Holder's ADSs would, to the extent permitted by law and the deposit agreement, represent the right to receive the property received or exchanged in respect of the ordinary shares held on deposit. The depositary may in such circumstances deliver new ADSs to a Holder, amend the deposit agreement, the ADRs and the applicable registration statement(s) on Form F-6, call for the exchange of such Holder's existing ADSs for new ADSs and take any other actions that are appropriate to reflect as to the ADSs the change affecting the Shares. If the depositary may not lawfully distribute such property to a Holder, the depositary may sell such property and distribute the net proceeds to such Holder as in the case of a cash distribution.

Issuance of ADSs upon Deposit of Ordinary Shares

The depositary may create ADSs on a Holder's behalf if such Holder or such Holder's broker deposit ordinary shares with the custodian. The depositary will deliver these ADSs to the person a Holder indicates only after such Holder pays any applicable issuance fees and any charges and taxes payable for the transfer of the ordinary shares to the custodian. A Holder's ability to deposit ordinary shares and receive ADSs may be limited by the legal considerations in the United States and England and Wales applicable at the time of deposit.

The issuance of ADSs may be delayed until the depositary or the custodian receives confirmation that all required approvals have been given and that the ordinary shares have been duly transferred to the custodian. The depositary will only issue ADSs in whole numbers.

When a Holder makes a deposit of ordinary shares, such Holder will be responsible for transferring good and valid title to the depositary. As such, a Holder will be deemed to represent and warrant that:

- the ordinary shares are duly authorized, validly allotted and issued, fully paid, not subject to any call for the payment of further capital, and legally obtained;
- all pre-emptive (and similar) rights, if any, with respect to such ordinary shares have been validly waived, disapplied or exercised; such Holder is duly authorized to deposit the ordinary shares;
- the ordinary shares presented for deposit are free and clear of any lien, encumbrance, security interest, charge, mortgage, or adverse claim, and are not, and the ADSs issuable upon such deposit will not be, "Restricted Securities" (as defined in the deposit agreement); and

- the ordinary shares presented for deposit have not been stripped of any rights or entitlements.

If any of the representations or warranties is incorrect in any way, we and the depositary may, at such Holder's cost and expense, take any and all actions necessary to correct the consequences of the misrepresentation.

Transfer, Combination and Split Up of ADRs

ADR holders will be entitled to transfer, combine, or split up such Holder's ADRs and the ADSs evidenced thereby. For transfers of ADRs, a Holder will have to surrender the ADRs to be transferred to the depositary and also must:

- ensure that the surrendered ADR is properly endorsed or otherwise in proper form for transfer;
- provide such proof of identity and genuineness of signatures as the depositary deems appropriate ;
- provide any transfer stamps required by the State of New York or the United States; and
- pay all applicable fees, charges, expenses, taxes, and other government charges payable by ADR holders pursuant to the terms of the deposit agreement, upon the transfer of ADRs.

To have a Holder's ADRs either combined or split up, such Holder must surrender the ADRs in question to the depositary with such Holder's request to have them combined or split up, and such Holder must pay all applicable fees, charges, and expenses payable by ADR holders, pursuant to the terms of the deposit agreement, upon a combination or split up of ADRs.

Withdrawal of Ordinary Shares Upon Cancellation of ADSs

A Holder will be entitled to present such Holder's ADSs to the depositary for cancellation and then receive the corresponding number of underlying ordinary shares at the custodian's offices. A Holder's ability to withdraw the ordinary shares held in respect of the ADSs may be limited by the legal considerations in the United States and England and Wales applicable at the time of withdrawal. In order to withdraw the ordinary shares represented by a Holder's ADSs, such Holder will be required to pay to the depositary the fees for cancellation of ADSs and any charges and taxes payable upon the transfer of the ordinary shares.

A Holder assumes the risk for delivery of all funds and securities upon withdrawal. Once canceled, the ADSs will not have any rights under the deposit agreement.

If a Holder holds ADSs registered in such Holder's name, the depositary may ask such Holder to provide proof of identity and genuineness of any signature and such other documents as the depositary may deem appropriate before it will cancel such Holder's ADSs. The withdrawal of the ordinary shares represented by such Holder's ADSs may be delayed until the depositary receives satisfactory evidence of compliance with all applicable laws and regulations. Please keep in mind that the depositary will only accept ADSs for cancellation that represent a whole number of securities on deposit.

A Holder will have the right to withdraw the securities represented by such Holder's ADSs at any time except for:

- temporary delays that may arise because (i) the transfer books for the ordinary shares or ADSs are closed, or (ii) ordinary shares are immobilized on account of a shareholders' meeting or a payment of dividends;
- obligations to pay fees, taxes, and similar charges; and/or
- restrictions imposed because of laws or regulations applicable to ADSs or the withdrawal of securities on deposit.

The deposit agreement may not be modified to impair a Holder right to withdraw the securities represented by such Holder's ADSs except to comply with mandatory provisions of law.

Voting Rights

A Holder generally has the right under the deposit agreement to instruct the depositary to exercise the voting rights for the ordinary shares represented by such Holder's ADSs. The voting rights of holders of ordinary shares are described in "Description of Share Capital and Articles of Association-Articles of Association" in this Annual Report.

At our request, the depositary will distribute to a Holder any notice of shareholders' meeting received from us together with information explaining how to instruct the depositary to exercise the voting rights of the securities represented by ADSs .

If the depositary timely receives voting instructions from a holder of ADSs, it will endeavor to vote the securities (in person or by proxy) represented by the holder's ADSs as follows:

- *in the event of voting by show of hands*, the depositary will vote (or cause the custodian to vote) all ordinary held on deposit at that time in accordance with the voting instructions received from a majority of holders of ADSs who provide timely voting instructions.
- *in the event of voting by poll*, the depositary will vote (or cause the custodian to vote) the ordinary shares held on deposit in accordance with the voting instructions received from the holders of ADSs. The depositary will give a discretionary proxy to a person designated by us to vote any ordinary shares held on deposit for which voting instructions were not received from the

holders of ADSs, unless we inform the depositary that (a) we do not wish such proxy to be given, (b) substantial opposition exists, or (c) the rights of holders of ADSs may be adversely affected.

Securities for which no voting instructions have been received will not be voted (except as otherwise contemplated in the Deposit Agreement).

Please note that the ability of the depositary to carry out voting instructions may be limited by practical and legal limitations and the terms of the securities on deposit. We cannot assure a Holder that such Holder will receive voting materials in time to enable such Holder to return voting instructions to the depositary in a timely manner.

Fees and Charges

ADS holders will be required to pay the following fees under the terms of the deposit agreement:

Service	Fee
Issuance of ADSs (e.g., an issuance of ADS upon a deposit of ordinary shares or upon a change in the ADS(s)-to-ordinary shares ratio), excluding ADS issuances as a result of distributions of ordinary Shares	Up to $5.00 per 100 ADSs (or fraction thereof) issued
Cancellation of ADSs (e.g., a cancellation of ADSs for delivery of deposited property or upon a change in the ADS(s)-to-ordinary shares ratio)	Up to $5.00 per 100 ADSs (or fraction thereof) cancelled
Distribution of cash dividends or other cash distributions (e.g., upon a sale of rights and other entitlements)	Up to $5.00 per 100 ADSs (or fraction thereof) held
Distribution of ADSs pursuant to (i) stock dividends or other free stock distributions, or (ii) exercise of rights to purchase additional ADSs	Up to $5.00 per 100 ADSs (or fraction thereof) held
Distribution of securities other than ADSs or rights to purchase additional ADSs (e.g., upon a spin-off)	Up to $5.00 per 100 ADSs (or fraction thereof) held
ADS Services	Up to $5.00 per 100 ADSs (or fraction thereof) held on the applicable record date(s) established by the depositary

Service	Fee
Registration of ADS Transfers (e.g., upon a registration of the transfer of registered ownership of ADSs, upon a transfer of ADSs into DTC and vice versa, or for any other reason)	Up to $5.00 per 100 ADSs (or fraction thereof) transferred
Conversion of ADSs of one series for ADSs of another series (e.g., upon conversion of Partial Entitlement ADSs for Full Entitlement ADSs, or upon conversion of Restricted ADSs (each as defined in the Deposit Agreement) into freely transferable ADSs, and vice versa)	Up to $5.00 per 100 ADSs (or fraction thereof) converted

ADS holders will also be responsible to pay certain charges such as:

- taxes (including applicable interest and penalties) and other governmental charges;
- the registration fees as may from time to time be in effect for the registration of ordinary shares on the share register and applicable to transfers of ordinary shares to or from the name of the custodian, the depositary, or any nominees upon the making of deposits and withdrawals, respectively;
- certain cable, telex, and facsimile transmission and delivery expenses;
- the expenses and charges incurred by the depositary in the conversion of foreign currency;
- the fees and expenses incurred by the depositary in connection with compliance with exchange control regulations and other regulatory requirements applicable to ordinary shares, ADSs, and ADRs; and
- the fees, charges, costs and expenses incurred by the depositary, the custodian, or any nominee in connection with the ADR program.

ADS fees and charges payable upon (i) the issuance of ADSs, and (ii) the cancellation of ADSs are charged to the person to whom the ADSs are issued (in the case of ADS issuances) and to the person whose ADSs are cancelled (in the case of ADS cancellations). In the case of ADSs issued by the depositary into DTC, the ADS issuance and cancellation fees and charges may be deducted from distributions made through DTC, and may be charged to the DTC participant(s) receiving the ADSs being issued or the DTC participant(s) holding the ADSs being cancelled, as the case may be, on behalf of the beneficial owner(s) and will be charged by the DTC participant(s) to the account of the applicable beneficial owner(s) in accordance with the procedures and practices of the DTC participants as in effect at the time. ADS fees and charges in respect of distributions and the ADS service fee are charged to the holders as of the applicable ADS record date. In the case

of distributions of cash, the amount of the applicable ADS fees and charges is deducted from the funds being distributed. In the case of (i) distributions other than cash and (ii) the ADS service fee, holders as of the ADS record date will be invoiced for the amount of the ADS fees and charges and such ADS fees and charges may be deducted from distributions made to holders of ADSs. For ADSs held through DTC, the ADS fees and charges for distributions other than cash and the ADS service fee may be deducted from distributions made through DTC, and may be charged to the DTC participants in accordance with the procedures and practices prescribed by DTC and the DTC participants in turn charge the amount of such ADS fees and charges to the beneficial owners for whom they hold ADSs. In the case of (i) registration of ADS transfers, the ADS transfer fee will be payable by the holders of ADSs whose ADSs are being transferred or by the person to whom the ADSs are transferred, and (ii) conversion of ADSs of one series for ADSs of another series, the ADS conversion fee will be payable by the holder whose ADSs are converted or by the person to whom the converted ADSs are delivered.

In the event of refusal to pay the depositary fees, the depositary may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depositary fees from any distribution to be made to the ADS holder. Certain of the depositary fees and charges (such as the ADS services fee) may become payable shortly after the closing of the ADS offering. Note that the fees and charges Holders may be required to pay may vary over time and may be changed by us and by the depositary. Holders will receive prior notice of such changes. The depositary may reimburse us for certain expenses incurred by us in respect of the ADR program, by making available a portion of the ADS fees charged in respect of the ADR program or otherwise, upon such terms and conditions as we and the depositary agree from time to time.

Amendments and Termination

We may agree with the depositary to modify the deposit agreement at any time without a Holder’s consent. We undertake to give holders 30 days’ prior notice of any modifications that would materially prejudice any of their substantial rights under the deposit agreement. We will not consider to be materially prejudicial to a Holder’s substantial rights any modifications or supplements that are reasonably necessary for the ADSs to be registered under the Securities Act or to be eligible for book-entry settlement, in each case without imposing or increasing the fees and charges a Holder is required to pay. ln addition, we may not be able to provide a Holder with prior notice of any modifications or supplements that are required to accommodate compliance with applicable provisions of law.

A Holder will be bound by the modifications to the deposit agreement if a Holder continues to hold such Holder’s ADSs after the modifications to the deposit agreement become effective. The deposit agreement cannot be amended to prevent a Holder from withdrawing the ordinary shares represented by such Holder’s ADSs (except as permitted by law).

We have the right to direct the depositary to terminate the deposit agreement. Similarly, the depositary may in certain circumstances on its own initiative terminate the deposit agreement. In either case, the depositary must give notice to the holders at least 30 days before termination . Until termination, a Holder's rights under the deposit agreement will be unaffected.

Termination

After termination, the depositary will continue to collect distributions received (but will not distribute any such property until a Holder requests the cancellation of such Holder's ADSs) and may sell the securities held on deposit. After the sale, the depositary will hold the proceeds from such sale and any other funds then held for the holders of ADSs in a non-interest bearing account. At that point, the depositary will have no further obligations to holders other than to account for the funds then held for the holders of ADSs still outstanding (after deduction of applicable fees, taxes and expenses).

In connection with the termination of the deposit agreement, the depositary may, independently and without the need for any action by us, make available to holders of ADSs a means to withdraw the ordinary shares and other deposited securities represented by their ADSs and to direct the deposit of such ordinary shares and other deposited securities into an unsponsored American depositary shares program established by the depositary, upon such terms and conditions as the depositary may deem reasonably appropriate, subject however, in each case, to satisfaction of the applicable registration requirements by the unsponsored American depositary shares program under the Securities Act, and to receipt by the depositary of payment of the applicable fees and charges of, and reimbursement of the applicable expenses incurred by, the depositary.

Books of Depositary

The depositary will maintain ADS holder records at its depositary office. Holders may inspect such records at such office during regular business hours but solely for the purpose of communicating with other holders in the interest of business matters relating to the ADSs and the deposit agreement.

The depositary will maintain in New York facilities to record and process the issuance, cancellation, combination, split-up, and transfer of ADSs.

These facilities may be closed from time to time, to the extent not prohibited by law.

Transmission of Notices, Reports and Proxy Soliciting Material

The depositary will make available for a Holder's inspection at its office all communications that it receives from us as a holder of deposited securities that we make generally available to holders of deposited securities. Subject to the terms of the deposit agreement, the depositary will send a Holder copies of those communications or otherwise make those communications available to such Holder if we ask it to.

Limitations on Obligations and Liabilities

The deposit agreement limits our obligations and the depositary's obligations to Holders. Please note the following:

- We and the depositary are obligated only to take the actions specifically stated in the deposit agreement without negligence or bad faith.
- The depositary disclaims any liability for any failure to carry out voting instructions, for any manner in which a vote is cast or for the effect of any vote, provided it acts in good faith and in accordance with the terms of the deposit agreement.
- The depositary disclaims any liability for any failure to determine the lawfulness or practicality of any action, for the content of any document forwarded to Holders on our behalf or for the accuracy of any translation of such a document, for the investment risks associated with investing in ordinary shares, for the validity or worth of the ordinary shares, for any tax consequences that result from the ownership of ADSs, for the credit-worthiness of any third party, for allowing any rights to lapse under the terms of the deposit agreement, for the timeliness of any of our notices, or for our failure to give notice.
- We and the depositary will not be obligated to perform any act that is inconsistent with the terms of the deposit agreement.
- We and the depositary disclaim any liability if we or the depositary are prevented or forbidden from or subject to any civil or criminal penalty or restraint on account of, or delayed in, doing or performing any act or thing required by the terms of the deposit agreement, by reason of any provision, present or future of any law or regulation, or by reason of present or future provision of any provision of our Articles, or any provision of or governing the securities on deposit, or by reason of any act of God or war or other circumstances beyond our control.
- We and the depositary disclaim any liability by reason of any exercise of, or failure to exercise, any discretion provided for in the deposit agreement or in our Articles or in any provisions of or governing the securities on deposit.
- We and the depositary further disclaim any liability for any action or inaction in reliance on the advice or information received from legal counsel, account ants, any person presenting Shares for deposit, any holder of ADSs or authorized representatives thereof, or any other person believed by either of us in good faith to be competent to give such advice or in formation.
- We and the depositary also disclaim liability for the inability by a holder to benefit from any distribution, offering, right or other benefit that is made available to holder s of ordinary shares but is not, under the terms of the deposit agreement, made available to Holders.

- We and the depositary may rely without any liability upon any written notice, request or other document believed to be genuine and to have been signed or presented by the proper parties.
- We and the depositary also disclaim liability for any consequential or punitive damages for any breach of the terms of the deposit agreement.
- No disclaimer of any Securities Act liability is intended by any provision of the deposit agreement.
- Nothing in the deposit agreement gives rise to a partnership or joint venture, or establishes a fiduciary relationship, among Mereo, the depositary and Holders.
- Nothing in the deposit agreement precludes Citibank (or its affiliates) from engaging in transactions in which parties adverse to Mereo or the ADS owners have interests, and nothing in the deposit agreement obligates Citibank to disclose those transactions, or any information obtained in the course of those transactions, to Mereo or to the ADS owners, or to account for any payment received as part of those transactions.

As the above limitations relate to our obligations and the depositary's obligations to you under the deposit agreement, we believe that, as a matter of construction of the clause, such limitations would likely to continue to apply to ADS holders who withdraw the ordinary shares from the ADS facility with respect to obligations or liabilities incurred under the deposit agreement before the cancellation of the ADSs and the withdrawal of the ordinary shares, and such limitations would most likely not apply to ADS holders who withdraw the ordinary shares from the ADS facility with respect to obligations or liabilities incurred after the cancellation of the ADSs and the withdrawal of the ordinary shares and not under the deposit agreement.

In any event, you will not be deemed, by agreeing to the terms of the deposit agreement, to have waived our or the depositary's compliance with U.S. federal securities laws and the rules and regulations promulgated thereunder. In fact, you cannot waive our or the depositary's compliance with U.S. federal securities laws and the rules and regulations promulgated thereunder.

Taxes

Holders will be responsible for the taxes and other governmental charges payable on the ADSs and the securities represented by the ADSs. We, the depositary and the custodian may deduct from any distribution the taxes and governmental charges payable by holders and may sell any and all property on deposit to pay the taxes and governmental charges payable by holders. Holders will be liable for any deficiency if the sale proceeds do not cover the taxes that are due.

The depositary may refuse to issue ADSs; to deliver, transfer, split, and combine ADRs; or to release securities on deposit until all taxes and charges are paid by the applicable holder. The depositary and the custodian may take reasonable administrative

actions to obtain tax refunds and reduced tax withholding for any distributions on a Holder's behalf. However, a Holder may be required to provide to the depositary and to the custodian proof of taxpayer status and residence and such other information as the depositary and the custodian may require to fulfill legal obligations. A Holder is required to indemnify us, the depositary and the custodian for any claims with respect to taxes based on any tax benefit obtained for such Holder.

Foreign Currency Conversion

The depositary will arrange for the conversion of all foreign currency received into U.S. dollars if such conversion is practical, and it will distribute the U.S. dollars in accordance with the terms of the deposit agreement. Holders may have to pay fees and expenses incurred in converting foreign currency, such as fees and expenses incurred in complying with currency exchange controls and other governmental requirements.

If the conversion of foreign currency is not practical or lawful, or if any required approvals are denied or not obtainable at a reasonable cost or within a reasonable period, the depositary may take the following actions in its discretion:

- Convert the foreign currency to the extent practical and lawful and distribute the U.S . dollars to the holders for whom the conversion and distribution is lawful and practical.
- Distribute the foreign currency to holders for whom the distribution is lawful and practical.
- Hold the foreign currency (without liability for interest) for the applicable holders.

Governing Law/Waiver of Jury Trial

The deposit agreement and the ADRs will be interpreted in accordance with the laws of the State of New York. The rights of holders of ordinary shares (including ordinary shares represented by ADSs) is governed by the laws of England and Wales.

As an owner of ADSs, you irrevocably agree that any legal action arising out of the Deposit Agreement, the ADSs or the ADRs, involving the Company or the Depositary, may only be instituted in a state or federal court in the city of New York.

AS A PARTY TO THE DEPOSIT AGREEMENT, HOLDERS IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING AGAINST US AND/OR THE DEPOSITARY ARISING OUT OF, OR RELATING TO, THE DEPOSIT AGREEMENT, ANY ADR AND ANY TRANSACTIONS CONTEMPLATED IN THE DEPOSIT AGREEMENT (WHETHER BASED ON CONTRACT, TORT, COMMON LAW OR OTHERWISE).

Exhibit 4.21

DATED 17 DECEMBER 2020

(1) **MEREO BIOPHARMA GROUP PLC**

(2) **THE NOTEHOLDERS NAMED HEREIN**

DEED OF CONSENT AND AMENDMENT

RELATING TO A CONVERTIBLE LOAN NOTE
INSTRUMENT DATED 3 JUNE 2020

CONTENTS

THIS DEED is dated 17 December 2020 and made between:

(1) **MEREO BIOPHARMA GROUP PLC**, incorporated and registered in England and Wales with company number 09481161 whose registered office is at 4th Floor, 1 Cavendish Place, London W1G 0QF, United Kingdom (the "**Company**");

(2) **ORBIMED PRIVATE INVESTMENTS VII, LP** a Delaware limited partnership with office address at c/o Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808;

(3) **ORBIMED PARTNERS MASTER FUND LIMITED**, a Bermuda company with office address at c/o Conyers Corporate Services (Bermuda) Limited, Clarendon House, 2 Church Street, Hamilton, HM 11 Bermuda;

(4) **ORBIMED GENESIS MASTER FUND, L.P.** Cayman Islands limited partnership with office address at c/o Intertrust (Cayman) Ltd., 190 Elgin Avenue, George Town, Grand Cayman KY1- 9005, Cayman Islands (together with OrbiMed Private Investments VII, LP and OrbiMed Partners Master Fund Limited, "**OrbiMed**");

(5) **667, L.P**. a Delaware limited partnership with office address at Baker Brothers Investments, 860 Washington St, 3rd Floor, New York, NY 10014;

(6) **BAKER BROTHERS LIFE SCIENCES, L.P.** a Delaware limited partnership with office address at Baker Brothers Investments, 860 Washington St, 3rd Floor, New York, NY 10014 (together with 667, L.P., "**Baker Brothers**");

(7) **VIVO CAPITAL FUND IX, L.P.** a Delaware partnership with office address C/O Vivo Capital LLC, 192 Lytton Avenue, Palo Alto, CA 94301;

(8) **VIVO OPPORTUNITY FUND, L.P.** a Delaware partnership with office address C/O Vivo Capital LLC, 192 Lytton Avenue, Palo Alto, CA 94301 (together with Vivo Capital Fund IX L.P., "**Vivo**");

(9) **BOXER CAPITAL, LLC**, a Delaware company with office address 11682 El Camino Real, Suite 320, San Diego, CA 92130; and

(10) **MVA INVESTORS, LLC**, a Delaware company with office address 11682 El Camino Real, Suite 320, San Diego, CA 92130 (together with Boxer Capital LLC, "**Tavistock**"), (OrbiMed, Baker Brothers, Vivo and Tavistock together, the "Noteholders").

WHEREAS:

(a) We refer to the convertible loan note instrument originally dated 3 June 2020 and as amended on 9 June 2020 pursuant to which the Company constituted certain unsecured convertible loan notes of £1 principal amount each (the "**Note Instrument**"), the defined terms of which shall bear the same meaning in this Deed unless a contrary intention appears.

(b) As a result of an increasingly smaller proportion of trading in the Company's shares being conducted on the Alternative Investment Market ("**AIM**") operated by the London Stock Exchange, and the duplicative costs and staff time involved in complying with both the AIM Rules for Companies and the NASDAQ market rules, the Company is intending to cancel the

admision of its Ordinary Shares to trading on AIM from with effect from 18 December 2020 (the "Delisting"). Following the Delisting, the only listing maintained by the Company will be that of American depositary receipts on NASDAQ, the tradeable entitlement representing American Depositary Shares ("ADSs"), each of which such ADS represents five Ordinary Shares shares of £.003 in the capital of the Company.

(c) If the Note Instrument is not amended as contemplated by this Deed then, following the Delisting, upon a conversion of Notes under the Note Instrument, the Company's legal obligations in respect of the issue of Shares to a converting Noteholder would be satisfied by the delivery of the relevant number of unlisted Ordinary Shares to which such converting Noteholder is entitled. There would be no obligation on the Company to either (i) obtain an alternative listing of the Company's Ordinary Shares; or (ii) to deliver ADSs upon a conversion of the Notes.

(d) Given the limited liquidity offered by unlisted Ordinary Shares compared to AIM-listed Ordinary Shares, the Company intends to amend the terms of the Note Instrument to allow for conversion of the Notes to result in the direct issue of ADSs to a Noteholder, without the need for such Noteholder to first be issued with unlisted Ordinary Shares. This mechanism for conversion of Notes into ADSs will operate as follows:

(i) when a Noteholder serves a notice in writing to the Company that it wishes to convert outstanding Notes (a "**Conversion Notice**") pursuant to Part 2 of Schedule 2 of the Note Instrument, they may also send the Company an ADS Issuance and Delivery Instruction (the form of which is included at Part 4 to Schedule 2 of the Amended Note Instrument) if they wish for such Ordinary Shares to be delivered in the form of ADSs;

(ii) on the relevant Conversion Date, in respect of any Noteholder who wishes to receive ADSs and who has also sent a ADS Issuance and Delivery Instruction (the form of which is set out at Part 4 of Schedule 2 to the Amended Note Instrument), the Company issues the relevant number of unlisted Ordinary Shares as is specified in the Conversion Notice to the custodian of the Depositary (as defined below);

(iii) the custodian confirms to the Depositary that it has received the relevant number of Ordinary Shares specified in the Conversion Notice; and

(iv) upon receipt of such confirmation, the Depositary issues the relevant number of ADSs to the DTC Participant Account details specified in the ADS Issuance and Delivery Instruction.

(e) By this deed, the Company seeks the Noteholder Majority Consent required pursuant to Clause 12 (*Variation*) to adopt the Amended Note Instrument in the form attached at Schedule 2 hereto so as to effect the amendments outlined at Recitals (a)-(d) above and detailed in the form of the Amended Note Instrument.

IT IS AGREED as follows:

1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Deed:

ADS	has the meaning given in Recital (b);
AIM	has the meaning given in Recital (b);
Amended Note Instrument	means the Note Instrument, as amended by this Deed, in the form attached hereto at Schedule 1;
Conversion Notice	has the meaning given in Recital (d);
Delisting	has the meaning given in Recital (b);
Depositary	means the Depositary engaged by the Company for the issuance and transfer of ADSs, being Citibank N.A. as at the Effective Date;
Effective Date	the date of this Deed; and
Note Instrument	has the meaning given in Recital (a).

1.2 Interpretation

The principles of construction set out in the Note Instrument shall have effect as if set out in this Deed.

1.3 Clauses

In this Deed any reference to a “Clause” or a “Schedule” is, unless the context otherwise requires, a reference to a Clause in or a Schedule to this Deed.

1.4 Third party rights

A Person who is not a party to this Deed has no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce or enjoy the benefit of any term of this Deed.

2 CONSENT

For all purposes pursuant to the Note Instrument (in particular clause 12.1), the Noteholders hereby consent as of the Effective Date to the adoption of the Amended Note Instrument by the Company on the terms set out in this Deed.

3 AMENDMENT, WAIVER AND DELIVERY OF AMENDED NOTE INSTRUMENT

3.1 Amendment

With effect from the Effective Date, the Note Instrument shall be amended so as to include all the changes marked within the version of the Note Instrument as set out in Schedule 1 (Amended Note Instrument). The amendment of the Note Instrument is without prejudice to the rights of any of the parties to the Note Instrument in respect of matters that arose prior to the Effective Date. For the avoidance of doubt and for the future reference of the Noteholders, the Company, their successors in title and any other persons with an interest in the Notes or the terms of the Note Instrument (if any), Schedule 2 attaches a complete and clean copy of the Amended Note Instrument which incorporates the changes implemented pursuant to this Deed.

3.2 Waiver

The adoption of the Amended Note Instrument by the Company constitutes a variation for the purposes of clause 12.1 of the Note Instrument and is binding on all Noteholders.

3.3 Delivery of Amended Note Instrument

No later than 5 Business Days after the Effective Date, the Company shall dispatch an executed copy of the Amended Note Instrument to each Noteholder.

4 CONTINUITY AND FURTHER ASSURANCE

4.1 Continuing obligations

The provisions of the Note Instrument shall, save as amended by this Deed, continue in full force and effect and any Notes in issue shall, from the Effective Date, be construed in accordance with the terms of the Amended Note Instrument.

4.2 Further assurance

The Company and each of the Noteholders, shall, at the request of the Company or the Noteholder Majority (as the case may be) and at their own expense, do all such acts and things necessary to give effect to the amendments effected or to be effected pursuant to this Deed.

5 COSTS AND EXPENSES

Each Party shall be responsible for all costs and expenses (including but not limited to legal fees) it incurs in connection with the negotiation, preparation, printing and execution of this Deed and any other documents referred to in this Deed.

6 MISCELLANEOUS

6.1 Incorporation of terms

The provisions of clause 14 (Notices) of the Note Instrument shall be incorporated into this Deed as if set out in full in this Deed and as if references in that clause to “this Instrument” are references to this Deed.

6.2 Counterparts

This Deed may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Deed.

7 GOVERNING LAW

This Deed and any non-contractual obligations arising out of or in connection with it are governed by English law.

This Deed has been entered into and delivered on the date stated at the beginning of this Deed.

THIS INSTRUMENT AND THE SECURITIES ISSUABLE UPON THE CONVERSION HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"). THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR PURSUANT TO AN APPLICABLE EXEMPTION THEREFROM.

DATED_____ ~~JUNE~~DECEMBER 2020

AMENDED CONVERTIBLE LOAN NOTE INSTRUMENT DATED 3 JUNE 2020

RELATING TO

MEREO BIOPHARMA GROUP PLC

CONTENTS

THIS INSTRUMENT is made as a deed poll on 3 June 2020 and as amended on 9 June 2020 and December 2020.

BY

MEREO BIOPHARMA GROUP PLC incorporated and registered in England and Wales with company number 09481161 whose registered office is at 4th Floor, 1 Cavendish Place, London W1G 0QF, United Kingdom (the "**Company**").

WHEREAS:

A. ~~The~~On 3 June 2020 the Company ~~is entering~~entered into certain financing transactions ~~on or around the date hereof~~, pursuant to which OrbiMed Partners Master Fund Limited, OrbiMed Genesis Master Fund L.P. and OrbiMed Private Investments VII, LP (the "**Lead Investors**") and certain other investors (the "**Investors**") ~~shall be subscribing~~subscribed for the following securities of the Company: (x) a unit (referred to for convenience as "**Ordinary Units**"), consisting of (i) one ordinary share of the Company with a nominal value of £0.003 per share (such class of shares, the "**Ordinary Shares**," and all such shares to be issued to the Purchasers, the "**Shares**") together with (ii) one warrant to subscribe for 0.50 Ordinary Shares (all such warrants to be issued to the Purchasers, the "Ordinary Warrants"), at a purchase price of £0.174 per Unit and (y) a unit (referred to for convenience as the "Convertible Units") consisting of (i) one Note together with (ii) warrants to subscribe for a number of Ordinary Shares equal to 0.5 times the number of Ordinary Shares issuable upon conversion of each Note (all such warrants to be issued to the Purchasers, the "Note Warrants" and together with the Ordinary Warrants (the "Warrants") (the issuance of the foregoing Ordinary Units and Convertible Units collectively , the "Transaction").

B. By exercise of the powers conferred on them by the Articles, the Directors of the Company have, by a resolution passed on 1 June 2020, resolved to create, and to constitute the Notes hereunder.

C. This Instrument constitutes the Notes.

D. The Company and its subsidiaries are parties to an existing senior secured loan agreement in the principal amount of £20,455,000 with Silicon Valley Bank (as lender) ("**SVB**") and Kreos Capital V (UK) Limited (as lender, agent and security agent) ("**Kreos**"), dated 28 September 2018 (as updated and amended from time to time) (the "**Senior Loan**").

E. The Notes created hereunder shall be subordinated to the Senior Loan by entry into a separate subordination deed between the Noteholders, Kreos and SVB on or around the date hereof (the "**Subordination Agreement**").

AGREED TERMS

1. INTERPRETATION

1.1 The definitions and rules of interpretation in this clause apply in this Instrument.

1.2 **Acceleration Date:** has the meaning given in paragraph 4 of Part 1 of Schedule 2.

ADS: has the meaning given in the Securities Purchase Agreement.

ADS Exchange Ratio: means the ratio applicable to the exchange of Ordinary Shares for ADSs from time to time, currently being a ratio of 5 Ordinary Shares for each ADS.

Affiliate: means a person that owns or controls directly or indirectly another person, any person that controls or is controlled by or is under common control with the person, including, without limitation, any subsidiaries, and any of that person's general or limited partners, senior executive officers, directors and, for any person that is a limited liability company, that person's managers and members or any venture capital fund or registered investment company now or hereafter existing that is controlled by one or more general partners or managing members or investment advisor of, or shares the same management company or investors advisor (or member thereof) with, such person.

Alternative Warrant Conversion Notice: has the meaning given in the Securities Purchase Agreement.

Articles: means the articles of association of the Company, as amended or superseded.

Business Day: means any day other than Saturday, Sunday or federal legal holiday in the United States of America, or public holiday or bank holiday in the United Kingdom.

Certificate: means a Tranche 1 Note Certificate, a Tranche 2 Note Certificate or a Tranche 3 Note Certificate, as applicable.

Change of Control: means, (a) in one transaction or a series of related transactions, a person or one or more persons acting in concert, acquiring (i) all (or substantially all) of the share capital or assets of the Company, or (ii) more than fifty percent (50%) of the outstanding equity or other securities of the Company; or (b) any merger, consolidation, reorganisation, or business combination as a result of which the majority equity or other security holders of the Company immediately preceding such transaction (s) hold less than fifty percent (50%) of the outstanding voting power, respectively, of the ultimate company or entity resulting from such transaction(s) immediately after consummation of such transaction. In the foregoing case, "acting in concert" means a group of persons who, pursuant to an agreement or understanding (whether formal or informal), actively co-operate, through the acquisition and/or ownership of voting shares in the Company, to obtain or consolidate control (directly or indirectly) of the Company provided that the persons voting in the same or consistent manner at any general meeting of the Company will not be considered to be acting in concert by virtue only of exercising their votes in such manner.

Change of Control Payment: has the meaning given in paragraph 4.12 of Part 1 of Schedule 2.

Closing Price: means: (i) if at the relevant time the Ordinary Shares continue to be admitted to trading on AIM, the most recently reported closing price of one Ordinary Share on AIM; or (ii) if at the relevant time the Shares are no longer admitted to trading on AIM, the implied price of one Ordinary Share in pounds sterling by reference to the most recently reported closing price of an ADS on Nasdaq.

Conditions: means the conditions attaching to the Notes, as set out in Schedule 2 (as amended from time to time in accordance with this Instrument).

Conversion Date: means (i) in the case of Tranche 1 Notes being converted automatically following Shareholder Approval pursuant to the provisions of paragraph 1.2 of Part 2 of Schedule 2, the date on which such Shareholder Approval is granted; and/or (ii), in the case of an Uplift Notice or Pay Down Notice, the date specified in such notice; and/or (iii) in all other cases, the date falling 5 Business Days after service of the Conversion Notice.

Conversion Notice: means a notice in writing served by a Noteholder to the Company to convert all or, if the Ownership Limit applies, some of its outstanding Notes.

Default Rate: means the Tranche 1 Default Rate, Tranche 2 Default Rate or Tranche 3 Default Rate (as applicable).

Depositary: has the meaning given in the Securities Purchase Agreement.

Directors: means the board of directors of the Company, or a duly authorised committee of that board, for the time being.

Effective Date: means the date of this Deed.

Event of Default: means any of the events set out in paragraph 5 of Part 1 of Schedule 2.

Existing Indebtedness: means any indebtedness incurred by a Group Company and outstanding on or prior to the Effective Date (which for the avoidance of doubt shall include indebtedness pursuant to the Senior Loan and the Novartis Loan Note).

Group Company: means each of the Company and its subsidiaries.

Interest Rate: has the meaning given in paragraph 1 of Part 1 of Schedule 2.

Kreos: has the meaning given in the recitals of this Instrument.

Lead Investors: has the meaning given in the recitals of this Instrument.

Nasdaq: means the Nasdaq Global Market or the Nasdaq Capital Market (as applicable).

Notes: means the Tranche 1 Notes, the Tranche 2 Notes or the Tranche 3 Notes, as applicable.

Noteholder: means a person for the time being entered in the Register as holder of any Notes.

Noteholder Majority: means Noteholders holding more than 50% of the principal amount of all outstanding Notes.

Noteholder Majority Consent: means the consent of a Noteholder Majority provided either at a meeting of Noteholders or in writing, in each case in accordance with the requirements of Schedule 3.

Novartis: means Novartis Pharma AG, a company incorporated under the laws of Switzerland.

Novartis Loan Note: **means the convertible loan note originally issued by the Company to Novartis in the principal amount of £3,841,479 on 8 February 2020.**

Ordinary Shares: means the ordinary shares of £0.003 each in the capital of the Company, which have the rights set out in the Articles.

Original Warrantholder: has the meaning given in the Securities Purchase Agreement.

Ownership Limit: has the meaning given in paragraph 1.2 of Part 2 of Schedule 2.

Pay Down Issue: has the meaning given in paragraph 4.7 of Part 1 of Schedule 2.

Pay Down Notice: has the meaning given in paragraph 4.7 of Part 1 of Schedule 2.

Pay Down Securities: has the meaning given in paragraph 4.7 of Part 1 of Schedule 2.

Pay Down Reduction Amount: has the meaning given in paragraph 4.8 of Part 1 of Schedule 2.

Qualifying Noteholder: means any Noteholder holding Notes with a principal amount of £6,004,803.84 ~~million~~ or greater.

Redemption Date: has the meaning given in paragraph 4.1 of Part 1 of Schedule 2.

Redemption Notice: has the meaning given in paragraph 4.13 of Part 1 of Schedule 2.

Register: means a register of Noteholders referred to in, and kept and maintained in accordance with, clause 8.

Registered Office: means the registered office of the Company from time to time.

Securities Purchase Agreement: means the agreement governing the purchase of Ordinary Shares comprising the Transaction among, *inter alios*, the Company, the Lead Investors and the other Investors party thereto, dated on or around the date hereof.

Senior Lenders: means SVB and Kreos (and each of them individually, a "Senior Lender") and/or their respective successors in title.

Senior Loan: has the meaning given in the recitals of this Instrument.

Shareholder Approval: has the meaning given in the Securities Purchase Agreement.

Shareholders Meeting: has the meaning given in the Securities Purchase Agreement.

Shares: has the meaning given in the recitals of this Instrument.

Subordination Agreement: has the meaning given in the recitals of this Instrument.

SVB: has the meaning given in the recitals of this Instrument.

Tranche 1 Conversion Price: £0.174 per Ordinary Share, subject to adjustment as set forth in Part 3 of Schedule 2.

Tranche 2 Conversion Price: £0.348 per Ordinary Share, subject to adjustment as set forth in Part 3 of Schedule 2.

Tranche 1 Default Rate: has the meaning given in paragraph 1.1 of Part 1 of Schedule 2.

Tranche 2 Default Rate: has the meaning given in paragraph 1.2 of Part 1 of Schedule 2.

Tranche 3 Default Rate: has the meaning given in paragraph 1.3 of Part 1 of Schedule 2.

Tranche 1 Extension Option: has the meaning given in paragraph 2.3 of Part 1 of Schedule 2.

Tranche 1 Extension Notice: has the meaning given in paragraph 2.3 of Part 1 of Schedule 2.

Tranche 2 Extension Option: has the meaning given in paragraph 2.5 of Part 1 of Schedule 2.

Tranche 2 Extension Notice: has the meaning given in paragraph 2.5 of Part 1 of Schedule 2.

Tranche 3 Extension Option: has the meaning given in paragraph 2.7 of Part 1 of Schedule 2.

Tranche 3 Extension Notice: has the meaning given in paragraph 2.7 of Part 1 of Schedule 2.

Tranche 1 Maturity Date: means 3 June 2023 or, in respect of any Tranche 1 Notes held by a Qualifying Noteholder, such later date as may be applicable following exercise of the Tranche 1 Extension Option.

Tranche 2 Maturity Date: means the date falling three years from the date of issue of such Tranche 2 Notes, or in respect of any Tranche 2 Notes held by a Qualifying Noteholder, such later date as may be applicable following exercise of the Tranche 2 Extension Option.

Tranche 3 Maturity Date: means 3 June 2025 or, in respect of any Tranche 3 Notes held by a Qualifying Noteholder, such later date as may be applicable following exercise of the Tranche 3 Extension Option and acceptance by the Company of the same.

Tranche 1 Note Certificate: a certificate for Tranche 1 Notes in the form (or substantially in the form) set out in Part 1 of Schedule 1.

Tranche 2 Note Certificate: a certificate for Tranche 2 Notes in the form (or substantially in the form) set out in Part 2 of Schedule 1.

Tranche 3 Note Certificate: a certificate for Tranche 3 Notes in the form (or substantially in the form) set out in Part 3 of Schedule 1.

Tranche 1 Noteholder: means a Noteholder holding Tranche 1 Notes.

Tranche 2 Noteholder: means a Noteholder holding Tranche 2 Notes.

Tranche 3 Noteholder: means a Noteholder holding Tranche 3 Notes.

Tranche 1 Notes: up to £40,533,671 in aggregate unsecured convertible loan notes of £1 principal amount each, maturing on the Tranche 1 Maturity Date constituted by this Instrument or, as the case may be, the principal amount of such loan notes for the time being issued and outstanding, and **principal amount** shall be construed accordingly.

Tranche 2 Notes: up to £40,032,025 in aggregate unsecured convertible loan notes of £1 principal amount each, maturing on the Tranche 2 Maturity Date constituted by this Instrument or, as the case may be, the principal amount of such loan notes for the time being issued and outstanding, and **principal amount** shall be construed accordingly.

Tranche 3 Notes: up to £56,044,831 in aggregate unsecured loan notes of £1 principal amount each, maturing on the Tranche 3 Maturity Date constituted by this Instrument or, as the case may be, the principal amount of such loan notes for the time being issued and outstanding, and **principal amount** shall be construed accordingly.

Transaction: has the meaning given in the recitals of this Instrument.

Uplift Allocation Notice: has the meaning given in paragraph 4.3 of part 1 of Schedule 2.

Uplift Reduction Amount: has the meaning given in paragraph 4.4 of part 1 of Schedule 2.

Uplift Securities: has the meaning given in paragraph 4.3 of part 1 of Schedule 2.

Warrant: has the meaning given in the recitals of this Instrument.

Warrant Instrument: means the instrument constituting the Warrants dated on or about the Effective Date.

1.3 Clause, Schedule and paragraph headings shall not affect the interpretation of this Instrument.

1.4 References to clauses and Schedules are to the clauses of and Schedules to this Instrument and references to paragraphs are to paragraphs of the relevant Schedule.

1.5 The Schedules (including, for the avoidance of doubt, the Conditions) form part of this Instrument and shall have effect as if set out in full in the body of this Instrument. Any reference to this Instrument includes the Schedules.

1.6 A reference to **this Instrument**, **the Conditions** or to any other agreement or document referred to in this Instrument or the Conditions is a reference to this Instrument (which shall include the Conditions), the Conditions or such other agreement or document as varied or novated in accordance with their terms from time to time.

1.7 Unless the context otherwise requires, words in the singular shall include the plural and in the plural shall include the singular.

1.8 Unless the context otherwise requires, a reference to one gender shall include a reference to the other genders.

1.9 A **person** includes a natural person, corporate or unincorporated body (whether or not having separate legal personality) and that person's personal representatives, successors and permitted assigns.

1.10 A reference to a **company** shall include any company, corporation or other body corporate, wherever and however incorporated or established.

1.11 A reference to a **holding company** or a **subsidiary** means a holding company or a subsidiary (as the case may be) as defined in section 1159 of the Companies Act 2006.

1.12 A reference to **writing** or **written** includes fax but not e-mail (unless otherwise expressly provided in this Instrument).

1.13 Any words following the terms **including**, **include**, **in particular**, **for example** or any similar expression shall be construed as illustrative and shall not limit the sense of the words, description, definition, phrase or term preceding those terms.

1.14 Where the context permits, **other** and **otherwise** are illustrative and shall not limit the sense of the words preceding them.

1.15 A reference to a statute or statutory provision is a reference to it as amended, extended or re-enacted from time to time.

1.16 A reference to a statute or statutory provision shall include all subordinate legislation made from time to time under that statute or statutory provision.

1.17 Any obligation on a person not to do something includes an obligation not to allow that thing to be done.

1.18 A reference in this Instrument to:

(a) any Notes being **outstanding** means such Notes as are in issue, not redeemed, not converted and not cancelled at the relevant time;

(b) the **assets** of any person shall be construed as a reference to all or any part of its business, undertaking, property, assets, revenues (including any right to receive revenues) and uncalled capital;

(c) **indebtedness** shall be construed as a reference to any obligation for the payment or repayment of money, whether as principal or as surety and whether present or future, actual or contingent;

(d) **repayment** includes redemption and vice versa and the words **repay, redeem, repayable, redeemed** and **repaid** shall be construed accordingly;

(e) **$ or USD** denotes the lawful currency of the United States of America;

(f) **£** or **sterling** denotes the lawful currency of the United Kingdom; and

(g) **tax** shall be construed so as to include any present and future tax, levy, impost, deduction, withholding, duty or other charge of a similar nature (including, without limitation, any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

1.19 Unless the context otherwise requires, a reference to the **Notes** includes a reference to all and/or any of the Notes.

2. AMOUNT AND DESCRIPTION OF NOTES

2.1 The aggregate principal amount of the Tranche 1 Notes is limited to £40,533,671.

2.2 The aggregate principal amount of the Tranche 2 Notes is limited to £40,032,025.

2.3 The aggregate principal amount of the Tranche 3 Notes is limited to £56,044,831.

2.4 The Tranche 1 Notes shall be known as the unsecured convertible loan notes due 2023 and shall be issued by the Company in integral multiples of £1.

2.5 The Tranche 2 Notes shall be known as the unsecured convertible loan notes due 2026 and shall be issued by the Company in integral multiples of £1.

2.6 The Tranche 3 Notes shall be known as the unsecured loan notes due 2025 and shall be issued by the Company in integral multiples of £1.

3. STATUS OF NOTES

3.1 The Notes when issued and outstanding shall rank pari passu, equally and rateably, without discrimination or preference among themselves and as unsecured obligations of the Company.

3.2 The Notes shall be issued and held subject to and with the benefit of the provisions of this Instrument (including the Conditions). All such provisions shall be binding on the Company and the Noteholders and all persons claiming through or under them respectively and shall enure for the benefit of all Noteholders.

3.3 No Notes shall be issued or deemed issued pursuant to this Instrument until Closing (as defined in the Securities Purchase Agreement) has occurred in accordance with the terms and conditions of the Securities Purchase Agreement.

3.4 No Tranche 2 Notes shall be issued to any person who is not a Qualifying Noteholder and has not served upon the Company an Optional Warrant Conversion Notice (as defined in the Securities Purchase Agreement) in accordance with the provisions of section 5(h)(ii) of the Securities Purchase Agreement.

3.5 Any Qualifying Noteholder who delivers an Optional Warrant Conversion Notice (as defined in the Securities Purchase Agreement) in accordance with the provisions of Clause section 5(h)(ii) of the Securities Purchase Agreement shall have the subscription monies paid to the Company thereunder applied towards the subscription price for Tranche 2 Notes (in the face amount of £1 for each Tranche 2 Note issued) in accordance with section 5(h)(ii) of the Securities Purchase Agreement. The subscription price in respect of all Warrants subject to the Optional Warrant Conversion Notice shall be aggregated for purposes of determining the number of Tranche 2 Notes issued, provided that no Tranche 2 Notes shall be issued for any part payment towards a Tranche 2 Note and after aggregation of all such amounts, any remaining fractional sums pursuant to an Optional Warrant Conversion Notice shall be discounted when calculating the number of Tranche 2 Notes to be issued.

3.6 No Tranche 3 Notes shall be issued to any person if the Shareholder Approval is obtained on or before 7 August, 2020.

3.7 If the Shareholder Approval is not obtained on or before 7 August, 2020, the Company shall deliver Tranche 3 Notes (in the face amount of £1 for each Tranche 3 Note issued) to each Original Warrantholder that delivers an Alternative Warrant Conversion Notice in accordance with section 5(i)(ii) of the Securities Purchase Agreement, within five (5) Business Days after the surrender by the holder of the certificate representing the Warrant and the delivery of the Alternative Warrant Conversion Notice.

3.8 For so long as the Senior Loan remains outstanding, no Notes shall be issued or deemed issued to any person pursuant to this Instrument unless such person has first executed the Subordination Agreement or a deed of adherence to the Subordination Agreement (pursuant to which such person becomes bound by the terms of the Subordination Agreement) and provided a copy of such executed document to the Company and the Senior Lenders.

4. USE OF PROCEEDS

4.1 The proceeds of all subscriptions for the Notes shall be used in accordance with the terms and conditions of Section 5(j) of the Securities Purchase Agreement.

4.2 No part of the proceeds of any subscription for the Notes shall be used by the Company to make any dividend or distribution to any shareholder in the Company, or for the repurchase of Ordinary Shares.

5. REPAYMENT OF NOTES

5.1 The Notes shall be repaid in accordance with Part 1 of Schedule 2.

5.2 All Notes repaid by the Company shall be automatically and immediately cancelled and shall not be reissued.

6. INTEREST

Until the Notes are repaid by the Company or converted into Ordinary Shares, in each case in accordance with the provisions of this Instrument, interest shall accrue and be paid on the principal amount of the Notes outstanding at the rate and in the manner provided in Part 1 of Schedule 2.

7. CERTIFICATES

7.1 Each Noteholder (or the joint holders of any Notes) shall be entitled to receive, without charge, one Tranche 1 Note Certificate and/or Tranche 2 Note Certificate and/or Tranche 3 Note Certificate (as applicable) for the Tranche 1 Notes and/or Tranche 2 Notes and/or Tranche 3 Notes registered in his (or their) names.

7.2 Where any Notes are held jointly, the Company shall not be bound to issue more than one Certificate in respect of such Notes and delivery of a Certificate to the person who is first named in the Register as Noteholder shall be sufficient delivery to all joint holders of such Notes.

7.3 Each Certificate shall:

(a) bear a denoting number;

(b) indicate whether it relates to Tranche 1 Notes, Tranche 2 Notes, or Tranche 3 Notes;

(c) be issued and executed by the Company as a deed in the form (or substantially in the form) set out in Part 1 of Schedule 1, Part 2 of Schedule 1 or Part 3 of Schedule 1 (as applicable); and

(d) have the Conditions endorsed on or attached to it.

7.4 In the case of repayment or transfer of part only of a Noteholder's Notes, the Certificate(s) in respect of such Notes shall be either:

(a) endorsed with a memorandum of the nominal amount of the Notes so redeemed or transferred and the date of such repayment or transfer; or

(b) cancelled and (without charge) replaced by a new Certificate for the balance of the principal amount of the Notes not then repaid or transferred.

8. THE REGISTER

8.1 The Company shall keep and maintain the Register at the Registered Office or (subject always to the provisions of section 743 of the Act) at such other place as the Company may from time to time appoint for this purpose and notify to the Noteholders.

8.2 There shall be entered in the Register:

(a) the names and addresses of the Noteholders for the time being;

(b) the principal amount of the Notes held by each Noteholder;

(c) whether the Notes held by each Noteholder are Tranche 1 Notes, Tranche 2 Notes or Tranche 3 Notes;

(d) the date of issue of each of the Notes and the date on which the name of each Noteholder is entered in the Register in respect of the Notes registered in his name;

(e) the serial number of each Certificate issued and the date of its issue; and

(f) the date(s) of all transfers and changes of ownership of any of the Notes.

8.3 The Company shall promptly amend the Register to record any change to the name or address of a Noteholder that is notified in writing to the Company by that Noteholder.

8.4 The Noteholders or any of them, or any person authorised by a Noteholder, shall be at liberty at all reasonable times during office hours to inspect the Register and to take copies of or extracts from it or any part of it.

8.5 Every Noteholder shall be recognised by the Company as entitled to his Notes free from any equity, set-off or cross-claim against the original or an intermediate holder of such Notes.

9. NOTES NOT TO BE QUOTED

No application has been, or shall be, made (unless pursuant to paragraph 7.2 of Part 1 of Schedule 2) to any investment exchange (whether in the United Kingdom or otherwise) for permission to deal in, or for an official or other listing or quotation, in respect of the Notes.

10. SET-OFF

Payments of principal and interest in respect of the Notes shall be paid by the Company to the Noteholders in accordance with the Conditions without any deduction or withholding (whether in respect of any set-off, counterclaim or otherwise whatsoever) unless the deduction or withholding is required by law.

11. MEETINGS OF NOTEHOLDERS

Meetings of the Noteholders shall be convened and held in accordance with the provisions of Schedule 3.

12. VARIATION

12.1 All or any of the rights for the time being attached to the Notes or other provisions of this Instrument may from time to time (whether or not the Company is being wound up) be altered or abrogated with the prior written consent of a Noteholder Majority. Any such alteration or abrogation shall be effected by way of deed poll executed by the Company and expressed to be supplemental to this Instrument.

12.2 Modifications to this Instrument which are of a minor nature or made to correct a manifest error may be effected by way of deed poll executed by the Company and expressed to be supplemental to this Instrument.

12.3 The Company shall, within 5 Business Days of making any variation pursuant to this clause 12, send to each Noteholder (or, in the case of joint holders, to the Noteholder named first in the Register) a copy of the deed poll (or other document) effecting the variation.

12.4 Any modification, alteration or abrogation made pursuant to clause 12.1 or clause 12.2 shall be binding on all the Noteholders.

13. ENFORCEMENT AND THIRD PARTY RIGHTS

13.1 From and after the date of this Instrument, and for so long as any Notes are outstanding or any amount is payable or repayable by the Company in respect of the Notes, the Company undertakes to duly perform and observe its obligations under this Instrument.

13.2 Except as expressly provided in clause 13.3, a person who is not a party to this Instrument shall not have any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Instrument.

13.3 This Instrument shall operate for the benefit of all Noteholders and each Noteholder shall be entitled to sue for the performance or observance of the provisions of this Instrument in his own right so far as his own holding of Notes is concerned.

14. NOTICES

Any notice to be given to or by any Noteholder(s) for the purposes of this Instrument shall be given in accordance with the provisions of paragraph 9 and paragraph 10 of Part 3 of Schedule 2.

15. GOVERNING LAW AND JURISDICTION

15.1 This Instrument and the Notes and any dispute or claim arising out of or in connection with any of them or their subject matter or formation (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, the law of England and Wales.

15.2 The courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with this Instrument or the Notes or their subject matter or formation (including non-contractual disputes or claims).

This instrument has been executed as a deed and is delivered and takes effect on the date stated at the beginning of it.

Schedule 1

Part 1. - Form of Tranche 1 Note Certificate

Certificate No. [NUMBER]
Date of Issue [•] [June] 2020
Amount £[AMOUNT]

MEREO BIOPHARMA GROUP PLC
£[AMOUNT]
UNSECURED CONVERTIBLE LOAN NOTES

Created and issued pursuant to a resolution of a duly appointed committee of the board of directors of the Company passed on 3 June 2020.

THIS IS TO CERTIFY THAT [NAME OF NOTEHOLDER] is the registered holder of £[AMOUNT] of the £[AMOUNT] unsecured convertible loan notes 2023 constituted by an instrument entered into by the Company on [•] [June] 2020 ("**Instrument**"). These are Tranche 1 Notes. Such Tranche 1 Notes are issued with the benefit of and subject to the provisions contained in the Instrument and the Conditions endorsed on or annexed to this Certificate.

Notes:

1. The Tranche 1 Notes are repayable and shall bear interest in accordance with the Conditions.

2. This Certificate must be surrendered to the Company before any transfer or repayment, whether of the whole or any part of the Tranche 1 Notes comprised in it, can be registered or effected, or any new certificate issued in exchange.

3. Any change of address of the Noteholder(s) must be notified in writing signed by the Noteholder(s) to the Company at the Registered Office.

4. Subject to the Conditions, the Tranche 1 Notes are transferable in amounts and in integral multiples of £1.

5. No transfer of any part of the Tranche 1 Notes represented by this Certificate can be registered without production of this Certificate.

6. Words and expressions defined in the Instrument shall bear the same meaning in this Certificate and in the Conditions.

7. The Tranche 1 Notes and any dispute or claim arising out of or in connection with any of them or their subject matter or formation (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, the law of England and Wales. The courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with the Tranche 1 Notes or their subject matter or formation (including non-contractual disputes or claims).

8. A copy of the Instrument is available for inspection at the registered office of the Company.

This Certificate has been executed as a deed and is delivered and takes effect on the date of issue stated at the beginning of it.

Executed as a deed by MEREO BIOPHARMA GROUP PLC acting by [NAME OF DIRECTOR], a director

_____

[SIGNATURE OF DIRECTOR]

Director in the presence of:

Witness Signature: _____

Name: _____

Address: _____

Occupation

Dated: [INSERT DATE]

Part 2. - Form of Tranche 2 Note Certificate

Certificate No. [NUMBER]
Date of Issue [•] [•] [•]
Amount £[AMOUNT]

MEREO BIOPHARMA GROUP PLC
£[AMOUNT]
UNSECURED CONVERTIBLE LOAN NOTES

Created and issued pursuant to a resolution of a duly appointed committee of the board of directors of the Company passed on 3 June 2020.

THIS IS TO CERTIFY THAT [NAME OF NOTEHOLDER] is the registered holder of £[AMOUNT] of the £[AMOUNT] unsecured convertible loan notes with a Maturity Date of [•], constituted by an instrument entered into by the Company on [•] [June] 2020 ("**Instrument**"). These are Tranche 2 Notes. Such Tranche 2 Notes are issued with the benefit of and subject to the provisions contained in the Instrument and the Conditions endorsed on or annexed to this Certificate.

Notes:

1. The Tranche 2 Notes are repayable and shall bear interest in accordance with the Conditions.

2. This Certificate must be surrendered to the Company before any transfer or repayment, whether of the whole or any part of the Tranche 2 Notes comprised in it, can be registered or effected, or any new certificate issued in exchange.

3. Any change of address of the Noteholder(s) must be notified in writing signed by the Noteholder(s) to the Company at the Registered Office.

4. Subject to the Conditions, the Tranche 2 Notes are transferable in amounts and in integral multiples of £1.

5. No transfer of any part of the Tranche 2 Notes represented by this Certificate can be registered without production of this Certificate.

6. Words and expressions defined in the Instrument shall bear the same meaning in this Certificate and in the Conditions.

7. The Tranche 2 Notes and any dispute or claim arising out of or in connection with any of them or their subject matter or formation (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, the law of England and Wales. The courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with the Tranche 2 Notes or their subject matter or formation (including non-contractual disputes or claims).

8. A copy of the Instrument is available for inspection at the registered office of the Company.

This Certificate has been executed as a deed and is delivered and takes effect on the date of issue stated at the beginning of it.

Executed as a deed by MEREO BIOPHARMA GROUP PLC acting by [NAME OF DIRECTOR], a director

_____

[SIGNATURE OF DIRECTOR]

Director in the presence of:

Witness Signature: _____

Name: _____

Address: _____

Occupation

Dated: [INSERT DATE]

Part 3. - Form of Tranche 3 Note Certificate

Certificate No. [NUMBER]
Date of Issue [•] [•] [•]
Amount £[AMOUNT]

MEREO BIOPHARMA GROUP PLC
£[AMOUNT]
UNSECURED LOAN NOTES

Created and issued pursuant to a resolution of a duly appointed committee of the board of directors of the Company passed on 3 June 2020.

THIS IS TO CERTIFY THAT [NAME OF NOTEHOLDER] is the registered holder of £[AMOUNT] of the £[AMOUNT] unsecured loan notes with a Maturity Date of [•] June 2025, constituted by an instrument entered into by the Company on [•] [June] 2020 ("**Instrument**"). These are Tranche 3 Notes. Such Tranche 3 Notes are issued with the benefit of and subject to the provisions contained in the Instrument and the Conditions endorsed on or annexed to this Certificate.

Notes:

1. The Tranche 3 Notes are repayable and shall bear interest in accordance with the Conditions.

2. This Certificate must be surrendered to the Company before any transfer or repayment, whether of the whole or any part of the Tranche 3 Notes comprised in it, can be registered or effected, or any new certificate issued in exchange.

3. Any change of address of the Noteholder(s) must be notified in writing signed by the Noteholder(s) to the Company at the Registered Office.

4. Subject to the Conditions, the Tranche 3 Notes are transferable in amounts and in integral multiples of £1.

5. No transfer of any part of the Tranche 3 Notes represented by this Certificate can be registered without production of this Certificate.

6. Words and expressions defined in the Instrument shall bear the same meaning in this Certificate and in the Conditions.

7. The Tranche 3 Notes and any dispute or claim arising out of or in connection with any of them or their subject matter or formation (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, the law of England and Wales. The courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with the Tranche 3 Notes or their subject matter or formation (including non-contractual disputes or claims).

8. A copy of the Instrument is available for inspection at the registered office of the Company.

This Certificate has been executed as a deed and is delivered and takes effect on the date of issue stated at the beginning of it.

Executed as a deed by MEREO BIOPHARMA GROUP PLC acting by [NAME OF DIRECTOR], a director

_____

[SIGNATURE OF DIRECTOR]

Director in the presence of:

Witness Signature: _____

Name: _____

Address: _____

Occupation

Dated: [INSERT DATE]

Schedule 2 The Conditions

Part 1. Interest, repayment and redemption

1. INTEREST

1.1 Interest shall initially be payable on any outstanding Tranche 1 Notes (so far as not converted under Part 2 of Schedule 2) at a fixed rate of 10% per annum **(**the "**Interest Rate**"), subject to the following adjustments:

(a) if Shareholder Approval is obtained on or prior to 7 August 2020, the initial 10% rate shall be reduced to 6% per annum, with effect retroactively as of the Effective Date;

(b) if an Event of Default takes place and is not remedied by the Company in accordance with the applicable provisions of this Part 1 of Schedule 2, the Tranche 1 Interest Rate shall be increased by 2% per annum with effect from the date of such Event of Default (or, if applicable, the expiry of any cure period applicable thereto) (the "**Tranche 1 Default Rate**"); and

(c) if the Tranche 1 Extension Option is exercised, interest shall cease to be payable on the Tranche 1 Notes from the date of the relevant Tranche 1 Extension Notice (other than any interest payable at the Tranche 1 Default Rate following an Event of Default, which, for the avoidance of doubt, shall apply at a flat rate of 2% in such circumstances and remain payable).

1.2 Interest shall not be payable on any outstanding Tranche 2 Notes or Tranche 3 Notes other than where an Event of Default takes place and is not remedied by the Company in accordance with the applicable provisions of this Part 1 of Schedule 2, where interest shall be payable on the Tranche 2 Notes and/or Tranche 3 Notes (as applicable) at a rate of 2% per annum with effect from the date of such Event of Default (or, if applicable, the expiry of any cure period applicable thereto) (the "**Tranche 2 Default Rate**" and "**Tranche 3 Default Rate**", respectively).

1.3 Any interest due under paragraphs 1.1 or 1.2 shall be payable on the Redemption Date.

1.4 Interest, if payable, shall accrue daily at the Interest Rate and shall be calculated on the basis of a 365-day year and the actual number of days elapsed from the date of issue of the relevant Notes to the Redemption Date.

1.5 If the Company fails to pay redemption monies when due, interest shall accrue on the unpaid amount at the applicable Default Rate.

2. REPAYMENT OF PRINCIPAL

2.1 As and when the Notes (or any part of them) are to be redeemed in accordance with paragraph 4 of this Part 1 of Schedule 2, the Company shall pay the Noteholders the principal amount of the Notes which are to be redeemed, subject to adjustment in accordance with paragraph 4.2 of this Part 2 of Schedule 2.

2.2 No prepayment of the principal amount of the Notes or any interest accrued thereon prior to the earlier of the Maturity Date or, in the event of a Change of Control, the date on which the consideration in respect of such Change of Control is remitted to the holders of Ordinary Shares, shall be permitted without the consent of a Noteholder Majority, and, if required, the consent of the Senior Lenders pursuant to the terms of the Subordination Deed.

2.3 At any time prior to the Tranche 1 Maturity Date, a Qualifying Noteholder may (but shall not be required to) notify the Company that it wishes to extend the Tranche 1 Maturity Date in respect of that Noteholder's Tranche 1 Notes to a new date to be specified in such notice provided such date is a Business Day and not later than the date 10 years after the date of this Instrument (a "**Tranche 1 Extension Notice**"), and the Company shall accept such extension (the "**Tranche 1 Extension Option**"), whereupon the Tranche 1 Maturity Date shall be revised accordingly. A Qualifying Noteholder may only issue a Tranche 1 Extension Notice once and any such Tranche 1 Extension Option must be used in respect of all Tranche 1 Notes held by such Qualifying Noteholder. From the date of such Tranche 1 Extension Notice, other than amounts accrued prior to delivery of the Tranche 1 Extension Notice, no additional interest shall be payable on the Tranche 1 Notes held by the exercising Qualifying Noteholder (other than any interest which becomes payable at the Tranche 1 Default Rate).

2.4 On the date of the Tranche 1 Extension Notice the exercising Qualifying Noteholder shall deliver to the Company the Tranche 1 Note Certificate in respect of the Tranche 1 Notes which are the subject of such Tranche 1 Extension Notice, and the Company shall, within 5 Business Days' of the exercise of the Tranche 1 Extension Option, issue to such Qualifying Noteholder a replacement Tranche 1 Note Certificate bearing the revised Tranche 1 Maturity Date.

2.5 A Qualifying Noteholder who holds both Tranche 1 Notes and Tranche 2 Notes may (but shall not be required) if they have already served an Extension Notice (or contemporaneously with the service of an Extension Notice), notify the Company that it wishes to extend the Tranche 2 Maturity Date in respect of that Noteholder's Tranche 2 Notes to the same date that it has specified as the Tranche 1 Maturity Date pursuant to its Extension Notice for Tranche 1 Notes (such further notice being a "**Tranche 2 Extension Notice**"), and the Company shall accept such extension (the "**Tranche 2 Extension Option**"), whereupon the Tranche 2 Maturity Date shall be revised accordingly. A Qualifying Noteholder may only issue a Tranche 2 Extension Notice once and any such Tranche 2 Extension Option must be used in respect of all Tranche 2 Notes held by such Qualifying Noteholder.

2.6 On the date of the Tranche 2 Extension Notice the exercising Qualifying Noteholder shall deliver to the Company the Tranche 2 Note Certificate in respect of the Tranche 2 Notes which are the subject of such Tranche 2 Extension Notice, and the Company shall, within 5 Business Days' of the exercise of the Tranche 2 Extension Option, issue to such Qualifying Noteholder a replacement Tranche 2 Note Certificate bearing the revised Tranche 2 Maturity Date.

2.7 Any Qualifying Noteholder who holds Tranche 3 Notes may (but shall not be required), notify the Company that it wishes to extend the Tranche 3 Maturity Date in respect of that Qualifying Noteholder's Tranche 3 Notes to a new date to be specified in such notice provided such date is a Business Day and not later than the date 10 years after the date of this Instrument (such notice being a "**Tranche 3 Extension Notice**"). Upon receipt of a Tranche 3 Extension Notice, the Company may reject a Tranche 3 Extension Notice by providing written notice of such rejection to the Noteholder within 30 Business Days of receipt of such Tranche 3 Extension Notice (whereupon no extension of such Noteholder's Tranche 3 Notes shall occur). If the Company does not reject a Tranche 3 Extension Notice within such foregoing period, the Tranche 3 Extension Notice shall be considered accepted (the "**Tranche 3 Extension Option**"), whereupon the Tranche 3 Maturity Date shall be revised accordingly. A Qualifying Noteholder may only issue a Tranche 3 Extension Notice once and any such Tranche 3 Extension Option must be used in respect of all Tranche 3 Notes held by such Qualifying Noteholder.

2.8 On the date of the Tranche 3 Extension Notice the exercising Qualifying Noteholder shall deliver to the Company the Tranche 3 Note Certificate in respect of the Tranche 3 Notes which are the subject of such Tranche 3 Extension Notice. If the Company rejects the Tranche 3 Extension Notice, the Company shall promptly return such Tranche 3 Note Certificate to the Noteholder. If the Tranche 3 Extension Option is accepted, the Company shall, within 5 Business Days' of the exercise of the Tranche 3 Extension Option, issue to such Qualifying Noteholder a replacement Tranche 3 Note Certificate bearing the revised Tranche 3 Maturity Date.

3. TIME OF PAYMENT

Whenever any payment of principal (or otherwise) becomes due on a day which is not a Business Day, payment shall be made on the next following Business Day.

4. REDEMPTION

4.1 The Notes then in issue (so far as not converted under Part 2 of this Schedule 2) shall be redeemed at the principal amount together with interest on the Notes outstanding at the applicable Interest Rate on the earlier of the following dates:

(a) the Tranche 1 Maturity Date, Tranche 2 Maturity date or Tranche 3 Maturity date (as applicable); or

(b) in the event of a Change of Control, the date on which the consideration in respect of such Change of Control is remitted to the holders of Ordinary Shares; or

(c) following the occurrence of an Event of Default and the expiry of any applicable grace period applicable to such Event of Default as set out in paragraph 5 of this Part 1 of Schedule 2 (the date on which an Event of Default occurs or, if later, the relevant grace period (if any) expires, the "**Acceleration Date**"), the date specified in the relevant Redemption Notice;

(the "**Redemption Date**").

4.2 Subject to paragraph 4.12 below, in the event that Shareholder Approval has not been obtained on or before 7 August 2020, in addition to the amounts otherwise payable on the Redemption Date, each Noteholder holding any Tranche 1 Notes shall be entitled to be paid an additional sum on the Redemption Date, the amount of which shall be equal to the principal amount of the Tranche 1 Notes outstanding on 7

August, 2020 and held by such Noteholder in recognition of such Noteholder not being able to (i) participate in the equity of the Company through conversion of the Tranche 1 Notes, or (ii) benefit from any Warrants that were intended to be issued to such Tranche 1 Noteholder as part of the Transaction (such sum being the **"Uplift Payment**"). Notwithstanding the foregoing, in the event that Shareholder Approval has not been obtained on or before 7 August 2020, upon conversion of the Notes in accordance with Part 2 of Schedule 2, the Noteholder shall be entitled to the benefit of the Uplift Payment. In the event that the Shareholder Approval has not been obtained on or before 7 August 2020 and a Noteholder did not attend (either in person or by proxy) any general meeting of the Company's members called for the purposes of obtaining the Shareholder Approval and vote in favour of such Shareholder Approval with the entirety of all voting rights available to such Noteholder, such Noteholder shall cease to be entitled to the benefit of the Uplift Payment in any circumstances.

4.3 At any time after 7 August 2020, when (i) at least one Tranche 1 Noteholder is entitled to the Uplift Payment pursuant to paragraph 4.2 above; (ii) the Closing Price is above the Tranche 1 Conversion Price; and (iii) the Company has authority from its shareholders to allot additional Ordinary Shares, the Company may at its discretion notify all (but not some) Tranche 1 Noteholders that it wishes to satisfy its obligations in respect of all or any portion of the Uplift Payment by the issuance of further Ordinary Shares pro rata to all Noteholder(s) (such Ordinary Shares being "**Uplift Securities**") (such notice an "**Uplift Allocation Notice**").

4.4 The amount of the Uplift Payment to be satisfied by the Uplift Securities shall be calculated by: multiplying (x) being the number of Uplift Securities the Company wishes to issue, by (y) being the Tranche 1 Conversion Price (the "**Uplift Reduction Amount**").

4.5 The Uplift Allocation Notice served pursuant to paragraph 4.3 above shall specify, at a minimum:

(a) the number of Uplift Securities the Company proposes to issue;

(b) each Tranche 1 Noteholder's current percentage holding of the aggregate voting rights in the Company; and

(c) the issue date of the Uplift Securities (which shall in all cases be within 5 Business Days of the date the Uplift Allocation Notice was served).

4.6 In the event that:

(a) there is only one Tranche 1 Noteholder, that Noteholder shall be automatically deemed to have subscribed for the maximum number of Uplift Securities as it is possible to subscribe without the Ownership Limit of that Tranche 1 Noteholder being exceeded; and

(b) if there is more than one Tranche 1 Noteholder, each Tranche 1 Noteholder shall be automatically deemed to have subscribed (and such subscription shall be deemed satisfied out of each Tranche 1 Noteholder's entitlement to the Uplift Payment) for such number of Uplift Securities as is determined pro rata to each Tranche 1 Noteholder's proportionate entitlement to the Uplift Payment (provided that such amount does not result in the Ownership Limit being exceeded, and if it was to so result, such Tranche 1 Noteholder shall be required to subscribe for the maximum amount of Uplift Securities that such Tranche 1 Noteholder could receive without being in breach of the Ownership Limit, any excess Uplift Securities would then be allocated to each other Tranche 1 Noteholder (who would be deemed to subscribe for the same) pro rata to their entitlement to the Uplift Payment until either all Uplift Securities have been allocated amongst all Tranche 1 Noteholders or all Tranche 1 Noteholders have each reached the Ownership Limit),

and in each case the Company shall issue such Uplift Securities (which shall be credited as fully paid and rank pari passu with Ordinary Shares of the same class in issue on the Conversion Date) within 5 Business Days of the Uplift Allocation Notice and the applicable Tranche 1 Noteholder's entitlement to the Uplift Payment shall thereon be reduced by their proportion of the Uplift Reduction Amount.

4.7 At any time when (i) the Company has satisfied the entirety of its obligations in respect of the Uplift Payment through the issue of Uplift Securities pursuant to paragraphs 4.3 to 4.6 above (or the Uplift Payment has otherwise been discharged or waived); (ii) the Closing Price is above the Tranche 1 Conversion Price, and (iii) the Company has authority from its shareholders to allot additional Ordinary Shares; the Company may notify all (but not some) of the Tranche 1 Noteholders that it wishes to satisfy its obligations in respect of an amount of interest and/or principal under the Tranche 1 Notes by the issuance of further Ordinary Shares pro rata to all Tranche 1 Noteholders (such Ordinary Shares being "**Pay Down Securities**") (such notice a "**Pay Down Notice**" and such process a "**Pay Down Issue**").

4.8 The amount of principal and interest in respect of the Tranche 1 Notes to be satisfied by the issue of Pay Down Securities shall be calculated by: multiplying (x) being the number of Pay Down Securities the Company wishes to issue, by (y) being the Tranche 1 Conversion Price (the "**Pay Down Reduction Amount**").

4.9 The Pay Down Notice served on each Tranche 1 Noteholder pursuant to paragraph 4.7 above shall specify, at a minimum:

(a) the number of Pay Down Securities the Company proposes to issue;

(b) each Tranche 1 Noteholder's current percentage holding of the aggregate voting rights in the Company; and

(c) the issue date of the Pay Down Securities (which shall in all cases be within 5 Business Days of the date the Pay Down Notice was served).

4.10 In the event that:

(a) there is only one Tranche 1 Noteholder, that Tranche 1 Noteholder shall be automatically deemed to have subscribed for the maximum number of Pay Down Securities as it is possible to subscribe without the Ownership Limit of that Tranche 1 Noteholder being exceeded; and

(b) there is more than one Tranche 1 Noteholder, each Tranche 1 Noteholder shall be automatically deemed to have subscribed (and such subscription shall be deemed satisfied out of each Tranche 1 Noteholder's entitlement to principal and/or interest under the Notes) for the maximum amount of Pay Down Securities that such Tranche 1 Noteholder could receive without being in breach of the Ownership Limit, any excess Pay Down Securities would then be allocated to each other Tranche 1 Noteholder (who would be deemed to subscribe for the same) pro rata to their entitlement outstanding interest and/or principal under the Tranche 1 Notes until either all Pay Down Securities have been allocated amongst all Tranche 1 Noteholders or all Tranche 1 Noteholders have each reached the Ownership Limit,

and in each case the Company shall issue such Pay Down Securities (which shall be credited as fully paid and rank pari passu with Ordinary Shares of the same class in issue on the Conversion Date) within 5 Business Days of the Pay Down Notice and the applicable Tranche 1 Noteholder's entitlement to principal amount and/or interest shall thereon be reduced by their proportion of the Pay Down Reduction Amount.

4.11 At any time when (i) the Company has satisfied all principal and interest outstanding in respect of the Tranche 1 Notes by the issue of Pay Down Securities; (ii) the Closing Price is above the Tranche 2 Conversion Price, and (iii) the Company has authority from its shareholders to allot additional Ordinary Shares, the Company may serve a Pay Down Notice on the Tranche 2 Noteholders, notifying them it wishes to satisfy its obligations in respect of any interest and/or principal amount under the Tranche 2 Notes by way of a Pay Down Issue, and the provisions of the foregoing paragraphs 4.7 to 4.10 above shall apply mutatis mutandis in respect of any such Pay Down Issue in respect of the Tranche 2 Notes (and in such circumstances, for the avoidance of doubt, (y) for the purposes of calculating the Pay Down Reduction Amount pursuant to paragraph 4.8 shall be the Tranche 2 Conversion price). At any time when (i) the Company has satisfied all principal and interest outstanding in respect of the Tranche 2 Notes by the issue of Pay Down Securities; and (ii) the Company has authority from its shareholders to allot additional Ordinary Shares, the Company may serve a Pay Down Notice on the Tranche 3 Noteholders, notifying them it wishes to satisfy its obligations in respect of any interest and/or principal amount under the Tranche 3 Notes by way of a Pay Down Issue, and the provisions of the foregoing paragraphs 4.7 to 4.10 above shall apply mutatis mutandis in respect of any such Pay Down Issue in respect of the Tranche 3 Notes (and in such circumstances, for the avoidance of doubt, (y) for the purposes of calculating the Pay Down Reduction Amount in respect of Tranche 3 Notes pursuant to paragraph 4.8 shall be the weighted average of the Closing Price on the 5 Business Days immediately prior to the date on which the Pay Down Notice is served in respect of such Tranche 3 Notes).

4.12 In the event that (i) a Change of Control occurs on or prior to 7 August 2020 and Shareholder Approval has not been obtained on or prior to the date of such Change of Control; or (ii) Shareholder Approval has not been obtained on or before 7 August 2020 and following 7 August 2020 but prior to the Tranche 1 Maturity Date, the Company undergoes a Change of Control; in either case the Company shall pay or cause to be paid, within 3 Business Days of the date on which consideration in respect of such Change of Control is remitted to the holders of Ordinary Shares, to each Noteholder, in addition to the sum payable pursuant to paragraph 4.1(b) of this Part 1 of Schedule 2, an additional sum, the amount of which shall be equal to the value of (a) minus ((b), (c) and (d)), where:

(a) is the pro rata amount of consideration which would have been received by such Noteholder in consideration for their Ordinary Shares and Warrants (plus, to the extent they exist, any Tranche 3 Notes held by such Noteholder but without double-counting in respect of the value of any Warrants that were converted into such Tranche 3 Notes by the Noteholder) on the Change of Control if that Shareholder Approval had been obtained on or prior to 7 August 2020 and as a result (i) all the Warrants held by such Noteholder as of the date of the Change of Control had become fully exercisable on or prior to 7 August 2020; and (ii) all Tranche 1 Notes held by such Noteholder as of the date of the Change of Control had automatically converted into Ordinary Shares upon receipt of the Shareholder Approval; and

(b) is the aggregate of the principal amount of such Noteholder's Tranche 1 Notes, together with any accrued but unpaid interest thereon held by such Noteholder immediately prior to the Notes being redeemed pursuant to paragraph 4.1(b) of this Part 1 of Schedule 2; and

(c) is the pro rata amount of consideration actually received or due to be received by such Noteholder pursuant to Section 2.10 of the Warrant Instrument in respect of Warrants held by such Noteholder as of the date of such Change of Control; and

(d) is the pro rata amount of consideration actually received or due to be received by such Noteholder (whether on or prior to any Change of Control) in respect of any Ordinary Shares received by such Noteholder in exchange for Tranche 1 Notes pursuant to paragraphs 4.7 through 4.11 of this Schedule 2;

(such sum being the "**Change of Control Payment**"). For the avoidance of doubt, if any Noteholder becomes entitled to be paid the Change of Control Payment, such Noteholder shall cease to be entitled to the Uplift Payment pursuant to paragraph 4.2.

4.13 Subject to paragraph 6 if the Noteholder Majority wishes to redeem the Notes following an Acceleration Date, the Noteholder Majority shall give the Company written notice of the intention to exercise the right to redeem in accordance with the provisions of paragraph 4.1(b), together with confirmation on the date for such redemption (provided that such date may not occur earlier than the date falling 20 Business Days after the relevant Acceleration Date), conditional always on any such Event of Default not being remedied in the case of paragraph 4.1(c) ("**Redemption Notice**").

4.14 A Redemption Notice shall (unless the Company agrees otherwise) be irrevocable.

4.15 For as long as the Subordination Agreement is in force, notwithstanding any of the provisions of paragraph 5 of this Part 1 of Schedule 2, the Notes cannot be redeemed or repaid following an Acceleration Date until the applicable restriction in the Subordination Agreement has expired or been waived by the Senior Lenders; provided that such delay in payment shall constitute an additional Event of Default hereunder.

4.16 On the Redemption Date, the Company shall repay to all Noteholders the principal amount of the Notes so redeemed, together with interest on such Notes outstanding at the applicable Interest Rate, and, if applicable, the Uplift Payment payable pursuant to paragraph 4.2.

4.17 If, on redemption of a Note, a Noteholder fails to deliver the Certificate for it, or an indemnity in accordance with these Conditions or to accept payment of moneys due to him, the Company shall pay the moneys due to him into bank account which payment shall discharge the Company from all further obligations in respect of the Note.

4.18 The Company shall cancel any Notes repaid, redeemed or purchased and shall not reissue them.

5. EVENTS OF DEFAULT

Subject to paragraphs 4.15 and 6.3 of this part 1 of Schedule 2, the Notes then in issue shall become immediately redeemable at the principal amount, together with interest on the Notes outstanding, and interest shall become payable at the applicable Default Rate, if:

(a) the Company fails to pay any interest or principal in respect of the Notes on the relevant due date;

(b) the Company fails to comply in any material respect with the covenants of the Notes or any of the Conditions and does not remedy such failure within 30 calendar days;

(c) any judgment, arbitration award, order or decree for the payment of money and that is no longer subject to an appeal process in an amount, individually or in the aggregate of at least £1,000,000 (or its equivalent in other currencies) is rendered against any Group Company and not cured or withdrawn within 30 calendar days of such judgment, award, order or decree;

(d) a Group Company incurs an Event of Default (as such term is defined in the Novartis Loan Note) pursuant to the terms of the Novartis Loan Note and such Event of Default is not remedied within the greater of (i) any applicable grace period pursuant to the terms of the Novartis Loan Note; and (ii) 30 days from the occurrence of such Event of Default; and results in the acceleration by Novartis of any indebtedness owed pursuant to the terms of the Novartis Loan Note;

(e) a Group Company incurs an event of default (howsoever defined) in respect of any indebtedness in a principal amount in excess of £1,000,000 and fails to cure (or have waived) such event of default within 30 calendar days of such event of default;

(f) a Group Company commits a material breach of any material contract to which such Group Company is a party and fails to cure (or have waived) such material breach within 30 calendar days of such event of default

(g) an encumbrancor takes possession or a receiver is appointed of the whole or the major part of the assets or undertaking of a Group Company or if distress, execution or other legal process is levied or enforced or sued out on or against the whole or the major part of the assets of any Group Company and is not discharged, paid out, withdrawn or removed within 30 calendar days;

(h) a Group Company is the subject of any proceeding in bankruptcy or for their dissolution, liquidation, winding-up, composition or other relief under any applicable insolvency or bankruptcy laws, whether voluntary or involuntary and, if involuntary, is not dismissed within 60 calendar days of filing;

(i) an administration order is made in relation to any Group Company; or

(j) an order is made, or an effective resolution is passed, for the winding-up, liquidation, administration or dissolution of any Group Company (except for the purpose of reorganisation or amalgamation of the Group Companies).

6. ACTION FOLLOWING EVENT OF DEFAULT

6.1 The Company shall give written notice to the Noteholders as soon as reasonably practicable following the Company becoming aware of the occurrence of an event specified in paragraph 5, giving reasonable details of that event.

6.2 Following receipt of the notice provided pursuant to paragraph 6.1 above, and, if applicable, the expiry of any cure period provided for such Event of Default, the Noteholders shall have a period of 10 Business Days in which they may exercise their right to waive such Event of Default by Noteholder Majority Consent.

6.3 If the Noteholder Majority waives any Event of Default then the Notes shall cease to be immediately redeemable, and no further interest shall accrue at the applicable Default Rate in respect of such Event of Default (for the avoidance of doubt, notwithstanding such waiver, the Noteholders' shall remain entitled to any interest accrued at the applicable Default Rate between the date of the Event of Default and the date of waiver by the Noteholder Majority).

7. TAXATION

7.1 All payments to be made by the Company to a Noteholder under the Note shall be made free and clear of and without any deduction or withholding for or on account of tax (a "**Tax Deduction**"), unless a Tax Deduction is required by law. If a Tax Deduction is required by law, the amount of the payment due from the Company shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.

7.2 Each Noteholder shall, in consultation with the Company, take all reasonable steps to mitigate any circumstances which arise and which would result in any amount becoming payable under or pursuant to paragraph 7.1 above, including (but not limited to) transferring its rights and obligations under this Instrument and the Notes to another affiliate of such Noteholder and permitting the listing of the Notes on a recognised stock exchange.

7.3 Paragraph 7.2 above does not in any way limit the obligations of the Company under this Instrument.

7.4 Each Noteholder and the Company shall co-operate in completing any procedural formalities necessary for the Company to obtain authorisation to make that payment without a Tax Deduction including using commercially reasonable endeavours to procure that investors in such Noteholder complete such procedural formalities.

7.5 If the Company makes an increased payment under paragraph 7.1 (a "**Tax Payment**") and the relevant Noteholder shall (and shall use commercially reasonable endeavours to procure that investors will) co-operate with the Company to take any reasonable steps to:

(a) investigate the availability of any credit against, relief or remission for, or repayment of any Tax is attributable to that increased payment of which that Tax Payment forms part, to that Tax Payment or to a Tax Deduction in consequence of which that Tax Payment was required ("**Tax Credit**"); and

(b) obtain and/or utilise that Tax Credit,

and the Noteholder shall (and shall use commercially reasonable endeavours to procure that investors will) pay an amount to the Company which that Noteholder (or investors as applicable) determines (acting reasonably) will leave it (after that payment) in the same after-Tax position as it would have been in had some or all of the Tax Payment not been required to be made by the Company.

Part 2. Conversion

1. CONVERSION

1.1 Without prejudice to the provisions paragraphs 4.3 to 4.11 of Schedule 2 Part 1, the Notes shall not be capable of conversion prior to Shareholder Approval having been obtained and no Noteholder shall serve any Conversion Notice prior to such time.

1.2 Subject to paragraph 1.1 and paragraph 1.4 of this Part 2 of Schedule 2, all outstanding Tranche 1 Notes shall automatically convert into a number of fully paid Ordinary Shares upon Shareholder Approval being obtained, determined by dividing(x) the sum of (i) the outstanding principal amount, plus (ii) all accrued and unpaid interest thereon, plus (iii) any amount of the Uplift Payment (to the extent the same is applicable pursuant to the terms of this Instrument) which has become due and payable in accordance with paragraph 4.2 and has not already been paid or satisfied by the issue of Uplift Securities (or otherwise), by (y) the Tranche 1 Conversion Price then in effect; *provided that* (but subject to paragraph 1.4 of this Part 2 of Schedule 2 below) following such conversion, no individual Noteholder shall hold more than 9.99% of the aggregate voting rights in the Company (on a fully diluted basis) (the "**Ownership Limit**"). In the event that Conversion of any Noteholder's holding of Notes would result in such Noteholder exceeding the Ownership Limit, the principal amount of the Notes held by such Noteholder which shall convert shall be the greatest amount possible without that Noteholder exceeding such Ownership Limit and the remaining principal balance on such Notes shall remain outstanding.

1.3 Subject to paragraphs 1.1, 1.2 and 1.4 of this Part 2 of Schedule 2:

(a) each Noteholder holding Tranche 1 Notes shall have the right, at any time prior to the Tranche 1 Maturity Date, to serve a Conversion Notice on the Company to convert all or, if the Ownership Limit applies, part of such Noteholder's Tranche 1 Notes then outstanding (together with any accrued but unpaid interest thereon) into fully paid Ordinary Shares at the Tranche 1 Conversion Price per Share; and

(b) each Noteholder holding Tranche 2 Notes shall have the right, at any time prior to the Tranche 2 Maturity Date applicable to such Noteholder's Tranche 2 Notes, to serve a Conversion Notice on the Company to convert all or, if the Ownership Limit applies, part of such Noteholder's Tranche 2 Notes then outstanding (together with any accrued but unpaid interest thereon) into fully paid Ordinary Shares at the Tranche 2 Conversion Price per Share,

provided that, in each of the foregoing cases, at the time of the Conversion Notice, either (i) such Noteholder's aggregate voting rights in the Company is not in excess of the Ownership Limit and would not become in excess of the Ownership Limit as a result of the conversion contemplated by such Conversion Notice; or (ii) such Noteholder has waived the application of the Ownership Limit in accordance with paragraph 1.4 of this Part 2 of Schedule 2.

1.4 Notwithstanding the foregoing, a Noteholder may increase or decrease the Ownership Limit to any other percentage, by written notice to the Company; provided, that the Noteholder may not decrease the limitation prior to August 8, 2020; provided further that a waiver by the Noteholder of the Ownership Limit or a request to increase the Ownership Limit requires not less than 61 days prior written notice to the Company (with such waiver of the Ownership Limit or request to increase the Ownership Limit taking effect only upon the expiration of such 61 day notice period and applying only to the Noteholder and not to any other holder of Notes) and that such Ownership Limit shall never be increased above 19.99%.

1.5 The Conversion Notice shall set out, at a minimum:

(a) the principal amount of the Tranche 1 Notes and/or Tranche 2 Notes to be converted;

(b) the amount (if any) of accrued but unpaid interest on such principal amount which is to be converted;

(c) the Noteholder's current percentage holding of the aggregate voting rights in the Company;

(d) the Conversion Date;

(e) whether the Ordinary Shares resulting from conversion are to be delivered as ADSs; and

(f) ~~(e)~~ any conditions (if any) applicable to the conversion and agreed in writing in advance by the Company.

1.6 If and to the extent that the Ordinary Shares issued are to be delivered as ADSs, the Noteholder shall be required to deliver to the Company a completed Issuance and Delivery Instruction in the form set out in Part 4 of this Schedule 2 (as such form may be amended from time to time by notice to the Noteholder) duly completed and executed by the Noteholder no later than 3 Business Days following service of the relevant Conversion Notice on the Company.

1.7 In the event of any failure by a Noteholder to deliver a duly completed Issuance and Delivery Instruction within such time period the Company shall disregard such Noteholder's request for delivery of the relevant Ordinary Shares as ADSs and shall issue the number of Ordinary Shares specified in the Conversion Notice to the Noteholder on the Conversion Date in accordance with paragraph 2 of this Part 2 of Schedule 2.

1.8 ~~1.6~~ The Service of a Conversion Notice shall be irrevocable and binding on the Noteholder.

2. PROCEDURES ON CONVERSION

2.1 Subject to paragraph 1.1 of this Part 2 of Schedule 2, on the Conversion Date, the Directors shall convert the principal amount of the Notes and accrued but unpaid interest and any amount of the Uplift Payment (to the extent the same is applicable pursuant to the terms of this Instrument) which has become due and payable in accordance with paragraph 4.2 and has not already been paid or satisfied by the issue of Uplift Securities (or otherwise), into such number of new fully paid Ordinary Shares at the applicable Tranche 1 Conversion Price or Tranche 2 Conversion Price (as the case may be) as set out in paragraph 1 of this Part 2 of Schedule 2 in accordance with the following provisions of paragraph 2.2 to paragraph 2.5 (inclusive).

2.2 Conversion of the Notes shall be effected by the Company redeeming the relevant Notes on the Conversion Date. Each Noteholder whose Notes are being converted shall be deemed to irrevocably authorise and instruct the Company to apply the redemption moneys payable to that Noteholder in subscribing for Ordinary Shares on conversion of the Notes.

2.3 In the event that a Noteholder has stated in the relevant Conversion Notice that the Ordinary Shares arising from conversion are to be delivered as ADSs, and there is an effective registration statement covering the Ordinary Shares to be issued on such conversion, then such Ordinary Shares may be issued to, and deposited with (and otherwise registered in the name of) the custodian (or its nominee) of the Depositary, and following such issuance and deposit the Company will direct the Depositary to issue an amount of ADSs via DTC (with such ADSs being eligible for listing on Nasdaq) in accordance with the corresponding Issuance and Delivery Instruction.

2.4 ~~2.3~~ Ordinary Shares arising on conversion of the Notes (and any applicable accrued but unpaid interest) shall be issued and allotted by the Company to the Noteholder or (where a Noteholder has delivered an Issuance and Delivery Instruction) to the custodian of the Depositary on the Conversion Date and the certificates (if physical certificates are requested by such Noteholder) for such Ordinary Shares shall be despatched to the persons entitled to them at their own risk.

2.5 ~~2.4~~ The Ordinary Shares arising on conversion of the Notes shall be credited as fully paid and rank pari passu with Ordinary Shares of the same class in issue on the Conversion Date and shall carry the right to receive all dividends and other distributions declared, made or paid after the Conversion Date.

2.6 ~~2.5~~ The entitlement of each Noteholder to a fraction of a Share shall be rounded down to the nearest whole number of Ordinary Shares which result from the conversion of the Notes.

2.7 In the event that a Noteholder requires Ordinary Shares arising on conversion to be delivered as ADSs, the entitlement of such Noteholder to ADSs shall be calculated using the ADS Exchange Ratio. No fractional ADSs will be issued, and any fractional entitlements to an ADS shall be issued to the relevant Noteholder in the form of Ordinary Shares in accordance with Part 2 of this Schedule 2, rounded down to the nearest whole share.

2.8 ~~2.6~~ In the event that the Ordinary Shares in issue on the Conversion Date are traded on the AIM Market operated by London Stock Exchange plc, the Company shall use its reasonable best endeavours to ensure that the Ordinary Shares to be issued upon the conversion of the relevant Notes are admitted to trading on the AIM Market as soon as reasonably practicable following the Conversion Date. In addition, as soon as practicable following the general meeting at which the Company seeks to obtain Shareholder Approval, the Company shall make or cause to be made an application to AIM for a block listing (up to the maximum amount available to the Company under AIM block listing rules and in consideration of block listings registered at the

time of this Agreement) or otherwise to admit upon Admission or as soon as permitted by AIM thereafter the maximum number of Ordinary Shares that may be acquired upon conversion of the Notes. Further, the Company shall list the Ordinary Shares issuable upon conversion of the Notes on each other securities exchange on which the Ordinary Shares are then listed and/or admitted to trading.

Part 3. Transfer provisions, Undertakings and other matters

1. The Company shall recognise the registered holder of any Notes as the absolute owner of them and shall not (except as provided by statute or as ordered by a court of competent jurisdiction) be bound to take notice or see to the execution of any trust (whether express, implied or constructive) to which any Note may be subject. The Company shall not (except as provided by statute or as ordered by a court of competent jurisdiction) be bound to enter any notice of any trust (whether express, implied or constructive) on the register in respect of any of the Notes.

   The Notes are freely transferable in accordance with this Part 3 of Schedule 2 in integral multiples of £1 by instrument in writing in the usual common form (or in such other form as the Directors may approve) and such instrument need not be under seal. Additionally and, notwithstanding any other provision of this Instrument, for so long as the Subordination Agreement remains in force and effect, no transfer of the Notes may take place unless the transferee in respect of those Notes being transferred is either a party to the Subordination Agreement or has entered into a deed of adherence to be bound by the terms of such Subordination Agreement, or has otherwise entered into subordination arrangements with the Senior Lenders in writing or the requirement to enter into subordination arrangements with the Senior Lenders has been otherwise waived by the Senior Lenders in writing in advance of such intended transfer of the Notes; any attempt to transfer Notes in breach of the foregoing provisions is *void ab initio*.

2. Each instrument of transfer shall be signed by the transferor, and the transferor shall be deemed to remain the owner of the Notes to be transferred until the name of the transferee is entered in the register in respect of such Notes.

3. Each instrument of transfer shall be sent to, or left for registration at, the registered office of the Company for the time being, and shall be accompanied by the Certificate(s) for the Notes to be transferred and any other evidence that the Company may require to prove the title of the transferor or his right to transfer the Notes (and, if such instrument is executed by some other person on his behalf, the authority of that person to do so). All instruments of transfer that are registered may be retained by the Company.

4. No transfer of Notes shall be registered in respect of which a Redemption Notice, an Uplift Allocation Notice, a Pay Down Notice or Conversion Notice has been given.

5. The Company undertakes that, while an aggregate principal amount of Notes greater than £10,000,000 remains in issue, it shall not, without prior Noteholder Majority Consent:

    (a) sell, transfer, lease, licence or otherwise dispose of any material asset or business of any Group Company (including the sale, transfer or other disposition of a Group Company's rights to a third party), other than in the ordinary course of business;

    (b) carry out any merger, reorganisation, restructuring or sale of all or substantially all of the assets and/or business of any Group Company;

    (c) effect the liquidation, dissolution, or winding of any Group Company, or the cessation of all or substantially all of the business of any Group Company;

    (d) authorise any debt security (the incurrence, or extension of any credit or loan guarantee in respect of any loan or grant of credit exceeding £800,640.512(save that, for the avoidance of doubt, no Noteholder Majority Consent shall be required for (i) any refinancing, in whole or in part, of any Existing Indebtedness; or (ii) the subscription by any Qualifying Noteholder (and the issuance by the Company) for any Tranche 2 Notes pursuant to the Securities Purchase Agreement);

    (e) discontinue any existing line of business of any Group Company or enter into any new line of line of business by any Group Company; or

    (f) issue any securities senior to the Ordinary Shares with respect to voting rights, dividends, conversion rights, redemption rights, liquidation preference or otherwise.

6. Payment of the principal amount and all accrued interest on the Notes may be made by cheque made payable to, or by bank transfer to an account nominated for the purpose to the Company in writing by, the registered holder or, in the case of joint registered holders, to the one who is first-named on the register, or to such person or persons as the registered holder or all the joint registered holders may in writing direct and sent to the registered holder or in the case of joint registered holders to that one of the joint registered holders who is first-named on the register or to such

address as the registered holder or joint registered holders may in writing direct. Cheques may be sent through the post at the risk of the registered holder or jointly registered holders and payment of any such cheque by the bankers on whom it is drawn, or a bank transfer to the relevant account, shall be good discharge to the Company.

7. If more than one person is entered in the register as joint holders of any Notes then, without prejudice to paragraph 5 of this Part 3 of Schedule 2, the receipt of any one of such holders for any moneys payable on or in respect of the Notes shall be as effective a discharge to the Company or other person making the payment as if the person signing such receipt were the sole registered holder of such Notes.

8. If any Certificate is worn out or defaced then, on production of it to the Directors, they may cancel it and may issue a fresh Certificate in lieu. If any Certificate is lost or destroyed it may be replaced on such terms (if any) as to evidence and indemnity as the Company may reasonably require. An entry recording the issue of the new Certificate and indemnity (if any) shall be made in the register. No fee shall be charged for the registration of any transfer or for the registration of any probate, letters of administration, certificate of marriage or death, power of attorney or other documents relating to or effecting title to any Notes.

9. Any notice or other document required to be given under this Instrument shall be in writing and may be given to or served on any Noteholder by sending it by first-class post in a prepaid envelope addressed to such Noteholder at his registered address. In the case of joint Noteholders, a notice given to, or document served on, the Noteholder whose name stands first in the register in respect of such Notes shall be sufficient notice to, or service on, all the joint holders. Any such notice sent or document served by first-class post shall be deemed to have been given or served 48 hours or 96 hours in the case of a notice or document sent to an address for a Noteholder not in the United Kingdom after the time when it is posted and in proving such notice or service, it shall be sufficient to prove that the envelope containing the notice or document was properly addressed, stamped and posted.

10. Any notice or other document delivered or sent by post to, or left at, the registered address of any Noteholder in pursuance of these provisions shall, notwithstanding that such Noteholder is then dead or bankrupt or in liquidation, and whether or not the Company has notice of his death or bankruptcy or liquidation, be deemed to have been duly served or delivered in respect of any Notes registered in the name of such Noteholder as sole or first-named joint holder unless his name shall at the time of the service of the notice or document have been removed from the register as the holder of the Notes, and such service shall for all purposes be deemed sufficient service of such notice or document on all persons interested (whether jointly with or as claiming through or under him) in the Notes.

11. A copy of this Instrument shall be kept at the Company's registered office. A Noteholder (and any person authorised by a Noteholder) may inspect that copy of the Instrument at all reasonable times during office hours.

12. Each Noteholder by subscribing for and/or holding any Notes pursuant to the terms of this Instrument expressly and irrevocably agrees that the Group Companies may refinance all or any part of either the Senior Loan or the Novartis Loan Note (either with the existing creditors thereof or with third party creditors) and that, such refinanced loan shall for all purposes under this Instrument be treated, *mutatis mutandis*¸ as the Senior Loan or the Novartis Loan Note (as the case may be) and benefit from any protections, provisions, exemptions or other terms hereof, without requiring the consent of any Noteholder; provided, that no such refinancing or amendment of the Senior Loan which increases the amount of the principal sum of the Senior Loan owing from time to time above £14 million, or extends the Final Repayment Date for the Senior Loan beyond 1 March 2022, shall be effective unless otherwise approved by the Noteholder Majority; provided, further, that no such consent or agreement shall be required from any Noteholder Majority from or after the time when Shareholder Approval has been obtained. For the avoidance of doubt, if any such refinancing takes place, any lenders thereunder shall be treated as the "Senior Lenders" for the purposes of this Instrument. The Company shall as soon as reasonably practicable after the occurrence of any such refinancing, provide notice of the same to the Noteholders.

13. If the Company, whilst any Notes are outstanding, shall effect a subdivision of its Ordinary Shares, the Tranche 1 Conversion Price and Tranche 2 Conversion Price (if any) then in effect immediately before that subdivision shall be proportionately decreased. If the Company, whilst any Notes are outstanding, shall combine its Ordinary Shares, the Tranche 1 Conversion Price and Tranche 2 Conversion Price then in effect immediately before the combination shall be proportionately increased.

14. If the Company, whilst any Notes are outstanding, shall make or issue, or fix a record date for the determination of holders of its Ordinary Shares entitled to receive a dividend or other distribution to the shareholders from the fund for invested unrestricted equity payable in Ordinary Shares in the Company, then and in each such event the Tranche 1 Conversion Price and Tranche 2 Conversion Price then in effect immediately before such event shall be decreased as of the time of such issuance or, in the event such a record date shall have been fixed, as of the close of business on such record date, by multiplying the Tranche 1 Conversion Price or Tranche 2 Conversion Price, as applicable, then in effect by a fraction:

(a) the numerator of which shall be the total number of Ordinary Shares outstanding immediately prior to the time of such issuance or the close of business on such record date, and

(b) the denominator of which shall be the total number of Ordinary Shares outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of Ordinary Shares issuable in payment of such dividend or distribution;

provided, however, that if such record date shall have been fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the Tranche 1 Conversion Price and Tranche 2 Conversion Price shall be recomputed accordingly as of the close of business on such date and thereafter the Tranche 1 Conversion Price and Tranche 2 Conversion Price shall be adjusted pursuant to this paragraph as of the time of actual payment of such dividends or distributions, if any.

15. When any adjustment is required to be made in the Tranche 1 Conversion Price or Tranche 2 Conversion Price pursuant to paragraph 14 or 15, the number of Ordinary Shares issuable upon conversion of a Note shall be calculated by reference to the revised Tranche 1 Conversion Price or Tranche 2 Conversion price following the adjustment made by paragraph 14 or 15.

16. If the Company, whilst any Notes are outstanding, shall: (i) pay or declare a dividend payable to all shareholders other than in Ordinary Shares (e.g. in cash or assets other than Ordinary Shares in the Company); or (ii) make any distribution of share capital (including share premium account and capital redemption legal reserve), then and in each such event the Tranche 1 Conversion Price and Tranche 2 Conversion Price then in effect immediately before such event shall be decreased as of such event by multiplying the Tranche 1 Conversion Price or Tranche 2 Conversion Price, as applicable, then in effect by a fraction:

(a) the numerator of which shall be equal to (i) the Closing Price on the day immediately prior to the date when such event was first published (or if there is no such price, the fair market value of one ordinary share of the Company as of such date as determined in good faith by the Directors) minus (ii) the amount per issued share of such dividend or distribution; and

(b) the denominator of which shall be the Closing Price on the day immediately prior to the date when such event was first published (or if there is no such price, the fair market value of one ordinary share of the Company as of such date as determined in good faith by the Directors).

In the event that the application of the above fraction would result in an increase in the Conversion Price, then no adjustment shall be made hereunder. If the Company distributes assets other than cash, the amount per outstanding share of the distribution shall be calculated by reference to the fair market value of the assets distributed as determined in good faith by the Directors.

~~"**Closing Price**" for purposes of this paragraph means: the most recently reported closing price of the Ordinary Shares on AIM.~~

17. If, prior to the Maturity Date, there shall occur any reorganization, recapitalization, reclassification, consolidation, merger or demerger involving the Company in which the Company's Ordinary Shares are converted into or exchanged for securities, cash or other property (other than a transaction covered by paragraphs 14 or 15) (collectively, a "**Reorganization**"), then, following such Reorganization, the Noteholders shall receive upon conversion the kind and amount of securities, cash or other property, if any, which the Noteholders would have been entitled to receive pursuant to such Reorganization if such conversion had taken place immediately prior to such Reorganization. Appropriate adjustment (as determined in good faith by the Directors) shall be made in the application of the provisions set forth herein with respect to the rights and interests thereafter of the Noteholder, to the end that the provisions set forth in this Instrument (including provisions with respect to changes in and other adjustments of the Tranche 1 Conversion Price and/or Tranche 2 Conversion Price (as applicable) and the number of Ordinary Shares issuable upon conversion of the Notes) shall thereafter be applicable, as nearly as reasonably may be, in relation to any securities, cash or other property thereafter deliverable upon the conversion of the Notes.

Part 4. ADS Issuance and Delivery Instruction

[DATE]
Citibank, N.A., as Depositary
388 Greenwich Street
New York, New York 10013
Attn.: Mr. Brian M. Teitelbaum (brian.m.teitelbaum@citi.com)
With a copy simultaneously delivered to:
Citibank, N.A., London Branch
25 Canada Square
Canary Wharf
London E14 5LB, England
Attn.: UK Custody Settlements
Custody Team (uksettlements@citi.com)

Re: Issuance and Delivery Instruction—Mereo BioPharma Group plc (CUSIP No.: 589492107) – Deposit & Hold

Dear Sirs:

Reference is made to the Deposit Agreement, dated as of April 23, 2018, as amended and supplemented from time to time (the "Deposit Agreement"), by and among Mereo BioPharma Group plc, a public limited company incorporated under the laws of England and Wales and its successors (the "Company"), Citibank, N.A., a national banking association organized and existing under the laws of the United States of America, as Depositary (the "Depositary"), and all Holders and Beneficial Owners of American Depositary Shares (the "ADSs") issued thereunder. All capitalized terms used, but not otherwise defined herein, shall have the meaning assigned thereto in the Deposit Agreement.

In accordance with the terms and subject to the limitations set forth in the Deposit Agreement, promptly following the Depositary's receipt of confirmation from the Custodian that the Custodian has received a deposit of the number of Shares specified below made by the Company for the benefit of the undersigned holder thereof (the "Holder" and together with the Company, the "Undersigned"), the Undersigned hereby jointly instruct the Depositary, and the Depositary hereby agrees:

(i) to promptly accept for deposit the number of Shares and issue the number of ADSs as specified below:

Number of Shares deposited: Shares

Number of ADSs (CUSIP No.: 589492107; each ADS representing five (5) Shares to be issued:

ADSs

and (ii) to promptly deliver such Program ADSs, as follows:

Name of DTC Participant to which the ADSs are to be delivered:

DTC Participant Account No.:

Account No. for recipient of ADSs at DTC Participant (f/b/o/ information):

Name on whose behalf the above number of ADSs are to be issued and delivered:

Contact person at DTC Participant: Daytime telephone number of contact person at DTC:

The Company hereby confirms and certifies that (i) the registration statement on Form F-3 (File No. 333-239708) (the "Registration Statement"), filed with the U.S. Securities and Exchange Commission (the "Commission") on July 6, 2020, registers the resale of the above Shares represented by ADSs, such ADSs will be freely transferable following the issuance thereof by the Depositary, and there are no legal restrictions on subsequent transfers of the ADSs to be issued hereunder under the laws of England and Wales or the United States, (ii) the Registration Statement is effective under the Securities Act of 1933, as amended (the "Securities Act"), and (iii) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for such purpose have been instituted or are pending or, to the best knowledge of the Company, are contemplated or threatened by the Commission.

The Holder hereby represents and covenants to, and for the benefit of, the Depositary and Citibank, N.A.—London Branch (the "Custodian"), that (i) the Holder is not an "affiliate" of the Company as that term is defined in Rule 144 promulgated by the Commission under the Securities Act and has not been an affiliate at any time during the 90 days immediately preceding the date hereof, and (ii) all stamp duty taxes, including, without limitation, the U.K. Stamp Duty Reserve Tax ("SDRT"), will be paid in full and on a timely basis to the extent such taxes are payable in respect of the deposit of the Shares and the issuance and delivery of the ADSs as contemplated herein.

Each of the Holder and, to the extent it is not unlawful for the Company to do so under the applicable laws of England and Wales, the Company agrees to indemnify the Depositary and the Custodian for, and to hold the Depositary and the Custodian harmless against, all losses, liabilities, taxes, charges, penalties or expenses (including reasonable legal fees and disbursements), incurred by the Depositary and/or by the Custodian or to which the Depositary and/or the Custodian may become subject to and arising directly or indirectly from the failure by any person to pay (or discharge) any applicable stamp duty taxes, including, without limitation, SDRT, or any other similar duty or tax in connection with the deposit of the Shares and the issuance and delivery of the ADSs as contemplated herein, save to the extent that such losses, liabilities, taxes, charges, penalties or expenses are due to the negligence or bad faith of the Custodian or the Depositary.

[HOLDER]

By:
Name:
Title:

MEREO BIOPHARMA GROUP PLC

By:
Name:
Title:

Schedule 3 Meetings of the Noteholders

1. The Company may at any time convene a meeting of Noteholders. In addition, the Company shall at the written request of the holders of not less than one-quarter (25%) in nominal amount of the outstanding Notes convene a meeting of the Noteholders. Any meeting shall be held at such place as the Company may designate.

2. At least 14 days' notice (exclusive of the day on which the notice is served or deemed to be served and of the day for which notice is given) of every meeting shall be given to the Noteholders. The notice shall specify the place, day and time of the meeting and the general nature of the business to be transacted, but it shall not be necessary (except in the case of a Special Resolution) to specify in the notice the terms of any resolution to be proposed. The accidental omission to give notice to, or the non-receipt of notice by, any of the Noteholders shall not invalidate the proceedings at any meeting. A meeting of the Noteholders shall, despite being called at shorter notice than specified above, be deemed to have been duly called if it is agreed in writing by all of the Noteholders.

3. At any meeting the quorum shall be two or more Noteholders holding, or representing by proxy, at least 50.1% in nominal principal amount of the outstanding Notes. No business (other than choosing a Chairman) shall be transacted at any meeting unless the requisite quorum is present.

4. If a quorum is not present, within half an hour from the time appointed for the meeting, the meeting shall be dissolved if it was convened on the requisition of Noteholders. In any other case, it shall stand adjourned to such day and time (at least 14 days later, but not more than 28 days later) and to such place as may be appointed by the Chairman. At such adjourned meeting, two Noteholders present in person (or by proxy) and entitled to vote shall constitute a quorum (whatever the nominal amount of the Notes held by them). At least 14 days' notice of any adjourned meeting of Noteholders shall be given (in the same manner mutatis mutandis as for an original meeting). That notice shall state that two Noteholders present in person (or by proxy) at the adjourned meeting (whatever the nominal amount of Notes held by them) shall form a quorum.

5. A person (who may but need not be a Noteholder) nominated by the Company shall be entitled to take the chair at every such meeting but, if no such person is nominated or if the person nominated is not be present at the meeting within five minutes after the time appointed for holding the meeting, the Noteholders present shall choose one of their number to be Chairman. Any Director or officer of, any Secretary of, and the solicitors to, the Company and any other person authorised in that behalf by the Company may attend at any such meeting.

6. Each question submitted to a meeting of Noteholders shall, unless a poll is demanded, be decided by a show of hands.

7. At any meeting of Noteholders unless a poll is demanded by the Chairman or by one or more Noteholders present in person or by proxy and holding or representing in the aggregate not less than one-twentieth in nominal amount of the outstanding Notes (before or on the declaration of the result of the show of hands), a declaration by the Chairman that a resolution has been carried by the requisite majority, lost or not carried by the requisite majority shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against such resolution.

8. If a poll is duly demanded, it shall be taken in such manner and (subject as set out below) either at once or after an adjournment as the Chairman directs. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll shall not prevent the meeting from continuing for the transaction of any business other than the question on which the poll has been demanded. The demand for a poll may be withdrawn.

9. If there is an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting shall not be entitled to a casting vote in addition to the vote(s) (if any) to which he may be entitled as a Noteholder or as a proxy.

10. The Chairman may, with the consent of (and shall if so directed by) any meeting at which a quorum is present, adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting except business that might lawfully have been transacted at the meeting from which the adjournment took place.

11. Any poll demanded at any meeting on the election of a Chairman, or on any question of adjournment, shall be taken at the meeting without adjournment.

12. On a show of hands, each Noteholder who is an individual and is present in person or (being a corporation) is present by its duly authorised representative or by one of its officers as its proxy, shall have one vote. On a poll, each Noteholder present in person or by proxy, shall have one vote for every £1 nominal principal amount of Notes held by him and a person entitled to more than one vote need not (if he votes) use all his votes or cast all the votes he uses in the same way.

13. In the case of joint registered Noteholders any one of them shall be entitled to vote in respect of such Notes either in person or by proxy and, in the latter case, as if the joint holder were solely entitled to such Notes. If more than one joint holder is present at any meeting either personally or by proxy that one joint holder so present whose name as between himself and the other or others present stands first in the register as one of the joint holders shall alone be entitled to vote in person or by proxy.

14. Each instrument appointing a proxy must be in writing and duly executed by the appointor or his duly authorised attorney or, in the case of a corporation under its common seal or duly executed by a duly authorised attorney or officer. The Chairman may (but shall not be bound to) require evidence of the authority of any attorney or officer. A proxy need not be a Noteholder.

15. An instrument of proxy shall be in the usual or common form or in any other form that the Directors may accept. The proxy shall be deemed to include the right to demand or join in demanding a poll. A proxy shall, unless stated otherwise, be valid as well for any adjournment of the meeting as for the meeting to which it relates and need not be witnessed.

16. The instrument appointing a proxy, and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or authority, shall be deposited at the place specified in (or in any document accompanying) the notice convening the meeting. If no such place is specified, the proxy shall be deposited at the registered office of the Company not less than 48 hours before the time appointed for holding the meeting or adjourned meeting or for taking of the poll at which the person named in that instrument proposes to vote. In default, the instrument of proxy shall not be treated as valid. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the revocation of the proxy or of the authority under which the proxy is given, unless notification in writing of the revocation has been received at the registered office of the Company or at such other place (if any) specified for the deposit of instruments of proxy in the notice convening the meeting (or any document accompanying it) 48 hours before the commencement of the meeting or adjourned meeting or the taking of the poll at which the vote is given.

17. Without prejudice to any of the powers conferred on the Company under any of the provisions of the Instrument, a meeting of the Noteholders shall, in addition to any other powers, have the following powers exercisable by Special Resolution:

(a) power to sanction the exchange or sale of the Notes for, or the conversion of the Notes into, or the cancellation of the Notes in consideration of, shares, stock, debenture stock or other obligations or security of the Company or any other company formed or to be formed (provided, in each of the foregoing cases, that such action will be conducted in accordance with the terms of the Conditions or with the prior written consent of the Company);

(b) power to sanction any abrogation, modification or compromise of, or any arrangement in respect of, the Noteholders' rights against the Company, provided the same has been previously approved in writing by the Company, whether those rights shall arise under the Instrument, the Notes or otherwise;

(c) power to assent to any modification of the provisions contained in the Instrument and the Conditions and to authorise the Company to execute any supplemental instrument embodying any such modification. Any such modification shall be proposed by the Company; and

(d) with the prior written consent of the Company, power to:

(i) modify the date fixed for final redemption of the Notes;

(ii) reduce or cancel the principal amount payable on the Notes;

(iii) reduce the amount payable or modify the method of calculating the amount payable on the Notes; or

(iv) modify the dates for payment in respect of any interest, on the Notes.

18. A Special Resolution passed at a meeting of the Noteholders shall be binding on all the Noteholders whether or not they are present at the meeting. Each of the Noteholders shall be bound to give effect to it accordingly. The passing of any such resolution shall be conclusive evidence that the circumstances justify passing it (so that the meeting may determine without appeal whether or not the circumstances justify passing it).

19. **Special Resolution**, when used in the Conditions, means a resolution passed at a meeting of the Noteholders duly convened and held in accordance with the Conditions, and carried by a Noteholder Majority.

20. A resolution in writing signed by or on behalf of a Noteholder Majority shall, for all purposes, be as valid and effectual as a Special Resolution passed at a meeting duly convened and held in accordance with the Conditions. Such resolution in writing may be contained in one document or in several documents in similar form, each signed by one or more Noteholders.

21. Minutes of all resolutions and proceedings at every meeting shall be made and duly entered in books to be from time to time provided for that purpose by the Company. Any minutes, if purporting to be signed by the Chairman of the meeting or by the Chairman of the next succeeding meeting of the Noteholders, shall be conclusive evidence of the matters stated in them. Until the contrary is proved, every meeting for which minutes have been made and signed shall be deemed to have been duly held and convened, and all resolutions passed at the meeting to have been duly passed.

EXECUTED as a DEED by **MEREO BIOPHARMA GROUP PLC**
acting by

_____

Director/Authorised signatory

_____

Director/Authorised signatory

_____ _____

Witness

Name: _____

Address: _____

_____

Occupation: _____

SCHEDULE 2

AMENDED NOTE INSTRUMENT (CLEAN COPY)

THIS INSTRUMENT AND THE SECURITIES ISSUABLE UPON THE CONVERSION HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"). THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR PURSUANT TO AN APPLICABLE EXEMPTION THEREFROM.

DATED_____ DECEMBER 2020

AMENDED CONVERTIBLE LOAN NOTE INSTRUMENT DATED 3 JUNE 2020

RELATING TO

MEREO BIOPHARMA GROUP PLC

CONTENTS

THIS INSTRUMENT is made as a deed poll on 3 June 2020 and as amended on 9 June 2020 and __ December 2020.

BY

MEREO BIOPHARMA GROUP PLC incorporated and registered in England and Wales with company number 09481161 whose registered office is at 4th Floor, 1 Cavendish Place, London W1G 0QF, United Kingdom (the "**Company**").

WHEREAS:

A. On 3 June 2020 the Company entered into certain financing transactions, pursuant to which OrbiMed Partners Master Fund Limited, OrbiMed Genesis Master Fund L.P. and OrbiMed Private Investments VII, LP (the "**Lead Investors**") and certain other investors (the "**Investors**") subscribed for the following securities of the Company: (x) a unit (referred to for convenience as "**Ordinary Units**"), consisting of (i) one ordinary share of the Company with a nominal value of £0.003 per share (such class of shares, the "**Ordinary Shares**," and all such shares to be issued to the Purchasers, the "**Shares**") together with (ii) one warrant to subscribe for 0.50 Ordinary Shares (all such warrants to be issued to the Purchasers, the "**Ordinary Warrants**"), at a purchase price of £0.174 per Unit and (y) a unit (referred to for convenience as the "**Convertible Units**") consisting of (i) one Note together with (ii) warrants to subscribe for a number of Ordinary Shares equal to 0.5 times the number of Ordinary Shares issuable upon conversion of each Note (all such warrants to be issued to the Purchasers, the "**Note Warrants**" and together with the Ordinary Warrants (the "**Warrants**") (the issuance of the foregoing Ordinary Units and Convertible Units collectively , the "**Transaction**").

B. By exercise of the powers conferred on them by the Articles, the Directors of the Company have, by a resolution passed on 1 June 2020, resolved to create, and to constitute the Notes hereunder.

C. This Instrument constitutes the Notes.

D. The Company and its subsidiaries are parties to an existing senior secured loan agreement in the principal amount of £20,455,000 with Silicon Valley Bank (as lender) ("**SVB**") and Kreos Capital V (UK) Limited (as lender, agent and security agent) ("**Kreos**"), dated 28 September 2018 (as updated and amended from time to time) (the "**Senior Loan**").

E. The Notes created hereunder shall be subordinated to the Senior Loan by entry into a separate subordination deed between the Noteholders, Kreos and SVB on or around the date hereof (the "**Subordination Agreement**").

AGREED TERMS

1. INTERPRETATION

1.1 The definitions and rules of interpretation in this clause apply in this Instrument.

1.2 **Acceleration Date:** has the meaning given in paragraph 4 of Part 1 of Schedule 2.

ADS: has the meaning given in the Securities Purchase Agreement.

ADS Exchange Ratio: means the ratio applicable to the exchange of Ordinary Shares for ADSs from time to time, currently being a ratio of 5 Ordinary Shares for each ADS.

Affiliate: means a person that owns or controls directly or indirectly another person, any person that controls or is controlled by or is under common control with the person, including, without limitation, any subsidiaries, and any of that person's general or limited partners, senior executive officers, directors and, for any person that is a limited liability company, that person's managers and members or any venture capital fund or registered investment company now or hereafter existing that is controlled by one or more general partners or managing members or investment advisor of, or shares the same management company or investors advisor (or member thereof) with, such person.

Alternative Warrant Conversion Notice: has the meaning given in the Securities Purchase Agreement.

Articles: means the articles of association of the Company, as amended or superseded.

Business Day: means any day other than Saturday, Sunday or federal legal holiday in the United States of America, or public holiday or bank holiday in the United Kingdom.

Certificate: means a Tranche 1 Note Certificate, a Tranche 2 Note Certificate or a Tranche 3 Note Certificate, as applicable.

Change of Control: means, (a) in one transaction or a series of related transactions, a person or one or more persons acting in concert, acquiring (i) all (or substantially all) of the share capital or assets of the Company, or (ii) more than fifty percent (50%) of the outstanding equity or other securities of the Company; or (b) any merger, consolidation, reorganisation, or business combination as a result of which the majority equity or other security holders of the Company immediately preceding such transaction (s) hold less than fifty percent (50%) of the outstanding voting power, respectively, of the ultimate company or entity resulting from such transaction(s)

immediately after consummation of such transaction. In the foregoing case, "acting in concert" means a group of persons who, pursuant to an agreement or understanding (whether formal or informal), actively co-operate, through the acquisition and/or ownership of voting shares in the Company, to obtain or consolidate control (directly or indirectly) of the Company provided that the persons voting in the same or consistent manner at any general meeting of the Company will not be considered to be acting in concert by virtue only of exercising their votes in such manner.

Change of Control Payment: has the meaning given in paragraph 4.12 of Part 1 of Schedule 2.

Closing Price: means: (i) if at the relevant time the Ordinary Shares continue to be admitted to trading on AIM, the most recently reported closing price of one Ordinary Share on AIM; or (ii) if at the relevant time the Shares are no longer admitted to trading on AIM, the implied price of one Ordinary Share in pounds sterling by reference to the most recently reported closing price of an ADS on Nasdaq.

Conditions: means the conditions attaching to the Notes, as set out in Schedule 2 (as amended from time to time in accordance with this Instrument).

Conversion Date: means (i) in the case of Tranche 1 Notes being converted automatically following Shareholder Approval pursuant to the provisions of paragraph 1.2 of Part 2 of Schedule 2, the date on which such Shareholder Approval is granted; and/or (ii), in the case of an Uplift Notice or Pay Down Notice, the date specified in such notice; and/or (iii) in all other cases, the date falling 5 Business Days after service of the Conversion Notice.

Conversion Notice: means a notice in writing served by a Noteholder to the Company to convert all or, if the Ownership Limit applies, some of its outstanding Notes.

Default Rate: means the Tranche 1 Default Rate, Tranche 2 Default Rate or Tranche 3 Default Rate (as applicable).

Depositary: has the meaning given in the Securities Purchase Agreement.

Directors: means the board of directors of the Company, or a duly authorised committee of that board, for the time being.

Effective Date: means the date of this Deed.

Event of Default: means any of the events set out in paragraph 5 of Part 1 of Schedule 2.

Existing Indebtedness: means any indebtedness incurred by a Group Company and outstanding on or prior to the Effective Date (which for the avoidance of doubt shall include indebtedness pursuant to the Senior Loan and the Novartis Loan Note).

Group Company: means each of the Company and its subsidiaries.

Interest Rate: has the meaning given in paragraph 1 of Part 1 of Schedule 2.

Kreos: has the meaning given in the recitals of this Instrument.

Lead Investors: has the meaning given in the recitals of this Instrument.

Nasdaq: means the Nasdaq Global Market or the Nasdaq Capital Market (as applicable).

Notes: means the Tranche 1 Notes, the Tranche 2 Notes or the Tranche 3 Notes, as applicable.

Noteholder: means a person for the time being entered in the Register as holder of any Notes.

Noteholder Majority: means Noteholders holding more than 50% of the principal amount of all outstanding Notes.

Noteholder Majority Consent: means the consent of a Noteholder Majority provided either at a meeting of Noteholders or in writing, in each case in accordance with the requirements of Schedule 3.

Novartis: means Novartis Pharma AG, a company incorporated under the laws of Switzerland.

Novartis Loan Note: means the convertible loan note originally issued by the Company to Novartis in the principal amount of £3,841,479 on 8 February 2020.

Ordinary Shares: means the ordinary shares of £0.003 each in the capital of the Company, which have the rights set out in the Articles.

Original Warrantholder: has the meaning given in the Securities Purchase Agreement.

Ownership Limit: has the meaning given in paragraph 1.2 of Part 2 of Schedule 2.

Pay Down Issue: has the meaning given in paragraph 4.7 of Part 1 of Schedule 2.

Pay Down Notice: has the meaning given in paragraph 4.7 of Part 1 of Schedule 2.

Pay Down Securities: has the meaning given in paragraph 4.7 of Part 1 of Schedule 2.

Pay Down Reduction Amount: has the meaning given in paragraph 4.8 of Part 1 of Schedule 2.

Qualifying Noteholder: means any Noteholder holding Notes with a principal amount of £6,004,803.84 or greater.

Redemption Date: has the meaning given in paragraph 4.1 of Part 1 of Schedule 2.

Redemption Notice: has the meaning given in paragraph 4.13 of Part 1 of Schedule 2.

Register: means a register of Noteholders referred to in, and kept and maintained in accordance with, clause 8.

Registered Office: means the registered office of the Company from time to time.

Securities Purchase Agreement: means the agreement governing the purchase of Ordinary Shares comprising the Transaction among, *inter alios*, the Company, the Lead Investors and the other Investors party thereto, dated on or around the date hereof.

Senior Lenders: means SVB and Kreos (and each of them individually, a "Senior Lender") and/or their respective successors in title.

Senior Loan: has the meaning given in the recitals of this Instrument.

Shareholder Approval: has the meaning given in the Securities Purchase Agreement.

Shareholders Meeting: has the meaning given in the Securities Purchase Agreement.

Shares: has the meaning given in the recitals of this Instrument.

Subordination Agreement: has the meaning given in the recitals of this Instrument.

SVB: has the meaning given in the recitals of this Instrument.

Tranche 1 Conversion Price: £0.174 per Ordinary Share, subject to adjustment as set forth in Part 3 of Schedule 2.

Tranche 2 Conversion Price: £0.348 per Ordinary Share, subject to adjustment as set forth in Part 3 of Schedule 2.

Tranche 1 Default Rate: has the meaning given in paragraph 1.1 of Part 1 of Schedule 2.

Tranche 2 Default Rate: has the meaning given in paragraph 1.2 of Part 1 of Schedule 2.

Tranche 3 Default Rate: has the meaning given in paragraph 1.3 of Part 1 of Schedule 2.

Tranche 1 Extension Option: has the meaning given in paragraph 2.3 of Part 1 of Schedule 2.

Tranche 1 Extension Notice: has the meaning given in paragraph 2.3 of Part 1 of Schedule 2.

Tranche 2 Extension Option: has the meaning given in paragraph 2.5 of Part 1 of Schedule 2.

Tranche 2 Extension Notice: has the meaning given in paragraph 2.5 of Part 1 of Schedule 2.

Tranche 3 Extension Option: has the meaning given in paragraph 2.7 of Part 1 of Schedule 2.

Tranche 3 Extension Notice: has the meaning given in paragraph 2.7 of Part 1 of Schedule 2.

Tranche 1 Maturity Date: means 3 June 2023 or, in respect of any Tranche 1 Notes held by a Qualifying Noteholder, such later date as may be applicable following exercise of the Tranche 1 Extension Option.

Tranche 2 Maturity Date: means the date falling three years from the date of issue of such Tranche 2 Notes, or in respect of any Tranche 2 Notes held by a Qualifying Noteholder, such later date as may be applicable following exercise of the Tranche 2 Extension Option.

Tranche 3 Maturity Date: means 3 June 2025 or, in respect of any Tranche 3 Notes held by a Qualifying Noteholder, such later date as may be applicable following exercise of the Tranche 3 Extension Option and acceptance by the Company of the same.

Tranche 1 Note Certificate: a certificate for Tranche 1 Notes in the form (or substantially in the form) set out in Part 1 of Schedule 1.

Tranche 2 Note Certificate: a certificate for Tranche 2 Notes in the form (or substantially in the form) set out in Part 2 of Schedule 1.

Tranche 3 Note Certificate: a certificate for Tranche 3 Notes in the form (or substantially in the form) set out in Part 3 of Schedule 1.

Tranche 1 Noteholder: means a Noteholder holding Tranche 1 Notes.

Tranche 2 Noteholder: means a Noteholder holding Tranche 2 Notes.

Tranche 3 Noteholder: means a Noteholder holding Tranche 3 Notes.

Tranche 1 Notes: up to £40,533,671 in aggregate unsecured convertible loan notes of £1 principal amount each, maturing on the Tranche 1 Maturity Date constituted by this Instrument or, as the case may be, the principal amount of such loan notes for the time being issued and outstanding, and **principal amount** shall be construed accordingly.

Tranche 2 Notes: up to £40,032,025 in aggregate unsecured convertible loan notes of £1 principal amount each, maturing on the Tranche 2 Maturity Date constituted by this Instrument or, as the case may be, the principal amount of such loan notes for the time being issued and outstanding, and **principal amount** shall be construed accordingly.

Tranche 3 Notes: up to £56,044,831 in aggregate unsecured loan notes of £1 principal amount each, maturing on the Tranche 3 Maturity Date constituted by this Instrument or, as the case may be, the principal amount of such loan notes for the time being issued and outstanding, and **principal amount** shall be construed accordingly.

Transaction: has the meaning given in the recitals of this Instrument.

Uplift Allocation Notice: has the meaning given in paragraph 4.3 of part 1 of Schedule 2.

Uplift Reduction Amount: has the meaning given in paragraph 4.4 of part 1 of Schedule 2.

Uplift Securities: has the meaning given in paragraph 4.3 of part 1 of Schedule 2.

Warrant: has the meaning given in the recitals of this Instrument.

Warrant Instrument: means the instrument constituting the Warrants dated on or about the Effective Date.

1.3 Clause, Schedule and paragraph headings shall not affect the interpretation of this Instrument.

1.4 References to clauses and Schedules are to the clauses of and Schedules to this Instrument and references to paragraphs are to paragraphs of the relevant Schedule.

1.5 The Schedules (including, for the avoidance of doubt, the Conditions) form part of this Instrument and shall have effect as if set out in full in the body of this Instrument. Any reference to this Instrument includes the Schedules.

1.6 A reference to **this Instrument**, **the Conditions** or to any other agreement or document referred to in this Instrument or the Conditions is a reference to this Instrument (which shall include the Conditions), the Conditions or such other agreement or document as varied or novated in accordance with their terms from time to time.

1.7 Unless the context otherwise requires, words in the singular shall include the plural and in the plural shall include the singular.

1.8 Unless the context otherwise requires, a reference to one gender shall include a reference to the other genders.

1.9 A **person** includes a natural person, corporate or unincorporated body (whether or not having separate legal personality) and that person's personal representatives, successors and permitted assigns.

1.10 A reference to a **company** shall include any company, corporation or other body corporate, wherever and however incorporated or established.

1.11 A reference to a **holding company** or a **subsidiary** means a holding company or a subsidiary (as the case may be) as defined in section 1159 of the Companies Act 2006.

1.12 A reference to **writing** or **written** includes fax but not e-mail (unless otherwise expressly provided in this Instrument).

1.13 Any words following the terms **including**, **include**, **in particular**, **for example** or any similar expression shall be construed as illustrative and shall not limit the sense of the words, description, definition, phrase or term preceding those terms.

1.14 Where the context permits, **other** and **otherwise** are illustrative and shall not limit the sense of the words preceding them.

1.15 A reference to a statute or statutory provision is a reference to it as amended, extended or re-enacted from time to time.

1.16 A reference to a statute or statutory provision shall include all subordinate legislation made from time to time under that statute or statutory provision.

1.17 Any obligation on a person not to do something includes an obligation not to allow that thing to be done.

1.18 A reference in this Instrument to:

(a) any Notes being **outstanding** means such Notes as are in issue, not redeemed, not converted and not cancelled at the relevant time;

(b) the **assets** of any person shall be construed as a reference to all or any part of its business, undertaking, property, assets, revenues (including any right to receive revenues) and uncalled capital;

(c) **indebtedness** shall be construed as a reference to any obligation for the payment or repayment of money, whether as principal or as surety and whether present or future, actual or contingent;

(d) **repayment** includes redemption and vice versa and the words **repay, redeem, repayable, redeemed** and **repaid** shall be construed accordingly;

(e) **$ or USD** denotes the lawful currency of the United States of America;

(f) **£** or **sterling** denotes the lawful currency of the United Kingdom; and

(g) **tax** shall be construed so as to include any present and future tax, levy, impost, deduction, withholding, duty or other charge of a similar nature (including, without limitation, any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

1.19 Unless the context otherwise requires, a reference to the **Notes** includes a reference to all and/or any of the Notes.

2. AMOUNT AND DESCRIPTION OF NOTES

2.1 The aggregate principal amount of the Tranche 1 Notes is limited to £40,533,671.

2.2 The aggregate principal amount of the Tranche 2 Notes is limited to £40,032,025.

2.3 The aggregate principal amount of the Tranche 3 Notes is limited to £56,044,831.

2.4 The Tranche 1 Notes shall be known as the unsecured convertible loan notes due 2023 and shall be issued by the Company in integral multiples of £1.

2.5 The Tranche 2 Notes shall be known as the unsecured convertible loan notes due 2026 and shall be issued by the Company in integral multiples of £1.

2.6 The Tranche 3 Notes shall be known as the unsecured loan notes due 2025 and shall be issued by the Company in integral multiples of £1.

3. STATUS OF NOTES

3.1 The Notes when issued and outstanding shall rank pari passu, equally and rateably, without discrimination or preference among themselves and as unsecured obligations of the Company.

3.2 The Notes shall be issued and held subject to and with the benefit of the provisions of this Instrument (including the Conditions). All such provisions shall be binding on the Company and the Noteholders and all persons claiming through or under them respectively and shall enure for the benefit of all Noteholders.

3.3 No Notes shall be issued or deemed issued pursuant to this Instrument until Closing (as defined in the Securities Purchase Agreement) has occurred in accordance with the terms and conditions of the Securities Purchase Agreement.

3.4 No Tranche 2 Notes shall be issued to any person who is not a Qualifying Noteholder and has not served upon the Company an Optional Warrant Conversion Notice (as defined in the Securities Purchase Agreement) in accordance with the provisions of section 5(h)(ii) of the Securities Purchase Agreement.

3.5 Any Qualifying Noteholder who delivers an Optional Warrant Conversion Notice (as defined in the Securities Purchase Agreement) in accordance with the provisions of Clause section 5(h)(ii) of the Securities Purchase Agreement shall have the subscription monies paid to the Company thereunder applied towards the subscription price for Tranche 2 Notes (in the face amount of £1 for each Tranche 2 Note issued) in accordance with section 5(h)(ii) of the Securities Purchase Agreement. The subscription price in respect of all Warrants subject to the Optional Warrant Conversion Notice shall be aggregated for purposes of determining the number of Tranche 2 Notes issued, provided that no Tranche 2 Notes shall be issued for any part payment towards a Tranche 2 Note and after aggregation of all such amounts, any remaining fractional sums pursuant to an Optional Warrant Conversion Notice shall be discounted when calculating the number of Tranche 2 Notes to be issued.

3.6 No Tranche 3 Notes shall be issued to any person if the Shareholder Approval is obtained on or before 7 August, 2020.

3.7 If the Shareholder Approval is not obtained on or before 7 August, 2020, the Company shall deliver Tranche 3 Notes (in the face amount of £1 for each Tranche 3 Note issued) to each Original Warrantholder that delivers an Alternative Warrant Conversion Notice in accordance with section 5(i)(ii) of the Securities Purchase Agreement, within five (5) Business Days after the surrender by the holder of the certificate representing the Warrant and the delivery of the Alternative Warrant Conversion Notice.

3.8 For so long as the Senior Loan remains outstanding, no Notes shall be issued or deemed issued to any person pursuant to this Instrument unless such person has first executed the Subordination Agreement or a deed of adherence to the Subordination Agreement (pursuant to which such person becomes bound by the terms of the Subordination Agreement) and provided a copy of such executed document to the Company and the Senior Lenders.

4. USE OF PROCEEDS

4.1 The proceeds of all subscriptions for the Notes shall be used in accordance with the terms and conditions of Section 5(j) of the Securities Purchase Agreement.

4.2 No part of the proceeds of any subscription for the Notes shall be used by the Company to make any dividend or distribution to any shareholder in the Company, or for the repurchase of Ordinary Shares.

5. REPAYMENT OF NOTES

5.1 The Notes shall be repaid in accordance with Part 1 of Schedule 2.

5.2 All Notes repaid by the Company shall be automatically and immediately cancelled and shall not be reissued.

6. INTEREST

Until the Notes are repaid by the Company or converted into Ordinary Shares, in each case in accordance with the provisions of this Instrument, interest shall accrue and be paid on the principal amount of the Notes outstanding at the rate and in the manner provided in Part 1 of Schedule 2.

7. CERTIFICATES

7.1 Each Noteholder (or the joint holders of any Notes) shall be entitled to receive, without charge, one Tranche 1 Note Certificate and/or Tranche 2 Note Certificate and/or Tranche 3 Note Certificate (as applicable) for the Tranche 1 Notes and/or Tranche 2 Notes and/or Tranche 3 Notes registered in his (or their) names.

7.2 Where any Notes are held jointly, the Company shall not be bound to issue more than one Certificate in respect of such Notes and delivery of a Certificate to the person who is first named in the Register as Noteholder shall be sufficient delivery to all joint holders of such Notes.

7.3 Each Certificate shall:

(a) bear a denoting number;

(b) indicate whether it relates to Tranche 1 Notes, Tranche 2 Notes, or Tranche 3 Notes;

(c) be issued and executed by the Company as a deed in the form (or substantially in the form) set out in Part 1 of Schedule 1, Part 2 of Schedule 1 or Part 3 of Schedule 1 (as applicable); and

(d) have the Conditions endorsed on or attached to it.

7.4 In the case of repayment or transfer of part only of a Noteholder's Notes, the Certificate(s) in respect of such Notes shall be either:

(a) endorsed with a memorandum of the nominal amount of the Notes so redeemed or transferred and the date of such repayment or transfer; or

(b) cancelled and (without charge) replaced by a new Certificate for the balance of the principal amount of the Notes not then repaid or transferred.

8. THE REGISTER

8.1 The Company shall keep and maintain the Register at the Registered Office or (subject always to the provisions of section 743 of the Act) at such other place as the Company may from time to time appoint for this purpose and notify to the Noteholders.

8.2 There shall be entered in the Register:

(a) the names and addresses of the Noteholders for the time being;

(b) the principal amount of the Notes held by each Noteholder;

(c) whether the Notes held by each Noteholder are Tranche 1 Notes, Tranche 2 Notes or Tranche 3 Notes;

(d) the date of issue of each of the Notes and the date on which the name of each Noteholder is entered in the Register in respect of the Notes registered in his name;

(e) the serial number of each Certificate issued and the date of its issue; and

(f) the date(s) of all transfers and changes of ownership of any of the Notes.

8.3 The Company shall promptly amend the Register to record any change to the name or address of a Noteholder that is notified in writing to the Company by that Noteholder.

8.4 The Noteholders or any of them, or any person authorised by a Noteholder, shall be at liberty at all reasonable times during office hours to inspect the Register and to take copies of or extracts from it or any part of it.

8.5 Every Noteholder shall be recognised by the Company as entitled to his Notes free from any equity, set-off or cross-claim against the original or an intermediate holder of such Notes.

9. NOTES NOT TO BE QUOTED

No application has been, or shall be, made (unless pursuant to paragraph 7.2 of Part 1 of Schedule 2) to any investment exchange (whether in the United Kingdom or otherwise) for permission to deal in, or for an official or other listing or quotation, in respect of the Notes.

10. SET-OFF

Payments of principal and interest in respect of the Notes shall be paid by the Company to the Noteholders in accordance with the Conditions without any deduction or withholding (whether in respect of any set-off, counterclaim or otherwise whatsoever) unless the deduction or withholding is required by law.

11. MEETINGS OF NOTEHOLDERS

Meetings of the Noteholders shall be convened and held in accordance with the provisions of Schedule 3.

12. VARIATION

12.1 All or any of the rights for the time being attached to the Notes or other provisions of this Instrument may from time to time (whether or not the Company is being wound up) be altered or abrogated with the prior written consent of a Noteholder Majority. Any such alteration or abrogation shall be effected by way of deed poll executed by the Company and expressed to be supplemental to this Instrument.

12.2 Modifications to this Instrument which are of a minor nature or made to correct a manifest error may be effected by way of deed poll executed by the Company and expressed to be supplemental to this Instrument.

12.3 The Company shall, within 5 Business Days of making any variation pursuant to this clause 12, send to each Noteholder (or, in the case of joint holders, to the Noteholder named first in the Register) a copy of the deed poll (or other document) effecting the variation.

12.4 Any modification, alteration or abrogation made pursuant to clause 12.1 or clause 12.2 shall be binding on all the Noteholders.

13. ENFORCEMENT AND THIRD PARTY RIGHTS

13.1 From and after the date of this Instrument, and for so long as any Notes are outstanding or any amount is payable or repayable by the Company in respect of the Notes, the Company undertakes to duly perform and observe its obligations under this Instrument.

13.2 Except as expressly provided in clause 13.3, a person who is not a party to this Instrument shall not have any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Instrument.

13.3 This Instrument shall operate for the benefit of all Noteholders and each Noteholder shall be entitled to sue for the performance or observance of the provisions of this Instrument in his own right so far as his own holding of Notes is concerned.

14. NOTICES

Any notice to be given to or by any Noteholder(s) for the purposes of this Instrument shall be given in accordance with the provisions of paragraph 9 and paragraph 10 of Part 3 of Schedule 2.

15. GOVERNING LAW AND JURISDICTION

15.1 This Instrument and the Notes and any dispute or claim arising out of or in connection with any of them or their subject matter or formation (including non- contractual disputes or claims) shall be governed by, and construed in accordance with, the law of England and Wales.

15.2 The courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with this Instrument or the Notes or their subject matter or formation (including non-contractual disputes or claims).

This instrument has been executed as a deed and is delivered and takes effect on the date stated at the beginning of it.

Schedule 1

Part 1. - Form of Tranche 1 Note Certificate

Certificate No. [NUMBER]

Date of Issue [•] [June] 2020

Amount £[AMOUNT]

MEREO BIOPHARMA GROUP PLC
£[AMOUNT]
UNSECURED CONVERTIBLE LOAN NOTES

Created and issued pursuant to a resolution of a duly appointed committee of the board of directors of the Company passed on 3 June 2020.

THIS IS TO CERTIFY THAT [NAME OF NOTEHOLDER] is the registered holder of £[AMOUNT] of the £[AMOUNT] unsecured convertible loan notes 2023 constituted by an instrument entered into by the Company on [•] [June] 2020 (**"Instrument**"). These are Tranche 1 Notes. Such Tranche 1 Notes are issued with the benefit of and subject to the provisions contained in the Instrument and the Conditions endorsed on or annexed to this Certificate.

Notes:

1. The Tranche 1 Notes are repayable and shall bear interest in accordance with the Conditions.

2. This Certificate must be surrendered to the Company before any transfer or repayment, whether of the whole or any part of the Tranche 1 Notes comprised in it, can be registered or effected, or any new certificate issued in exchange.

3. Any change of address of the Noteholder(s) must be notified in writing signed by the Noteholder(s) to the Company at the Registered Office.

4. Subject to the Conditions, the Tranche 1 Notes are transferable in amounts and in integral multiples of £1.

5. No transfer of any part of the Tranche 1 Notes represented by this Certificate can be registered without production of this Certificate.

6. Words and expressions defined in the Instrument shall bear the same meaning in this Certificate and in the Conditions.

7. The Tranche 1 Notes and any dispute or claim arising out of or in connection with any of them or their subject matter or formation (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, the law of England and Wales. The courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with the Tranche 1 Notes or their subject matter or formation (including non-contractual disputes or claims).

8. A copy of the Instrument is available for inspection at the registered office of the Company.

This Certificate has been executed as a deed and is delivered and takes effect on the date of issue stated at the beginning of it.

Executed as a deed by MEREO BIOPHARMA GROUP PLC acting by [NAME OF DIRECTOR], a director

[SIGNATURE OF DIRECTOR]

Director in the presence of:

Witness Signature: _____

Name: _____

Address: _____

Occupation

Dated: [INSERT DATE]

Part 2. - Form of Tranche 2 Note Certificate

Certificate No. [NUMBER]
Date of Issue [•] [•] [•]
Amount £[AMOUNT]

MEREO BIOPHARMA GROUP PLC
£[AMOUNT]
UNSECURED CONVERTIBLE LOAN NOTES

Created and issued pursuant to a resolution of a duly appointed committee of the board of directors of the Company passed on 3 June 2020.

THIS IS TO CERTIFY THAT [NAME OF NOTEHOLDER] is the registered holder of £[AMOUNT] of the £[AMOUNT] unsecured convertible loan notes with a Maturity Date of [•], constituted by an instrument entered into by the Company on [•] [June] 2020 ("**Instrument**"). These are Tranche 2 Notes. Such Tranche 2 Notes are issued with the benefit of and subject to the provisions contained in the Instrument and the Conditions endorsed on or annexed to this Certificate.

Notes:

1. The Tranche 2 Notes are repayable and shall bear interest in accordance with the Conditions.

2. This Certificate must be surrendered to the Company before any transfer or repayment, whether of the whole or any part of the Tranche 2 Notes comprised in it, can be registered or effected, or any new certificate issued in exchange.

3. Any change of address of the Noteholder(s) must be notified in writing signed by the Noteholder(s) to the Company at the Registered Office.

4. Subject to the Conditions, the Tranche 2 Notes are transferable in amounts and in integral multiples of £1.

5. No transfer of any part of the Tranche 2 Notes represented by this Certificate can be registered without production of this Certificate.

6. Words and expressions defined in the Instrument shall bear the same meaning in this Certificate and in the Conditions.

7. The Tranche 2 Notes and any dispute or claim arising out of or in connection with any of them or their subject matter or formation (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, the law of England and Wales. The courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with the Tranche 2 Notes or their subject matter or formation (including non-contractual disputes or claims).

8. A copy of the Instrument is available for inspection at the registered office of the Company.

This Certificate has been executed as a deed and is delivered and takes effect on the date of issue stated at the beginning of it.

Executed as a deed by MEREO BIOPHARMA GROUP PLC acting by [NAME OF DIRECTOR], a director

_____

[SIGNATURE OF DIRECTOR]

Director in the presence of:

Witness Signature: _____

Name: _____

Address: _____

Occupation

Dated: [INSERT DATE]

Part 3. - Form of Tranche 3 Note Certificate

Certificate No. [NUMBER]
Date of Issue [•] [•] [•]
Amount £[AMOUNT]

MEREO BIOPHARMA GROUP PLC
£[AMOUNT]
UNSECURED LOAN NOTES

Created and issued pursuant to a resolution of a duly appointed committee of the board of directors of the Company passed on 3 June 2020.

THIS IS TO CERTIFY THAT [NAME OF NOTEHOLDER] is the registered holder of £[AMOUNT] of the £[AMOUNT] unsecured loan notes with a Maturity Date of [•] June 2025, constituted by an instrument entered into by the Company on [•] [June] 2020 ("**Instrument**"). These are Tranche 3 Notes. Such Tranche 3 Notes are issued with the benefit of and subject to the provisions contained in the Instrument and the Conditions endorsed on or annexed to this Certificate.

Notes:

1. The Tranche 3 Notes are repayable and shall bear interest in accordance with the Conditions.

2. This Certificate must be surrendered to the Company before any transfer or repayment, whether of the whole or any part of the Tranche 3 Notes comprised in it, can be registered or effected, or any new certificate issued in exchange.

3. Any change of address of the Noteholder(s) must be notified in writing signed by the Noteholder(s) to the Company at the Registered Office.

4. Subject to the Conditions, the Tranche 3 Notes are transferable in amounts and in integral multiples of £1.

5. No transfer of any part of the Tranche 3 Notes represented by this Certificate can be registered without production of this Certificate.

6. Words and expressions defined in the Instrument shall bear the same meaning in this Certificate and in the Conditions.

7. The Tranche 3 Notes and any dispute or claim arising out of or in connection with any of them or their subject matter or formation (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, the law of England and Wales. The courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with the Tranche 3 Notes or their subject matter or formation (including non-contractual disputes or claims).

8. A copy of the Instrument is available for inspection at the registered office of the Company.

This Certificate has been executed as a deed and is delivered and takes effect on the date of issue stated at the beginning of it.

Executed as a deed by MEREO BIOPHARMA GROUP PLC
acting by [NAME OF DIRECTOR], a director

_____

[SIGNATURE OF DIRECTOR]

Director in the presence of:

Witness Signature: _____

Name: _____

Address: _____

Occupation

Dated: [INSERT DATE]

Schedule 2 The Conditions

Part 1. Interest, repayment and redemption

1. INTEREST

1.1 Interest shall initially be payable on any outstanding Tranche 1 Notes (so far as not converted under Part 2 of Schedule 2) at a fixed rate of 10% per annum **(**the "**Interest Rate**"), subject to the following adjustments:

(a) if Shareholder Approval is obtained on or prior to 7 August 2020, the initial 10% rate shall be reduced to 6% per annum, with effect retroactively as of the Effective Date;

(b) if an Event of Default takes place and is not remedied by the Company in accordance with the applicable provisions of this Part 1 of Schedule 2, the Tranche 1 Interest Rate shall be increased by 2% per annum with effect from the date of such Event of Default (or, if applicable, the expiry of any cure period applicable thereto) (the "**Tranche 1 Default Rate**"); and

(c) if the Tranche 1 Extension Option is exercised, interest shall cease to be payable on the Tranche 1 Notes from the date of the relevant Tranche 1 Extension Notice (other than any interest payable at the Tranche 1 Default Rate following an Event of Default, which, for the avoidance of doubt, shall apply at a flat rate of 2% in such circumstances and remain payable).

1.2 Interest shall not be payable on any outstanding Tranche 2 Notes or Tranche 3 Notes other than where an Event of Default takes place and is not remedied by the Company in accordance with the applicable provisions of this Part 1 of Schedule 2, where interest shall be payable on the Tranche 2 Notes and/or Tranche 3 Notes (as applicable) at a rate of 2% per annum with effect from the date of such Event of Default (or, if applicable, the expiry of any cure period applicable thereto) (the "**Tranche 2 Default Rate**" and "**Tranche 3 Default Rate**", respectively).

1.3 Any interest due under paragraphs 1.1 or 1.2 shall be payable on the Redemption Date.

1.4 Interest, if payable, shall accrue daily at the Interest Rate and shall be calculated on the basis of a 365-day year and the actual number of days elapsed from the date of issue of the relevant Notes to the Redemption Date.

1.5 If the Company fails to pay redemption monies when due, interest shall accrue on the unpaid amount at the applicable Default Rate.

2. REPAYMENT OF PRINCIPAL

2.1 As and when the Notes (or any part of them) are to be redeemed in accordance with paragraph 4 of this Part 1 of Schedule 2, the Company shall pay the Noteholders the principal amount of the Notes which are to be redeemed, subject to adjustment in accordance with paragraph 4.2 of this Part 2 of Schedule 2.

2.2 No prepayment of the principal amount of the Notes or any interest accrued thereon prior to the earlier of the Maturity Date or, in the event of a Change of Control, the date on which the consideration in respect of such Change of Control is remitted to the holders of Ordinary Shares, shall be permitted without the consent of a Noteholder Majority, and, if required, the consent of the Senior Lenders pursuant to the terms of the Subordination Deed.

2.3 At any time prior to the Tranche 1 Maturity Date, a Qualifying Noteholder may (but shall not be required to) notify the Company that it wishes to extend the Tranche 1 Maturity Date in respect of that Noteholder's Tranche 1 Notes to a new date to be specified in such notice provided such date is a Business Day and not later than the date 10 years after the date of this Instrument (a "**Tranche 1 Extension Notice**"), and the Company shall accept such extension (the "**Tranche 1 Extension Option**"), whereupon the Tranche 1 Maturity Date shall be revised accordingly. A Qualifying Noteholder may only issue a Tranche 1 Extension Notice once and any such Tranche 1 Extension Option must be used in respect of all Tranche 1 Notes held by such Qualifying Noteholder. From the date of such Tranche 1 Extension Notice, other than amounts accrued prior to delivery of the Tranche 1 Extension Notice, no additional interest shall be payable on the Tranche 1 Notes held by the exercising Qualifying Noteholder (other than any interest which becomes payable at the Tranche 1 Default Rate).

2.4 On the date of the Tranche 1 Extension Notice the exercising Qualifying Noteholder shall deliver to the Company the Tranche 1 Note Certificate in respect of the Tranche 1 Notes which are the subject of such Tranche 1 Extension Notice, and the Company shall, within 5 Business Days' of the exercise of the Tranche 1 Extension Option, issue to such Qualifying Noteholder a replacement Tranche 1 Note Certificate bearing the revised Tranche 1 Maturity Date.

2.5 A Qualifying Noteholder who holds both Tranche 1 Notes and Tranche 2 Notes may (but shall not be required) if they have already served an Extension Notice (or contemporaneously with the service of an Extension Notice), notify the Company that it wishes to extend the Tranche 2 Maturity Date in respect of that Noteholder's Tranche 2 Notes to the same date that it has specified as the Tranche 1 Maturity Date pursuant to its Extension Notice for Tranche 1 Notes (such further notice being a "**Tranche 2 Extension Notice**"), and the Company shall accept such extension (the "**Tranche 2 Extension Option**"), whereupon the Tranche 2 Maturity Date shall be revised accordingly. A Qualifying Noteholder may only issue a Tranche 2 Extension Notice once and any such Tranche 2 Extension Option must be used in respect of all Tranche 2 Notes held by such Qualifying Noteholder.

2.6 On the date of the Tranche 2 Extension Notice the exercising Qualifying Noteholder shall deliver to the Company the Tranche 2 Note Certificate in respect of the Tranche 2 Notes which are the subject of such Tranche 2 Extension Notice, and the Company shall, within 5 Business Days' of the exercise of the Tranche 2 Extension Option, issue to such Qualifying Noteholder a replacement Tranche 2 Note Certificate bearing the revised Tranche 2 Maturity Date.

2.7 Any Qualifying Noteholder who holds Tranche 3 Notes may (but shall not be required), notify the Company that it wishes to extend the Tranche 3 Maturity Date in respect of that Qualifying Noteholder's Tranche 3 Notes to a new date to be specified in such notice provided such date is a Business Day and not later than the date 10 years after the date of this Instrument (such notice being a "**Tranche 3 Extension Notice**"). Upon receipt of a Tranche 3 Extension Notice, the Company may reject a Tranche 3 Extension Notice by providing written notice of such rejection to the Noteholder within 30 Business Days of receipt of such Tranche 3 Extension Notice (whereupon no extension of such Noteholder's Tranche 3 Notes shall occur). If the Company does not reject a Tranche 3 Extension Notice within such foregoing period, the Tranche 3 Extension Notice shall be considered accepted (the "**Tranche 3 Extension Option**"), whereupon the Tranche 3 Maturity Date shall be revised accordingly. A Qualifying Noteholder may only issue a Tranche 3 Extension Notice once and any such Tranche 3 Extension Option must be used in respect of all Tranche 3 Notes held by such Qualifying Noteholder.

2.8 On the date of the Tranche 3 Extension Notice the exercising Qualifying Noteholder shall deliver to the Company the Tranche 3 Note Certificate in respect of the Tranche 3 Notes which are the subject of such Tranche 3 Extension Notice. If the Company rejects the Tranche 3 Extension Notice, the Company shall promptly return such Tranche 3 Note Certificate to the Noteholder. If the Tranche 3 Extension Option is accepted, the Company shall, within 5 Business Days' of the exercise of the Tranche 3 Extension Option, issue to such Qualifying Noteholder a replacement Tranche 3 Note Certificate bearing the revised Tranche 3 Maturity Date.

3. TIME OF PAYMENT

Whenever any payment of principal (or otherwise) becomes due on a day which is not a Business Day, payment shall be made on the next following Business Day.

4. REDEMPTION

4.1 The Notes then in issue (so far as not converted under Part 2 of this Schedule 2) shall be redeemed at the principal amount together with interest on the Notes outstanding at the applicable Interest Rate on the earlier of the following dates:

(a) the Tranche 1 Maturity Date, Tranche 2 Maturity date or Tranche 3 Maturity date (as applicable); or

(b) in the event of a Change of Control, the date on which the consideration in respect of such Change of Control is remitted to the holders of Ordinary Shares; or

(c) following the occurrence of an Event of Default and the expiry of any applicable grace period applicable to such Event of Default as set out in paragraph 5 of this Part 1 of Schedule 2 (the date on which an Event of Default occurs or, if later, the relevant grace period (if any) expires, the "**Acceleration Date**"), the date specified in the relevant Redemption Notice;

(the "**Redemption Date**").

4.2 Subject to paragraph 4.12 below, in the event that Shareholder Approval has not been obtained on or before 7 August 2020, in addition to the amounts otherwise payable on the Redemption Date, each Noteholder holding any Tranche 1 Notes shall be entitled to be paid an additional sum on the Redemption Date, the amount of which shall be equal to the principal amount of the Tranche 1 Notes outstanding on 7 August, 2020 and held by such Noteholder in recognition of such Noteholder not being able to (i) participate in the equity of the Company through conversion of the Tranche 1 Notes, or (ii) benefit from any Warrants that were intended to be issued to such Tranche 1 Noteholder as part of the Transaction (such sum being the "**Uplift Payment**").

Notwithstanding the foregoing, in the event that Shareholder Approval has not been obtained on or before 7 August 2020, upon conversion of the Notes in accordance with Part 2 of Schedule 2, the Noteholder shall be entitled to the benefit of the Uplift Payment. In the event that the Shareholder Approval has not been obtained on or before 7 August 2020 and a Noteholder did not attend (either in person or by proxy) any general meeting of the Company's members called for the purposes of obtaining the Shareholder Approval and vote in favour of such Shareholder Approval with the entirety of all voting rights available to such Noteholder, such Noteholder shall cease to be entitled to the benefit of the Uplift Payment in any circumstances.

4.3 At any time after 7 August 2020, when (i) at least one Tranche 1 Noteholder is entitled to the Uplift Payment pursuant to paragraph 4.2 above; (ii) the Closing Price is above the Tranche 1 Conversion Price; and (iii) the Company has authority from its shareholders to allot additional Ordinary Shares, the Company may at its discretion notify all (but not some) Tranche 1 Noteholders that it wishes to satisfy its obligations in respect of all or any portion of the Uplift Payment by the issuance of further Ordinary Shares pro rata to all Noteholder(s) (such Ordinary Shares being "**Uplift Securities**") (such notice an "**Uplift Allocation Notice**").

4.4 The amount of the Uplift Payment to be satisfied by the Uplift Securities shall be calculated by: multiplying (x) being the number of Uplift Securities the Company wishes to issue, by (y) being the Tranche 1 Conversion Price (the "**Uplift Reduction Amount**").

4.5 The Uplift Allocation Notice served pursuant to paragraph 4.3 above shall specify, at a minimum:

(a) the number of Uplift Securities the Company proposes to issue;

(b) each Tranche 1 Noteholder's current percentage holding of the aggregate voting rights in the Company; and

(c) the issue date of the Uplift Securities (which shall in all cases be within 5 Business Days of the date the Uplift Allocation Notice was served).

4.6 In the event that:

(a) there is only one Tranche 1 Noteholder, that Noteholder shall be automatically deemed to have subscribed for the maximum number of Uplift Securities as it is possible to subscribe without the Ownership Limit of that Tranche 1 Noteholder being exceeded; and

(b) if there is more than one Tranche 1 Noteholder, each Tranche 1 Noteholder shall be automatically deemed to have subscribed (and such subscription shall be deemed satisfied out of each Tranche 1 Noteholder's entitlement to the Uplift Payment) for such number of Uplift Securities as is determined pro rata to each Tranche 1 Noteholder's proportionate entitlement to the Uplift Payment (provided that such amount does not result in the Ownership Limit being exceeded, and if it was to so result, such Tranche 1 Noteholder shall be required to subscribe for the maximum amount of Uplift Securities that such Tranche 1 Noteholder could receive without being in breach of the Ownership Limit, any excess Uplift Securities would then be allocated to each other Tranche 1 Noteholder (who would be deemed to subscribe for the same) pro rata to their entitlement to the Uplift Payment until either all Uplift Securities have been allocated amongst all Tranche 1 Noteholders or all Tranche 1 Noteholders have each reached the Ownership Limit),

and in each case the Company shall issue such Uplift Securities (which shall be credited as fully paid and rank pari passu with Ordinary Shares of the same class in issue on the Conversion Date) within 5 Business Days of the Uplift Allocation Notice and the applicable Tranche 1 Noteholder's entitlement to the Uplift Payment shall thereon be reduced by their proportion of the Uplift Reduction Amount.

4.7 At any time when (i) the Company has satisfied the entirety of its obligations in respect of the Uplift Payment through the issue of Uplift Securities pursuant to paragraphs 4.3 to 4.6 above (or the Uplift Payment has otherwise been discharged or waived); (ii) the Closing Price is above the Tranche 1 Conversion Price, and (iii) the Company has authority from its shareholders to allot additional Ordinary Shares; the Company may notify all (but not some) of the Tranche 1 Noteholders that it wishes to satisfy its obligations in respect of an amount of interest and/or principal under the Tranche 1 Notes by the issuance of further Ordinary Shares pro rata to all Tranche 1 Noteholders (such Ordinary Shares being "**Pay Down Securities**") (such notice a "**Pay Down Notice**" and such process a "**Pay Down Issue**").

4.8 The amount of principal and interest in respect of the Tranche 1 Notes to be satisfied by the issue of Pay Down Securities shall be calculated by: multiplying (x) being the number of Pay Down Securities the Company wishes to issue, by (y) being the Tranche 1 Conversion Price (the "**Pay Down Reduction Amount**").

4.9 The Pay Down Notice served on each Tranche 1 Noteholder pursuant to paragraph

4.7 above shall specify, at a minimum:

(a) the number of Pay Down Securities the Company proposes to issue;

(b) each Tranche 1 Noteholder's current percentage holding of the aggregate voting rights in the Company; and

(c) the issue date of the Pay Down Securities (which shall in all cases be within 5 Business Days of the date the Pay Down Notice was served).

4.10 In the event that:

(a) there is only one Tranche 1 Noteholder, that Tranche 1 Noteholder shall be automatically deemed to have subscribed for the maximum number of Pay Down Securities as it is possible to subscribe without the Ownership Limit of that Tranche 1 Noteholder being exceeded; and

(b) there is more than one Tranche 1 Noteholder, each Tranche 1 Noteholder shall be automatically deemed to have subscribed (and such subscription shall be deemed satisfied out of each Tranche 1 Noteholder's entitlement to principal and/or interest under the Notes) for the maximum amount of Pay Down Securities that such Tranche 1 Noteholder could receive without being in breach of the Ownership Limit, any excess Pay Down Securities would then be allocated to each other Tranche 1 Noteholder (who would be deemed to subscribe for the same) pro rata to their entitlement outstanding interest and/or principal under the Tranche 1 Notes until either all Pay Down Securities have been allocated amongst all Tranche 1 Noteholders or all Tranche 1 Noteholders have each reached the Ownership Limit,

and in each case the Company shall issue such Pay Down Securities (which shall be credited as fully paid and rank pari passu with Ordinary Shares of the same class in issue on the Conversion Date) within 5 Business Days of the Pay Down Notice and the applicable Tranche 1 Noteholder's entitlement to principal amount and/or interest shall thereon be reduced by their proportion of the Pay Down Reduction Amount.

4.11 At any time when (i) the Company has satisfied all principal and interest outstanding in respect of the Tranche 1 Notes by the issue of Pay Down Securities; (ii) the Closing Price is above the Tranche 2 Conversion Price, and (iii) the Company has authority from its shareholders to allot additional Ordinary Shares, the Company may serve a Pay Down Notice on the Tranche 2 Noteholders, notifying them it wishes to satisfy its obligations in respect of any interest and/or principal amount under the Tranche 2 Notes by way of a Pay Down Issue, and the provisions of the foregoing paragraphs 4.7 to 4.10 above shall apply *mutatis mutandis* in respect of any such Pay Down Issue in respect of the Tranche 2 Notes (and in such circumstances, for the avoidance of doubt, (y) for the purposes of calculating the Pay Down Reduction Amount pursuant to paragraph 4.8 shall be the Tranche 2 Conversion price). At any

time when (i) the Company has satisfied all principal and interest outstanding in respect of the Tranche 2 Notes by the issue of Pay Down Securities; and (ii) the Company has authority from its shareholders to allot additional Ordinary Shares, the Company may serve a Pay Down Notice on the Tranche 3 Noteholders, notifying them it wishes to satisfy its obligations in respect of any interest and/or principal amount under the Tranche 3 Notes by way of a Pay Down Issue, and the provisions of the foregoing paragraphs 4.7 to 4.10 above shall apply mutatis mutandis in respect of any such Pay Down Issue in respect of the Tranche 3 Notes (and in such circumstances, for the avoidance of doubt, (y) for the purposes of calculating the Pay Down Reduction Amount in respect of Tranche 3 Notes pursuant to paragraph 4.8 shall be the weighted average of the Closing Price on the 5 Business Days immediately prior to the date on which the Pay Down Notice is served in respect of such Tranche 3 Notes).

4.12 In the event that (i) a Change of Control occurs on or prior to 7 August 2020 and Shareholder Approval has not been obtained on or prior to the date of such Change of Control; or (ii) Shareholder Approval has not been obtained on or before 7 August 2020 and following 7 August 2020 but prior to the Tranche 1 Maturity Date, the Company undergoes a Change of Control; in either case the Company shall pay or cause to be paid, within 3 Business Days of the date on which consideration in respect of such Change of Control is remitted to the holders of Ordinary Shares, to each Noteholder, in addition to the sum payable pursuant to paragraph 4.1(b) of this Part 1 of Schedule 2, an additional sum, the amount of which shall be equal to the value of (a) minus ((b), (c) and (d)), where:

(a) is the pro rata amount of consideration which would have been received by such Noteholder in consideration for their Ordinary Shares and Warrants (plus, to the extent they exist, any Tranche 3 Notes held by such Noteholder but without double-counting in respect of the value of any Warrants that were converted into such Tranche 3 Notes by the Noteholder) on the Change of Control if that Shareholder Approval had been obtained on or prior to 7 August 2020 and as a result (i) all the Warrants held by such Noteholder as of the date of the Change of Control had become fully exercisable on or prior to 7 August 2020; and (ii) all Tranche 1 Notes held by such Noteholder as of the date of the Change of Control had automatically converted into Ordinary Shares upon receipt of the Shareholder Approval; and

(b) is the aggregate of the principal amount of such Noteholder's Tranche 1 Notes, together with any accrued but unpaid interest thereon held by such Noteholder immediately prior to the Notes being redeemed pursuant to paragraph 4.1(b) of this Part 1 of Schedule 2; and

(c) is the pro rata amount of consideration actually received or due to be received by such Noteholder pursuant to Section 2.10 of the Warrant Instrument in respect of Warrants held by such Noteholder as of the date of such Change of Control; and

(d) is the pro rata amount of consideration actually received or due to be received by such Noteholder (whether on or prior to any Change of Control) in respect of any Ordinary Shares received by such Noteholder in exchange for Tranche 1 Notes pursuant to paragraphs 4.7 through 4.11 of this Schedule 2;

(such sum being the "**Change of Control Payment**"). For the avoidance of doubt, if any Noteholder becomes entitled to be paid the Change of Control Payment, such Noteholder shall cease to be entitled to the Uplift Payment pursuant to paragraph 4.2.

4.13 Subject to paragraph 6 if the Noteholder Majority wishes to redeem the Notes following an Acceleration Date, the Noteholder Majority shall give the Company written notice of the intention to exercise the right to redeem in accordance with the provisions of paragraph 4.1(b), together with confirmation on the date for such redemption (provided that such date may not occur earlier than the date falling 20 Business Days after the relevant Acceleration Date), conditional always on any such Event of Default not being remedied in the case of paragraph 4.1(c) ("**Redemption Notice**").

4.14 A Redemption Notice shall (unless the Company agrees otherwise) be irrevocable.

4.15 For as long as the Subordination Agreement is in force, notwithstanding any of the provisions of paragraph 5 of this Part 1 of Schedule 2, the Notes cannot be redeemed or repaid following an Acceleration Date until the applicable restriction in the Subordination Agreement has expired or been waived by the Senior Lenders; provided that such delay in payment shall constitute an additional Event of Default hereunder.

4.16 On the Redemption Date, the Company shall repay to all Noteholders the principal amount of the Notes so redeemed, together with interest on such Notes outstanding at the applicable Interest Rate, and, if applicable, the Uplift Payment payable pursuant to paragraph 4.2.

4.17 If, on redemption of a Note, a Noteholder fails to deliver the Certificate for it, or an indemnity in accordance with these Conditions or to accept payment of moneys due to him, the Company shall pay the moneys due to him into bank account which payment shall discharge the Company from all further obligations in respect of the Note.

4.18 The Company shall cancel any Notes repaid, redeemed or purchased and shall not reissue them.

5. EVENTS OF DEFAULT

Subject to paragraphs 4.15 and 6.3 of this part 1 of Schedule 2, the Notes then in issue shall become immediately redeemable at the principal amount, together with interest on the Notes outstanding, and interest shall become payable at the applicable Default Rate, if:

(a) the Company fails to pay any interest or principal in respect of the Notes on the relevant due date;

(b) the Company fails to comply in any material respect with the covenants of the Notes or any of the Conditions and does not remedy such failure within 30 calendar days;

(c) any judgment, arbitration award, order or decree for the payment of money and that is no longer subject to an appeal process in an amount, individually or in the aggregate of at least £1,000,000 (or its equivalent in other currencies) is rendered against any Group Company and not cured or withdrawn within 30 calendar days of such judgment, award, order or decree;

(d) a Group Company incurs an Event of Default (as such term is defined in the Novartis Loan Note) pursuant to the terms of the Novartis Loan Note and such Event of Default is not remedied within the greater of (i) any applicable grace period pursuant to the terms of the Novartis Loan Note; and (ii) 30 days from the occurrence of such Event of Default; and results in the acceleration by Novartis of any indebtedness owed pursuant to the terms of the Novartis Loan Note;

(e) a Group Company incurs an event of default (howsoever defined) in respect of any indebtedness in a principal amount in excess of £1,000,000 and fails to cure (or have waived) such event of default within 30 calendar days of such event of default;

(f) a Group Company commits a material breach of any material contract to which such Group Company is a party and fails to cure (or have waived) such material breach within 30 calendar days of such event of default

(g) an encumbrancor takes possession or a receiver is appointed of the whole or the major part of the assets or undertaking of a Group Company or if distress, execution or other legal process is levied or enforced or sued out on or against the whole or the major part of the assets of any Group Company and is not discharged, paid out, withdrawn or removed within 30 calendar days;

(h) a Group Company is the subject of any proceeding in bankruptcy or for their dissolution, liquidation, winding-up, composition or other relief under any applicable insolvency or bankruptcy laws, whether voluntary or involuntary and, if involuntary, is not dismissed within 60 calendar days of filing;

(i) an administration order is made in relation to any Group Company; or

(j) an order is made, or an effective resolution is passed, for the winding-up, liquidation, administration or dissolution of any Group Company (except for the purpose of reorganisation or amalgamation of the Group Companies).

6. ACTION FOLLOWING EVENT OF DEFAULT

6.1 The Company shall give written notice to the Noteholders as soon as reasonably practicable following the Company becoming aware of the occurrence of an event specified in paragraph 5, giving reasonable details of that event.

6.2 Following receipt of the notice provided pursuant to paragraph 6.1 above, and, if applicable, the expiry of any cure period provided for such Event of Default, the Noteholders shall have a period of 10 Business Days in which they may exercise their right to waive such Event of Default by Noteholder Majority Consent.

6.3 If the Noteholder Majority waives any Event of Default then the Notes shall cease to be immediately redeemable, and no further interest shall accrue at the applicable Default Rate in respect of such Event of Default (for the avoidance of doubt, notwithstanding such waiver, the Noteholders' shall remain entitled to any interest accrued at the applicable Default Rate between the date of the Event of Default and the date of waiver by the Noteholder Majority).

7. TAXATION

7.1 All payments to be made by the Company to a Noteholder under the Note shall be made free and clear of and without any deduction or withholding for or on account of tax (a "**Tax Deduction**"), unless a Tax Deduction is required by law. If a Tax Deduction is required by law, the amount of the payment due from the Company shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.

7.2 Each Noteholder shall, in consultation with the Company, take all reasonable steps to mitigate any circumstances which arise and which would result in any amount becoming payable under or pursuant to paragraph 7.1 above, including (but not limited to) transferring its rights and obligations under this Instrument and the Notes to another affiliate of such Noteholder and permitting the listing of the Notes on a recognised stock exchange.

7.3 Paragraph 7.2 above does not in any way limit the obligations of the Company under this Instrument.

7.4 Each Noteholder and the Company shall co-operate in completing any procedural formalities necessary for the Company to obtain authorisation to make that payment without a Tax Deduction including using commercially reasonable endeavours to procure that investors in such Noteholder complete such procedural formalities.

7.5 If the Company makes an increased payment under paragraph 7.1 (a "**Tax Payment**") and the relevant Noteholder shall (and shall use commercially reasonable endeavours to procure that investors will) co-operate with the Company to take any reasonable steps to:

(a) investigate the availability of any credit against, relief or remission for, or repayment of any Tax is attributable to that increased payment of which that Tax Payment forms part, to that Tax Payment or to a Tax Deduction in consequence of which that Tax Payment was required ("**Tax Credit**"); and

(b) obtain and/or utilise that Tax Credit,

and the Noteholder shall (and shall use commercially reasonable endeavours to procure that investors will) pay an amount to the Company which that Noteholder (or investors as applicable) determines (acting reasonably) will leave it (after that payment) in the same after-Tax position as it would have been in had some or all of the Tax Payment not been required to be made by the Company.

Part 2. Conversion

1. CONVERSION

1.1 Without prejudice to the provisions paragraphs 4.3 to 4.11 of Schedule 2 Part 1, the Notes shall not be capable of conversion prior to Shareholder Approval having been obtained and no Noteholder shall serve any Conversion Notice prior to such time.

1.2 Subject to paragraph 1.1 and paragraph 1.4 of this Part 2 of Schedule 2, all outstanding Tranche 1 Notes shall automatically convert into a number of fully paid Ordinary Shares upon Shareholder Approval being obtained, determined by dividing (x) the sum of (i) the outstanding principal amount, plus (ii) all accrued and unpaid interest thereon, plus (iii) any amount of the Uplift Payment (to the extent the same is applicable pursuant to the terms of this Instrument) which has become due and payable in accordance with paragraph 4.2 and has not already been paid or satisfied by the issue of Uplift Securities (or otherwise), by (y) the Tranche 1 Conversion Price then in effect; *provided that* (but subject to paragraph 1.4 of this Part 2 of Schedule 2 below) following such conversion, no individual Noteholder shall hold more than 9.99% of the aggregate voting rights in the Company (on a fully diluted basis) (the "**Ownership Limit**"). In the event that Conversion of any Noteholder's holding of Notes would result in such Noteholder exceeding the Ownership Limit, the principal amount of the Notes held by such Noteholder which shall convert shall be the greatest amount possible without that Noteholder exceeding such Ownership Limit and the remaining principal balance on such Notes shall remain outstanding.

1.3 Subject to paragraphs 1.1, 1.2 and 1.4 of this Part 2 of Schedule 2:

(a) each Noteholder holding Tranche 1 Notes shall have the right, at any time prior to the Tranche 1 Maturity Date, to serve a Conversion Notice on the Company to convert all or, if the Ownership Limit applies, part of such Noteholder's Tranche 1 Notes then outstanding (together with any accrued but unpaid interest thereon) into fully paid Ordinary Shares at the Tranche 1 Conversion Price per Share; and

(b) each Noteholder holding Tranche 2 Notes shall have the right, at any time prior to the Tranche 2 Maturity Date applicable to such Noteholder's Tranche 2 Notes, to serve a Conversion Notice on the Company to convert all or, if the Ownership Limit applies, part of such Noteholder's Tranche 2 Notes then outstanding (together with any accrued but unpaid interest thereon) into fully paid Ordinary Shares at the Tranche 2 Conversion Price per Share,

provided that, in each of the foregoing cases, at the time of the Conversion Notice, either (i) such Noteholder's aggregate voting rights in the Company is not in excess of the Ownership Limit and would not become in excess of the Ownership Limit as a result of the conversion contemplated by such Conversion Notice; or (ii) such Noteholder has waived the application of the Ownership Limit in accordance with paragraph 1.4 of this Part 2 of Schedule 2.

1.4 Notwithstanding the foregoing, a Noteholder may increase or decrease the Ownership Limit to any other percentage, by written notice to the Company; provided, that the Noteholder may not decrease the limitation prior to August 8, 2020; provided further that a waiver by the Noteholder of the Ownership Limit or a request to increase the Ownership Limit requires not less than 61 days prior written notice to the Company (with such waiver of the Ownership Limit or request to increase the Ownership Limit taking effect only upon the expiration of such 61 day notice period and applying only to the Noteholder and not to any other holder of Notes) and that such Ownership Limit shall never be increased above 19.99%.

1.5 The Conversion Notice shall set out, at a minimum:

(a) the principal amount of the Tranche 1 Notes and/or Tranche 2 Notes to be converted;

(b) the amount (if any) of accrued but unpaid interest on such principal amount which is to be converted;

(c) the Noteholder's current percentage holding of the aggregate voting rights in the Company;

(d) the Conversion Date;

(e) whether the Ordinary Shares resulting from conversion are to be delivered as ADSs; and

(f) any conditions (if any) applicable to the conversion and agreed in writing in advance by the Company.

1.6 If and to the extent that the Ordinary Shares issued are to be delivered as ADSs, the Noteholder shall be required to deliver to the Company a completed Issuance and Delivery Instruction in the form set out in Part 4 of this Schedule 2 (as such form may be amended from time to time by notice to the Noteholder) duly completed and executed by the Noteholder no later than 3 Business Days following service of the relevant Conversion Notice on the Company.

1.7 In the event of any failure by a Noteholder to deliver a duly completed Issuance and Delivery Instruction within such time period the Company shall disregard such Noteholder's request for delivery of the relevant Ordinary Shares as ADSs and shall issue the number of Ordinary Shares specified in the Conversion Notice to the Noteholder on the Conversion Date in accordance with paragraph 2 of this Part 2 of Schedule 2.

1.8 The Service of a Conversion Notice shall be irrevocable and binding on the Noteholder.

2. PROCEDURES ON CONVERSION

2.1 Subject to paragraph 1.1 of this Part 2 of Schedule 2, on the Conversion Date, the Directors shall convert the principal amount of the Notes and accrued but unpaid interest and any amount of the Uplift Payment (to the extent the same is applicable pursuant to the terms of this Instrument) which has become due and payable in accordance with paragraph 4.2 and has not already been paid or satisfied by the issue of Uplift Securities (or otherwise), into such number of new fully paid Ordinary Shares at the applicable Tranche 1 Conversion Price or Tranche 2 Conversion Price (as the case may be) as set out in paragraph 1 of this Part 2 of Schedule 2 in accordance with the following provisions of paragraph 2.2 to paragraph 2.5 (inclusive).

2.2 Conversion of the Notes shall be effected by the Company redeeming the relevant Notes on the Conversion Date. Each Noteholder whose Notes are being converted shall be deemed to irrevocably authorise and instruct the Company to apply the redemption moneys payable to that Noteholder in subscribing for Ordinary Shares on conversion of the Notes.

2.3 In the event that a Noteholder has stated in the relevant Conversion Notice that the Ordinary Shares arising from conversion are to be delivered as ADSs, and there is an effective registration statement covering the Ordinary Shares to be issued on such conversion, then such Ordinary Shares may be issued to, and deposited with (and otherwise registered in the name of) the custodian (or its nominee) of the Depositary, and following such issuance and deposit the Company will direct the Depositary to issue an amount of ADSs via DTC (with such ADSs being eligible for listing on Nasdaq) in accordance with the corresponding Issuance and Delivery Instruction.

2.4 Ordinary Shares arising on conversion of the Notes (and any applicable accrued but unpaid interest) shall be issued and allotted by the Company to the Noteholder or (where a Noteholder has delivered an Issuance and Delivery Instruction) to the custodian of the Depositary on the Conversion Date and the certificates (if physical certificates are requested by such Noteholder) for such Ordinary Shares shall be despatched to the persons entitled to them at their own risk.

2.5 The Ordinary Shares arising on conversion of the Notes shall be credited as fully paid and rank pari passu with Ordinary Shares of the same class in issue on the Conversion Date and shall carry the right to receive all dividends and other distributions declared, made or paid after the Conversion Date.

2.6 The entitlement of each Noteholder to a fraction of a Share shall be rounded down to the nearest whole number of Ordinary Shares which result from the conversion of the Notes.

2.7 In the event that a Noteholder requires Ordinary Shares arising on conversion to be delivered as ADSs, the entitlement of such Noteholder to ADSs shall be calculated using the ADS Exchange Ratio. No fractional ADSs will be issued, and any fractional entitlements to an ADS shall be issued to the relevant Noteholder in the form of Ordinary Shares in accordance with Part 2 of this Schedule 2, rounded down to the nearest whole share.

2.8 In the event that the Ordinary Shares in issue on the Conversion Date are traded on the AIM Market operated by London Stock Exchange plc, the Company shall use its reasonable best endeavours to ensure that the Ordinary Shares to be issued upon the conversion of the relevant Notes are admitted to trading on the AIM Market as soon as reasonably practicable following the Conversion Date. In addition, as soon as practicable following the general meeting at which the Company seeks to obtain Shareholder Approval, the Company shall make or cause to be made an application to AIM for a block listing (up to the maximum amount available to the Company under AIM block listing rules and in consideration of block listings registered at the time of this Agreement) or otherwise to admit upon Admission or as soon as permitted by AIM thereafter the maximum number of Ordinary Shares that may be acquired upon conversion of the Notes. Further, the Company shall list the Ordinary Shares issuable upon conversion of the Notes on each other securities exchange on which the Ordinary Shares are then listed and/or admitted to trading.

Part 3. Transfer provisions, Undertakings and other matters

1. The Company shall recognise the registered holder of any Notes as the absolute owner of them and shall not (except as provided by statute or as ordered by a court of competent jurisdiction) be bound to take notice or see to the execution of any trust (whether express, implied or constructive) to which any Note may be subject. The Company shall not (except as provided by statute or as ordered by a court of competent jurisdiction) be bound to enter any notice of any trust (whether express, implied or constructive) on the register in respect of any of the Notes. The Notes are freely transferable in accordance with this Part 3 of Schedule 2 in integral multiples of £1 by instrument in writing in the usual common form (or in such other form as the Directors may approve) and such instrument need not be under seal. Additionally and, notwithstanding any other provision of this Instrument, for so long as the Subordination Agreement remains in force and effect, no transfer of the Notes may take place unless the transferee in respect of those Notes being transferred is either a party to the Subordination Agreement or has entered into a deed of adherence to be bound by the terms of such Subordination Agreement, or has otherwise entered into subordination arrangements with the Senior Lenders in writing or the requirement to enter into subordination arrangements with the Senior Lenders has been otherwise waived by the Senior Lenders in writing in advance of such intended transfer of the Notes; any attempt to transfer Notes in breach of the foregoing provisions is *void ab initio*.

2. Each instrument of transfer shall be signed by the transferor, and the transferor shall be deemed to remain the owner of the Notes to be transferred until the name of the transferee is entered in the register in respect of such Notes.

3. Each instrument of transfer shall be sent to, or left for registration at, the registered office of the Company for the time being, and shall be accompanied by the Certificate(s) for the Notes to be transferred and any other evidence that the Company may require to prove the title of the transferor or his right to transfer the Notes (and, if such instrument is executed by some other person on his behalf, the authority of that person to do so). All instruments of transfer that are registered may be retained by the Company.

4. No transfer of Notes shall be registered in respect of which a Redemption Notice, an Uplift Allocation Notice, a Pay Down Notice or Conversion Notice has been given.

5. The Company undertakes that, while an aggregate principal amount of Notes greater than £10,000,000 remains in issue, it shall not, without prior Noteholder Majority Consent:

   (a) sell, transfer, lease, licence or otherwise dispose of any material asset or business of any Group Company (including the sale, transfer or other disposition of a Group Company's rights to a third party), other than in the ordinary course of business;

   (b) carry out any merger, reorganisation, restructuring or sale of all or substantially all of the assets and/or business of any Group Company;

   (c) effect the liquidation, dissolution, or winding of any Group Company, or the cessation of all or substantially all of the business of any Group Company;

   (d) authorise any debt security (the incurrence, or extension of any credit or loan guarantee in respect of any loan or grant of credit exceeding £800,640.512(save that, for the avoidance of doubt, no Noteholder Majority Consent shall be required for (i) any refinancing, in whole or in part, of any Existing Indebtedness; or (ii) the subscription by any Qualifying Noteholder (and the issuance by the Company) for any Tranche 2 Notes pursuant to the Securities Purchase Agreement);

   (e) discontinue any existing line of business of any Group Company or enter into any new line of line of business by any Group Company; or

   (f) issue any securities senior to the Ordinary Shares with respect to voting rights, dividends, conversion rights, redemption rights, liquidation preference or otherwise.

6. Payment of the principal amount and all accrued interest on the Notes may be made by cheque made payable to, or by bank transfer to an account nominated for the purpose to the Company in writing by, the registered holder or, in the case of joint registered holders, to the one who is first-named on the register, or to such person or persons as the registered holder or all the joint registered holders may in writing direct and sent to the registered holder or in the case of joint registered holders to that one of the joint registered holders who is first-named on the register or to such address as the registered holder or joint registered holders may in writing direct. Cheques may be sent through the post at the risk of the registered holder or jointly registered holders and payment of any such cheque by the bankers on whom it is drawn, or a bank transfer to the relevant account, shall be good discharge to the Company.

7. If more than one person is entered in the register as joint holders of any Notes then, without prejudice to paragraph 5 of this Part 3 of Schedule 2, the receipt of any one of such holders for any moneys payable on or in respect of the Notes shall be as effective a discharge to the Company or other person making the payment as if the person signing such receipt were the sole registered holder of such Notes.

8. If any Certificate is worn out or defaced then, on production of it to the Directors, they may cancel it and may issue a fresh Certificate in lieu. If any Certificate is lost or destroyed it may be replaced on such terms (if any) as to evidence and indemnity as the Company may reasonably require. An entry recording the issue of the new Certificate and indemnity (if any) shall be made in the register. No fee shall be charged for the registration of any transfer or for the registration of any probate, letters of administration, certificate of marriage or death, power of attorney or other documents relating to or effecting title to any Notes.

9. Any notice or other document required to be given under this Instrument shall be in writing and may be given to or served on any Noteholder by sending it by first-class post in a prepaid envelope addressed to such Noteholder at his registered address. In the case of joint Noteholders, a notice given to, or document served on, the Noteholder whose name stands first in the register in respect of such Notes shall be sufficient notice to, or service on, all the joint holders. Any such notice sent or document served by first-class post shall be deemed to have been given or served 48 hours or 96 hours in the case of a notice or document sent to an address for a Noteholder not in the United Kingdom after the time when it is posted and in proving such notice or service, it shall be sufficient to prove that the envelope containing the notice or document was properly addressed, stamped and posted.

10. Any notice or other document delivered or sent by post to, or left at, the registered address of any Noteholder in pursuance of these provisions shall, notwithstanding that such Noteholder is then dead or bankrupt or in liquidation, and whether or not the Company has notice of his death or bankruptcy or liquidation, be deemed to have been duly served or delivered in respect of any Notes registered in the name of such Noteholder as sole or first-named joint holder unless his name shall at the time of the service of the notice or document have been removed from the register as the holder of the Notes, and such service shall for all purposes be deemed sufficient service of such notice or document on all persons interested (whether jointly with or as claiming through or under him) in the Notes.

11. A copy of this Instrument shall be kept at the Company's registered office. A Noteholder (and any person authorised by a Noteholder) may inspect that copy of the Instrument at all reasonable times during office hours.

12. Each Noteholder by subscribing for and/or holding any Notes pursuant to the terms of this Instrument expressly and irrevocably agrees that the Group Companies may refinance all or any part of either the Senior Loan or the Novartis Loan Note (either with the existing creditors thereof or with third party creditors) and that, such refinanced loan shall for all purposes under this Instrument be treated, *mutatis mutandis*¸ as the Senior Loan or the Novartis Loan Note (as the case may be) and benefit from any protections, provisions, exemptions or other terms hereof, without requiring the consent of any Noteholder; provided, that no such refinancing or amendment of the Senior Loan which increases the amount of the principal sum of the Senior Loan owing from time to time above £14 million, or extends the Final Repayment Date for the Senior Loan beyond 1 March 2022, shall be effective unless otherwise approved by the Noteholder Majority; provided, further, that no such consent or agreement shall be required from any Noteholder Majority from or after the time when Shareholder Approval has been obtained. For the avoidance of doubt, if any such refinancing takes place, any lenders thereunder shall be treated as the "Senior Lenders" for the purposes of this Instrument. The Company shall as soon as reasonably practicable after the occurrence of any such refinancing, provide notice of the same to the Noteholders.

13. If the Company, whilst any Notes are outstanding, shall effect a subdivision of its Ordinary Shares, the Tranche 1 Conversion Price and Tranche 2 Conversion Price (if any) then in effect immediately before that subdivision shall be proportionately decreased. If the Company, whilst any Notes are outstanding, shall combine its Ordinary Shares, the Tranche 1 Conversion Price and Tranche 2 Conversion Price then in effect immediately before the combination shall be proportionately increased.

14. If the Company, whilst any Notes are outstanding, shall make or issue, or fix a record date for the determination of holders of its Ordinary Shares entitled to receive a dividend or other distribution to the shareholders from the fund for invested unrestricted equity payable in Ordinary Shares in the Company, then and in each such event the Tranche 1 Conversion Price and Tranche 2 Conversion Price then in effect immediately before such event shall be decreased as of the time of such issuance or, in the event such a record date shall have been fixed, as of the close of business on such record date, by multiplying the Tranche 1 Conversion Price or Tranche 2 Conversion Price, as applicable, then in effect by a fraction:

(a) the numerator of which shall be the total number of Ordinary Shares outstanding immediately prior to the time of such issuance or the close of business on such record date, and

(b) the denominator of which shall be the total number of Ordinary Shares outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of Ordinary Shares issuable in payment of such dividend or distribution;

provided, however, that if such record date shall have been fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the Tranche 1 Conversion Price and Tranche 2 Conversion Price shall be recomputed accordingly as of the close of business on such date and thereafter the Tranche 1 Conversion Price and Tranche 2 Conversion Price shall be adjusted pursuant to this paragraph as of the time of actual payment of such dividends or distributions, if any.

15. When any adjustment is required to be made in the Tranche 1 Conversion Price or Tranche 2 Conversion Price pursuant to paragraph 14 or 15, the number of Ordinary Shares issuable upon conversion of a Note shall be calculated by reference to the revised Tranche 1 Conversion Price or Tranche 2 Conversion price following the adjustment made by paragraph 14 or 15.

16. If the Company, whilst any Notes are outstanding, shall: (i) pay or declare a dividend payable to all shareholders other than in Ordinary Shares (e.g. in cash or assets other than Ordinary Shares in the Company); or (ii) make any distribution of share capital (including share premium account and capital redemption legal reserve), then and in each such event the Tranche 1 Conversion Price and Tranche 2 Conversion Price then in effect immediately before such event shall be decreased as of such event by multiplying the Tranche 1 Conversion Price or Tranche 2 Conversion Price, as applicable, then in effect by a fraction:

(a) the numerator of which shall be equal to (i) the Closing Price on the day immediately prior to the date when such event was first published (or if there is no such price, the fair market value of one ordinary share of the Company as of such date as determined in good faith by the Directors) minus (ii) the amount per issued share of such dividend or distribution; and

(b) the denominator of which shall be the Closing Price on the day immediately prior to the date when such event was first published (or if there is no such price, the fair market value of one ordinary share of the Company as of such date as determined in good faith by the Directors).

In the event that the application of the above fraction would result in an increase in the Conversion Price, then no adjustment shall be made hereunder. If the Company distributes assets other than cash, the amount per outstanding share of the distribution shall be calculated by reference to the fair market value of the assets distributed as determined in good faith by the Directors.

17. If, prior to the Maturity Date, there shall occur any reorganization, recapitalization, reclassification, consolidation, merger or demerger involving the Company in which the Company's Ordinary Shares are converted into or exchanged for securities, cash or other property (other than a transaction covered by paragraphs 14 or 15) (collectively, a "**Reorganization**"), then, following such Reorganization, the Noteholders shall receive upon conversion the kind and amount of securities, cash or other property, if any, which the Noteholders would have been entitled to receive pursuant to such Reorganization if such conversion had taken place immediately prior to such Reorganization. Appropriate adjustment (as determined in good faith by the Directors) shall be made in the application of the provisions set forth herein with respect to the rights and interests thereafter of the Noteholder, to the end that the provisions set forth in this Instrument (including provisions with respect to changes in and other adjustments of the Tranche 1 Conversion Price and/or Tranche 2 Conversion Price (as applicable) and the number of Ordinary Shares issuable upon conversion of the Notes) shall thereafter be applicable, as nearly as reasonably may be, in relation to any securities, cash or other property thereafter deliverable upon the conversion of the Notes.

Part 4. ADS Issuance and Delivery Instruction

[DATE]
Citibank, N.A., as Depositary
388 Greenwich Street
New York, New York 10013
Attn.: Mr. Brian M. Teitelbaum (brian.m.teitelbaum@citi.com)
With a copy simultaneously delivered to:
Citibank, N.A., London Branch
25 Canada Square
Canary Wharf
London E14 5LB, England
Attn.: UK Custody Settlements
Custody Team (uksettlements@citi.com)

Re: Issuance and Delivery Instruction—Mereo BioPharma Group plc (CUSIP No.: 589492107) – Deposit & Hold

Dear Sirs:

Reference is made to the Deposit Agreement, dated as of April 23, 2018, as amended and supplemented from time to time (the "Deposit Agreement"), by and among Mereo BioPharma Group plc, a public limited company incorporated under the laws of England and Wales and its successors (the "Company"), Citibank, N.A., a national banking association organized and existing under the laws of the United States of America, as Depositary (the "Depositary"), and all Holders and Beneficial Owners of American Depositary Shares (the "ADSs") issued thereunder. All capitalized terms used, but not otherwise defined herein, shall have the meaning assigned thereto in the Deposit Agreement.

In accordance with the terms and subject to the limitations set forth in the Deposit Agreement, promptly following the Depositary's receipt of confirmation from the Custodian that the Custodian has received a deposit of the number of Shares specified below made by the Company for the benefit of the undersigned holder thereof (the "Holder" and together with the Company, the "Undersigned"), the Undersigned hereby jointly instruct the Depositary, and the Depositary hereby agrees:

(i) to promptly accept for deposit the number of Shares and issue the number of ADSs as specified below:

Number of Shares deposited: _____ Shares

Number of ADSs (CUSIP No.: 589492107; each ADS representing five (5) Shares to be issued:

_____ ADSs

and (ii) to promptly deliver such Program ADSs, as follows:

Name of DTC Participant to which the ADSs are to be delivered: _____

DTC Participant Account No.: _____

Account No. for recipient of ADSs at DTC Participant (f/b/o/ information): _____

Name on whose behalf the above number of ADSs are to be issued and delivered: _____

Contact person at DTC Participant: _____

Daytime telephone number of contact person at DTC: _____

The Company hereby confirms and certifies that (i) the registration statement on Form F-3 (File No. 333-239708) (the "Registration Statement"), filed with the U.S. Securities and Exchange Commission (the "Commission") on July 6, 2020, registers the resale of the above Shares represented by ADSs, such ADSs will be freely transferable following the issuance thereof by the Depositary, and there are no legal restrictions on subsequent transfers of the ADSs to be issued hereunder under the laws of England and Wales or the United States, (ii) the Registration Statement is effective under the Securities Act of 1933, as amended (the "Securities Act"), and (iii) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for such purpose have been instituted or are pending or, to the best knowledge of the Company, are contemplated or threatened by the Commission.

The Holder hereby represents and covenants to, and for the benefit of, the Depositary and Citibank, N.A.—London Branch (the "Custodian"), that (i) the Holder is not an "affiliate" of the Company as that term is defined in Rule 144 promulgated by the Commission under the Securities Act and has not been an affiliate at any time during the 90 days immediately preceding the date hereof, and (ii) all stamp duty taxes, including, without limitation, the U.K. Stamp Duty Reserve Tax ("SDRT"), will be paid in full and on a timely basis to the extent such taxes are payable in respect of the deposit of the Shares and the issuance and delivery of the ADSs as contemplated herein.

Each of the Holder and, to the extent it is not unlawful for the Company to do so under the applicable laws of England and Wales, the Company agrees to indemnify the Depositary and the Custodian for, and to hold the Depositary and the Custodian harmless against, all losses, liabilities, taxes, charges, penalties or expenses (including reasonable legal fees and disbursements), incurred by the Depositary and/or by the Custodian or to which the

Depositary and/or the Custodian may become subject to and arising directly or indirectly from the failure by any person to pay (or discharge) any applicable stamp duty taxes, including, without limitation, SDRT, or any other similar duty or tax in connection with the deposit of the Shares and the issuance and delivery of the ADSs as contemplated herein, save to the extent that such losses, liabilities, taxes, charges, penalties or expenses are due to the negligence or bad faith of the Custodian or the Depositary.

[HOLDER]

By: _____
Name:
Title:

MEREO BIOPHARMA GROUP PLC

By: _____
Name:
Title:

Schedule 3 Meetings of the Noteholders

1. The Company may at any time convene a meeting of Noteholders. In addition, the Company shall at the written request of the holders of not less than one-quarter (25%) in nominal amount of the outstanding Notes convene a meeting of the Noteholders. Any meeting shall be held at such place as the Company may designate.

2. At least 14 days' notice (exclusive of the day on which the notice is served or deemed to be served and of the day for which notice is given) of every meeting shall be given to the Noteholders. The notice shall specify the place, day and time of the meeting and the general nature of the business to be transacted, but it shall not be necessary (except in the case of a Special Resolution) to specify in the notice the terms of any resolution to be proposed. The accidental omission to give notice to, or the non- receipt of notice by, any of the Noteholders shall not invalidate the proceedings at any meeting. A meeting of the Noteholders shall, despite being called at shorter notice than specified above, be deemed to have been duly called if it is agreed in writing by all of the Noteholders.

3. At any meeting the quorum shall be two or more Noteholders holding, or representing by proxy, at least 50.1% in nominal principal amount of the outstanding Notes. No business (other than choosing a Chairman) shall be transacted at any meeting unless the requisite quorum is present.

4. If a quorum is not present, within half an hour from the time appointed for the meeting, the meeting shall be dissolved if it was convened on the requisition of Noteholders. In any other case, it shall stand adjourned to such day and time (at least 14 days later, but not more than 28 days later) and to such place as may be appointed by the Chairman. At such adjourned meeting, two Noteholders present in person (or by proxy) and entitled to vote shall constitute a quorum (whatever the nominal amount of the Notes held by them). At least 14 days' notice of any adjourned meeting of Noteholders shall be given (in the same manner mutatis mutandis as for an original meeting). That notice shall state that two Noteholders present in person (or by proxy) at the adjourned meeting (whatever the nominal amount of Notes held by them) shall form a quorum.

5. A person (who may but need not be a Noteholder) nominated by the Company shall be entitled to take the chair at every such meeting but, if no such person is nominated or if the person nominated is not be present at the meeting within five minutes after the time appointed for holding the meeting, the Noteholders present shall choose one of their number to be Chairman. Any Director or officer of, any Secretary of, and the solicitors to, the Company and any other person authorised in that behalf by the Company may attend at any such meeting.

6. Each question submitted to a meeting of Noteholders shall, unless a poll is demanded, be decided by a show of hands.

7. At any meeting of Noteholders unless a poll is demanded by the Chairman or by one or more Noteholders present in person or by proxy and holding or representing in the aggregate not less than one-twentieth in nominal amount of the outstanding Notes (before or on the declaration of the result of the show of hands), a declaration by the Chairman that a resolution has been carried by the requisite majority, lost or not carried by the requisite majority shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against such resolution.

8. If a poll is duly demanded, it shall be taken in such manner and (subject as set out below) either at once or after an adjournment as the Chairman directs. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll shall not prevent the meeting from continuing for the transaction of any business other than the question on which the poll has been demanded. The demand for a poll may be withdrawn.

9. If there is an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting shall not be entitled to a casting vote in addition to the vote(s) (if any) to which he may be entitled as a Noteholder or as a proxy.

10. The Chairman may, with the consent of (and shall if so directed by) any meeting at which a quorum is present, adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting except business that might lawfully have been transacted at the meeting from which the adjournment took place.

11. Any poll demanded at any meeting on the election of a Chairman, or on any question of adjournment, shall be taken at the meeting without adjournment.

12. On a show of hands, each Noteholder who is an individual and is present in person or (being a corporation) is present by its duly authorised representative or by one of its officers as its proxy, shall have one vote. On a poll, each Noteholder present in person or by proxy, shall have one vote for every £1 nominal principal amount of Notes held by him and a person entitled to more than one vote need not (if he votes) use all his votes or cast all the votes he uses in the same way.

13. In the case of joint registered Noteholders any one of them shall be entitled to vote in respect of such Notes either in person or by proxy and, in the latter case, as if the joint holder were solely entitled to such Notes. If more than one joint holder is present at any meeting either personally or by proxy that one joint holder so present whose name as between himself and the other or others present stands first in the register as one of the joint holders shall alone be entitled to vote in person or by proxy.

14. Each instrument appointing a proxy must be in writing and duly executed by the appointor or his duly authorised attorney or, in the case of a corporation under its common seal or duly executed by a duly authorised attorney or officer. The Chairman may (but shall not be bound to) require evidence of the authority of any attorney or officer. A proxy need not be a Noteholder.

15. An instrument of proxy shall be in the usual or common form or in any other form that the Directors may accept. The proxy shall be deemed to include the right to demand or join in demanding a poll. A proxy shall, unless stated otherwise, be valid as well for any adjournment of the meeting as for the meeting to which it relates and need not be witnessed.

16. The instrument appointing a proxy, and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or authority, shall be deposited at the place specified in (or in any document accompanying) the notice convening the meeting. If no such place is specified, the proxy shall be deposited at the registered office of the Company not less than 48 hours before the time appointed for holding the meeting or adjourned meeting or for taking of the poll at which the person named in that instrument proposes to vote. In default, the instrument of proxy shall not be treated as valid. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the revocation of the proxy or of the authority under which the proxy is given, unless notification in writing of the revocation has been received at the registered office of the Company or at such other place (if any) specified for the deposit of instruments of proxy in the notice convening the meeting (or any document accompanying it) 48 hours before the commencement of the meeting or adjourned meeting or the taking of the poll at which the vote is given.

17. Without prejudice to any of the powers conferred on the Company under any of the provisions of the Instrument, a meeting of the Noteholders shall, in addition to any other powers, have the following powers exercisable by Special Resolution:

(a) power to sanction the exchange or sale of the Notes for, or the conversion of the Notes into, or the cancellation of the Notes in consideration of, shares, stock, debenture stock or other obligations or security of the Company or any other company formed or to be formed (provided, in each of the foregoing cases, that such action will be conducted in accordance with the terms of the Conditions or with the prior written consent of the Company);

(b) power to sanction any abrogation, modification or compromise of, or any arrangement in respect of, the Noteholders' rights against the Company, provided the same has been previously approved in writing by the Company, whether those rights shall arise under the Instrument, the Notes or otherwise;

(c) power to assent to any modification of the provisions contained in the Instrument and the Conditions and to authorise the Company to execute any supplemental instrument embodying any such modification. Any such modification shall be proposed by the Company; and

(d) with the prior written consent of the Company, power to:

(i) modify the date fixed for final redemption of the Notes;

(ii) reduce or cancel the principal amount payable on the Notes;

(iii) reduce the amount payable or modify the method of calculating the amount payable on the Notes; or

(iv) modify the dates for payment in respect of any interest, on the Notes.

18. A Special Resolution passed at a meeting of the Noteholders shall be binding on all the Noteholders whether or not they are present at the meeting. Each of the Noteholders shall be bound to give effect to it accordingly. The passing of any such resolution shall be conclusive evidence that the circumstances justify passing it (so that the meeting may determine without appeal whether or not the circumstances justify passing it).

19. **Special Resolution**, when used in the Conditions, means a resolution passed at a meeting of the Noteholders duly convened and held in accordance with the Conditions, and carried by a Noteholder Majority.

20. A resolution in writing signed by or on behalf of a Noteholder Majority shall, for all purposes, be as valid and effectual as a Special Resolution passed at a meeting duly convened and held in accordance with the Conditions. Such resolution in writing may be contained in one document or in several documents in similar form, each signed by one or more Noteholders.

21. Minutes of all resolutions and proceedings at every meeting shall be made and duly entered in books to be from time to time provided for that purpose by the Company. Any minutes, if purporting to be signed by the Chairman of the meeting or by the Chairman of the next succeeding meeting of the Noteholders, shall be conclusive evidence of the matters stated in them. Until the contrary is proved, every meeting for which minutes have been made and signed shall be deemed to have been duly held and convened, and all resolutions passed at the meeting to have been duly passed.

EXECUTED as a DEED by **MEREO BIOPHARMA GROUP PLC**

acting by

_____

Director/Authorised signatory

_____

Director/Authorised signatory

_____ _____

Witness

Name: _____

Address: _____

_____

Occupation: _____

SIGNATURES

THE COMPANY

EXECUTED as a **DEED** by

MEREO BIOPHARMA GROUP PLC

_____ Signature of Director

_____ Name of Director

_____ Signature of Secretary

_____ Name of Secretary

THE NOTEHOLDERS

EXECUTED as a DEED by

ORBIMED PRIVATE INVESTMENTS VII, LP

By: OrbiMed Capital GP VII LLC,
its General Partner

By: OrbiMed Advisors LLC,
its Managing Member

By: _____
Name:
Title:

Notice details
Address: c/o OrbiMed Advisors LLC, 601 Lexington Avenue, 54th Floor, New York, NY 10022

Email: Legal@OrbiMed.com
Attention: General Counsel

EXECUTED as a DEED by

ORBIMED PARTNERS MASTER FUND LIMITED

By: OrbiMed Capital LLC, solely in its capacity as Investment Advisor

By: _____

Name:
Title:

Notice details

Address: c/o OrbiMed Advisors LLC, 601 Lexington Avenue, 54th Floor, New York, NY 10022

Email: Legal@OrbiMed.com
Attention: General Counsel

EXECUTED as a DEED by

ORBIMED GENESIS MASTER FUND, L.P.

By: OrbiMed Genesis GP, LLC, its General Partner

By: OrbiMed Advisors LLC, its Managing Member

By: _____
Name:
Title:

Notice details

Address: c/o OrbiMed Advisors LLC, 601 Lexington Avenue, 54th Floor, New York, NY 10022

Email: Legal@OrbiMed.com
Attention: General Counsel

EXECUTED as a DEED by

667, L.P.

By: BAKER BROS. ADVISORS LP,
management company and investment adviser to
667, L.P., pursuant to authority granted to it by
Baker Biotech Capital, L.P., general partner to
667, L.P., and not as the general partner.

By: _____

EXECUTED as a DEED by

BAKER BROTHERS LIFE SCIENCES, L.P.

By: **BAKER BROS. ADVISORS LP**,
management company and investment adviser to Baker Brothers Life Sciences, L.P., pursuant to authority granted to it by Baker Brothers Life Sciences Capital, L.P., general partner to Baker Brothers Life Sciences, L.P., and not as the general partner.

By: _____

EXECUTED as a DEED by

BOXER CAPITAL, LLC

acting by

_____

Director/Authorised signatory

_____

Director/Authorised signatory

Witness:

Name: _____

Address: _____

Occupation: _____

_____

Notice details

Address: 12860 El Camino Real, Suite 300, San Diego, CA 92130

Email: adavis@tavistock.com
Attention: Aaron Davis

EXECUTED as a DEED by

MVA INVESTORS, LLC

acting by

_____

Director/Authorised signatory

_____

Director/Authorised signatory

Witness:

Name: _____

Address: _____

Occupation: _____

_____

Notice details

Address: 12860 El Camino Real, Suite 300, San Diego, CA 92130

Email: adavis@tavistock.com
Attention: Aaron Davis

EXECUTED as a DEED by

VIVO CAPITAL FUND IX, L.P.

acting by

_____

Director/Authorised signatory

_____

Director/Authorised signatory

Witness: _____

Name: _____

Address: _____

_____

Occupation: _____

Notice details

Address: C/O Vivo Capital LLC 192 Lytton Avenue, Palo Alto, CA 94301
Email: legal@vivocapital.com
Attention: Legal

EXECUTED as a DEED by

VIVO OPPORTUNITY FUND, L.P.

acting by

_____

Director/Authorised signatory

_____

Director/Authorised signatory

Witness:

Name: _____

Address: _____

_____

Occupation: _____

Notice details

Address: C/O Vivo Capital LLC 192 Lytton Avenue, Palo Alto, CA 94301
Email: legal@vivocapital.com
Attention: Legal

THIS INSTRUMENT AND THE SECURITIES ISSUABLE UPON THE CONVERSION HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"). THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR PURSUANT TO AN APPLICABLE EXEMPTION THEREFROM.

DATED 18 DECEMBER 2020

AMENDED CONVERTIBLE LOAN NOTE INSTRUMENT DATED 3 JUNE 2020

RELATING TO

MEREO BIOPHARMA GROUP PLC

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CONTENTS

THIS INSTRUMENT is made as a deed poll on 3 June 2020 and as amended on 9 June 2020 and 17 December 2020.

BY

MEREO BIOPHARMA GROUP PLC incorporated and registered in England and Wales with company number 09481161 whose registered office is at 4th Floor, 1 Cavendish Place, London W1G 0QF, United Kingdom (the "**Company**").

WHEREAS:

A. On 3 June 2020 the Company entered into certain financing transactions, pursuant to which OrbiMed Partners Master Fund Limited, OrbiMed Genesis Master Fund L.P. and OrbiMed Private Investments VII, LP (the "**Lead Investors**") and certain other investors (the "**Investors**") subscribed for the following securities of the Company: (x) a unit (referred to for convenience as "**Ordinary Units**"), consisting of (i) one ordinary share of the Company with a nominal value of £0.003 per share (such class of shares, the "**Ordinary Shares**," and all such shares to be issued to the Purchasers, the "**Shares**") together with (ii) one warrant to subscribe for 0.50 Ordinary Shares (all such warrants to be issued to the Purchasers, the "**Ordinary Warrants**"), at a purchase price of £0.174 per Unit and (y) a unit (referred to for convenience as the "**Convertible Units**") consisting of (i) one Note together with (ii) warrants to subscribe for a number of Ordinary Shares equal to 0.5 times the number of Ordinary Shares issuable upon conversion of each Note (all such warrants to be issued to the Purchasers, the "**Note Warrants**" and together with the Ordinary Warrants (the "**Warrants**") (the issuance of the foregoing Ordinary Units and Convertible Units collectively , the "**Transaction**").

B. By exercise of the powers conferred on them by the Articles, the Directors of the Company have, by a resolution passed on 1 June 2020, resolved to create, and to constitute the Notes hereunder.

C. This Instrument constitutes the Notes.

D. The Company and its subsidiaries are parties to an existing senior secured loan agreement in the principal amount of £20,455,000 with Silicon Valley Bank (as lender) ("**SVB**") and Kreos Capital V (UK) Limited (as lender, agent and security agent) ("**Kreos**"), dated 28 September 2018 (as updated and amended from time to time) (the "**Senior Loan**").

E. The Notes created hereunder shall be subordinated to the Senior Loan by entry into a separate subordination deed between the Noteholders, Kreos and SVB on or around the date hereof (the "**Subordination Agreement**").

AGREED TERMS

1. INTERPRETATION

1.1 The definitions and rules of interpretation in this clause apply in this Instrument.

1.2 **Acceleration Date:** has the meaning given in paragraph 4 of Part 1 of Schedule 2.

ADS: has the meaning given in the Securities Purchase Agreement.

ADS Exchange Ratio: means the ratio applicable to the exchange of Ordinary Shares for ADSs from time to time, currently being a ratio of 5 Ordinary Shares for each ADS.

Affiliate: means a person that owns or controls directly or indirectly another person, any person that controls or is controlled by or is under common control with the person, including, without limitation, any subsidiaries, and any of that person's general or limited partners, senior executive officers, directors and, for any person that is a limited liability company, that person's managers and members or any venture capital fund or registered investment company now or hereafter existing that is controlled by one or more general partners or managing members or investment advisor of, or shares the same management company or investors advisor (or member thereof) with, such person.

Alternative Warrant Conversion Notice: has the meaning given in the Securities Purchase Agreement.

Articles: means the articles of association of the Company, as amended or superseded.

Business Day: means any day other than Saturday, Sunday or federal legal holiday in the United States of America, or public holiday or bank holiday in the United Kingdom.

Certificate: means a Tranche 1 Note Certificate, a Tranche 2 Note Certificate or a Tranche 3 Note Certificate, as applicable.

Change of Control: means, (a) in one transaction or a series of related transactions, a person or one or more persons acting in concert, acquiring (i) all (or substantially all) of the share capital or assets of the Company, or (ii) more than fifty percent (50%) of the outstanding equity or other securities of the Company; or (b) any merger, consolidation, reorganisation, or business combination as a result of which the majority equity or other security holders of the Company immediately preceding such transaction (s) hold less than fifty percent (50%) of the outstanding voting power, respectively, of the ultimate company or entity resulting from such transaction(s)

immediately after consummation of such transaction. In the foregoing case, “acting in concert” means a group of persons who, pursuant to an agreement or understanding (whether formal or informal), actively co-operate, through the acquisition and/or ownership of voting shares in the Company, to obtain or consolidate control (directly or indirectly) of the Company provided that the persons voting in the same or consistent manner at any general meeting of the Company will not be considered to be acting in concert by virtue only of exercising their votes in such manner.

Change of Control Payment: has the meaning given in paragraph 4.12 of Part 1 of Schedule 2.

Closing Price: means: (i) if at the relevant time the Ordinary Shares continue to be admitted to trading on AIM, the most recently reported closing price of one Ordinary Share on AIM; or (ii) if at the relevant time the Shares are no longer admitted to trading on AIM, the implied price of one Ordinary Share in pounds sterling by reference to the most recently reported closing price of an ADS on Nasdaq.

Conditions: means the conditions attaching to the Notes, as set out in Schedule 2 (as amended from time to time in accordance with this Instrument).

Conversion Date: means (i) in the case of Tranche 1 Notes being converted automatically following Shareholder Approval pursuant to the provisions of paragraph 1.2 of Part 2 of Schedule 2, the date on which such Shareholder Approval is granted; and/or (ii), in the case of an Uplift Notice or Pay Down Notice, the date specified in such notice; and/or (iii) in all other cases, the date falling 5 Business Days after service of the Conversion Notice.

Conversion Notice: means a notice in writing served by a Noteholder to the Company to convert all or, if the Ownership Limit applies, some of its outstanding Notes.

Default Rate: means the Tranche 1 Default Rate, Tranche 2 Default Rate or Tranche 3 Default Rate (as applicable).

Depositary: has the meaning given in the Securities Purchase Agreement.

Directors: means the board of directors of the Company, or a duly authorised committee of that board, for the time being.

Effective Date: means the date of this Deed.

Event of Default: means any of the events set out in paragraph 5 of Part 1 of Schedule 2.

Existing Indebtedness: means any indebtedness incurred by a Group Company and outstanding on or prior to the Effective Date (which for the avoidance of doubt shall include indebtedness pursuant to the Senior Loan and the Novartis Loan Note).

Group Company: means each of the Company and its subsidiaries.

Interest Rate: has the meaning given in paragraph 1 of Part 1 of Schedule 2.

Kreos: has the meaning given in the recitals of this Instrument.

Lead Investors: has the meaning given in the recitals of this Instrument.

Nasdaq: means the Nasdaq Global Market or the Nasdaq Capital Market (as applicable).

Notes: means the Tranche 1 Notes, the Tranche 2 Notes or the Tranche 3 Notes, as applicable.

Noteholder: means a person for the time being entered in the Register as holder of any Notes.

Noteholder Majority: means Noteholders holding more than 50% of the principal amount of all outstanding Notes.

Noteholder Majority Consent: means the consent of a Noteholder Majority provided either at a meeting of Noteholders or in writing, in each case in accordance with the requirements of Schedule 3.

Novartis: means Novartis Pharma AG, a company incorporated under the laws of Switzerland.

Novartis Loan Note: means the convertible loan note originally issued by the Company to Novartis in the principal amount of £3,841,479 on 8 February 2020.

Ordinary Shares: means the ordinary shares of £0.003 each in the capital of the Company, which have the rights set out in the Articles.

Original Warrantholder: has the meaning given in the Securities Purchase Agreement.

Ownership Limit: has the meaning given in paragraph 1.2 of Part 2 of Schedule 2.

Pay Down Issue: has the meaning given in paragraph 4.7 of Part 1 of Schedule 2.

Pay Down Notice: has the meaning given in paragraph 4.7 of Part 1 of Schedule 2.

Pay Down Securities: has the meaning given in paragraph 4.7 of Part 1 of Schedule 2.

Pay Down Reduction Amount: has the meaning given in paragraph 4.8 of Part 1 of Schedule 2.

Qualifying Noteholder: means any Noteholder holding Notes with a principal amount of £6,004,803.84 or greater.

Redemption Date: has the meaning given in paragraph 4.1 of Part 1 of Schedule 2.

Redemption Notice: has the meaning given in paragraph 4.13 of Part 1 of Schedule 2.

Register: means a register of Noteholders referred to in, and kept and maintained in accordance with, clause 8.

Registered Office: means the registered office of the Company from time to time.

Securities Purchase Agreement: means the agreement governing the purchase of Ordinary Shares comprising the Transaction among, *inter alios*, the Company, the Lead Investors and the other Investors party thereto, dated on or around the date hereof.

Senior Lenders: means SVB and Kreos (and each of them individually, a "Senior Lender") and/or their respective successors in title.

Senior Loan: has the meaning given in the recitals of this Instrument.

Shareholder Approval: has the meaning given in the Securities Purchase Agreement.

Shareholders Meeting: has the meaning given in the Securities Purchase Agreement.

Shares: has the meaning given in the recitals of this Instrument.

Subordination Agreement: has the meaning given in the recitals of this Instrument.

SVB: has the meaning given in the recitals of this Instrument.

Tranche 1 Conversion Price: £0.174 per Ordinary Share, subject to adjustment as set forth in Part 3 of Schedule 2.

Tranche 2 Conversion Price: £0.348 per Ordinary Share, subject to adjustment as set forth in Part 3 of Schedule 2.

Tranche 1 Default Rate: has the meaning given in paragraph 1.1 of Part 1 of Schedule 2.

Tranche 2 Default Rate: has the meaning given in paragraph 1.2 of Part 1 of Schedule 2.

Tranche 3 Default Rate: has the meaning given in paragraph 1.3 of Part 1 of Schedule 2.

Tranche 1 Extension Option: has the meaning given in paragraph 2.3 of Part 1 of Schedule 2.

Tranche 1 Extension Notice: has the meaning given in paragraph 2.3 of Part 1 of Schedule 2.

Tranche 2 Extension Option: has the meaning given in paragraph 2.5 of Part 1 of Schedule 2.

Tranche 2 Extension Notice: has the meaning given in paragraph 2.5 of Part 1 of Schedule 2.

Tranche 3 Extension Option: has the meaning given in paragraph 2.7 of Part 1 of Schedule 2.

Tranche 3 Extension Notice: has the meaning given in paragraph 2.7 of Part 1 of Schedule 2.

Tranche 1 Maturity Date: means 3 June 2023 or, in respect of any Tranche 1 Notes held by a Qualifying Noteholder, such later date as may be applicable following exercise of the Tranche 1 Extension Option.

Tranche 2 Maturity Date: means the date falling three years from the date of issue of such Tranche 2 Notes, or in respect of any Tranche 2 Notes held by a Qualifying Noteholder, such later date as may be applicable following exercise of the Tranche 2 Extension Option.

Tranche 3 Maturity Date: means 3 June 2025 or, in respect of any Tranche 3 Notes held by a Qualifying Noteholder, such later date as may be applicable following exercise of the Tranche 3 Extension Option and acceptance by the Company of the same.

Tranche 1 Note Certificate: a certificate for Tranche 1 Notes in the form (or substantially in the form) set out in Part 1 of Schedule 1.

Tranche 2 Note Certificate: a certificate for Tranche 2 Notes in the form (or substantially in the form) set out in Part 2 of Schedule 1.

Tranche 3 Note Certificate: a certificate for Tranche 3 Notes in the form (or substantially in the form) set out in Part 3 of Schedule 1.

Tranche 1 Noteholder: means a Noteholder holding Tranche 1 Notes.

Tranche 2 Noteholder: means a Noteholder holding Tranche 2 Notes.

Tranche 3 Noteholder: means a Noteholder holding Tranche 3 Notes.

Tranche 1 Notes: up to £40,533,671 in aggregate unsecured convertible loan notes of £1 principal amount each, maturing on the Tranche 1 Maturity Date constituted by this Instrument or, as the case may be, the principal amount of such loan notes for the time being issued and outstanding, and **principal amount** shall be construed accordingly.

Tranche 2 Notes: up to £40,032,025 in aggregate unsecured convertible loan notes of £1 principal amount each, maturing on the Tranche 2 Maturity Date constituted by this Instrument or, as the case may be, the principal amount of such loan notes for the time being issued and outstanding, and **principal amount** shall be construed accordingly.

Tranche 3 Notes: up to £56,044,831 in aggregate unsecured loan notes of £1 principal amount each, maturing on the Tranche 3 Maturity Date constituted by this Instrument or, as the case may be, the principal amount of such loan notes for the time being issued and outstanding, and **principal amount** shall be construed accordingly.

Transaction: has the meaning given in the recitals of this Instrument.

Uplift Allocation Notice: has the meaning given in paragraph 4.3 of part 1 of Schedule 2.

Uplift Reduction Amount: has the meaning given in paragraph 4.4 of part 1 of Schedule 2.

Uplift Securities: has the meaning given in paragraph 4.3 of part 1 of Schedule 2.

Warrant: has the meaning given in the recitals of this Instrument.

Warrant Instrument: means the instrument constituting the Warrants dated on or about the Effective Date.

1.3 Clause, Schedule and paragraph headings shall not affect the interpretation of this Instrument.

1.4 References to clauses and Schedules are to the clauses of and Schedules to this Instrument and references to paragraphs are to paragraphs of the relevant Schedule.

1.5 The Schedules (including, for the avoidance of doubt, the Conditions) form part of this Instrument and shall have effect as if set out in full in the body of this Instrument. Any reference to this Instrument includes the Schedules.

1.6 A reference to **this Instrument**, **the Conditions** or to any other agreement or document referred to in this Instrument or the Conditions is a reference to this Instrument (which shall include the Conditions), the Conditions or such other agreement or document as varied or novated in accordance with their terms from time to time.

1.7 Unless the context otherwise requires, words in the singular shall include the plural and in the plural shall include the singular.

1.8 Unless the context otherwise requires, a reference to one gender shall include a reference to the other genders.

1.9 A **person** includes a natural person, corporate or unincorporated body (whether or not having separate legal personality) and that person's personal representatives, successors and permitted assigns.

1.10 A reference to a **company** shall include any company, corporation or other body corporate, wherever and however incorporated or established.

1.11 A reference to a **holding company** or a **subsidiary** means a holding company or a subsidiary (as the case may be) as defined in section 1159 of the Companies Act 2006.

1.12 A reference to **writing** or **written** includes fax but not e-mail (unless otherwise expressly provided in this Instrument).

1.13 Any words following the terms **including**, **include**, **in particular**, **for example** or any similar expression shall be construed as illustrative and shall not limit the sense of the words, description, definition, phrase or term preceding those terms.

1.14 Where the context permits, **other** and **otherwise** are illustrative and shall not limit the sense of the words preceding them.

1.15 A reference to a statute or statutory provision is a reference to it as amended, extended or re-enacted from time to time.

1.16 A reference to a statute or statutory provision shall include all subordinate legislation made from time to time under that statute or statutory provision.

1.17 Any obligation on a person not to do something includes an obligation not to allow that thing to be done.

1.18 A reference in this Instrument to:

(a) any Notes being **outstanding** means such Notes as are in issue, not redeemed, not converted and not cancelled at the relevant time;

(b) the **assets** of any person shall be construed as a reference to all or any part of its business, undertaking, property, assets, revenues (including any right to receive revenues) and uncalled capital;

(c) **indebtedness** shall be construed as a reference to any obligation for the payment or repayment of money, whether as principal or as surety and whether present or future, actual or contingent;

(d) **repayment** includes redemption and vice versa and the words **repay, redeem, repayable, redeemed** and **repaid** shall be construed accordingly;

(e) **$ or USD** denotes the lawful currency of the United States of America;

(f) **£** or **sterling** denotes the lawful currency of the United Kingdom; and

(g) **tax** shall be construed so as to include any present and future tax, levy, impost, deduction, withholding, duty or other charge of a similar nature (including, without limitation, any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

1.19 Unless the context otherwise requires, a reference to the **Notes** includes a reference to all and/or any of the Notes.

2. AMOUNT AND DESCRIPTION OF NOTES

2.1 The aggregate principal amount of the Tranche 1 Notes is limited to £40,533,671.

2.2 The aggregate principal amount of the Tranche 2 Notes is limited to £40,032,025.

2.3 The aggregate principal amount of the Tranche 3 Notes is limited to £56,044,831.

2.4 The Tranche 1 Notes shall be known as the unsecured convertible loan notes due 2023 and shall be issued by the Company in integral multiples of £1.

2.5 The Tranche 2 Notes shall be known as the unsecured convertible loan notes due 2026 and shall be issued by the Company in integral multiples of £1.

2.6 The Tranche 3 Notes shall be known as the unsecured loan notes due 2025 and shall be issued by the Company in integral multiples of £1.

3. STATUS OF NOTES

3.1 The Notes when issued and outstanding shall rank pari passu, equally and rateably, without discrimination or preference among themselves and as unsecured obligations of the Company.

3.2 The Notes shall be issued and held subject to and with the benefit of the provisions of this Instrument (including the Conditions). All such provisions shall be binding on the Company and the Noteholders and all persons claiming through or under them respectively and shall enure for the benefit of all Noteholders.

3.3 No Notes shall be issued or deemed issued pursuant to this Instrument until Closing (as defined in the Securities Purchase Agreement) has occurred in accordance with the terms and conditions of the Securities Purchase Agreement.

3.4 No Tranche 2 Notes shall be issued to any person who is not a Qualifying Noteholder and has not served upon the Company an Optional Warrant Conversion Notice (as defined in the Securities Purchase Agreement) in accordance with the provisions of section 5(h)(ii) of the Securities Purchase Agreement.

3.5 Any Qualifying Noteholder who delivers an Optional Warrant Conversion Notice (as defined in the Securities Purchase Agreement) in accordance with the provisions of Clause section 5(h)(ii) of the Securities Purchase Agreement shall have the subscription monies paid to the Company thereunder applied towards the subscription price for Tranche 2 Notes (in the face amount of £1 for each Tranche 2 Note issued) in accordance with section 5(h)(ii) of the Securities Purchase Agreement. The subscription price in respect of all Warrants subject to the Optional Warrant Conversion Notice shall be aggregated for purposes of determining the number of Tranche 2 Notes issued, provided that no Tranche 2 Notes shall be issued for any part payment towards a Tranche 2 Note and after aggregation of all such amounts, any remaining fractional sums pursuant to an Optional Warrant Conversion Notice shall be discounted when calculating the number of Tranche 2 Notes to be issued.

3.6 No Tranche 3 Notes shall be issued to any person if the Shareholder Approval is obtained on or before 7 August, 2020.

3.7 If the Shareholder Approval is not obtained on or before 7 August, 2020, the Company shall deliver Tranche 3 Notes (in the face amount of £1 for each Tranche 3 Note issued) to each Original Warrantholder that delivers an Alternative Warrant Conversion Notice in accordance with section 5(i)(ii) of the Securities Purchase Agreement, within five (5) Business Days after the surrender by the holder of the certificate representing the Warrant and the delivery of the Alternative Warrant Conversion Notice.

3.8 For so long as the Senior Loan remains outstanding, no Notes shall be issued or deemed issued to any person pursuant to this Instrument unless such person has first executed the Subordination Agreement or a deed of adherence to the Subordination Agreement (pursuant to which such person becomes bound by the terms of the Subordination Agreement) and provided a copy of such executed document to the Company and the Senior Lenders.

4. USE OF PROCEEDS

4.1 The proceeds of all subscriptions for the Notes shall be used in accordance with the terms and conditions of Section 5(j) of the Securities Purchase Agreement.

4.2 No part of the proceeds of any subscription for the Notes shall be used by the Company to make any dividend or distribution to any shareholder in the Company, or for the repurchase of Ordinary Shares.

5. REPAYMENT OF NOTES

5.1 The Notes shall be repaid in accordance with Part 1 of Schedule 2.

5.2 All Notes repaid by the Company shall be automatically and immediately cancelled and shall not be reissued.

6. INTEREST

Until the Notes are repaid by the Company or converted into Ordinary Shares, in each case in accordance with the provisions of this Instrument, interest shall accrue and be paid on the principal amount of the Notes outstanding at the rate and in the manner provided in Part 1 of Schedule 2.

7. CERTIFICATES

7.1 Each Noteholder (or the joint holders of any Notes) shall be entitled to receive, without charge, one Tranche 1 Note Certificate and/or Tranche 2 Note Certificate and/or Tranche 3 Note Certificate (as applicable) for the Tranche 1 Notes and/or Tranche 2 Notes and/or Tranche 3 Notes registered in his (or their) names.

7.2 Where any Notes are held jointly, the Company shall not be bound to issue more than one Certificate in respect of such Notes and delivery of a Certificate to the person who is first named in the Register as Noteholder shall be sufficient delivery to all joint holders of such Notes.

7.3 Each Certificate shall:

(a) bear a denoting number;

(b) indicate whether it relates to Tranche 1 Notes, Tranche 2 Notes, or Tranche 3 Notes;

(c) be issued and executed by the Company as a deed in the form (or substantially in the form) set out in Part 1 of Schedule 1, Part 2 of Schedule 1 or Part 3 of Schedule 1 (as applicable); and

(d) have the Conditions endorsed on or attached to it.

7.4 In the case of repayment or transfer of part only of a Noteholder's Notes, the Certificate(s) in respect of such Notes shall be either:

(a) endorsed with a memorandum of the nominal amount of the Notes so redeemed or transferred and the date of such repayment or transfer; or

(b) cancelled and (without charge) replaced by a new Certificate for the balance of the principal amount of the Notes not then repaid or transferred.

8. THE REGISTER

8.1 The Company shall keep and maintain the Register at the Registered Office or (subject always to the provisions of section 743 of the Act) at such other place as the Company may from time to time appoint for this purpose and notify to the Noteholders.

8.2 There shall be entered in the Register:

(a) the names and addresses of the Noteholders for the time being;

(b) the principal amount of the Notes held by each Noteholder;

(c) whether the Notes held by each Noteholder are Tranche 1 Notes, Tranche 2 Notes or Tranche 3 Notes;

(d) the date of issue of each of the Notes and the date on which the name of each Noteholder is entered in the Register in respect of the Notes registered in his name;

(e) the serial number of each Certificate issued and the date of its issue; and

(f) the date(s) of all transfers and changes of ownership of any of the Notes.

8.3 The Company shall promptly amend the Register to record any change to the name or address of a Noteholder that is notified in writing to the Company by that Noteholder.

8.4 The Noteholders or any of them, or any person authorised by a Noteholder, shall be at liberty at all reasonable times during office hours to inspect the Register and to take copies of or extracts from it or any part of it.

8.5 Every Noteholder shall be recognised by the Company as entitled to his Notes free from any equity, set-off or cross-claim against the original or an intermediate holder of such Notes.

9. NOTES NOT TO BE QUOTED

No application has been, or shall be, made (unless pursuant to paragraph 7.2 of Part 1 of Schedule 2) to any investment exchange (whether in the United Kingdom or otherwise) for permission to deal in, or for an official or other listing or quotation, in respect of the Notes.

10. SET-OFF

Payments of principal and interest in respect of the Notes shall be paid by the Company to the Noteholders in accordance with the Conditions without any deduction or withholding (whether in respect of any set-off, counterclaim or otherwise whatsoever) unless the deduction or withholding is required by law.

11. MEETINGS OF NOTEHOLDERS

Meetings of the Noteholders shall be convened and held in accordance with the provisions of Schedule 3.

12. VARIATION

12.1 All or any of the rights for the time being attached to the Notes or other provisions of this Instrument may from time to time (whether or not the Company is being wound up) be altered or abrogated with the prior written consent of a Noteholder Majority. Any such alteration or abrogation shall be effected by way of deed poll executed by the Company and expressed to be supplemental to this Instrument.

12.2 Modifications to this Instrument which are of a minor nature or made to correct a manifest error may be effected by way of deed poll executed by the Company and expressed to be supplemental to this Instrument.

12.3 The Company shall, within 5 Business Days of making any variation pursuant to this clause 12, send to each Noteholder (or, in the case of joint holders, to the Noteholder named first in the Register) a copy of the deed poll (or other document) effecting the variation.

12.4 Any modification, alteration or abrogation made pursuant to clause 12.1 or clause 12.2 shall be binding on all the Noteholders.

13. ENFORCEMENT AND THIRD PARTY RIGHTS

13.1 From and after the date of this Instrument, and for so long as any Notes are outstanding or any amount is payable or repayable by the Company in respect of the Notes, the Company undertakes to duly perform and observe its obligations under this Instrument.

13.2 Except as expressly provided in clause 13.3, a person who is not a party to this Instrument shall not have any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Instrument.

13.3 This Instrument shall operate for the benefit of all Noteholders and each Noteholder shall be entitled to sue for the performance or observance of the provisions of this Instrument in his own right so far as his own holding of Notes is concerned.

14. NOTICES

Any notice to be given to or by any Noteholder(s) for the purposes of this Instrument shall be given in accordance with the provisions of paragraph 9 and paragraph 10 of Part 3 of Schedule 2.

15. GOVERNING LAW AND JURISDICTION

15.1 This Instrument and the Notes and any dispute or claim arising out of or in connection with any of them or their subject matter or formation (including non- contractual disputes or claims) shall be governed by, and construed in accordance with, the law of England and Wales.

15.2 The courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with this Instrument or the Notes or their subject matter or formation (including non-contractual disputes or claims).

This instrument has been executed as a deed and is delivered and takes effect on the date stated at the beginning of it.

Schedule 1

Part 1. - Form of Tranche 1 Note Certificate

Certificate No. [NUMBER]
Date of Issue [●] [June] 2020
Amount £[AMOUNT]

MEREO BIOPHARMA GROUP PLC
£[AMOUNT]

UNSECURED CONVERTIBLE LOAN NOTES

Created and issued pursuant to a resolution of a duly appointed committee of the board of directors of the Company passed on 3 June 2020.

THIS IS TO CERTIFY THAT [NAME OF NOTEHOLDER] is the registered holder of £[AMOUNT] of the £[AMOUNT] unsecured convertible loan notes 2023 constituted by an instrument entered into by the Company on [●] [June] 2020 ("**Instrument**"). These are Tranche 1 Notes. Such Tranche 1 Notes are issued with the benefit of and subject to the provisions contained in the Instrument and the Conditions endorsed on or annexed to this Certificate.

Notes:

1. The Tranche 1 Notes are repayable and shall bear interest in accordance with the Conditions.

2. This Certificate must be surrendered to the Company before any transfer or repayment, whether of the whole or any part of the Tranche 1 Notes comprised in it, can be registered or effected, or any new certificate issued in exchange.

3. Any change of address of the Noteholder(s) must be notified in writing signed by the Noteholder(s) to the Company at the Registered Office.

4. Subject to the Conditions, the Tranche 1 Notes are transferable in amounts and in integral multiples of £1.

5. No transfer of any part of the Tranche 1 Notes represented by this Certificate can be registered without production of this Certificate.

6. Words and expressions defined in the Instrument shall bear the same meaning in this Certificate and in the Conditions.

7. The Tranche 1 Notes and any dispute or claim arising out of or in connection with any of them or their subject matter or formation (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, the law of England and Wales. The courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with the Tranche 1 Notes or their subject matter or formation (including non-contractual disputes or claims).

8. A copy of the Instrument is available for inspection at the registered office of the Company.

This Certificate has been executed as a deed and is delivered and takes effect on the date of issue stated at the beginning of it.

Executed as a deed by MEREO BIOPHARMA GROUP PLC acting by [NAME OF DIRECTOR], a director

_____
[SIGNATURE OF DIRECTOR]
Director
in the presence of:
Witness Signature:_____
Name:_____
Address:_____
Occupation
Dated: [INSERT DATE]

Part 2. - Form of Tranche 2 Note Certificate

Certificate No. [NUMBER]
Date of Issue [●] [●] [●]
Amount £[AMOUNT]

MEREO BIOPHARMA GROUP PLC
£[AMOUNT]

UNSECURED CONVERTIBLE LOAN NOTES

Created and issued pursuant to a resolution of a duly appointed committee of the board of directors of the Company passed on 3 June 2020.

THIS IS TO CERTIFY THAT [NAME OF NOTEHOLDER] is the registered holder of £[AMOUNT] of the £[AMOUNT] unsecured convertible loan notes with a Maturity Date of [●], constituted by an instrument entered into by the Company on [●] [June] 2020 ("**Instrument**"). These are Tranche 2 Notes. Such Tranche 2 Notes are issued with the benefit of and subject to the provisions contained in the Instrument and the Conditions endorsed on or annexed to this Certificate.

Notes:

1. The Tranche 2 Notes are repayable and shall bear interest in accordance with the Conditions.

2. This Certificate must be surrendered to the Company before any transfer or repayment, whether of the whole or any part of the Tranche 2 Notes comprised in it, can be registered or effected, or any new certificate issued in exchange.

3. Any change of address of the Noteholder(s) must be notified in writing signed by the Noteholder(s) to the Company at the Registered Office.

4. Subject to the Conditions, the Tranche 2 Notes are transferable in amounts and in integral multiples of £1.

5. No transfer of any part of the Tranche 2 Notes represented by this Certificate can be registered without production of this Certificate.

6. Words and expressions defined in the Instrument shall bear the same meaning in this Certificate and in the Conditions.

7. The Tranche 2 Notes and any dispute or claim arising out of or in connection with any of them or their subject matter or formation (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, the law of England and Wales. The courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with the Tranche 2 Notes or their subject matter or formation (including non-contractual disputes or claims).

8. A copy of the Instrument is available for inspection at the registered office of the Company.

This Certificate has been executed as a deed and is delivered and takes effect on the date of issue stated at the beginning of it.

Executed as a deed by MEREO BIOPHARMA GROUP PLC acting by [NAME OF DIRECTOR], a director

_____
[SIGNATURE OF DIRECTOR]
Director
in the presence of:
Witness Signature:_____
Name:_____
Address:_____
Occupation
Dated: [INSERT DATE]

Part 3. - Form of Tranche 3 Note Certificate

Certificate No. [NUMBER]
Date of Issue [●] [●] [●]
Amount £[AMOUNT]

MEREO BIOPHARMA GROUP PLC
£[AMOUNT]
UNSECURED LOAN NOTES

Created and issued pursuant to a resolution of a duly appointed committee of the board of directors of the Company passed on 3 June 2020.

THIS IS TO CERTIFY THAT [NAME OF NOTEHOLDER] is the registered holder of

£[AMOUNT] of the £[AMOUNT] unsecured loan notes with a Maturity Date of [●] June 2025, constituted by an instrument entered into by the Company on [●] [June] 2020 ("**Instrument**"). These are Tranche 3 Notes. Such Tranche 3 Notes are issued with the benefit of and subject to the provisions contained in the Instrument and the Conditions endorsed on or annexed to this Certificate.

Notes:

1. The Tranche 3 Notes are repayable and shall bear interest in accordance with the Conditions.

2. This Certificate must be surrendered to the Company before any transfer or repayment, whether of the whole or any part of the Tranche 3 Notes comprised in it, can be registered or effected, or any new certificate issued in exchange.

3. Any change of address of the Noteholder(s) must be notified in writing signed by the Noteholder(s) to the Company at the Registered Office.

4. Subject to the Conditions, the Tranche 3 Notes are transferable in amounts and in integral multiples of £1.

5. No transfer of any part of the Tranche 3 Notes represented by this Certificate can be registered without production of this Certificate.

6. Words and expressions defined in the Instrument shall bear the same meaning in this Certificate and in the Conditions.

7. The Tranche 3 Notes and any dispute or claim arising out of or in connection with any of them or their subject matter or formation (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, the law of England and Wales. The courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with the Tranche 3 Notes or their subject matter or formation (including non-contractual disputes or claims).

8. A copy of the Instrument is available for inspection at the registered office of the Company.

This Certificate has been executed as a deed and is delivered and takes effect on the date of issue stated at the beginning of it.

Executed as a deed by MEREO BIOPHARMA GROUP PLC
acting by [NAME OF DIRECTOR], a director

_____
[SIGNATURE OF DIRECTOR]
Director
in the presence of:
Witness Signature:_____
Name:_____
Address:_____
Occupation
Dated: [INSERT DATE]

Schedule 2 The Conditions

Part 1. Interest, repayment and redemption

1. INTEREST

1.1 Interest shall initially be payable on any outstanding Tranche 1 Notes (so far as not converted under Part 2 of Schedule 2) at a fixed rate of 10% per annum (the "**Interest Rate**"), subject to the following adjustments:

(a) if Shareholder Approval is obtained on or prior to 7 August 2020, the initial 10% rate shall be reduced to 6% per annum, with effect retroactively as of the Effective Date;

(b) if an Event of Default takes place and is not remedied by the Company in accordance with the applicable provisions of this Part 1 of Schedule 2, the Tranche 1 Interest Rate shall be increased by 2% per annum with effect from the date of such Event of Default (or, if applicable, the expiry of any cure period applicable thereto) (the "**Tranche 1 Default Rate**"); and

(c) if the Tranche 1 Extension Option is exercised, interest shall cease to be payable on the Tranche 1 Notes from the date of the relevant Tranche 1 Extension Notice (other than any interest payable at the Tranche 1 Default Rate following an Event of Default, which, for the avoidance of doubt, shall apply at a flat rate of 2% in such circumstances and remain payable).

1.2 Interest shall not be payable on any outstanding Tranche 2 Notes or Tranche 3 Notes other than where an Event of Default takes place and is not remedied by the Company in accordance with the applicable provisions of this Part 1 of Schedule 2, where interest shall be payable on the Tranche 2 Notes and/or Tranche 3 Notes (as applicable) at a rate of 2% per annum with effect from the date of such Event of Default (or, if applicable, the expiry of any cure period applicable thereto) (the "**Tranche 2 Default Rate**" and "**Tranche 3 Default Rate**", respectively).

1.3 Any interest due under paragraphs 1.1 or 1.2 shall be payable on the Redemption Date.

1.4 Interest, if payable, shall accrue daily at the Interest Rate and shall be calculated on the basis of a 365-day year and the actual number of days elapsed from the date of issue of the relevant Notes to the Redemption Date.

1.5 If the Company fails to pay redemption monies when due, interest shall accrue on the unpaid amount at the applicable Default Rate.

2. REPAYMENT OF PRINCIPAL

2.1 As and when the Notes (or any part of them) are to be redeemed in accordance with paragraph 4 of this Part 1 of Schedule 2, the Company shall pay the Noteholders the principal amount of the Notes which are to be redeemed, subject to adjustment in accordance with paragraph 4.2 of this Part 2 of Schedule 2.

2.2 No prepayment of the principal amount of the Notes or any interest accrued thereon prior to the earlier of the Maturity Date or, in the event of a Change of Control, the date on which the consideration in respect of such Change of Control is remitted to the holders of Ordinary Shares, shall be permitted without the consent of a Noteholder Majority, and, if required, the consent of the Senior Lenders pursuant to the terms of the Subordination Deed.

2.3 At any time prior to the Tranche 1 Maturity Date, a Qualifying Noteholder may (but shall not be required to) notify the Company that it wishes to extend the Tranche 1 Maturity Date in respect of that Noteholder's Tranche 1 Notes to a new date to be specified in such notice provided such date is a Business Day and not later than the date 10 years after the date of this Instrument (a "**Tranche 1 Extension Notice**"), and the Company shall accept such extension (the "**Tranche 1 Extension Option**"), whereupon the Tranche 1 Maturity Date shall be revised accordingly. A Qualifying Noteholder may only issue a Tranche 1 Extension Notice once and any such Tranche 1 Extension Option must be used in respect of all Tranche 1 Notes held by such Qualifying Noteholder. From the date of such Tranche 1 Extension Notice, other than amounts accrued prior to delivery of the Tranche 1 Extension Notice, no additional interest shall be payable on the Tranche 1 Notes held by the exercising Qualifying Noteholder (other than any interest which becomes payable at the Tranche 1 Default Rate).

2.4 On the date of the Tranche 1 Extension Notice the exercising Qualifying Noteholder shall deliver to the Company the Tranche 1 Note Certificate in respect of the Tranche 1 Notes which are the subject of such Tranche 1 Extension Notice, and the Company shall, within 5 Business Days' of the exercise of the Tranche 1 Extension Option, issue to such Qualifying Noteholder a replacement Tranche 1 Note Certificate bearing the revised Tranche 1 Maturity Date.

2.5 A Qualifying Noteholder who holds both Tranche 1 Notes and Tranche 2 Notes may (but shall not be required) if they have already served an Extension Notice (or contemporaneously with the service of an Extension Notice), notify the Company that it wishes to extend the Tranche 2 Maturity Date in respect of that Noteholder's Tranche 2 Notes to the same date that it has specified as the Tranche 1 Maturity Date pursuant to its Extension Notice for Tranche 1 Notes (such further notice being a "**Tranche 2 Extension Notice**"), and the Company shall accept such extension (the "**Tranche 2 Extension Option**"), whereupon the Tranche 2 Maturity Date shall be revised accordingly. A Qualifying Noteholder may only issue a Tranche 2 Extension Notice once and any such Tranche 2 Extension Option must be used in respect of all Tranche 2 Notes held by such Qualifying Noteholder.

2.6 On the date of the Tranche 2 Extension Notice the exercising Qualifying Noteholder shall deliver to the Company the Tranche 2 Note Certificate in respect of the Tranche 2 Notes which are the subject of such Tranche 2 Extension Notice, and the Company shall, within 5 Business Days' of the exercise of the Tranche 2 Extension Option, issue to such Qualifying Noteholder a replacement Tranche 2 Note Certificate bearing the revised Tranche 2 Maturity Date.

2.7 Any Qualifying Noteholder who holds Tranche 3 Notes may (but shall not be required), notify the Company that it wishes to extend the Tranche 3 Maturity Date in respect of that Qualifying Noteholder's Tranche 3 Notes to a new date to be specified in such notice provided such date is a Business Day and not later than the date 10 years after the date of this Instrument (such notice being a "**Tranche 3 Extension Notice**"). Upon receipt of a Tranche 3 Extension Notice, the Company may reject a Tranche 3 Extension Notice by providing written notice of such rejection to the Noteholder within 30 Business Days of receipt of such Tranche 3 Extension Notice (whereupon no extension of such Noteholder's Tranche 3 Notes shall occur). If the Company does not reject a Tranche 3 Extension Notice within such foregoing period, the Tranche 3 Extension Notice shall be considered accepted (the "**Tranche 3 Extension Option**"), whereupon the Tranche 3 Maturity Date shall be revised accordingly. A Qualifying Noteholder may only issue a Tranche 3 Extension Notice once and any such Tranche 3 Extension Option must be used in respect of all Tranche 3 Notes held by such Qualifying Noteholder.

2.8 On the date of the Tranche 3 Extension Notice the exercising Qualifying Noteholder shall deliver to the Company the Tranche 3 Note Certificate in respect of the Tranche 3 Notes which are the subject of such Tranche 3 Extension Notice. If the Company rejects the Tranche 3 Extension Notice, the Company shall promptly return such Tranche 3 Note Certificate to the Noteholder. If the Tranche 3 Extension Option is accepted, the Company shall, within 5 Business Days' of the exercise of the Tranche 3 Extension Option, issue to such Qualifying Noteholder a replacement Tranche 3 Note Certificate bearing the revised Tranche 3 Maturity Date.

3. TIME OF PAYMENT

Whenever any payment of principal (or otherwise) becomes due on a day which is not a Business Day, payment shall be made on the next following Business Day.

4. REDEMPTION

4.1 The Notes then in issue (so far as not converted under Part 2 of this Schedule 2) shall be redeemed at the principal amount together with interest on the Notes outstanding at the applicable Interest Rate on the earlier of the following dates:

(a) the Tranche 1 Maturity Date, Tranche 2 Maturity date or Tranche 3 Maturity date (as applicable); or

(b) in the event of a Change of Control, the date on which the consideration in respect of such Change of Control is remitted to the holders of Ordinary Shares; or

(c) following the occurrence of an Event of Default and the expiry of any applicable grace period applicable to such Event of Default as set out in paragraph 5 of this Part 1 of Schedule 2 (the date on which an Event of Default occurs or, if later, the relevant grace period (if any) expires, the "**Acceleration Date**"), the date specified in the relevant Redemption Notice;

(the "**Redemption Date**").

4.2 Subject to paragraph 4.12 below, in the event that Shareholder Approval has not been obtained on or before 7 August 2020, in addition to the amounts otherwise payable on the Redemption Date, each Noteholder holding any Tranche 1 Notes shall be entitled to be paid an additional sum on the Redemption Date, the amount of which shall be equal to the principal amount of the Tranche 1 Notes outstanding on 7 August, 2020 and held by such Noteholder in recognition of such Noteholder not being able to (i) participate in the equity of the Company through conversion of the Tranche 1 Notes, or (ii) benefit from any Warrants that were intended to be issued to such Tranche 1 Noteholder as part of the Transaction (such sum being the "**Uplift Payment**").

Notwithstanding the foregoing, in the event that Shareholder Approval has not been obtained on or before 7 August 2020, upon conversion of the Notes in accordance with Part 2 of Schedule 2, the Noteholder shall be entitled to the benefit of the Uplift Payment. In the event that the Shareholder Approval has not been obtained on or before 7 August 2020 and a Noteholder did not attend (either in person or by proxy) any general meeting of the Company's members called for the purposes of obtaining the Shareholder Approval and vote in favour of such Shareholder Approval with the entirety of all voting rights available to such Noteholder, such Noteholder shall cease to be entitled to the benefit of the Uplift Payment in any circumstances.

4.3 At any time after 7 August 2020, when (i) at least one Tranche 1 Noteholder is entitled to the Uplift Payment pursuant to paragraph 4.2 above; (ii) the Closing Price is above the Tranche 1 Conversion Price; and (iii) the Company has authority from its shareholders to allot additional Ordinary Shares, the Company may at its discretion notify all (but not some) Tranche 1 Noteholders that it wishes to satisfy its obligations in respect of all or any portion of the Uplift Payment by the issuance of further Ordinary Shares pro rata to all Noteholder(s) (such Ordinary Shares being "**Uplift Securities**") (such notice an "**Uplift Allocation Notice**").

4.4 The amount of the Uplift Payment to be satisfied by the Uplift Securities shall be calculated by: multiplying (x) being the number of Uplift Securities the Company wishes to issue, by (y) being the Tranche 1 Conversion Price (the "**Uplift Reduction Amount**").

4.5 The Uplift Allocation Notice served pursuant to paragraph 4.3 above shall specify, at a minimum:

(a) the number of Uplift Securities the Company proposes to issue;

(b) each Tranche 1 Noteholder's current percentage holding of the aggregate voting rights in the Company; and

(c) the issue date of the Uplift Securities (which shall in all cases be within 5 Business Days of the date the Uplift Allocation Notice was served).

4.6 In the event that:

(a) there is only one Tranche 1 Noteholder, that Noteholder shall be automatically deemed to have subscribed for the maximum number of Uplift Securities as it is possible to subscribe without the Ownership Limit of that Tranche 1 Noteholder being exceeded; and

(b) if there is more than one Tranche 1 Noteholder, each Tranche 1 Noteholder shall be automatically deemed to have subscribed (and such subscription shall be deemed satisfied out of each Tranche 1 Noteholder's entitlement to the Uplift Payment) for such number of Uplift Securities as is determined pro rata to each Tranche 1 Noteholder's proportionate entitlement to the Uplift Payment (provided that such amount does not result in the Ownership Limit being exceeded, and if it was to so result, such Tranche 1 Noteholder shall be required to subscribe for the maximum amount of Uplift Securities that such Tranche 1 Noteholder could receive without being in breach of the Ownership Limit, any excess Uplift Securities would then be allocated to each other Tranche 1 Noteholder (who would be deemed to subscribe for the same) pro rata to their entitlement to the Uplift Payment until either all Uplift Securities have been allocated amongst all Tranche 1 Noteholders or all Tranche 1 Noteholders have each reached the Ownership Limit),

and in each case the Company shall issue such Uplift Securities (which shall be credited as fully paid and rank pari passu with Ordinary Shares of the same class in issue on the Conversion Date) within 5 Business Days of the Uplift Allocation Notice and the applicable Tranche 1 Noteholder's entitlement to the Uplift Payment shall thereon be reduced by their proportion of the Uplift Reduction Amount.

4.7 At any time when (i) the Company has satisfied the entirety of its obligations in respect of the Uplift Payment through the issue of Uplift Securities pursuant to paragraphs 4.3 to 4.6 above (or the Uplift Payment has otherwise been discharged or waived); (ii) the Closing Price is above the Tranche 1 Conversion Price, and (iii) the Company has authority from its shareholders to allot additional Ordinary Shares; the Company may notify all (but not some) of the Tranche 1 Noteholders that it wishes to satisfy its obligations in respect of an amount of interest and/or principal under the Tranche 1 Notes by the issuance of further Ordinary Shares pro rata to all Tranche 1 Noteholders (such Ordinary Shares being "**Pay Down Securities**") (such notice a "**Pay Down Notice**" and such process a "**Pay Down Issue**").

4.8 The amount of principal and interest in respect of the Tranche 1 Notes to be satisfied by the issue of Pay Down Securities shall be calculated by: multiplying (x) being the number of Pay Down Securities the Company wishes to issue, by (y) being the Tranche 1 Conversion Price (the "**Pay Down Reduction Amount**").

4.9 The Pay Down Notice served on each Tranche 1 Noteholder pursuant to paragraph

4.7 above shall specify, at a minimum:

(a) the number of Pay Down Securities the Company proposes to issue;

(b) each Tranche 1 Noteholder's current percentage holding of the aggregate voting rights in the Company; and

(c) the issue date of the Pay Down Securities (which shall in all cases be within 5 Business Days of the date the Pay Down Notice was served).

4.10 In the event that:

(a) there is only one Tranche 1 Noteholder, that Tranche 1 Noteholder shall be automatically deemed to have subscribed for the maximum number of Pay Down Securities as it is possible to subscribe without the Ownership Limit of that Tranche 1 Noteholder being exceeded; and

(b) there is more than one Tranche 1 Noteholder, each Tranche 1 Noteholder shall be automatically deemed to have subscribed (and such subscription shall be deemed satisfied out of each Tranche 1 Noteholder's entitlement to principal and/or interest under the Notes) for the maximum amount of Pay Down Securities that such Tranche 1 Noteholder could receive without being in breach of the Ownership Limit, any excess Pay Down Securities would then be allocated to each other Tranche 1 Noteholder (who would be deemed to subscribe for the same) pro rata to their entitlement outstanding interest and/or principal under the Tranche 1 Notes until either all Pay Down Securities have been allocated amongst all Tranche 1 Noteholders or all Tranche 1 Noteholders have each reached the Ownership Limit,

and in each case the Company shall issue such Pay Down Securities (which shall be credited as fully paid and rank pari passu with Ordinary Shares of the same class in issue on the Conversion Date) within 5 Business Days of the Pay Down Notice and the applicable Tranche 1 Noteholder's entitlement to principal amount and/or interest shall thereon be reduced by their proportion of the Pay Down Reduction Amount.

4.11 At any time when (i) the Company has satisfied all principal and interest outstanding in respect of the Tranche 1 Notes by the issue of Pay Down Securities; (ii) the Closing Price is above the Tranche 2 Conversion Price, and (iii) the Company has authority from its shareholders to allot additional Ordinary Shares, the Company may serve a Pay Down Notice on the Tranche 2 Noteholders, notifying them it wishes to satisfy its obligations in respect of any interest and/or principal amount under the Tranche 2 Notes by way of a Pay Down Issue, and the provisions of the foregoing paragraphs 4.7 to 4.10 above shall apply *mutatis mutandis* in respect of any such Pay Down Issue in respect of the Tranche 2 Notes (and in such circumstances, for the avoidance of doubt, (y) for the purposes of calculating the Pay Down Reduction Amount pursuant to paragraph 4.8 shall be the Tranche 2 Conversion price). At any

time when (i) the Company has satisfied all principal and interest outstanding in respect of the Tranche 2 Notes by the issue of Pay Down Securities; and (ii) the Company has authority from its shareholders to allot additional Ordinary Shares, the Company may serve a Pay Down Notice on the Tranche 3 Noteholders, notifying them it wishes to satisfy its obligations in respect of any interest and/or principal amount under the Tranche 3 Notes by way of a Pay Down Issue, and the provisions of the foregoing paragraphs 4.7 to 4.10 above shall apply *mutatis mutandis* in respect of any such Pay Down Issue in respect of the Tranche 3 Notes (and in such circumstances, for the avoidance of doubt, (y) for the purposes of calculating the Pay Down Reduction Amount in respect of Tranche 3 Notes pursuant to paragraph 4.8 shall be the weighted average of the Closing Price on the 5 Business Days immediately prior to the date on which the Pay Down Notice is served in respect of such Tranche 3 Notes).

4.12 In the event that (i) a Change of Control occurs on or prior to 7 August 2020 and Shareholder Approval has not been obtained on or prior to the date of such Change of Control; or (ii) Shareholder Approval has not been obtained on or before 7 August 2020 and following 7 August 2020 but prior to the Tranche 1 Maturity Date, the Company undergoes a Change of Control; in either case the Company shall pay or cause to be paid, within 3 Business Days of the date on which consideration in respect of such Change of Control is remitted to the holders of Ordinary Shares, to each Noteholder, in addition to the sum payable pursuant to paragraph 4.1(b) of this Part 1 of Schedule 2, an additional sum, the amount of which shall be equal to the value of (a) minus ((b), (c) and (d)), where:

(a) is the pro rata amount of consideration which would have been received by such Noteholder in consideration for their Ordinary Shares and Warrants (plus, to the extent they exist, any Tranche 3 Notes held by such Noteholder but without double-counting in respect of the value of any Warrants that were converted into such Tranche 3 Notes by the Noteholder) on the Change of Control if that Shareholder Approval had been obtained on or prior to 7 August 2020 and as a result (i) all the Warrants held by such Noteholder as of the date of the Change of Control had become fully exercisable on or prior to 7 August 2020; and (ii) all Tranche 1 Notes held by such Noteholder as of the date of the Change of Control had automatically converted into Ordinary Shares upon receipt of the Shareholder Approval; and

(b) is the aggregate of the principal amount of such Noteholder's Tranche 1 Notes, together with any accrued but unpaid interest thereon held by such Noteholder immediately prior to the Notes being redeemed pursuant to paragraph 4.1(b) of this Part 1 of Schedule 2; and

(c) is the pro rata amount of consideration actually received or due to be received by such Noteholder pursuant to Section 2.10 of the Warrant Instrument in respect of Warrants held by such Noteholder as of the date of such Change of Control; and

(d) is the pro rata amount of consideration actually received or due to be received by such Noteholder (whether on or prior to any Change of Control) in respect of any Ordinary Shares received by such Noteholder in exchange for Tranche 1 Notes pursuant to paragraphs 4.7 through 4.11 of this Schedule 2;

(such sum being the "**Change of Control Payment**"). For the avoidance of doubt, if any Noteholder becomes entitled to be paid the Change of Control Payment, such Noteholder shall cease to be entitled to the Uplift Payment pursuant to paragraph 4.2.

4.13 Subject to paragraph 6 if the Noteholder Majority wishes to redeem the Notes following an Acceleration Date, the Noteholder Majority shall give the Company written notice of the intention to exercise the right to redeem in accordance with the provisions of paragraph 4.1(b), together with confirmation on the date for such redemption (provided that such date may not occur earlier than the date falling 20 Business Days after the relevant Acceleration Date), conditional always on any such Event of Default not being remedied in the case of paragraph 4.1(c) ("**Redemption Notice**").

4.14 A Redemption Notice shall (unless the Company agrees otherwise) be irrevocable.

4.15 For as long as the Subordination Agreement is in force, notwithstanding any of the provisions of paragraph 5 of this Part 1 of Schedule 2, the Notes cannot be redeemed or repaid following an Acceleration Date until the applicable restriction in the Subordination Agreement has expired or been waived by the Senior Lenders; provided that such delay in payment shall constitute an additional Event of Default hereunder.

4.16 On the Redemption Date, the Company shall repay to all Noteholders the principal amount of the Notes so redeemed, together with interest on such Notes outstanding at the applicable Interest Rate, and, if applicable, the Uplift Payment payable pursuant to paragraph 4.2.

4.17 If, on redemption of a Note, a Noteholder fails to deliver the Certificate for it, or an indemnity in accordance with these Conditions or to accept payment of moneys due to him, the Company shall pay the moneys due to him into bank account which payment shall discharge the Company from all further obligations in respect of the Note.

4.18 The Company shall cancel any Notes repaid, redeemed or purchased and shall not reissue them.

5. EVENTS OF DEFAULT

Subject to paragraphs 4.15 and 6.3 of this part 1 of Schedule 2, the Notes then in issue shall become immediately redeemable at the principal amount, together with interest on the Notes outstanding, and interest shall become payable at the applicable Default Rate, if:

(a) the Company fails to pay any interest or principal in respect of the Notes on the relevant due date;

(b) the Company fails to comply in any material respect with the covenants of the Notes or any of the Conditions and does not remedy such failure within 30 calendar days;

(c) any judgment, arbitration award, order or decree for the payment of money and that is no longer subject to an appeal process in an amount, individually or in the aggregate of at least £1,000,000 (or its equivalent in other currencies) is rendered against any Group Company and not cured or withdrawn within 30 calendar days of such judgment, award, order or decree;

(d) a Group Company incurs an Event of Default (as such term is defined in the Novartis Loan Note) pursuant to the terms of the Novartis Loan Note and such Event of Default is not remedied within the greater of (i) any applicable grace period pursuant to the terms of the Novartis Loan Note; and (ii) 30 days from the occurrence of such Event of Default; and results in the acceleration by Novartis of any indebtedness owed pursuant to the terms of the Novartis Loan Note;

(e) a Group Company incurs an event of default (howsoever defined) in respect of any indebtedness in a principal amount in excess of £1,000,000 and fails to cure (or have waived) such event of default within 30 calendar days of such event of default;

(f) a Group Company commits a material breach of any material contract to which such Group Company is a party and fails to cure (or have waived) such material breach within 30 calendar days of such event of default

(g) an encumbrancor takes possession or a receiver is appointed of the whole or the major part of the assets or undertaking of a Group Company or if distress, execution or other legal process is levied or enforced or sued out on or against the whole or the major part of the assets of any Group Company and is not discharged, paid out, withdrawn or removed within 30 calendar days;

(h) a Group Company is the subject of any proceeding in bankruptcy or for their dissolution, liquidation, winding-up, composition or other relief under any applicable insolvency or bankruptcy laws, whether voluntary or involuntary and, if involuntary, is not dismissed within 60 calendar days of filing;

(i) an administration order is made in relation to any Group Company; or

(j) an order is made, or an effective resolution is passed, for the winding-up, liquidation, administration or dissolution of any Group Company (except for the purpose of reorganisation or amalgamation of the Group Companies).

6. ACTION FOLLOWING EVENT OF DEFAULT

6.1 The Company shall give written notice to the Noteholders as soon as reasonably practicable following the Company becoming aware of the occurrence of an event specified in paragraph 5, giving reasonable details of that event.

6.2 Following receipt of the notice provided pursuant to paragraph 6.1 above, and, if applicable, the expiry of any cure period provided for such Event of Default, the Noteholders shall have a period of 10 Business Days in which they may exercise their right to waive such Event of Default by Noteholder Majority Consent.

6.3 If the Noteholder Majority waives any Event of Default then the Notes shall cease to be immediately redeemable, and no further interest shall accrue at the applicable Default Rate in respect of such Event of Default (for the avoidance of doubt, notwithstanding such waiver, the Noteholders' shall remain entitled to any interest accrued at the applicable Default Rate between the date of the Event of Default and the date of waiver by the Noteholder Majority).

7. TAXATION

7.1 All payments to be made by the Company to a Noteholder under the Note shall be made free and clear of and without any deduction or withholding for or on account of tax (a "**Tax Deduction**"), unless a Tax Deduction is required by law. If a Tax

Deduction is required by law, the amount of the payment due from the Company shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.

7.2 Each Noteholder shall, in consultation with the Company, take all reasonable steps to mitigate any circumstances which arise and which would result in any amount becoming payable under or pursuant to paragraph 7.1 above, including (but not limited to) transferring its rights and obligations under this Instrument and the Notes to another affiliate of such Noteholder and permitting the listing of the Notes on a recognised stock exchange.

7.3 Paragraph 7.2 above does not in any way limit the obligations of the Company under this Instrument.

7.4 Each Noteholder and the Company shall co-operate in completing any procedural formalities necessary for the Company to obtain authorisation to make that payment without a Tax Deduction including using commercially reasonable endeavours to procure that investors in such Noteholder complete such procedural formalities.

7.5 If the Company makes an increased payment under paragraph 7.1 (a "**Tax Payment**") and the relevant Noteholder shall (and shall use commercially reasonable endeavours to procure that investors will) co-operate with the Company to take any reasonable steps to:

(a) investigate the availability of any credit against, relief or remission for, or repayment of any Tax is attributable to that increased payment of which that Tax Payment forms part, to that Tax Payment or to a Tax Deduction in consequence of which that Tax Payment was required ("**Tax Credit**"); and

(b) obtain and/or utilise that Tax Credit,

and the Noteholder shall (and shall use commercially reasonable endeavours to procure that investors will) pay an amount to the Company which that Noteholder (or investors as applicable) determines (acting reasonably) will leave it (after that payment) in the same after-Tax position as it would have been in had some or all of the Tax Payment not been required to be made by the Company.

Part 2. Conversion

1. CONVERSION

1.1 Without prejudice to the provisions paragraphs 4.3 to 4.11 of Schedule 2 Part 1, the Notes shall not be capable of conversion prior to Shareholder Approval having been obtained and no Noteholder shall serve any Conversion Notice prior to such time.

1.2 Subject to paragraph 1.1 and paragraph 1.4 of this Part 2 of Schedule 2, all outstanding Tranche 1 Notes shall automatically convert into a number of fully paid Ordinary Shares upon Shareholder Approval being obtained, determined by dividing (x) the sum of (i) the outstanding principal amount, plus (ii) all accrued and unpaid interest thereon, plus (iii) any amount of the Uplift Payment (to the extent the same is applicable pursuant to the terms of this Instrument) which has become due and payable in accordance with paragraph 4.2 and has not already been paid or satisfied by the issue of Uplift Securities (or otherwise), by (y) the Tranche 1 Conversion Price then in effect; *provided that* (but subject to paragraph 1.4 of this Part 2 of Schedule 2 below) following such conversion, no individual Noteholder shall hold more than 9.99% of the aggregate voting rights in the Company (on a fully diluted basis) (the "**Ownership Limit**"). In the event that Conversion of any Noteholder's holding of Notes would result in such Noteholder exceeding the Ownership Limit, the principal amount of the Notes held by such Noteholder which shall convert shall be the greatest amount possible without that Noteholder exceeding such Ownership Limit and the remaining principal balance on such Notes shall remain outstanding.

1.3 Subject to paragraphs 1.1, 1.2 and 1.4 of this Part 2 of Schedule 2:

(a) each Noteholder holding Tranche 1 Notes shall have the right, at any time prior to the Tranche 1 Maturity Date, to serve a Conversion Notice on the Company to convert all or, if the Ownership Limit applies, part of such Noteholder's Tranche 1 Notes then outstanding (together with any accrued but unpaid interest thereon) into fully paid Ordinary Shares at the Tranche 1 Conversion Price per Share; and

(b) each Noteholder holding Tranche 2 Notes shall have the right, at any time prior to the Tranche 2 Maturity Date applicable to such Noteholder's Tranche 2 Notes, to serve a Conversion Notice on the Company to convert all or, if the Ownership Limit applies, part of such Noteholder's Tranche 2 Notes then outstanding (together with any accrued but unpaid interest thereon) into fully paid Ordinary Shares at the Tranche 2 Conversion Price per Share,

provided that, in each of the foregoing cases, at the time of the Conversion Notice, either (i) such Noteholder's aggregate voting rights in the Company is not in excess of the Ownership Limit and would not become in excess of the Ownership Limit as a result of the conversion contemplated by such Conversion Notice; or (ii) such Noteholder has waived the application of the Ownership Limit in accordance with paragraph 1.4 of this Part 2 of Schedule 2.

1.4 Notwithstanding the foregoing, a Noteholder may increase or decrease the Ownership Limit to any other percentage, by written notice to the Company; provided, that the Noteholder may not decrease the limitation prior to August 8, 2020; provided further that a waiver by the Noteholder of the Ownership Limit or a request to increase the Ownership Limit requires not less than 61 days prior written notice to the Company (with such waiver of the Ownership Limit or request to increase the Ownership Limit taking effect only upon the expiration of such 61 day notice period and applying only to the Noteholder and not to any other holder of Notes) and that such Ownership Limit shall never be increased above 19.99%.

1.5 The Conversion Notice shall set out, at a minimum:

(a) the principal amount of the Tranche 1 Notes and/or Tranche 2 Notes to be converted;

(b) the amount (if any) of accrued but unpaid interest on such principal amount which is to be converted;

(c) the Noteholder's current percentage holding of the aggregate voting rights in the Company;

(d) the Conversion Date;

(e) whether the Ordinary Shares resulting from conversion are to be delivered as ADSs; and

(f) any conditions (if any) applicable to the conversion and agreed in writing in advance by the Company.

1.6 If and to the extent that the Ordinary Shares issued are to be delivered as ADSs, the Noteholder shall be required to deliver to the Company a completed Issuance and Delivery Instruction in the form set out in Part 4 of this Schedule 2 (as such form may be amended from time to time by notice to the Noteholder) duly completed and executed by the Noteholder no later than 3 Business Days following service of the relevant Conversion Notice on the Company.

1.7 In the event of any failure by a Noteholder to deliver a duly completed Issuance and Delivery Instruction within such time period the Company shall disregard such Noteholder's request for delivery of the relevant Ordinary Shares as ADSs and shall issue the number of Ordinary Shares specified in the Conversion Notice to the Noteholder on the Conversion Date in accordance with paragraph 2 of this Part 2 of Schedule 2.

1.8 The Service of a Conversion Notice shall be irrevocable and binding on the Noteholder.

2. PROCEDURES ON CONVERSION

2.1 Subject to paragraph 1.1 of this Part 2 of Schedule 2, on the Conversion Date, the Directors shall convert the principal amount of the Notes and accrued but unpaid interest and any amount of the Uplift Payment (to the extent the same is applicable pursuant to the terms of this Instrument) which has become due and payable in accordance with paragraph 4.2 and has not already been paid or satisfied by the issue of Uplift Securities (or otherwise), into such number of new fully paid Ordinary Shares at the applicable Tranche 1 Conversion Price or Tranche 2 Conversion Price (as the case may be) as set out in paragraph 1 of this Part 2 of Schedule 2 in accordance with the following provisions of paragraph 2.2 to paragraph 2.5 (inclusive).

2.2 Conversion of the Notes shall be effected by the Company redeeming the relevant Notes on the Conversion Date. Each Noteholder whose Notes are being converted shall be deemed to irrevocably authorise and instruct the Company to apply the redemption moneys payable to that Noteholder in subscribing for Ordinary Shares on conversion of the Notes.

2.3 In the event that a Noteholder has stated in the relevant Conversion Notice that the Ordinary Shares arising from conversion are to be delivered as ADSs, and there is an effective registration statement covering the Ordinary Shares to be issued on such conversion, then such Ordinary Shares may be issued to, and deposited with (and otherwise registered in the name of) the custodian (or its nominee) of the Depositary, and following such issuance and deposit the Company will direct the Depositary to issue an amount of ADSs via DTC (with such ADSs being eligible for listing on Nasdaq) in accordance with the corresponding Issuance and Delivery Instruction.

2.4 Ordinary Shares arising on conversion of the Notes (and any applicable accrued but unpaid interest) shall be issued and allotted by the Company to the Noteholder or (where a Noteholder has delivered an Issuance and Delivery Instruction) to the custodian of the Depositary on the Conversion Date and the certificates (if physical certificates are requested by such Noteholder) for such Ordinary Shares shall be despatched to the persons entitled to them at their own risk.

2.5 The Ordinary Shares arising on conversion of the Notes shall be credited as fully paid and rank pari passu with Ordinary Shares of the same class in issue on the Conversion Date and shall carry the right to receive all dividends and other distributions declared, made or paid after the Conversion Date.

2.6 The entitlement of each Noteholder to a fraction of a Share shall be rounded down to the nearest whole number of Ordinary Shares which result from the conversion of the Notes.

2.7 In the event that a Noteholder requires Ordinary Shares arising on conversion to be delivered as ADSs, the entitlement of such Noteholder to ADSs shall be calculated using the ADS Exchange Ratio. No fractional ADSs will be issued, and any fractional entitlements to an ADS shall be issued to the relevant Noteholder in the form of Ordinary Shares in accordance with Part 2 of this Schedule 2, rounded down to the nearest whole share.

2.8 In the event that the Ordinary Shares in issue on the Conversion Date are traded on the AIM Market operated by London Stock Exchange plc, the Company shall use its reasonable best endeavours to ensure that the Ordinary Shares to be issued upon the conversion of the relevant Notes are admitted to trading on the AIM Market as soon as reasonably practicable following the Conversion Date. In addition, as soon as practicable following the general meeting at which the Company seeks to obtain Shareholder Approval, the Company shall make or cause to be made an application to AIM for a block listing (up to the maximum amount available to the Company under AIM block listing rules and in consideration of block listings registered at the time of this Agreement) or otherwise to admit upon Admission or as soon as permitted by AIM thereafter the maximum number of Ordinary Shares that may be acquired upon conversion of the Notes. Further, the Company shall list the Ordinary Shares issuable upon conversion of the Notes on each other securities exchange on which the Ordinary Shares are then listed and/or admitted to trading.

Part 3. Transfer provisions, Undertakings and other matters

1. The Company shall recognise the registered holder of any Notes as the absolute owner of them and shall not (except as provided by statute or as ordered by a court of competent jurisdiction) be bound to take notice or see to the execution of any trust (whether express, implied or constructive) to which any Note may be subject. The Company shall not (except as provided by statute or as ordered by a court of competent jurisdiction) be bound to enter any notice of any trust (whether express, implied or constructive) on the register in respect of any of the Notes.

The Notes are freely transferable in accordance with this Part 3 of Schedule 2 in integral multiples of £1 by instrument in writing in the usual common form (or in such other form as the Directors may approve) and such instrument need not be under seal. Additionally and, notwithstanding any other provision of this Instrument, for so long as the Subordination Agreement remains in force and effect, no transfer of the Notes may take place unless the transferee in respect of those Notes being transferred is either a party to the Subordination Agreement or has entered into a deed of adherence to be bound by the terms of such Subordination Agreement, or has otherwise entered into subordination arrangements with the Senior Lenders in writing or the requirement to enter into subordination arrangements with the Senior Lenders has been otherwise waived by the Senior Lenders in writing in advance of such intended transfer of the Notes; any attempt to transfer Notes in breach of the foregoing provisions is *void ab initio*.

2. Each instrument of transfer shall be signed by the transferor, and the transferor shall be deemed to remain the owner of the Notes to be transferred until the name of the transferee is entered in the register in respect of such Notes.

3. Each instrument of transfer shall be sent to, or left for registration at, the registered office of the Company for the time being, and shall be accompanied by the Certificate(s) for the Notes to be transferred and any other evidence that the Company may require to prove the title of the transferor or his right to transfer the Notes (and, if such instrument is executed by some other person on his behalf, the authority of that person to do so). All instruments of transfer that are registered may be retained by the Company.

4. No transfer of Notes shall be registered in respect of which a Redemption Notice, an Uplift Allocation Notice, a Pay Down Notice or Conversion Notice has been given.

5. The Company undertakes that, while an aggregate principal amount of Notes greater than £10,000,000 remains in issue, it shall not, without prior Noteholder Majority Consent:

    (a) sell, transfer, lease, licence or otherwise dispose of any material asset or business of any Group Company (including the sale, transfer or other disposition of a Group Company's rights to a third party), other than in the ordinary course of business;

    (b) carry out any merger, reorganisation, restructuring or sale of all or substantially all of the assets and/or business of any Group Company;

    (c) effect the liquidation, dissolution, or winding of any Group Company, or the cessation of all or substantially all of the business of any Group Company;

    (d) authorise any debt security (the incurrence, or extension of any credit or loan guarantee in respect of any loan or grant of credit exceeding £800,640.512(save that, for the avoidance of doubt, no Noteholder Majority Consent shall be required for (i) any refinancing, in whole or in part, of any Existing Indebtedness; or (ii) the subscription by any Qualifying Noteholder (and the issuance by the Company) for any Tranche 2 Notes pursuant to the Securities Purchase Agreement);

    (e) discontinue any existing line of business of any Group Company or enter into any new line of line of business by any Group Company; or

    (f) issue any securities senior to the Ordinary Shares with respect to voting rights, dividends, conversion rights, redemption rights, liquidation preference or otherwise.

6. Payment of the principal amount and all accrued interest on the Notes may be made by cheque made payable to, or by bank transfer to an account nominated for the purpose to the Company in writing by, the registered holder or, in the case of joint registered holders, to the one who is first-named on the register, or to such person or persons as the registered holder or all the joint registered holders may in writing direct and sent to the registered holder or in the case of joint registered holders to that one of the joint registered holders who is first-named on the register or to such address as the registered holder or joint registered holders may in writing direct. Cheques may be sent through the post at the risk of the registered holder or jointly registered holders and payment of any such cheque by the bankers on whom it is drawn, or a bank transfer to the relevant account, shall be good discharge to the Company.

7. If more than one person is entered in the register as joint holders of any Notes then, without prejudice to paragraph 5 of this Part 3 of Schedule 2, the receipt of any one of such holders for any moneys payable on or in respect of the Notes shall be as effective a discharge to the Company or other person making the payment as if the person signing such receipt were the sole registered holder of such Notes.

8. If any Certificate is worn out or defaced then, on production of it to the Directors, they may cancel it and may issue a fresh Certificate in lieu. If any Certificate is lost or destroyed it may be replaced on such terms (if any) as to evidence and indemnity as the Company may reasonably require. An entry recording the issue of the new Certificate and indemnity (if any) shall be made in the register. No fee shall be charged for the registration of any transfer or for the registration of any probate, letters of administration, certificate of marriage or death, power of attorney or other documents relating to or effecting title to any Notes.

9. Any notice or other document required to be given under this Instrument shall be in writing and may be given to or served on any Noteholder by sending it by first-class post in a prepaid envelope addressed to such Noteholder at his registered address. In the case of joint Noteholders, a notice given to, or document served on, the Noteholder whose name stands first in the register in respect of such Notes shall be sufficient notice to, or service on, all the joint holders. Any such notice sent or document served by first-class post shall be deemed to have been given or served 48 hours or 96 hours in the case of a notice or document sent to an address for a Noteholder not in the United Kingdom after the time when it is posted and in proving such notice or service, it shall be sufficient to prove that the envelope containing the notice or document was properly addressed, stamped and posted.

10. Any notice or other document delivered or sent by post to, or left at, the registered address of any Noteholder in pursuance of these provisions shall, notwithstanding that such Noteholder is then dead or bankrupt or in liquidation, and whether or not the Company has notice of his death or bankruptcy or liquidation, be deemed to have been duly served or delivered in respect of any Notes registered in the name of such Noteholder as sole or first-named joint holder unless his name shall at the time of the service of the notice or document have been removed from the register as the holder of the Notes, and such service shall for all purposes be deemed sufficient service of such notice or document on all persons interested (whether jointly with or as claiming through or under him) in the Notes.

11. A copy of this Instrument shall be kept at the Company's registered office. A Noteholder (and any person authorised by a Noteholder) may inspect that copy of the Instrument at all reasonable times during office hours.

12. Each Noteholder by subscribing for and/or holding any Notes pursuant to the terms of this Instrument expressly and irrevocably agrees that the Group Companies may refinance all or any part of either the Senior Loan or the Novartis Loan Note (either with the existing creditors thereof or with third party creditors) and that, such refinanced loan shall for all purposes under this Instrument be treated, *mutatis mutandis*¸ as the Senior Loan or the Novartis Loan Note (as the case may be) and benefit from any protections, provisions, exemptions or other terms hereof, without requiring the consent of any Noteholder; provided, that no such refinancing or amendment of the Senior Loan which increases the amount of the principal sum of the Senior Loan owing from time to time above £14 million, or extends the Final Repayment Date for the Senior Loan beyond 1 March 2022, shall be effective unless otherwise approved by the Noteholder Majority; provided, further, that no such consent or agreement shall be required from any Noteholder Majority from or after the time when Shareholder Approval has been obtained. For the avoidance of doubt, if any such refinancing takes place, any lenders thereunder shall be treated as the "Senior Lenders" for the purposes of this Instrument. The Company shall as soon as reasonably practicable after the occurrence of any such refinancing, provide notice of the same to the Noteholders.

13. If the Company, whilst any Notes are outstanding, shall effect a subdivision of its Ordinary Shares, the Tranche 1 Conversion Price and Tranche 2 Conversion Price (if any) then in effect immediately before that subdivision shall be proportionately decreased. If the Company, whilst any Notes are outstanding, shall combine its Ordinary Shares, the Tranche 1 Conversion Price and Tranche 2 Conversion Price then in effect immediately before the combination shall be proportionately increased.

14. If the Company, whilst any Notes are outstanding, shall make or issue, or fix a record date for the determination of holders of its Ordinary Shares entitled to receive a dividend or other distribution to the shareholders from the fund for invested unrestricted equity payable in Ordinary Shares in the Company, then and in each such event the Tranche 1 Conversion Price and Tranche 2 Conversion Price then in effect immediately before such event shall be decreased as of the time of such issuance or, in the event such a record date shall have been fixed, as of the close of business on such record date, by multiplying the Tranche 1 Conversion Price or Tranche 2 Conversion Price, as applicable, then in effect by a fraction:

    (a) the numerator of which shall be the total number of Ordinary Shares outstanding immediately prior to the time of such issuance or the close of business on such record date, and

(b) the denominator of which shall be the total number of Ordinary Shares outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of Ordinary Shares issuable in payment of such dividend or distribution;

provided, however, that if such record date shall have been fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the Tranche 1 Conversion Price and Tranche 2 Conversion Price shall be recomputed accordingly as of the close of business on such date and thereafter the Tranche 1 Conversion Price and Tranche 2 Conversion Price shall be adjusted pursuant to this paragraph as of the time of actual payment of such dividends or distributions, if any.

15. When any adjustment is required to be made in the Tranche 1 Conversion Price or Tranche 2 Conversion Price pursuant to paragraph 14 or 15, the number of Ordinary Shares issuable upon conversion of a Note shall be calculated by reference to the revised Tranche 1 Conversion Price or Tranche 2 Conversion price following the adjustment made by paragraph 14 or 15.

16. If the Company, whilst any Notes are outstanding, shall: (i) pay or declare a dividend payable to all shareholders other than in Ordinary Shares (e.g. in cash or assets other than Ordinary Shares in the Company); or (ii) make any distribution of share capital (including share premium account and capital redemption legal reserve), then and in each such event the Tranche 1 Conversion Price and Tranche 2 Conversion Price then in effect immediately before such event shall be decreased as of such event by multiplying the Tranche 1 Conversion Price or Tranche 2 Conversion Price, as applicable, then in effect by a fraction:

(a) the numerator of which shall be equal to (i) the Closing Price on the day immediately prior to the date when such event was first published (or if there is no such price, the fair market value of one ordinary share of the Company as of such date as determined in good faith by the Directors) minus (ii) the amount per issued share of such dividend or distribution; and

(b) the denominator of which shall be the Closing Price on the day immediately prior to the date when such event was first published (or if there is no such price, the fair market value of one ordinary share of the Company as of such date as determined in good faith by the Directors).

In the event that the application of the above fraction would result in an increase in the Conversion Price, then no adjustment shall be made hereunder. If the Company distributes assets other than cash, the amount per outstanding share of the distribution shall be calculated by reference to the fair market value of the assets distributed as determined in good faith by the Directors.

17. If, prior to the Maturity Date, there shall occur any reorganization, recapitalization, reclassification, consolidation, merger or demerger involving the Company in which the Company's Ordinary Shares are converted into or exchanged for securities, cash or other property (other than a transaction covered by paragraphs 14 or 15) (collectively, a "**Reorganization**"), then, following such Reorganization, the Noteholders shall receive upon conversion the kind and amount of securities, cash or other property, if any, which the Noteholders would have been entitled to receive pursuant to such Reorganization if such conversion had taken place immediately prior to such Reorganization. Appropriate adjustment (as determined in good faith by the Directors) shall be made in the application of the provisions set forth herein with respect to the rights and interests thereafter of the Noteholder, to the end that the provisions set forth in this Instrument (including provisions with respect to changes in and other adjustments of the Tranche 1 Conversion Price and/or Tranche 2 Conversion Price (as applicable) and the number of Ordinary Shares issuable upon conversion of the Notes) shall thereafter be applicable, as nearly as reasonably may be, in relation to any securities, cash or other property thereafter deliverable upon the conversion of the Notes.

Part 4. ADS Issuance and Delivery Instruction

[DATE]
Citibank, N.A., as Depositary 388 Greenwich Street
New York, New York 10013
Attn.: Mr. Brian M. Teitelbaum (brian.m.teitelbaum@citi.com) With a copy simultaneously delivered to:
Citibank, N.A., London Branch 25 Canada Square
Canary Wharf
London E14 5LB, England Attn.: UK Custody Settlements
Custody Team (uksettlements@citi.com)

Re: Issuance and Delivery Instruction - Mereo BioPharma Group plc (CUSIP No.: 589492107) – Deposit & Hold

Dear Sirs:

Reference is made to the Deposit Agreement, dated as of April 23, 2018, as amended and supplemented from time to time (the "Deposit Agreement"), by and among Mereo BioPharma Group plc, a public limited company incorporated under the laws of England and Wales and its successors (the "Company"), Citibank, N.A., a national banking association organized and existing under the laws of the United States of America, as Depositary (the "Depositary"), and all Holders and Beneficial Owners of American Depositary Shares (the "ADSs") issued thereunder. All capitalized terms used, but not otherwise defined herein, shall have the meaning assigned thereto in the Deposit Agreement.

In accordance with the terms and subject to the limitations set forth in the Deposit Agreement, promptly following the Depositary's receipt of confirmation from the Custodian that the Custodian has received a deposit of the number of Shares specified below made by the Company for the benefit of the undersigned holder thereof (the "Holder" and together with the Company, the "Undersigned"), the Undersigned hereby jointly instruct the Depositary, and the Depositary hereby agrees:

(i) to promptly accept for deposit the number of Shares and issue the number of ADSs as specified below:

Number of Shares deposited: _____ Shares

Number of ADSs (CUSIP No.: 589492107; each ADS representing five (5) Shares to be issued: _____ ADSs

and (ii) to promptly deliver such Program ADSs, as follows:

Name of DTC Participant to which the ADSs are to be delivered: _____

DTC Participant Account No.: _____

Account No. for recipient of ADSs at DTC Participant (f/b/o/ information): _____

Name on whose behalf the above number of ADSs are to be issued and delivered: _____

Contact person at DTC Participant: _____

Daytime telephone number of contact person at DTC: _____

The Company hereby confirms and certifies that (i) the registration statement on Form F-3 (File No. 333-239708) (the "Registration Statement"), filed with the U.S. Securities and Exchange Commission (the "Commission") on July 6, 2020, registers the resale of the above Shares represented by ADSs, such ADSs will be freely transferable following the issuance thereof by the Depositary, and there are no legal restrictions on subsequent transfers of the ADSs to be issued hereunder under the laws of England and Wales or the United States, (ii) the Registration Statement is effective under the Securities Act of 1933, as amended (the "Securities Act"), and (iii) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for such purpose have been instituted or are pending or, to the best knowledge of the Company, are contemplated or threatened by the Commission.

The Holder hereby represents and covenants to, and for the benefit of, the Depositary and Citibank, N.A. - London Branch (the "Custodian"), that (i) the Holder is not an "affiliate" of the Company as that term is defined in Rule 144 promulgated by the Commission under the Securities Act and has not been an affiliate at any time during the 90 days immediately preceding the date hereof, and (ii) all stamp duty taxes, including, without limitation, the U.K. Stamp Duty Reserve Tax ("SDRT"), will be paid in full and on a timely basis to the extent such taxes are payable in respect of the deposit of the Shares and the issuance and delivery of the ADSs as contemplated herein.

Each of the Holder and, to the extent it is not unlawful for the Company to do so under the applicable laws of England and Wales, the Company agrees to indemnify the Depositary and the Custodian for, and to hold the Depositary and the Custodian harmless against, all losses, liabilities, taxes, charges, penalties or expenses (including reasonable legal fees and disbursements), incurred by the Depositary and/or by the Custodian or to which the

Depositary and/or the Custodian may become subject to and arising directly or indirectly from the failure by any person to pay (or discharge) any applicable stamp duty taxes, including, without limitation, SDRT, or any other similar duty or tax in connection with the deposit of the Shares and the issuance and delivery of the ADSs as contemplated herein, save to the extent that such losses, liabilities, taxes, charges, penalties or expenses are due to the negligence or bad faith of the Custodian or the Depositary.

[HOLDER]

By: _____
Name:
Title:

MEREO BIOPHARMA GROUP PLC

By: _____
Name:
Title:

Schedule 3 Meetings of the Noteholders

1. The Company may at any time convene a meeting of Noteholders. In addition, the Company shall at the written request of the holders of not less than one-quarter (25%) in nominal amount of the outstanding Notes convene a meeting of the Noteholders. Any meeting shall be held at such place as the Company may designate.

2. At least 14 days' notice (exclusive of the day on which the notice is served or deemed to be served and of the day for which notice is given) of every meeting shall be given to the Noteholders. The notice shall specify the place, day and time of the meeting and the general nature of the business to be transacted, but it shall not be necessary (except in the case of a Special Resolution) to specify in the notice the terms of any resolution to be proposed. The accidental omission to give notice to, or the non- receipt of notice by, any of the Noteholders shall not invalidate the proceedings at any meeting. A meeting of the Noteholders shall, despite being called at shorter notice than specified above, be deemed to have been duly called if it is agreed in writing by all of the Noteholders.

3. At any meeting the quorum shall be two or more Noteholders holding, or representing by proxy, at least 50.1% in nominal principal amount of the outstanding Notes. No business (other than choosing a Chairman) shall be transacted at any meeting unless the requisite quorum is present.

4. If a quorum is not present, within half an hour from the time appointed for the meeting, the meeting shall be dissolved if it was convened on the requisition of Noteholders. In any other case, it shall stand adjourned to such day and time (at least 14 days later, but not more than 28 days later) and to such place as may be appointed by the Chairman. At such adjourned meeting, two Noteholders present in person (or by proxy) and entitled to vote shall constitute a quorum (whatever the nominal amount of the Notes held by them). At least 14 days' notice of any adjourned meeting of Noteholders shall be given (in the same manner mutatis mutandis as for an original meeting). That notice shall state that two Noteholders present in person (or by proxy) at the adjourned meeting (whatever the nominal amount of Notes held by them) shall form a quorum.

5. A person (who may but need not be a Noteholder) nominated by the Company shall be entitled to take the chair at every such meeting but, if no such person is nominated or if the person nominated is not be present at the meeting within five minutes after

the time appointed for holding the meeting, the Noteholders present shall choose one of their number to be Chairman. Any Director or officer of, any Secretary of, and the solicitors to, the Company and any other person authorised in that behalf by the Company may attend at any such meeting.

6. Each question submitted to a meeting of Noteholders shall, unless a poll is demanded, be decided by a show of hands.

7. At any meeting of Noteholders unless a poll is demanded by the Chairman or by one or more Noteholders present in person or by proxy and holding or representing in the aggregate not less than one-twentieth in nominal amount of the outstanding Notes (before or on the declaration of the result of the show of hands), a declaration by the Chairman that a resolution has been carried by the requisite majority, lost or not carried by the requisite majority shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against such resolution.

8. If a poll is duly demanded, it shall be taken in such manner and (subject as set out below) either at once or after an adjournment as the Chairman directs. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll shall not prevent the meeting from continuing for the transaction of any business other than the question on which the poll has been demanded. The demand for a poll may be withdrawn.

9. If there is an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting shall not be entitled to a casting vote in addition to the vote(s) (if any) to which he may be entitled as a Noteholder or as a proxy.

10. The Chairman may, with the consent of (and shall if so directed by) any meeting at which a quorum is present, adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting except business that might lawfully have been transacted at the meeting from which the adjournment took place.

11. Any poll demanded at any meeting on the election of a Chairman, or on any question of adjournment, shall be taken at the meeting without adjournment.

12. On a show of hands, each Noteholder who is an individual and is present in person or (being a corporation) is present by its duly authorised representative or by one of its officers as its proxy, shall have one vote. On a poll, each Noteholder present in person or by proxy, shall have one vote for every £1 nominal principal amount of Notes held by him and a person entitled to more than one vote need not (if he votes) use all his votes or cast all the votes he uses in the same way.

13. In the case of joint registered Noteholders any one of them shall be entitled to vote in respect of such Notes either in person or by proxy and, in the latter case, as if the joint holder were solely entitled to such Notes. If more than one joint holder is present at any meeting either personally or by proxy that one joint holder so present whose name as between himself and the other or others present stands first in the register as one of the joint holders shall alone be entitled to vote in person or by proxy.

14. Each instrument appointing a proxy must be in writing and duly executed by the appointor or his duly authorised attorney or, in the case of a corporation under its common seal or duly executed by a duly authorised attorney or officer. The Chairman may (but shall not be bound to) require evidence of the authority of any attorney or officer. A proxy need not be a Noteholder.

15. An instrument of proxy shall be in the usual or common form or in any other form that the Directors may accept. The proxy shall be deemed to include the right to demand or join in demanding a poll. A proxy shall, unless stated otherwise, be valid as well for any adjournment of the meeting as for the meeting to which it relates and need not be witnessed.

16. The instrument appointing a proxy, and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or authority, shall be deposited at the place specified in (or in any document accompanying) the notice convening the meeting. If no such place is specified, the proxy shall be deposited at the registered office of the Company not less than 48 hours before the time appointed for holding the meeting or adjourned meeting or for taking of the poll at which the person named in that instrument proposes to vote. In default, the instrument of proxy shall not be treated as valid. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the revocation of the proxy or of the authority under which the proxy is given, unless notification in writing of the revocation has been received at the registered office of the Company or at such other place (if any) specified for the deposit of instruments of proxy in the notice convening the meeting (or any document accompanying it) 48 hours before the commencement of the meeting or adjourned meeting or the taking of the poll at which the vote is given.

17. Without prejudice to any of the powers conferred on the Company under any of the provisions of the Instrument, a meeting of the Noteholders shall, in addition to any other powers, have the following powers exercisable by Special Resolution:

    (a) power to sanction the exchange or sale of the Notes for, or the conversion of the Notes into, or the cancellation of the Notes in consideration of, shares, stock, debenture stock or other obligations or security of the Company or any other company formed or to be formed (provided, in each of the foregoing cases, that such action will be conducted in accordance with the terms of the Conditions or with the prior written consent of the Company);

    (b) power to sanction any abrogation, modification or compromise of, or any arrangement in respect of, the Noteholders' rights against the Company, provided the same has been previously approved in writing by the Company, whether those rights shall arise under the Instrument, the Notes or otherwise;

    (c) power to assent to any modification of the provisions contained in the Instrument and the Conditions and to authorise the Company to execute any supplemental instrument embodying any such modification. Any such modification shall be proposed by the Company; and

    (d) with the prior written consent of the Company, power to:

        (i) modify the date fixed for final redemption of the Notes;

        (ii) reduce or cancel the principal amount payable on the Notes;

        (iii) reduce the amount payable or modify the method of calculating the amount payable on the Notes; or

        (iv) modify the dates for payment in respect of any interest, on the Notes.

18. A Special Resolution passed at a meeting of the Noteholders shall be binding on all the Noteholders whether or not they are present at the meeting. Each of the Noteholders shall be bound to give effect to it accordingly. The passing of any such resolution shall be conclusive evidence that the circumstances justify passing it (so that the meeting may determine without appeal whether or not the circumstances justify passing it).

19. **Special Resolution**, when used in the Conditions, means a resolution passed at a meeting of the Noteholders duly convened and held in accordance with the Conditions, and carried by a Noteholder Majority.

20. A resolution in writing signed by or on behalf of a Noteholder Majority shall, for all purposes, be as valid and effectual as a Special Resolution passed at a meeting duly convened and held in accordance with the Conditions. Such resolution in writing may be contained in one document or in several documents in similar form, each signed by one or more Noteholders.

21. Minutes of all resolutions and proceedings at every meeting shall be made and duly entered in books to be from time to time provided for that purpose by the Company. Any minutes, if purporting to be signed by the Chairman of the meeting or by the Chairman of the next succeeding meeting of the Noteholders, shall be conclusive evidence of the matters stated in them. Until the contrary is proved, every meeting for which minutes have been made and signed shall be deemed to have been duly held and convened, and all resolutions passed at the meeting to have been duly passed.

EXECUTED as a DEED by **MEREO BIOPHARMA GROUP PLC**
acting by

_____
Director/Authorised signatory

_____
Director/Authorised signatory

_____
Witness

Name:

Address:

Occupation:

THIS INSTRUMENT is made as a deed poll on 5 February 2021

BY

MEREO BIOPHARMA GROUP PLC incorporated and registered in England and Wales with company number 09481161 whose registered office is at 4th Floor, 1 Cavendish Place, London W1G 0QF, United Kingdom (the "**Company**").

WHEREAS

(A) The Company issued a convertible loan note instrument on 3 June 2020 (as amended on 9 June 2020 and 17 December 2020) pursuant to which convertible loan notes with a face value of approximately £40,500,000 in aggregate were issued to certain investors (the "**CLN Instrument**").

(B) Pursuant to Clause 12.2 of the CLN Instrument, the Company is permitted to make unilateral modifications to the CLN Instrument by way of a deed poll where such modifications are of a minor nature or are to correct a manifest error in the CLN Instrument.

(C) This instrument is supplemental to the CLN Instrument and amends the erroneous parenthetical reference to the Company's "fully diluted share capital" in paragraph 1.2 of Part of Schedule 2 to the CLN Instrument and implements minor additional clarifications to the same in the manner set out below.

IT IS AGREED AS FOLLOWS:

1. INTERPRETATION

Terms defined in the CLN Instrument shall have the same meanings as given therein when used in this Instrument unless otherwise defined herein.

2. AMENDMENT

2.1 Pursuant to the provisions of clause 12.2 of the CLN Instrument, paragraph 1.2 of Part 2 of Schedule 2 to the CLN Instrument shall, with immediate effect, be amended with the following marked changes:

*Subject to paragraph 1.1 and paragraph 1.4 of this Part 2 of Schedule 2, all outstanding Tranche 1 Notes shall automatically convert into a number of fully paid Ordinary Shares upon Shareholder Approval being obtained, determined by dividing (x) the sum of (i) the outstanding principal amount, plus (ii) all accrued and unpaid interest thereon, plus (iii) any amount of the Uplift Payment (to the extent the same is applicable pursuant to the terms of this Instrument) which has become due and payable in accordance with paragraph 4.2 and has not already been paid or satisfied by the issue of Uplift Securities (or otherwise), by (y) the Tranche 1 Conversion Price then in effect; provided that (but subject to paragraph 1.4 of this Part 2 of Schedule 2 below) ~~following~~ **upon giving effect or immediately prior to** such conversion, no individual Noteholder shall hold more than 9.99% of the aggregate voting rights in the Company ~~(on a fully diluted basis)~~ (the "**Ownership Limit**"). In the event that Conversion of any Noteholder's holding of Notes would result in, **upon giving effect, or immediately prior to the Conversion,** such Noteholder exceeding the Ownership Limit, the principal amount of the Notes held by such Noteholder which shall convert shall be the greatest amount possible without that Noteholder exceeding such Ownership Limit and the remaining principal balance on such Notes shall remain outstanding.*

2.2 Schedule 1 to this Instrument attaches a complete and clean copy of the CLN Instrument which incorporates the changes implemented pursuant to this Instrument.

3. MISCELLANEOUS

3.1 Aside from the amendment noted above, the CLN Instrument remains in full force and effect in accordance with its terms. Any existing Certificates remain in full force and effect subject only to the amendments to the CLN Instrument implemented pursuant to this Instrument.

3.2 This Instrument and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, the law of England and Wales.

3.3 The courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with this Instrument or its subject matter or formation (including non-contractual disputes or claims).

3.4 This instrument has been executed as a deed and is delivered and takes effect on the date stated at the beginning of it.

SCHEDULE 1

CLN INSTRUMENT – CLEAN COPY

THIS INSTRUMENT AND THE SECURITIES ISSUABLE UPON THE CONVERSION HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"). THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR PURSUANT TO AN APPLICABLE EXEMPTION THEREFROM.

DATED 5 FEBRUARY 2021

AMENDED CONVERTIBLE LOAN NOTE INSTRUMENT DATED 3 JUNE 2020

RELATING TO

MEREO BIOPHARMA GROUP PLC

CONTENTS

THIS INSTRUMENT is made as a deed poll on 3 June 2020 and as amended on 9 June 2020, 17 December 2020 and 5 February 2021.

BY

MEREO BIOPHARMA GROUP PLC incorporated and registered in England and Wales with company number 09481161 whose registered office is at 4th Floor, 1 Cavendish Place, London W1G 0QF, United Kingdom (the "**Company**").

WHEREAS:

A. On 3 June 2020 the Company entered into certain financing transactions, pursuant to which OrbiMed Partners Master Fund Limited, OrbiMed Genesis Master Fund L.P. and OrbiMed Private Investments VII, LP (the "**Lead Investors**") and certain other investors (the "**Investors**") subscribed for the following securities of the Company: (x) a unit (referred to for convenience as "**Ordinary Units**"), consisting of (i) one ordinary share of the Company with a nominal value of £0.003 per share (such class of shares, the "**Ordinary Shares**," and all such shares to be issued to the Purchasers, the "**Shares**") together with (ii) one warrant to subscribe for 0.50 Ordinary Shares (all such warrants to be issued to the Purchasers, the "**Ordinary Warrants**"), at a purchase price of £0.174 per Unit and (y) a unit (referred to for convenience as the "**Convertible Units**") consisting of (i) one Note together with (ii) warrants to subscribe for a number of Ordinary Shares equal to 0.5 times the number of Ordinary Shares issuable upon conversion of each Note (all such warrants to be issued to the Purchasers, the "**Note Warrants**" and together with the Ordinary Warrants (the "**Warrants**") (the issuance of the foregoing Ordinary Units and Convertible Units collectively , the "**Transaction**").

B. By exercise of the powers conferred on them by the Articles, the Directors of the Company have, by a resolution passed on 1 June 2020, resolved to create, and to constitute the Notes hereunder.

C. This Instrument constitutes the Notes.

D. The Company and its subsidiaries are parties to an existing senior secured loan agreement in the principal amount of £20,455,000 with Silicon Valley Bank (as lender) ("**SVB**") and Kreos Capital V (UK) Limited (as lender, agent and security agent) ("**Kreos**"), dated 28 September 2018 (as updated and amended from time to time) (the "**Senior Loan**").

E. The Notes created hereunder shall be subordinated to the Senior Loan by entry into a separate subordination deed between the Noteholders, Kreos and SVB on or around the date hereof (the "**Subordination Agreement**").

AGREED TERMS

1. INTERPRETATION

1.1 The definitions and rules of interpretation in this clause apply in this Instrument.

1.2 **Acceleration Date:** has the meaning given in paragraph 4 of Part 1 of Schedule 2.

ADS: has the meaning given in the Securities Purchase Agreement.

ADS Exchange Ratio: means the ratio applicable to the exchange of Ordinary Shares for ADSs from time to time, currently being a ratio of 5 Ordinary Shares for each ADS.

Affiliate: means a person that owns or controls directly or indirectly another person, any person that controls or is controlled by or is under common control with the person, including, without limitation, any subsidiaries, and any of that person's general or limited partners, senior executive officers, directors and, for any person that is a limited liability company, that person's managers and members or any venture capital fund or registered investment company now or hereafter existing that is controlled by one or more general partners or managing members or investment advisor of, or shares the same management company or investors advisor (or member thereof) with, such person.

Alternative Warrant Conversion Notice: has the meaning given in the Securities Purchase Agreement.

Articles: means the articles of association of the Company, as amended or superseded.

Business Day: means any day other than Saturday, Sunday or federal legal holiday in the United States of America, or public holiday or bank holiday in the United Kingdom.

Certificate: means a Tranche 1 Note Certificate, a Tranche 2 Note Certificate or a Tranche 3 Note Certificate, as applicable.

Change of Control: means, (a) in one transaction or a series of related transactions, a person or one or more persons acting in concert, acquiring (i) all (or substantially all) of the share capital or assets of the Company, or (ii) more than fifty percent (50%) of the outstanding equity or other securities of the Company; or (b) any merger, consolidation, reorganisation, or business combination as a result of which the majority equity or other security holders of the Company immediately preceding such transaction (s) hold less than fifty percent (50%) of the outstanding voting power, respectively, of the ultimate company or entity resulting from such transaction(s)

immediately after consummation of such transaction. In the foregoing case, "acting in concert" means a group of persons who, pursuant to an agreement or understanding (whether formal or informal), actively co-operate, through the acquisition and/or ownership of voting shares in the Company, to obtain or consolidate control (directly or indirectly) of the Company provided that the persons voting in the same or consistent manner at any general meeting of the Company will not be considered to be acting in concert by virtue only of exercising their votes in such manner.

Change of Control Payment: has the meaning given in paragraph 4.12 of Part 1 of Schedule 2.

Closing Price: means: (i) if at the relevant time the Ordinary Shares continue to be admitted to trading on AIM, the most recently reported closing price of one Ordinary Share on AIM; or (ii) if at the relevant time the Shares are no longer admitted to trading on AIM, the implied price of one Ordinary Share in pounds sterling by reference to the most recently reported closing price of an ADS on Nasdaq.

Conditions: means the conditions attaching to the Notes, as set out in Schedule 2 (as amended from time to time in accordance with this Instrument).

Conversion Date: means (i) in the case of Tranche 1 Notes being converted automatically following Shareholder Approval pursuant to the provisions of paragraph 1.2 of Part 2 of Schedule 2, the date on which such Shareholder Approval is granted; and/or (ii), in the case of an Uplift Notice or Pay Down Notice, the date specified in such notice; and/or (iii) in all other cases, the date falling 5 Business Days after service of the Conversion Notice.

Conversion Notice: means a notice in writing served by a Noteholder to the Company to convert all or, if the Ownership Limit applies, some of its outstanding Notes.

Default Rate: means the Tranche 1 Default Rate, Tranche 2 Default Rate or Tranche 3 Default Rate (as applicable).

Depositary: has the meaning given in the Securities Purchase Agreement.

Directors: means the board of directors of the Company, or a duly authorised committee of that board, for the time being.

Effective Date: means the date of this Deed.

Event of Default: means any of the events set out in paragraph 5 of Part 1 of Schedule 2.

Existing Indebtedness: means any indebtedness incurred by a Group Company and outstanding on or prior to the Effective Date (which for the avoidance of doubt shall include indebtedness pursuant to the Senior Loan and the Novartis Loan Note).

Group Company: means each of the Company and its subsidiaries.

Interest Rate: has the meaning given in paragraph 1 of Part 1 of Schedule 2.

Kreos: has the meaning given in the recitals of this Instrument.

Lead Investors: has the meaning given in the recitals of this Instrument.

Nasdaq: means the Nasdaq Global Market or the Nasdaq Capital Market (as applicable).

Notes: means the Tranche 1 Notes, the Tranche 2 Notes or the Tranche 3 Notes, as applicable.

Noteholder: means a person for the time being entered in the Register as holder of any Notes.

Noteholder Majority: means Noteholders holding more than 50% of the principal amount of all outstanding Notes.

Noteholder Majority Consent: means the consent of a Noteholder Majority provided either at a meeting of Noteholders or in writing, in each case in accordance with the requirements of Schedule 3.

Novartis: means Novartis Pharma AG, a company incorporated under the laws of Switzerland.

Novartis Loan Note: means the convertible loan note originally issued by the Company to Novartis in the principal amount of £3,841,479 on 8 February 2020.

Ordinary Shares: means the ordinary shares of £0.003 each in the capital of the Company, which have the rights set out in the Articles.

Original Warrantholder: has the meaning given in the Securities Purchase Agreement.

Ownership Limit: has the meaning given in paragraph 1.2 of Part 2 of Schedule 2.

Pay Down Issue: has the meaning given in paragraph 4.7 of Part 1 of Schedule 2.

Pay Down Notice: has the meaning given in paragraph 4.7 of Part 1 of Schedule 2.

Pay Down Securities: has the meaning given in paragraph 4.7 of Part 1 of Schedule 2.

Pay Down Reduction Amount: has the meaning given in paragraph 4.8 of Part 1 of Schedule 2.

Qualifying Noteholder: means any Noteholder holding Notes with a principal amount of £6,004,803.84 or greater.

Redemption Date: has the meaning given in paragraph 4.1 of Part 1 of Schedule 2.

Redemption Notice: has the meaning given in paragraph 4.13 of Part 1 of Schedule 2.

Register: means a register of Noteholders referred to in, and kept and maintained in accordance with, clause 8.

Registered Office: means the registered office of the Company from time to time.

Securities Purchase Agreement: means the agreement governing the purchase of Ordinary Shares comprising the Transaction among, *inter alios*, the Company, the Lead Investors and the other Investors party thereto, dated on or around the date hereof.

Senior Lenders: means SVB and Kreos (and each of them individually, a "Senior Lender") and/or their respective successors in title.

Senior Loan: has the meaning given in the recitals of this Instrument.

Shareholder Approval: has the meaning given in the Securities Purchase Agreement.

Shareholders Meeting: has the meaning given in the Securities Purchase Agreement.

Shares: has the meaning given in the recitals of this Instrument.

Subordination Agreement: has the meaning given in the recitals of this Instrument.

SVB: has the meaning given in the recitals of this Instrument.

Tranche 1 Conversion Price: £0.174 per Ordinary Share, subject to adjustment as set forth in Part 3 of Schedule 2.

Tranche 2 Conversion Price: £0.348 per Ordinary Share, subject to adjustment as set forth in Part 3 of Schedule 2.

Tranche 1 Default Rate: has the meaning given in paragraph 1.1 of Part 1 of Schedule 2.

Tranche 2 Default Rate: has the meaning given in paragraph 1.2 of Part 1 of Schedule 2.

Tranche 3 Default Rate: has the meaning given in paragraph 1.3 of Part 1 of Schedule 2.

Tranche 1 Extension Option: has the meaning given in paragraph 2.3 of Part 1 of Schedule 2.

Tranche 1 Extension Notice: has the meaning given in paragraph 2.3 of Part 1 of Schedule 2.

Tranche 2 Extension Option: has the meaning given in paragraph 2.5 of Part 1 of Schedule 2.

Tranche 2 Extension Notice: has the meaning given in paragraph 2.5 of Part 1 of Schedule 2.

Tranche 3 Extension Option: has the meaning given in paragraph 2.7 of Part 1 of Schedule 2.

Tranche 3 Extension Notice: has the meaning given in paragraph 2.7 of Part 1 of Schedule 2.

Tranche 1 Maturity Date: means 3 June 2023 or, in respect of any Tranche 1 Notes held by a Qualifying Noteholder, such later date as may be applicable following exercise of the Tranche 1 Extension Option.

Tranche 2 Maturity Date: means the date falling three years from the date of issue of such Tranche 2 Notes, or in respect of any Tranche 2 Notes held by a Qualifying Noteholder, such later date as may be applicable following exercise of the Tranche 2 Extension Option.

Tranche 3 Maturity Date: means 3 June 2025 or, in respect of any Tranche 3 Notes held by a Qualifying Noteholder, such later date as may be applicable following exercise of the Tranche 3 Extension Option and acceptance by the Company of the same.

Tranche 1 Note Certificate: a certificate for Tranche 1 Notes in the form (or substantially in the form) set out in Part 1 of Schedule 1.

Tranche 2 Note Certificate: a certificate for Tranche 2 Notes in the form (or substantially in the form) set out in Part 2 of Schedule 1.

Tranche 3 Note Certificate: a certificate for Tranche 3 Notes in the form (or substantially in the form) set out in Part 3 of Schedule 1.

Tranche 1 Noteholder: means a Noteholder holding Tranche 1 Notes.

Tranche 2 Noteholder: means a Noteholder holding Tranche 2 Notes.

Tranche 3 Noteholder: means a Noteholder holding Tranche 3 Notes.

Tranche 1 Notes: up to £40,533,671 in aggregate unsecured convertible loan notes of £1 principal amount each, maturing on the Tranche 1 Maturity Date constituted by this Instrument or, as the case may be, the principal amount of such loan notes for the time being issued and outstanding, and **principal amount** shall be construed accordingly.

Tranche 2 Notes: up to £40,032,025 in aggregate unsecured convertible loan notes of £1 principal amount each, maturing on the Tranche 2 Maturity Date constituted by this Instrument or, as the case may be, the principal amount of such loan notes for the time being issued and outstanding, and **principal amount** shall be construed accordingly.

Tranche 3 Notes: up to £56,044,831 in aggregate unsecured loan notes of £1 principal amount each, maturing on the Tranche 3 Maturity Date constituted by this Instrument or, as the case may be, the principal amount of such loan notes for the time being issued and outstanding, and **principal amount** shall be construed accordingly.

Transaction: has the meaning given in the recitals of this Instrument.

Uplift Allocation Notice: has the meaning given in paragraph 4.3 of part 1 of Schedule 2.

Uplift Reduction Amount: has the meaning given in paragraph 4.4 of part 1 of Schedule 2.

Uplift Securities: has the meaning given in paragraph 4.3 of part 1 of Schedule 2.

Warrant: has the meaning given in the recitals of this Instrument.

Warrant Instrument: means the instrument constituting the Warrants dated on or about the Effective Date.

1.3 Clause, Schedule and paragraph headings shall not affect the interpretation of this Instrument.

1.4 References to clauses and Schedules are to the clauses of and Schedules to this Instrument and references to paragraphs are to paragraphs of the relevant Schedule.

1.5 The Schedules (including, for the avoidance of doubt, the Conditions) form part of this Instrument and shall have effect as if set out in full in the body of this Instrument. Any reference to this Instrument includes the Schedules.

1.6 A reference to **this Instrument**, **the Conditions** or to any other agreement or document referred to in this Instrument or the Conditions is a reference to this Instrument (which shall include the Conditions), the Conditions or such other agreement or document as varied or novated in accordance with their terms from time to time.

1.7 Unless the context otherwise requires, words in the singular shall include the plural and in the plural shall include the singular.

1.8 Unless the context otherwise requires, a reference to one gender shall include a reference to the other genders.

1.9 A **person** includes a natural person, corporate or unincorporated body (whether or not having separate legal personality) and that person's personal representatives, successors and permitted assigns.

1.10 A reference to a **company** shall include any company, corporation or other body corporate, wherever and however incorporated or established.

1.11 A reference to a **holding company** or a **subsidiary** means a holding company or a subsidiary (as the case may be) as defined in section 1159 of the Companies Act 2006.

1.12 A reference to **writing** or **written** includes fax but not e-mail (unless otherwise expressly provided in this Instrument).

1.13 Any words following the terms **including**, **include**, **in particular**, **for example** or any similar expression shall be construed as illustrative and shall not limit the sense of the words, description, definition, phrase or term preceding those terms.

1.14 Where the context permits, **other** and **otherwise** are illustrative and shall not limit the sense of the words preceding them.

1.15 A reference to a statute or statutory provision is a reference to it as amended, extended or re-enacted from time to time.

1.16 A reference to a statute or statutory provision shall include all subordinate legislation made from time to time under that statute or statutory provision.

1.17 Any obligation on a person not to do something includes an obligation not to allow that thing to be done.

1.18 A reference in this Instrument to:

(a) any Notes being **outstanding** means such Notes as are in issue, not redeemed, not converted and not cancelled at the relevant time;

(b) the **assets** of any person shall be construed as a reference to all or any part of its business, undertaking, property, assets, revenues (including any right to receive revenues) and uncalled capital;

(c) **indebtedness** shall be construed as a reference to any obligation for the payment or repayment of money, whether as principal or as surety and whether present or future, actual or contingent;

(d) **repayment** includes redemption and vice versa and the words **repay, redeem, repayable, redeemed** and **repaid** shall be construed accordingly;

(e) **$ or USD** denotes the lawful currency of the United States of America;

(f) **£** or **sterling** denotes the lawful currency of the United Kingdom; and

(g) **tax** shall be construed so as to include any present and future tax, levy, impost, deduction, withholding, duty or other charge of a similar nature (including, without limitation, any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

1.19 Unless the context otherwise requires, a reference to the **Notes** includes a reference to all and/or any of the Notes.

2. AMOUNT AND DESCRIPTION OF NOTES

2.1 The aggregate principal amount of the Tranche 1 Notes is limited to £40,533,671.

2.2 The aggregate principal amount of the Tranche 2 Notes is limited to £40,032,025.

2.3 The aggregate principal amount of the Tranche 3 Notes is limited to £56,044,831.

2.4 The Tranche 1 Notes shall be known as the unsecured convertible loan notes due 2023 and shall be issued by the Company in integral multiples of £1.

2.5 The Tranche 2 Notes shall be known as the unsecured convertible loan notes due 2026 and shall be issued by the Company in integral multiples of £1.

2.6 The Tranche 3 Notes shall be known as the unsecured loan notes due 2025 and shall be issued by the Company in integral multiples of £1.

3. STATUS OF NOTES

3.1 The Notes when issued and outstanding shall rank pari passu, equally and rateably, without discrimination or preference among themselves and as unsecured obligations of the Company.

3.2 The Notes shall be issued and held subject to and with the benefit of the provisions of this Instrument (including the Conditions). All such provisions shall be binding on the Company and the Noteholders and all persons claiming through or under them respectively and shall enure for the benefit of all Noteholders.

3.3 No Notes shall be issued or deemed issued pursuant to this Instrument until Closing (as defined in the Securities Purchase Agreement) has occurred in accordance with the terms and conditions of the Securities Purchase Agreement.

3.4 No Tranche 2 Notes shall be issued to any person who is not a Qualifying Noteholder and has not served upon the Company an Optional Warrant Conversion Notice (as defined in the Securities Purchase Agreement) in accordance with the provisions of section 5(h)(ii) of the Securities Purchase Agreement.

3.5 Any Qualifying Noteholder who delivers an Optional Warrant Conversion Notice (as defined in the Securities Purchase Agreement) in accordance with the provisions of Clause section 5(h)(ii) of the Securities Purchase Agreement shall have the subscription monies paid to the Company thereunder applied towards the subscription price for Tranche 2 Notes (in the face amount of £1 for each Tranche 2 Note issued) in accordance with section 5(h)(ii) of the Securities Purchase Agreement. The subscription price in respect of all Warrants subject to the Optional Warrant Conversion Notice shall be aggregated for purposes of determining the number of Tranche 2 Notes issued, provided that no Tranche 2 Notes shall be issued for any part payment towards a Tranche 2 Note and after aggregation of all such amounts, any remaining fractional sums pursuant to an Optional Warrant Conversion Notice shall be discounted when calculating the number of Tranche 2 Notes to be issued.

3.6 No Tranche 3 Notes shall be issued to any person if the Shareholder Approval is obtained on or before 7 August, 2020.

3.7 If the Shareholder Approval is not obtained on or before 7 August, 2020, the Company shall deliver Tranche 3 Notes (in the face amount of £1 for each Tranche 3 Note issued) to each Original Warrantholder that delivers an Alternative Warrant Conversion Notice in accordance with section 5(i)(ii) of the Securities Purchase Agreement, within five (5) Business Days after the surrender by the holder of the certificate representing the Warrant and the delivery of the Alternative Warrant Conversion Notice.

3.8 For so long as the Senior Loan remains outstanding, no Notes shall be issued or deemed issued to any person pursuant to this Instrument unless such person has first executed the Subordination Agreement or a deed of adherence to the Subordination Agreement (pursuant to which such person becomes bound by the terms of the Subordination Agreement) and provided a copy of such executed document to the Company and the Senior Lenders.

4. USE OF PROCEEDS

4.1 The proceeds of all subscriptions for the Notes shall be used in accordance with the terms and conditions of Section 5(j) of the Securities Purchase Agreement.

4.2 No part of the proceeds of any subscription for the Notes shall be used by the Company to make any dividend or distribution to any shareholder in the Company, or for the repurchase of Ordinary Shares.

5. REPAYMENT OF NOTES

5.1 The Notes shall be repaid in accordance with Part 1 of Schedule 2.

5.2 All Notes repaid by the Company shall be automatically and immediately cancelled and shall not be reissued.

6. INTEREST

Until the Notes are repaid by the Company or converted into Ordinary Shares, in each case in accordance with the provisions of this Instrument, interest shall accrue and be paid on the principal amount of the Notes outstanding at the rate and in the manner provided in Part 1 of Schedule 2.

7. CERTIFICATES

7.1 Each Noteholder (or the joint holders of any Notes) shall be entitled to receive, without charge, one Tranche 1 Note Certificate and/or Tranche 2 Note Certificate and/or Tranche 3 Note Certificate (as applicable) for the Tranche 1 Notes and/or Tranche 2 Notes and/or Tranche 3 Notes registered in his (or their) names.

7.2 Where any Notes are held jointly, the Company shall not be bound to issue more than one Certificate in respect of such Notes and delivery of a Certificate to the person who is first named in the Register as Noteholder shall be sufficient delivery to all joint holders of such Notes.

7.3 Each Certificate shall:

(a) bear a denoting number;

(b) indicate whether it relates to Tranche 1 Notes, Tranche 2 Notes, or Tranche 3 Notes;

(c) be issued and executed by the Company as a deed in the form (or substantially in the form) set out in Part 1 of Schedule 1, Part 2 of Schedule 1 or Part 3 of Schedule 1 (as applicable); and

(d) have the Conditions endorsed on or attached to it.

7.4 In the case of repayment or transfer of part only of a Noteholder's Notes, the Certificate(s) in respect of such Notes shall be either:

(a) endorsed with a memorandum of the nominal amount of the Notes so redeemed or transferred and the date of such repayment or transfer; or

(b) cancelled and (without charge) replaced by a new Certificate for the balance of the principal amount of the Notes not then repaid or transferred.

8. THE REGISTER

8.1 The Company shall keep and maintain the Register at the Registered Office or (subject always to the provisions of section 743 of the Act) at such other place as the Company may from time to time appoint for this purpose and notify to the Noteholders.

8.2 There shall be entered in the Register:

(a) the names and addresses of the Noteholders for the time being;

(b) the principal amount of the Notes held by each Noteholder;

(c) whether the Notes held by each Noteholder are Tranche 1 Notes, Tranche 2 Notes or Tranche 3 Notes;

(d) the date of issue of each of the Notes and the date on which the name of each Noteholder is entered in the Register in respect of the Notes registered in his name;

(e) the serial number of each Certificate issued and the date of its issue; and

(f) the date(s) of all transfers and changes of ownership of any of the Notes.

8.3 The Company shall promptly amend the Register to record any change to the name or address of a Noteholder that is notified in writing to the Company by that Noteholder.

8.4 The Noteholders or any of them, or any person authorised by a Noteholder, shall be at liberty at all reasonable times during office hours to inspect the Register and to take copies of or extracts from it or any part of it.

8.5 Every Noteholder shall be recognised by the Company as entitled to his Notes free from any equity, set-off or cross-claim against the original or an intermediate holder of such Notes.

9. NOTES NOT TO BE QUOTED

No application has been, or shall be, made (unless pursuant to paragraph 7.2 of Part 1 of Schedule 2) to any investment exchange (whether in the United Kingdom or otherwise) for permission to deal in, or for an official or other listing or quotation, in respect of the Notes.

10. SET-OFF

Payments of principal and interest in respect of the Notes shall be paid by the Company to the Noteholders in accordance with the Conditions without any deduction or withholding (whether in respect of any set-off, counterclaim or otherwise whatsoever) unless the deduction or withholding is required by law.

11. MEETINGS OF NOTEHOLDERS

Meetings of the Noteholders shall be convened and held in accordance with the provisions of Schedule 3.

12. VARIATION

12.1 All or any of the rights for the time being attached to the Notes or other provisions of this Instrument may from time to time (whether or not the Company is being wound up) be altered or abrogated with the prior written consent of a Noteholder Majority. Any such alteration or abrogation shall be effected by way of deed poll executed by the Company and expressed to be supplemental to this Instrument.

12.2 Modifications to this Instrument which are of a minor nature or made to correct a manifest error may be effected by way of deed poll executed by the Company and expressed to be supplemental to this Instrument.

12.3 The Company shall, within 5 Business Days of making any variation pursuant to this clause 12, send to each Noteholder (or, in the case of joint holders, to the Noteholder named first in the Register) a copy of the deed poll (or other document) effecting the variation.

12.4 Any modification, alteration or abrogation made pursuant to clause 12.1 or clause 12.2 shall be binding on all the Noteholders.

13. ENFORCEMENT AND THIRD PARTY RIGHTS

13.1 From and after the date of this Instrument, and for so long as any Notes are outstanding or any amount is payable or repayable by the Company in respect of the Notes, the Company undertakes to duly perform and observe its obligations under this Instrument.

13.2 Except as expressly provided in clause 13.3, a person who is not a party to this Instrument shall not have any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Instrument.

13.3 This Instrument shall operate for the benefit of all Noteholders and each Noteholder shall be entitled to sue for the performance or observance of the provisions of this Instrument in his own right so far as his own holding of Notes is concerned.

14. NOTICES

Any notice to be given to or by any Noteholder(s) for the purposes of this Instrument shall be given in accordance with the provisions of paragraph 9 and paragraph 10 of Part 3 of Schedule 2.

15. GOVERNING LAW AND JURISDICTION

15.1 This Instrument and the Notes and any dispute or claim arising out of or in connection with any of them or their subject matter or formation (including non- contractual disputes or claims) shall be governed by, and construed in accordance with, the law of England and Wales.

15.2 The courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with this Instrument or the Notes or their subject matter or formation (including non-contractual disputes or claims).

This instrument has been executed as a deed and is delivered and takes effect on the date stated at the beginning of it.

Schedule 1

Part 1. - Form of Tranche 1 Note Certificate

Certificate No. [NUMBER]
Date of Issue [•] [June] 2020
Amount £[AMOUNT]

MEREO BIOPHARMA GROUP PLC
£[AMOUNT]
UNSECURED CONVERTIBLE LOAN NOTES

Created and issued pursuant to a resolution of a duly appointed committee of the board of directors of the Company passed on 3 June 2020.

THIS IS TO CERTIFY THAT [NAME OF NOTEHOLDER] is the registered holder of £[AMOUNT] of the £[AMOUNT] unsecured convertible loan notes 2023 constituted by an instrument entered into by the Company on [•] [June] 2020 ("**Instrument**"). These are Tranche 1 Notes. Such Tranche 1 Notes are issued with the benefit of and subject to the provisions contained in the Instrument and the Conditions endorsed on or annexed to this Certificate.

Notes:

1. The Tranche 1 Notes are repayable and shall bear interest in accordance with the Conditions.

2. This Certificate must be surrendered to the Company before any transfer or repayment, whether of the whole or any part of the Tranche 1 Notes comprised in it, can be registered or effected, or any new certificate issued in exchange.

3. Any change of address of the Noteholder(s) must be notified in writing signed by the Noteholder(s) to the Company at the Registered Office.

4. Subject to the Conditions, the Tranche 1 Notes are transferable in amounts and in integral multiples of £1.

5. No transfer of any part of the Tranche 1 Notes represented by this Certificate can be registered without production of this Certificate.

6. Words and expressions defined in the Instrument shall bear the same meaning in this Certificate and in the Conditions.

7. The Tranche 1 Notes and any dispute or claim arising out of or in connection with any of them or their subject matter or formation (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, the law of England and Wales. The courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with the Tranche 1 Notes or their subject matter or formation (including non-contractual disputes or claims).

8. A copy of the Instrument is available for inspection at the registered office of the Company.

This Certificate has been executed as a deed and is delivered and takes effect on the date of issue stated at the beginning of it.

Executed as a deed by MEREO BIOPHARMA GROUP PLC acting by [NAME OF DIRECTOR], a director

_____
[SIGNATURE OF DIRECTOR]
Director
in the presence of:
Witness Signature:_____
Name:_____
Address:_____
Occupation
Dated: [INSERT DATE]

Part 2. - Form of Tranche 2 Note Certificate

Certificate No. [NUMBER]
Date of Issue [•] [•] [•]
Amount £[AMOUNT]

MEREO BIOPHARMA GROUP PLC
£[AMOUNT]
UNSECURED CONVERTIBLE LOAN NOTES

Created and issued pursuant to a resolution of a duly appointed committee of the board of directors of the Company passed on 3 June 2020.

THIS IS TO CERTIFY THAT [NAME OF NOTEHOLDER] is the registered holder of £[AMOUNT] of the £[AMOUNT] unsecured convertible loan notes with a Maturity Date of [•], constituted by an instrument entered into by the Company on [•] [June] 2020

("**Instrument**"). These are Tranche 2 Notes. Such Tranche 2 Notes are issued with the benefit of and subject to the provisions contained in the Instrument and the Conditions endorsed on or annexed to this Certificate.

Notes:

1. The Tranche 2 Notes are repayable and shall bear interest in accordance with the Conditions.

2. This Certificate must be surrendered to the Company before any transfer or repayment, whether of the whole or any part of the Tranche 2 Notes comprised in it, can be registered or effected, or any new certificate issued in exchange.

3. Any change of address of the Noteholder(s) must be notified in writing signed by the Noteholder(s) to the Company at the Registered Office.

4. Subject to the Conditions, the Tranche 2 Notes are transferable in amounts and in integral multiples of £1.

5. No transfer of any part of the Tranche 2 Notes represented by this Certificate can be registered without production of this Certificate.

6. Words and expressions defined in the Instrument shall bear the same meaning in this Certificate and in the Conditions.

7. The Tranche 2 Notes and any dispute or claim arising out of or in connection with any of them or their subject matter or formation (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, the law of England and Wales. The courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with the Tranche 2 Notes or their subject matter or formation (including non-contractual disputes or claims).

8. A copy of the Instrument is available for inspection at the registered office of the Company.

This Certificate has been executed as a deed and is delivered and takes effect on the date of issue stated at the beginning of it.

Executed as a deed by MEREO BIOPHARMA GROUP PLC acting by [NAME OF DIRECTOR], a director

_____
[SIGNATURE OF DIRECTOR]
Director
in the presence of:
Witness Signature:_____
Name:_____
Address:_____
Occupation
Dated: [INSERT DATE]

Part 3. - Form of Tranche 3 Note Certificate

Certificate No. [NUMBER]
Date of Issue [•] [•] [•]
Amount £[AMOUNT]

MEREO BIOPHARMA GROUP PLC
£[AMOUNT]
UNSECURED LOAN NOTES

Created and issued pursuant to a resolution of a duly appointed committee of the board of directors of the Company passed on 3 June 2020.

THIS IS TO CERTIFY THAT [NAME OF NOTEHOLDER] is the registered holder of £[AMOUNT] of the £[AMOUNT] unsecured loan notes with a Maturity Date of [•] June 2025, constituted by an instrument entered into by the Company on [•] [June] 2020 ("**Instrument**"). These are Tranche 3 Notes. Such Tranche 3 Notes are issued with the benefit of and subject to the provisions contained in the Instrument and the Conditions endorsed on or annexed to this Certificate.

Notes:

1. The Tranche 3 Notes are repayable and shall bear interest in accordance with the Conditions.

2. This Certificate must be surrendered to the Company before any transfer or repayment, whether of the whole or any part of the Tranche 3 Notes comprised in it, can be registered or effected, or any new certificate issued in exchange.

3. Any change of address of the Noteholder(s) must be notified in writing signed by the Noteholder(s) to the Company at the Registered Office.

4. Subject to the Conditions, the Tranche 3 Notes are transferable in amounts and in integral multiples of £1.

5. No transfer of any part of the Tranche 3 Notes represented by this Certificate can be registered without production of this Certificate.

6. Words and expressions defined in the Instrument shall bear the same meaning in this Certificate and in the Conditions.

7. The Tranche 3 Notes and any dispute or claim arising out of or in connection with any of them or their subject matter or formation (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, the law of England and Wales. The courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with the Tranche 3 Notes or their subject matter or formation (including non-contractual disputes or claims).

8. A copy of the Instrument is available for inspection at the registered office of the Company.

This Certificate has been executed as a deed and is delivered and takes effect on the date of issue stated at the beginning of it.

Executed as a deed by MEREO BIOPHARMA GROUP PLC acting by [NAME OF DIRECTOR], a director

_____

[SIGNATURE OF DIRECTOR]
Director
in the presence of:
Witness Signature:._____
Name:._____
Address:._____
Occupation
Dated: [INSERT DATE]

Schedule 2 The Conditions

Part 1. Interest, repayment and redemption

1. INTEREST

1.1 Interest shall initially be payable on any outstanding Tranche 1 Notes (so far as not converted under Part 2 of Schedule 2) at a fixed rate of 10% per annum **(**the "**Interest Rate**"), subject to the following adjustments:

(a) if Shareholder Approval is obtained on or prior to 7 August 2020, the initial 10% rate shall be reduced to 6% per annum, with effect retroactively as of the Effective Date;

(b) if an Event of Default takes place and is not remedied by the Company in accordance with the applicable provisions of this Part 1 of Schedule 2, the Tranche 1 Interest Rate shall be increased by 2% per annum with effect from the date of such Event of Default (or, if applicable, the expiry of any cure period applicable thereto) (the "**Tranche 1 Default Rate**"); and

(c) if the Tranche 1 Extension Option is exercised, interest shall cease to be payable on the Tranche 1 Notes from the date of the relevant Tranche 1 Extension Notice (other than any interest payable at the Tranche 1 Default Rate following an Event of Default, which, for the avoidance of doubt, shall apply at a flat rate of 2% in such circumstances and remain payable).

1.2 Interest shall not be payable on any outstanding Tranche 2 Notes or Tranche 3 Notes other than where an Event of Default takes place and is not remedied by the Company in accordance with the applicable provisions of this Part 1 of Schedule 2, where interest shall be payable on the Tranche 2 Notes and/or Tranche 3 Notes (as applicable) at a rate of 2% per annum with effect from the date of such Event of Default (or, if applicable, the expiry of any cure period applicable thereto) (the "**Tranche 2 Default Rate**" and "**Tranche 3 Default Rate**", respectively).

1.3 Any interest due under paragraphs 1.1 or 1.2 shall be payable on the Redemption Date.

1.4 Interest, if payable, shall accrue daily at the Interest Rate and shall be calculated on the basis of a 365-day year and the actual number of days elapsed from the date of issue of the relevant Notes to the Redemption Date.

1.5 If the Company fails to pay redemption monies when due, interest shall accrue on the unpaid amount at the applicable Default Rate.

2. REPAYMENT OF PRINCIPAL

2.1 As and when the Notes (or any part of them) are to be redeemed in accordance with paragraph 4 of this Part 1 of Schedule 2, the Company shall pay the Noteholders the principal amount of the Notes which are to be redeemed, subject to adjustment in accordance with paragraph 4.2 of this Part 2 of Schedule 2.

2.2 No prepayment of the principal amount of the Notes or any interest accrued thereon prior to the earlier of the Maturity Date or, in the event of a Change of Control, the date on which the consideration in respect of such Change of Control is remitted to the holders of Ordinary Shares, shall be permitted without the consent of a Noteholder Majority, and, if required, the consent of the Senior Lenders pursuant to the terms of the Subordination Deed.

2.3 At any time prior to the Tranche 1 Maturity Date, a Qualifying Noteholder may (but shall not be required to) notify the Company that it wishes to extend the Tranche 1 Maturity Date in respect of that Noteholder's Tranche 1 Notes to a new date to be specified in such notice provided such date is a Business Day and not later than the date 10 years after the date of this Instrument (a "**Tranche 1 Extension Notice**"), and the Company shall accept such extension (the "**Tranche 1 Extension Option**"), whereupon the Tranche 1 Maturity Date shall be revised accordingly. A Qualifying Noteholder may only issue a Tranche 1 Extension Notice once and any such Tranche 1 Extension Option must be used in respect of all Tranche 1 Notes held by such Qualifying Noteholder. From the date of such Tranche 1 Extension Notice, other than amounts accrued prior to delivery of the Tranche 1 Extension Notice, no additional interest shall be payable on the Tranche 1 Notes held by the exercising Qualifying Noteholder (other than any interest which becomes payable at the Tranche 1 Default Rate).

2.4 On the date of the Tranche 1 Extension Notice the exercising Qualifying Noteholder shall deliver to the Company the Tranche 1 Note Certificate in respect of the Tranche 1 Notes which are the subject of such Tranche 1 Extension Notice, and the Company shall, within 5 Business Days' of the exercise of the Tranche 1 Extension Option, issue to such Qualifying Noteholder a replacement Tranche 1 Note Certificate bearing the revised Tranche 1 Maturity Date.

2.5 A Qualifying Noteholder who holds both Tranche 1 Notes and Tranche 2 Notes may (but shall not be required) if they have already served an Extension Notice (or contemporaneously with the service of an Extension Notice), notify the Company that it wishes to extend the Tranche 2 Maturity Date in respect of that Noteholder's Tranche 2 Notes to the same date that it has specified as the Tranche 1 Maturity Date pursuant to its Extension Notice for Tranche 1 Notes (such further notice being a "**Tranche 2 Extension Notice**"), and the Company shall accept such extension (the "**Tranche 2 Extension Option**"), whereupon the Tranche 2 Maturity Date shall be revised accordingly. A Qualifying Noteholder may only issue a Tranche 2 Extension Notice once and any such Tranche 2 Extension Option must be used in respect of all Tranche 2 Notes held by such Qualifying Noteholder.

2.6 On the date of the Tranche 2 Extension Notice the exercising Qualifying Noteholder shall deliver to the Company the Tranche 2 Note Certificate in respect of the Tranche 2 Notes which are the subject of such Tranche 2 Extension Notice, and the Company shall, within 5 Business Days' of the exercise of the Tranche 2 Extension Option, issue to such Qualifying Noteholder a replacement Tranche 2 Note Certificate bearing the revised Tranche 2 Maturity Date.

2.7 Any Qualifying Noteholder who holds Tranche 3 Notes may (but shall not be required), notify the Company that it wishes to extend the Tranche 3 Maturity Date in respect of that Qualifying Noteholder's Tranche 3 Notes to a new date to be specified in such notice provided such date is a Business Day and not later than the date 10 years after the date of this Instrument (such notice being a "**Tranche 3 Extension Notice**"). Upon receipt of a Tranche 3 Extension Notice, the Company may reject a Tranche 3 Extension Notice by providing written notice of such rejection to the Noteholder within 30 Business Days of receipt of such Tranche 3 Extension Notice (whereupon no extension of such Noteholder's Tranche 3 Notes shall occur). If the Company does not reject a Tranche 3 Extension Notice within such foregoing period, the Tranche 3 Extension Notice shall be considered accepted (the "**Tranche 3 Extension Option**"), whereupon the Tranche 3 Maturity Date shall be revised accordingly. A Qualifying Noteholder may only issue a Tranche 3 Extension Notice once and any such Tranche 3 Extension Option must be used in respect of all Tranche 3 Notes held by such Qualifying Noteholder.

2.8 On the date of the Tranche 3 Extension Notice the exercising Qualifying Noteholder shall deliver to the Company the Tranche 3 Note Certificate in respect of the Tranche 3 Notes which are the subject of such Tranche 3 Extension Notice. If the Company rejects the Tranche 3 Extension Notice, the Company shall promptly return such Tranche 3 Note Certificate to the Noteholder. If the Tranche 3 Extension Option is accepted, the Company shall, within 5 Business Days' of the exercise of the Tranche 3 Extension Option, issue to such Qualifying Noteholder a replacement Tranche 3 Note Certificate bearing the revised Tranche 3 Maturity Date.

3. TIME OF PAYMENT

Whenever any payment of principal (or otherwise) becomes due on a day which is not a Business Day, payment shall be made on the next following Business Day.

4. REDEMPTION

4.1 The Notes then in issue (so far as not converted under Part 2 of this Schedule 2) shall be redeemed at the principal amount together with interest on the Notes outstanding at the applicable Interest Rate on the earlier of the following dates:

(a) the Tranche 1 Maturity Date, Tranche 2 Maturity date or Tranche 3 Maturity date (as applicable); or

(b) in the event of a Change of Control, the date on which the consideration in respect of such Change of Control is remitted to the holders of Ordinary Shares; or

(c) following the occurrence of an Event of Default and the expiry of any applicable grace period applicable to such Event of Default as set out in paragraph 5 of this Part 1 of Schedule 2 (the date on which an Event of Default occurs or, if later, the relevant grace period (if any) expires, the "**Acceleration Date**"), the date specified in the relevant Redemption Notice;

(the "**Redemption Date**").

4.2 Subject to paragraph 4.12 below, in the event that Shareholder Approval has not been obtained on or before 7 August 2020, in addition to the amounts otherwise payable on the Redemption Date, each Noteholder holding any Tranche 1 Notes shall be entitled to be paid an additional sum on the Redemption Date, the amount of which shall be equal to the principal amount of the Tranche 1 Notes outstanding on 7 August, 2020 and held by such Noteholder in recognition of such Noteholder not being able to (i) participate in the equity of the Company through conversion of the Tranche 1 Notes, or (ii) benefit from any Warrants that were intended to be issued to such Tranche 1 Noteholder as part of the Transaction (such sum being the "**Uplift Payment**").

Notwithstanding the foregoing, in the event that Shareholder Approval has not been obtained on or before 7 August 2020, upon conversion of the Notes in accordance with Part 2 of Schedule 2, the Noteholder shall be entitled to the benefit of the Uplift Payment. In the event that the Shareholder Approval has not been obtained on or before 7 August 2020 and a Noteholder did not attend (either in person or by proxy) any general meeting of the Company's members called for the purposes of obtaining the Shareholder Approval and vote in favour of such Shareholder Approval with the entirety of all voting rights available to such Noteholder, such Noteholder shall cease to be entitled to the benefit of the Uplift Payment in any circumstances.

4.3 At any time after 7 August 2020, when (i) at least one Tranche 1 Noteholder is entitled to the Uplift Payment pursuant to paragraph 4.2 above; (ii) the Closing Price is above the Tranche 1 Conversion Price; and (iii) the Company has authority from its shareholders to allot additional Ordinary Shares, the Company may at its discretion notify all (but not some) Tranche 1 Noteholders that it wishes to satisfy its obligations in respect of all or any portion of the Uplift Payment by the issuance of further Ordinary Shares pro rata to all Noteholder(s) (such Ordinary Shares being "**Uplift Securities**") (such notice an "**Uplift Allocation Notice**").

4.4 The amount of the Uplift Payment to be satisfied by the Uplift Securities shall be calculated by: multiplying (x) being the number of Uplift Securities the Company wishes to issue, by (y) being the Tranche 1 Conversion Price (the "**Uplift Reduction Amount**").

4.5 The Uplift Allocation Notice served pursuant to paragraph 4.3 above shall specify, at a minimum:

(a) the number of Uplift Securities the Company proposes to issue;

(b) each Tranche 1 Noteholder's current percentage holding of the aggregate voting rights in the Company; and

(c) the issue date of the Uplift Securities (which shall in all cases be within 5 Business Days of the date the Uplift Allocation Notice was served).

4.6 In the event that:

(a) there is only one Tranche 1 Noteholder, that Noteholder shall be automatically deemed to have subscribed for the maximum number of Uplift Securities as it is possible to subscribe without the Ownership Limit of that Tranche 1 Noteholder being exceeded; and

(b) if there is more than one Tranche 1 Noteholder, each Tranche 1 Noteholder shall be automatically deemed to have subscribed (and such subscription shall be deemed satisfied out of each Tranche 1 Noteholder's entitlement to the Uplift Payment) for such number of Uplift Securities as is determined pro rata to each Tranche 1 Noteholder's proportionate entitlement to the Uplift Payment (provided that such amount does not result in the Ownership Limit being exceeded, and if it was to so result, such Tranche 1 Noteholder shall be required to subscribe for the maximum amount of Uplift Securities that such Tranche 1 Noteholder could receive without being in breach of the Ownership Limit, any excess Uplift Securities would then be allocated to each other Tranche 1 Noteholder (who would be deemed to subscribe for the same) pro rata to their entitlement to the Uplift Payment until either all Uplift Securities have been allocated amongst all Tranche 1 Noteholders or all Tranche 1 Noteholders have each reached the Ownership Limit),

and in each case the Company shall issue such Uplift Securities (which shall be credited as fully paid and rank pari passu with Ordinary Shares of the same class in issue on the Conversion Date) within 5 Business Days of the Uplift Allocation Notice and the applicable Tranche 1 Noteholder's entitlement to the Uplift Payment shall thereon be reduced by their proportion of the Uplift Reduction Amount.

4.7 At any time when (i) the Company has satisfied the entirety of its obligations in respect of the Uplift Payment through the issue of Uplift Securities pursuant to paragraphs 4.3 to 4.6 above (or the Uplift Payment has otherwise been discharged or waived); (ii) the Closing Price is above the Tranche 1 Conversion Price, and (iii) the Company has authority from its shareholders to allot additional Ordinary Shares; the Company may notify all (but not some) of the Tranche 1 Noteholders that it wishes to satisfy its obligations in respect of an amount of interest and/or principal under the Tranche 1 Notes by the issuance of further Ordinary Shares pro rata to all Tranche 1 Noteholders (such Ordinary Shares being "**Pay Down Securities**") (such notice a "**Pay Down Notice**" and such process a "**Pay Down Issue**").

4.8 The amount of principal and interest in respect of the Tranche 1 Notes to be satisfied by the issue of Pay Down Securities shall be calculated by: multiplying (x) being the number of Pay Down Securities the Company wishes to issue, by (y) being the Tranche 1 Conversion Price (the "**Pay Down Reduction Amount**").

4.9 The Pay Down Notice served on each Tranche 1 Noteholder pursuant to paragraph 4.7 above shall specify, at a minimum:

(a) the number of Pay Down Securities the Company proposes to issue;

(b) each Tranche 1 Noteholder's current percentage holding of the aggregate voting rights in the Company; and

(c) the issue date of the Pay Down Securities (which shall in all cases be within 5 Business Days of the date the Pay Down Notice was served).

4.10 In the event that:

(a) there is only one Tranche 1 Noteholder, that Tranche 1 Noteholder shall be automatically deemed to have subscribed for the maximum number of Pay Down Securities as it is possible to subscribe without the Ownership Limit of that Tranche 1 Noteholder being exceeded; and

(b) there is more than one Tranche 1 Noteholder, each Tranche 1 Noteholder shall be automatically deemed to have subscribed (and such subscription shall be deemed satisfied out of each Tranche 1 Noteholder's entitlement to principal and/or interest under the Notes) for the maximum amount of Pay Down Securities that such Tranche 1 Noteholder could receive without being in breach of the Ownership Limit, any excess Pay Down Securities would then be allocated to each other Tranche 1 Noteholder (who would be deemed to subscribe for the same) pro rata to their entitlement outstanding interest and/or principal under the Tranche 1 Notes until either all Pay Down Securities have been allocated amongst all Tranche 1 Noteholders or all Tranche 1 Noteholders have each reached the Ownership Limit,

and in each case the Company shall issue such Pay Down Securities (which shall be credited as fully paid and rank pari passu with Ordinary Shares of the same class in issue on the Conversion Date) within 5 Business Days of the Pay Down Notice and the applicable Tranche 1 Noteholder's entitlement to principal amount and/or interest shall thereon be reduced by their proportion of the Pay Down Reduction Amount.

4.11 At any time when (i) the Company has satisfied all principal and interest outstanding in respect of the Tranche 1 Notes by the issue of Pay Down Securities; (ii) the Closing Price is above the Tranche 2 Conversion Price, and (iii) the Company has authority from its shareholders to allot additional Ordinary Shares, the Company may serve a Pay Down Notice on the Tranche 2 Noteholders, notifying them it wishes to satisfy its obligations in respect of any interest and/or principal amount under the Tranche 2 Notes by way of a Pay Down Issue, and the provisions of the foregoing paragraphs 4.7 to 4.10 above shall apply *mutatis mutandis* in respect of any such Pay Down Issue in respect of the Tranche 2 Notes (and in such circumstances, for the avoidance of doubt, (y) for the purposes of calculating the Pay Down Reduction Amount pursuant to paragraph 4.8 shall be the Tranche 2 Conversion price). At any

time when (i) the Company has satisfied all principal and interest outstanding in respect of the Tranche 2 Notes by the issue of Pay Down Securities; and (ii) the Company has authority from its shareholders to allot additional Ordinary Shares, the Company may serve a Pay Down Notice on the Tranche 3 Noteholders, notifying them it wishes to satisfy its obligations in respect of any interest and/or principal amount under the Tranche 3 Notes by way of a Pay Down Issue, and the provisions of the foregoing paragraphs 4.7 to 4.10 above shall apply *mutatis mutandis* in respect of any such Pay Down Issue in respect of the Tranche 3 Notes (and in such circumstances, for the avoidance of doubt, (y) for the purposes of calculating the Pay Down Reduction Amount in respect of Tranche 3 Notes pursuant to paragraph 4.8 shall be the weighted average of the Closing Price on the 5 Business Days immediately prior to the date on which the Pay Down Notice is served in respect of such Tranche 3 Notes).

4.12 In the event that (i) a Change of Control occurs on or prior to 7 August 2020 and Shareholder Approval has not been obtained on or prior to the date of such Change of Control; or (ii) Shareholder Approval has not been obtained on or before 7 August 2020 and following 7 August 2020 but prior to the Tranche 1 Maturity Date, the Company undergoes a Change of Control; in either case the Company shall pay or cause to be paid, within 3 Business Days of the date on which consideration in respect of such Change of Control is remitted to the holders of Ordinary Shares, to each Noteholder, in addition to the sum payable pursuant to paragraph 4.1(b) of this Part 1 of Schedule 2, an additional sum, the amount of which shall be equal to the value of (a) minus ((b), (c) and (d)), where:

(a) is the pro rata amount of consideration which would have been received by such Noteholder in consideration for their Ordinary Shares and Warrants (plus, to the extent they exist, any Tranche 3 Notes held by such Noteholder but without double-counting in respect of the value of any Warrants that were converted into such Tranche 3 Notes by the Noteholder) on the Change of Control if that Shareholder Approval had been obtained on or prior to 7 August 2020 and as a result (i) all the Warrants held by such Noteholder as of the date of the Change of Control had become fully exercisable on or prior to 7 August 2020; and (ii) all Tranche 1 Notes held by such Noteholder as of the date of the Change of Control had automatically converted into Ordinary Shares upon receipt of the Shareholder Approval; and

(b) is the aggregate of the principal amount of such Noteholder's Tranche 1 Notes, together with any accrued but unpaid interest thereon held by such Noteholder immediately prior to the Notes being redeemed pursuant to paragraph 4.1(b) of this Part 1 of Schedule 2; and

(c) is the pro rata amount of consideration actually received or due to be received by such Noteholder pursuant to Section 2.10 of the Warrant Instrument in respect of Warrants held by such Noteholder as of the date of such Change of Control; and

(d) is the pro rata amount of consideration actually received or due to be received by such Noteholder (whether on or prior to any Change of Control) in respect of any Ordinary Shares received by such Noteholder in exchange for Tranche 1 Notes pursuant to paragraphs 4.7 through 4.11 of this Schedule 2;

(such sum being the "**Change of Control Payment**"). For the avoidance of doubt, if any Noteholder becomes entitled to be paid the Change of Control Payment, such Noteholder shall cease to be entitled to the Uplift Payment pursuant to paragraph 4.2.

4.13 Subject to paragraph 6 if the Noteholder Majority wishes to redeem the Notes following an Acceleration Date, the Noteholder Majority shall give the Company written notice of the intention to exercise the right to redeem in accordance with the provisions of paragraph 4.1(b), together with confirmation on the date for such redemption (provided that such date may not occur earlier than the date falling 20 Business Days after the relevant Acceleration Date), conditional always on any such Event of Default not being remedied in the case of paragraph 4.1(c) ("**Redemption Notice**").

4.14 A Redemption Notice shall (unless the Company agrees otherwise) be irrevocable.

4.15 For as long as the Subordination Agreement is in force, notwithstanding any of the provisions of paragraph 5 of this Part 1 of Schedule 2, the Notes cannot be redeemed or repaid following an Acceleration Date until the applicable restriction in the Subordination Agreement has expired or been waived by the Senior Lenders; provided that such delay in payment shall constitute an additional Event of Default hereunder.

4.16 On the Redemption Date, the Company shall repay to all Noteholders the principal amount of the Notes so redeemed, together with interest on such Notes outstanding at the applicable Interest Rate, and, if applicable, the Uplift Payment payable pursuant to paragraph 4.2.

4.17 If, on redemption of a Note, a Noteholder fails to deliver the Certificate for it, or an indemnity in accordance with these Conditions or to accept payment of moneys due to him, the Company shall pay the moneys due to him into bank account which payment shall discharge the Company from all further obligations in respect of the Note.

4.18 The Company shall cancel any Notes repaid, redeemed or purchased and shall not reissue them.

5. EVENTS OF DEFAULT

Subject to paragraphs 4.15 and 6.3 of this part 1 of Schedule 2, the Notes then in issue shall become immediately redeemable at the principal amount, together with interest on the Notes outstanding, and interest shall become payable at the applicable Default Rate, if:

(a) the Company fails to pay any interest or principal in respect of the Notes on the relevant due date;

(b) the Company fails to comply in any material respect with the covenants of the Notes or any of the Conditions and does not remedy such failure within 30 calendar days;

(c) any judgment, arbitration award, order or decree for the payment of money and that is no longer subject to an appeal process in an amount, individually or in the aggregate of at least £1,000,000 (or its equivalent in other currencies) is rendered against any Group Company and not cured or withdrawn within 30 calendar days of such judgment, award, order or decree;

(d) a Group Company incurs an Event of Default (as such term is defined in the Novartis Loan Note) pursuant to the terms of the Novartis Loan Note and such Event of Default is not remedied within the greater of (i) any applicable grace period pursuant to the terms of the Novartis Loan Note; and (ii) 30 days from the occurrence of such Event of Default; and results in the acceleration by Novartis of any indebtedness owed pursuant to the terms of the Novartis Loan Note;

(e) a Group Company incurs an event of default (howsoever defined) in respect of any indebtedness in a principal amount in excess of £1,000,000 and fails to cure (or have waived) such event of default within 30 calendar days of such event of default;

(f) a Group Company commits a material breach of any material contract to which such Group Company is a party and fails to cure (or have waived) such material breach within 30 calendar days of such event of default

(g) an encumbrancor takes possession or a receiver is appointed of the whole or the major part of the assets or undertaking of a Group Company or if distress, execution or other legal process is levied or enforced or sued out on or against the whole or the major part of the assets of any Group Company and is not discharged, paid out, withdrawn or removed within 30 calendar days;

(h) a Group Company is the subject of any proceeding in bankruptcy or for their dissolution, liquidation, winding-up, composition or other relief under any applicable insolvency or bankruptcy laws, whether voluntary or involuntary and, if involuntary, is not dismissed within 60 calendar days of filing;

(i) an administration order is made in relation to any Group Company; or

(j) an order is made, or an effective resolution is passed, for the winding-up, liquidation, administration or dissolution of any Group Company (except for the purpose of reorganisation or amalgamation of the Group Companies).

6. ACTION FOLLOWING EVENT OF DEFAULT

6.1 The Company shall give written notice to the Noteholders as soon as reasonably practicable following the Company becoming aware of the occurrence of an event specified in paragraph 5, giving reasonable details of that event.

6.2 Following receipt of the notice provided pursuant to paragraph 6.1 above, and, if applicable, the expiry of any cure period provided for such Event of Default, the Noteholders shall have a period of 10 Business Days in which they may exercise their right to waive such Event of Default by Noteholder Majority Consent.

6.3 If the Noteholder Majority waives any Event of Default then the Notes shall cease to be immediately redeemable, and no further interest shall accrue at the applicable Default Rate in respect of such Event of Default (for the avoidance of doubt, notwithstanding such waiver, the Noteholders' shall remain entitled to any interest accrued at the applicable Default Rate between the date of the Event of Default and the date of waiver by the Noteholder Majority).

7. TAXATION

7.1 All payments to be made by the Company to a Noteholder under the Note shall be made free and clear of and without any deduction or withholding for or on account of tax (a "**Tax Deduction**"), unless a Tax Deduction is required by law. If a Tax Deduction is required by law, the amount of the payment due from the Company shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.

7.2 Each Noteholder shall, in consultation with the Company, take all reasonable steps to mitigate any circumstances which arise and which would result in any amount becoming payable under or pursuant to paragraph 7.1 above, including (but not limited to) transferring its rights and obligations under this Instrument and the Notes to another affiliate of such Noteholder and permitting the listing of the Notes on a recognised stock exchange.

7.3 Paragraph 7.2 above does not in any way limit the obligations of the Company under this Instrument.

7.4 Each Noteholder and the Company shall co-operate in completing any procedural formalities necessary for the Company to obtain authorisation to make that payment without a Tax Deduction including using commercially reasonable endeavours to procure that investors in such Noteholder complete such procedural formalities.

7.5 If the Company makes an increased payment under paragraph 7.1 (a "**Tax Payment**") and the relevant Noteholder shall (and shall use commercially reasonable endeavours to procure that investors will) co-operate with the Company to take any reasonable steps to:

(a) investigate the availability of any credit against, relief or remission for, or repayment of any Tax is attributable to that increased payment of which that Tax Payment forms part, to that Tax Payment or to a Tax Deduction in consequence of which that Tax Payment was required ("**Tax Credit**"); and

(b) obtain and/or utilise that Tax Credit,

and the Noteholder shall (and shall use commercially reasonable endeavours to procure that investors will) pay an amount to the Company which that Noteholder (or investors as applicable) determines (acting reasonably) will leave it (after that payment) in the same after-Tax position as it would have been in had some or all of the Tax Payment not been required to be made by the Company.

Part 2. Conversion

1. CONVERSION

1.1 Without prejudice to the provisions paragraphs 4.3 to 4.11 of Schedule 2 Part 1, the Notes shall not be capable of conversion prior to Shareholder Approval having been obtained and no Noteholder shall serve any Conversion Notice prior to such time.

1.2 Subject to paragraph 1.1 and paragraph 1.4 of this Part 2 of Schedule 2, all outstanding Tranche 1 Notes shall automatically convert into a number of fully paid Ordinary Shares upon Shareholder Approval being obtained, determined by dividing (x) the sum of (i) the outstanding principal amount, plus (ii) all accrued and unpaid interest thereon, plus (iii) any amount of the Uplift Payment (to the extent the same is applicable pursuant to the terms of this Instrument) which has become due and payable in accordance with paragraph 4.2 and has not already been paid or satisfied by the issue of Uplift Securities (or otherwise), by (y) the Tranche 1 Conversion Price then in effect; *provided that* (but subject to paragraph 1.4 of this Part 2 of Schedule 2 below) upon giving effect or immediately prior to such conversion, no individual Noteholder shall hold more than 9.99% of the aggregate voting rights in the Company (the "**Ownership Limit**"). In the event that Conversion of any Noteholder's holding of Notes would result in, upon giving effect, or immediately prior to the Conversion, such Noteholder exceeding the Ownership Limit, the principal amount of the Notes held by such Noteholder which shall convert shall be the greatest amount possible without that Noteholder exceeding such Ownership Limit and the remaining principal balance on such Notes shall remain outstanding.

1.3 Subject to paragraphs 1.1, 1.2 and 1.4 of this Part 2 of Schedule 2:

(a) each Noteholder holding Tranche 1 Notes shall have the right, at any time prior to the Tranche 1 Maturity Date, to serve a Conversion Notice on the Company to convert all or, if the Ownership Limit applies, part of such Noteholder's Tranche 1 Notes then outstanding (together with any accrued but unpaid interest thereon) into fully paid Ordinary Shares at the Tranche 1 Conversion Price per Share; and

(b) each Noteholder holding Tranche 2 Notes shall have the right, at any time prior to the Tranche 2 Maturity Date applicable to such Noteholder's Tranche 2 Notes, to serve a Conversion Notice on the Company to convert all or, if the Ownership Limit applies, part of such Noteholder's Tranche 2 Notes then outstanding (together with any accrued but unpaid interest thereon) into fully paid Ordinary Shares at the Tranche 2 Conversion Price per Share,

provided that, in each of the foregoing cases, at the time of the Conversion Notice, either (i) such Noteholder's aggregate voting rights in the Company is not in excess of the Ownership Limit and would not become in excess of the Ownership Limit as a result of the conversion contemplated by such Conversion Notice; or (ii) such Noteholder has waived the application of the Ownership Limit in accordance with paragraph 1.4 of this Part 2 of Schedule 2.

1.4 Notwithstanding the foregoing, a Noteholder may increase or decrease the Ownership Limit to any other percentage, by written notice to the Company; provided, that the Noteholder may not decrease the limitation prior to August 8, 2020; provided further that a waiver by the Noteholder of the Ownership Limit or a request to increase the Ownership Limit requires not less than 61 days prior written notice to the Company (with such waiver of the Ownership Limit or request to increase the Ownership Limit taking effect only upon the expiration of such 61 day notice period and applying only to the Noteholder and not to any other holder of Notes) and that such Ownership Limit shall never be increased above 19.99%.

1.5 The Conversion Notice shall set out, at a minimum:

(a) the principal amount of the Tranche 1 Notes and/or Tranche 2 Notes to be converted;

(b) the amount (if any) of accrued but unpaid interest on such principal amount which is to be converted;

(c) the Noteholder's current percentage holding of the aggregate voting rights in the Company;

(d) the Conversion Date;

(e) whether the Ordinary Shares resulting from conversion are to be delivered as ADSs; and

(f) any conditions (if any) applicable to the conversion and agreed in writing in advance by the Company.

1.6 If and to the extent that the Ordinary Shares issued are to be delivered as ADSs, the Noteholder shall be required to deliver to the Company a completed Issuance and Delivery Instruction in the form set out in Part 4 of this Schedule 2 (as such form may be amended from time to time by notice to the Noteholder) duly completed and executed by the Noteholder no later than 3 Business Days following service of the relevant Conversion Notice on the Company.

1.7 In the event of any failure by a Noteholder to deliver a duly completed Issuance and Delivery Instruction within such time period the Company shall disregard such Noteholder's request for delivery of the relevant Ordinary Shares as ADSs and shall issue the number of Ordinary Shares specified in the Conversion Notice to the Noteholder on the Conversion Date in accordance with paragraph 2 of this Part 2 of Schedule 2.

1.8 The Service of a Conversion Notice shall be irrevocable and binding on the Noteholder.

2. PROCEDURES ON CONVERSION

2.1 Subject to paragraph 1.1 of this Part 2 of Schedule 2, on the Conversion Date, the Directors shall convert the principal amount of the Notes and accrued but unpaid interest and any amount of the Uplift Payment (to the extent the same is applicable pursuant to the terms of this Instrument) which has become due and payable in accordance with paragraph 4.2 and has not already been paid or satisfied by the issue of Uplift Securities (or otherwise), into such number of new fully paid Ordinary Shares at the applicable Tranche 1 Conversion Price or Tranche 2 Conversion Price (as the case may be) as set out in paragraph 1 of this Part 2 of Schedule 2 in accordance with the following provisions of paragraph 2.2 to paragraph 2.6 (inclusive).

2.2 Conversion of the Notes shall be effected by the Company redeeming the relevant Notes on the Conversion Date. Each Noteholder whose Notes are being converted shall be deemed to irrevocably authorise and instruct the Company to apply the redemption moneys payable to that Noteholder in subscribing for Ordinary Shares on conversion of the Notes.

2.3 In the event that a Noteholder has stated in the relevant Conversion Notice that the Ordinary Shares arising from conversion are to be delivered as ADSs, and there is an effective registration statement covering the Ordinary Shares to be issued on such conversion, then such Ordinary Shares may be issued to, and deposited with (and otherwise registered in the name of) the custodian (or its nominee) of the Depositary, and following such issuance and deposit the Company will direct the Depositary to issue an amount of ADSs via DTC (with such ADSs being eligible for listing on Nasdaq) in accordance with the corresponding Issuance and Delivery Instruction.

2.4 Ordinary Shares arising on conversion of the Notes (and any applicable accrued but unpaid interest) shall be issued and allotted by the Company to the Noteholder or (where a Noteholder has delivered an Issuance and Delivery Instruction) to the custodian of the Depositary on the Conversion Date and the certificates (if physical certificates are requested by such Noteholder) for such Ordinary Shares shall be despatched to the persons entitled to them at their own risk.

2.5 The Ordinary Shares arising on conversion of the Notes shall be credited as fully paid and rank pari passu with Ordinary Shares of the same class in issue on the Conversion Date and shall carry the right to receive all dividends and other distributions declared, made or paid after the Conversion Date.

2.6 The entitlement of each Noteholder to a fraction of a Share shall be rounded down to the nearest whole number of Ordinary Shares which result from the conversion of the Notes.

2.7 In the event that a Noteholder requires Ordinary Shares arising on conversion to be delivered as ADSs, the entitlement of such Noteholder to ADSs shall be calculated using the ADS Exchange Ratio. No fractional ADSs will be issued, and any fractional entitlements to an ADS shall be issued to the relevant Noteholder in the form of Ordinary Shares in accordance with Part 2 of this Schedule 2, rounded down to the nearest whole share.

2.8 In the event that the Ordinary Shares in issue on the Conversion Date are traded on the AIM Market operated by London Stock Exchange plc, the Company shall use its reasonable best endeavours to ensure that the Ordinary Shares to be issued upon the conversion of the relevant Notes are admitted to trading on the AIM Market as soon as reasonably practicable following the Conversion Date. In addition, as soon as practicable following the general meeting at which the Company seeks to obtain Shareholder Approval, the Company shall make or cause to be made an application to AIM for a block listing (up to the maximum amount available to the Company under AIM block listing rules and in consideration of block listings registered at the time of this Agreement) or otherwise to admit upon Admission or as soon as permitted by AIM thereafter the maximum number of Ordinary Shares that may be acquired upon conversion of the Notes. Further, the Company shall list the Ordinary Shares issuable upon conversion of the Notes on each other securities exchange on which the Ordinary Shares are then listed and/or admitted to trading.

Part 3. Transfer provisions, Undertakings and other matters

1. The Company shall recognise the registered holder of any Notes as the absolute owner of them and shall not (except as provided by statute or as ordered by a court of competent jurisdiction) be bound to take notice or see to the execution of any trust (whether express, implied or constructive) to which any Note may be subject. The Company shall not (except as provided by statute or as ordered by a court of competent jurisdiction) be bound to enter any notice of any trust (whether express, implied or constructive) on the register in respect of any of the Notes.

   The Notes are freely transferable in accordance with this Part 3 of Schedule 2 in integral multiples of £1 by instrument in writing in the usual common form (or in such other form as the Directors may approve) and such instrument need not be under seal. Additionally and, notwithstanding any other provision of this Instrument, for so long as the Subordination Agreement remains in force and effect, no transfer of the Notes may take place unless the transferee in respect of those Notes being transferred is either a party to the Subordination Agreement or has entered into a deed of adherence to be bound by the terms of such Subordination Agreement, or has otherwise entered into subordination arrangements with the Senior Lenders in writing or the requirement to enter into subordination arrangements with the Senior Lenders has been otherwise waived by the Senior Lenders in writing in advance of such intended transfer of the Notes; any attempt to transfer Notes in breach of the foregoing provisions is *void ab initio*.

2. Each instrument of transfer shall be signed by the transferor, and the transferor shall be deemed to remain the owner of the Notes to be transferred until the name of the transferee is entered in the register in respect of such Notes.

3. Each instrument of transfer shall be sent to, or left for registration at, the registered office of the Company for the time being, and shall be accompanied by the Certificate(s) for the Notes to be transferred and any other evidence that the Company may require to prove the title of the transferor or his right to transfer the Notes (and, if such instrument is executed by some other person on his behalf, the authority of that person to do so). All instruments of transfer that are registered may be retained by the Company.

4. No transfer of Notes shall be registered in respect of which a Redemption Notice, an Uplift Allocation Notice, a Pay Down Notice or Conversion Notice has been given.

5. The Company undertakes that, while an aggregate principal amount of Notes greater than £10,000,000 remains in issue, it shall not, without prior Noteholder Majority Consent:

   (a) sell, transfer, lease, licence or otherwise dispose of any material asset or business of any Group Company (including the sale, transfer or other disposition of a Group Company's rights to a third party), other than in the ordinary course of business;

   (b) carry out any merger, reorganisation, restructuring or sale of all or substantially all of the assets and/or business of any Group Company;

   (c) effect the liquidation, dissolution, or winding of any Group Company, or the cessation of all or substantially all of the business of any Group Company;

   (d) authorise any debt security (the incurrence, or extension of any credit or loan guarantee in respect of any loan or grant of credit exceeding £800,640.512(save that, for the avoidance of doubt, no Noteholder Majority Consent shall be required for (i) any refinancing, in whole or in part, of any Existing Indebtedness; or (ii) the subscription by any Qualifying Noteholder (and the issuance by the Company) for any Tranche 2 Notes pursuant to the Securities Purchase Agreement);

   (e) discontinue any existing line of business of any Group Company or enter into any new line of line of business by any Group Company; or

   (f) issue any securities senior to the Ordinary Shares with respect to voting rights, dividends, conversion rights, redemption rights, liquidation preference or otherwise.

6. Payment of the principal amount and all accrued interest on the Notes may be made by cheque made payable to, or by bank transfer to an account nominated for the purpose to the Company in writing by, the registered holder or, in the case of joint registered holders, to the one who is first-named on the register, or to such person or persons as the registered holder or all the joint registered holders may in writing direct and sent to the registered holder or in the case of joint registered holders to that one of the joint registered holders who is first-named on the register or to such address as the registered holder or joint registered holders may in writing direct. Cheques may be sent through the post at the risk of the registered holder or jointly registered holders and payment of any such cheque by the bankers on whom it is drawn, or a bank transfer to the relevant account, shall be good discharge to the Company.

7. If more than one person is entered in the register as joint holders of any Notes then, without prejudice to paragraph 5 of this Part 3 of Schedule 2, the receipt of any one of such holders for any moneys payable on or in respect of the Notes shall be as effective a discharge to the Company or other person making the payment as if the person signing such receipt were the sole registered holder of such Notes.

8. If any Certificate is worn out or defaced then, on production of it to the Directors, they may cancel it and may issue a fresh Certificate in lieu. If any Certificate is lost or destroyed it may be replaced on such terms (if any) as to evidence and indemnity as the Company may reasonably require. An entry recording the issue of the new Certificate and indemnity (if any) shall be made in the register. No fee shall be charged for the registration of any transfer or for the registration of any probate, letters of administration, certificate of marriage or death, power of attorney or other documents relating to or effecting title to any Notes.

9. Any notice or other document required to be given under this Instrument shall be in writing and may be given to or served on any Noteholder by sending it by first-class post in a prepaid envelope addressed to such Noteholder at his registered address. In the case of joint Noteholders, a notice given to, or document served on, the Noteholder whose name stands first in the register in respect of such Notes shall be sufficient notice to, or service on, all the joint holders. Any such notice sent or document served by first-class post shall be deemed to have been given or served 48 hours or 96 hours in the case of a notice or document sent to an address for a Noteholder not in the United Kingdom after the time when it is posted and in proving such notice or service, it shall be sufficient to prove that the envelope containing the notice or document was properly addressed, stamped and posted.

10. Any notice or other document delivered or sent by post to, or left at, the registered address of any Noteholder in pursuance of these provisions shall, notwithstanding that such Noteholder is then dead or bankrupt or in liquidation, and whether or not the Company has notice of his death or bankruptcy or liquidation, be deemed to have been duly served or delivered in respect of any Notes registered in the name of such Noteholder as sole or first-named joint holder unless his name shall at the time of the service of the notice or document have been removed from the register as the holder of the Notes, and such service shall for all purposes be deemed sufficient service of such notice or document on all persons interested (whether jointly with or as claiming through or under him) in the Notes.

11. A copy of this Instrument shall be kept at the Company's registered office. A Noteholder (and any person authorised by a Noteholder) may inspect that copy of the Instrument at all reasonable times during office hours.

12. Each Noteholder by subscribing for and/or holding any Notes pursuant to the terms of this Instrument expressly and irrevocably agrees that the Group Companies may refinance all or any part of either the Senior Loan or the Novartis Loan Note (either with the existing creditors thereof or with third party creditors) and that, such refinanced loan shall for all purposes under this Instrument be treated, *mutatis mutandis*¸ as the Senior Loan or the Novartis Loan Note (as the case may be) and benefit from any protections, provisions, exemptions or other terms hereof, without requiring the consent of any Noteholder; provided, that no such refinancing or amendment of the Senior Loan which increases the amount of the principal sum of the Senior Loan owing from time to time above £14 million, or extends the Final Repayment Date for the Senior Loan beyond 1 March 2022, shall be effective unless otherwise approved by the Noteholder Majority; provided, further, that no such consent or agreement shall be required from any Noteholder Majority from or after the time when Shareholder Approval has been obtained. For the avoidance of doubt, if any such refinancing takes place, any lenders thereunder shall be treated as the "Senior Lenders" for the purposes of this Instrument. The Company shall as soon as reasonably practicable after the occurrence of any such refinancing, provide notice of the same to the Noteholders.

13. If the Company, whilst any Notes are outstanding, shall effect a subdivision of its Ordinary Shares, the Tranche 1 Conversion Price and Tranche 2 Conversion Price (if any) then in effect immediately before that subdivision shall be proportionately decreased. If the Company, whilst any Notes are outstanding, shall combine its Ordinary Shares, the Tranche 1 Conversion Price and Tranche 2 Conversion Price then in effect immediately before the combination shall be proportionately increased.

14. If the Company, whilst any Notes are outstanding, shall make or issue, or fix a record date for the determination of holders of its Ordinary Shares entitled to receive a dividend or other distribution to the shareholders from the fund for invested unrestricted equity payable in Ordinary Shares in the Company, then and in each such event the Tranche 1 Conversion Price and Tranche 2 Conversion Price then in effect immediately before such event shall be decreased as of the time of such issuance or, in the event such a record date shall have been fixed, as of the close of business on such record date, by multiplying the Tranche 1 Conversion Price or Tranche 2 Conversion Price, as applicable, then in effect by a fraction:

(a) the numerator of which shall be the total number of Ordinary Shares outstanding immediately prior to the time of such issuance or the close of business on such record date, and

(b) the denominator of which shall be the total number of Ordinary Shares outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of Ordinary Shares issuable in payment of such dividend or distribution;

provided, however, that if such record date shall have been fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the Tranche 1 Conversion Price and Tranche 2 Conversion Price shall be recomputed accordingly as of the close of business on such date and thereafter the Tranche 1 Conversion Price and Tranche 2 Conversion Price shall be adjusted pursuant to this paragraph as of the time of actual payment of such dividends or distributions, if any.

15. When any adjustment is required to be made in the Tranche 1 Conversion Price or Tranche 2 Conversion Price pursuant to paragraph 14 or 15, the number of Ordinary Shares issuable upon conversion of a Note shall be calculated by reference to the revised Tranche 1 Conversion Price or Tranche 2 Conversion price following the adjustment made by paragraph 14 or 15.

16. If the Company, whilst any Notes are outstanding, shall: (i) pay or declare a dividend payable to all shareholders other than in Ordinary Shares (e.g. in cash or assets other than Ordinary Shares in the Company); or (ii) make any distribution of share capital (including share premium account and capital redemption legal reserve), then and in each such event the Tranche 1 Conversion Price and Tranche 2 Conversion Price then in effect immediately before such event shall be decreased as of such event by multiplying the Tranche 1 Conversion Price or Tranche 2 Conversion Price, as applicable, then in effect by a fraction:

(a) the numerator of which shall be equal to (i) the Closing Price on the day immediately prior to the date when such event was first published (or if there is no such price, the fair market value of one ordinary share of the Company as of such date as determined in good faith by the Directors) minus (ii) the amount per issued share of such dividend or distribution; and

(b) the denominator of which shall be the Closing Price on the day immediately prior to the date when such event was first published (or if there is no such price, the fair market value of one ordinary share of the Company as of such date as determined in good faith by the Directors).

In the event that the application of the above fraction would result in an increase in the Conversion Price, then no adjustment shall be made hereunder. If the Company distributes assets other than cash, the amount per outstanding share of the distribution shall be calculated by reference to the fair market value of the assets distributed as determined in good faith by the Directors.

17. If, prior to the Maturity Date, there shall occur any reorganization, recapitalization, reclassification, consolidation, merger or demerger involving the Company in which the Company's Ordinary Shares are converted into or exchanged for securities, cash or other property (other than a transaction covered by paragraphs 14 or 15) (collectively, a "**Reorganization**"), then, following such Reorganization, the Noteholders shall receive upon conversion the kind and amount of securities, cash or other property, if any, which the Noteholders would have been entitled to receive pursuant to such Reorganization if such conversion had taken place immediately prior to such Reorganization. Appropriate adjustment (as determined in good faith by the Directors) shall be made in the application of the provisions set forth herein with respect to the rights and interests thereafter of the Noteholder, to the end that the provisions set forth in this Instrument (including provisions with respect to changes in and other adjustments of the Tranche 1 Conversion Price and/or Tranche 2 Conversion Price (as applicable) and the number of Ordinary Shares issuable upon conversion of the Notes) shall thereafter be applicable, as nearly as reasonably may be, in relation to any securities, cash or other property thereafter deliverable upon the conversion of the Notes.

Part 4. ADS Issuance and Delivery Instruction

[DATE]
Citibank, N.A., as Depositary
388 Greenwich Street
New York, New York 10013
Attn.: Mr. Brian M. Teitelbaum (brian.m.teitelbaum@citi.com)
With a copy simultaneously delivered to:
Citibank, N.A., London Branch
25 Canada Square
Canary Wharf
London E14 5LB, England
Attn.: UK Custody Settlements
Custody Team (uksettlements@citi.com)

Re: Issuance and Delivery Instruction - Mereo BioPharma Group plc (CUSIP No.: 589492107) – Deposit & Hold

Dear Sirs:

Reference is made to the Deposit Agreement, dated as of April 23, 2018, as amended and supplemented from time to time (the "Deposit Agreement"), by and among Mereo BioPharma Group plc, a public limited company incorporated under the laws of England and Wales and its successors (the "Company"), Citibank, N.A., a national banking association organized and existing under the laws of the United States of America, as Depositary (the "Depositary"), and all Holders and Beneficial Owners of American Depositary Shares (the "ADSs") issued thereunder. All capitalized terms used, but not otherwise defined herein, shall have the meaning assigned thereto in the Deposit Agreement.

In accordance with the terms and subject to the limitations set forth in the Deposit Agreement, promptly following the Depositary's receipt of confirmation from the Custodian that the Custodian has received a deposit of the number of Shares specified below made by the Company for the benefit of the undersigned holder thereof (the "Holder" and together with the Company, the "Undersigned"), the Undersigned hereby jointly instruct the Depositary, and the Depositary hereby agrees:

(i) to promptly accept for deposit the number of Shares and issue the number of ADSs as specified below:

Number of Shares deposited:	_____	Shares
Number of ADSs (CUSIP No.: 589492107; each ADS representing five (5) Shares to be issued:	_____	ADSs

and (ii) to promptly deliver such Program ADSs, as follows:

Name of DTC Participant to which the ADSs are to be delivered:	_____
DTC Participant Account No.:	_____
Account No. for recipient of ADSs at DTC Participant (f/b/o/ information):	_____
Name on whose behalf the above number of ADSs are to be issued and delivered:	_____
Contact person at DTC Participant:	_____
Daytime telephone number of contact person at DTC:	_____

The Company hereby confirms and certifies that (i) the registration statement on Form F-3 (File No. 333-239708) (the "Registration Statement"), filed with the U.S. Securities and Exchange Commission (the "Commission") on July 6, 2020, registers the resale of the above Shares represented by ADSs, such ADSs will be freely transferable following the issuance thereof by the Depositary, and there are no legal restrictions on subsequent transfers of the ADSs to be issued hereunder under the laws of England and Wales or the United States, (ii) the Registration Statement is effective under the Securities Act of 1933, as amended (the "Securities Act"), and (iii) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for such purpose have been instituted or are pending or, to the best knowledge of the Company, are contemplated or threatened by the Commission.

The Holder hereby represents and covenants to, and for the benefit of, the Depositary and Citibank, N.A. - London Branch (the "Custodian"), that (i) the Holder is not an "affiliate" of the Company as that term is defined in Rule 144 promulgated by the Commission under the Securities Act and has not been an affiliate at any time during the 90 days immediately preceding the date hereof, and (ii) all stamp duty taxes, including, without limitation, the U.K. Stamp Duty Reserve Tax ("SDRT"), will be paid in full and on a timely basis to the extent such taxes are payable in respect of the deposit of the Shares and the issuance and delivery of the ADSs as contemplated herein.

Each of the Holder and, to the extent it is not unlawful for the Company to do so under the applicable laws of England and Wales, the Company agrees to indemnify the Depositary and the Custodian for, and to hold the Depositary and the Custodian harmless against, all losses, liabilities, taxes, charges, penalties or expenses (including reasonable legal fees and disbursements), incurred by the Depositary and/or by the Custodian or to which the

Depositary and/or the Custodian may become subject to and arising directly or indirectly from the failure by any person to pay (or discharge) any applicable stamp duty taxes, including, without limitation, SDRT, or any other similar duty or tax in connection with the deposit of the Shares and the issuance and delivery of the ADSs as contemplated herein, save to the extent that such losses, liabilities, taxes, charges, penalties or expenses are due to the negligence or bad faith of the Custodian or the Depositary.

[HOLDER]

By: _____
Name:
Title:

MEREO BIOPHARMA GROUP PLC

By: _____
Name:
Title:

Schedule 3 Meetings of the Noteholders

1. The Company may at any time convene a meeting of Noteholders. In addition, the Company shall at the written request of the holders of not less than one-quarter (25%) in nominal amount of the outstanding Notes convene a meeting of the Noteholders. Any meeting shall be held at such place as the Company may designate.

2. At least 14 days' notice (exclusive of the day on which the notice is served or deemed to be served and of the day for which notice is given) of every meeting shall be given to the Noteholders. The notice shall specify the place, day and time of the meeting and the general nature of the business to be transacted, but it shall not be necessary (except in the case of a Special Resolution) to specify in the notice the terms of any resolution to be proposed. The accidental omission to give notice to, or the non- receipt of notice by, any of the Noteholders shall not invalidate the proceedings at any meeting. A meeting of the Noteholders shall, despite being called at shorter notice than specified above, be deemed to have been duly called if it is agreed in writing by all of the Noteholders.

3. At any meeting the quorum shall be two or more Noteholders holding, or representing by proxy, at least 50.1% in nominal principal amount of the outstanding Notes. No business (other than choosing a Chairman) shall be transacted at any meeting unless the requisite quorum is present.

4. If a quorum is not present, within half an hour from the time appointed for the meeting, the meeting shall be dissolved if it was convened on the requisition of Noteholders. In any other case, it shall stand adjourned to such day and time (at least 14 days later, but not more than 28 days later) and to such place as may be appointed by the Chairman. At such adjourned meeting, two Noteholders present in person (or by proxy) and entitled to vote shall constitute a quorum (whatever the nominal amount of the Notes held by them). At least 14 days' notice of any adjourned meeting of Noteholders shall be given (in the same manner mutatis mutandis as for an original meeting). That notice shall state that two Noteholders present in person (or by proxy) at the adjourned meeting (whatever the nominal amount of Notes held by them) shall form a quorum.

5. A person (who may but need not be a Noteholder) nominated by the Company shall be entitled to take the chair at every such meeting but, if no such person is nominated or if the person nominated is not be present at the meeting within five minutes after the time appointed for holding the meeting, the Noteholders present shall choose one of their number to be Chairman. Any Director or officer of, any Secretary of, and the solicitors to, the Company and any other person authorised in that behalf by the Company may attend at any such meeting.

6. Each question submitted to a meeting of Noteholders shall, unless a poll is demanded, be decided by a show of hands.

7. At any meeting of Noteholders unless a poll is demanded by the Chairman or by one or more Noteholders present in person or by proxy and holding or representing in the aggregate not less than one-twentieth in nominal amount of the outstanding Notes (before or on the declaration of the result of the show of hands), a declaration by the Chairman that a resolution has been carried by the requisite majority, lost or not carried by the requisite majority shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against such resolution.

8. If a poll is duly demanded, it shall be taken in such manner and (subject as set out below) either at once or after an adjournment as the Chairman directs. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll shall not prevent the meeting from continuing for the transaction of any business other than the question on which the poll has been demanded. The demand for a poll may be withdrawn.

9. If there is an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting shall not be entitled to a casting vote in addition to the vote(s) (if any) to which he may be entitled as a Noteholder or as a proxy.

10. The Chairman may, with the consent of (and shall if so directed by) any meeting at which a quorum is present, adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting except business that might lawfully have been transacted at the meeting from which the adjournment took place.

11. Any poll demanded at any meeting on the election of a Chairman, or on any question of adjournment, shall be taken at the meeting without adjournment.

12. On a show of hands, each Noteholder who is an individual and is present in person or (being a corporation) is present by its duly authorised representative or by one of its officers as its proxy, shall have one vote. On a poll, each Noteholder present in person or by proxy, shall have one vote for every £1 nominal principal amount of Notes held by him and a person entitled to more than one vote need not (if he votes) use all his votes or cast all the votes he uses in the same way.

13. In the case of joint registered Noteholders any one of them shall be entitled to vote in respect of such Notes either in person or by proxy and, in the latter case, as if the joint holder were solely entitled to such Notes. If more than one joint holder is present at any meeting either personally or by proxy that one joint holder so present whose name as between himself and the other or others present stands first in the register as one of the joint holders shall alone be entitled to vote in person or by proxy.

14. Each instrument appointing a proxy must be in writing and duly executed by the appointor or his duly authorised attorney or, in the case of a corporation under its common seal or duly executed by a duly authorised attorney or officer. The Chairman may (but shall not be bound to) require evidence of the authority of any attorney or officer. A proxy need not be a Noteholder.

15. An instrument of proxy shall be in the usual or common form or in any other form that the Directors may accept. The proxy shall be deemed to include the right to demand or join in demanding a poll. A proxy shall, unless stated otherwise, be valid as well for any adjournment of the meeting as for the meeting to which it relates and need not be witnessed.

16. The instrument appointing a proxy, and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or authority, shall be deposited at the place specified in (or in any document accompanying) the notice convening the meeting. If no such place is specified, the proxy shall be deposited at the registered office of the Company not less than 48 hours before the time appointed for holding the meeting or adjourned meeting or for taking of the poll at which the person named in that instrument proposes to vote. In default, the instrument of proxy shall not be treated as valid. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the revocation of the proxy or of the authority under which the proxy is given, unless notification in writing of the revocation has been received at the registered office of the Company or at such other place (if any) specified for the deposit of instruments of proxy in the notice convening the meeting (or any document accompanying it) 48 hours before the commencement of the meeting or adjourned meeting or the taking of the poll at which the vote is given.

17. Without prejudice to any of the powers conferred on the Company under any of the provisions of the Instrument, a meeting of the Noteholders shall, in addition to any other powers, have the following powers exercisable by Special Resolution:

    (a) power to sanction the exchange or sale of the Notes for, or the conversion of the Notes into, or the cancellation of the Notes in consideration of, shares, stock, debenture stock or other obligations or security of the Company or any other company formed or to be formed (provided, in each of the foregoing cases, that such action will be conducted in accordance with the terms of the Conditions or with the prior written consent of the Company);

    (b) power to sanction any abrogation, modification or compromise of, or any arrangement in respect of, the Noteholders' rights against the Company, provided the same has been previously approved in writing by the Company, whether those rights shall arise under the Instrument, the Notes or otherwise;

    (c) power to assent to any modification of the provisions contained in the Instrument and the Conditions and to authorise the Company to execute any supplemental instrument embodying any such modification. Any such modification shall be proposed by the Company; and

    (d) with the prior written consent of the Company, power to:

        (i) modify the date fixed for final redemption of the Notes;

        (ii) reduce or cancel the principal amount payable on the Notes;

        (iii) reduce the amount payable or modify the method of calculating the amount payable on the Notes; or

        (iv) modify the dates for payment in respect of any interest, on the Notes.

18. A Special Resolution passed at a meeting of the Noteholders shall be binding on all the Noteholders whether or not they are present at the meeting. Each of the Noteholders shall be bound to give effect to it accordingly. The passing of any such resolution shall be conclusive evidence that the circumstances justify passing it (so that the meeting may determine without appeal whether or not the circumstances justify passing it).

19. **Special Resolution**, when used in the Conditions, means a resolution passed at a meeting of the Noteholders duly convened and held in accordance with the Conditions, and carried by a Noteholder Majority.

20. A resolution in writing signed by or on behalf of a Noteholder Majority shall, for all purposes, be as valid and effectual as a Special Resolution passed at a meeting duly convened and held in accordance with the Conditions. Such resolution in writing may be contained in one document or in several documents in similar form, each signed by one or more Noteholders.

21. Minutes of all resolutions and proceedings at every meeting shall be made and duly entered in books to be from time to time provided for that purpose by the Company. Any minutes, if purporting to be signed by the Chairman of the meeting or by the Chairman of the next succeeding meeting of the Noteholders, shall be conclusive evidence of the matters stated in them. Until the contrary is proved, every meeting for which minutes have been made and signed shall be deemed to have been duly held and convened, and all resolutions passed at the meeting to have been duly passed.

EXECUTED as a DEED by **MEREO BIOPHARMA GROUP PLC**
acting by

_____

Director/Authorised signatory

_____

Director/Authorised signatory

_____

Witness

Name:

Address:

Occupation:

EXECUTED as a DEED by **MEREO BIOPHARMA GROUP PLC**
acting by

_____

Director/Authorised signatory

_____

Director/Authorised signatory

THIS INSTRUMENT is made as a deed poll on 29 March 2021

BY

MEREO BIOPHARMA GROUP PLC incorporated and registered in England and Wales with company number 09481161 whose registered office is at 4th Floor, 1 Cavendish Place, London W1G 0QF, United Kingdom (the "**Company**").

WHEREAS

(A) The Company issued a convertible loan note instrument on 3 June 2020 (as amended on 9 June 2020, 17 December 2020 and 5 February 2021) pursuant to which convertible loan notes with a face value of approximately £40,500,000 in aggregate were issued to certain investors (the "**CLN Instrument**").

(B) Pursuant to Clause 12.1 of the CLN Instrument, the Company is permitted to alter the provisions of the CLN Instrument by way of a deed poll where such a variation has received the prior written consent of a Noteholder Majority.

(C) This instrument is supplemental to the CLN Instrument and makes certain clarificatory amendments in relation to the calculation of a Noteholder's aggregate holding of voting rights for the purposes of the "Ownership Limit" provisions of paragraph 1.2 of Part 2 of Schedule 2 of the CLN Instrument in the manner set out herein.

IT IS AGREED AS FOLLOWS:

1. INTERPRETATION

Terms defined in the CLN Instrument shall have the same meanings as given therein when used in this Instrument unless otherwise defined herein.

2. AMENDMENT

Pursuant to the provisions of clause 12.1 of the CLN Instrument, the CLN Instrument shall, with immediate effect, be amended with the following marked changes:

2.1 A new definition of "Commission" shall be added to clause 1.2 reading as follows:

"Commission" has the meaning given in the Exchange Act.

2.2 A new definition of "Exchange Act" shall be added to clause 1.2 reading as follows:

*" **Exchange Act** " means the U.S. Securities Exchange Act of 1934, as amended.*

2.3 The definition of "Qualifying Noteholder" in clause 1.2 shall be amended as follows:

"***Qualifying Noteholder***" means any Noteholder ~~*holding*~~ *who together with any of their Affiliates, holds* Notes with a principal amount of £6,004,803.84 or greater.

2.4 Paragraph 4.9 of Part 1 of Schedule 2 shall be amended as follows:

The Pay Down Notice served on each Tranche 1 Noteholder pursuant to paragraph 4.7 above shall specify, at a minimum:

(a) *the number of Pay Down Securities the Company proposes to issue;*

(b) *~~each Tranche 1 Noteholder's current percentage holding of~~ the aggregate voting rights in the Company of the Ordinary Shares beneficially owned by each Tranche 1 Noteholder (calculated in accordance with the provisions of paragraph 1.2 of Part 2 of Schedule 2; and*

(c) *the issue date of the Pay Down Securities (which shall in all cases be within 5 Business Days of the date the Pay Down Notice was served).*

2.5 Paragraph 1.2 of Part 2 of Schedule 2 shall be amended as follows:

*Subject to paragraph 1.1 and paragraph 1.4 of this Part 2 of Schedule 2, all outstanding Tranche 1 Notes shall automatically convert into a number of fully paid Ordinary Shares upon Shareholder Approval being obtained, determined by dividing (x) the sum of (i) the outstanding principal amount, plus (ii) all accrued and unpaid interest thereon, plus (iii) any amount of the Uplift Payment (to the extent the same is applicable pursuant to the terms of this Instrument) which has become due and payable in accordance with paragraph 4.2 and has not already been paid or satisfied by the issue of Uplift Securities (or otherwise), by (y) the Tranche 1 Conversion Price then in effect; provided that (but subject to paragraph 1.4 of this Part 2 of Schedule 2 below) upon giving effect or immediately prior to such conversion, no ~~individual~~ Noteholder shall ~~hold~~ be the beneficial owner of Ordinary Shares representing more than 9.99% of the aggregate voting rights in the Company (the "**Ownership Limit**"). In the event that Conversion of any Noteholder's holding of Notes would result in, upon giving effect, or immediately prior to the Conversion, such Noteholder exceeding the Ownership Limit, the principal amount of the Notes held by such Noteholder which shall convert shall be the greatest amount possible without that Noteholder exceeding such Ownership Limit and the remaining principal balance on such Notes shall remain outstanding. For the purposes of the foregoing proviso, the aggregate number of Ordinary Shares beneficially owned by a Noteholder shall include the number of Shares issuable upon a conversion of the Notes with respect to which determination of such proviso is being made, but shall exclude the Shares which would be issuable upon (i) conversion of the remaining unconverted portion of Notes beneficially held by such Noteholder and (ii) exercise or conversion of the unexercised or unconverted portion of any other securities of the Company beneficially owned by the Noteholder subject to a limitation on conversion or exercise analogous to the limitation contained herein. Except as set forth in the preceding sentence, for purposes of this paragraph 1.2 of this Part 2 of Schedule 2 (and, for the avoidance of doubt, any calculations elsewhere in this Instrument expressed to be performed in accordance with the provisions of this paragraph 1.2 of this Part 2 of Schedule 2), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the rules and regulations of the Commission promulgated thereunder.*

2.6 Paragraph 1.3 of Part 2 of Schedule 2 shall be amended as follows:

Subject to paragraphs 1.1, 1.2 and 1.4 of this Part 2 of Schedule 2:

(a) *each Noteholder holding Tranche 1 Notes shall have the right, at any time prior to the Tranche 1 Maturity Date, to serve a Conversion Notice on the Company to convert all or, if the Ownership Limit applies, part of such Noteholder's Tranche 1 Notes then outstanding (together with any accrued but unpaid interest thereon) into fully paid Ordinary Shares at the Tranche 1 Conversion Price per Share; and*

(b) *each Noteholder holding Tranche 2 Notes shall have the right, at any time prior to the Tranche 2 Maturity Date applicable to such Noteholder's Tranche 2 Notes, to serve a Conversion Notice on the Company to convert all or, if the Ownership Limit applies, part of such Noteholder's Tranche 2 Notes then outstanding (together with any accrued but unpaid interest thereon) into fully paid Ordinary Shares at the Tranche 2 Conversion Price per Share,*

provided that, in each of the foregoing cases, at the time of the Conversion Notice, either (i) ~~such Noteholder's~~ the aggregate voting rights in the Company of the Ordinary Shares beneficially owned by such Noteholder (calculated in accordance with the provisions of paragraph 1.2 of Part 2 of Schedule 2) is not in excess of the Ownership Limit and would not become in excess of the Ownership Limit as a result of the conversion contemplated by such Conversion Notice; or (ii) such Noteholder has waived the application of the Ownership Limit in accordance with paragraph 1.4 of this Part 2 of Schedule 2.

2.7 Paragraph 1.5 of Part 2 of Schedule 2 shall be amended as follows:

The Conversion Notice shall set out, at a minimum:

(a) *the principal amount of the Tranche 1 Notes and/or Tranche 2 Notes to be converted;*

(b) *the amount (if any) of accrued but unpaid interest on such principal amount which is to be converted;*

(c) *~~the Noteholder's current percentage holding of~~ the aggregate voting rights in the Company of the Ordinary Shares beneficially owned by the Noteholder (calculated in accordance with the provisions of paragraph 1.2 of Part 2 of Schedule 2);*

(d) *the Conversion Date;*

(e) *whether the Ordinary Shares resulting from conversion are to be delivered as ADSs; and*

(f) *any conditions (if any) applicable to the conversion and agreed in writing in advance by the Company.*

2.8 Schedule 1 to this Instrument attaches a complete and clean copy of the CLN Instrument which incorporates the changes implemented pursuant to this Instrument.

3. MISCELLANEOUS

3.1 Aside from the amendment noted above, the CLN Instrument remains in full force and effect in accordance with its terms. Any existing Certificates remain in full force and effect subject only to the amendments to the CLN Instrument implemented pursuant to this Instrument.

3.2 This Instrument and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, the law of England and Wales.

3.3 The courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with this Instrument or its subject matter or formation (including non-contractual disputes or claims).

3.4 This instrument has been executed as a deed and is delivered and takes effect on the date stated at the beginning of it.

SCHEDULE 1

CLN INSTRUMENT – CLEAN COPY

THIS INSTRUMENT AND THE SECURITIES ISSUABLE UPON THE CONVERSION HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"). THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR PURSUANT TO AN APPLICABLE EXEMPTION THEREFROM.

DATED 29 MARCH 2021

AMENDED CONVERTIBLE LOAN NOTE INSTRUMENT DATED 3 JUNE 2020

RELATING TO

MEREO BIOPHARMA GROUP PLC

CONTENTS

THIS INSTRUMENT is made as a deed poll on 3 June 2020 and as amended on 9 June 2020, 17 December 2020, 5 February 2021, and 29 March 2021.

BY

MEREO BIOPHARMA GROUP PLC incorporated and registered in England and Wales with company number 09481161 whose registered office is at 4th Floor, 1 Cavendish Place, London W1G 0QF, United Kingdom (the "**Company**").

WHEREAS:

A. On 3 June 2020 the Company entered into certain financing transactions, pursuant to which OrbiMed Partners Master Fund Limited, OrbiMed Genesis Master Fund L.P. and OrbiMed Private Investments VII, LP (the "**Lead Investors**") and certain other investors (the "**Investors**") subscribed for the following securities of the Company: (x) a unit (referred to for convenience as "**Ordinary Units**"), consisting of (i) one ordinary share of the Company with a nominal value of £0.003 per share (such class of shares, the "**Ordinary Shares**," and all such shares to be issued to the Purchasers, the "**Shares**") together with (ii) one warrant to subscribe for 0.50 Ordinary Shares (all such warrants to be issued to the Purchasers, the "**Ordinary Warrants**"), at a purchase price of £0.174 per Unit and (y) a unit (referred to for convenience as the "**Convertible Units**") consisting of (i) one Note together with (ii) warrants to subscribe for a number of Ordinary Shares equal to 0.5 times the number of Ordinary Shares issuable upon conversion of each Note (all such warrants to be issued to the Purchasers, the "**Note Warrants**" and together with the Ordinary Warrants (the "**Warrants**") (the issuance of the foregoing Ordinary Units and Convertible Units collectively , the "**Transaction**").

B. By exercise of the powers conferred on them by the Articles, the Directors of the Company have, by a resolution passed on 1 June 2020, resolved to create, and to constitute the Notes hereunder.

C. This Instrument constitutes the Notes.

D. The Company and its subsidiaries are parties to an existing senior secured loan agreement in the principal amount of £20,455,000 with Silicon Valley Bank (as lender) ("**SVB**") and Kreos Capital V (UK) Limited (as lender, agent and security agent) ("**Kreos**"), dated 28 September 2018 (as updated and amended from time to time) (the "**Senior Loan**").

E. The Notes created hereunder shall be subordinated to the Senior Loan by entry into a separate subordination deed between the Noteholders, Kreos and SVB on or around the date hereof (the "**Subordination Agreement**").

AGREED TERMS

1. INTERPRETATION

1.1 The definitions and rules of interpretation in this clause apply in this Instrument.

1.2 **Acceleration Date:** has the meaning given in paragraph 4 of Part 1 of Schedule 2.

ADS: **has the meaning given in the Securities Purchase Agreement.**

ADS Exchange Ratio: means the ratio applicable to the exchange of Ordinary Shares for ADSs from time to time, currently being a ratio of 5 Ordinary Shares for each ADS.

Affiliate: means a person that owns or controls directly or indirectly another person, any person that controls or is controlled by or is under common control with the person, including, without limitation, any subsidiaries, and any of that person's general or limited partners, senior executive officers, directors and, for any person that is a limited liability company, that person's managers and members or any venture capital fund or registered investment company now or hereafter existing that is controlled by one or more general partners or managing members or investment advisor of, or shares the same management company or investors advisor (or member thereof) with, such person.

Alternative Warrant Conversion Notice: has the meaning given in the Securities Purchase Agreement.

Articles: means the articles of association of the Company, as amended or superseded.

Business Day: means any day other than Saturday, Sunday or federal legal holiday in the United States of America, or public holiday or bank holiday in the United Kingdom.

Certificate: means a Tranche 1 Note Certificate, a Tranche 2 Note Certificate or a Tranche 3 Note Certificate, as applicable.

Change of Control: means, (a) in one transaction or a series of related transactions, a person or one or more persons acting in concert, acquiring (i) all (or substantially all) of the share capital or assets of the Company, or (ii) more than fifty percent (50%) of the outstanding equity or other securities of the Company; or (b) any merger, consolidation, reorganisation, or business combination as a result of which the majority equity or other security holders of the Company immediately preceding such transaction (s) hold less than fifty percent (50%) of the outstanding voting power, respectively, of the ultimate company or entity resulting from such transaction(s)

immediately after consummation of such transaction. In the foregoing case, "acting in concert" means a group of persons who, pursuant to an agreement or understanding (whether formal or informal), actively co-operate, through the acquisition and/or ownership of voting shares in the Company, to obtain or consolidate control (directly or indirectly) of the Company provided that the persons voting in the same or consistent manner at any general meeting of the Company will not be considered to be acting in concert by virtue only of exercising their votes in such manner.

Change of Control Payment: has the meaning given in paragraph 4.12 of Part 1 of Schedule 2.

Closing Price: means: (i) if at the relevant time the Ordinary Shares continue to be admitted to trading on AIM, the most recently reported closing price of one Ordinary Share on AIM; or (ii) if at the relevant time the Shares are no longer admitted to trading on AIM, the implied price of one Ordinary Share in pounds sterling by reference to the most recently reported closing price of an ADS on Nasdaq.

Commission: **has the meaning given in the Exchange Act.**

Conditions: means the conditions attaching to the Notes, as set out in Schedule 2 (as amended from time to time in accordance with this Instrument).

Conversion Date: means (i) in the case of Tranche 1 Notes being converted automatically following Shareholder Approval pursuant to the provisions of paragraph 1.2 of Part 2 of Schedule 2, the date on which such Shareholder Approval is granted; and/or (ii), in the case of an Uplift Notice or Pay Down Notice, the date specified in such notice; and/or (iii) in all other cases, the date falling 5 Business Days after service of the Conversion Notice.

Conversion Notice: means a notice in writing served by a Noteholder to the Company to convert all or, if the Ownership Limit applies, some of its outstanding Notes.

Default Rate: means the Tranche 1 Default Rate, Tranche 2 Default Rate or Tranche 3 Default Rate (as applicable).

Depositary: has the meaning given in the Securities Purchase Agreement.

Directors: means the board of directors of the Company, or a duly authorised committee of that board, for the time being.

Effective Date: means the date of this Deed.

Event of Default: means any of the events set out in paragraph 5 of Part 1 of Schedule 2.

Exchange Act: means the U.S. Securities Exchange Act of 1934, as amended.

Existing Indebtedness: means any indebtedness incurred by a Group Company and outstanding on or prior to the Effective Date (which for the avoidance of doubt shall include indebtedness pursuant to the Senior Loan and the Novartis Loan Note).

Group Company: means each of the Company and its subsidiaries. **Interest Rate**: **has the meaning given in paragraph 1 of Part 1 of Schedule 2.** Kreos: has the meaning given in the recitals of this Instrument.

Lead Investors: has the meaning given in the recitals of this Instrument.

Nasdaq: means the Nasdaq Global Market or the Nasdaq Capital Market (as applicable).

Notes: means the Tranche 1 Notes, the Tranche 2 Notes or the Tranche 3 Notes, as applicable.

Noteholder: means a person for the time being entered in the Register as holder of any Notes.

Noteholder Majority: means Noteholders holding more than 50% of the principal amount of all outstanding Notes.

Noteholder Majority Consent: means the consent of a Noteholder Majority provided either at a meeting of Noteholders or in writing, in each case in accordance with the requirements of Schedule 3.

Novartis: means Novartis Pharma AG, a company incorporated under the laws of Switzerland.

Novartis Loan Note: means the convertible loan note originally issued by the Company to Novartis in the principal amount of £3,841,479 on 8 February 2020.

Ordinary Shares: means the ordinary shares of £0.003 each in the capital of the Company, which have the rights set out in the Articles.

Original Warrantholder: has the meaning given in the Securities Purchase Agreement.

Ownership Limit: has the meaning given in paragraph 1.2 of Part 2 of Schedule 2. Pay Down Issue: has the meaning given in paragraph 4.7 of Part 1 of Schedule 2. Pay Down Notice: has the meaning given in paragraph 4.7 of Part 1 of Schedule 2.
Pay Down Securities: has the meaning given in paragraph 4.7 of Part 1 of Schedule 2.

Pay Down Reduction Amount: has the meaning given in paragraph 4.8 of Part 1 of Schedule 2.

Qualifying Noteholder: means any Noteholder who, together with any of their Affiliates, holds Notes with a principal amount of £6,004,803.84 or greater.

Redemption Date: has the meaning given in paragraph 4.1 of Part 1 of Schedule 2.

Redemption Notice: has the meaning given in paragraph 4.13 of Part 1 of Schedule 2.

Register: means a register of Noteholders referred to in, and kept and maintained in accordance with, clause 8.

Registered Office: means the registered office of the Company from time to time.

Securities Purchase Agreement: means the agreement governing the purchase of Ordinary Shares comprising the Transaction among, *inter alios*, the Company, the Lead Investors and the other Investors party thereto, dated on or around the date hereof.

Senior Lenders: means SVB and Kreos (and each of them individually, a "Senior Lender") and/or their respective successors in title.

Senior Loan: has the meaning given in the recitals of this Instrument.

Shareholder Approval: has the meaning given in the Securities Purchase Agreement.

Shareholders Meeting: has the meaning given in the Securities Purchase Agreement.

Shares: has the meaning given in the recitals of this Instrument.

Subordination Agreement: has the meaning given in the recitals of this Instrument.

SVB: has the meaning given in the recitals of this Instrument.

Tranche 1 Conversion Price: £0.174 per Ordinary Share, subject to adjustment as set forth in Part 3 of Schedule 2.

Tranche 2 Conversion Price: £0.348 per Ordinary Share, subject to adjustment as set forth in Part 3 of Schedule 2.

Tranche 1 Default Rate: has the meaning given in paragraph 1.1 of Part 1 of Schedule 2.

Tranche 2 Default Rate: has the meaning given in paragraph 1.2 of Part 1 of Schedule 2.

Tranche 3 Default Rate: has the meaning given in paragraph 1.3 of Part 1 of Schedule 2.

Tranche 1 Extension Option: has the meaning given in paragraph 2.3 of Part 1 of Schedule 2.

Tranche 1 Extension Notice: has the meaning given in paragraph 2.3 of Part 1 of Schedule 2.

Tranche 2 Extension Option: has the meaning given in paragraph 2.5 of Part 1 of Schedule 2.

Tranche 2 Extension Notice: has the meaning given in paragraph 2.5 of Part 1 of Schedule 2.

Tranche 3 Extension Option: has the meaning given in paragraph 2.7 of Part 1 of Schedule 2.

Tranche 3 Extension Notice: has the meaning given in paragraph 2.7 of Part 1 of Schedule 2.

Tranche 1 Maturity Date: means 3 June 2023 or, in respect of any Tranche 1 Notes held by a Qualifying Noteholder, such later date as may be applicable following exercise of the Tranche 1 Extension Option.

Tranche 2 Maturity Date: means the date falling three years from the date of issue of such Tranche 2 Notes, or in respect of any Tranche 2 Notes held by a Qualifying Noteholder, such later date as may be applicable following exercise of the Tranche 2 Extension Option.

Tranche 3 Maturity Date: means 3 June 2025 or, in respect of any Tranche 3 Notes held by a Qualifying Noteholder, such later date as may be applicable following exercise of the Tranche 3 Extension Option and acceptance by the Company of the same.

Tranche 1 Note Certificate: a certificate for Tranche 1 Notes in the form (or substantially in the form) set out in Part 1 of Schedule 1.

Tranche 2 Note Certificate: a certificate for Tranche 2 Notes in the form (or substantially in the form) set out in Part 2 of Schedule 1.

Tranche 3 Note Certificate: a certificate for Tranche 3 Notes in the form (or substantially in the form) set out in Part 3 of Schedule 1.

Tranche 1 Noteholder: means a Noteholder holding Tranche 1 Notes.

Tranche 2 Noteholder: means a Noteholder holding Tranche 2 Notes.

Tranche 3 Noteholder: means a Noteholder holding Tranche 3 Notes.

Tranche 1 Notes: up to £40,533,671 in aggregate unsecured convertible loan notes of £1 principal amount each, maturing on the Tranche 1 Maturity Date constituted by this Instrument or, as the case may be, the principal amount of such loan notes for the time being issued and outstanding, and **principal amount** shall be construed accordingly.

Tranche 2 Notes: up to £40,032,025 in aggregate unsecured convertible loan notes of £1 principal amount each, maturing on the Tranche 2 Maturity Date constituted by this Instrument or, as the case may be, the **principal amount** of such loan notes for the time being issued and outstanding, and principal amount shall be construed accordingly.

Tranche 3 Notes: up to £56,044,831 in aggregate unsecured loan notes of £1 principal amount each, maturing on the Tranche 3 Maturity Date constituted by this Instrument or, as the case may be, the principal amount of such loan notes for the time being issued and outstanding, and **principal amount** shall be construed accordingly.

Transaction: has the meaning given in the recitals of this Instrument.

Uplift Allocation Notice: has the meaning given in paragraph 4.3 of part 1 of Schedule 2.

Uplift Reduction Amount: has the meaning given in paragraph 4.4 of part 1 of Schedule 2.

Uplift Securities: has the meaning given in paragraph 4.3 of part 1 of Schedule 2.

Warrant: has the meaning given in the recitals of this Instrument.

Warrant Instrument: means the instrument constituting the Warrants dated on or about the Effective Date.

1.3 Clause, Schedule and paragraph headings shall not affect the interpretation of this Instrument.

1.4 References to clauses and Schedules are to the clauses of and Schedules to this Instrument and references to paragraphs are to paragraphs of the relevant Schedule.

1.5 The Schedules (including, for the avoidance of doubt, the Conditions) form part of this Instrument and shall have effect as if set out in full in the body of this Instrument. Any reference to this Instrument includes the Schedules.

1.6 A reference to **this Instrument**, **the Conditions** or to any other agreement or document referred to in this Instrument or the Conditions is a reference to this Instrument (which shall include the Conditions), the Conditions or such other agreement or document as varied or novated in accordance with their terms from time to time.

1.7 Unless the context otherwise requires, words in the singular shall include the plural and in the plural shall include the singular.

1.8 Unless the context otherwise requires, a reference to one gender shall include a reference to the other genders.

1.9 A **person** includes a natural person, corporate or unincorporated body (whether or not having separate legal personality) and that person's personal representatives, successors and permitted assigns.

1.10 A reference to a **company** shall include any company, corporation or other body corporate, wherever and however incorporated or established.

1.11 A reference to a **holding company** or a **subsidiary** means a holding company or a subsidiary (as the case may be) as defined in section 1159 of the Companies Act 2006.

1.12 A reference to **writing** or **written** includes fax but not e-mail (unless otherwise expressly provided in this Instrument).

1.13 Any words following the terms **including**, **include**, **in particular**, **for example** or any similar expression shall be construed as illustrative and shall not limit the sense of the words, description, definition, phrase or term preceding those terms.

1.14 Where the context permits, **other** and **otherwise** are illustrative and shall not limit the sense of the words preceding them.

1.15 A reference to a statute or statutory provision is a reference to it as amended, extended or re-enacted from time to time.

1.16 A reference to a statute or statutory provision shall include all subordinate legislation made from time to time under that statute or statutory provision.

1.17 Any obligation on a person not to do something includes an obligation not to allow that thing to be done.

1.18 A reference in this Instrument to:

(a) any Notes being **outstanding** means such Notes as are in issue, not redeemed, not converted and not cancelled at the relevant time;

(b) the **assets** of any person shall be construed as a reference to all or any part of its business, undertaking, property, assets, revenues (including any right to receive revenues) and uncalled capital;

(c) **indebtedness** shall be construed as a reference to any obligation for the payment or repayment of money, whether as principal or as surety and whether present or future, actual or contingent;

(d) **repayment** includes redemption and vice versa and the words **repay, redeem, repayable, redeemed** and **repaid** shall be construed accordingly;

(e) **$ or USD** denotes the lawful currency of the United States of America;

(f) **£** or **sterling** denotes the lawful currency of the United Kingdom; and

(g) **tax** shall be construed so as to include any present and future tax, levy, impost, deduction, withholding, duty or other charge of a similar nature (including, without limitation, any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

1.19 Unless the context otherwise requires, a reference to the **Notes** includes a reference to all and/or any of the Notes.

2. AMOUNT AND DESCRIPTION OF NOTES

2.1 The aggregate principal amount of the Tranche 1 Notes is limited to £40,533,671.

2.2 The aggregate principal amount of the Tranche 2 Notes is limited to £40,032,025.

2.3 The aggregate principal amount of the Tranche 3 Notes is limited to £56,044,831.

2.4 The Tranche 1 Notes shall be known as the unsecured convertible loan notes due 2023 and shall be issued by the Company in integral multiples of £1.

2.5 The Tranche 2 Notes shall be known as the unsecured convertible loan notes due 2026 and shall be issued by the Company in integral multiples of £1.

2.6 The Tranche 3 Notes shall be known as the unsecured loan notes due 2025 and shall be issued by the Company in integral multiples of £1.

3. STATUS OF NOTES

3.1 The Notes when issued and outstanding shall rank pari passu, equally and rateably, without discrimination or preference among themselves and as unsecured obligations of the Company.

3.2 The Notes shall be issued and held subject to and with the benefit of the provisions of this Instrument (including the Conditions). All such provisions shall be binding on the Company and the Noteholders and all persons claiming through or under them respectively and shall enure for the benefit of all Noteholders.

3.3 No Notes shall be issued or deemed issued pursuant to this Instrument until Closing (as defined in the Securities Purchase Agreement) has occurred in accordance with the terms and conditions of the Securities Purchase Agreement.

3.4 No Tranche 2 Notes shall be issued to any person who is not a Qualifying Noteholder and has not served upon the Company an Optional Warrant Conversion Notice (as defined in the Securities Purchase Agreement) in accordance with the provisions of section 5(h)(ii) of the Securities Purchase Agreement.

3.5 Any Qualifying Noteholder who delivers an Optional Warrant Conversion Notice (as defined in the Securities Purchase Agreement) in accordance with the provisions of Clause section 5(h)(ii) of the Securities Purchase Agreement shall have the subscription monies paid to the Company thereunder applied towards the subscription price for Tranche 2 Notes (in the face amount of £1 for each Tranche 2 Note issued) in accordance with section 5(h)(ii) of the Securities Purchase Agreement. The subscription price in respect of all Warrants subject to the Optional Warrant Conversion Notice shall be aggregated for purposes of determining the number of Tranche 2 Notes issued, provided that no Tranche 2 Notes shall be issued for any part payment towards a Tranche 2 Note and after aggregation of all such amounts, any remaining fractional sums pursuant to an Optional Warrant Conversion Notice shall be discounted when calculating the number of Tranche 2 Notes to be issued.

3.6 No Tranche 3 Notes shall be issued to any person if the Shareholder Approval is obtained on or before 7 August, 2020.

3.7 If the Shareholder Approval is not obtained on or before 7 August, 2020, the Company shall deliver Tranche 3 Notes (in the face amount of £1 for each Tranche 3 Note issued) to each Original Warrantholder that delivers an Alternative Warrant Conversion Notice in accordance with section 5(i)(ii) of the Securities Purchase Agreement, within five (5) Business Days after the surrender by the holder of the certificate representing the Warrant and the delivery of the Alternative Warrant Conversion Notice.

3.8 For so long as the Senior Loan remains outstanding, no Notes shall be issued or deemed issued to any person pursuant to this Instrument unless such person has first executed the Subordination Agreement or a deed of adherence to the Subordination Agreement (pursuant to which such person becomes bound by the terms of the Subordination Agreement) and provided a copy of such executed document to the Company and the Senior Lenders.

4. USE OF PROCEEDS

4.1 The proceeds of all subscriptions for the Notes shall be used in accordance with the terms and conditions of Section 5(j) of the Securities Purchase Agreement.

4.2 No part of the proceeds of any subscription for the Notes shall be used by the Company to make any dividend or distribution to any shareholder in the Company, or for the repurchase of Ordinary Shares.

5. REPAYMENT OF NOTES

5.1 The Notes shall be repaid in accordance with Part 1 of Schedule 2.

5.2 All Notes repaid by the Company shall be automatically and immediately cancelled and shall not be reissued.

6. INTEREST

Until the Notes are repaid by the Company or converted into Ordinary Shares, in each case in accordance with the provisions of this Instrument, interest shall accrue and be paid on the principal amount of the Notes outstanding at the rate and in the manner provided in Part 1 of Schedule 2.

7. CERTIFICATES

7.1 Each Noteholder (or the joint holders of any Notes) shall be entitled to receive, without charge, one Tranche 1 Note Certificate and/or Tranche 2 Note Certificate and/or Tranche 3 Note Certificate (as applicable) for the Tranche 1 Notes and/or Tranche 2 Notes and/or Tranche 3 Notes registered in his (or their) names.

7.2 Where any Notes are held jointly, the Company shall not be bound to issue more than one Certificate in respect of such Notes and delivery of a Certificate to the person who is first named in the Register as Noteholder shall be sufficient delivery to all joint holders of such Notes.

7.3 Each Certificate shall:

(a) bear a denoting number;

(b) indicate whether it relates to Tranche 1 Notes, Tranche 2 Notes, or Tranche 3 Notes;

(c) be issued and executed by the Company as a deed in the form (or substantially in the form) set out in Part 1 of Schedule 1, Part 2 of Schedule 1 or Part 3 of Schedule 1 (as applicable); and

(d) have the Conditions endorsed on or attached to it.

7.4 In the case of repayment or transfer of part only of a Noteholder's Notes, the Certificate(s) in respect of such Notes shall be either:

(a) endorsed with a memorandum of the nominal amount of the Notes so redeemed or transferred and the date of such repayment or transfer; or

(b) cancelled and (without charge) replaced by a new Certificate for the balance of the principal amount of the Notes not then repaid or transferred.

8. THE REGISTER

8.1 The Company shall keep and maintain the Register at the Registered Office or (subject always to the provisions of section 743 of the Act) at such other place as the Company may from time to time appoint for this purpose and notify to the Noteholders.

8.2 There shall be entered in the Register:

(a) the names and addresses of the Noteholders for the time being;

(b) the principal amount of the Notes held by each Noteholder;

(c) whether the Notes held by each Noteholder are Tranche 1 Notes, Tranche 2 Notes or Tranche 3 Notes;

(d) the date of issue of each of the Notes and the date on which the name of each Noteholder is entered in the Register in respect of the Notes registered in his name;

(e) the serial number of each Certificate issued and the date of its issue; and

(f) the date(s) of all transfers and changes of ownership of any of the Notes.

8.3 The Company shall promptly amend the Register to record any change to the name or address of a Noteholder that is notified in writing to the Company by that Noteholder.

8.4 The Noteholders or any of them, or any person authorised by a Noteholder, shall be at liberty at all reasonable times during office hours to inspect the Register and to take copies of or extracts from it or any part of it.

8.5 Every Noteholder shall be recognised by the Company as entitled to his Notes free from any equity, set-off or cross-claim against the original or an intermediate holder of such Notes.

9. NOTES NOT TO BE QUOTED

No application has been, or shall be, made (unless pursuant to paragraph 7.2 of Part 1 of Schedule 2) to any investment exchange (whether in the United Kingdom or otherwise) for permission to deal in, or for an official or other listing or quotation, in respect of the Notes.

10. SET-OFF

Payments of principal and interest in respect of the Notes shall be paid by the Company to the Noteholders in accordance with the Conditions without any deduction or withholding (whether in respect of any set-off, counterclaim or otherwise whatsoever) unless the deduction or withholding is required by law.

11. MEETINGS OF NOTEHOLDERS

Meetings of the Noteholders shall be convened and held in accordance with the provisions of Schedule 3.

12. VARIATION

12.1 All or any of the rights for the time being attached to the Notes or other provisions of this Instrument may from time to time (whether or not the Company is being wound up) be altered or abrogated with the prior written consent of a Noteholder Majority. Any such alteration or abrogation shall be effected by way of deed poll executed by the Company and expressed to be supplemental to this Instrument.

12.2 Modifications to this Instrument which are of a minor nature or made to correct a manifest error may be effected by way of deed poll executed by the Company and expressed to be supplemental to this Instrument.

12.3 The Company shall, within 5 Business Days of making any variation pursuant to this clause 12, send to each Noteholder (or, in the case of joint holders, to the Noteholder named first in the Register) a copy of the deed poll (or other document) effecting the variation.

12.4 Any modification, alteration or abrogation made pursuant to clause 12.1 or clause 12.2 shall be binding on all the Noteholders.

13. ENFORCEMENT AND THIRD PARTY RIGHTS

13.1 From and after the date of this Instrument, and for so long as any Notes are outstanding or any amount is payable or repayable by the Company in respect of the Notes, the Company undertakes to duly perform and observe its obligations under this Instrument.

13.2 Except as expressly provided in clause 13.3, a person who is not a party to this Instrument shall not have any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Instrument.

13.3 This Instrument shall operate for the benefit of all Noteholders and each Noteholder shall be entitled to sue for the performance or observance of the provisions of this Instrument in his own right so far as his own holding of Notes is concerned.

14. NOTICES

Any notice to be given to or by any Noteholder(s) for the purposes of this Instrument shall be given in accordance with the provisions of paragraph 9 and paragraph 10 of Part 3 of Schedule 2.

15. GOVERNING LAW AND JURISDICTION

15.1 This Instrument and the Notes and any dispute or claim arising out of or in connection with any of them or their subject matter or formation (including non- contractual disputes or claims) shall be governed by, and construed in accordance with, the law of England and Wales.

15.2 The courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with this Instrument or the Notes or their subject matter or formation (including non-contractual disputes or claims).

This instrument has been executed as a deed and is delivered and takes effect on the date stated at the beginning of it.

Schedule 1

Part 1. - Form of Tranche 1 Note Certificate

Certificate No. [NUMBER]
Date of Issue [•] [June] 2020
Amount £[AMOUNT]

MEREO BIOPHARMA GROUP PLC
£[AMOUNT]
UNSECURED CONVERTIBLE LOAN NOTES

Created and issued pursuant to a resolution of a duly appointed committee of the board of directors of the Company passed on 3 June 2020.

THIS IS TO CERTIFY THAT [NAME OF NOTEHOLDER] is the registered holder of £[AMOUNT] of the £[AMOUNT] unsecured convertible loan notes 2023 constituted by an instrument entered into by the Company on [•] [June] 2020 ("**Instrument**"). These are Tranche 1 Notes. Such Tranche 1 Notes are issued with the benefit of and subject to the provisions contained in the Instrument and the Conditions endorsed on or annexed to this Certificate.

Notes:

1. The Tranche 1 Notes are repayable and shall bear interest in accordance with the Conditions.

2. This Certificate must be surrendered to the Company before any transfer or repayment, whether of the whole or any part of the Tranche 1 Notes comprised in it, can be registered or effected, or any new certificate issued in exchange.

3. Any change of address of the Noteholder(s) must be notified in writing signed by the Noteholder(s) to the Company at the Registered Office.

4. Subject to the Conditions, the Tranche 1 Notes are transferable in amounts and in integral multiples of £1.

5. No transfer of any part of the Tranche 1 Notes represented by this Certificate can be registered without production of this Certificate.

6. Words and expressions defined in the Instrument shall bear the same meaning in this Certificate and in the Conditions.

7. The Tranche 1 Notes and any dispute or claim arising out of or in connection with any of them or their subject matter or formation (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, the law of England and Wales. The courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with the Tranche 1 Notes or their subject matter or formation (including non-contractual disputes or claims).

8. A copy of the Instrument is available for inspection at the registered office of the Company.

This Certificate has been executed as a deed and is delivered and takes effect on the date of issue stated at the beginning of it.

Executed as a deed by MEREO BIOPHARMA GROUP PLC acting by [NAME OF DIRECTOR], a director

_____
[SIGNATURE OF DIRECTOR]
Director
in the presence of:
Witness Signature:_____
Name:_____
Address:_____
Occupation
Dated: [INSERT DATE]

Part 2. - Form of Tranche 2 Note Certificate

Certificate No. [NUMBER]
Date of Issue [•] [•] [•]
Amount £[AMOUNT]

MEREO BIOPHARMA GROUP PLC
£[AMOUNT]
UNSECURED CONVERTIBLE LOAN NOTES

Created and issued pursuant to a resolution of a duly appointed committee of the board of directors of the Company passed on 3 June 2020.

THIS IS TO CERTIFY THAT [NAME OF NOTEHOLDER] is the registered holder of £[AMOUNT] of the £[AMOUNT] unsecured convertible loan notes with a Maturity Date of [•], constituted by an instrument entered into by the Company on [•] [June] 2020 ("**Instrument**"). These are Tranche 2 Notes. Such Tranche 2 Notes are issued with the benefit of and subject to the provisions contained in the Instrument and the Conditions endorsed on or annexed to this Certificate.

Notes:

1. The Tranche 2 Notes are repayable and shall bear interest in accordance with the Conditions.

2. This Certificate must be surrendered to the Company before any transfer or repayment, whether of the whole or any part of the Tranche 2 Notes comprised in it, can be registered or effected, or any new certificate issued in exchange.

3. Any change of address of the Noteholder(s) must be notified in writing signed by the Noteholder(s) to the Company at the Registered Office.

4. Subject to the Conditions, the Tranche 2 Notes are transferable in amounts and in integral multiples of £1.

5. No transfer of any part of the Tranche 2 Notes represented by this Certificate can be registered without production of this Certificate.

6. Words and expressions defined in the Instrument shall bear the same meaning in this Certificate and in the Conditions.

7. The Tranche 2 Notes and any dispute or claim arising out of or in connection with any of them or their subject matter or formation (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, the law of England and Wales. The courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with the Tranche 2 Notes or their subject matter or formation (including non-contractual disputes or claims).

8. A copy of the Instrument is available for inspection at the registered office of the Company.

This Certificate has been executed as a deed and is delivered and takes effect on the date of issue stated at the beginning of it.

Executed as a deed by MEREO BIOPHARMA GROUP PLC acting by [NAME OF DIRECTOR], a director

_____
[SIGNATURE OF DIRECTOR]
Director
in the presence of:
Witness Signature:_____
Name:_____
Address:_____
Occupation
Dated: [INSERT DATE]

Part 3. - Form of Tranche 3 Note Certificate

Certificate No. [NUMBER]
Date of Issue [•] [•] [•]
Amount £[AMOUNT]

MEREO BIOPHARMA GROUP PLC
£[AMOUNT]
UNSECURED LOAN NOTES

Created and issued pursuant to a resolution of a duly appointed committee of the board of directors of the Company passed on 3 June 2020.

THIS IS TO CERTIFY THAT [NAME OF NOTEHOLDER] is the registered holder of £[AMOUNT] of the £[AMOUNT] unsecured loan notes with a Maturity Date of [•] June 2025, constituted by an instrument entered into by the Company on [•] [June] 2020 ("**Instrument**"). These are Tranche 3 Notes. Such Tranche 3 Notes are issued with the benefit of and subject to the provisions contained in the Instrument and the Conditions endorsed on or annexed to this Certificate.

Notes:

1. The Tranche 3 Notes are repayable and shall bear interest in accordance with the Conditions.

2. This Certificate must be surrendered to the Company before any transfer or repayment, whether of the whole or any part of the Tranche 3 Notes comprised in it, can be registered or effected, or any new certificate issued in exchange.

3. Any change of address of the Noteholder(s) must be notified in writing signed by the Noteholder(s) to the Company at the Registered Office.

4. Subject to the Conditions, the Tranche 3 Notes are transferable in amounts and in integral multiples of £1.

5. No transfer of any part of the Tranche 3 Notes represented by this Certificate can be registered without production of this Certificate.

6. Words and expressions defined in the Instrument shall bear the same meaning in this Certificate and in the Conditions.

7. The Tranche 3 Notes and any dispute or claim arising out of or in connection with any of them or their subject matter or formation (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, the law of England and Wales. The courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with the Tranche 3 Notes or their subject matter or formation (including non-contractual disputes or claims).

8. A copy of the Instrument is available for inspection at the registered office of the Company.

This Certificate has been executed as a deed and is delivered and takes effect on the date of issue stated at the beginning of it.

Executed as a deed by MEREO BIOPHARMA GROUP PLC acting by [NAME OF DIRECTOR], a director

_____

[SIGNATURE OF DIRECTOR]
Director
in the presence of:
Witness Signature:_____
Name:_____
Address:_____
Occupation
Dated: [INSERT DATE]

Schedule 2 The Conditions

Part 1. Interest, repayment and redemption

1. INTEREST

1.1 Interest shall initially be payable on any outstanding Tranche 1 Notes (so far as not converted under Part 2 of Schedule 2) at a fixed rate of 10% per annum **(**the "**Interest Rate**"), subject to the following adjustments:

(a) if Shareholder Approval is obtained on or prior to 7 August 2020, the initial 10% rate shall be reduced to 6% per annum, with effect retroactively as of the Effective Date;

(b) if an Event of Default takes place and is not remedied by the Company in accordance with the applicable provisions of this Part 1 of Schedule 2, the Tranche 1 Interest Rate shall be increased by 2% per annum with effect from the date of such Event of Default (or, if applicable, the expiry of any cure period applicable thereto) (the "**Tranche 1 Default Rate**"); and

(c) if the Tranche 1 Extension Option is exercised, interest shall cease to be payable on the Tranche 1 Notes from the date of the relevant Tranche 1 Extension Notice (other than any interest payable at the Tranche 1 Default Rate following an Event of Default, which, for the avoidance of doubt, shall apply at a flat rate of 2% in such circumstances and remain payable).

1.2 Interest shall not be payable on any outstanding Tranche 2 Notes or Tranche 3 Notes other than where an Event of Default takes place and is not remedied by the Company in accordance with the applicable provisions of this Part 1 of Schedule 2, where interest shall be payable on the Tranche 2 Notes and/or Tranche 3 Notes (as applicable) at a rate of 2% per annum with effect from the date of such Event of Default (or, if applicable, the expiry of any cure period applicable thereto) (the "**Tranche 2 Default Rate**" and "**Tranche 3 Default Rate**", respectively).

1.3 Any interest due under paragraphs 1.1 or 1.2 shall be payable on the Redemption Date.

1.4 Interest, if payable, shall accrue daily at the Interest Rate and shall be calculated on the basis of a 365-day year and the actual number of days elapsed from the date of issue of the relevant Notes to the Redemption Date.

1.5 If the Company fails to pay redemption monies when due, interest shall accrue on the unpaid amount at the applicable Default Rate.

2. REPAYMENT OF PRINCIPAL

2.1 As and when the Notes (or any part of them) are to be redeemed in accordance with paragraph 4 of this Part 1 of Schedule 2, the Company shall pay the Noteholders the principal amount of the Notes which are to be redeemed, subject to adjustment in accordance with paragraph 4.2 of this Part 2 of Schedule 2.

2.2 No prepayment of the principal amount of the Notes or any interest accrued thereon prior to the earlier of the Maturity Date or, in the event of a Change of Control, the date on which the consideration in respect of such Change of Control is remitted to the holders of Ordinary Shares, shall be permitted without the consent of a Noteholder Majority, and, if required, the consent of the Senior Lenders pursuant to the terms of the Subordination Deed.

2.3 At any time prior to the Tranche 1 Maturity Date, a Qualifying Noteholder may (but shall not be required to) notify the Company that it wishes to extend the Tranche 1 Maturity Date in respect of that Noteholder's Tranche 1 Notes to a new date to be specified in such notice provided such date is a Business Day and not later than the date 10 years after the date of this Instrument (a "**Tranche 1 Extension Notice**"), and the Company shall accept such extension (the "**Tranche 1 Extension Option**"), whereupon the Tranche 1 Maturity Date shall be revised accordingly. A Qualifying Noteholder may only issue a Tranche 1 Extension Notice once and any such Tranche 1 Extension Option must be used in respect of all Tranche 1 Notes held by such Qualifying Noteholder. From the date of such Tranche 1 Extension Notice, other than amounts accrued prior to delivery of the Tranche 1 Extension Notice, no additional interest shall be payable on the Tranche 1 Notes held by the exercising Qualifying Noteholder (other than any interest which becomes payable at the Tranche 1 Default Rate).

2.4 On the date of the Tranche 1 Extension Notice the exercising Qualifying Noteholder shall deliver to the Company the Tranche 1 Note Certificate in respect of the Tranche 1 Notes which are the subject of such Tranche 1 Extension Notice, and the Company shall, within 5 Business Days' of the exercise of the Tranche 1 Extension Option, issue to such Qualifying Noteholder a replacement Tranche 1 Note Certificate bearing the revised Tranche 1 Maturity Date.

2.5 A Qualifying Noteholder who holds both Tranche 1 Notes and Tranche 2 Notes may (but shall not be required) if they have already served an Extension Notice (or contemporaneously with the service of an Extension Notice), notify the Company that it wishes to extend the Tranche 2 Maturity Date in respect of that Noteholder's Tranche 2 Notes to the same date that it has specified as the Tranche 1 Maturity Date pursuant to its Extension Notice for Tranche 1 Notes (such further notice being a "**Tranche 2 Extension Notice**"), and the Company shall accept such extension (the "**Tranche 2 Extension Option**"), whereupon the Tranche 2 Maturity Date shall be revised accordingly. A Qualifying Noteholder may only issue a Tranche 2 Extension Notice once and any such Tranche 2 Extension Option must be used in respect of all Tranche 2 Notes held by such Qualifying Noteholder.

2.6 On the date of the Tranche 2 Extension Notice the exercising Qualifying Noteholder shall deliver to the Company the Tranche 2 Note Certificate in respect of the Tranche 2 Notes which are the subject of such Tranche 2 Extension Notice, and the Company shall, within 5 Business Days' of the exercise of the Tranche 2 Extension Option, issue to such Qualifying Noteholder a replacement Tranche 2 Note Certificate bearing the revised Tranche 2 Maturity Date.

2.7 Any Qualifying Noteholder who holds Tranche 3 Notes may (but shall not be required), notify the Company that it wishes to extend the Tranche 3 Maturity Date in respect of that Qualifying Noteholder's Tranche 3 Notes to a new date to be specified in such notice provided such date is a Business Day and not later than the date 10 years after the date of this Instrument (such notice being a "**Tranche 3 Extension Notice**"). Upon receipt of a Tranche 3 Extension Notice, the Company may reject a Tranche 3 Extension Notice by providing written notice of such rejection to the Noteholder within 30 Business Days of receipt of such Tranche 3 Extension Notice (whereupon no extension of such Noteholder's Tranche 3 Notes shall occur). If the Company does not reject a Tranche 3 Extension Notice within such foregoing period, the Tranche 3 Extension Notice shall be considered accepted (the "**Tranche 3 Extension Option**"), whereupon the Tranche 3 Maturity Date shall be revised accordingly. A Qualifying Noteholder may only issue a Tranche 3 Extension Notice once and any such Tranche 3 Extension Option must be used in respect of all Tranche 3 Notes held by such Qualifying Noteholder.

2.8 On the date of the Tranche 3 Extension Notice the exercising Qualifying Noteholder shall deliver to the Company the Tranche 3 Note Certificate in respect of the Tranche

3 Notes which are the subject of such Tranche 3 Extension Notice. If the Company rejects the Tranche 3 Extension Notice, the Company shall promptly return such Tranche 3 Note Certificate to the Noteholder. If the Tranche 3 Extension Option is accepted, the Company shall, within 5 Business Days' of the exercise of the Tranche 3 Extension Option, issue to such Qualifying Noteholder a replacement Tranche 3 Note Certificate bearing the revised Tranche 3 Maturity Date.

3. TIME OF PAYMENT

Whenever any payment of principal (or otherwise) becomes due on a day which is not a Business Day, payment shall be made on the next following Business Day.

4. REDEMPTION

4.1 The Notes then in issue (so far as not converted under Part 2 of this Schedule 2) shall be redeemed at the principal amount together with interest on the Notes outstanding at the applicable Interest Rate on the earlier of the following dates:

(a) the Tranche 1 Maturity Date, Tranche 2 Maturity date or Tranche 3 Maturity date (as applicable); or

(b) in the event of a Change of Control, the date on which the consideration in respect of such Change of Control is remitted to the holders of Ordinary Shares; or

(c) following the occurrence of an Event of Default and the expiry of any applicable grace period applicable to such Event of Default as set out in paragraph 5 of this Part 1 of Schedule 2 (the date on which an Event of Default occurs or, if later, the relevant grace period (if any) expires, the "**Acceleration Date**"), the date specified in the relevant Redemption Notice;

(the "**Redemption Date**").

4.2 Subject to paragraph 4.12 below, in the event that Shareholder Approval has not been obtained on or before 7 August 2020, in addition to the amounts otherwise payable on the Redemption Date, each Noteholder holding any Tranche 1 Notes shall be entitled to be paid an additional sum on the Redemption Date, the amount of which shall be equal to the principal amount of the Tranche 1 Notes outstanding on 7 August, 2020 and held by such Noteholder in recognition of such Noteholder not being able to (i) participate in the equity of the Company through conversion of the Tranche 1 Notes, or (ii) benefit from any Warrants that were intended to be issued to such Tranche 1 Noteholder as part of the Transaction (such sum being the "**Uplift Payment**").

Notwithstanding the foregoing, in the event that Shareholder Approval has not been obtained on or before 7 August 2020, upon conversion of the Notes in accordance with Part 2 of Schedule 2, the Noteholder shall be entitled to the benefit of the Uplift Payment. In the event that the Shareholder Approval has not been obtained on or before 7 August 2020 and a Noteholder did not attend (either in person or by proxy) any general meeting of the Company's members called for the purposes of obtaining the Shareholder Approval and vote in favour of such Shareholder Approval with the entirety of all voting rights available to such Noteholder, such Noteholder shall cease to be entitled to the benefit of the Uplift Payment in any circumstances.

4.3 At any time after 7 August 2020, when (i) at least one Tranche 1 Noteholder is entitled to the Uplift Payment pursuant to paragraph 4.2 above; (ii) the Closing Price is above the Tranche 1 Conversion Price; and (iii) the Company has authority from its shareholders to allot additional Ordinary Shares, the Company may at its discretion notify all (but not some) Tranche 1 Noteholders that it wishes to satisfy its obligations in respect of all or any portion of the Uplift Payment by the issuance of further Ordinary Shares pro rata to all Noteholder(s) (such Ordinary Shares being "**Uplift Securities**") (such notice an "**Uplift Allocation Notice**").

4.4 The amount of the Uplift Payment to be satisfied by the Uplift Securities shall be calculated by: multiplying (x) being the number of Uplift Securities the Company wishes to issue, by (y) being the Tranche 1 Conversion Price (the "**Uplift Reduction Amount**").

4.5 The Uplift Allocation Notice served pursuant to paragraph 4.3 above shall specify, at a minimum:

(a) the number of Uplift Securities the Company proposes to issue;

(b) each Tranche 1 Noteholder's current percentage holding of the aggregate voting rights in the Company; and

(c) the issue date of the Uplift Securities (which shall in all cases be within 5 Business Days of the date the Uplift Allocation Notice was served).

4.6 In the event that:

(a) there is only one Tranche 1 Noteholder, that Noteholder shall be automatically deemed to have subscribed for the maximum number of Uplift Securities as it is possible to subscribe without the Ownership Limit of that Tranche 1 Noteholder being exceeded; and

(b) if there is more than one Tranche 1 Noteholder, each Tranche 1 Noteholder shall be automatically deemed to have subscribed (and such subscription shall be deemed satisfied out of each Tranche 1 Noteholder's entitlement to the Uplift Payment) for such number of Uplift Securities as is determined pro rata to each Tranche 1 Noteholder's proportionate entitlement to the Uplift Payment (provided that such amount does not result in the Ownership Limit being exceeded, and if it was to so result, such Tranche 1 Noteholder shall be required to subscribe for the maximum amount of Uplift Securities that such Tranche 1 Noteholder could receive without being in breach of the Ownership Limit, any excess Uplift Securities would then be allocated to each other Tranche 1 Noteholder (who would be deemed to subscribe for the same) pro rata to their entitlement to the Uplift Payment until either all Uplift Securities have been allocated amongst all Tranche 1 Noteholders or all Tranche 1 Noteholders have each reached the Ownership Limit),

and in each case the Company shall issue such Uplift Securities (which shall be credited as fully paid and rank pari passu with Ordinary Shares of the same class in issue on the Conversion Date) within 5 Business Days of the Uplift Allocation Notice and the applicable Tranche 1 Noteholder's entitlement to the Uplift Payment shall thereon be reduced by their proportion of the Uplift Reduction Amount.

4.7 At any time when (i) the Company has satisfied the entirety of its obligations in respect of the Uplift Payment through the issue of Uplift Securities pursuant to paragraphs 4.3 to 4.6 above (or the Uplift Payment has otherwise been discharged or waived); (ii) the Closing Price is above the Tranche 1 Conversion Price, and (iii) the Company has authority from its shareholders to allot additional Ordinary Shares; the Company may notify all (but not some) of the Tranche 1 Noteholders that it wishes to satisfy its obligations in respect of an amount of interest and/or principal under the Tranche 1 Notes by the issuance of further Ordinary Shares pro rata to all Tranche 1 Noteholders (such Ordinary Shares being "**Pay Down Securities**") (such notice a "**Pay Down Notice**" and such process a "**Pay Down Issue**").

4.8 The amount of principal and interest in respect of the Tranche 1 Notes to be satisfied by the issue of Pay Down Securities shall be calculated by: multiplying (x) being the number of Pay Down Securities the Company wishes to issue, by (y) being the Tranche 1 Conversion Price (the "**Pay Down Reduction Amount**").

4.9 The Pay Down Notice served on each Tranche 1 Noteholder pursuant to paragraph 4.7 above shall specify, at a minimum:

(a) the number of Pay Down Securities the Company proposes to issue;

(b) the aggregate voting rights in the Company of the Ordinary Shares beneficially owned by each Tranche 1 Noteholder (calculated in accordance with the provisions of paragraph 1.2 of Part 2 of Schedule 2); and

(c) the issue date of the Pay Down Securities (which shall in all cases be within 5 Business Days of the date the Pay Down Notice was served).

4.10 In the event that:

(a) there is only one Tranche 1 Noteholder, that Tranche 1 Noteholder shall be automatically deemed to have subscribed for the maximum number of Pay Down Securities as it is possible to subscribe without the Ownership Limit of that Tranche 1 Noteholder being exceeded; and

(b) there is more than one Tranche 1 Noteholder, each Tranche 1 Noteholder shall be automatically deemed to have subscribed (and such subscription shall be deemed satisfied out of each Tranche 1 Noteholder's entitlement to principal and/or interest under the Notes) for the maximum amount of Pay Down Securities that such Tranche 1 Noteholder could receive without being in breach of the Ownership Limit, any excess Pay Down Securities would then be allocated to each other Tranche 1 Noteholder (who would be deemed to subscribe for the same) pro rata to their entitlement outstanding interest and/or principal under the Tranche 1 Notes until either all Pay Down Securities have been allocated amongst all Tranche 1 Noteholders or all Tranche 1 Noteholders have each reached the Ownership Limit,

and in each case the Company shall issue such Pay Down Securities (which shall be credited as fully paid and rank pari passu with Ordinary Shares of the same class in issue on the Conversion Date) within 5 Business Days of the Pay Down Notice and the applicable Tranche 1 Noteholder's entitlement to principal amount and/or interest shall thereon be reduced by their proportion of the Pay Down Reduction Amount.

4.11 At any time when (i) the Company has satisfied all principal and interest outstanding in respect of the Tranche 1 Notes by the issue of Pay Down Securities; (ii) the Closing Price is above the Tranche 2 Conversion Price, and (iii) the Company has authority from its shareholders to allot additional Ordinary Shares, the Company may serve a Pay Down Notice on the Tranche 2 Noteholders, notifying them it wishes to satisfy its obligations in respect of any interest and/or principal amount under the Tranche 2 Notes by way of a Pay Down Issue, and the provisions of the foregoing paragraphs 4.7 to 4.10 above shall apply *mutatis mutandis* in respect of any such Pay Down Issue in respect of the Tranche 2 Notes (and in such circumstances, for the avoidance of doubt, (y) for the purposes of calculating the Pay Down Reduction

Amount pursuant to paragraph 4.8 shall be the Tranche 2 Conversion price). At any time when (i) the Company has satisfied all principal and interest outstanding in respect of the Tranche 2 Notes by the issue of Pay Down Securities; and (ii) the Company has authority from its shareholders to allot additional Ordinary Shares, the Company may serve a Pay Down Notice on the Tranche 3 Noteholders, notifying them it wishes to satisfy its obligations in respect of any interest and/or principal amount under the Tranche 3 Notes by way of a Pay Down Issue, and the provisions of the foregoing paragraphs 4.7 to 4.10 above shall apply *mutatis mutandis* in respect of any such Pay Down Issue in respect of the Tranche 3 Notes (and in such circumstances, for the avoidance of doubt, (y) for the purposes of calculating the Pay Down Reduction Amount in respect of Tranche 3 Notes pursuant to paragraph 4.8 shall be the weighted average of the Closing Price on the 5 Business Days immediately prior to the date on which the Pay Down Notice is served in respect of such Tranche 3 Notes).

4.12 In the event that (i) a Change of Control occurs on or prior to 7 August 2020 and Shareholder Approval has not been obtained on or prior to the date of such Change of Control; or (ii) Shareholder Approval has not been obtained on or before 7 August 2020 and following 7 August 2020 but prior to the Tranche 1 Maturity Date, the Company undergoes a Change of Control; in either case the Company shall pay or cause to be paid, within 3 Business Days of the date on which consideration in respect of such Change of Control is remitted to the holders of Ordinary Shares, to each Noteholder, in addition to the sum payable pursuant to paragraph 4.1(b) of this Part 1 of Schedule 2, an additional sum, the amount of which shall be equal to the value of (a) minus ((b), (c) and (d)), where:

(a) is the pro rata amount of consideration which would have been received by such Noteholder in consideration for their Ordinary Shares and Warrants (plus, to the extent they exist, any Tranche 3 Notes held by such Noteholder but without double-counting in respect of the value of any Warrants that were converted into such Tranche 3 Notes by the Noteholder) on the Change of Control if that Shareholder Approval had been obtained on or prior to 7 August 2020 and as a result (i) all the Warrants held by such Noteholder as of the date of the Change of Control had become fully exercisable on or prior to 7 August 2020; and (ii) all Tranche 1 Notes held by such Noteholder as of the date of the Change of Control had automatically converted into Ordinary Shares upon receipt of the Shareholder Approval; and

(b) is the aggregate of the principal amount of such Noteholder’s Tranche 1 Notes, together with any accrued but unpaid interest thereon held by such Noteholder immediately prior to the Notes being redeemed pursuant to paragraph 4.1(b) of this Part 1 of Schedule 2; and

(c) is the pro rata amount of consideration actually received or due to be received by such Noteholder pursuant to Section 2.10 of the Warrant Instrument in respect of Warrants held by such Noteholder as of the date of such Change of Control; and

(d) is the pro rata amount of consideration actually received or due to be received by such Noteholder (whether on or prior to any Change of Control) in respect of any Ordinary Shares received by such Noteholder in exchange for Tranche 1 Notes pursuant to paragraphs 4.7 through 4.11 of this Schedule 2;

(such sum being the "**Change of Control Payment**"). For the avoidance of doubt, if any Noteholder becomes entitled to be paid the Change of Control Payment, such Noteholder shall cease to be entitled to the Uplift Payment pursuant to paragraph 4.2.

4.13 Subject to paragraph 6 if the Noteholder Majority wishes to redeem the Notes following an Acceleration Date, the Noteholder Majority shall give the Company written notice of the intention to exercise the right to redeem in accordance with the provisions of paragraph 4.1(b), together with confirmation on the date for such redemption (provided that such date may not occur earlier than the date falling 20 Business Days after the relevant Acceleration Date), conditional always on any such Event of Default not being remedied in the case of paragraph 4.1(c) ("**Redemption Notice**").

4.14 A Redemption Notice shall (unless the Company agrees otherwise) be irrevocable.

4.15 For as long as the Subordination Agreement is in force, notwithstanding any of the provisions of paragraph 5 of this Part 1 of Schedule 2, the Notes cannot be redeemed or repaid following an Acceleration Date until the applicable restriction in the Subordination Agreement has expired or been waived by the Senior Lenders; provided that such delay in payment shall constitute an additional Event of Default hereunder.

4.16 On the Redemption Date, the Company shall repay to all Noteholders the principal amount of the Notes so redeemed, together with interest on such Notes outstanding at the applicable Interest Rate, and, if applicable, the Uplift Payment payable pursuant to paragraph 4.2.

4.17 If, on redemption of a Note, a Noteholder fails to deliver the Certificate for it, or an indemnity in accordance with these Conditions or to accept payment of moneys due to him, the Company shall pay the moneys due to him into bank account which payment shall discharge the Company from all further obligations in respect of the Note.

4.18 The Company shall cancel any Notes repaid, redeemed or purchased and shall not reissue them.

5. EVENTS OF DEFAULT

Subject to paragraphs 4.15 and 6.3 of this part 1 of Schedule 2, the Notes then in issue shall become immediately redeemable at the principal amount, together with interest on the Notes outstanding, and interest shall become payable at the applicable Default Rate, if:

(a) the Company fails to pay any interest or principal in respect of the Notes on the relevant due date;

(b) the Company fails to comply in any material respect with the covenants of the Notes or any of the Conditions and does not remedy such failure within 30 calendar days;

(c) any judgment, arbitration award, order or decree for the payment of money and that is no longer subject to an appeal process in an amount, individually or in the aggregate of at least £1,000,000 (or its equivalent in other currencies) is rendered against any Group Company and not cured or withdrawn within 30 calendar days of such judgment, award, order or decree;

(d) a Group Company incurs an Event of Default (as such term is defined in the Novartis Loan Note) pursuant to the terms of the Novartis Loan Note and such Event of Default is not remedied within the greater of (i) any applicable grace period pursuant to the terms of the Novartis Loan Note; and (ii) 30 days from the occurrence of such Event of Default; and results in the acceleration by Novartis of any indebtedness owed pursuant to the terms of the Novartis Loan Note;

(e) a Group Company incurs an event of default (howsoever defined) in respect of any indebtedness in a principal amount in excess of £1,000,000 and fails to cure (or have waived) such event of default within 30 calendar days of such event of default;

(f) a Group Company commits a material breach of any material contract to which such Group Company is a party and fails to cure (or have waived) such material breach within 30 calendar days of such event of default

(g) an encumbrancor takes possession or a receiver is appointed of the whole or the major part of the assets or undertaking of a Group Company or if distress, execution or other legal process is levied or enforced or sued out on or against the whole or the major part of the assets of any Group Company and is not discharged, paid out, withdrawn or removed within 30 calendar days;

(h) a Group Company is the subject of any proceeding in bankruptcy or for their dissolution, liquidation, winding-up, composition or other relief under any applicable insolvency or bankruptcy laws, whether voluntary or involuntary and, if involuntary, is not dismissed within 60 calendar days of filing;

(i) an administration order is made in relation to any Group Company; or

(j) an order is made, or an effective resolution is passed, for the winding-up, liquidation, administration or dissolution of any Group Company (except for the purpose of reorganisation or amalgamation of the Group Companies).

6. ACTION FOLLOWING EVENT OF DEFAULT

6.1 The Company shall give written notice to the Noteholders as soon as reasonably practicable following the Company becoming aware of the occurrence of an event specified in paragraph 5, giving reasonable details of that event.

6.2 Following receipt of the notice provided pursuant to paragraph 6.1 above, and, if applicable, the expiry of any cure period provided for such Event of Default, the Noteholders shall have a period of 10 Business Days in which they may exercise their right to waive such Event of Default by Noteholder Majority Consent.

6.3 If the Noteholder Majority waives any Event of Default then the Notes shall cease to be immediately redeemable, and no further interest shall accrue at the applicable Default Rate in respect of such Event of Default (for the avoidance of doubt, notwithstanding such waiver, the Noteholders' shall remain entitled to any interest accrued at the applicable Default Rate between the date of the Event of Default and the date of waiver by the Noteholder Majority).

7. TAXATION

7.1 All payments to be made by the Company to a Noteholder under the Note shall be made free and clear of and without any deduction or withholding for or on account of tax (a "**Tax Deduction**"), unless a Tax Deduction is required by law. If a Tax Deduction is required by law, the amount of the payment due from the Company shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.

7.2 Each Noteholder shall, in consultation with the Company, take all reasonable steps to mitigate any circumstances which arise and which would result in any amount becoming payable under or pursuant to paragraph 7.1 above, including (but not limited to) transferring its rights and obligations under this Instrument and the Notes to another affiliate of such Noteholder and permitting the listing of the Notes on a recognised stock exchange.

7.3 Paragraph 7.2 above does not in any way limit the obligations of the Company under this Instrument.

7.4 Each Noteholder and the Company shall co-operate in completing any procedural formalities necessary for the Company to obtain authorisation to make that payment without a Tax Deduction including using commercially reasonable endeavours to procure that investors in such Noteholder complete such procedural formalities.

7.5 If the Company makes an increased payment under paragraph 7.1 (a "**Tax Payment**") and the relevant Noteholder shall (and shall use commercially reasonable endeavours to procure that investors will) co-operate with the Company to take any reasonable steps to:

(a) investigate the availability of any credit against, relief or remission for, or repayment of any Tax is attributable to that increased payment of which that Tax Payment forms part, to that Tax Payment or to a Tax Deduction in consequence of which that Tax Payment was required ("**Tax Credit**"); and

(b) obtain and/or utilise that Tax Credit,

and the Noteholder shall (and shall use commercially reasonable endeavours to procure that investors will) pay an amount to the Company which that Noteholder (or investors as applicable) determines (acting reasonably) will leave it (after that payment) in the same after-Tax position as it would have been in had some or all of the Tax Payment not been required to be made by the Company.

Part 2. Conversion

1. CONVERSION

1.1 Without prejudice to the provisions paragraphs 4.3 to 4.11 of Schedule 2 Part 1, the Notes shall not be capable of conversion prior to Shareholder Approval having been obtained and no Noteholder shall serve any Conversion Notice prior to such time.

1.2 Subject to paragraph 1.1 and paragraph 1.4 of this Part 2 of Schedule 2, all outstanding Tranche 1 Notes shall automatically convert into a number of fully paid Ordinary Shares upon Shareholder Approval being obtained, determined by dividing (x) the sum of (i) the outstanding principal amount, plus (ii) all accrued and unpaid interest thereon, plus (iii) any amount of the Uplift Payment (to the extent the same is applicable pursuant to the terms of this Instrument) which has become due and payable in accordance with paragraph 4.2 and has not already been paid or satisfied by the issue of Uplift Securities (or otherwise), by (y) the Tranche 1 Conversion Price then in effect; *provided that* (but subject to paragraph 1.4 of this Part 2 of Schedule 2 below) upon giving effect or immediately prior to such conversion, no Noteholder shall be the beneficial owner of Ordinary Shares representing more than 9.99% of the aggregate voting rights in the Company (the "Ownership Limit"). In the event that Conversion of any Noteholder's holding of Notes would result in, upon giving effect, or immediately prior to the Conversion, such Noteholder exceeding the Ownership Limit, the principal amount of the Notes held by such Noteholder which shall convert shall be the greatest amount possible without that Noteholder exceeding such Ownership Limit and the remaining principal balance on such Notes shall remain outstanding. For the purposes of the foregoing proviso, the aggregate number of Ordinary Shares beneficially owned by a Noteholder shall include the number of Shares issuable upon a conversion of the Notes with respect to which determination of such proviso is being made, but shall exclude the Shares which would be issuable upon (i) conversion of the remaining unconverted portion of Notes beneficially held by such Noteholder and (ii) exercise or conversion of the unexercised or unconverted portion of any other securities of the Company beneficially owned by the Noteholder subject to a limitation on conversion or exercise analogous to the limitation contained herein. Except as set forth in the preceding sentence, for purposes of this paragraph 1.2 of this Part 2 of Schedule 2 (and, for the avoidance of doubt, any calculations elsewhere in this Instrument expressed to be performed in accordance with the provisions of this paragraph 1.2 of this Part 2 of Schedule 2), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the rules and regulations of the Commission promulgated thereunder.

1.3 Subject to paragraphs 1.1, 1.2 and 1.4 of this Part 2 of Schedule 2:

(a) each Noteholder holding Tranche 1 Notes shall have the right, at any time prior to the Tranche 1 Maturity Date, to serve a Conversion Notice on the Company to convert all or, if the Ownership Limit applies, part of such Noteholder's Tranche 1 Notes then outstanding (together with any accrued but unpaid interest thereon) into fully paid Ordinary Shares at the Tranche 1 Conversion Price per Share; and

(b) each Noteholder holding Tranche 2 Notes shall have the right, at any time prior to the Tranche 2 Maturity Date applicable to such Noteholder's Tranche 2 Notes, to serve a Conversion Notice on the Company to convert all or, if the Ownership Limit applies, part of such Noteholder's Tranche 2 Notes then outstanding (together with any accrued but unpaid interest thereon) into fully paid Ordinary Shares at the Tranche 2 Conversion Price per Share,

provided that, in each of the foregoing cases, at the time of the Conversion Notice, either (i) the aggregate voting rights in the Company of the Ordinary Shares beneficially owned by such Noteholder (calculated in accordance with the provisions of paragraph 1.2 of Part 2 of Schedule 2) is not in excess of the Ownership Limit and would not become in excess of the Ownership Limit as a result of the conversion contemplated by such Conversion Notice; or (ii) such Noteholder has waived the application of the Ownership Limit in accordance with paragraph 1.4 of this Part 2 of Schedule 2.

1.4 Notwithstanding the foregoing, a Noteholder may increase or decrease the Ownership Limit to any other percentage, by written notice to the Company; provided, that the Noteholder may not decrease the limitation prior to August 8, 2020; provided further that a waiver by the Noteholder of the Ownership Limit or a request to increase the Ownership Limit requires not less than 61 days prior written notice to the Company (with such waiver of the Ownership Limit or request to increase the Ownership Limit taking effect only upon the expiration of such 61 day notice period and applying only to the Noteholder and not to any other holder of Notes) and that such Ownership Limit shall never be increased above 19.99%.

1.5 The Conversion Notice shall set out, at a minimum:

(a) the principal amount of the Tranche 1 Notes and/or Tranche 2 Notes to be converted;

(b) the amount (if any) of accrued but unpaid interest on such principal amount which is to be converted;

(c) the aggregate voting rights in the Company of the Ordinary Shares beneficially owned by the Noteholder (calculated in accordance with the provisions of paragraph 1.2 of Part 2 of Schedule 2);

(d) the Conversion Date;

(e) whether the Ordinary Shares resulting from conversion are to be delivered as ADSs; and

(f) any conditions (if any) applicable to the conversion and agreed in writing in advance by the Company.

1.6 If and to the extent that the Ordinary Shares issued are to be delivered as ADSs, the Noteholder shall be required to deliver to the Company a completed Issuance and Delivery Instruction in the form set out in Part 4 of this Schedule 2 (as such form may be amended from time to time by notice to the Noteholder) duly completed and executed by the Noteholder no later than 3 Business Days following service of the relevant Conversion Notice on the Company.

1.7 In the event of any failure by a Noteholder to deliver a duly completed Issuance and Delivery Instruction within such time period the Company shall disregard such Noteholder's request for delivery of the relevant Ordinary Shares as ADSs and shall issue the number of Ordinary Shares specified in the Conversion Notice to the Noteholder on the Conversion Date in accordance with paragraph 2 of this Part 2 of Schedule 2.

1.8 The Service of a Conversion Notice shall be irrevocable and binding on the Noteholder.

2. PROCEDURES ON CONVERSION

2.1 Subject to paragraph 1.1 of this Part 2 of Schedule 2, on the Conversion Date, the Directors shall convert the principal amount of the Notes and accrued but unpaid interest and any amount of the Uplift Payment (to the extent the same is applicable pursuant to the terms of this Instrument) which has become due and payable in accordance with paragraph 4.2 and has not already been paid or satisfied by the issue of Uplift Securities (or otherwise), into such number of new fully paid Ordinary Shares at the applicable Tranche 1 Conversion Price or Tranche 2 Conversion Price (as the case may be) as set out in paragraph 1 of this Part 2 of Schedule 2 in accordance with the following provisions of paragraph 2.2 to paragraph 2.6 (inclusive).

2.2 Conversion of the Notes shall be effected by the Company redeeming the relevant Notes on the Conversion Date. Each Noteholder whose Notes are being converted shall be deemed to irrevocably authorise and instruct the Company to apply the redemption moneys payable to that Noteholder in subscribing for Ordinary Shares on conversion of the Notes.

2.3 In the event that a Noteholder has stated in the relevant Conversion Notice that the Ordinary Shares arising from conversion are to be delivered as ADSs, and there is an effective registration statement covering the Ordinary Shares to be issued on such conversion, then such Ordinary Shares may be issued to, and deposited with (and otherwise registered in the name of) the custodian (or its nominee) of the Depositary, and following such issuance and deposit the Company will direct the Depositary to issue an amount of ADSs via DTC (with such ADSs being eligible for listing on Nasdaq) in accordance with the corresponding Issuance and Delivery Instruction.

2.4 Ordinary Shares arising on conversion of the Notes (and any applicable accrued but unpaid interest) shall be issued and allotted by the Company to the Noteholder or (where a Noteholder has delivered an Issuance and Delivery Instruction) to the custodian of the Depositary on the Conversion Date and the certificates (if physical certificates are requested by such Noteholder) for such Ordinary Shares shall be despatched to the persons entitled to them at their own risk.

2.5 The Ordinary Shares arising on conversion of the Notes shall be credited as fully paid and rank pari passu with Ordinary Shares of the same class in issue on the Conversion Date and shall carry the right to receive all dividends and other distributions declared, made or paid after the Conversion Date.

2.6 The entitlement of each Noteholder to a fraction of a Share shall be rounded down to the nearest whole number of Ordinary Shares which result from the conversion of the Notes.

2.7 In the event that a Noteholder requires Ordinary Shares arising on conversion to be delivered as ADSs, the entitlement of such Noteholder to ADSs shall be calculated using the ADS Exchange Ratio. No fractional ADSs will be issued, and any fractional entitlements to an ADS shall be issued to the relevant Noteholder in the form of Ordinary Shares in accordance with Part 2 of this Schedule 2, rounded down to the nearest whole share.

2.8 In the event that the Ordinary Shares in issue on the Conversion Date are traded on the AIM Market operated by London Stock Exchange plc, the Company shall use its reasonable best endeavours to ensure that the Ordinary Shares to be issued upon the conversion of the relevant Notes are admitted to trading on the AIM Market as soon as reasonably practicable following the Conversion Date. In addition, as soon as practicable following the general meeting at which the Company seeks to obtain Shareholder Approval, the Company shall make or cause to be made an application to AIM for a block listing (up to the maximum amount available to the Company under AIM block listing rules and in consideration of block listings registered at the time of this Agreement) or otherwise to admit upon Admission or as soon as permitted by AIM thereafter the maximum number of Ordinary Shares that may be acquired upon conversion of the Notes. Further, the Company shall list the Ordinary Shares issuable upon conversion of the Notes on each other securities exchange on which the Ordinary Shares are then listed and/or admitted to trading.

Part 3. Transfer provisions, Undertakings and other matters

1. The Company shall recognise the registered holder of any Notes as the absolute owner of them and shall not (except as provided by statute or as ordered by a court of competent jurisdiction) be bound to take notice or see to the execution of any trust (whether express, implied or constructive) to which any Note may be subject. The Company shall not (except as provided by statute or as ordered by a court of competent jurisdiction) be bound to enter any notice of any trust (whether express, implied or constructive) on the register in respect of any of the Notes.

The Notes are freely transferable in accordance with this Part 3 of Schedule 2 in integral multiples of £1 by instrument in writing in the usual common form (or in such other form as the Directors may approve) and such instrument need not be under seal. Additionally and, notwithstanding any other provision of this Instrument, for so long as the Subordination Agreement remains in force and effect, no transfer of the Notes may take place unless the transferee in respect of those Notes being transferred is either a party to the Subordination Agreement or has entered into a deed of adherence to be bound by the terms of such Subordination Agreement, or has otherwise entered into subordination arrangements with the Senior Lenders in writing or the requirement to enter into subordination arrangements with the Senior Lenders has been otherwise waived by the Senior Lenders in writing in advance of such intended transfer of the Notes; any attempt to transfer Notes in breach of the foregoing provisions is *void ab initio*.

2. Each instrument of transfer shall be signed by the transferor, and the transferor shall be deemed to remain the owner of the Notes to be transferred until the name of the transferee is entered in the register in respect of such Notes.

3. Each instrument of transfer shall be sent to, or left for registration at, the registered office of the Company for the time being, and shall be accompanied by the Certificate(s) for the Notes to be transferred and any other evidence that the Company may require to prove the title of the transferor or his right to transfer the Notes (and, if such instrument is executed by some other person on his behalf, the authority of that person to do so). All instruments of transfer that are registered may be retained by the Company.

4. No transfer of Notes shall be registered in respect of which a Redemption Notice, an Uplift Allocation Notice, a Pay Down Notice or Conversion Notice has been given.

5. The Company undertakes that, while an aggregate principal amount of Notes greater than £10,000,000 remains in issue, it shall not, without prior Noteholder Majority Consent:

    (a) sell, transfer, lease, licence or otherwise dispose of any material asset or business of any Group Company (including the sale, transfer or other disposition of a Group Company's rights to a third party), other than in the ordinary course of business;

    (b) carry out any merger, reorganisation, restructuring or sale of all or substantially all of the assets and/or business of any Group Company;

    (c) effect the liquidation, dissolution, or winding of any Group Company, or the cessation of all or substantially all of the business of any Group Company;

    (d) authorise any debt security (the incurrence, or extension of any credit or loan guarantee in respect of any loan or grant of credit exceeding £800,640.512(save that, for the avoidance of doubt, no Noteholder Majority Consent shall be required for (i) any refinancing, in whole or in part, of any Existing Indebtedness; or (ii) the subscription by any Qualifying Noteholder (and the issuance by the Company) for any Tranche 2 Notes pursuant to the Securities Purchase Agreement);

    (e) discontinue any existing line of business of any Group Company or enter into any new line of line of business by any Group Company; or

    (f) issue any securities senior to the Ordinary Shares with respect to voting rights, dividends, conversion rights, redemption rights, liquidation preference or otherwise.

6. Payment of the principal amount and all accrued interest on the Notes may be made by cheque made payable to, or by bank transfer to an account nominated for the purpose to the Company in writing by, the registered holder or, in the case of joint registered holders, to the one who is first-named on the register, or to such person or persons as the registered holder or all the joint registered holders may in writing direct and sent to the registered holder or in the case of joint registered holders to that one of the joint registered holders who is first-named on the register or to such address as the registered holder or joint registered holders may in writing direct. Cheques may be sent through the post at the risk of the registered holder or jointly registered holders and payment of any such cheque by the bankers on whom it is drawn, or a bank transfer to the relevant account, shall be good discharge to the Company.

7. If more than one person is entered in the register as joint holders of any Notes then, without prejudice to paragraph 5 of this Part 3 of Schedule 2, the receipt of any one of such holders for any moneys payable on or in respect of the Notes shall be as effective a discharge to the Company or other person making the payment as if the person signing such receipt were the sole registered holder of such Notes.

8. If any Certificate is worn out or defaced then, on production of it to the Directors, they may cancel it and may issue a fresh Certificate in lieu. If any Certificate is lost or destroyed it may be replaced on such terms (if any) as to evidence and indemnity as the Company may reasonably require. An entry recording the issue of the new Certificate and indemnity (if any) shall be made in the register. No fee shall be charged for the registration of any transfer or for the registration of any probate, letters of administration, certificate of marriage or death, power of attorney or other documents relating to or effecting title to any Notes.

9. Any notice or other document required to be given under this Instrument shall be in writing and may be given to or served on any Noteholder by sending it by first-class post in a prepaid envelope addressed to such Noteholder at his registered address. In the case of joint Noteholders, a notice given to, or document served on, the Noteholder whose name stands first in the register in respect of such Notes shall be sufficient notice to, or service on, all the joint holders. Any such notice sent or document served by first-class post shall be deemed to have been given or served 48 hours or 96 hours in the case of a notice or document sent to an address for a Noteholder not in the United Kingdom after the time when it is posted and in proving such notice or service, it shall be sufficient to prove that the envelope containing the notice or document was properly addressed, stamped and posted.

10. Any notice or other document delivered or sent by post to, or left at, the registered address of any Noteholder in pursuance of these provisions shall, notwithstanding that such Noteholder is then dead or bankrupt or in liquidation, and whether or not the Company has notice of his death or bankruptcy or liquidation, be deemed to have been duly served or delivered in respect of any Notes registered in the name of such Noteholder as sole or first-named joint holder unless his name shall at the time of the service of the notice or document have been removed from the register as the holder of the Notes, and such service shall for all purposes be deemed sufficient service of such notice or document on all persons interested (whether jointly with or as claiming through or under him) in the Notes.

11. A copy of this Instrument shall be kept at the Company's registered office. A Noteholder (and any person authorised by a Noteholder) may inspect that copy of the Instrument at all reasonable times during office hours.

12. Each Noteholder by subscribing for and/or holding any Notes pursuant to the terms of this Instrument expressly and irrevocably agrees that the Group Companies may refinance all or any part of either the Senior Loan or the Novartis Loan Note (either with the existing creditors thereof or with third party creditors) and that, such refinanced loan shall for all purposes under this Instrument be treated, *mutatis mutandis*¸ as the Senior Loan or the Novartis Loan Note (as the case may be) and benefit from any protections, provisions, exemptions or other terms hereof, without requiring the consent of any Noteholder; provided, that no such refinancing or amendment of the Senior Loan which increases the amount of the principal sum of the Senior Loan owing from time to time above £14 million, or extends the Final Repayment Date for the Senior Loan beyond 1 March 2022, shall be effective unless otherwise approved by the Noteholder Majority; provided, further, that no such consent or agreement shall be required from any Noteholder Majority from or after the time when Shareholder Approval has been obtained. For the avoidance of doubt, if any such refinancing takes place, any lenders thereunder shall be treated as the "Senior Lenders" for the purposes of this Instrument. The Company shall as soon as reasonably practicable after the occurrence of any such refinancing, provide notice of the same to the Noteholders.

13. If the Company, whilst any Notes are outstanding, shall effect a subdivision of its Ordinary Shares, the Tranche 1 Conversion Price and Tranche 2 Conversion Price (if any) then in effect immediately before that subdivision shall be proportionately decreased. If the Company, whilst any Notes are outstanding, shall combine its Ordinary Shares, the Tranche 1 Conversion Price and Tranche 2 Conversion Price then in effect immediately before the combination shall be proportionately increased.

14. If the Company, whilst any Notes are outstanding, shall make or issue, or fix a record date for the determination of holders of its Ordinary Shares entitled to receive a dividend or other distribution to the shareholders from the fund for invested unrestricted equity payable in Ordinary Shares in the Company, then and in each such event the Tranche 1 Conversion Price and Tranche 2 Conversion Price then in effect immediately before such event shall be decreased as of the time of such issuance or, in the event such a record date shall have been fixed, as of the close of business on such record date, by multiplying the Tranche 1 Conversion Price or Tranche 2 Conversion Price, as applicable, then in effect by a fraction:

    (a) the numerator of which shall be the total number of Ordinary Shares outstanding immediately prior to the time of such issuance or the close of business on such record date, and

    (b) the denominator of which shall be the total number of Ordinary Shares outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of Ordinary Shares issuable in payment of such dividend or distribution;

    provided, however, that if such record date shall have been fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the Tranche 1 Conversion Price and Tranche 2 Conversion Price shall be recomputed accordingly as of the close of business on such date and thereafter the Tranche 1 Conversion Price and Tranche 2 Conversion Price shall be adjusted pursuant to this paragraph as of the time of actual payment of such dividends or distributions, if any.

15. When any adjustment is required to be made in the Tranche 1 Conversion Price or Tranche 2 Conversion Price pursuant to paragraph 14 or 15, the number of Ordinary Shares issuable upon conversion of a Note shall be calculated by reference to the revised Tranche 1 Conversion Price or Tranche 2 Conversion price following the adjustment made by paragraph 14 or 15.

16. If the Company, whilst any Notes are outstanding, shall: (i) pay or declare a dividend payable to all shareholders other than in Ordinary Shares (e.g. in cash or assets other than Ordinary Shares in the Company); or (ii) make any distribution of share capital (including share premium account and capital redemption legal reserve), then and in each such event the Tranche 1 Conversion Price and Tranche 2 Conversion Price then in effect immediately before such event shall be decreased as of such event by multiplying the Tranche 1 Conversion Price or Tranche 2 Conversion Price, as applicable, then in effect by a fraction:

    (a) the numerator of which shall be equal to (i) the Closing Price on the day immediately prior to the date when such event was first published (or if there is no such price, the fair market value of one ordinary share of the Company as of such date as determined in good faith by the Directors) minus (ii) the amount per issued share of such dividend or distribution; and

(b) the denominator of which shall be the Closing Price on the day immediately prior to the date when such event was first published (or if there is no such price, the fair market value of one ordinary share of the Company as of such date as determined in good faith by the Directors).

In the event that the application of the above fraction would result in an increase in the Conversion Price, then no adjustment shall be made hereunder. If the Company distributes assets other than cash, the amount per outstanding share of the distribution shall be calculated by reference to the fair market value of the assets distributed as determined in good faith by the Directors.

17. If, prior to the Maturity Date, there shall occur any reorganization, recapitalization, reclassification, consolidation, merger or demerger involving the Company in which the Company's Ordinary Shares are converted into or exchanged for securities, cash or other property (other than a transaction covered by paragraphs 14 or 15) (collectively, a "**Reorganization**"), then, following such Reorganization, the Noteholders shall receive upon conversion the kind and amount of securities, cash or other property, if any, which the Noteholders would have been entitled to receive pursuant to such Reorganization if such conversion had taken place immediately prior to such Reorganization. Appropriate adjustment (as determined in good faith by the Directors) shall be made in the application of the provisions set forth herein with respect to the rights and interests thereafter of the Noteholder, to the end that the provisions set forth in this Instrument (including provisions with respect to changes in and other adjustments of the Tranche 1 Conversion Price and/or Tranche 2 Conversion Price (as applicable) and the number of Ordinary Shares issuable upon conversion of the Notes) shall thereafter be applicable, as nearly as reasonably may be, in relation to any securities, cash or other property thereafter deliverable upon the conversion of the Notes.

Part 4. ADS Issuance and Delivery Instruction

[DATE]
Citibank, N.A., as Depositary
388 Greenwich Street
New York, New York 10013
Attn.: Mr. Brian M. Teitelbaum (brian.m.teitelbaum@citi.com)
With a copy simultaneously delivered to:
Citibank, N.A., London Branch
25 Canada Square
Canary Wharf
London E14 5LB, England
Attn.: UK Custody Settlements
Custody Team (uksettlements@citi.com)

Re: Issuance and Delivery Instruction - Mereo BioPharma Group plc (CUSIP No.: 589492107) – Deposit & Hold

Dear Sirs:

Reference is made to the Deposit Agreement, dated as of April 23, 2018, as amended and supplemented from time to time (the "Deposit Agreement"), by and among Mereo BioPharma Group plc, a public limited company incorporated under the laws of England and Wales and its successors (the "Company"), Citibank, N.A., a national banking association organized and existing under the laws of the United States of America, as Depositary (the "Depositary"), and all Holders and Beneficial Owners of American Depositary Shares (the "ADSs") issued thereunder. All capitalized terms used, but not otherwise defined herein, shall have the meaning assigned thereto in the Deposit Agreement.

In accordance with the terms and subject to the limitations set forth in the Deposit Agreement, promptly following the Depositary's receipt of confirmation from the Custodian that the Custodian has received a deposit of the number of Shares specified below made by the Company for the benefit of the undersigned holder thereof (the "Holder" and together with the Company, the "Undersigned"), the Undersigned hereby jointly instruct the Depositary, and the Depositary hereby agrees:

(i) to promptly accept for deposit the number of Shares and issue the number of ADSs as specified below:

Number of Shares deposited: _____ Shares

Number of ADSs (CUSIP No.: 589492107; each ADS representing five (5) Shares to be issued:

_____ ADSs

and (ii) to promptly deliver such Program ADSs, as follows:

Name of DTC Participant to which the ADSs are to be delivered:	
DTC Participant Account No.:	
Account No. for recipient of ADSs at DTC Participant (f/b/o/ information):	
Name on whose behalf the above number of ADSs are to be issued and delivered:	
Contact person at DTC Participant:	
Daytime telephone number of contact person at DTC:	

The Company hereby confirms and certifies that (i) the registration statement on Form F-3 (File No. 333-239708) (the "Registration Statement"), filed with the U.S. Securities and Exchange Commission (the "Commission") on July 6, 2020, registers the resale of the above Shares represented by ADSs, such ADSs will be freely transferable following the issuance thereof by the Depositary, and there are no legal restrictions on subsequent transfers of the ADSs to be issued hereunder under the laws of England and Wales or the United States, (ii) the Registration Statement is effective under the Securities Act of 1933, as amended (the "Securities Act"), and (iii) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for such purpose have been instituted or are pending or, to the best knowledge of the Company, are contemplated or threatened by the Commission.

The Holder hereby represents and covenants to, and for the benefit of, the Depositary and Citibank, N.A. - London Branch (the "Custodian"), that (i) the Holder is not an "affiliate" of the Company as that term is defined in Rule 144 promulgated by the Commission under the Securities Act and has not been an affiliate at any time during the 90 days immediately preceding the date hereof, and (ii) all stamp duty taxes, including, without limitation, the U.K. Stamp Duty Reserve Tax ("SDRT"), will be paid in full and on a timely basis to the extent such taxes are payable in respect of the deposit of the Shares and the issuance and delivery of the ADSs as contemplated herein.

Each of the Holder and, to the extent it is not unlawful for the Company to do so under the applicable laws of England and Wales, the Company agrees to indemnify the Depositary and the Custodian for, and to hold the Depositary and the Custodian harmless against, all losses, liabilities, taxes, charges, penalties or expenses (including reasonable legal fees and disbursements), incurred by the Depositary and/or by the Custodian or to which the Depositary and/or the Custodian may become subject to and arising directly or indirectly from the failure by any person to pay (or discharge) any applicable stamp duty taxes, including, without limitation, SDRT, or any other similar duty or tax in connection with the deposit of the Shares and the issuance and delivery of the ADSs as contemplated herein, save to the extent that such losses, liabilities, taxes, charges, penalties or expenses are due to the negligence or bad faith of the Custodian or the Depositary.

[HOLDER]

By: _____
Name:
Title:

MEREO BIOPHARMA GROUP PLC

By: _____
Name:
Title:

Schedule 3 Meetings of the Noteholders

1. The Company may at any time convene a meeting of Noteholders. In addition, the Company shall at the written request of the holders of not less than one-quarter (25%) in nominal amount of the outstanding Notes convene a meeting of the Noteholders. Any meeting shall be held at such place as the Company may designate.

2. At least 14 days' notice (exclusive of the day on which the notice is served or deemed to be served and of the day for which notice is given) of every meeting shall be given to the Noteholders. The notice shall specify the place, day and time of the meeting and the general nature of the business to be transacted, but it shall not be necessary (except in the case of a Special Resolution) to specify in the notice the terms of any resolution to be proposed. The accidental omission to give notice to, or the non- receipt of notice by, any of the Noteholders shall not invalidate the proceedings at any meeting. A meeting of the Noteholders shall, despite being called at shorter notice than specified above, be deemed to have been duly called if it is agreed in writing by all of the Noteholders.

3. At any meeting the quorum shall be two or more Noteholders holding, or representing by proxy, at least 50.1% in nominal principal amount of the outstanding Notes. No business (other than choosing a Chairman) shall be transacted at any meeting unless the requisite quorum is present.

4. If a quorum is not present, within half an hour from the time appointed for the meeting, the meeting shall be dissolved if it was convened on the requisition of Noteholders. In any other case, it shall stand adjourned to such day and time (at least 14 days later, but not more than 28 days later) and to such place as may be appointed by the Chairman. At such adjourned meeting, two Noteholders present in person (or by proxy) and entitled to vote shall constitute a quorum (whatever the nominal amount of the Notes held by them). At least 14 days' notice of any adjourned meeting of Noteholders shall be given (in the same manner mutatis mutandis as for an original meeting). That notice shall state that two Noteholders present in person (or by proxy) at the adjourned meeting (whatever the nominal amount of Notes held by them) shall form a quorum.

5. A person (who may but need not be a Noteholder) nominated by the Company shall be entitled to take the chair at every such meeting but, if no such person is nominated or if the person nominated is not be present at the meeting within five minutes after the time appointed for holding the meeting, the Noteholders present shall choose one of their number to be Chairman. Any Director or officer of, any Secretary of, and the solicitors to, the Company and any other person authorised in that behalf by the Company may attend at any such meeting.

6. Each question submitted to a meeting of Noteholders shall, unless a poll is demanded, be decided by a show of hands.

7. At any meeting of Noteholders unless a poll is demanded by the Chairman or by one or more Noteholders present in person or by proxy and holding or representing in the aggregate not less than one-twentieth in nominal amount of the outstanding Notes (before or on the declaration of the result of the show of hands), a declaration by the Chairman that a resolution has been carried by the requisite majority, lost or not carried by the requisite majority shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against such resolution.

8. If a poll is duly demanded, it shall be taken in such manner and (subject as set out below) either at once or after an adjournment as the Chairman directs. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll shall not prevent the meeting from continuing for the transaction of any business other than the question on which the poll has been demanded. The demand for a poll may be withdrawn.

9. If there is an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting shall not be entitled to a casting vote in addition to the vote(s) (if any) to which he may be entitled as a Noteholder or as a proxy.

10. The Chairman may, with the consent of (and shall if so directed by) any meeting at which a quorum is present, adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting except business that might lawfully have been transacted at the meeting from which the adjournment took place.

11. Any poll demanded at any meeting on the election of a Chairman, or on any question of adjournment, shall be taken at the meeting without adjournment.

12. On a show of hands, each Noteholder who is an individual and is present in person or (being a corporation) is present by its duly authorised representative or by one of its officers as its proxy, shall have one vote. On a poll, each Noteholder present in person or by proxy, shall have one vote for every £1 nominal principal amount of Notes held by him and a person entitled to more than one vote need not (if he votes) use all his votes or cast all the votes he uses in the same way.

13. In the case of joint registered Noteholders any one of them shall be entitled to vote in respect of such Notes either in person or by proxy and, in the latter case, as if the joint holder were solely entitled to such Notes. If more than one joint holder is present at any meeting either personally or by proxy that one joint holder so present whose name as between himself and the other or others present stands first in the register as one of the joint holders shall alone be entitled to vote in person or by proxy.

14. Each instrument appointing a proxy must be in writing and duly executed by the appointor or his duly authorised attorney or, in the case of a corporation under its common seal or duly executed by a duly authorised attorney or officer. The Chairman may (but shall not be bound to) require evidence of the authority of any attorney or officer. A proxy need not be a Noteholder.

15. An instrument of proxy shall be in the usual or common form or in any other form that the Directors may accept. The proxy shall be deemed to include the right to demand or join in demanding a poll. A proxy shall, unless stated otherwise, be valid as well for any adjournment of the meeting as for the meeting to which it relates and need not be witnessed.

16. The instrument appointing a proxy, and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or authority, shall be deposited at the place specified in (or in any document accompanying) the notice convening the meeting. If no such place is specified, the proxy shall be deposited at the registered office of the Company not less than 48 hours before the time appointed for holding the meeting or adjourned meeting or for taking of the poll at which the person named in that instrument proposes to vote. In default, the instrument of proxy shall not be treated as valid. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the revocation of the proxy or of the authority under which the proxy is given, unless notification in writing of the revocation has been received at the registered office of the Company or at such other place (if any) specified for the deposit of instruments of proxy in the notice convening the meeting (or any document accompanying it) 48 hours before the commencement of the meeting or adjourned meeting or the taking of the poll at which the vote is given.

17. Without prejudice to any of the powers conferred on the Company under any of the provisions of the Instrument, a meeting of the Noteholders shall, in addition to any other powers, have the following powers exercisable by Special Resolution:

    (a) power to sanction the exchange or sale of the Notes for, or the conversion of the Notes into, or the cancellation of the Notes in consideration of, shares, stock, debenture stock or other obligations or security of the Company or any other company formed or to be formed (provided, in each of the foregoing cases, that such action will be conducted in accordance with the terms of the Conditions or with the prior written consent of the Company);

    (b) power to sanction any abrogation, modification or compromise of, or any arrangement in respect of, the Noteholders' rights against the Company, provided the same has been previously approved in writing by the Company, whether those rights shall arise under the Instrument, the Notes or otherwise;

    (c) power to assent to any modification of the provisions contained in the Instrument and the Conditions and to authorise the Company to execute any supplemental instrument embodying any such modification. Any such modification shall be proposed by the Company; and

    (d) with the prior written consent of the Company, power to:

        (i) modify the date fixed for final redemption of the Notes;

        (ii) reduce or cancel the principal amount payable on the Notes;

        (iii) reduce the amount payable or modify the method of calculating the amount payable on the Notes; or

        (iv) modify the dates for payment in respect of any interest, on the Notes.

18. A Special Resolution passed at a meeting of the Noteholders shall be binding on all the Noteholders whether or not they are present at the meeting. Each of the Noteholders shall be bound to give effect to it accordingly. The passing of any such resolution shall be conclusive evidence that the circumstances justify passing it (so that the meeting may determine without appeal whether or not the circumstances justify passing it).

19. **Special Resolution**, when used in the Conditions, means a resolution passed at a meeting of the Noteholders duly convened and held in accordance with the Conditions, and carried by a Noteholder Majority.

20. A resolution in writing signed by or on behalf of a Noteholder Majority shall, for all purposes, be as valid and effectual as a Special Resolution passed at a meeting duly convened and held in accordance with the Conditions. Such resolution in writing may be contained in one document or in several documents in similar form, each signed by one or more Noteholders.

21. Minutes of all resolutions and proceedings at every meeting shall be made and duly entered in books to be from time to time provided for that purpose by the Company. Any minutes, if purporting to be signed by the Chairman of the meeting or by the Chairman of the next succeeding meeting of the Noteholders, shall be conclusive evidence of the matters stated in them. Until the contrary is proved, every meeting for which minutes have been made and signed shall be deemed to have been duly held and convened, and all resolutions passed at the meeting to have been duly passed.

EXECUTED as a DEED by **MEREO BIOPHARMA GROUP PLC**
acting by

_____

Director/Authorised signatory

_____

Director/Authorised signatory

_____

_____

Witness

Name: _____

Address: _____

_____

Occupation: _____

EXECUTED as a DEED by **MEREO BIOPHARMA GROUP PLC**
acting by

_____

Director/Authorised signatory

_____

Director/Authorised signatory

DEED OF CONSENT AND AMENDMENT TO WARRANT INSTRUMENT

THIS DEED is dated 29 March 2021 (such date being the "**Effective Date**")

BETWEEN:

(1) **MEREO BIOPHARMA GROUP PLC**, a public limited company incorporated in England and Wales with company number 04206001 whose registered office is at 4th Floor, One Cavendish Place, London, England W1G 0QF (the "**Company**"); and

(2) **THE ALPHA-1 PROJECT, INC.**, a Delaware corporation, with office address at 3300 Ponce de Leon Boulevard, Coral Gables, FL 33134 ("**TAP**").

WHEREAS

(A) The Company adopted a warrant instrument on 2 November 2018 (the "**Warrant Instrument**") constituting certain warrants to subscribe for Ordinary Shares in the capital of the Company.

(B) The Company cancelled the admission to trading of its Ordinary Shares from the Alternative Investment Market ("**AIM**") operated by the London Stock Exchange, with effect from 18 December 2020 (the "**Delisting**"). Since the Delisting, the only listing maintained by the Company has been that of American depositary receipts on NASDAQ, the tradeable entitlement representing American Depositary Shares ("**ADSs**"), each of which such ADSs represents five Ordinary Shares.

(C) The parties are entering into this Deed to (i) make appropriate changes to the Warrant Instrument to accommodate the Delisting; (ii) amend certain additional terms of the Warrant Instrument to add a mechanism for delivery of ADSs to a Warrantholder following a valid exercise of Subscription Rights; and (iii) remove provisions relating to AIM-listed status which have ceased to be relevant following the Delisting.

IT IS AGREED AS FOLLOWS:

1. INTERPRETATION

Terms defined in the Warrant Instrument shall have the same meanings as given therein when used in this Deed unless otherwise defined herein.

2. AMENDMENTS AND CONSENT

2.1 Each of the parties hereto agrees that from the Effective Date, the Warrant Instrument shall be amended in the manner provided in this clause 2.

2.2 With effect from the Effective Date the Warrant Instrument shall be amended so as to include all the changes marked within the version of the Warrant Instrument as set out at Schedule 1 (*Amended Warrant Instrument*). For the avoidance of doubt and for the future reference of the Warrantholders, the Company, their successors in title and any other persons with an interest in the Warrants or the terms of the Warrant Instrument (if any), Schedule 2 attaches a complete and clean copy of the amended Warrant Instrument which incorporates the changes implemented pursuant to this Deed.

2.3 For the purposes of clause 9.1 of the Warrant Instrument, by their execution of this Deed, TAP hereby grants Consent to the amendments herein and the provisions of this Deed (including the transactions contemplated herein).

3. MISCELLANEOUS

3.1 This Deed shall be governed by and construed in accordance with English law and the parties submit to the exclusive jurisdiction of the English courts.

3.2 This Deed may be executed in counterparts which together shall constitute one document.

Schedule 1

Warrant Instrument (marked changes)

DATED ~~2018~~29 March 2021

MEREO BIOPHARMA GROUP PLC

AMENDED WARRANT INSTRUMENT DATED 2 NOVEMBER 2018

relating to the issue of warrants entitling the holders to subscribe for Warrant Shares in the capital of MEREO BIOPHARMA GROUP PLC

COVINGTON

TABLE OF CONTENTS

THIS WARRANT INSTRUMENT is made on ~~2018~~ 2 November 2018, as amended on 29 March 2021

BY:

1. MEREO BIOPHARMA GROUP PLC, a company incorporated in England and Wales with number 09481161 whose registered office is at 4th Floor, 1 Cavendish Place, London, England, W1G 0QF ("**Company**").

BACKGROUND:

A. The Company, by resolution of its directors, has agreed to issue Warrants to subscribe for Warrant Shares in the capital of the Company on the terms set out in this instrument, subject to adjustment as set out in this instrument.

B. Either all of the registered holders of shares in the Company have irrevocably waived all pre-emption rights conferred on them (whether by the Companies Act, the Articles or otherwise) or such pre-emption rights have been validly disapplied in relation to the number of Warrants and shares in the Company issued pursuant to this instrument.

C. Pursuant to the terms of the SRA (as defined below), TAP (as defined below) has agreed to provide up to US$ 400,000 to the Company, to help fund a proof-of-concept clinical trial (as described in the SRA), in exchange for the Company issuing TAP Warrants to subscribe for Warrant Shares and an additional Milestone Payment (as defined in the SRA), to be paid by the Company to TAP subject to the terms of the SRA.

D. This instrument has been executed by the Company as a deed in favour of the Warrantholder.

IT IS AGREED:

1. DEFINITIONS AND INTERPRETATION

1.1 In this instrument the following words and expressions shall (unless the context requires otherwise) have the following meanings:

"**ADS**" means American Depositary Shares representing interests in the Ordinary Shares pursuant to a sponsored American Depositary Receipt facility with the Depositary;

"~~**AIM**" means the AIM market operated by the London Stock Exchange plc~~**ADS Exchange Ratio**" means the ratio applicable to the exchange of Ordinary Shares for ADSs from time to time, currently being a ratio of 5 Ordinary Shares for each ADS;

"Articles" means the articles of association of the Company for the time being;

"**Average Price**" means:

(i) If the Ordinary Shares are then traded on a Recognised Investment Exchange, the Average Price shall be the volume weighted average price of one Warrant Share during the ten (10) consecutive trading day period prior to the relevant Issue Date, as converted into U.S. dollars (if necessary), by the Company applying the relevant pounds sterling to U.S. dollar exchange rate using the closing rate published by Bloomberg at 5:00 P.M., London time, the day prior to the Issue Date; or

(ii) if the Ordinary Shares are not traded on a Recognised Investment Exchange but ADSs are listed on Nasdaq, the implied price of one Ordinary Share (which shall be determined by dividing (x) being the volume weighted average price of one ADS during the ten (10) consecutive trading day period immediately prior to the relevant Issue Date by (y) being the number of Ordinary Shares currently represented by a single ADS in accordance with the ADS Exchange Ratio;

"**Business**" means the research, development, production, trading and licensing of rights, intellectual property and/or products within the life sciences industry (or any of the foregoing or any activities connected thereto);

"**Business Day**" means a day (which for these purposes ends at 5.30 pm) on which banks are open for commercial business in the City of London other than a Saturday or Sunday;

"**Change of Control**" means the acquisition by any person or persons acting in concert (as defined in the City Code on Takeovers and Mergers) with them of (i) all or substantially all of the Research Program; or (ii) fifty per cent (50%) or more of the entire issued share capital of Mereo BioPharma 4 Limited, the Company's wholly owned subsidiary;

"**Companies Act**" means the Companies Act 2006;

"**Competitor**" means any entity (other than a reputable financial institution) whose business directly competes with the Business carried out by a Group Company;

"**Conditions**" means the terms and conditions set out in Schedule 2 (subject to any alterations made in accordance with the provisions of this instrument);

"**Consent**" means either:

(a) a resolution passed at a meeting of the Warrantholders duly convened and held and carried by a majority consisting of not less than 75 per cent. of the votes cast upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than 75 per cent of the votes cast on a poll; or

(b) the consent in writing of Warrantholders entitled to the right to subscribe for at least 75 per cent of the Warrant Shares in respect of which Subscription Rights are granted pursuant to this instrument;

"~~**CREST**" means the system of paperless settlement of trades and the holding of uncertificated shares administered by Euroclear UK & Ireland Limited or any other relevant paperless settlement system used in relation to the holding of uncertificated shares in the Company~~**Depositary**" has the meaning given in Issuance and Delivery Instruction;

"**Directors**" means the board of directors of the Company (and/or, where relevant, a Group Company) for the time being;

"**Exercise Date**" means the date of delivery to the registered office of the Company of the items specified in clause 6.2 (and the date of such delivery shall be the date on which such items are received at the Company's registered office);

"**Final Date**" means subject to clause 5, 10 years from the original date of this instrument prior to its amendment (which, for the avoidance of doubt, shall be 2 November 2028);

"**Group**" means (i) the Company and its subsidiaries (if any), (ii) any holding company of the Company, and (iii) any subsidiaries of such holding companies from time to time and Group Company means any member of the Group;

"**Issuance and Delivery Instruction" means an issuance and delivery instruction in such form as notified from the Company to the Warrantholder from time to time, the current form of which is attached hereto at Schedule 3;**

"**Issue Date**" means in respect of each Payment, the date the Company is in receipt of such Payment;

"**NASDAQ**" means the ~~NASDAQ Stock Market of the NASDAQ OMX Group Inc.~~Nasdaq Global Market or the Nasdaq Capital Market (in each case, as applicable);

"**Notice of Subscription**" means the notice addressed to the Company by a Warrantholder exercising its Subscription Rights in the form, or substantially in the form, set out in the first schedule to the Warrant Certificate;

"**Ordinary Shares**" means ordinary shares in the capital of the Company and having the rights and privileges set out in the Articles;

"**Payment**" means Payment 1, Payment 2 or Payment 3 (as applicable) (each having the meaning ascribed to it in Exhibit B to the SRA);

"**Payment Amount**" means (i) in the case of Payment 1 an amount equal to $100,000; (ii) in the case of Payment 2 an amount equal to $200,000; and (iii) in the case of the Payment 3 an amount equal to $100,000;

"**Permitted Transferee**" are:

(a) a nominee of the Warrantholders;

(b) a regulated, reputable financial institution; and/or

(c) a member of The Alpha-1 Project group of companies;

"**Recognised Investment Exchange**" means a recognised investment exchange or overseas investment exchange (within the meaning thereof given for the purposes of section 285 of the Financial Services and Markets Act 2000, and shall include, without limitation, AIM or NASDAQ);

"**Register**" means the register of persons for the time being entitled to the benefit of the Warrants to be maintained pursuant to the Conditions;

"**Research Program**" has the meaning given to it in the SRA;

"**SRA**" means the Sponsored Research Agreement between the Company and TAP dated ~~on or around the date of this instrument~~2 November 2018;

"**Subscription Price**" means the nominal value per Warrant Share;

"**Subscription Rights**" means the rights of the Warrantholder(s) to subscribe for Warrant Shares under clause 6;

"**TAP**" means The Alpha-1 Project, Inc., a Delaware corporation; "Warrant Amount" has the meaning given to it in clause 2.1;

"**Warrant Certificate**" means a certificate evidencing a Warrantholder's entitlement to Warrants in the form set out in Schedule 1;

"**Warrant Shares**" means ~~one of the following, which shall~~Ordinary Shares to be issued pursuant to the terms of the Warrants~~: (i) American depositary shares or U.S. common stock in the Company, in the event such securities are in issue at the time the Warrantholders exercise their Subscription Rights; or, (ii) alternatively, Ordinary Shares listed on AIM, if Mereo does not have a U.S. listing at the time the Warrantholders exercise their Subscription Rights~~;

"**Warrantholder**" means in relation to a Warrant, the person whose name appears in the Register as the holder of the Warrant;

"**Warrants**" means the warrants of the Company constituted by this instrument and all rights conferred by it (including the Subscription Rights);

"**Withheld Amount**" means the Withheld Amount 1, Withheld Amount 2 and Withheld Amount 3;

"**Withheld Amount 1**" means an amount equal to the aggregate Subscription Price of the Warrants issued in connection with Payment 1 and withheld by the Company from Payment 1;

"**Withheld Amount 2**" means an amount equal to the aggregate Subscription Price of the Warrants issued in connection with Payment 2 and withheld by the Company from Payment 2; and

"**Withheld Amount 3**" means an amount equal to the aggregate Subscription Price of the Warrants issued in connection with Payment 3 and withheld by the Company from Payment 3.

1.2 In this instrument, unless the context otherwise requires:

1.2.1 words and expressions defined in the Companies Act or the Articles shall have the same meanings in this instrument (unless otherwise expressly defined in this instrument);

1.2.2 headings are used for convenience only and shall be ignored in interpreting this instrument;

1.2.3 reference to a clause or schedule is a reference to a clause of, or schedule to, this instrument;

1.2.4 reference to (or to any specific provision of) this instrument or any other document or instrument shall be construed as a reference to this instrument, that provision or that document or instrument as in force for the time being and as amended from time to time in accordance with its terms and the prior sanction of a Consent (where consent is required by the terms of this instrument as a condition to such amendment being made);

1.2.5 reference to any gender includes all genders, references to the singular includes the plural (and vice versa) and reference to persons includes bodies corporate, unincorporated associations and partnerships (whether or not any of the same have a separate legal personality);

1.2.6 reference to a statutory provision includes reference to:

(a) the statute or statutory provision as modified or re-enacted from time to time; and

(b) any subordinate legislation made under the statutory provision (as modified or re-enacted as set out in clause 1.2.6(a) above);

1.2.7 any words following the terms ‘including’, ‘include’, ‘in particular’, ‘for example’ or any other similar expression shall be construed as illustrative and shall not limit the sense of the words, description, phrase or term preceding those words; and

1.2.8 references to statutory obligations include obligations arising under articles of the Treaty establishing the European Community, and regulations, directives and decisions of the European Union as well as United Kingdom Acts of Parliament and subordinate legislation.

1.3 Unless otherwise specifically provided, where any notice, resolution or document is required by this instrument to be signed by any person, the reproduction of the signature of such person by fax or email shall suffice, provided that confirmation by first class letter is despatched by close of business on the next following Business Day, in which case the effective notice, resolution or document shall be that sent by fax or email (served in accordance with paragraphs 11 and 12 of Schedule 2), not the confirmatory letter.

1.4 This instrument incorporates the schedules to it.

2. CONSTITUTION AND FORM OF WARRANTS

2.1 This instrument constitutes the Warrants in an amount of up to $400,000 (the “**Warrant Amount**”), which in aggregate give the Warrantholder(s) the right, upon the terms and subject to the conditions set out in this instrument, to subscribe in cash at a price per share equal to the Subscription Price for such number of Warrant Shares calculated in accordance with clause 3.

2.2 Each Warrantholder shall be entitled to subscribe in cash at the Subscription Price for that number of Warrant Shares in respect of which it is entitled to be recorded as the holder in the Register on the terms set out in this instrument. For the purposes of this clause 2.2, if the Warrants are exercised pursuant to the terms of this instrument, the Withheld Amount shall be applied by the Company as payment of the Subscription Price for the relevant Warrants.

2.3 The Warrants shall be in registered form.

2.4 The Warrants are issued subject to the Articles and otherwise on the terms of this instrument (including the Conditions).

2.5 The Company agrees with the Warrantholder(s) and, in consideration of being issued a Warrant Certificate, each Warrantholder agrees with the Company that the Articles (insofar as they relate to the Warrants) and the terms of this instrument shall be binding upon the Company and each Warrantholder and all persons claiming through or under either of them.

2.6 No application will be made for the Warrants to be listed or dealt on any Recognised Investment Exchange.

2.7 The Warrants and the Warrant Shares issuable on exercise of the Warrants have not been ~~and will not be~~ registered ~~(a)~~ under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or with any securities regulatory authority of any state or other jurisdiction of the United States. The offer and sale of the Warrants and the Warrant Shares issuable on exercise of the Warrants are being made in the United States only to "accredited investors" (as defined in Regulation D of the ~~US~~ Securities Act) in transactions not involving a public offering or which are exempt from, or not subject to, the registration requirements of the Securities Act. The Warrants and the Warrant Shares issuable on exercise of the Warrants may not be offered, sold, transferred or delivered, directly or indirectly, in, into or within, or to any person in the United States or to any resident of the United States (a "**U.S. Person**") or to or for the benefit of any such person except if he is such a person that his exercise or acquisition of the relevant Warrants is permitted by the securities laws of the relevant jurisdiction ~~without any action being required by the Company under such securities laws~~. Each Notice of Subscription and each notice of transfer of a Warrant shall contain the provisions contained in the schedules to the Warrant Certificate attached to this Warrant Instrument and such other warranties and representations as may be required by applicable securities laws. The exercise or transfer of the Warrants, and the right of a Warrantholder to receive the Warrant Shares to be issued on the exercise of any Warrant, shall be subject to such requirements, conditions, restrictions, limitations or prohibitions (together referred to as "**Restrictions**") as the Company may reasonably require for the purposes of ensuring that such exercise, transfer or issuance, complies with (or for avoiding any requirement by the Company to comply with or register any securities under) the securities laws of the United States and any other relevant jurisdiction and will only be effective to the extent that such Restrictions are complied with. The Directors of the Company may request from any person exercising a Warrant or who is a transferee of a Warrant such information as they may reasonably require for determining whether such Restrictions will be applicable and, if so, whether they will be complied with.

3. CALCULATION OF NUMBER OF WARRANT SHARES

On the relevant Issue Date, the Company shall issue Warrants over such number of Warrant Shares as is equal to the relevant Payment Amount divided by the Average Price for that Payment.

4. CERTIFICATES

4.1 The Company shall issue to each Warrantholder a Warrant Certificate in respect of that number of Warrants to which it is entitled as soon as reasonably practicable following a Warrantholder becoming entitled to such Warrants in accordance with clause 3.

4.2 If a Warrant Certificate is mutilated, defaced, lost, stolen or destroyed, the Company will replace it on such terms as to evidence and indemnity as the Company may reasonably require and subject to the Warrantholder who is seeking the replacement paying the Company's reasonable costs (if any) in connection with the issue of the replacement.

4.3 Mutilated or defaced Warrant Certificates must be surrendered before replacements will be issued.

5. TIMING FOR EXERCISE OF SUBSCRIPTION RIGHTS

5.1 Subject to clause 5.2, the Subscription Rights may be exercised at any time from the Issue Date of Payment 3 until 17:00 GMT on the Final Date and shall be exercised in accordance with clause 6.

5.2 Notwithstanding any provision to the contrary in this instrument, in the event of a Change of Control or upon termination of the SRA, the Subscription Rights in respect of the Warrants in issue at that time will become immediately exercisable and shall be exercised in accordance with clause 6.

5.3 A failure by any Warrantholder to exercise its Subscription Rights ahead of such time on the Final Date shall mean that such Warrantholder's outstanding Warrants shall immediately lapse and be cancelled and such Warrantholder shall have no further rights under this instrument.

6. EXERCISE OF SUBSCRIPTION RIGHTS

6.1 At the time of an exercise of the Subscription Rights, pursuant to clause 5.1 or clause 5.2, a Warrantholder shall exercise all such Subscription Rights and not, for the avoidance of doubt, part of these Subscription Rights.

6.2 In order to exercise its Subscription Rights validly, a Warrantholder must deliver the following items to the registered office of the Company:

6.2.1 the Warrant Certificate for the Warrants in respect of which Subscription Rights are being exercised, together with the Notice of Subscription duly completed;~~ and~~

6.2.2 the name and address of the Warrantholder to which the Warrant Shares arising on exercise of Subscription Rights are to be issued; and

6.2.3 if and to the extent that the Ordinary Shares are to be delivered as ADSs pursuant to clause 6.3, a completed Issuance and Delivery Instruction in the form set out at Schedule 3 hereto (as such form may be amended from time to time by notice to the Warrantholder) duly completed and executed by the Warrantholder.

6.3 If at the time of an exercise of the Subscription Rights there is an effective registration statement covering the Warrant Shares to be issued on exercise, or the Company is to apply for registration pursuant to clause 7.1.4, the Warrantholder may, subject to clause 6.5, require in the Notice of Subscription that the Warrant Shares be delivered as ADSs in accordance with the corresponding Issuance and Delivery Instruction.

6.4 ~~6.3~~ Delivery of the items specified in clause 6.2 to the Company shall, unless the Company expressly consents otherwise, be an irrevocable election by the Warrantholder to exercise the relevant Subscription Rights.

6.5 In the event that the Warrantholder requires the relevant Warrant Shares to be delivered as ADSs, the entitlement of such Warrantholder to ADSs shall be calculated using the ADS Exchange Ratio. No fractional ADSs will be issued, and any fractional entitlements to an ADS shall be issued to the relevant Warrantholder in the form of Ordinary Shares in accordance with clause 7, rounded down to the nearest whole share.

7. COMPLETION

7.1 Following a valid exercise of Subscription Rights by a Warrantholder, the Company shall in accordance with clause 7.3:

7.1.1 allot and issue credited as fully paid to the Warrantholder (or to its nominee or trustee as notified to the Company in the Notice of Subscription), or, in the ~~Warrant Shares to which the Warrantholder is entitled by exercising the Subscription Rights ("**Allotted Shares**")~~event that the Warrantholder has required pursuant to clause 6.2 that Ordinary Shares to be issued from the Exercise of Subscription Rights are to be delivered as ADSs, delivered a duly completed Issuance and Delivery Instruction, and there is an effective registration statement covering the Ordinary Shares to be issued on such exercise, issue to, deposit with (and otherwise register in the name of) the custodian of the Depositary (or its nominee) ("Allotted Shares") and following such issuance and deposit the Company will direct the Depositary to issue an amount of ADSs via DTC (with such ADSs being eligible for listing on Nasdaq) in accordance with the corresponding Issuance and Delivery Instruction;

7.1.2 immediately following allotment and issue in accordance with clause 7.1.1, enter, or procure that the Company's registrars enter the Warrantholder's name (or (i) its nominee's or trustee's name, ~~as appropriate~~or (ii) in the case of any Ordinary Shares to be delivered as ADSs, the custodian of the Depositary's name) in the register of members of the Company as the holder of the Allotted Shares;

7.1.3 immediately following registration in accordance with clause 7.1.2, ~~either~~ send to the person identified by the Warrantholder pursuant to clause 7.1.1, free of charge, share certificate(s) in respect of the Allotted Shares ~~or credit such aggregate number of Allotted Shares to the Warrantholder's (or its nominee's or trustee's) CREST stock account~~(other than any Allotted Shares delivered as ADSs, in respect of which no share certificate shall be issued to the custodian of the Depositary); and

7.1.4 ~~apply for the admission of~~list the Warrant Shares ~~to trading on (i) AIM, insofar as the Warrant Shares are listed on AIM or, (ii) on any~~in the form of ADSs on NASDAQ or such other Recognised Investment Exchange ~~on which the~~where such Warrant Shares are listed, at the time of the allotment and issue pursuant to clause 7.1.1, and shall use its reasonable endeavours to secure such admission to trading no later than ~~ten~~thirty (~~10~~30) Business Days after such application.

7.2 The obligations of the Company under clause 7.1 shall be fulfilled:

7.2.1 where the Allotted Shares are to be delivered as Ordinary Shares, within ten (10) days after the Notice of Subscription is lodged at the registered office of the Company; or

7.2.2 where the Allotted Shares are to be delivered as ADSs, within ~~ten~~thirty (~~10~~30) days after the Notice of Subscription is lodged at the registered office of the Company or as soon as reasonably practicable thereafter.

7.3 The Allotted Shares shall:

7.3.1 be allotted and issued fully paid;

7.3.2 rank *pari passu* with the relevant class of fully paid Warrant Shares then in issue;

7.3.3 rank for any dividend or other distribution which has previously been announced or declared if the date by which the holder of Warrant Shares must be registered to participate in such dividend or other distribution is after the Exercise Date pursuant to which the Subscription Rights have been exercised; and

7.3.4 be free from all claims, liens, charges, encumbrances, equities and third party rights.

8. TRANSFER OF WARRANTS

8.1 Subject to clause 8.2, the Warrants may be transferred in whole by any Warrantholder to any person, provided that the Company has given its prior written consent to such transfer.

8.2 A Warrantholder has the right, with prior written notice, but without the consent of the Borrower, to transfer the Warrants in whole to a Permitted Transferee, subject to compliance with the provisions of Schedule 2 hereto.

8.3 Notwithstanding any other provisions of this instrument, no transfer shall be made to any person which is a Competitor of the Company or any other Group Company.

8.4 The provisions of Schedule 2 to this instrument shall regulate any transfer of a Warrant.

9. MODIFICATION AND CESSATION OF RIGHTS

9.1 This instrument may be modified only with the prior sanction of Consent.

9.2 This instrument ceases to have effect on the earlier of:

9.2.1 the date upon which all Subscription Rights have been exercised in full; and

9.2.2 the Final Date.

10. RESTRICTIONS ON AND UNDERTAKINGS OF THE COMPANY

10.1 For so long as the Warrants are outstanding, the Company will:

10.1.1 to the extent that the Company has a limit on its authorised share capital, keep available for issue and free from pre-emptive rights, out of its authorised but unissued share capital, such number of Warrant Shares as will enable the Subscription Rights of the Warrantholder(s) to be satisfied in full; and

10.1.2 ensure that the Directors have all necessary authorisations and disapplications of pre-emption (including under the Companies Act) to allot such number of Warrant Shares as will enable the Subscription Rights of the Warrantholder(s) to be satisfied in full at any time; ~~and10.1.3 maintain the admission to trading of the Ordinary Shares on AIM, or any other Recognised Investment Exchange on which the Warrant Shares are traded from time to time~~.

11. MISCELLANEOUS

Confidentiality

11.1 Each Warrantholder shall keep confidential any information received by it in its capacity as a Warrantholder which is of a confidential nature except:

11.1.1 as required by law or any applicable regulations;

11.1.2 to the extent the information is in the public domain through no default of the Warrantholder; and

11.1.3 each Warrantholder will be entitled to divulge such information to any other Warrantholder and any proposed transferee of Warrants on the same terms as to confidentiality.

Notices

11.2 Any notice to the Warrantholder(s) required for the purposes of any provision of this instrument shall be given in accordance with the provisions of paragraphs 10 to 13 (inclusive) of Schedule 2.

Further Assurance

11.3 The Company shall, at its own cost and expense, execute all such deeds and documents and do all such acts and things as may reasonably be required in order to give effect to this instrument, including vesting on issue the full legal and beneficial title to the Warrant Shares in the Warrantholder.

Severability

11.4 Each of the provisions of this instrument is distinct and severable from the others and if at any time one or more of such provisions is or becomes valid, unlawful or unenforceable (whether wholly or to any extent), the validity, lawfulness and enforceability of the remaining provisions (or the same provision to any other extent) of this instrument shall not in any way be affected or impaired.

Governing Law

11.5 The provisions of this instrument and the Conditions and any dispute or claim arising out of or in connection with them (including any dispute or claim relating to non-contractual obligations) shall be subject to and governed by the laws of the State of Delaware and the Company and the Warrantholder(s) submit to the exclusive jurisdiction of the courts of the State of Delaware in relation to any such dispute or claim.

SIGNATURE PAGE

IN WITNESS WHEREOF, Mereo Biopharma Group Plc has executed this Warrant Instrument, as of the date first above written.

MEREO BIOPHARMA GROUP PLC

By: _____

Name:

Title: Director/Authorised Signatory

By:

Name:

Title: Director/Authorised Signatory

[Signature page to the Warrant Instrument 2018]

SCHEDULE 1
FORM OF WARRANT CERTIFICATE

MEREO BIOPHARMA GROUP PLC ("COMPANY")
A company registered in England and Wales
under Company number 09481161

WARRANT CERTIFICATE

This certificate is issued pursuant to the warrant instrument issued by the Company on ~~_____~~ 2 November 2018 ("**Warrant Instrument**"). Words and expressions used in this certificate which are defined in the Warrant Instrument have the meanings given to them in the Warrant Instrument.

Certificate number: **[•]**

Date of issue: _____ 20**[•]**

Name and address of Warrantholder: The Alpha-1 Project, Inc.
3300 Ponce de Leon Boulevard
Coral Gables, Florida 33134

Number of Warrant Shares for which the Warrantholder may subscribe is **[•]**, as determined in accordance with terms of the Warrant Instrument.

This is to certify that the Warrantholder named above is the registered holder of the right to subscribe in cash for Warrant Shares ~~at the subscription price set out above~~ subject to the Articles and otherwise on the terms and conditions set out in the Warrant Instrument (a copy of which is available for inspection at the registered office of the Company).

EXECUTED as a deed, but not delivered until the date specified on this certificate, by **MEREO BIOPHARMA GROUP PLC** by_____ a director in the presence of a witness:)

_____
Director

Witness Signature: _____

Witness Name (block capitals): _____

Witness Address: _____

_____

Witness Occupation: _____

THE SUBSCRIPTION RIGHTS ARE TRANSFERABLE PRIOR TO EXERCISE IN ACCORDANCE WITH THE PROVISIONS OF THE WARRANT INSTRUMENT. A COPY OF THE WARRANT INSTRUMENT MAY BE OBTAINED ON REQUEST FROM THE COMPANY AT ITS REGISTERED OFFICE. THE NOTICE OF EXERCISE AND FORM OF TRANSFER PRINTED ON THE FOLLOWING PAGES FORM PART OF THIS CERTIFICATE.

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN ~~AND WILL NOT BE~~ REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE ''SECURITIES ACT''), OR UNDER THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, TAKEN UP, EXERCISED, RESOLD, TRANSFERRED, DELIVERED OR DISTRIBUTED, DIRECTLY OR INDIRECTLY, EXCEPT (A) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT; (B) ~~TO A PERSON THAT SELLER, OR ANY PERSON ACTING ON ITS BEHALF, REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A OR THAT OTHERWISE DOES NOT REQUIRE REGISTRATION~~IN A PRIVATE PLACEMENT TO AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(a)(1), (2) (3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT PURSUANT TO SECTION 4(a)(2) THEREUNDER; (C) IN AN ''OFFSHORE TRANSACTION'' IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT; OR (D) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 (IF AVAILABLE), AND IN EACH CASE OF CLAUSES (A)—(D), IN ACCORDANCE WITH ANY APPLICABLE LOCAL SECURITIES LAWS OR REGULATIONS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES.

NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 OR ANY OTHER EXEMPTION UNDER THE SECURITIES ACT OR OF ANY EXEMPTIONS UNDER APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES FOR THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER OF THE ORDINARY SHARES BY THE HOLDER. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE SECURITIES REPRESENTED HEREBY MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THE SECURITIES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK. EACH HOLDER, BY ITS ACCEPTANCE OF SECURITIES, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

First Schedule to the Warrant Certificate
Notice of Subscription

To: The Directors

MEREO BIOPHARMA GROUP PLC ("Company")

This notice is issued pursuant to the warrant instrument issued by the Company on _____ ~~2018~~ _____ ("**Warrant Instrument**"). Words and expressions used in this notice which are defined in the Warrant Instrument have the meanings given to them in the Warrant Instrument.

~~By this notice we exercise the Subscription Rights appertaining to all of the Warrants evidenced by this certificate.~~

We hereby irrevocably elect to exercise [number] Warrants issued to us by the Company pursuant to the Warrant Instrument and purchase thereunder (and surrender herewith the relevant warrant certificate) as follows:

(A) Warrant Shares to be issued to the Warrantholder (or its nominee or trustee) as Ordinary Shares pursuant to the Warrant Instrument;

(B) Warrant Shares to be issued to the custodian of the Depositary for delivery to the Warrantholder as ADSs pursuant to the Warrant Instrument.

We wish to satisfy the aggregate Subscription Price for the Warrant Shares in respect of the Subscription Rights we are exercising by the Company applying the [Withheld Amount 1] [Withheld Amount 2] [Withheld Amount 3] to the Subscription Price.

~~[~~We direct the Company to ~~allot conditional only on the above the~~:

[use for a request under option (A) above] issue [*number*] of ~~Warrant~~Ordinary Shares to be issued pursuant to this exercise in the following numbers to the following proposed allottees, each of which is either a Warrantholder, a nominee or trustee of a Warrantholder, or a transferee of one of those persons approved in accordance with clause ~~8.1~~9.1 of the Warrant Instrument.]

Number/percentage of shares	**Name of proposed allottee**	**Address of proposed allottee**	~~**CREST Details**~~
~~1~~			~~Participant ID: [•]~~ ~~Member account ID: [•]~~ ~~INSP Custodian Client Ref: [•]~~ ~~Custodian Name: [•]~~

2

Participant ID: [•]

Member account ID: [•]

INSP Custodian Client Ref: [•]

Custodian Name: [•]

We request that certificate(s) for such Warrant Shares be sent by post at our risk to us at the first address shown above or to the agent lodging this certificate as mentioned below.

OR

We hereby request that you register our Warrant Shares in uncertificated form to the CREST account detailed [below][above]:

[*OR*] *use for a request under option (B) above*] issue, allot, and deposit [*number*] of Ordinary Shares to be issued pursuant to this exercise to the custodian (or its nominee) of the Depositary and that following such issuance and deposit, to direct the Depositary to issue an amount of ADSs via DTC in accordance with the Issuance and Delivery Instruction corresponding to this Notice of Subscription.

CREST DETAIL

Participant ID

Member account ID

INSP Custodian Client Ref:

Custodian Name

We agree that such shares are issued and accepted subject to the memorandum and articles of association of the Company.

By our execution below, and for the benefit of the Company, we warrant that:

(a) we understand that the Warrant Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any State state or other jurisdiction of the United States, and that the Warrant Shares may not be reoffered, resold, pledged or otherwise transferred except (a) pursuant to an effective registration statement under the Securities Act, (b) outside the United States in an "offshore transaction" pursuant to Rule 903 or Rule 904 of Regulation S under the Securities Act ("**Regulation S**"); (c) in a transaction meeting the requirements of Rule 144Aprivate placement to an "accredited investor" as defined in Rule 501(a)(1), (2) (3) or (7) of Regulation D under the Securities Act ("**Rule 144A**") (if available) to a person that we and any person acting on our behalf reasonably believes is a qualified institutional buyer as defined in Rule 144Apursuant to Section 4(a)(2) thereunder; (d) pursuant to Rule 144 under the Securities Act ("**Rule 144**") (if available); or (d) pursuant to another exemption from the registration requirements of the Securities Act, in each case in compliance with all applicable securities laws of the United States or any State or other jurisdiction of the United States. We understand that no representation can be made by the Company as to the availability of Rule 144,Section 4(a)(2), Rule 144A or any other exemption under the Securities Act for the reoffer, resale, pledge or transfer of the Warrant Shares. We accept the Warrant Shares subject to the foregoing restrictions on transfer and agree to notify any transferee to whom we subsequently reoffer, resell, pledge or otherwise transfer the Warrant Shares of the foregoing restrictions on transfer.

(b) we are either (i) outside the United States and acquiring the Warrant Shares in an "offshore transaction" (within the meaning of Regulation S) or (ii) an "accredited investor" (as defined in Regulation D of the Securities Act);

(c) we are not acquiring the Warrant Shares with a view to any distribution or resale, directly or indirectly, in the United States;

(d) we acknowledge that the Warrant Shares will be "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and, for so long as the Warrant Shares are "restricted securities", we shall not deposit such shares in any restricted depositary facility established or maintained by a depositary bank; and

(e) we understand that the Warrant Shares (to the extent they are in certificated form and as required by applicable law), unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:

''THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN ~~AND WILL NOT BE~~ REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE ''SECURITIES ACT''), OR UNDER THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, TAKEN UP, EXERCISED, RESOLD, TRANSFERRED, DELIVERED OR DISTRIBUTED, DIRECTLY OR INDIRECTLY, EXCEPT (A) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT; (B) ~~TO A PERSON THAT SELLER, OR ANY PERSON ACTING ON ITS BEHALF, REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A OR THAT OTHERWISE DOES NOT REQUIRE REGISTRATION~~IN A PRIVATE PLACEMENT TO AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(a)(1), (2) (3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT PURSUANT TO SECTION 4(a)(2) THEREUNDER; (C) IN AN ''OFFSHORE TRANSACTION'' IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT; OR (D) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 (IF AVAILABLE), AND IN EACH CASE OF CLAUSES (A)—(D), IN ACCORDANCE WITH ANY APPLICABLE LOCAL SECURITIES LAWS OR REGULATIONS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES.

NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 OR ANY OTHER EXEMPTION UNDER THE SECURITIES ACT OR OF ANY EXEMPTIONS UNDER APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES FOR THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER OF THE ORDINARY SHARES BY THE HOLDER. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE SECURITIES REPRESENTED HEREBY MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THE SECURITIES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK. EACH HOLDER, BY ITS ACCEPTANCE OF SECURITIES, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.''.

The Warrantholder represents and warrants that this Notice of Subscription has been duly signed and constitutes a valid and binding act to exercise the said Warrants.

Signature of Warrantholder: _____

Full name: _____

Address: _____

~~Lodged by: (agent to whom certificate(s) should be sent)~~

~~Name of agent:~~

~~Address:~~ _____

The above exercise is acknowledged and accepted. Place and date:

MEREO BIOPHARMA GROUP PLC

By:

Title:

Second Schedule to the Warrant Certificate
Form of Transfer

To: The Directors

MEREO BIOPHARMA GROUP PLC ("Company")

This notice is issued pursuant to the warrant instrument issued by the Company on ~~————~~ 2 November 2018 ("**Warrant Instrument**"). Words and expressions used in this notice which are defined in the Warrant Instrument have the meanings given to them in the Warrant Instrument.

[*Name of Warrantholder*] (the "**Transferor**") hereby gives notice that it is transferring [number] Warrants to subscribe for an aggregate of [number] Warrant Shares issued pursuant to the Warrant Instrument to [*name of transferee*] of [*address of transferee*] (the "**Transferee**").

The Transferor encloses its Warrant Certificate for cancellation by you. Please would you issue a new Warrant Certificate to the Transferee in respect of the Warrants so transferred [*and a new Warrant Certificate to us in respect of the balance of the Warrants retained by us*].

[By its execution below, and for the benefit of the Company, Transferee warrants that:

(a) it understands that the Warrants have not been, ~~and will not be,~~ registered under the US Securities Act of 1933, as amended (the "**Securities Act**") or with any State or other jurisdiction of the United States, and that the Warrants may not be reoffered, resold, pledged or otherwise transferred except (a) pursuant to an effective registration statement under the Securities Act, (b) outside the United States in an "offshore transaction" pursuant to Rule 903 or Rule 904 of Regulation S under the Securities Act ("**Regulation S**"); (c) in a ~~transaction meeting the requirements of Rule 144A~~private placement to an "accredited investor" within the meaning of Section 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act ~~("**Rule 144A**") (if available) to a person that it and any person acting on its behalf reasonably believes is a qualified institutional buyer as defined in Rule 144A~~pursuant to Section 4(a)(2) thereunder; (d) pursuant to Rule 144 under the Securities Act ("**Rule 144**") (if available); or (d) pursuant to another exemption from the registration requirements of the Securities Act, in each case in compliance with all applicable securities laws of the United States or any State or other jurisdiction of the United States. It understands that no representation can be made by the Company as to the availability of Section 4(a)(2), Rule 144, ~~Rule 144A~~ or any other exemption under the Securities Act for the reoffer, resale, pledge or transfer of the Warrants. It accepts the Warrants subject to the foregoing restrictions on transfer and agree to notify any transferee to whom it subsequently reoffer, resell, pledge or otherwise transfers the Warrants of the foregoing restrictions on transfer.

(b) it is either (i) outside the United States and acquiring the Warrants in an "offshore transaction" (within the meaning of Regulation S) or (ii) an "accredited investor" (as defined in Regulation D of the Securities Act);

(c) it is not acquiring the Warrants with a view to any distribution or resale, directly or indirectly, in the United States;

(d) it acknowledges that the Warrants will be "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and, for so long as the Warrant s are "restricted securities", it shall not deposit such warrants in any restricted depositary facility established or maintained by a depositary bank;

(e) understands that the Warrants (to the extent they are in certificated form and as required by applicable law), unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:

''THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN~~ AND WILL NOT BE~~ REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE ''SECURITIES ACT''), OR UNDER THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, TAKEN UP, EXERCISED, RESOLD, TRANSFERRED, DELIVERED OR DISTRIBUTED, DIRECTLY OR INDIRECTLY, EXCEPT (A) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT; (B~~) TO A PERSON THAT SELLER, OR ANY PERSON ACTING ON ITS BEHALF, REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A OR THAT OTHERWISE DOES NOT REQUIRE REGISTRATION~~ IN A PRIVATE PLACEMENT TO AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(a)(1), (2) (3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT PURSUANT TO SECTION 4(a)(2) THEREUNDER; (C) IN AN ''OFFSHORE TRANSACTION'' IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT; OR (D) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 (IF AVAILABLE), AND IN EACH CASE OF CLAUSES (A)—(D), IN ACCORDANCE WITH ANY APPLICABLE LOCAL SECURITIES LAWS OR REGULATIONS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES.

NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 OR ANY OTHER EXEMPTION UNDER THE SECURITIES ACT OR OF ANY EXEMPTIONS UNDER APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES FOR THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER OF THE ORDINARY SHARES BY THE HOLDER. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE SECURITIES REPRESENTED HEREBY MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THE SECURITIES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK. EACH HOLDER, BY ITS ACCEPTANCE OF SECURITIES, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.''.]

Yours faithfully

TRANSFEROR

_____

for and on behalf of
[NAME OF WARRANTHOLDER]

TRANSFEREE

_____

for and on behalf of
[NAME OF TRANSFEREE]

SCHEDULE 2
CONDITIONS

1. An accurate Register will be kept and maintained at all times by the Company at its registered office and there shall be entered in the Register:

1.1 the names and addresses of the persons for the time being entitled to be registered as the holders of the Warrants;

1.2 the number of Warrants held for the time being by every registered holder; and

1.3 the date on which the name of every registered holder is entered in the Register in respect of the Warrants in its name.

2. Any change in the name or address of any Warrantholder shall promptly be notified to the Company which shall cause the Register to be altered accordingly. The Warrantholders or any of them and any person authorised by any Warrantholder shall be at liberty at all reasonable times during office hours to inspect the Register and to take copies of or extracts from it or any part of it.

3. The Company shall be entitled to treat each Warrantholder as the absolute owner of a Warrant and accordingly shall not, except as ordered by a court of competent jurisdiction or as required by law, be bound to recognise any equitable or other claim to or interest in a Warrant on the part of any other person, whether or not it shall have express or other notice of such a claim.

4. Each Warrantholder will be recognised by the Company as entitled to the Warrants free from any equity, set-off or cross-claim on the part of the Company against the original or any intermediate holder of the Warrants.

5. Each transfer of a Warrant shall be made by an instrument of transfer in the form or substantially in the form set out in the second schedule to the Warrant Certificate or in any other form which may be approved for the time being by the Directors.

6. The instrument of transfer of a Warrant shall be executed by or on behalf of the transferor and by or on behalf of the transferee. The transferor shall be deemed to remain the holder of the Warrant until the name of the transferee is entered in the Register in respect of the Warrant being transferred.

7. The Directors may decline to recognise any instrument of transfer of a Warrant unless the instrument, executed by both the transferor and transferee, is deposited at the registered office of the Company accompanied by the Warrant Certificate for the Warrant to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer. The Directors may also decline to recognise or register any transfer of a Warrant if in the reasonable opinion of the Directors, having taken legal advice, such transfer would violate the securities laws of any country, state or jurisdiction, or require the Company to register the Warrants under the applicable securities laws of such country, state or jurisdiction. The Directors may waive production of any Warrant Certificate upon production to them of satisfactory evidence of the loss or destruction of the Warrant Certificate together with such indemnity as they may require.

8. No fee shall be charged for any registration of a transfer of a Warrant or for the registration of any other documents which in the opinion of the Directors require registration.

9. The registration of a transfer shall be conclusive evidence of the approval by the Directors of such a transfer.

10. Each Warrantholder shall register with the Company an address in the United Kingdom to which notices can be sent. If any Warrantholder fails to register an address with the Company, notice may be given to that Warrantholder by sending it by any of the methods referred to in paragraph 11 of this Schedule 2 to that Warrantholder's last known place of business or residence or, if none, by exhibiting it for three days at the registered office for the time being of the Company.

11. Notices and other communications to Warrantholders may be given by personal delivery, prepaid letter by first class post or, subject to clause 1.3 of this instrument, fax or email. In proving service of any notice or other communication sent by post, it shall be sufficient to prove that the envelope containing the notice or other communication was properly addressed and stamped and was deposited in a post box or at the post office.

12. A notice or other communication given pursuant to the provisions of paragraph 11 of this Schedule 2 shall be deemed to have been served:

12.1 at the time of delivery, if delivered personally to the registered address;

12.2 on the second Business Day following its posting, if sent by prepaid letter by first class post to an address in the United Kingdom; and

12.3 at 09:00 hours on the Business Day following the despatch of the fax, if sent by fax.

13. All notices and other communications with respect to Warrants standing in the names of joint registered holders shall be given to whichever of such persons is named first in the Register and such notice so given shall be sufficient notice to all the registered holders of such Warrants.

14. Any person who, whether by operation of law, transfer or other means whatsoever, shall become entitled to any Warrant, shall be bound by every notice in respect of such Warrant which, prior to its name and address being entered on the Register, shall have been duly given to the person from which it derives its title to such Warrant.

15. When a given number of days' notice or notice extending over any other period is required to be given, the day of service shall be included but the day upon which such notice will expire shall not be included in such number of days or other period. The signature to any notice to be given by the Company may be written or printed.

16. Meetings of Warrantholders shall be convened and conducted in the same way as meeting of shareholders of the Company are convened and conducted. Accordingly, the provisions of Articles shall apply to meetings of the Warrantholders mutatis mutandis.

SCHEDULE 3

Issuance and Delivery Instruction

[DATE]

Citibank, N.A., as Depositary

388 Greenwich Street

New York, New York 10013

Attn.: Mr. Brian M. Teitelbaum (brian.m.teitelbaum@citi.com)

With a copy simultaneously delivered to:

Citibank, N.A., London Branch

25 Canada Square

Canary Wharf

London E14 5LB, England

Attn.: UK Custody Settlements

Custody Team (uksettlements@citi.com)

Re: Issuance and Delivery Instruction—Mereo BioPharma Group plc (CUSIP No.: 589492107) – Deposit & Hold

Dear Sirs:

Reference is made to the Deposit Agreement, dated as of April 23, 2018, as amended and supplemented from time to time (the "Deposit Agreement"), by and among Mereo BioPharma Group plc, a public limited company incorporated under the laws of England and Wales and its successors (the "Company"), Citibank, N.A., a national banking association organized and existing under the laws of the United States of America, as Depositary (the "Depositary"), and all Holders and Beneficial Owners of American Depositary Shares (the "ADSs") issued thereunder. All capitalized terms used, but not otherwise defined herein, shall have the meaning assigned thereto in the Deposit Agreement.

In accordance with the terms and subject to the limitations set forth in the Deposit Agreement, promptly following the Depositary's receipt of confirmation from the Custodian that the Custodian has received a deposit of the number of Shares specified below made by the Company for the benefit of the undersigned holder thereof (the "Holder" and together with the Company, the "Undersigned"), the Undersigned hereby jointly instruct the Depositary, and the Depositary hereby agrees:

(i) to promptly accept for deposit the number of Shares and issue the number of ADSs as specified below:

Number of Shares deposited: Shares

Number of ADSs (CUSIP No.: 589492107; each ADS representing five (5) Shares to be issued:

ADSs

and (ii) to promptly deliver such Program ADSs, as follows:

Name of DTC Participant to which the ADSs are to be delivered:

DTC Participant Account No.:

Account No. for recipient of ADSs at DTC Participant (f/b/o/ information):

Name on whose behalf the above number of ADSs are to be issued and delivered:

Contact person at DTC Participant:

Daytime telephone number of contact person at DTC:

The Company hereby confirms and certifies that (i) the registration statement on Form F-3 (File No. [ ]) (the "Registration Statement"), filed with the U.S. Securities and Exchange Commission (the "Commission") on [ ], registers the resale of the above Shares represented by ADSs, such ADSs will be freely transferable following the issuance thereof by the Depositary, and there are no legal restrictions on subsequent transfers of the ADSs to be issued hereunder under the laws of England and Wales or the United States, (ii) the Registration Statement is effective under the Securities Act of 1933, as amended (the "Securities Act"), and (iii) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for such purpose have been instituted or are pending or, to the best knowledge of the Company, are contemplated or threatened by the Commission.

The Holder hereby represents and covenants to, and for the benefit of, the Depositary and Citibank, N.A.—London Branch (the "Custodian"), that (i) the Holder is not an "affiliate" of the Company as that term is defined in Rule 144 promulgated by the Commission under the Securities Act and has not been an affiliate at any time during the 90 days immediately preceding the date hereof, and (ii) all stamp duty taxes, including, without limitation, the U.K. Stamp Duty Reserve Tax ("SDRT"), will be paid in full and on a timely basis to the extent such taxes are payable in respect of the deposit of the Shares and the issuance and delivery of the ADSs as contemplated herein.

Each of the Holder and, to the extent it is not unlawful for the Company to do so under the applicable laws of England and Wales, the Company agrees to indemnify the Depositary and the Custodian for, and to hold the Depositary and the Custodian harmless against, all losses, liabilities, taxes, charges, penalties or expenses (including reasonable legal fees and disbursements), incurred by the Depositary and/or by the Custodian or to which the Depositary and/or the Custodian may become subject to and arising directly or indirectly from the failure by any person to pay (or discharge) any applicable stamp duty taxes, including, without limitation, SDRT, or any other similar duty or tax in connection with the deposit of the Shares and the issuance and delivery of the ADSs as contemplated herein, save to the extent that such losses, liabilities, taxes, charges, penalties or expenses are due to the negligence or bad faith of the Custodian or the Depositary.

[HOLDER]	MEREO BIOPHARMA GROUP PLC
By:	By:
Name:	Name:
Title:	Title:

Schedule 2

Warrant Instrument (clean copy)

DATED 29 March 2021

MEREO BIOPHARMA GROUP PLC

AMENDED WARRANT INSTRUMENT DATED 2 NOVEMBER 2018
relating to the issue of warrants entitling the holders to subscribe for Warrant Shares in the capital of MEREO BIOPHARMA GROUP PLC

COVINGTON

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THIS WARRANT INSTRUMENT is made on 2 November 2018, as amended on 29 March 2021

BY:

1. MEREO BIOPHARMA GROUP PLC, a company incorporated in England and Wales with number 09481161 whose registered office is at 4th Floor, 1 Cavendish Place, London, England, W1G 0QF ("**Company**").

BACKGROUND:

A. The Company, by resolution of its directors, has agreed to issue Warrants to subscribe for Warrant Shares in the capital of the Company on the terms set out in this instrument, subject to adjustment as set out in this instrument.

B. Either all of the registered holders of shares in the Company have irrevocably waived all pre- emption rights conferred on them (whether by the Companies Act, the Articles or otherwise) or such pre-emption rights have been validly disapplied in relation to the number of Warrants and shares in the Company issued pursuant to this instrument.

C. Pursuant to the terms of the SRA (as defined below), TAP (as defined below) has agreed to provide up to US$ 400,000 to the Company, to help fund a proof-of-concept clinical trial (as described in the SRA), in exchange for the Company issuing TAP Warrants to subscribe for Warrant Shares and an additional Milestone Payment (as defined in the SRA), to be paid by the Company to TAP subject to the terms of the SRA.

D. This instrument has been executed by the Company as a deed in favour of the Warrantholder.

IT IS AGREED:

1. DEFINITIONS AND INTERPRETATION

1.1 In this instrument the following words and expressions shall (unless the context requires otherwise) have the following meanings:

"ADS" means American Depositary Shares representing interests in the Ordinary Shares pursuant to a sponsored American Depositary Receipt facility with the Depositary;

"ADS Exchange Ratio" means the ratio applicable to the exchange of Ordinary Shares for ADSs from time to time, currently being a ratio of 5 Ordinary Shares for each ADS;

"Articles" means the articles of association of the Company for the time being;

"Average Price" means:

(i) If the Ordinary Shares are then traded on a Recognised Investment Exchange, the Average Price shall be the volume weighted average price of one Warrant Share during the ten (10) consecutive trading day period prior to the relevant Issue Date, as converted into U.S. dollars (if necessary), by the Company applying the relevant pounds sterling to U.S. dollar exchange rate using the closing rate published by Bloomberg at 5:00 P.M., London time, the day prior to the Issue Date; or

(ii) if the Ordinary Shares are not traded on a Recognised Investment Exchange but ADSs are listed on Nasdaq, the implied price of one Ordinary Share (which shall be determined by dividing (x) being the volume weighted average price of one ADS during the ten (10) consecutive trading day period immediately prior to the relevant Issue Date by (y) being the number of Ordinary Shares currently represented by a single ADS in accordance with the ADS Exchange Ratio;

"Business" means the research, development, production, trading and licensing of rights, intellectual property and/or products within the life sciences industry (or any of the foregoing or any activities connected thereto);

"Business Day" means a day (which for these purposes ends at 5.30 pm) on which banks are open for commercial business in the City of London other than a Saturday or Sunday;

"Change of Control" means the acquisition by any person or persons acting in concert (as defined in the City Code on Takeovers and Mergers) with them of (i) all or substantially all of the Research Program; or (ii) fifty per cent (50%) or more of the entire issued share capital of Mereo BioPharma 4 Limited, the Company's wholly owned subsidiary;

"Companies Act" means the Companies Act 2006;

"Competitor" means any entity (other than a reputable financial institution) whose business directly competes with the Business carried out by a Group Company;

"Conditions" means the terms and conditions set out in Schedule 2 (subject to any alterations made in accordance with the provisions of this instrument);

"Consent" means either:

(a) a resolution passed at a meeting of the Warrantholders duly convened and held and carried by a majority consisting of not less than 75 per cent. of the votes cast upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than 75 per cent of the votes cast on a poll; or

(b) the consent in writing of Warrantholders entitled to the right to subscribe for at least 75 per cent of the Warrant Shares in respect of which Subscription Rights are granted pursuant to this instrument;

"Depositary" has the meaning given in Issuance and Delivery Instruction;

"Directors" means the board of directors of the Company (and/or, where relevant, a Group Company) for the time being;

"Exercise Date" means the date of delivery to the registered office of the Company of the items specified in clause 6.2 (and the date of such delivery shall be the date on which such items are received at the Company's registered office);

"Final Date" means subject to clause 5, 10 years from the original date of this instrument prior to its amendment (which, for the avoidance of doubt, shall be 2 November 2028);

"Group" means (i) the Company and its subsidiaries (if any), (ii) any holding company of the Company, and (iii) any subsidiaries of such holding companies from time to time and Group Company means any member of the Group;

"Issuance and Delivery Instruction" means an issuance and delivery instruction in such form as notified from the Company to the Warrantholder from time to time, the current form of which is attached hereto at Schedule 3;

"Issue Date" means in respect of each Payment, the date the Company is in receipt of such Payment;

"NASDAQ" means the Nasdaq Global Market or the Nasdaq Capital Market (in each case, as applicable);

"**Notice of Subscription**" means the notice addressed to the Company by a Warrantholder exercising its Subscription Rights in the form, or substantially in the form, set out in the first schedule to the Warrant Certificate;

"Ordinary Shares" means ordinary shares in the capital of the Company and having the rights and privileges set out in the Articles;

"Payment" means Payment 1, Payment 2 or Payment 3 (as applicable) (each having the meaning ascribed to it in Exhibit B to the SRA);

"Payment Amount" means (i) in the case of Payment 1 an amount equal to $100,000; (ii) in the case of Payment 2 an amount equal to $200,000; and (iii) in the case of the Payment 3 an amount equal to $100,000;

"Permitted Transferee" are:

(a) a nominee of the Warrantholders;

(b) a regulated, reputable financial institution; and/or

(c) a member of The Alpha-1 Project group of companies;

"Recognised Investment Exchange" means a recognised investment exchange or overseas investment exchange (within the meaning thereof given for the purposes of section 285 of the Financial Services and Markets Act 2000, and shall include, without limitation, AIM or NASDAQ);

"Register" means the register of persons for the time being entitled to the benefit of the Warrants to be maintained pursuant to the Conditions;

"Research Program" has the meaning given to it in the SRA;

"SRA" means the Sponsored Research Agreement between the Company and TAP dated 2 November 2018;

"Subscription Price" means the nominal value per Warrant Share;

"Subscription Rights" means the rights of the Warrantholder(s) to subscribe for Warrant Shares under clause 6;

"TAP" means The Alpha-1 Project, Inc., a Delaware corporation;

"Warrant Amount" has the meaning given to it in clause 2.1;

"Warrant Certificate" means a certificate evidencing a Warrantholder's entitlement to Warrants in the form set out in Schedule 1;

"**Warrant Shares"** means Ordinary Shares to be issued pursuant to the terms of the Warrants;

"Warrantholder" means in relation to a Warrant, the person whose name appears in the Register as the holder of the Warrant;

"Warrants" means the warrants of the Company constituted by this instrument and all rights conferred by it (including the Subscription Rights);

"Withheld Amount" means the Withheld Amount 1, Withheld Amount 2 and Withheld Amount 3;

"Withheld Amount 1" means an amount equal to the aggregate Subscription Price of the Warrants issued in connection with Payment 1 and withheld by the Company from Payment 1;

"Withheld Amount 2" means an amount equal to the aggregate Subscription Price of the Warrants issued in connection with Payment 2 and withheld by the Company from Payment 2; and

"Withheld Amount 3" means an amount equal to the aggregate Subscription Price of the Warrants issued in connection with Payment 3 and withheld by the Company from Payment 3.

1.2 In this instrument, unless the context otherwise requires:

1.2.1 words and expressions defined in the Companies Act or the Articles shall have the same meanings in this instrument (unless otherwise expressly defined in this instrument);

1.2.2 headings are used for convenience only and shall be ignored in interpreting this instrument;

1.2.3 reference to a clause or schedule is a reference to a clause of, or schedule to, this instrument;

1.2.4 reference to (or to any specific provision of) this instrument or any other document or instrument shall be construed as a reference to this instrument, that provision or that document or instrument as in force for the time being and as amended from time to time in accordance with its terms and the prior sanction of a Consent (where consent is required by the terms of this instrument as a condition to such amendment being made);

1.2.5 reference to any gender includes all genders, references to the singular includes the plural (and vice versa) and reference to persons includes bodies corporate, unincorporated associations and partnerships (whether or not any of the same have a separate legal personality);

1.2.6 reference to a statutory provision includes reference to:

(a) the statute or statutory provision as modified or re-enacted from time to time; and

(b) any subordinate legislation made under the statutory provision (as modified or re- enacted as set out in clause 1.2.6(a) above);

1.2.7 any words following the terms ‘including’, ‘include’, ‘in particular’, ‘for example’ or any other similar expression shall be construed as illustrative and shall not limit the sense of the words, description, phrase or term preceding those words; and

1.2.8 references to statutory obligations include obligations arising under articles of the Treaty establishing the European Community, and regulations, directives and decisions of the European Union as well as United Kingdom Acts of Parliament and subordinate legislation.

1.3 Unless otherwise specifically provided, where any notice, resolution or document is required by this instrument to be signed by any person, the reproduction of the signature of such person by fax or email shall suffice, provided that confirmation by first class letter is despatched by close of business on the next following Business Day, in which case the effective notice, resolution or document shall be that sent by fax or email (served in accordance with paragraphs 11 and 12 of Schedule 2), not the confirmatory letter.

1.4 This instrument incorporates the schedules to it.

2. CONSTITUTION AND FORM OF WARRANTS

2.1 This instrument constitutes the Warrants in an amount of up to $400,000 (the “**Warrant Amount**”), which in aggregate give the Warrantholder(s) the right, upon the terms and subject to the conditions set out in this instrument, to subscribe in cash at a price per share equal to the Subscription Price for such number of Warrant Shares calculated in accordance with clause 3.

2.2 Each Warrantholder shall be entitled to subscribe in cash at the Subscription Price for that number of Warrant Shares in respect of which it is entitled to be recorded as the holder in the Register on the terms set out in this instrument. For the purposes of this clause 2.2, if the Warrants are exercised pursuant to the terms of this instrument, the Withheld Amount shall be applied by the Company as payment of the Subscription Price for the relevant Warrants.

2.3 The Warrants shall be in registered form.

2.4 The Warrants are issued subject to the Articles and otherwise on the terms of this instrument (including the Conditions).

2.5 The Company agrees with the Warrantholder(s) and, in consideration of being issued a Warrant Certificate, each Warrantholder agrees with the Company that the Articles (insofar as they relate to the Warrants) and the terms of this instrument shall be binding upon the Company and each Warrantholder and all persons claiming through or under either of them.

2.6 No application will be made for the Warrants to be listed or dealt on any Recognised Investment Exchange.

2.7 The Warrants and the Warrant Shares issuable on exercise of the Warrants have not been registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or with any securities regulatory authority of any state or other jurisdiction of the United States. The offer and sale of the Warrants and the Warrant Shares issuable on exercise of the Warrants are being made in the United States only to "accredited investors" (as defined in Regulation D of the Securities Act) in transactions not involving a public offering or which are exempt from, or not subject to, the registration requirements of the Securities Act. The Warrants and the Warrant Shares issuable on exercise of the Warrants may not be offered, sold, transferred or delivered, directly or indirectly, in, into or within, or to any person in the United States or to any resident of the United States (a "**U.S. Person**") or to or for the benefit of any such person except if he is such a person that his exercise or acquisition of the relevant Warrants is permitted by the securities laws of the relevant jurisdiction. Each Notice of Subscription and each notice of transfer of a Warrant shall contain the provisions contained in the schedules to the Warrant Certificate attached to this Warrant Instrument and such other warranties and representations as may be required by applicable securities laws. The exercise or transfer of the Warrants, and the right of a Warrantholder to receive the Warrant Shares to be issued on the exercise of any Warrant, shall be subject to such requirements, conditions, restrictions, limitations or prohibitions (together referred to as "**Restrictions**") as the Company may reasonably require for the purposes of ensuring that such exercise, transfer or issuance, complies with (or for avoiding any requirement by the Company to comply with or register any securities under) the securities laws of the United States and any other relevant jurisdiction and will only be effective to the extent that such Restrictions are complied with. The Directors of the Company may request from any person exercising a Warrant or who is a transferee of a Warrant such information as they may reasonably require for determining whether such Restrictions will be applicable and, if so, whether they will be complied with.

3. CALCULATION OF NUMBER OF WARRANT SHARES

On the relevant Issue Date, the Company shall issue Warrants over such number of Warrant Shares as is equal to the relevant Payment Amount divided by the Average Price for that Payment.

4. CERTIFICATES

4.1 The Company shall issue to each Warrantholder a Warrant Certificate in respect of that number of Warrants to which it is entitled as soon as reasonably practicable following a Warrantholder becoming entitled to such Warrants in accordance with clause 3.

4.2 If a Warrant Certificate is mutilated, defaced, lost, stolen or destroyed, the Company will replace it on such terms as to evidence and indemnity as the Company may reasonably require and subject to the Warrantholder who is seeking the replacement paying the Company's reasonable costs (if any) in connection with the issue of the replacement.

4.3 Mutilated or defaced Warrant Certificates must be surrendered before replacements will be issued.

5. TIMING FOR EXERCISE OF SUBSCRIPTION RIGHTS

5.1 Subject to clause 5.2, the Subscription Rights may be exercised at any time from the Issue Date of Payment 3 until 17:00 GMT on the Final Date and shall be exercised in accordance with clause 6.

5.2 Notwithstanding any provision to the contrary in this instrument, in the event of a Change of Control or upon termination of the SRA, the Subscription Rights in respect of the Warrants in issue at that time will become immediately exercisable and shall be exercised in accordance with clause 6.

5.3 A failure by any Warrantholder to exercise its Subscription Rights ahead of such time on the Final Date shall mean that such Warrantholder's outstanding Warrants shall immediately lapse and be cancelled and such Warrantholder shall have no further rights under this instrument.

6. EXERCISE OF SUBSCRIPTION RIGHTS

6.1 At the time of an exercise of the Subscription Rights, pursuant to clause 5.1 or clause 5.2, a Warrantholder shall exercise all such Subscription Rights and not, for the avoidance of doubt, part of these Subscription Rights.

6.2 In order to exercise its Subscription Rights validly, a Warrantholder must deliver the following items to the registered office of the Company:

6.2.1 the Warrant Certificate for the Warrants in respect of which Subscription Rights are being exercised, together with the Notice of Subscription duly completed;

6.2.2 the name and address of the Warrantholder to which the Warrant Shares arising on exercise of Subscription Rights are to be issued; and

6.2.3 if and to the extent that the Ordinary Shares are to be delivered as ADSs pursuant to clause 6.3, a completed Issuance and Delivery Instruction in the form set out at Schedule 3 hereto (as such form may be amended from time to time by notice to the Warrantholder) duly completed and executed by the Warrantholder.

6.3 If at the time of an exercise of the Subscription Rights there is an effective registration statement covering the Warrant Shares to be issued on exercise, or the Company is to apply for registration pursuant to clause 7.1.4, the Warrantholder may, subject to clause 6.5, require in the Notice of Subscription that the Warrant Shares be delivered as ADSs in accordance with the corresponding Issuance and Delivery Instruction.

6.4 Delivery of the items specified in clause 6.2 to the Company shall, unless the Company expressly consents otherwise, be an irrevocable election by the Warrantholder to exercise the relevant Subscription Rights.

6.5 In the event that the Warrantholder requires the relevant Warrant Shares to be delivered as ADSs, the entitlement of such Warrantholder to ADSs shall be calculated using the ADS Exchange Ratio. No fractional ADSs will be issued, and any fractional entitlements to an ADS shall be issued to the relevant Warrantholder in the form of Ordinary Shares in accordance with clause 7, rounded down to the nearest whole share.

7. COMPLETION

7.1 Following a valid exercise of Subscription Rights by a Warrantholder, the Company shall in accordance with clause 7.3:

7.1.1 allot and issue credited as fully paid to the Warrantholder (or to its nominee or trustee as notified to the Company in the Notice of Subscription), or, in the event that the Warrantholder has required pursuant to clause 6.2 that Ordinary Shares to be issued from the Exercise of Subscription Rights are to be delivered as ADSs, delivered a duly completed Issuance and Delivery Instruction, and there is an effective registration statement covering the Ordinary Shares to be issued on such exercise, issue to, deposit with (and otherwise register in the name of) the custodian of the Depositary (or its nominee) ("**Allotted Shares**") and following such issuance and deposit the Company will direct the Depositary to issue an amount of ADSs via DTC (with such ADSs being eligible for listing on Nasdaq) in accordance with the corresponding Issuance and Delivery Instruction;

7.1.2 immediately following allotment and issue in accordance with clause 7.1.1, enter, or procure that the Company's registrars enter the Warrantholder's name (or (i) its nominee's or trustee's name, or (ii) in the case of any Ordinary Shares to be delivered as ADSs, the custodian of the Depositary's name) in the register of members of the Company as the holder of the Allotted Shares;

7.1.3 immediately following registration in accordance with clause 7.1.2, send to the person identified by the Warrantholder pursuant to clause 7.1.1, free of charge, share certificate(s) in respect of the Allotted Shares (other than any Allotted Shares delivered as ADSs, in respect of which no share certificate shall be issued to the custodian of the Depositary); and

7.1.4 list the Warrant Shares in the form of ADSs on NASDAQ or such other Recognised Investment Exchange where such Warrant Shares are listed at the time of the allotment and issue pursuant to clause 7.1.1, and shall use its reasonable endeavours to secure such admission to trading no later than thirty (30) Business Days after such application.

7.2 The obligations of the Company under clause 7.1 shall be fulfilled:

7.2.1 where the Allotted Shares are to be delivered as Ordinary Shares, within ten (10) days after the Notice of Subscription is lodged at the registered office of the Company; or

7.2.2 where the Allotted Shares are to be delivered as ADSs, within thirty (30) days after the Notice of Subscription is lodged at the registered office of the Company or as soon as reasonably practicable thereafter.

7.3 The Allotted Shares shall:

7.3.1 be allotted and issued fully paid;

7.3.2 rank *pari passu* with the relevant class of fully paid Warrant Shares then in issue;

7.3.3 rank for any dividend or other distribution which has previously been announced or declared if the date by which the holder of Warrant Shares must be registered to participate in such dividend or other distribution is after the Exercise Date pursuant to which the Subscription Rights have been exercised; and

7.3.4 be free from all claims, liens, charges, encumbrances, equities and third party rights.

8. TRANSFER OF WARRANTS

8.1 Subject to clause 8.2, the Warrants may be transferred in whole by any Warrantholder to any person, provided that the Company has given its prior written consent to such transfer.

8.2 A Warrantholder has the right, with prior written notice, but without the consent of the Borrower, to transfer the Warrants in whole to a Permitted Transferee, subject to compliance with the provisions of Schedule 2 hereto.

8.3 Notwithstanding any other provisions of this instrument, no transfer shall be made to any person which is a Competitor of the Company or any other Group Company.

8.4 The provisions of Schedule 2 to this instrument shall regulate any transfer of a Warrant.

9. MODIFICATION AND CESSATION OF RIGHTS

9.1 This instrument may be modified only with the prior sanction of Consent.

9.2 This instrument ceases to have effect on the earlier of:

9.2.1 the date upon which all Subscription Rights have been exercised in full; and

9.2.2 the Final Date.

10. RESTRICTIONS ON AND UNDERTAKINGS OF THE COMPANY

10.1 For so long as the Warrants are outstanding, the Company will:

10.1.1 to the extent that the Company has a limit on its authorised share capital, keep available for issue and free from pre-emptive rights, out of its authorised but unissued share capital, such number of Warrant Shares as will enable the Subscription Rights of the Warrantholder(s) to be satisfied in full; and

10.1.2 ensure that the Directors have all necessary authorisations and disapplications of pre-emption (including under the Companies Act) to allot such number of Warrant Shares as will enable the Subscription Rights of the Warrantholder(s) to be satisfied in full at any time.

11. MISCELLANEOUS

Confidentiality

11.1 Each Warrantholder shall keep confidential any information received by it in its capacity as a Warrantholder which is of a confidential nature except:

11.1.1 as required by law or any applicable regulations;

11.1.2 to the extent the information is in the public domain through no default of the Warrantholder; and

11.1.3 each Warrantholder will be entitled to divulge such information to any other Warrantholder and any proposed transferee of Warrants on the same terms as to confidentiality.

Notices

11.2 Any notice to the Warrantholder(s) required for the purposes of any provision of this instrument shall be given in accordance with the provisions of paragraphs 10 to 13 (inclusive) of Schedule 2.

Further Assurance

11.3 The Company shall, at its own cost and expense, execute all such deeds and documents and do all such acts and things as may reasonably be required in order to give effect to this instrument, including vesting on issue the full legal and beneficial title to the Warrant Shares in the Warrantholder.

Severability

11.4 Each of the provisions of this instrument is distinct and severable from the others and if at any time one or more of such provisions is or becomes valid, unlawful or unenforceable (whether wholly or to any extent), the validity, lawfulness and enforceability of the remaining provisions (or the same provision to any other extent) of this instrument shall not in any way be affected or impaired.

Governing Law

11.5 The provisions of this instrument and the Conditions and any dispute or claim arising out of or in connection with them (including any dispute or claim relating to non-contractual obligations) shall be subject to and governed by the laws of the State of Delaware and the Company and the Warrantholder(s) submit to the exclusive jurisdiction of the courts of the State of Delaware in relation to any such dispute or claim.

SIGNATURE PAGE

IN WITNESS WHEREOF, Mereo Biopharma Group Plc has executed this Warrant Instrument, as of the date first above written.

MEREO BIOPHARMA GROUP PLC

By: _____
Name:
Title: Director/Authorised Signatory

By: _____
Name:
Title: Director/Authorised Signatory

[Signature page to the Warrant Instrument 2018]

SCHEDULE 1
FORM OF WARRANT CERTIFICATE

MEREO BIOPHARMA GROUP PLC ("COMPANY")
A company registered in England and Wales
under Company number 09481161

WARRANT CERTIFICATE

This certificate is issued pursuant to the warrant instrument issued by the Company on 2 November 2018 ("**Warrant Instrument**"). Words and expressions used in this certificate which are defined in the Warrant Instrument have the meanings given to them in the Warrant Instrument.

Certificate number: **[•]**

Date of issue:_____20**[•]**

Name and address of Warrantholder: The Alpha-1 Project, Inc.
3300 Ponce de Leon Boulevard
Coral Gables, Florida 33134

Number of Warrant Shares for which the Warrantholder may subscribe is **[•]**, as determined in accordance with terms of the Warrant Instrument.

This is to certify that the Warrantholder named above is the registered holder of the right to subscribe in cash for Warrant Shares subject to the Articles and otherwise on the terms and conditions set out in the Warrant Instrument (a copy of which is available for inspection at the registered office of the Company).

EXECUTED as a deed, but not delivered until)
the date specified on this certificate, by)
MEREO BIOPHARMA GROUP PLC)
by_____a director in the)
presence of a witness:

_____
Director

Witness Signature: _____

Witness Name (block capitals): _____

Witness Address:

_____

_____

Witness Occupation: _____

THE SUBSCRIPTION RIGHTS ARE TRANSFERABLE PRIOR TO EXERCISE IN ACCORDANCE WITH THE PROVISIONS OF THE WARRANT INSTRUMENT. A COPY OF THE WARRANT INSTRUMENT MAY BE OBTAINED ON REQUEST FROM THE COMPANY AT ITS REGISTERED OFFICE. THE NOTICE OF EXERCISE AND FORM OF TRANSFER PRINTED ON THE FOLLOWING PAGES FORM PART OF THIS CERTIFICATE.

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE ‘‘SECURITIES ACT’’), OR UNDER THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, TAKEN UP, EXERCISED, RESOLD, TRANSFERRED, DELIVERED OR DISTRIBUTED, DIRECTLY OR INDIRECTLY, EXCEPT (A) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT; (B) IN A PRIVATE PLACEMENT TO AN “ACCREDITED INVESTOR” AS DEFINED IN RULE 501(a)(1), (2) (3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT PURSUANT TO SECTION 4(a)(2) THEREUNDER; (C) IN AN ‘‘OFFSHORE TRANSACTION’’ IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT; OR (D) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 (IF AVAILABLE), AND IN EACH CASE OF CLAUSES (A)—(D), IN ACCORDANCE WITH ANY APPLICABLE LOCAL SECURITIES LAWS OR REGULATIONS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES.

NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 OR ANY OTHER EXEMPTION UNDER THE SECURITIES ACT OR OF ANY EXEMPTIONS UNDER APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES FOR THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER OF THE ORDINARY SHARES BY THE HOLDER. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE SECURITIES REPRESENTED HEREBY MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THE SECURITIES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK. EACH HOLDER, BY ITS ACCEPTANCE OF SECURITIES, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

First Schedule to the Warrant Certificate
Notice of Subscription

To: The Directors

MEREO BIOPHARMA GROUP PLC ("Company")

This notice is issued pursuant to the warrant instrument issued by the Company on _____("**Warrant Instrument**"). Words and expressions used in this notice which are defined in the Warrant Instrument have the meanings given to them in the Warrant Instrument.

We hereby irrevocably elect to exercise [number] Warrants issued to us by the Company pursuant to the Warrant Instrument and purchase thereunder (and surrender herewith the relevant warrant certificate) as follows:

(A) _____ Warrant Shares to be issued to the Warrantholder (or its nominee or trustee) as Ordinary Shares pursuant to the Warrant Instrument;

(B) _____ Warrant Shares to be issued to the custodian of the Depositary for delivery to the Warrantholder as ADSs pursuant to the Warrant Instrument.

We wish to satisfy the aggregate Subscription Price for the Warrant Shares in respect of the Subscription Rights we are exercising by the Company applying the [Withheld Amount 1] [Withheld Amount 2] [Withheld Amount 3] to the Subscription Price.

We direct the Company to:

[*use for a request under option (A) above*] issue [*number*] of Ordinary Shares to be issued pursuant to this exercise in the following numbers to the following proposed allottees, each of which is either a Warrantholder, a nominee or trustee of a Warrantholder or a transferee of one of those persons approved in accordance with clause 9.1 of the Warrant Instrument]

Number/percentage of shares	**Name of proposed allottee**	**Address of proposed allottee**

[*OR*] *use for a request under option (B) above*] issue, allot, and deposit [number] of Ordinary Shares to be issued pursuant to this exercise to the custodian (or its nominee) of the Depositary and that following such issuance and deposit, to direct the Depositary to issue an amount of ADSs via DTC in accordance with the Issuance and Delivery Instruction corresponding to this Notice of Subscription.

We agree that such shares are issued and accepted subject to the memorandum and articles of association of the Company.

By our execution below, and for the benefit of the Company, we warrant that:

(a) we understand that the Warrant Shares have not been, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any state or other jurisdiction of the United States, and that the Warrant Shares may not be reoffered, resold, pledged or otherwise transferred except (a) pursuant to an effective registration statement under the Securities Act, (b) outside the United States in an "offshore transaction" pursuant to Rule 903 or Rule 904 of Regulation S under the Securities Act ("**Regulation S**"); (c) in a private placement to an "accredited investor" as defined in Rule 501(a)(1), (2) (3) or (7) of Regulation D under the Securities Act pursuant to Section 4(a)(2) thereunder; (d) pursuant to Rule 144 under the Securities Act ("**Rule 144**") (if available); or (d) pursuant to another exemption from the registration requirements of the Securities Act, in each case in compliance with all applicable securities laws of the United States or any State or other jurisdiction of the United States. We understand that no representation can be made by the Company as to the availability of Section 4(a)(2), Rule 144or any other exemption under the Securities Act for the reoffer, resale, pledge or transfer of the Warrant Shares. We accept the Warrant Shares subject to the foregoing restrictions on transfer and agree to notify any transferee to whom we subsequently reoffer, resell, pledge or otherwise transfer the Warrant Shares of the foregoing restrictions on transfer.

(b) we are either (i) outside the United States and acquiring the Warrant Shares in an "offshore transaction" (within the meaning of Regulation S) or (ii) an "accredited investor" (as defined in Regulation D of the Securities Act);

(c) we are not acquiring the Warrant Shares with a view to any distribution or resale, directly or indirectly, in the United States;

(d) we acknowledge that the Warrant Shares will be "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and, for so long as the Warrant Shares are "restricted securities", we shall not deposit such shares in any restricted depositary facility established or maintained by a depositary bank; and

(e) we understand that the Warrant Shares (to the extent they are in certificated form and as required by applicable law), unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:

''THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE ''SECURITIES ACT''), OR UNDER THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, TAKEN UP, EXERCISED, RESOLD, TRANSFERRED, DELIVERED OR DISTRIBUTED, DIRECTLY OR INDIRECTLY, EXCEPT (A) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT; (B) IN A PRIVATE PLACEMENT TO AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(a)(1), (2) (3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT PURSUANT TO SECTION 4(a)(2) THEREUNDER; (C) IN AN ''OFFSHORE TRANSACTION'' IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT; OR (D) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 (IF AVAILABLE), AND IN EACH CASE OF CLAUSES (A) - (D), IN ACCORDANCE WITH ANY APPLICABLE LOCAL SECURITIES LAWS OR REGULATIONS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES.

NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 OR ANY OTHER EXEMPTION UNDER THE SECURITIES ACT OR OF ANY EXEMPTIONS UNDER APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES FOR THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER OF THE ORDINARY SHARES BY THE HOLDER. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE SECURITIES REPRESENTED HEREBY MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THE SECURITIES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK. EACH HOLDER, BY ITS ACCEPTANCE OF SECURITIES, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.''.

The Warrantholder represents and warrants that this Notice of Subscription has been duly signed and constitutes a valid and binding act to exercise the said Warrants.

Signature of Warrantholder: _____

Full name: _____

Address: _____

The above exercise is acknowledged and accepted. Place and date:

MEREO BIOPHARMA GROUP PLC

_____

By:
Title:

Second Schedule to the Warrant Certificate
Form of Transfer

To: The Directors

MEREO BIOPHARMA GROUP PLC ("Company")

This notice is issued pursuant to the warrant instrument issued by the Company on 2 November 2018 ("**Warrant Instrument**"). Words and expressions used in this notice which are defined in the Warrant Instrument have the meanings given to them in the Warrant Instrument.

[*Name of Warrantholder*] (the "**Transferor**") hereby gives notice that it is transferring [number] Warrants to subscribe for an aggregate of [number] Warrant Shares issued pursuant to the Warrant Instrument to [*name of transferee*] of [*address of transferee*] (the "**Transferee**").

The Transferor encloses its Warrant Certificate for cancellation by you. Please would you issue a new Warrant Certificate to the Transferee in respect of the Warrants so transferred [*and a new Warrant Certificate to us in respect of the balance of the Warrants retained by us*].

[By its execution below, and for the benefit of the Company, Transferee warrants that:

(a) it understands that the Warrants have not been, registered under the US Securities Act of 1933, as amended (the "**Securities Act**") or with any State or other jurisdiction of the United States, and that the Warrants may not be reoffered, resold, pledged or otherwise transferred except (a) pursuant to an effective registration statement under the Securities Act, (b) outside the United States in an "offshore transaction" pursuant to Rule 903 or Rule 904 of Regulation S under the Securities Act ("**Regulation S**"); (c) in a private placement to an "accredited investor" within the meaning of Section 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act pursuant to Section 4(a)(2) thereunder; (d) pursuant to Rule 144 under the Securities Act ("**Rule 144**") (if available); or (d) pursuant to another exemption from the registration requirements of the Securities Act, in each case in compliance with all applicable securities laws of the United States or any State or other jurisdiction of the United States. It understands that no representation can be made by the Company as to the availability of Section 4(a)(2), Rule 144, or any other exemption under the Securities Act for the reoffer, resale, pledge or transfer of the Warrants. It accepts the Warrants subject to the foregoing restrictions on transfer and agree to notify any transferee to whom it subsequently reoffer, resell, pledge or otherwise transfers the Warrants of the foregoing restrictions on transfer.

(b) it is either (i) outside the United States and acquiring the Warrants in an "offshore transaction" (within the meaning of Regulation S) or (ii) an "accredited investor" (as defined in Regulation D of the Securities Act);

(c) it is not acquiring the Warrants with a view to any distribution or resale, directly or indirectly, in the United States;

(d) it acknowledges that the Warrants will be "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and, for so long as the Warrant s are "restricted securities", it shall not deposit such warrants in any restricted depositary facility established or maintained by a depositary bank;

(e) understands that the Warrants (to the extent they are in certificated form and as required by applicable law), unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:

‘‘THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE ‘‘SECURITIES ACT’’), OR UNDER THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, TAKEN UP, EXERCISED, RESOLD, TRANSFERRED, DELIVERED OR DISTRIBUTED, DIRECTLY OR INDIRECTLY, EXCEPT (A) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT; (B IN A PRIVATE PLACEMENT TO AN “ACCREDITED INVESTOR” AS DEFINED IN RULE 501(a)(1), (2) (3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT PURSUANT TO SECTION 4(a)(2) THEREUNDER; (C) IN AN ‘‘OFFSHORE TRANSACTION’’ IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT; OR (D) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 (IF AVAILABLE), AND IN EACH CASE OF CLAUSES (A) - (D), IN ACCORDANCE WITH ANY APPLICABLE LOCAL SECURITIES LAWS OR REGULATIONS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES.

NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 OR ANY OTHER EXEMPTION UNDER THE SECURITIES ACT OR OF ANY EXEMPTIONS UNDER APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES FOR THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER OF THE ORDINARY SHARES BY THE HOLDER. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE SECURITIES REPRESENTED HEREBY MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THE SECURITIES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK. EACH HOLDER, BY ITS ACCEPTANCE OF SECURITIES, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.’’.]

Yours faithfully

TRANSFEROR

_____

for and on behalf of
[NAME OF WARRANTHOLDER]

TRANSFEREE

_____

for and on behalf of
[NAME OF TRANSFEREE]

SCHEDULE 2
CONDITIONS

1. An accurate Register will be kept and maintained at all times by the Company at its registered office and there shall be entered in the Register:

1.1 the names and addresses of the persons for the time being entitled to be registered as the holders of the Warrants;

1.2 the number of Warrants held for the time being by every registered holder; and

1.3 the date on which the name of every registered holder is entered in the Register in respect of the Warrants in its name.

2. Any change in the name or address of any Warrantholder shall promptly be notified to the Company which shall cause the Register to be altered accordingly. The Warrantholders or any of them and any person authorised by any Warrantholder shall be at liberty at all reasonable times during office hours to inspect the Register and to take copies of or extracts from it or any part of it.

3. The Company shall be entitled to treat each Warrantholder as the absolute owner of a Warrant and accordingly shall not, except as ordered by a court of competent jurisdiction or as required by law, be bound to recognise any equitable or other claim to or interest in a Warrant on the part of any other person, whether or not it shall have express or other notice of such a claim.

4. Each Warrantholder will be recognised by the Company as entitled to the Warrants free from any equity, set-off or cross-claim on the part of the Company against the original or any intermediate holder of the Warrants.

5. Each transfer of a Warrant shall be made by an instrument of transfer in the form or substantially in the form set out in the second schedule to the Warrant Certificate or in any other form which may be approved for the time being by the Directors.

6. The instrument of transfer of a Warrant shall be executed by or on behalf of the transferor and by or on behalf of the transferee. The transferor shall be deemed to remain the holder of the Warrant until the name of the transferee is entered in the Register in respect of the Warrant being transferred.

7. The Directors may decline to recognise any instrument of transfer of a Warrant unless the instrument, executed by both the transferor and transferee, is deposited at the registered office of the Company accompanied by the Warrant Certificate for the Warrant to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer. The Directors may also decline to recognise or register any transfer of a Warrant if in the reasonable opinion of the Directors, having taken legal advice, such transfer would violate the securities laws of any country, state or jurisdiction, or require the Company to register the Warrants under the applicable securities laws of such country, state or jurisdiction. The Directors may waive production of any Warrant Certificate upon production to them of satisfactory evidence of the loss or destruction of the Warrant Certificate together with such indemnity as they may require.

8. No fee shall be charged for any registration of a transfer of a Warrant or for the registration of any other documents which in the opinion of the Directors require registration.

9. The registration of a transfer shall be conclusive evidence of the approval by the Directors of such a transfer.

10. Each Warrantholder shall register with the Company an address in the United Kingdom to which notices can be sent. If any Warrantholder fails to register an address with the Company, notice may be given to that Warrantholder by sending it by any of the methods referred to in paragraph 11 of this Schedule 2 to that Warrantholder's last known place of business or residence or, if none, by exhibiting it for three days at the registered office for the time being of the Company.

11. Notices and other communications to Warrantholders may be given by personal delivery, prepaid letter by first class post or, subject to clause 1.3 of this instrument, fax or email. In proving service of any notice or other communication sent by post, it shall be sufficient to prove that the envelope containing the notice or other communication was properly addressed and stamped and was deposited in a post box or at the post office.

12. A notice or other communication given pursuant to the provisions of paragraph 11 of this Schedule 2 shall be deemed to have been served:

12.1 at the time of delivery, if delivered personally to the registered address;

12.2 on the second Business Day following its posting, if sent by prepaid letter by first class post to an address in the United Kingdom; and

12.3 at 09:00 hours on the Business Day following the despatch of the fax, if sent by fax.

13. All notices and other communications with respect to Warrants standing in the names of joint registered holders shall be given to whichever of such persons is named first in the Register and such notice so given shall be sufficient notice to all the registered holders of such Warrants.

14. Any person who, whether by operation of law, transfer or other means whatsoever, shall become entitled to any Warrant, shall be bound by every notice in respect of such Warrant which, prior to its name and address being entered on the Register, shall have been duly given to the person from which it derives its title to such Warrant.

15. When a given number of days' notice or notice extending over any other period is required to be given, the day of service shall be included but the day upon which such notice will expire shall not be included in such number of days or other period. The signature to any notice to be given by the Company may be written or printed.

16. Meetings of Warrantholders shall be convened and conducted in the same way as meeting of shareholders of the Company are convened and conducted. Accordingly, the provisions of Articles shall apply to meetings of the Warrantholders mutatis mutandis.

SCHEDULE 3

Issuance and Delivery Instruction

[DATE]

Citibank, N.A., as Depositary
388 Greenwich Street
New York, New York 10013
Attn.: Mr. Brian M. Teitelbaum (brian.m.teitelbaum@citi.com)
With a copy simultaneously delivered to:
Citibank, N.A., London Branch
25 Canada Square
Canary Wharf
London E14 5LB, England
Attn.: UK Custody Settlements
Custody Team (uksettlements@citi.com)

Re: Issuance and Delivery Instruction—Mereo BioPharma Group plc (CUSIP No.: 589492107) – Deposit & Hold

Dear Sirs:

Reference is made to the Deposit Agreement, dated as of April 23, 2018, as amended and supplemented from time to time (the "Deposit Agreement"), by and among Mereo BioPharma Group plc, a public limited company incorporated under the laws of England and Wales and its successors (the "Company"), Citibank, N.A., a national banking association organized and existing under the laws of the United States of America, as Depositary (the "Depositary"), and all Holders and Beneficial Owners of American Depositary Shares (the "ADSs") issued thereunder. All capitalized terms used, but not otherwise defined herein, shall have the meaning assigned thereto in the Deposit Agreement.

In accordance with the terms and subject to the limitations set forth in the Deposit Agreement, promptly following the Depositary's receipt of confirmation from the Custodian that the Custodian has received a deposit of the number of Shares specified below made by the Company for the benefit of the undersigned holder thereof (the "Holder" and together with the Company, the "Undersigned"), the Undersigned hereby jointly instruct the Depositary, and the Depositary hereby agrees:

(i) to promptly accept for deposit the number of Shares and issue the number of ADSs as specified below:

Number of Shares deposited: _____ Shares

Number of ADSs (CUSIP No.: 589492107; each

ADS representing five (5) Shares to be issued:

_____ ADSs

and (ii) to promptly deliver such Program ADSs, as follows:

Name of DTC Participant to which the ADSs are to be delivered:

_____

x

DTC Participant Account No.: _____

Account No. for recipient of ADSs at DTC

Participant (f/b/o/ information): _____

Name on whose behalf the above number of ADSs are to be issued and delivered: _____

Contact person at DTC Participant: _____

Daytime telephone number of contact person at DTC: _____

The Company hereby confirms and certifies that (i) the registration statement on Form F-3 (File No. [ ]) (the "Registration Statement"), filed with the U.S. Securities and Exchange Commission (the "Commission") on [ ], registers the resale of the above Shares represented by ADSs, such ADSs will be freely transferable following the issuance thereof by the Depositary, and there are no legal restrictions on subsequent transfers of the ADSs to be issued hereunder under the laws of England and Wales or the United States, (ii) the Registration Statement is effective under the Securities Act of 1933, as amended (the "Securities Act"), and (iii) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for such purpose have been instituted or are pending or, to the best knowledge of the Company, are contemplated or threatened by the Commission.

The Holder hereby represents and covenants to, and for the benefit of, the Depositary and Citibank, N.A.—London Branch (the "Custodian"), that (i) the Holder is not an "affiliate" of the Company as that term is defined in Rule 144 promulgated by the Commission under the Securities Act and has not been an affiliate at any time during the 90 days immediately preceding the date hereof, and (ii) all stamp duty taxes, including, without limitation, the U.K. Stamp Duty Reserve Tax ("SDRT"), will be paid in full and on a timely basis to the extent such taxes are payable in respect of the deposit of the Shares and the issuance and delivery of the ADSs as contemplated herein.

Each of the Holder and, to the extent it is not unlawful for the Company to do so under the applicable laws of England and Wales, the Company agrees to indemnify the Depositary and the Custodian for, and to hold the Depositary and the Custodian harmless against, all losses, liabilities, taxes, charges, penalties or expenses (including reasonable legal fees and disbursements), incurred by the Depositary and/or by the Custodian or to which the Depositary and/or the Custodian may become subject to and arising directly or indirectly from the failure by any person to pay (or discharge) any applicable stamp duty taxes, including, without limitation, SDRT, or any other similar duty or tax in connection with the deposit of the Shares and the issuance and delivery of the ADSs as contemplated herein, save to the extent that such losses, liabilities, taxes, charges, penalties or expenses are due to the negligence or bad faith of the Custodian or the Depositary.

[HOLDER]	MEREO BIOPHARMA GROUP PLC
By: _____	By: _____
Name:	Name:
Title:	Title:

IN WITNESS WHEREOF this agreement has been executed as a deed and delivered by the parties on the date first above written.

EXECUTED and delivered as a **DEED** by
MEREO BIOPHARMA GROUP PLC

_____ Signature of Director

_____ Name of Director

_____ Signature of Secretary

_____ Name of Secretary

EXECUTED and delivered as a **DEED** by
THE ALPHA-1 PROJECT INC.

a Delaware corporation acting by

_____

Authorised Signatory

_____

Authorised Signatory

Exhibit 4.26

THIS CONTRACT OF EMPLOYMENT dated October 20, 2020 is made

BETWEEN:

(1) **MEREO BIOPHARMA GROUP PLC**, (a company incorporated in England and Wales and registered under number 9481161, whose registered office is at Fourth Floor, 1 Cavendish Place, London W1G 0QF (the "**Company**"); and

(2) **CHRISTINE FOX of** [Omitted] (the "**Employee**"/ "**you**").

This Contract sets out the terms and conditions of your employment with the Company at the date of this Contract and supersedes all previous arrangements or agreements whether oral or in writing between you and the Company in relation to the matters dealt with in it.

1. Interpretation

1.1 The definitions and rules of interpretation in this clause 1 apply in this Contract.

1.1.1 **Appointment**: the employment of the Employee by the Company on the terms of this Contract.

1.1.2 **Associated Employer**: has the meaning given to it in the Employment Rights Act 1996.

1.1.3 **Board**: the board of directors of the Company (including any committee of the board duly appointed by it).

1.1.4 **Commencement Date**: 4 January 2021.

1.1.5 **Confidential Information**: all of

(a) financial information relating to the Company and any Group Company including (but not limited to) management accounts, sales forecasts, dividend forecasts, profit and loss accounts and balance sheets, draft accounts, results, order schedules, profit margins, pricing strategies and other information regarding the performance or future performance of the Company or any Group Company;

(b) client or customer lists and contact lists, details of the terms of business with, the fees and commissions charged to or by and the requirements of customers or clients, prospective customers or clients, buyers, and suppliers of the Company or any Group Company;

(c) any information relating to expansion plans, business strategy, marketing plans, and presentations, tenders, projects, joint ventures or acquisitions and developments contemplated, offered or undertaken by the Company or any Group Company;

(d) details of the employees, officers and workers of and consultants to the Company or any Group Company their job skills and capabilities and of the remuneration and other benefits paid to them;

(e) copies or details of and information relating to Know-how, research activities, inventions, creative briefs, ideas, computer programs (whether in source code or object code) secret processes, designs and formulae or other intellectual property acquired, developed, licensed, undertaken, commissioned or produced by or on behalf of the Company or any Group Company;

(f) confidential reports or research commissioned by or provided to the Company or any Group Company and any trade secrets and confidential transactions of the Company or any Group Company;

(g) key metric information such as details of website page hits, visitors, visits, orders per day, total order volumes, average order size, volumes of goods shipped or held in stock, customer acquisition costs, repeat rates and word of mouth rates;

(h) details of any marketing, development, pre-selling or other exploitation of any intellectual property or other rights of the Company or any Group Company, any proposed options or agreements to purchase, licence or otherwise exploit any intellectual property of the Company or any Group Company and any intellectual property which is under consideration for development by the Company or any Group Company,

(i) details of any advertising, marketing or promotional campaign which the Company or any Group Company is to conduct; and

(j) any information which you ought reasonably to know is confidential and any information which has been given to the Company or any Group Company in confidence by agents, buyers, clients, consultants, customers, suppliers or other persons.

1.1.6 **Documents:** documents, manuals, disks, memory, notebooks, tapes (including copies) or any other medium, whether or not eye-readable, on which information (whether confidential or otherwise) may from time to time be referred to, written or recorded.

1.1.7 **Group Company**: the Company, its Subsidiaries or Holding Companies from time to time and any Subsidiary of any Holding Company from time to time.

1.1.8 **Incapacity**: any sickness, injury or other medical disorder or condition which prevents the Employee from carrying out his duties.

1.1.9 **Key Employee:** any employee or contractor who is or was (in the Period) employed or engaged to your knowledge:

(a) at management grade; or

(b) in a senior capacity; or

(c) in a capacity in which he has access to or obtained Confidential Information and in respect of whom you exercised control or had managerial responsibility.

1.1.10 **Know-how:** information (including without limitation that comprised in formulae, specifications, designs, drawings, component lists, databases, software (or pre-cursor documents), databases, manuals, instructions and catalogues) held in whatever form relating to the creation, production or supply of any products or services by the Company or any Group Company, or by or to any of the suppliers, customers, partners or joint ventures of such company.

1.1.11 **Manager**: Chief Executive of the Company.

1.1.12 **Period:** the period of 12 months immediately prior to the Termination Date.

1.1.13 **Permitted Interest:** an interest in any class of shares or other securities of any company which are traded on a recognised investment exchange which amount to not more than 3% of such class of issued shares or securities and an interest in any units of any authorised unit trust.

1.1.14 **Restricted Area:** England, Scotland, Wales or Northern Ireland.

1.1.15 **Restricted Business:** the research, acquisition, development and/or commercialisation of innovative therapeutics by the Company or any Group Company as at the Termination Date and with which the Employee was involved to a material extent on the Termination Date or at any time during the Period.

1.1.16 **SSP**: statutory sick pay.

1.1.17 **Staff Handbook**: the Company's staff handbook as amended from time to time.

1.1.18 **Subsidiary and Holding Company**: in relation to a company mean "subsidiary" and "holding company" as defined in section 1159 of the Companies Act 2006 and a company shall be treated, for the purposes only of the membership requirement contained in subsections 1159(1)(b) and (c), as a member of another company even if its shares in that other company are registered in the name of (a) another person (or its nominee), whether by way of security or in connection with the taking of security, or (b) a nominee.

1.1.19 **Termination Date:** the date of termination or expiration of this Contract.

1.2 The headings in this Contract are inserted for convenience only and shall not affect its construction.

1.3 A reference to a particular law is a reference to it as it is in force for the time being taking account of any amendment, extension, or re-enactment and includes any subordinate legislation for the time being in force made under it.

1.4 Unless the context otherwise requires, a reference to one gender shall include a reference to the other genders.

1.5 Unless the context otherwise requires, words in the singular include the plural and in the plural include the singular.

1.6 The schedules to this Contract form part of (and are incorporated into) this Contract.

2. Term of Appointment

2.1 The Appointment shall commence on the Commencement Date and shall continue, subject to the remaining terms of this Contract, until terminated by either party giving the other not less than 6 months' prior notice.

2.2 The first 3 months of the Appointment shall be a probationary period and the Appointment may be terminated during this period at any time by the Company on one week's notice or payment in lieu of one week's notice. During the probationary period the Employee's performance and suitability for continued employment will be monitored. The Employee will be informed in writing when she has successfully completed her probationary period.

2.3 No employment with a previous employer counts towards the Employee's period of continuous employment with the Company.

2.4 The Employee consents to the transfer of his employment under this Contract to an Associated Employer at any time during the Appointment.

3. Employee Warranties

3.1 You represent and warrant to the Company that, by entering into this Contract or performing any of your obligations under it, you will not be in breach of any court order or any express or implied terms of any contract or other obligation binding on you.

3.2 You represent and warrant to the Company that you are not bound by or subject to any agreement, arrangement, court order, obligation or undertaking which in any way restricts or prohibits you from entering into this Contract or from performing your duties for the Company as set out in this Contract.

3.3 You warrant that you are entitled to work in the UK without any additional approvals and will notify the Company immediately if you cease to be so entitled at any time during the Appointment.

4. Job Title and Reporting

Your job title is Chief Financial Officer and you will report to the Manager or such other person as may be authorised by the Company and notified to you.

5. Job Description and Duties

5.1 Your main tasks and responsibilities are set out in the written job description at Schedule I. The Company reserves the right to require you to change your job title and/or job description and/or reporting structure or to require you to perform a different job or different or additional duties consistent with your status and any such change will not constitute a change of the terms and conditions of your employment.

5.2 You must perform your job to the best of your ability and to comply with any duties implied by law.

5.3 During the Appointment you shall:

5.3.1 unless prevented by Incapacity, devote the whole of your time, attention and abilities to the business of the Company and any Group Company of which you are an officer or consultant;

5.3.2 diligently exercise such powers and perform such duties as may from time to time be assigned to you by the Company together with such person or persons as the Company may appoint to act jointly with you;

5.3.3 comply with all reasonable and lawful directions given to you by the Company;

5.3.4 promptly make such reports to your Manager in connection with the affairs of any Group Company on such matters and at such times as are reasonably required;

5.3.5 report your own wrongdoing and any wrongdoing or proposed wrongdoing of any other employee or director of any Group Company to your Manager immediately on becoming aware of it; and

5.3.6 use your best endeavours to promote, protect, develop and extend the business of any Group Company.

5.4 You shall comply with the Company's anti-corruption and bribery policy and related procedures at all times.

5.5 You shall comply with any rules, policies and procedures set out in the Staff Handbook. The Staff Handbook does not form part of this Contract and the Company may amend it at any time. To the extent that there is any conflict between the terms of this Contract and the Staff Handbook, this Contract shall prevail.

5.6 All documents, manuals, hardware and software provided for your use by the Company, and any data or documents (including copies) produced, maintained or stored on the Company's computer systems or other electronic equipment (including mobile phones), remain the property of the Company.

6. Location

6.1 Your normal place of work is the Company's offices at 1 Cavendish Place, London W1G 0QF or such other place as the Company may reasonably determine for the proper performance and exercise of your duties.

6.2 The Company may require you to perform services for any Group Company wherever situated and without further fees or remuneration and to enter into any separate agreement(s) with such Group Company for such purpose and any duties that you may have under this Contract will be deemed to extend to such Group Company.

6.3 You agree to travel on any Group Company's business (both within the United Kingdom and abroad) as may be required for the proper performance of your duties under the Appointment.

7. Hours of Work

7.1 Your normal working hours are from 09:00 to 17:00 on each week day, excluding public and bank holidays of England and Wales, together with such additional hours, on week days (including public and bank holidays of England and Wales) or weekends, as may be necessary for the proper performance of your duties.

7.2 Regulation 4(1) of the Working Time Regulations 1998 (the "**WTR**") provides that a worker's average working time, including overtime, must not exceed 48 hours for each seven-day period (to be averaged over a period of 17 weeks) unless the worker agrees that this regulation will not apply to his or her employment.

You agree that the 48 hour weekly working time limit under the Working Time Regulations shall not apply to you. You understand that you can withdraw your agreement to this by giving the Company not less than 3 months' written notice

7.3 At any time during the Appointment, you or the Company may give three months' prior written notice that the opt-out of clause 7.2 should no longer apply and it will cease to apply with effect from the expiry of the said notice.

7.4 You will comply with any requests made or measures imposed to enable the Company and/or you to monitor and record your working time.

8. Salary

8.1 Your salary is £250,000 per annum (the **"Salary"**), less statutory and voluntary deduction. The Salary shall accrue from day to day and be payable by equal monthly instalments in arrears on the last business day of each calendar month directly into your UK bank or building society account.

8.2 You will receive no additional payment for any overtime worked. Your Salary will include any director's, company secretary's and other fees and emoluments due to you as an officer of the Company or of any Group Company.

8.3 Your Salary will be reviewed by your Manager annually, the first such review taking effect from 1 January 2022 and may be increased from time to time at the Company's discretion without affecting the other terms of the Appointment. There is no obligation to award an increase. There will be no review of the Salary after notice has been given by either party to terminate the Appointment.

8.4 If you are invited to participate in any employees' share scheme (as defined in section 1166 of the Companies Act 2006) and accept, your membership shall be governed exclusively by the rules of the relevant scheme from time to time. Your rights and obligations under this Contract shall not be affected by your participation in the scheme or any right which you may have to participate in it and you shall have no claim for compensation or damages under or in connection with this Contract in consequence of the termination of the Appointment for any reason whatsoever insofar as the termination of the Appointment may end your participation or reduce the value of awards you may receive under it.

8.5 You authorise the Company to deduct from your Salary any sums which you may owe the Company including without limitation any overpayment of salary or expenses, any debt or loans or any other sum or sums which may be required to be authorised pursuant to Section 13 of the Employment Rights Act 1996.

9. Discretionary Bonus

9.1 You may be considered for a discretionary bonus in relation to each calendar year. The payment of any discretionary bonus is not guaranteed under this Contract and your eligibility for a discretionary bonus shall be assessed in accordance with and subject to the terms of the Company's performance related discretionary bonus scheme.

9.2 The terms of the discretionary bonus scheme are determined by the Company in its absolute discretion and the Company is entitled in its absolute discretion to change the terms of this scheme from year to year.

9.3 The amount of the discretionary bonus, if any, in any particular calendar year shall be determined by the Company in its sole discretion. Payment of a bonus in one calendar year does not entitle you to receive a bonus in respect of any other calendar year.

9.4 If you commence employment part way through the calendar year any sum calculated in accordance with clause 9.2 shall be pro-rated, as appropriate.

9.5 If you are no longer employed by the Company (for whatever reason) or you are working your period of notice (given by either you or the Company) or you are subject to any live disciplinary warning or other sanction, at the date any bonus is or would be payable to you, or the Appointment is terminated prior to that date, no bonus or pro-rata bonus shall be payable.

9.6 Any discretionary bonus payable in accordance with this clause 9 shall not be pensionable.

10. Expenses

10.1 The Company will reimburse (or procure the reimbursement of) all expenses properly, necessarily and reasonably incurred by you in the proper performance of your duties, provided that on request you will provide the Company with such VAT receipts, invoices or other evidence of actual payment of such expenses as the Company may reasonably require.

10.2 You shall comply with the Company's expenses policy as set out in the Staff Handbook from time to time.

10.3 Any expenses charged to a Company credit card must be documented in accordance with Company procedures and approved by the Chief Executive Officer within one month of the date that the credit card statement is received. No personal expenditure may be charged to Company credit cards.

11. Other Employment

11.1 You must devote the whole of your time, attention and abilities during your normal hours of work to your duties for the Company.

11.2 Without the prior written approval of the Chief Executive Officer, you may not, whether directly or indirectly, undertake any other job (including voluntary work) or carry on a business, of whatever kind, during your hours of work for the Company. Without the prior written approval of the Chief Executive Officer, you may not, whether directly or indirectly, undertake any other job (including voluntary work) or carry on a business, of whatever kind, outside Company hours if in the reasonable opinion of the Company this is likely to affect your work performance for the Company and you will promptly disclose to the Company sufficient details of any such job or business in order for the Company to consider whether it is likely to affect your work performance.

11.3 You may not at any time during the period of your employment by the Company without the prior written consent of the Chief Executive Officer engage, whether directly or indirectly, in any business or employment which is similar to or in any way connected with the business of the Company.

11.4 Nothing in this clause 11. will prevent you from holding a Permitted Interest.

12. Holidays

12.1 In addition to the usual public and bank holidays of England and Wales, you shall be entitled to 25 days' paid holiday in each complete holiday year worked (and pro rata for any holiday year worked in part) to be taken at such time or times as shall be agreed by your Manager.

12.2 The holiday year runs from 1 January each year to the following 31 December.

12.3 Although the Company will agree to your proposed holiday dates wherever possible, it reserves the right to withhold approval where necessary to protect the interests of the business.

12.4 The Company reserves the right to require you to take holiday on certain days to be determined by the Company of up to five days in each holiday year. The Company will notify you of any such requirement prior to the commencement of each holiday year.

12.5 A maximum of five days untaken holiday entitlement may be carried forward from one holiday year subject to the prior written agreement of your Manager to the next and no money will be paid in lieu of any such untaken holiday entitlement.

12.6 On termination of the Appointment you shall be entitled to be paid in lieu of holiday accrued but untaken in the holiday year in which termination takes place. Your entitlement to holiday will be calculated on the basis that each day of paid holiday is equal to 1/260 of your salary. Alternatively, you will be required to repay to the Company pay for any holiday taken in excess of your entitlement at the same rate.

12.7 If in any year you are not employed for the complete holiday year (for example, in the years in which you join and leave the Company), your holiday entitlement will be calculated pro rata based on the number of complete months worked during the relevant holiday year.

12.8 The Company may require you to take any outstanding holiday entitlement during your notice period or during any period of garden leave as referred to in clause 20.

12.9 The holiday year is also the leave year for parental leave purposes.

13. Notification of Sickness or Other Absence

13.1 If you are absent from work for any reason and your absence has not previously been authorised by your Manager you, or someone on your behalf, must inform your Manager by 10.00 am on each day of absence.

13.2 Any unauthorised absence must be properly explained and in the case of an absence of uncertain duration you must keep the Company informed on a daily basis until you have provided the Company with a medical certificate.

13.3 If you are absent from work due to sickness or injury which continues for more than seven days (including weekends) you must provide the Company with a medical certificate on or before the eighth day of sickness or injury. Thereafter medical certificates must be provided to the Company to cover any continued absence.

13.4 Immediately following your return to work after any period of absence which has not previously been authorised by your Manager you are required to complete a Self-Certification form stating the date of and the reason for your absence, including details of sickness on non-working days as this information is required by the Company for calculating Statutory Sick Pay entitlement. Self-Certification forms will be retained in the Company's records.

13.5 Failure to comply with the above procedures may result in disciplinary action and/or the loss of Company sick pay (referred to below) and may also disqualify you from receiving Statutory Sick Pay.

13.6 Your "qualifying days" for Statutory Sick Pay purposes are those days of the week on which you are due to work in accordance with this contract of employment.

13.7 You shall:

13.7.1 agree to consent to a medical examination (at the Company's expense) by a doctor nominated by the Company or your GP or any relevant consultant at any time should the Company so require; and

13.7.2 authorise such medical practitioner to disclose to or discuss with the Company (or its medical adviser) any matters arising from such examination.

13.8 The rights of the Company to terminate the Appointment under the terms of this Contract apply even when such termination would or might cause you to forfeit any entitlement to sick pay, payments under the medical scheme, or other benefits.

14. Sick Pay

14.1 Provided that you have complied with the Company's notification and certification procedures and general terms relating to sickness absence referred to in clause 13 above and that you have completed three months of continuous service prior to the start of the period of sickness, you will be entitled to be paid your normal basic pay for periods of sickness absence up to a maximum of 10 working days in aggregate in any calendar year. Any payments made thereafter will be at the sole discretion of the Company. Payments of sick pay include Statutory Sick Pay and will be reduced by any state sickness benefit you may be entitled to receive.

14.2 If you are absent from work due to the actionable negligence, nuisance or breach of any statutory duty on the part of a third party in respect of which damages are or may be recoverable, you shall immediately notify your Manager of that fact and of any claim, compromise, settlement or judgment made or awarded in connection with it and all relevant particulars that the Company may reasonably require. In such circumstances any Company sick pay will be paid as a loan which, if required by the Company, you must repay to the Company if you recover damages in respect of your absence from work.

14.3 The Company reserves the right to withhold payment of Company sick pay if you fail to comply with the provisions of clause 13 or if you are subject to disciplinary proceedings.

15. Other Benefits

15.1 **Pension.** You are eligible to join the Company's group personal pension scheme. Membership of and benefits under the scheme are strictly subject to the rules of the scheme as amended from time to time. The Company expressly reserves the right in its discretion to amend or terminate the pension scheme. The Company shall contribute to the Company's pension scheme an amount equal to 10% of your Salary provided that you contribute 4% or more to that scheme, subject to the annual allowance set by HM Revenue & Customs from time to time not being exceeded. In the event that you exceed the annual allowance set by HM Revenue & Customs in any fiscal year or maximum lifetime allowance, the Company may, at your request, pay an allowance, subject to deduction of income tax and national insurance contributions, you certifying and, at the request of the Company, providing evidence satisfactory to the Company that you have exceeded such annual allowance for the applicable fiscal year or the maximum lifetime allowance and, if necessary, you opting out of auto enrolment. Any pension contribution or allowance shall be paid in equal monthly instalments in arrears.

15.2 The Company will comply with the employer pension duties in respect of your employment in accordance with Part I of the Pensions Act 2008.

15.3 A contracting-out certificate under the Pension Schemes Act 1993 is not in force in respect of the Appointment.

15.4 Subject to the rules and eligibility requirements of each scheme from time to time in force and to your health not being such as to prevent the Company (or the relevant Group Company) from being able to obtain cover on reasonable terms, you will be entitled to participate in the following schemes:

15.4.1 **Medical Scheme.** You and your immediate family shall be entitled to participate in the medical insurance scheme maintained from time to time by the Company for the benefit of employees.

15.4.2 **Life Assurance Scheme.** The Company shall maintain for you life assurance of four times your Salary.

15.4.3 **Income protection.** You will be eligible to participate in such income protection schemes as the Company may from time to time operate for employees of your level.

15.5 Any benefits that may from time to time be provided by the Company to you or your family that are not expressly referred to in this Contract shall be provided at the entire discretion of the Company and, unless so agreed in writing, shall not form part of your terms and conditions of employment.

15.6 Participation in any insurance or assurance scheme provided for you under this Contract:

15.6.1 is absolutely subject to its terms and conditions from time to time in force;

15.6.2 is conditional on you satisfying any applicable requirements of the insurers;

15.6.3 is subject to you and any insured dependants satisfying the normal underwriting requirements of the relevant insurance provider and the relevant premium being at a rate which the Company considers reasonable; and

15.6.4 will end when you attain whichever is the greater of the age of 65 and the state pensionable age.

15.7 The Company reserves the right at any time, on three months' written notice, to withdraw any insurance or other benefits set out in this clause 15 or to amend the terms on which they are provided. If an insurance provider refuses for any reason to provide insurance benefit to you under any insurance scheme the Company shall not be liable to provide you with any replacement benefit of the same or similar kind or to pay any compensation in lieu of such benefit.

15.8 You may be required, at the request and expense of the Company, to submit to a medical examination by a medical practitioner nominated by the Company to support applications for insurance set out in this clause 15 or any other insurance schemes required by the Company, and you hereby authorise such medical practitioner to disclose to or discuss with the Company's medical adviser and/or the relevant insurer's medical adviser any matters arising from such examination and the Company's medical adviser may notify the Board of any serious matter if, in his opinion, it might materially adversely affect your health or the proper discharge of your duties.

16. Intellectual Property

16.1 You agree and acknowledge that during the course of your employment and in pursuance of the discharge of your duties you will make, create, produce and generate intellectual property rights, including Inventions.

16.2 Inventions

16.2.1 If while employed by the Company you (whether alone or with any other person) make, produce or are responsible for any invention, discovery, process, business idea, or method of any description that relates to or could be used in any business of the Company ("**an Invention**"), you shall promptly give to a Director of the Company full written details thereof.

16.2.2 If the Invention is a patentable invention within the meaning of Section 1 of the Patents Act 1977 and, according to the provisions of Section 39 of that Act it belongs to you ("**Personal Invention**"), you shall if so requested by the Company no later than six months from disclosure to the Company pursuant to sub-clause 16.2.1 above, negotiate with the Company in good faith for the assignment or licence of your rights in that Invention to the Company for further consideration.

16.2.3 Subject to clause 16.2.4, any Invention created in the course of your employment by the Company shall belong to the Company ("**Company Inventions**"). Any and all intellectual property rights in or relating to any and all such Company Inventions shall be owned by the Company. You hereby irrevocably assign to the Company (by way of present assignment of present and future rights) with full title guarantee absolutely and free from all encumbrances all right, title and interest in and to all intellectual property rights in or relating to Company Inventions and all materials embodying such rights to the fullest extent permitted by law together with all accrued rights of action in respect of any infringement of such rights. Insofar as they do not so vest automatically by operation of law or under this Contract, you shall hold all such rights and inventions on trust for the exclusive benefit of the Company, and shall not transfer them to a third party or encumber them and shall on demand assign them to the Company without payment or other condition. You shall execute (both during and after the termination of your employment) all documents and do all things necessary to substantiate the Company's rights in Company Inventions and to obtain registration or protection thereof in the Company's name in any country.

16.2.4 Where the Company Invention relates to a chemical compound, being the chemical compound itself of assets associated therewith ("Compounds"), any and all intellectual property rights in or relating to that Company Invention shall, with effect from their creation, automatically belong to and vest in the Subsidiary formed to undertake the research, development or commercialisation of that Compound. Insofar as they do not so vest automatically by operation of law or under this Contract, you shall hold all such rights and inventions on trust for the exclusive benefit of the Subsidiary, and shall not transfer them to a third party or encumber them and shall on demand assign them to the Subsidiary without payment or other condition. You shall execute (both during and after the termination of your employment) all documents and do all things necessary to substantiate the Subsidiary's rights in the Compounds and to obtain registration or protection thereof in the Subsidiary's name in any country.

16.2.5 Save for the disclosure to the Company as provided above or, in the case of a Personal Invention only, as required for the purpose of obtaining patent protection for the Personal Invention, you shall keep all details of any Invention confidential to yourself and any solicitor, counsel or patent agent instructed by you and you shall not use any Company Invention for any purpose. You shall not without the Company's prior written consent apply for a patent in any country in relation to any Company Invention and shall promptly inform the Company if you apply for a patent in any country for a Personal Invention. Notwithstanding the foregoing, you shall not include any Confidential Information in any application for a patent for a Personal Invention.

16.3 Copyright and other rights

16.3.1 If while employed by the Company you, whether on your own or with any other person, create any copyright work or design (including without limitation any literary, dramatic, musical or artistic work, and any film, sound recording, cable programme, broadcast, typographical arrangement of a published edition, computer program, adaptation or design document) or any database or any other work or matter of any description (other than an Invention) capable of protection under copyright, design right, trademarks, database rights or other intellectual or industrial and commercial property laws of any country, that relates to or could be used in the business of the Company, (a "**Protected Work**"), you shall promptly disclose to the Chief Executive Officer or General Counsel full details thereof in writing and shall if requested by the Company deliver to it all copies or representations of the Protected Work in any material form but shall otherwise keep the Protected Work confidential and not use it for any purpose other than for the Company.

16.3.2 All proprietary rights in any Protected Work created by you in the course of your employment by the Company shall automatically vest in the Company, save that where a Protected Work relates to a Compound, all proprietary rights in that Protected Work shall, with effect from their creation, automatically belong to and vest in the Subsidiary formed to undertake the research, development or commercialisation of that Compound.

16.3.3 To the extent that the Company or, in the case of a Compound, the Subsidiary is not already the owner of the copyright, design rights, trade marks, database rights and other intellectual or industrial and commercial property rights ("**the Rights**") in a Protected Work pursuant to clause 16.3.2 you shall hold the Protected Work and the Rights on trust for the Company or Subsidiary (as appropriate) and shall assign without payment or any other condition (and, in the case of the UK copyright, design rights, trade marks and database rights hereby assign by way of future assignment of copyright, design right, trademarks and database rights respectively), the Protected Work and all Rights therein in all countries of the world to the Company or Subsidiary (as appropriate) absolutely together with all accrued rights of action in respect of any infringement of the same.

16.4 You shall, without charge to but at the cost of the Company, execute all documents and do all acts, things and matters beneficial to, required or necessary (both during and after the termination of your employment) to vest rights in the Company (or its Subsidiary or its successors, as appropriate), or substantiate the Company's (or its Subsidiary's or its successor's, as appropriate) rights, in any Company Inventions, the Rights and Protected Works and to obtain protection for the Company Inventions, Rights and Protected Works in the Company's (or its Subsidiary's or its successor's, as appropriate) name in any country.

16.5 Should you create a Company Invention or any Rights in a Protected Work in relation to a Compound for which a Subsidiary has not yet been formed at the time of such creation, you agree to hold such Company Invention and Rights on trust pending the formation of such Subsidiary and shall be deemed automatically to have assigned such Company Invention and Rights to that Subsidiary from the moment it becomes a Group Company.

16.6 To the extent permitted by law, you hereby irrevocably and unconditionally waive any and all moral rights conferred by Chapter IV of the Copyright Designs and Patents Act 1988 or any rights of a similar nature under laws now or in the future in force in any other jurisdiction in and to any and all Protected Work, such waiver being given in favour of the Company, its successors in title and assigns.

16.7 You hereby irrevocably appoint the Company to be your attorney to execute and do any such instrument or thing and generally to use your name for the purpose of giving the Company or its nominee the benefit of this clause 16 and acknowledge in favour of a third party that a certificate in writing signed by any Director or the Company Secretary that any instrument or act falls within the authority conferred by this clause 16 shall be conclusive evidence that such is the case.

16.8 The provisions of this clause 16 will not be affected by the termination of this Contract for whatever reason and will continue after it ends.

17. Confidentiality

17.1 You acknowledge that in the course of the Appointment you will have access to Confidential Information. You therefore agree to accept the restrictions in this clause 17.

17.2 You shall not (except in the proper course of your duties), either during the Appointment or at any time after its termination (however arising), use or disclose to any person, company or other organisation whatsoever (and shall use your best endeavours to prevent the publication or disclosure of) any Confidential Information. This shall not apply to:

17.2.1 any use or disclosure authorised by the Board in writing or required by law;

17.2.2 any information which is already in, or comes into, the public domain other than through your unauthorised disclosure; or

17.2.3 any protected disclosure within the meaning of section 43A of the Employment Rights Act 1996.

17.3 You agree that the restrictions set out in this clause 17 are without prejudice to any other duties of confidentiality owed to the Company or any Group Company whether express or implied and that they shall survive the termination of this Contract for whatever reason and will continue after it ends.

18. Termination

18.1 You or the Company may terminate the Appointment on 6 months' written notice.

18.2 The Company shall be entitled at its sole and absolute discretion lawfully to terminate your employment at any time and with immediate effect by written notification to you and to pay within one month following the date of such termination a payment in lieu of notice (PILON) to you. For the avoidance of doubt, the termination of your employment shall be effective on such written notification and shall not be deferred until the PILON is paid. The total PILON will be equal to the basic salary due under clause 8.1 which you would have been entitled to receive under this Contract during the notice period referred to at clause 2.1 or 18.1 (or, if notice has already been given, during the remainder of such notice period) (subject to statutory deductions). The PILON shall not include payment in respect of any accrued holiday, contractual benefits or bonus payments that might otherwise have been payable or due during the notice period.

18.3 On termination of the Appointment, for whatever reason, you shall not be entitled to any compensation for the loss of any rights or benefits under any share option, bonus, long-term incentive plan or other profit sharing scheme operated by the Company or any Group Company in which you may participate.

18.4 Upon the termination of your employment with the Company for whatever reason or after notice having been served at the request of the Company or if you shall cease for any reason to be a director or officer of the Company, you shall forthwith, if so required by the Company resign without any claim for compensation or damages from any office or appointment held by you in the Company or in any Group Company, and of all other companies of which he shall have been appointed a director or officer by the Company or Group Company by virtue of any right of nomination vested in such member. You hereby irrevocably authorise the Company to appoint such person in your place and on your behalf to do all such things and execute all such documents which you are obliged to execute and do under this Contract (including without limitation those documents which may be necessary for, or incidental to, your resignation from office).

18.5 You agree that during any period of notice given by either party, you will give to the Company or such person nominated by it all such assistance and co-operation in effecting a smooth and orderly handover of your duties as the Company may reasonably require.

18.6 The Company may at its absolute discretion during any period of notice given by either party:

18.6.1 appoint a person to perform your duties jointly with you or, during any period of garden leave pursuant to clause 20 and/or during any period of suspension pursuant to clause 24.2, to perform all or some of your duties in your place; and/or

18.6.2 suspend or cancel your access to the Company's IT and telephone systems including, but not limited to, voicemail, email, internet and the Company's intranet.

19. Summary Termination

19.1 The Company is entitled to terminate the Appointment by summary notice in writing and without payment in lieu of notice if you:

19.1.1 are guilty of any gross misconduct affecting the business of any Group Company;

19.1.2 commit any serious breach or repeated or continued (after warning) any material breach of your obligations under this Contract;

19.1.3 commit (by commission or omission) any act which brings or would tend to bring the Company or any Group Company into disrepute;

19.1.4 fail to perform your duties to a satisfactory standard after having received a written warning from the Company relating to the same;

19.1.5 are guilty of any dishonesty, gross misconduct or wilful neglect of duty;

19.1.6 damage Company property maliciously;

19.1.7 falsify attendance or sickness or other records;

19.1.8 falsify any data during the course of your employment;

19.1.9 conduct yourself in a manner materially adverse to the interests of the Company or any Group Company;

19.1.10 are, in the reasonable opinion of the Board, negligent and incompetent in the performance of your duties;

19.1.11 have a bankruptcy order made against you or enter into a voluntary arrangement within the meaning of section 253 Insolvency Act 1986;

19.1.12 consume or distribute narcotics on Company premises;

19.1.13 are convicted of any criminal offence (other than an offence under any road traffic legislation in the United Kingdom or elsewhere for which a fine or non-custodial penalty is imposed) whether or not in the course of your employment;

19.1.14 are, in the opinion of a medical practitioner who is treating you, physically or mentally incapable of performing your duties and may remain so for more than three months and the medical practitioner has given a medical opinion to the Board to that effect;

19.1.15 cease to be eligible to work in the United Kingdom;

19.1.16 knowingly commit any deliberate act which amounts to discrimination, victimisation or harassment on any unlawful ground;

19.1.17 are in breach of the Company's anti-corruption and bribery policy and related procedures;

19.1.18 are guilty of a serious breach of any rules issued by the Company from time to time regarding its electronic communications systems;

19.1.19 are unable by reason of Incapacity to perform his duties under this Contract for an aggregate period of 26 weeks in any 52-week period; or

19.1.20 commit any other offence of a similar gravity to the examples under this clause 19.1, which are neither exclusive nor exhaustive.

19.2 Any delay by the Company in exercising such right of termination shall not constitute a waiver of that right.

19.3 The termination by the Company of the Appointment pursuant to this clause 19 will be without prejudice to any claim that the Company may have for damages arising from any breach of this Contract by you that gives rise to such termination.

20. Garden Leave

20.1 After notice of termination has been given by either party pursuant to clause 18 provided that the Company continues to provide you with your normal Salary and benefits under this Contract until the Appointment terminates, the Company may at its absolute discretion without breaking the terms of this contract or giving rise to any claim against the Company for all or part of your notice period place you on garden leave and:-

20.1.1 exclude you from the premises of the Company and any Group Company; and/or

20.1.2 require you to carry out specified duties other than your normal duties or to carry out no duties; and/or

20.1.3 withdraw any powers vested in you; and/or

20.1.4 instruct you not to communicate orally or in writing with suppliers, customers, employees, agents/or representatives of the Company or any Group Company until the Appointment has terminated.

20.2 During any period of garden leave you shall:

20.2.1 continue to receive your Salary and all contractual benefits in the usual way and subject to the terms of any benefit arrangement;

20.2.2 remain an employee of the Company and bound by the terms of your contract of employment with the Company;

20.2.3 not, without the prior written consent of your Manager, attend your place of work or any other premises of the Company or any Group Company;

20.2.4 not, without the prior written consent of your Manager, contact or deal with (or attempt to contact or deal with) any officer, employee, consultant, client, customer, supplier, agent, distributor, shareholder, adviser or other business contact of the Company or any Group Company;

20.2.5 (except during any periods taken as holiday in the usual way) ensure that your Manager knows where you will be and how you can be contacted during each working day and shall comply with any written requests to contact a specified employee of the Company at specified intervals.

21. Restrictions after Employment

21.1 You shall not, save in respect of a Permitted Interest or with the prior written consent of the Company, for a period of 6 months from the Termination Date carry on or be concerned or engaged or interested directly or indirectly (whether as principal, shareholder, partner, employee, officer, agent or otherwise) in any part of any trade or business carried on within the Restricted Area wholly or partly in competition with the Restricted Business.

21.2 You shall not for a period of 9 months from the Termination Date, in competition with the Company, either on your own behalf or on behalf of any person, firm or company in relation to the Restricted Business, directly or indirectly:

21.2.1 deal with or accept custom from any person, firm or company who was a client or customer of the Company or any Group Company during the Period with whom you have been actively engaged or involved or of whom you have acquired Confidential Information or trade secrets by virtue of your duties hereunder during the Period; or

21.2.2 deal with or interfere with any person, firm or company who was a supplier, agent or distributor of the Company or any Group Company during the Period and in each case with whom you have been actively engaged or involved or of whom you have acquired Confidential Information or trade secrets by virtue of your duties hereunder during the Period; or

21.2.3 deal with or interfere with any company from whom the Company or any Group Company has licensed or acquired intellectual property.

21.3 You shall not for a period of 9 months from the Termination Date, in competition with the Company, either on your own behalf or on behalf of any person, firm or company in relation to the Restricted Business, directly or indirectly:

21.3.1 solicit, approach or offer goods or services to or entice away from the Company or any Group Company any person, firm or company who was a client or customer of the Company or any Group Company during the Period with whom you have been actively engaged or involved or of whom you have acquired Confidential Information or trade secrets by virtue of your duties hereunder during the Period;

21.3.2 solicit or approach or offer goods or services to or entice away from the Company or any Group Company any person, firm or company who was a supplier, agent or distributor of the Company or any Group Company during the Period with whom you has been actively engaged or involved or of whom you have acquired Confidential Information or trade secrets by virtue of your duties hereunder during the Period; or

21.3.3 interfere or seek to interfere with the continuance, or any of the terms, of the supply of goods or services to the Company or any Group Company;

PROVIDED THAT nothing contained in clauses 21.1 to 21.3 inclusive shall prohibit you from carrying out any activities that are not in competition with any part of the business of the Company with which you were involved in the Period.

21.4 You shall not for a period of 9 months from the Termination Date either on your own behalf or on behalf of any person, firm or company directly or indirectly, approach, solicit, endeavour to entice away, employ, offer employment to or procure the employment of any person who is or was a Key Employee with whom you have had dealings during the Period whether or not such person would commit any breach of his contract of employment by reason of so leaving the service of the Company or otherwise.

21.5 You shall not, at any time after the Termination Date, either on your own behalf or on behalf of any other person, firm or company directly or indirectly:

21.5.1 represent yourself as being in any way connected with or interested in the business of the Company or any Group Company (other than as a consultant or a member if such be the case) or use any name which is identical or similar to or likely to be confused with the name of the Company or any Group Company or any product or service produced or provided by the Company or any Group Company or which might suggest a connection with the Company or any Group Company; or

21.5.2 directly or indirectly make, publish or otherwise communicate any statement whatsoever whether in writing or otherwise which may have the effect of damaging or lowering the business interests and/or the reputation of the Company or any Group Company or any of its or their former or existing agents, clients, consultants, directors, employees, officers, share-holders, suppliers or workers ("**Relevant Personnel**") and/or which may be disparaging or derogatory to any of the Company or any Group Company or any Relevant Personnel.

21.6 The period of the restrictions in clauses 21.1 to 21.4 inclusive shall be reduced by the period, if any, spent by you during which you are placed on garden leave in accordance with clause 20.

21.7 You agree to notify your new employer of the restrictions contained within clauses 21.1 to 21.4 inclusive.

21.8 You acknowledge that, in the course of your employment, you are likely to have dealings with the clients, customers, suppliers and other contacts of the Company. You agree that each of the restrictions in clauses 21.1 to 21.4 inclusive is separate and distinct, is to be construed separately from the other restrictions, and is reasonable as regards its duration, extent and application for the protection of the legitimate business interests of the Company. However, in the event that any such restriction shall be found to be void or unenforceable but would be valid or enforceable if some part or parts of it were deleted, you agree that such restriction shall apply with such deletions as may be necessary to make it valid and effective.

22. Company Property

22.1 All Documents and other property (including mobile telephones, laptop computers and other technical equipment) provided for your use by the Company, remain the property of the Company or any Group Company.

22.2 Any Documents or other property in your possession and or obtained by you in the course of your employment shall be returned to your Manager at any time on request and in any event prior to the Termination Date.

22.3 At any time upon request and in any event prior to the Termination Date you must irretrievably delete any information relating to the business of the Company or any Group Company stored on any magnetic or optical disk or memory and all matter derived from such sources which is in your possession or under your control outside the Company's premises.

23. Grievance Procedure

The purpose of the grievance procedure is to ensure that any problem, concern or grievance you have about your work, working environment or working relationships is properly dealt with. The Company's current grievance procedure, which does not form part of your terms and conditions of employment, is set out in the Company's Employee Handbook. Should you have any grievance in relation to the Appointment which you are unable to resolve on an informal basis, you should raise it in the first instance with your Manager. In the event that such grievance is against your Manager, you should raise it in the first instance with the Chief Executive Officer or General Counsel.

24. Disciplinary Procedure

24.1 The purpose of the disciplinary procedure is to ensure that the standards established by the Company's rules are maintained and that any alleged failure to observe the Company's rules is fairly dealt with. The Company's current disciplinary procedure, which does not form part of your terms and conditions of employment, is set out in the Company's Employee Handbook. If you wish to appeal against a disciplinary decision you must do in accordance with the disciplinary procedure to a Director of the Company.

24.2 The Company may at any time and from time to time in its discretion suspend you from your duties on payment of full Salary and/or exclude you from any premises of the Company and/or any Group Company whilst it carries out any investigation or disciplinary process. During any period of suspension:

24.2.1 you shall continue to receive your basic salary and all contractual benefits in the usual way and subject to the terms of any benefit arrangement;

24.2.2 you shall remain an employee of the Company and bound by the terms of this Contract;

24.3 you shall ensure that your Manager knows where you will be and how you can be contacted during each working day (except during any periods taken as holiday in the usual way);

24.4 the Company may exclude you from your place of work or any other premises of the Company or any Group Company; and

24.5 the Company may require you not to contact or deal with (or attempt to contact or deal with) any officer, employee, consultant, client, customer, supplier, agent, distributor, shareholder, adviser or other business contact of the Company or any Group Company.

25. Collective Agreements

There are no collective agreements affecting your terms and conditions of employment.

26. Work outside the United Kingdom

26.1 It is not envisaged by the Company that you will be required to travel for work purposes outside the United Kingdom for any periods longer than one month.

26.2 In the event you are required to work outside the United Kingdom for a period of more than one month, the Company will consult with you and will provide the prescribed information to you.

27. Data Protection

For the purposes of the General Data Protection Regulation (EU) 2016/679 and the Data Protection Act 2018, you agree that personal data (including sensitive personal data) relating to you which has been or is in the future obtained by the Company may be held and processed by the Company or any Group Company either by computer or manually for all purposes relating to the performance of your contract of employment and the Company's legitimate business needs and legal obligations including, but not limited to the following:

27.1.1 administering and maintaining the Company's personnel records;

27.1.2 paying and reviewing salary and other remuneration and benefits;

27.1.3 providing and administering benefits (including pension) and Private Medical Health Insurance;

27.1.4 undertaking performance appraisals and reviews and setting performance targets;

27.1.5 maintaining sickness and other absence records;

27.1.6 taking decisions as to your fitness for work;

27.1.7 providing references and information to future employers, and if necessary, governmental and quasi-governmental bodies for social security and other purposes, and HM Revenue and Customs;

27.1.8 providing information to future purchasers of the Company or of the business in which you work; and

27.1.9 transferring information concerning you to a country or territory outside the European Economic Area.

28. Monitoring

28.1 You shall comply with any electronic communication systems policies that the Company may issue from time to time.

28.2 To ensure regulatory compliance and for the protection of its workers, clients/customers and business, the Company reserves the right to monitor, intercept, review and access any communication facilities provided by the Company or any Group Company that you may use during the Appointment. The Company will use this right of access reasonably but it is important that you are aware that communications and activities on the equipment or premises of the Company and any Group Company cannot be presumed to be private. You consent to the Company and/or any Group Company and its or their duly authorised agents and employees using surveillance equipment.

29. Rules, Policies and Procedures

You must comply at all times with all the rules, policies and procedures introduced by the Company from time to time, including but not limited to any contained in the Company's Employee Handbook. For the avoidance of doubt such rules, policies and procedures are not incorporated by reference into this Contract and they can be changed, replaced or withdrawn at any time at the discretion of the Company. Breach of Company rules, policies or procedures may result in disciplinary action.

30. Health and Safety

All employees and workers have a duty in law to act responsibly and to take reasonable care for the health and safety at work of both themselves and their colleagues. This duty can be carried out by:

(a) working safely and efficiently;

(b) using any protective equipment provided and meeting statutory obligations;

(c) adhering to the Company procedures for securing a safe workplace.

Further provisions relating to health and safety can be found in the Employee Handbook.

31. Contracts (Rights of Third Parties) Act 1999

The Company or any Group Company may enforce the terms of this Contract and the Contracts (Rights of Third Parties) Act 1999 shall apply accordingly except that the consent of such Group Companies will not be required to vary or rescind the terms of the Contract.

32. Governing Law

This Contract shall be interpreted and construed in accordance with the laws of England and shall be subject to the jurisdiction of the English courts.

33. Jurisdiction

Each party irrevocably agrees that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with this Contract or its subject matter or formation (including non-contractual disputes or claims).

34. Changes to your Terms of Employment

The Company reserves the right to make reasonable changes to any of your terms of employment. You will be notified in writing of any change as soon as possible and in any event within one month of the change.

35. Notices

35.1 Any notice or other communication given or made under this Contract must be in writing and delivered to the relevant party (including by hand or special delivery) or sent by first class post to the address of that party specified in this Contract or such other address as may be notified by that party from time to time for this purpose, and shall be effective notwithstanding any change of address not so notified.

35.2 Unless the contrary shall be proven, each such notice or communication shall be deemed to have been given or made, if sent by first class post, 48 hours after posting and, if delivered by hand, at the time of such delivery.

36. Entire Agreement

36.1 This Contract constitutes the entire agreement between the parties and supersedes and extinguishes all previous agreements, promises, assurances, warranties, representations and understandings between them, whether written or oral, relating to its subject matter.

36.2 Each party acknowledges that in entering into this Contract it does not rely on, and shall have no remedies in respect of, any statement, representation, assurance or warranty (whether made innocently or negligently) that is not set out in this Contract.

36.3 Each party agrees that it shall have no claim for innocent or negligent misrepresentation or negligent misstatement based on any statement in this Contract.

36.4 Nothing in this clause shall limit or exclude any liability for fraud.

37. Counterparts

37.1 This Contract may be executed in any number of counterparts, each of which when executed and delivered shall constitute a duplicate original, but all the counterparts shall together constitute the one agreement.

37.2 No counterpart shall be effective until each party has executed and delivered at least one counterpart.

38. General

You hereby irrevocably and by way of security appoint each director of the Company from time to time, jointly and severally, to be your attorney in your name and on your behalf and as your act and deed to sign, execute and do all acts, things and documents which you are obliged to execute and do under the provisions of this Contract (including, but not limited to clause 16.4) and you hereby agree immediately on the request of the Company to ratify and confirm all such acts, things and documents signed, executed or done in the pursuance of this power.

This document has been executed as a deed and is delivered and takes effect on the date stated at the beginning of it.

Signed by **MEREO BIOPHARMA GROUP PLC** acting by:

in the presence of

Signature of witness

Name of witness

Address of witness

Signed as a deed by

CHRISTINE FOX

in the presence of

Signature of witness

Name of witness

Address of witness

SCHEDULE I

WRITTEN JOB DESCRIPTION

JOB TITLE:	**Chief Financial Officer**
DEPARTMENT:	**Finance**
REPORTING TO:	**Chief Executive Officer**
ROLE:	

RESPONSIBILITIES and DUTIES

EMPLOYMENT AGREEMENT

This Employment Agreement (the "***Agreement***"), is entered into effective as of July 1, 2020 (the "***Effective Date***"), by and between Mereo BioPharma Group plc, a company incorporated in England and Wales (the "***Company***") and John Lewicki, Ph.D. ("***Executive***" and, together with the Company, the "***Parties***").

WHEREAS, the Company desires to assure itself of the services of Executive by engaging Executive to perform services as an employee of the Company under the terms hereof; and

WHEREAS, Executive desires to provide services to the Company on the terms herein provided.

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, including the respective covenants and agreements set forth below, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

1. Employment.

(a) General. The Company shall employ Executive upon the terms and conditions provided herein effective as of the Effective Date.

(b) Position and Duties. Effective as of the Effective Date, Executive: (i) shall serve as Chief Scientific Officer of the Company, with responsibilities, duties, and authority usual and customary for such position, subject to direction by the Chief Executive Officer of the Company (the "***CEO***"); (ii) shall report directly to the CEO; and (iii) agrees promptly and faithfully to comply with all present and future policies, requirements, rules and regulations, and reasonable directions and requests, of the Company in connection with the business of the Company. At the request of the Company, Executive shall serve the Company and/or its subsidiaries and affiliates in such other capacities in addition to the foregoing as the Company shall designate, provided that such additional capacities are consistent with Executive's position as the Chief Scientific Officer of the Company. In the event that Executive serves in any one or more of such additional capacities, Executive's compensation shall not automatically be increased on account of such additional service.

(c) Principal Office. Executive shall perform services for the Company at the Company's offices located in Redwood City, California, such other location as the Company shall determine, including in connection with the anticipated relocation of such offices from Redwood City, California, or with the Company's consent, at any other place in connection with the fulfillment of Executive's role with the Company (including, without limitation, from Executive's home office combined with travel to the Company's offices); provided, however, that the Company may from time to time require Executive to travel temporarily to other locations in connection with the Company's business.

(d) Exclusivity. Except with the prior written approval of the CEO (which the CEO may grant or withhold in the CEO's sole and absolute discretion), Executive shall devote approximately 60% of Executive's working time, attention, and energies to the business of the Company, except during any paid vacation or other excused absence periods. Any increase or decrease to Executive's working time shall be mutually agreed in writing with the CEO. Notwithstanding the foregoing, Executive may, without violating this Section 1(d), (i) as a passive investment, own publicly traded securities in such form or manner as will not require any services by Executive in the operation of the entities in which such securities are owned; (ii) engage in charitable and civic activities; or (iii) engage in other personal passive investment activities, in each case, so long as such interests or activities do not materially interfere to the extent such activities do not, individually or in the aggregate, interfere with or otherwise prevent the performance of Executive's duties and responsibilities hereunder. Executive may also serve as a member of the board of directors or board of advisors of another organization provided (i) such organization is not a competitor of the Company; (ii) Executive receives prior written approval from the CEO; and (iii) such activities do not individually or in the aggregate interfere with the performance of Executive's duties under this Agreement, violate the Company's standards of conduct then in effect, or raise a conflict under the Company's conflict of interest policies.

2. Term. The period of Executive's employment under this Agreement shall commence on the Effective Date and shall continue until Executive's employment with the Company is terminated pursuant to Section 5. The phrase "***Term***" as used in this Agreement shall refer to the entire period of employment of Executive by the Company.

3. Compensation and Related Matters.

(a) Annual Base Salary. During the Term, Executive shall receive a base salary at the rate of $216,000 per year, which has already been discounted to reflect Executive's part-time status, (as may be increased from time to time, the "***Annual Base Salary***"), subject to withholdings and deductions, which shall be paid to Executive in accordance with the customary payroll practices and procedures of the Company and pro-rated for any partial employment with the Company during the calendar year. Such Annual Base Salary shall be reviewed by the CEO, and, as applicable, the Board of Directors of the Company (the "***Board***") and/or a committee thereof, not less than annually.

(b) Annual Bonus. Executive shall be eligible to receive a discretionary annual bonus based on Executive's achievement of performance objectives established by the Board, a committee thereof and/or the CEO, such bonus to be targeted at 40% of Executive's Annual Base Salary (the "***Annual Bonus***"). Any Annual Bonus approved by the Board, a committee thereof and/or the CEO shall be paid at the same time annual bonuses are paid to other executives of the Company generally, subject to Executive's continuous employment through the date of payment (and Executive not having given notice of intent to terminate Executive's employment with the Company). Executive's Annual Bonus, if earned, for the year in which the Effective Date occurs shall be pro-rated for Executive's partial year of employment based on the number of days that Executive is employed by the Company during the calendar year in which the Effective Date occurs.

(c) Benefits. Executive shall be entitled to participate in such employee and executive benefit plans and programs as the Company may from time to time offer to provide to its executives, subject to the terms and conditions of such plans. Notwithstanding the foregoing, nothing herein is intended, or shall be construed, to require the Company to institute or continue any particular plan or benefit.

(d) Business Expenses. The Company shall reimburse Executive for all reasonable, documented, out-of-pocket travel and other business expenses incurred by Executive in the performance of Executive's duties to the Company in accordance with the Company's applicable expense reimbursement policies and procedures as are in effect from time to time.

(e) Vacation. Executive will be entitled to paid vacation in accordance with the Company's vacation policy, as in effect from time to time.

4. Equity Awards. Subject to approval by the Board, the Company shall grant to Executive an option (the "***Option***") to purchase 100,000 American Depositary Shares ("***ADSs***") of the Company at an exercise price per share equal to the closing price per share of the ADSs on the date of grant, or if the date of grant is not a trading day, on the most recent trading day before the date of grant. The Option will vest as to 1/4th of the ADSs subject to the Option on the first anniversary of the grant (the ***"First Year Anniversary***"), and as to the remaining ADSs in equal monthly installments over the three year period following the First Year Anniversary, subject to Executive's continued service to the Company or an affiliate thereof on each applicable vesting date. The Option subject to the terms and conditions of the Company's 2019 Equity Incentive Plan and an award agreement to be entered into between Executive and the Company (collectively, the "***Equity Documents***").

5. Termination.

(a) At-Will Employment. The Company and Executive acknowledge that Executive's employment is and shall continue to be at-will, as defined under applicable law. This means that it is not for any specified period of time and, subject to any ramifications under Section 6 of this Agreement, can be terminated by Executive or by the Company at any time, with or without advance notice, and for any or no particular reason or cause. It also means that Executive's job duties, title, and responsibility and reporting level, work schedule, compensation, and benefits, as well as the Company's personnel policies and procedures, may be changed with prospective effect, with or without notice, at any time in the sole discretion of the Company (subject to any ramification such changes may have under Section 6 of this Agreement). This "at-will" nature of Executive's employment shall remain unchanged during Executive's tenure as an employee and may not be changed, except in an express writing signed by Executive and a duly-authorized officer of the Company. If Executive's employment terminates for any lawful reason, Executive shall not be entitled to any payments, benefits, damages, award, or compensation other than as provided in this Agreement.

(b) Notice of Termination. During the Term, any termination of Executive's employment by the Company or by Executive (other than by reason of death) shall be communicated by written notice (a "***Notice of Termination***") from one Party hereto to the other Party hereto (i) indicating the specific termination provision in this Agreement relied upon, if any, (ii) setting forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated, and (iii) specifying the Date of Termination (as defined below). The failure by the Company to set forth in the Notice of Termination all of the facts and circumstances which contribute to a showing of Cause (as defined below) shall not waive any right of the Company hereunder or preclude the Company from asserting such fact or circumstance in enforcing its rights hereunder.

(c) Date of Termination. For purposes of this Agreement, "***Date of Termination***" shall mean the date of the termination of Executive's employment with the Company specified in a Notice of Termination.

(d) Deemed Resignation. Upon termination of Executive's employment for any reason, Executive shall be deemed to have resigned from all offices and board memberships, if any, then held with the Company or any of its affiliates, and, at the Company's request, Executive shall execute such documents as are necessary or desirable to effectuate such resignations.

6. Consequences of Termination.

(a) Payments of Accrued Obligations upon all Terminations of Employment. Upon a termination of Executive's employment for any reason, Executive (or Executive's estate or legal representative, as applicable) shall be entitled to receive, within 30 days after Executive's Date of Termination (or such earlier date as may be required by applicable law): (i) any portion of Executive's Annual Base Salary earned through Executive's Date of Termination not theretofore paid, (ii) any expenses owed to Executive under Section 3, (iii) any accrued but unused paid time-off owed to Executive, and (iv) any amount arising from Executive's participation in, or benefits under, any employee benefit plans, programs, or arrangements under Section 3, which amounts shall be payable in accordance with the terms and conditions of such employee benefit plans, programs, or arrangements. Except as otherwise set forth in Sections 6(b) and (c), the payments and benefits described in this Section 6(a) shall be the only payments and benefits payable in the event of Executive's termination of employment for any reason.

(b) Severance Payments upon Covered Termination Outside a Change in Control Period. If, during the Term, Executive experiences a Covered Termination outside of a Change in Control Period (each as defined below), then in addition to the payments and benefits described in Section 6(a), the Company shall, subject to Executive's delivery to the Company of a waiver and release of claims agreement substantially in the form of Exhibit A hereto (but updated to the extent deemed by the Company to be necessary to reflect any changes in applicable law) (the "***Release***") that becomes effective and irrevocable in accordance with Section 10(d) and subject to Executive's continued compliance with the Confidentiality Agreement (as defined below), provide Executive with the following:

(i) The Company shall continue to pay Executive the Annual Base Salary at the rate in effect immediately prior to the Date of Termination during the period of time commencing on the Date of Termination and ending on the six (6)-month anniversary thereof, payable in substantially equal installments in accordance with the Company's standard payroll policies, less applicable withholdings, with such installments to commence on the first payroll date following the date the Release becomes effective and irrevocable and the first installment to include any amount that would have been paid had the Release been effective and irrevocable on the Date of Termination.

(ii) During the period commencing on the Date of Termination and ending on the six (6)-month anniversary thereof or, if earlier, the date on which Executive becomes eligible for comparable replacement coverage under a subsequent employer's group health plan (in any case, the "***Non-CIC COBRA Period***"), subject to Executive's valid election to continue healthcare coverage under Section 4980B of the Internal Revenue Code of 1986, as amended (the "***Code***") and the regulations thereunder, the Company shall, in its sole discretion, either (A) continue to provide to Executive and Executive's dependents, at the Company's sole expense, or (B) reimburse Executive and Executive's dependents for coverage under its group health plan (if any) at the same levels in effect on the Date of Termination; *provided, however*, that if (1) any plan pursuant to which such benefits are provided is not, or ceases prior to the expiration of the continuation coverage period to be, exempt from the application of Section 409A under Treasury Regulation Section 1.409A-1(a)(5), (2) the Company is otherwise unable to continue to cover Executive or Executive's dependents under its group health plans, or (3) the Company cannot provide the benefit without violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act), then, in any such case, an amount equal to each remaining Company subsidy shall thereafter be paid to Executive in substantially equal monthly installments over the Non-CIC COBRA Period (or remaining portion thereof).

(c) Severance Payments upon Covered Termination During a Change in Control Period. If, during the Term, Executive experiences a Covered Termination during a Change in Control Period, then, in addition to the payments and benefits described in Section 6(a) (and in lieu of any payments and benefits set forth in Section 6(b)), the Company shall, subject to Executive's delivery to the Company of the Release that becomes effective and irrevocable in accordance with Section 10(d) and subject to Executive's continued compliance with the Confidentiality Agreement, provide Executive with the following:

(i) The Company shall pay to Executive an amount equal to Executive's Annual Base Salary as in effect immediately prior to the Date of Termination. Such amount will be subject to applicable withholdings and payable in a single lump sum cash payment on the first regular payroll date following the date the Release becomes effective and irrevocable in accordance with Section 10(d).

(ii) During the period commencing on the Date of Termination and ending on the first anniversary thereof or, if earlier, the date on which Executive becomes eligible for comparable replacement coverage under a subsequent employer's group health plan (in any case, the "***CIC COBRA Period***"), subject to Executive's valid election to continue healthcare coverage under Section 4980B of the Code and the regulations thereunder, the Company shall, in its sole discretion, either (A) continue to provide to Executive and Executive's dependents, at the Company's sole expense, or (B) reimburse Executive and Executive's dependents for coverage under its group health plan (if any) at the same levels in effect on the Date of Termination; *provided, however*, that if (1) any plan pursuant to which such benefits are provided is not, or ceases prior to the expiration of the continuation coverage period to be, exempt from the application of Section 409A under Treasury Regulation Section 1.409A-1(a)(5), (2) the Company is otherwise unable to continue to cover Executive or Executive's dependents under its group health plans, or (3) the Company cannot provide the benefit without violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act), then, in any such case, an amount equal to each remaining Company subsidy shall thereafter be paid to Executive in substantially equal monthly installments over the CIC COBRA Period (or remaining portion thereof).

(iii) Cause any unvested equity awards that vest solely based on the passage of time, including any stock options or restricted stock awards, held by Executive as of the Date of Termination, to become fully vested and, if applicable, exercisable, and cause all restrictions and rights of repurchase on such awards to lapse with respect to all of the ADSs or ordinary shares of the Company subject thereto.

(d) No Other Severance. Except as otherwise approved by the Board, the provisions of this Section 6 shall supersede in their entirety any severance payment provisions in any severance plan, policy, program, or other arrangement maintained by the Company.

(e) No Requirement to Mitigate; Survival. Executive shall not be required to mitigate the amount of any payment provided for under this Agreement by seeking other employment or in any other manner. Notwithstanding anything to the contrary in this Agreement, the termination of Executive's employment shall not impair the rights or obligations of any Party.

(f) Definition of Cause. For purposes hereof, "***Cause***" shall mean any one of the following: (i) Executive engaging in any act of theft or fraud concerning, or misappropriation of, funds or other assets of the Company or any of its affiliates, or other acts of dishonesty, willful misconduct or gross negligence involving the property or affairs of the Company or its affiliates; (ii) a conviction (by trial, upon a plea or otherwise) of Executive or the admission of guilt via *nolo contendere* by Executive of any felony or misdemeanor involving moral turpitude; (iii) Executive's willful violation of any material policy or procedure of the Company; (iv) Executive's material breach of the fiduciary duties owed by an officer of the Company to the Company under applicable law; (v) Executive's willful failure (other than due to mental or physical incapacity) or refusal to obey and execute all reasonable and lawful directions given by or under the authority of the Company; (vi) Executive's willful and material breach of any of the terms and conditions of this Agreement; (vii) Executive's willful and material breach of any restrictive covenants by which Executive is bound under this Agreement or any other agreement with the Company or any of its affiliates. Notwithstanding the foregoing, if there exists a circumstance that constitutes "Cause" as set forth above which is capable of being cured by Executive, the Company will promptly notify Executive in writing of such event (which notification shall specify in reasonable detail the conduct that the Company alleges to constitute Cause and the specific actions, if any, which the Company believes Executive must take to cure such events or conditions) and Executive will have 30 days from the date such written notice is given to cure such events (if curable), and, if cured, such events or conditions will be deemed not to constitute Cause hereunder. For the purposes of this definition, no act or failure to act on Executive's part shall be considered "willful" unless it is done or omitted to be done by Executive in bad faith and without reasonable belief that the act or failure to act was in the best interest of the Company.

(g) Definition of Change in Control. "***Change in Control***" means (i) the acquisition by any person or group of affiliated or associated persons of more than fifty percent (50%) of the outstanding capital stock of the Company or voting securities representing more than fifty percent (50%) of the total voting power of outstanding securities of the Company; (ii) the consummation of a sale, exclusive license or other disposition of all or substantially all of the assets of the Company to a third party; (iii) the consummation of any merger involving the Company in which, immediately after giving effect to such merger, less than a majority of the total voting power of outstanding stock of the surviving or resulting entity is then "beneficially owned" (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended) in the aggregate by the shareholders of the Company, as applicable, immediately prior to such merger. For the avoidance of doubt and notwithstanding anything herein to the contrary, in no event shall a transaction constitute a "Change in Control" if: (A) its sole purpose is to change the jurisdiction of the Company's incorporation; (B) its sole purpose is to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction; or (C) it is effected primarily for the purpose of financing the Company with cash (as determined by the Board without regard to whether such transaction is effectuated by a merger, equity financing, or otherwise). Notwithstanding the foregoing, if a Change in Control would give rise to a payment or settlement event that constitutes "nonqualified deferred compensation," the transaction or event constituting the Change in Control must also constitute a "change in control event" (as defined in Treasury Regulation §1.409A-3(i)(5)) in order to give rise to the payment or settlement event, to the extent required by Section 409A.

(h) Definition of Change in Control Period. For purposes hereof, "***Change in Control Period***" shall mean the period commencing on a Change in Control and ending 12 months after such Change in Control.

(i) Definition of Covered Termination. For purposes hereof, "***Covered Termination***" shall mean the termination of Executive's employment by the Company without Cause or by Executive for Good Reason, and shall not include a termination due to Executive's death or disability.

(j) Definition of Good Reason. For purposes hereof, "***Good Reason***" means Executive's resignation from employment with the Company after the occurrence, without Executive's written consent, of any of the following: (i) a material reduction in Executive's authorities, duties and responsibilities; (ii) a material reduction by the Company in Executive's base salary from Executive's base salary in effect immediately prior to such reduction, except in connection with a reduction in salary affecting all senior management employees of the Company; or (iii) a relocation of Executive's office that increases Executive's one-way commute by more than thirty-five (35) miles (not including any travel required under this Agreement, including, without limitation, from Executive's home office to the Company's offices in the Bay Area), provided that the requirement that Executive relocate in connection with the relocation of the Company's offices from Redwood City, California shall not constitute "Good Reason" for purposes of this Agreement, except that required travel on the Company's business to an extent substantially consistent with Executive's historical business travel obligations shall not be considered a relocation. Notwithstanding the foregoing, a resignation shall not be for "Good Reason" unless the event or condition giving rise to such resignation continues more than thirty (30) days following Executive's written notice of such condition provided to the Company within sixty (60) days of the first occurrence of such event or condition and such resignation is effective within thirty (30) days following the end of such notice period.

7. **Assignment and Successors.** The Company shall assign its rights and obligations under this Agreement to any successor to all or substantially all of the business or the assets of the Company (by merger or otherwise). This Agreement shall be binding upon and inure to the benefit of the Company, Executive, and their respective successors, assigns, personnel, and legal representatives, executors, administrators, heirs, distributees, devisees, and legatees, as applicable. None of Executive's rights or obligations may be assigned or transferred by Executive, other than Executive's rights to payments hereunder, which may be transferred only by will, operation of law, or as otherwise provided herein.

8. Miscellaneous Provisions.

(a) Confidentiality Agreement. As a condition to the effectiveness of this Agreement, Executive will execute and deliver to the Company contemporaneously herewith the Employee Proprietary Information and Inventions Assignment Agreement attached hereto as Exhibit B (the "***Confidentiality Agreement***"). Executive agrees to abide by the terms of the Confidentiality Agreement, which are hereby incorporated by reference into this Agreement. Executive acknowledges that the provisions of the Confidentiality Agreement will survive the termination of Executive's employment and the termination of the Term for the periods set forth in the Confidentiality Agreement.

(b) Non-Solicitation of Employees. For a period of one year following Executive's Date of Termination, Executive shall not, either directly or indirectly (i) solicit for employment by any individual, corporation, firm, or other business, any employees, consultants, independent contractors, or other service providers of the Company or any of its affiliates, or (ii) solicit any employee or consultant of the Company or any of its affiliates to leave the employment or consulting of or cease providing services to the Company or any of its affiliates; *provided*, *however*, that the foregoing clauses (i) and (ii) shall not apply to a general advertisement or solicitation (or any hiring pursuant to such advertisement or solicitation) that is not specifically targeted to such employees or consultants.

(c) Governing Law. This Agreement shall be governed, construed, interpreted, and enforced in accordance with its express terms, and otherwise in accordance with the substantive laws of the State of California, without giving effect to any principles of conflicts of law, whether of the State of California or any other jurisdiction, and where applicable, the laws of the United States, that would result in the application of the laws of any other jurisdiction.

(d) Validity. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

(e) Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same Agreement. Signatures delivered by facsimile shall be deemed effective for all purposes.

(f) Entire Agreement. The terms of this Agreement, together with the Confidentiality Agreement and the Equity Documents, are intended by the Parties to be the final expression of their agreement with respect to the employment of Executive by the Company and supersede all prior understandings and agreements, whether written or oral, regarding Executive's service to the Company. The Parties further intend that this Agreement, together with the Confidentiality Agreement and the Equity Documents, shall constitute the complete and exclusive statement of their terms and that no extrinsic evidence whatsoever may be introduced in any judicial, administrative, or other legal proceeding to vary the terms of this Agreement or the Confidentiality Agreement. Notwithstanding the foregoing, in the event of any conflict between the terms of the Confidentiality Agreement and the terms of this Agreement, the terms of this Agreement shall prevail.

(g) Amendments; Waivers. This Agreement may not be modified, amended, or terminated except by an instrument in writing signed by Executive and a duly authorized representative of the Company. By an instrument in writing similarly executed, Executive or a duly authorized officer of the Company, as applicable, may waive compliance by the other Party with any specifically identified provision of this Agreement that such other Party was or is obligated to comply with or perform; *provided*, *however*, that such waiver shall not operate as a waiver of, or estoppel with respect to, any other or subsequent failure. No failure to exercise and no delay in exercising any right, remedy, or power hereunder shall preclude any other or further exercise of any other right, remedy, or power provided herein or by law or in equity.

(h) Dispute Resolution. To ensure the timely and economical resolution of disputes that arise in connection with this Agreement, Executive and the Company agree that, except as excluded herein, any and all controversies, claims and disputes arising out of or relating to this Agreement, including without limitation any alleged violation of its terms or otherwise arising out of the Parties' relationship, shall be resolved solely and exclusively by final and binding arbitration held in San Mateo County, California through JAMS in conformity with the then-existing JAMS employment arbitration rules, which can be found at https://www.jamsadr.com/rules-employment-arbitration/. The Federal Arbitration Act, 9 U.S.C. §§ 1 et seq. shall govern the interpretation and enforcement of this arbitration clause. All remedies available from a court of competent jurisdiction shall be available in the arbitration; provided, however, in the event of a breach of Sections 8(a) or 8(b), the Company may request relief from a court of competent jurisdiction if such relief is not available or not available in a timely fashion through arbitration as determined by the Company. The arbitrator shall: (a) provide adequate discovery for the resolution of the dispute; and (b) issue a written arbitration decision, to include the arbitrator's essential findings and conclusions and a statement of the award. The arbitrator shall award the prevailing Party attorneys' fees and expert fees, if any. Notwithstanding the foregoing, it is acknowledged that it will be impossible to measure in money the damages that would be suffered if the Parties fail to comply with any of the obligations imposed on them under Sections 8(a) and 8(b), and that in the event of any such failure, an aggrieved person will be irreparably damaged and will not have an adequate remedy at law. Any such person shall, therefore, be entitled to seek injunctive relief, including specific performance, to enforce such obligations, and if any action shall be brought in equity to enforce any of the provisions of Sections 8(a) and 8(b), none of the Parties shall raise the defense, without a good faith basis for raising such defense, that there is an adequate remedy at law. Executive and the Company understand that by agreement to arbitrate any claim pursuant to this

Section 8(h), they will not have the right to have any claim decided by a jury or a court, but shall instead have any claim decided through arbitration. Executive and the Company waive any constitutional or other right to bring claims covered by this Agreement other than in their individual capacities. Except as may be prohibited by applicable law, the foregoing waiver includes the ability to assert claims as a plaintiff or class member in any purported class or collective action or representative proceeding. Nothing herein shall limit Executive's ability to pursue claims for workers compensation or unemployment benefits or pursue other claims which by law cannot be subject to mandatory arbitration.

(i) Enforcement. If any provision of this Agreement is held to be illegal, invalid, or unenforceable under present or future laws, such provision shall be fully severable; this Agreement shall be construed and enforced as if such illegal, invalid, or unenforceable provision had never comprised a portion of this Agreement; and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid, or unenforceable provision or by its severance from this Agreement. Furthermore, in lieu of such illegal, invalid, or unenforceable provision there shall be added automatically as part of this Agreement a provision as similar in terms to such illegal, invalid, or unenforceable provision as may be possible and be legal, valid, and enforceable.

(j) Withholding. The Company shall be entitled to withhold from any amounts payable under this Agreement any federal, state, local, or foreign withholding or other taxes or charges which the Company is required to withhold. The Company shall be entitled to rely on an opinion of counsel if any questions as to the amount or requirement of withholding shall arise.

(k) Whistleblower Protections and Trade Secrets. Notwithstanding anything to the contrary contained herein, nothing in this Agreement prohibits Executive from reporting possible violations of federal law or regulation to any United States governmental agency or entity in accordance with the provisions of and rules promulgated under Section 21F of the Securities Exchange Act of 1934 or Section 806 of the Sarbanes-Oxley Act of 2002, or any other whistleblower protection provisions of state or federal law or regulation (including the right to receive an award for information provided to any such government agencies). Furthermore, in accordance with 18 U.S.C. § 1833, notwithstanding anything to the contrary in this Agreement: (i) Executive shall not be in breach of this Agreement, and shall not be held criminally or civilly liable under any federal or state trade secret law (x) for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or (y) for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal; and (ii) if Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Executive may disclose the trade secret to Executive's attorney, and may use the trade secret information in the court proceeding, if Executive files any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order.

9. Golden Parachute Excise Tax.

(a) Best Pay. Any provision of this Agreement to the contrary notwithstanding, if any payment or benefit Executive would receive from the Company pursuant to this Agreement or otherwise ("***Payment***") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Code and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "***Excise Tax***"), then such Payment will be equal to the Reduced Amount (as defined below). The "***Reduced Amount***" will be either (A) the largest portion of the Payment that would result in no portion of the Payment (after reduction) being subject to the Excise Tax or (B) the entire Payment, whichever amount after taking into account all applicable federal, state, and local employment taxes, income taxes, and the Excise Tax (all computed at the highest applicable marginal rate, net of the maximum reduction in federal income taxes which could be obtained from a deduction of such state and local taxes), results in Executive' s receipt, on an after-tax basis, of the greater economic benefit notwithstanding that all or some portion of the Payment may be subject to the Excise Tax. If a reduction in a Payment is required pursuant to the preceding sentence and the Reduced Amount is determined pursuant to clause (A) of the preceding sentence, the reduction shall occur in the manner (the "***Reduction Method***") that results in the greatest economic benefit for Executive. If more than one method of reduction will result in the same economic benefit, the items so reduced will be reduced pro rata (the "***Pro Rata Reduction Method***"). Notwithstanding the foregoing, if the Reduction Method or the Pro Rata Reduction Method would result in any portion of the Payment being subject to taxes pursuant to Section 409A (as defined below) that would not otherwise be subject to taxes pursuant to Section 409A, then the Reduction Method and/or the Pro Rata Reduction Method, as the case may be, shall be modified so as to avoid the imposition of taxes pursuant to Section 409A as follows: (1) as a first priority, the modification shall preserve to the greatest extent possible, the greatest economic benefit for Executive as determined on an after-tax basis; (2) as a second priority, Payments that are contingent on future events (*e.g.*, being terminated without cause), shall be reduced (or eliminated) before Payments that are not contingent on future events; and (3) as a third priority, Payments that are "deferred compensation" within the meaning of Section 409A shall be reduced (or eliminated) before Payments that are not deferred compensation within the meaning of Section 409A.

(b) Accounting Firm. The accounting firm engaged by the Company for general tax purposes as of the day prior to the Change in Control will perform the calculations set forth in Section 9(a). If the firm so engaged by the Company is serving as the accountant or auditor for the acquiring company, the Company will appoint a nationally recognized accounting firm to make the determinations required hereunder. The Company will bear all expenses with respect to the determinations by such firm required to be made hereunder. The accounting firm engaged to make the determinations hereunder will provide its calculations, together with detailed supporting documentation, to the Company within 30 days before the consummation of a Change in Control (if requested at that time by the Company) or such other time as requested by the Company. If the accounting firm determines that no Excise Tax is payable with respect to a Payment, either before or after the application of the Reduced Amount, it will furnish the Company with documentation reasonably acceptable to the Company that no Excise Tax will be imposed with respect to such Payment. Any good faith determinations of the accounting firm made hereunder will be final, binding and conclusive upon the Company and Executive.

10. Section 409A.

(a) General. The intent of the Parties is that the payments and benefits under this Agreement comply with or be exempt from Section 409A of the Code and the Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date, ("***Section 409A***") and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. Notwithstanding any provision of this Agreement to the contrary, if the Company determines that any compensation or benefits payable under this Agreement may be subject to Section 409A, the Company shall work in good faith with Executive to adopt such amendments to this Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Company determines are necessary or appropriate to avoid the imposition of taxes under Section 409A, including, without limitation, actions intended to (i) exempt the compensation and benefits payable under this Agreement from Section 409A, and/or (ii) comply with the requirements of Section 409A; however, this Section 10(a) shall not create an obligation on the part of the Company to adopt any such amendment, policy or procedure or take any such other action, nor shall the Company (A) have any liability for failing to do so, or (B) incur or indemnify Executive for any taxes, interest or other liabilities arising under or by operation of Section 409A.

(b) Separation from Service, Installments and Reimbursements. Notwithstanding any provision to the contrary in this Agreement: (i) no amount that constitutes "deferred compensation" under Section 409A shall be payable pursuant to Section 6 unless the termination of Executive's employment constitutes a "separation from service" within the meaning of Section 1.409A-1(h) of the Department of Treasury Regulations ("***Separation from Service***"); (ii) for purposes of Section 409A, Executive's right to receive installment payments shall be treated as a right to receive a series of separate and distinct payments; and (iii) to the extent that any reimbursement of expenses or in-kind benefits constitutes "deferred compensation" under Section 409A, such reimbursement or benefit shall be provided no later than December 31st of the year following the year in which the expense was incurred. The amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year. The amount of any in-kind benefits provided in one year shall not affect the amount of in-kind benefits provided in any other year.

(c) Specified Employee. Notwithstanding anything in this Agreement to the contrary, if Executive is deemed by the Company at the time of Executive's Separation from Service to be a "specified employee" for purposes of Section 409A, to the extent delayed commencement of any portion of the benefits to which Executive is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A, such portion of Executive's benefits shall not be provided to Executive prior to the earlier of (i) the expiration of the six-month period measured from the date of Executive's Separation from Service with the Company or (ii) the date of Executive's death. Upon the first business day following the expiration of the applicable Section 409A period, all payments deferred pursuant to the preceding sentence shall be paid in a lump sum to Executive (or Executive's estate or beneficiaries), and any remaining payments due to Executive under this Agreement shall be paid as otherwise provided herein.

(d) Release. Notwithstanding anything to the contrary in this Agreement, to the extent that any payments due under this Agreement as a result of Executive's termination of employment are subject to Executive's execution and delivery of the Release, (i) if Executive fails to execute the Release on or prior to the Release Expiration Date (as defined below) or timely revokes Executive's acceptance of the Release thereafter, Executive shall not be entitled to any payments or benefits otherwise conditioned on the Release, and (ii) in any case where Executive's Date of Termination and the Release Expiration Date fall in two separate taxable years, any payments required to be made to Executive that are conditioned on the Release and are treated as nonqualified deferred compensation for purposes of Section 409A shall be made in the later taxable year. For purposes of this Section 10(d), "***Release Expiration Date***" shall mean the date that is 21 days following the date upon which the Company delivers the Release to Executive, or, in the event that Executive's termination of employment is "in connection with an exit incentive or other employment termination program" (as such phrase is defined in the Age Discrimination in Employment Act of 1967), the date that is 45 days following such delivery date.

11. Employee Acknowledgement. Executive acknowledges that Executive has read and understands this Agreement, is fully aware of its legal effect, has not acted in reliance upon any representations or promises made by the Company other than those contained in writing herein, and has entered into this Agreement freely based on Executive's own judgment.

[*Signature Page Follows*]

The Parties have executed this Agreement as of the date first set forth above.

MEREO BIOPHARMA GROUP PLC

By: _____
Name: _____
Title: _____

EXECUTIVE

By: _____
Name: John Lewicki, Ph.D.

EXHIBIT A
RELEASE OF CLAIMS

This Release of Claims ("***Release***") is entered into as of _____, 20__, between John Lewicki, Ph.D. ("***Executive***") and Mereo BioPharma Group plc, a company incorporated in England and Wales (the "***Company***" and, together with Executive, the "***Parties***"), effective eight days after Executive's signature hereto (the "***Effective Date***"), unless Executive revokes Executive's acceptance of this Release as provided in Paragraph 1(c), below.

1. Executive's Release of the Company. Executive understands that by agreeing to this Release, Executive is agreeing not to sue, or otherwise file any claim against, the Company or any of its respective employees or other agents for any reason whatsoever based on anything that has occurred as of the date Executive signs this Release.

(a) On behalf of Executive and Executive's heirs and assigns, Executive hereby releases and forever discharges the "Releasees" hereunder, consisting of the Company, and each of its owners, affiliates, divisions, predecessors, successors, assigns, agents, directors, officers, partners, employees, and insurers, and all persons acting by, through, under or in concert with them, or any of them, of and from any and all manner of action or actions, cause or causes of action, in law or in equity, suits, debts, liens, contracts, agreements, promises, liability, claims, demands, damages, loss, cost or expense, of any nature whatsoever, known or unknown, fixed or contingent (hereinafter called "***Claims***"), which Executive now has or may hereafter have against the Releasees, or any of them, by reason of any matter, cause, or thing whatsoever from the beginning of time to the date hereof, including, without limiting the generality of the foregoing, any Claims arising out of, based upon, or relating to Executive's hire, employment, remuneration or resignation by the Releasees, or any of them, including Claims arising under federal, state, or local laws relating to employment, Claims of any kind that may be brought in any court or administrative agency, any Claims arising under the Age Discrimination in Employment Act ("***ADEA***"), 29 U.S.C. § 621, et seq.; Title VII of the Civil Rights Act of 1964, as amended by the Civil Rights Act of 1991, 42 U.S.C. § 2000 et seq.; the Equal Pay Act, 29 U.S.C. § 206(d); the Civil Rights Act of 1866, 42 U.S.C. § 1981; the Family and Medical Leave Act of 1993, 29 U.S.C. § 2601 et seq.; the Americans with Disabilities Act of 1990, 42 U.S.C. § 12101 et seq.; the False Claims Act , 31 U.S.C. § 3729 et seq.; the Employee Retirement Income Security Act, 29 U.S.C. § 1001 et seq.; the Worker Adjustment and Retraining Notification Act, 29 U.S.C. § 2101 et seq. the Fair Labor Standards Act, 29 U.S.C. § 215 et seq., the Sarbanes-Oxley Act of 2002; the California Labor Code; the employment and civil rights laws of California; Claims for breach of contract; Claims arising in tort, including, without limitation, Claims of wrongful dismissal or discharge, discrimination, harassment, retaliation, fraud, misrepresentation, defamation, libel, infliction of emotional distress, violation of public policy, and/or breach of the implied covenant of good faith and fair dealing; and Claims for damages or other remedies of any sort, including, without limitation, compensatory damages, punitive damages, injunctive relief and attorney's fees.

(b) Notwithstanding the generality of the foregoing, Executive does not release the following claims:

(i) Claims for unemployment compensation or any state disability insurance benefits pursuant to the terms of applicable state law;

(ii) Claims for workers' compensation insurance benefits under the terms of any worker's compensation insurance policy or fund of the Company;

(iii) Claims to continued participation in certain of the Company's group benefit plans pursuant to the terms and conditions of COBRA;

(iv) Claims to any benefit entitlements vested as the date of Executive's employment termination, pursuant to written terms of any Company employee benefit plan;

(v) Claims for indemnification under any indemnification agreement with the Company, the Company's Articles of Association, California Labor Code Section 2802 or any other applicable law; and

(vi) Executive's right to bring to the attention of the Equal Employment Opportunity Commission claims of discrimination; provided, however, that Executive does release Executive's right to secure any damages for alleged discriminatory treatment.

(c) In accordance with the Older Workers Benefit Protection Act of 1990, Executive has been advised of the following:

(i) Executive has the right to consult with an attorney before signing this Release;

(ii) Executive has been given at least [twenty-one (21)] days to consider this Release;

(iii) Executive has seven (7) days after signing this Release to revoke it, and Executive will not receive the severance benefits provided by that certain Employment Agreement between the Parties (the "***Employment Agreement***") unless and until such seven (7) day period has expired. If Executive wishes to revoke this Release, Executive must deliver notice of Executive's revocation in writing, no later than 11:59 p.m. Pacific Time on the 7th day following Executive's execution of this Release to [_____].

(d) EXECUTIVE ACKNOWLEDGES THAT EXECUTIVE HAS BEEN ADVISED OF AND IS FAMILIAR WITH THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES AS FOLLOWS:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."

BEING AWARE OF SAID CODE SECTION, EXECUTIVE HEREBY EXPRESSLY WAIVES ANY RIGHTS EXECUTIVE MAY HAVE THEREUNDER, AS WELL AS UNDER ANY OTHER STATUTES OR COMMON LAW PRINCIPLES OF SIMILAR EFFECT.

2. Executive Representations. Executive represents and warrants that:

(a) Executive has returned to the Company all Company property in Executive's possession;

(b) Executive is not owed wages, commissions, bonuses or other compensation, other than wages through the date of the termination of Executive's employment and any accrued, unused vacation earned through such date, and any payments that become due under the Employment Agreement;

(c) During the course of Executive's employment Executive did not sustain any injuries for which Executive might be entitled to compensation pursuant to worker's compensation law or Executive has disclosed any injuries of which Executive is currently, reasonably aware for which Executive might be entitled to compensation pursuant to worker's compensation law; and

(d) Executive has not initiated any adversarial proceedings of any kind against the Company or against any other person or entity released herein, nor will Executive do so in the future, except as specifically allowed by this Release.

3. Severability. The provisions of this Release are severable. If any provision is held to be invalid or unenforceable, it shall not affect the validity or enforceability of any other provision.

4. Choice of Law. This Release shall in all respects be governed and construed in accordance with the laws of the State of California, including all matters of construction, validity and performance, without regard to conflicts of law principles.

5. Integration Clause. This Release and the Employment Agreement contain the Parties' entire agreement with regard to the separation of Executive's employment, and supersede and replace any prior agreements as to those matters, whether oral or written. This Release may not be changed or modified, in whole or in part, except by an instrument in writing signed by Executive and a duly authorized officer or director of the Company.

6. Execution in Counterparts. This Release may be executed in counterparts with the same force and effectiveness as though executed in a single document. Facsimile signatures shall have the same force and effectiveness as original signatures.

7. Intent to be Bound. The Parties have carefully read this Release in its entirety; fully understand and agree to its terms and provisions; and intend and agree that it is final and binding on all Parties.

IN WITNESS WHEREOF, and intending to be legally bound, the Parties have executed the foregoing on the dates shown below.

EXECUTIVE	MEREO BIOPHARMA GROUP PLC
_____	_____
	By: Title:
Date: _____	Date: _____

EXHIBIT B
CONFIDENTIALITY AGREEMENT

Exhibit 4.28

EXECUTION VERSION

Dated 10 February 2020

CONVERTIBLE LOAN NOTE INSTRUMENT

RELATING TO

MEREO BIOPHARMA GROUP PLC

THIS DEED is dated _____February 2020

PARTY

MEREO BIOPHARMA GROUP PLC incorporated and registered in England and Wales with company number 09481161 whose registered office is at 4th Floor, One, Cavendish Place, London, England, W1G 0QF ("**Company**").

BACKGROUND

By exercising of the powers conferred on them by the Articles, the Directors of the Company have, by a resolution passed on 8th February 2020, created 3,841,479 £1 unsecured convertible loan notes and have agreed to constitute them in the following manner.

The Notes created hereunder shall be subordinated to the interests of the Lenders in respect of the Loan Agreement by the entry into a separate subordination deed between the original Noteholder and the Lenders.

AGREED TERMS

1. INTERPRETATION

1.1 The definitions and rules of interpretation in this clause 1 apply in this instrument.

Adjustment Event	any or all of the following, at any time, or by reference to any record date, while the Notes remain in issue: (a) any allotment or issue of Equity Securities by the Company by way of capitalisation of profits or reserves; (b) any cancellation, purchase or redemption of Equity Securities, or any reduction or repayment of Equity Securities, by the Company; and (c) any sub-division or consolidation of Equity Securities by the Company; but excluding any issue of Equity Securities of the Company pursuant to the exercise of any options granted to employees or directors of the Company;
Articles	the articles of association of the Company, as amended or superseded

Business Day	a day (other than a Saturday, Sunday or public holiday) on which banks in the City of London are open for normal banking business
Certificate	a certificate for Notes in the form (or substantially in the form) set out in Schedule 1
Change of Control	the acquisition of control of the Company (as defined in section 1124 of the Corporation Tax Act 2010) by any person or persons acting in concert (as defined in the City Code on Takeovers and Mergers) with them
Conditions	the conditions attaching to the Notes, as set out in Schedule 2 to Schedule 3
Conversion Date	the date specified in the Conversion Notice, being not less than 10 Business Days after service of the Conversion Notice
Conversion Notice	a notice in writing by the Noteholder to the Company to convert any outstanding Note or Notes
Conversion Price	26.5 pence per share, such price being equal to the Company's closing share price on the AIM Market of the London Stock Exchange on 5th February 2020
Conversion Shares	the Ordinary Shares to be issued fully paid to the Noteholder on conversion of the Notes
Directors	the board of directors for the time being of the Company
Equity Securities	has the meaning given in section 560(1) of the Companies Act 2006
Event of Default	any of the events set out in paragraph 5 of Schedule 2
Indebtedness	any indebtedness, monies, obligations, liabilities of the Company in any form whatsoever denominated in whatever currency, whether actual or contingent, present or future, which may be now or hereafter due, owing or incurred howsoever and whether alone or jointly and whether as principal or surety
Interest Rate	a rate of 6% per annum

Lenders	Silicon Valley Bank and Kreos Capital V (UK) Limited, collectively
Loan Agreement	the loan agreement between *inter alia* the Company and the Lenders, dated 28 September 2018
Loan Repayment Amount	the principal amount of up to £20,455,000 and all interest accrued thereon, payable by the Company to the Lenders in accordance with the terms of the Loan Agreement
Maturity Date	the date 36 months after the date of this instrument, or if agreed in writing between the Parties, any earlier date falling one (1) Business Day following the Company's full repayment to the Lenders of the Loan Repayment Amount
Notes	the £3,841,479 of unsecured convertible loan notes of £1 each, constituted by this instrument or, as the case may be, the principal amount from time to time issued and paid up and outstanding, and principal amount shall be construed accordingly
Noteholder	the several persons for the time being as holders of the Notes being the Holder of the Notes (which on the date of issuance of the Notes shall be Novartis)
Novartis	means Novartis Pharma AG
Ordinary Shares	the ordinary shares of £0.003 each in the capital of the Company, which have the rights set out in the Articles
Redemption Date	has the meaning given in paragraph 4.1 of Schedule 2
Redemption Notice	has the meaning given in paragraph 4.2 of Schedule 2
Warrant	the warrant issued by the Company to Novartis on or around the date of this instrument

1.2 Any phrase introduced by the terms **including**, **include** or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms.

1.3 The schedules to this instrument form part of (and are incorporated into) this instrument.

1.4 A **person** includes a corporate or unincorporated body.

1.5 Words in the singular include the plural and vice versa.

1.6 A reference to a clause or a schedule is (unless expressly stated otherwise) a reference to a clause of, or schedule to, this instrument.

1.7 Clause and schedule headings do not affect the interpretation of this instrument.

1.8 A reference to one gender includes a reference to the other gender.

1.9 Any reference in this instrument to **this instrument** or to any other instrument, agreement or document shall, unless the context otherwise requires, be construed as reference to this instrument or such other instrument, agreement or document as the same may from time to time be amended, varied, supplemented or novated, in each case in accordance with its terms.

1.10 References to any statute or statutory provision shall include references to such statute or statutory provision as in force at the date of this instrument and as subsequently re-enacted or consolidated and shall include references to any statute or statutory provision of which it is a re-enactment or consolidation.

2. NOMINAL AMOUNT

The nominal amount of each Note is £1 and the aggregate principal amount of all the Notes is limited to £3,841,479.

3. RANKING

The Notes constitute direct, unsecured obligations of the Company ranking ahead of any other unsecured Indebtedness of the Company, and without any preference among themselves.

4. USE OF PROCEEDS

The proceeds of all subscriptions for the Notes shall be used to fund the Company’s working capital and capital expenditure requirements for the time being.

5. LOAN NOTE CERTIFICATES

5.1 The Noteholder shall be entitled to receive (without charge) a Certificate executed as a deed by the Company for the amount of Notes held by them.

5.2 Every Certificate shall have copies of Schedule 2 and Schedule 3 endorsed on or attached to it.

6. CONDITIONS OF ISSUE

Noteholder shall provide funding to Company up to the aggregate principal amount of £3,841,479, and Company shall issue the Notes on the date of receipt of such funds by the Company. The Notes shall be issued subject to, and with the benefit of, the Conditions set out in Schedule 2 to Schedule 3 inclusive. Those conditions shall be binding on the Company, the Noteholder and all persons claiming through or under them.

7. INFORMATION RIGHTS

The Noteholder shall be entitled to receive information relating to, or in connection with the Notes discussed in or arising from any directors' or shareholders' meeting of the Company prior to or as soon as reasonably practicable following such meeting.

8. NOTES NOT TO BE QUOTED

No application has been, or is intended to be, made to any listing authority, stock exchange or other market for the Notes to be listed or otherwise traded.

9. ENFORCEMENT

The Company covenants with the Noteholder to perform and observe the obligations in this instrument to the intent that this instrument shall enure for the benefit of the Noteholder, each of whom may sue for the performance and observance of the provisions of this instrument so far as his holding is concerned.

10. SET-OFF

The Noteholder shall be recognised by the Company as entitled to the Notes registered in his name free from any equity, defence, set-off or cross-claim on the part of the Company against the original, or any intermediate, Noteholder.

11. THIRD PARTY RIGHTS

This instrument is enforceable under the Contracts (Rights of Third Parties) Act 1999 by the Company and the Noteholder, but not by any other person.

12. GOVERNING LAW AND JURISDICTION

12.1 This instrument and the Notes (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, the laws of England.

12.2 The courts of England shall have exclusive jurisdiction to settle any dispute or claim that arises out of, or in connection with, this instrument (including non-contractual disputes or claims). Accordingly, any proceedings relating to, or in connection with, this instrument or the Notes (including non-contractual disputes or claims) may be brought in such courts.

This document has been executed as a deed and is delivered and takes effect on the date stated at the beginning of it.

Signed as a Deed by **MEREO BIOPHARMA GROUP PLC** **}**
}
}
}
}

acting by:

Director

in the presence of: **}**
} Name of Witness

SCHEDULE 1
FORM OF CERTIFICATE

MEREO BIOPHARMA GROUP PLC incorporated in England and Wales with registered number 09481161 (**Company**).

CERTIFICATE NO. [NUMBER] **AMOUNT OF NOTES £[AMOUNT]**

unsecured convertible loan notes (**Notes**).

Issued pursuant to the articles of association of the Company and created by a resolution of the directors passed on 8th February 2020.

This is to certify that [NAME[S]] of [ADDRESS[ES]] is/are the registered holder(s) of the nominal amount stated above of the Notes constituted by a loan note instrument dated [DATE] (**Instrument**) and made by the Company. The Notes are issued subject to, and with the benefit of, the provisions contained in the Instrument and the conditions and other provisions endorsed on this certificate and/or attached to it (**Conditions**). Interest is payable only in certain circumstances in accordance with Schedule 2 of the Instrument.

Executed as a deed by the Company this [DATE].

Notes:

1. No transfer of any part of the Notes represented by this Certificate can be registered without production of this Certificate.
2. The Notes are governed by, and construed in accordance with, the laws of England.

Signed as a Deed by **MEREO BIOPHARMA GROUP PLC** **}**
}
}
}
}

acting by:

_____
Director

in the presence of: **}**
}

_____
Name of Witness

SCHEDULE 2
INTEREST AND REDEMPTION

1. **INTEREST**

1.1 Interest shall be payable on any outstanding Notes (so far as not converted under Schedule 3) at the Interest Rate.

1.2 Any interest due under paragraph 1.1 of this Schedule 2 shall be payable in immediately available funds on the Maturity Date, unless the Noteholder elects to convert the accrued interest to Ordinary Shares in accordance with Part 2 of Schedule 3.

1.3 Interest, if payable, shall accrue daily at the Interest Rate and shall be calculated on the basis of a 365-day year and the actual number of days elapsed from the date of issue of the Notes to the Redemption Date.

1.4 If the Company fails to pay redemption monies when due, interest shall continue to accrue on the unpaid amount at the Interest Rate.

2. **REPAYMENT OF PRINCIPAL**

As and when the Notes are to be redeemed in accordance with paragraph 4 of this Schedule 2, the Company shall pay the Noteholder in immediately available funds the principal amount of the Notes which are to be redeemed plus any outstanding accrued interest.

3. **TIME OF PAYMENT**

Whenever any payment of principal (or otherwise) becomes due on a day which is not a Business Day, payment shall be made on the next following Business Day.

4. **REDEMPTION**

4.1 The Notes then in issue (so far as not converted under Schedule 3) shall, to the extent not previously converted, be redeemed at the principal amount together with interest on the Notes outstanding at the Interest Rate on the Maturity Date.

4.2 Within five Business Days of the Redemption Date, the Company shall repay to the Noteholder the principal amount of the Notes so redeemed, together with interest on such Notes outstanding at the Interest Rate.

5. **EVENTS RESULTING IN IMMEDIATE REDEMPTION**

The Notes shall be immediately redeemed at the principal amount, together with interest on the Notes outstanding at the Interest Rate, if:

(a) an administration order is made in relation to the Company or any of its subsidiaries; or

(b) an order is made, or an effective resolution is passed, for the winding-up, liquidation, administration or dissolution of the Company (except for the purpose of reorganisation or amalgamation of the Company or any of its subsidiaries); or

(c) an encumbrancor takes possession or a receiver is appointed of the whole or the major part of the assets or undertaking of the Company or any of its subsidiaries or if distress, execution or other legal process is levied or enforced or sued out on or against the whole or the major part of the assets of the Company or any of its subsidiaries and is not discharged, paid out, withdrawn or removed within 30 Business Days; or

(d) the Company or any of its subsidiaries stops (or threatens to stop) payment of its debts generally or ceases (or threatens to cease) to carry on its business or a substantial part of its business;

(e) the Company breaches the provisions of paragraph 7(c) of part 2 of Schedule 3; and

(f) the Company or any of its subsidiaries is deemed for the purposes of section 123 Insolvency Act 1986 to be unable to pay its debts or compounds or proposes or enters into any reorganisation or special arrangement with its creditors generally.

6. **ACTION FOLLOWING REDEMPTION**

6.1 The Company shall give written notice to the Noteholder immediately on the Company becoming aware of the occurrence of an event specified in paragraph 5 of this Schedule 2, giving reasonable details of that event.

6.2 If, on redemption of a Note, the Noteholder fails to deliver the Certificate for it, or an indemnity in accordance with these Conditions or to accept payment of moneys due to him, the Company shall pay the moneys due to the Noteholder into a bank account, which payment shall discharge the Company from all further obligations in respect of the Note.

6.3 The Company shall cancel any and all Notes repaid, redeemed or purchased and shall not reissue them.

SCHEDULE 3
CONVERSION

Part 1

Conversion

1. The Noteholder shall be entitled, at any time when it holds 19.5% or less of the aggregate voting rights in the Company and prior to the Maturity Date, and on one or more occasions, to serve a Conversion Notice on the Company to convert all or some only of the Notes outstanding into fully paid Ordinary Shares at the Conversion Price per Share. It shall be a condition of any Conversion Notice that such conversion shall not cause the Noteholder to hold, following conversion of the Notes which are subject of the Conversion Notice, more than 19.5% of the aggregate voting rights in the Company.

2. To the extent not previously converted or redeemed, the principal amount of all outstanding Notes shall automatically convert into Conversion Shares at the Conversion Price immediately prior to and conditional upon the occurrence of any Change of Control. If and when a Change of Control is proposed, the Company shall, to the extent it is lawful and practicable to do so, give Noteholder not less than 3 Business Days' prior written notice of the proposed Change of Control specifying (to the best of its knowledge) the terms and prospective date of the Change of Control.

3. The Conversion Notice shall set out, at a minimum:

   (a) the principal amount of the Notes to be converted;

   (b) whether any accrued but unpaid interest on such principal amount is to be converted; and

   (c) the Conversion Date

4. The service of a Conversion Notice shall be irrevocable and binding on the Noteholder.

Part 2

Procedures on conversion

1. On the Conversion Date, the Directors shall convert the principal amount of the Notes that are to be converted as specified in the Conversion Notice, and, if so elected by the Noteholder, any accrued but unpaid interest on such principal amount, into such number of new fully paid Ordinary Shares at the Conversion Price per Share, subject to any adjustment as set out in paragraph 8 of Part 2 of this Schedule 3 and in accordance with the following provisions of paragraph 2 to paragraph 6 of Part 2 of this Schedule 3.

2. Conversion of the Notes and any accrued interest (if applicable) shall be effected by the Company redeeming the relevant Notes and any accrued interest on the Conversion Date. Each Noteholder whose Notes and any accrued interest are being converted shall be deemed to irrevocably authorise and instruct the Company to apply the redemption moneys payable to that Noteholder in subscribing for Ordinary Shares on conversion of the Notes and any accrued interest.

3. the Conversion Shares shall be issued and allotted by the Company on the Conversion Date and the certificates for such Ordinary Shares shall be dispatched to the persons entitled to them at their own risk.

4. The Conversion Shares arising on conversion of the Notes and any accrued interest (if applicable) shall be credited as fully paid and rank pari passu with the other Ordinary Shares in issue on the Conversion Date and shall carry the right to receive all dividends and other distributions declared after the Conversion Date.

5. The entitlement of the Noteholder to a fraction of an Ordinary Share shall be rounded to the nearest whole number of Ordinary Shares which result from the conversion of the Notes and any accrued interest (if applicable).

6. The Company warrants to the Noteholder that the board of directors of the Company has been authorised pursuant to the Articles to execute this instrument, and to allot and issue the Conversion Shares in accordance with its terms and, pursuant to that authorisation, the board of directors may allot and issue the Conversion Shares free from pre emptive rights upon conversion.

7. The Company undertakes that, while the Notes remain in issue, it shall (pending either the payment of any redemption moneys in respect of the Notes and any accrued interest or the issue of the Ordinary Shares on conversion, each in accordance with the provisions of this instrument):

   (a) notify the Noteholder in writing as soon as reasonably practicable after the relevant board or general meeting of shareholders (whichever is the earliest) has resolved to implement an Adjustment Event specifying the prospective date of the Adjustment Event and the proposed terms of it;

   (b) maintain sufficient shareholder authority to satisfy in full, without the need for the passing of any further resolutions of its shareholders, the most onerous of the outstanding rights of conversion for the time being attaching to the Notes and any accrued interest pursuant to paragraph 1 and paragraph 2 of SCHEDULE 3, without first having to offer the same to any existing shareholders of the Company or any other person;

(c) not, without the prior written consent of the Noteholder, such consent not to be unreasonably withheld or delayed, issue any further Notes or Indebtedness which ranks senior to the Notes.

8. Following an Adjustment Event, the professional advisors or auditors of the Company for the time being shall certify to the Company in writing the adjustments to the number and nominal value of the Conversion Shares which they consider to be necessary so that, after such adjustment and on conversion, the Noteholder shall be entitled to receive the same percentage of the issued share capital of the Company carrying the same proportion of votes exercisable at a general meeting of shareholders and the same entitlement to participate in distributions of the Company, in each case as nearly as practicable, as would have been the case had no Adjustment Event occurred (and making such reduction or increase as is necessary to the premium arising on the issue and allotment of the Ordinary Shares on conversion of the Notes and any accrued interest (if applicable)). The Company shall then notify the Noteholder in writing of the necessary adjustment as determined by the professional advisors or auditors.

Exhibit 4.29

EXECUTION VERSION

DATED 10 February 2020

MEREO BIOPHARMA GROUP PLC

WARRANT INSTRUMENT
relating to the issue of warrants entitling the holders to
subscribe for Warrant Shares in the capital of
MEREO BIOPHMARMA GROUP PLC

CONTENTS

THIS WARRANT **INSTRUMENT** is made on 2020

BY:

(1) **MEREO BIOPHARMA GROUP PLC,** a public limited company incorporated in England and Wales with company number 04206001 whose registered office is at 4th Floor, One, Cavendish Place, London, England, W1G 0QF ("**Company**").

BACKGROUND:

(A) The Company, by resolution of its directors, has agreed to issue Warrants to subscribe for Warrant Shares in the capital of the Company on the terms set out in this instrument.

(B) Either all of the registered holders of shares in the Company have irrevocably waived all pre-emption rights conferred on them (whether by the Companies Act, the Articles or otherwise) or such pre-emption rights have been validly disapplied in relation to the number of Warrants and shares in the Company issued pursuant to this instrument.

(C) This instrument has been executed by the Company as a deed in favour of the Warrantholder.

IT IS AGREED:

1 **DEFINITIONS AND INTERPRETATION**

1.1 In this instrument the following words and expressions shall (unless the context requires otherwise) have the following meanings:

AIM	the AIM market operated by the London Stock Exchange;
Articles	the articles of association of the Company for the time being;
Auditors	the Company's auditors;
Business Day	a day (which for these purposes ends at 5.30 pm) on which banks are open for commercial business in the City of London other than a Saturday or Sunday;
Companies Act	the Companies Act 2006;
Competitor	means any entity (other than a reputable financial institution) whose business directly competes with the business carried out by a Group Company;
Conditions	the terms and conditions set out in Schedule 2 (subject to any alterations made in accordance with the provisions of this instrument);

Consent	the consent in writing of the Warrantholder(s) for the time being holding outstanding Warrants subject to outstanding Subscription Rights;
CREST	the system of paperless settlement of trades and the holding of uncertificated shares administered by Euroclear or any other relevant paperless settlement system used in relation to the holding of uncertificated shares in the Company;
Directors	the board of directors of the Company (and/or, where relevant, a Group Company) for the time being;
Exercise Date	the date of delivery to the registered office of the Company of the items specified in clause 6.2 (and the date of such delivery shall be the date on which such items are received at the Company's registered office);
Final Date	5 years from the date of this instrument;
London Stock Exchange	London Stock Exchange plc;
Group	(i) the Company and its subsidiaries (if any), (ii) any holding company of the Company, and (iii) any subsidiaries of such holding companies from time to time and **Group Company** means any member of the Group;
Issue Date	the date of this instrument;
Market Abuse Regulation	Market Abuse Regulation (Regulation 596/2014/EU);
Notice of Subscription	the notice addressed to the Company by a Warrantholder exercising its Subscription Rights in the form, or substantially in the form, set out in the schedule to the Warrant Certificate;
Ordinary Shares	ordinary shares in the capital of the Company and having the rights and privileges set out in the Articles;
Permitted Transferee	are: (a) a nominee of the Warrantholder; (b) a subsidiary of the Warrantholder; (c) a holding company of the Warrantholder; and (d) any subsidiaries of such holding companies from time to time.

Recognised Investment Exchange	a recognised investment exchange or overseas investment exchange (within the meaning thereof given for the purposes of section 285 of the Financial Services and Markets Act 2000, and shall include, without limitation, AIM or NASDAQ);
Register	the register of persons for the time being entitled to the benefit of the Warrants to be maintained pursuant to the Conditions;
Registrars	the registrars of the Company for the time being;
Subscription Price	the subscription price per Warrant Share shall be 26.50 pence:
Subscription Rights	the rights of the Warrantholder(s) to subscribe for Warrant Shares under clause 6;
Warrant Certificate	a certificate evidencing a Warrantholder's entitlement to Warrants in the form set out in Schedule 1;
Warrant Shares	Ordinary Shares to be issued pursuant to the terms of the Warrants;
Warrantholder	in relation to a Warrant, the person whose name appears in the Register as the holder of the Warrant; and
Warrants	the warrants of the Company constituted by this instrument and all rights conferred by it (including the Subscription Rights).

1.2 In this instrument, unless the context otherwise requires:

1.2.1 words and expressions defined in the Companies Act or the Articles shall have the same meanings in this instrument (unless otherwise expressly defined in this instrument);

1.2.2 headings are used for convenience only and shall be ignored in interpreting this instrument;

1.2.3 reference to a clause or schedule is a reference to a clause of, or schedule to, this instrument;

1.2.4 reference to (or to any specific provision of) this instrument or any other document or instrument shall be construed as a reference to this instrument, that provision or that document or instrument as in force for the time being and as amended from time to time in accordance with its terms and the prior sanction of a Consent (where consent is required by the terms of this instrument as a condition to such amendment being made);

1.2.5 reference to any gender includes all genders, references to the singular includes the plural (and vice versa) and reference to persons includes bodies corporate, unincorporated associations and partnerships (whether or not any of the same have a separate legal personality);

1.2.6 reference to a statutory provision includes reference to:

(a) the statute or statutory provision as modified or re-enacted from time to time; and

(b) any subordinate legislation made under the statutory provision (as modified or re-enacted as set out in clause 1.2.6(a) above);

1.2.7 any words following the terms 'including', 'include', 'in particular', 'for example' or any other similar expression shall be construed as illustrative and shall not limit the sense of the words, description, phrase or term preceding those words; and

1.2.8 references to statutory obligations include obligations arising under articles of the Treaty establishing the European Community, and regulations, directives and decisions of the European Union as well as United Kingdom Acts of Parliament and subordinate legislation.

1.3 Unless otherwise specifically provided, where any notice, resolution or document is required by this instrument to be signed by any person, the reproduction of the signature of such person by fax or email shall suffice, provided that confirmation by first class letter is despatched by close of business on the next following Business Day, in which case the effective notice, resolution or document shall be that sent by fax or email (served in accordance with paragraphs 11 and 12 of Schedule 2), not the confirmatory letter.

1.4 This instrument incorporates the schedules to it.

2 CONSTITUTION AND FORM OF WARRANTS

2.1 This instrument constitutes the Warrants, which in aggregate give the Warrantholder(s) the right, upon the terms and subject to the conditions set out in this instrument, to subscribe in cash at a price per share equal to the Subscription Price for such number of Warrant Shares as is set out in clause 3.

2.2 Each Warrantholder shall be entitled to subscribe in cash at the Subscription Price for that number of Warrant Shares in respect of which it is entitled to be recorded as the holder in the Register on the terms set out in this instrument.

2.3 The Warrants shall be in registered form.

2.4 The Warrants are issued subject to the Articles and otherwise on the terms of this instrument (including the Conditions).

2.5 The Company agrees with the Warrantholder(s) and, in consideration of being issued a Warrant Certificate, each Warrantholder agrees with the Company that the Articles (insofar as they relate to the Warrants) and the terms of this instrument shall be binding upon the Company and each Warrantholder and all persons claiming through or under either of them.

2.6 No application will be made for the Warrants to be listed or dealt on any Recognised Investment Exchange (as that term is defined in the Financial Services and Markets Act 2000 (as amended)).

3 NUMBER OF WARRANT SHARES

The number of Warrant Shares over which Warrants will be issued is 1,449,614.

4 CERTIFICATES

4.1 The Company shall issue to each Warrantholder a Warrant Certificate in respect of that number of Warrants to which it is entitled as soon as reasonably practicable following a Warrantholder becoming entitled to such Warrants in accordance with clause 3.

4.2 If a Warrant Certificate is mutilated, defaced, lost, stolen or destroyed, the Company will replace it on such terms as to evidence and indemnity as the Company may reasonably require and subject to the Warrantholder who is seeking the replacement paying the Company's reasonable costs (if any) in connection with the issue of the replacement.

4.3 Mutilated or defaced Warrant Certificates must be surrendered before replacements will be issued.

5 TIMING FOR EXERCISE OF SUBSCRIPTION RIGHTS

5.1 The Subscription Rights may be exercised at any time from the date of this instrument until 17:00 GMT on the Final Date and shall be exercised in accordance with clause 6.

5.2 A failure by any Warrantholder to exercise its Subscription Rights ahead of such time on the Final Date shall mean that such Warrantholder's outstanding Warrants shall immediately lapse and be cancelled and such Warrantholder shall have no further rights under this instrument.

6 EXERCISE OF SUBSCRIPTION RIGHTS

6.1 Subject to the Warrantholder's compliance with its obligations under the Market Abuse Regulation, the Subscription Rights may be exercised in whole or in part at any time.

6.2 In order to exercise its Subscription Rights validly, a Warrantholder must deliver the following items to the registered office of the Company:

6.2.1 the Warrant Certificate for the Warrants in respect of which Subscription Rights are being exercised, together with the Notice of Subscription duly completed;

6.2.2 if required pursuant to clause 6.3, a remittance by banker's draft, drawn on a UK clearing bank, (or such other mode of payment as the Company and the Warrantholder shall agree); and

6.2.3 the name and address of the Warrantholder to which the Warrant Shares arising on exercise of Subscription Rights are to be issued.

6.3 The Subscription Price for each of the Warrant Shares shall be satisfied by the payment by electronic transfer to the Company's bank account no later than two (2) Business Days after the relevant Warrant Shares have been credited to the Warrantholder's CREST account (or the CREST account of any nominee or trustee nominated by the Warrantholder in accordance with clause 7.1.3).

7 COMPLETION

7.1 Following a valid exercise of Subscription Rights by a Warrantholder, the Company shall in accordance with clause 7.3:

7.1.1 allot and issue credited as fully paid to the Warrantholder (or to its nominee or trustee as notified to the Company in the Notice of Subscription) the Warrant Shares to which the Warrantholder is entitled by exercising the Subscription Rights ("**Allotted Shares**");

7.1.2 immediately following allotment and issue in accordance with clause 7.1.1, enter, or procure that the Company's Registrars enter the Warrantholder's name (or its nominee's or trustee's name, as appropriate) in the register of members of the Company as the holder of the Allotted Shares;

7.1.3 immediately following registration in accordance with clause 7.1.2, either send to the person identified by the Warrantholder pursuant to clause 7.1.1, free of charge, share certificate(s) in respect of the Allotted Shares or credit such aggregate number of Allotted Shares to the Warrantholder's (or its nominee's or trustee's) CREST stock account; and

7.1.4 apply for the admission of the Warrant Shares to trading on any Recognised Investment Exchange on which the Ordinary Shares are listed, and shall use its reasonable endeavours to secure such admission to trading no later than ten (10) Business Days after such application.

7.2 The obligations of the Company under clause 7.1 shall be fulfilled within ten (10) days of a valid exercise of the Subscription Rights.

7.3 The Allotted Shares shall:

7.3.1 be allotted and issued fully paid;

7.3.2 rank pari passu with the Ordinary Shares of the Company then in issue;

7.3.3 rank for any dividend or other distribution which has previously been announced or declared if the date by which the holder of Warrant Shares must be registered to participate in such dividend or other distribution is after the Exercise Date pursuant to which the Subscription Rights have been exercised; and

7.3.4 be free from all claims, liens, charges, encumbrances, equities and third party rights.

7.4 If following allotment of shares pursuant to the exercise of some of the Subscription Rights, some Subscription Rights remain, the Company shall issue a Warrant Certificate to the Warrantholder within 15 Business Days for the balance of the Warrantholder's Subscription Rights.

8 TRANSFER OF WARRANTS

8.1 Subject to clause 8.2, the Warrants may be transferred in whole by any Warrantholder to any person, provided that the Company has given its prior written consent to such transfer.

8.2 A Warrantholder has the right, with prior written notice, but without the consent of the Company, to transfer the Warrants in whole to a Permitted Transferee, subject to compliance with the provisions of Schedule 2 hereto.

8.3 Notwithstanding any other provisions of this instrument, no transfer shall be made to any person which is a Competitor of the Company or any other Group Company.

8.4 The provisions of Schedule 2 to this instrument shall regulate any transfer of a Warrant.

9 MODIFICATION AND CESSATION OF RIGHTS

9.1 This instrument may be modified only with the prior sanction of Consent.

9.2 This instrument ceases to have effect on the earlier of:

9.2.1 the date upon which all Subscription Rights have been exercised in full; and

9.2.2 the Final Date.

10 INFORMATION AND RIGHTS OF WARRANTHOLDER(S)

10.1 The Company shall:

10.1.1 send to each Warrantholder a copy of its annual reports and audited accounts together with all documents required by law to be annexed to that report at the same time they are provided to the holders of the Ordinary Shares;

10.1.2 send to each Warrantholder copies of any statements, notices or circulars sent to the holders of the Ordinary Shares; and

10.1.3 give to each Warrantholder written notice of its intention to declare or pay a dividend or other distribution on the Ordinary Shares no later than the date on which notice of the general meeting approving such dividend or distribution is sent to the holders of the Ordinary Shares.

10.2 The Warrantholder(s) may attend all general meetings of members of the Company and meetings of the holders of Ordinary Shares but may not vote at those meetings by virtue of or in respect of their holdings of Warrants.

10.3 Each Warrantholder shall keep confidential any information received by it in its capacity as a Warrantholder which is of a confidential nature except:

10.3.1 as required by law or any applicable regulations;

10.3.2 to the extent the information is in the public domain through no default of the Warrantholder; and

10.3.3 each Warrantholder will be entitled to divulge such information to any other Warrantholder and any proposed transferee of Warrants on the same terms as to confidentiality.

11 RESTRICTIONS ON AND UNDERTAKINGS OF THE COMPANY

11.1 For so long as the Warrants are outstanding, the Company will:

11.1.1 to the extent that the Company has a limit on its authorised share capital, keep available for issue and free from pre-emptive rights, out of its authorised but unissued share capital, such number of Warrant Shares as will enable the Subscription Rights of the Warrantholder(s) to be satisfied in full;

11.1.2 ensure that the Directors have all necessary authorisations and disapplications of pre-emption (including under the Companies Act) to allot such number of Warrant Shares as will enable the Subscription Rights of the Warrantholder(s) to be satisfied in full at any time;

11.1.3 notify the Warrantholder before cancelling the admission to trading of the Ordinary Shares on any Recognised Investment Exchange on which the Ordinary Shares are traded from time to time;

11.1.4 not make any issue, grant or distribution or take any other action the effect of which would be that on exercise of any of the Subscription Rights it would be required to issue Warrant Shares at a discount to their nominal value; and

11.1.5 not buy any Warrants unless it offers to buy Warrants from all Warrantholders in proportion to their respective holdings of Warrants.

12 WARRANTIES

12.1 The Company warrants to the Warrantholder(s) that:

12.1.1 it has the power to execute and to perform its obligations under this instrument;

12.1.2 it has taken all action necessary to authorise the execution of, and the performance of its obligations under this instrument;

12.1.3 all Warrant Shares which may be issued upon the exercise of the rights represented by this Warrant will be, upon issuance, be duly authorised, validly issued and fully paid and free of any liens and encumbrances; and

12.1.4 the Ordinary Shares listed on AIM are duly admitted to trading thereon and no circumstances exist which may cause the suspension or cancellation of such admission.

13 NOTICES

Any notice to the Warrantholder(s) required for the purposes of any provision of this instrument shall be given in accordance with the provisions of paragraphs 10 to 13 (inclusive) of Schedule 2.

14 COSTS AND EXPENSES

14.1 The Company shall promptly pay to the Warrantholder(s) on the Warrantholder's demand, the reasonable legal expenses plus applicable VAT and disbursements incurred by the Warrantholder in connection with:

14.1.1 any amendment or supplement to this instrument, or any proposal for such an amendment to be made, provided such amendment or supplement has been requested or necessitated by the Company; and

14.1.2 any consent or waiver by the Warrantholder(s) concerned under or in connection with this instrument or any request for such a consent or waiver, provided that such consent or waiver has been requested or necessitated by the Company; and

14.1.3 any step taken reasonably and properly by the Warrantholder with a view to the protection, exercise or enforcement of any right or interest created by this instrument.

15 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

A person who is not a party to this instrument shall have no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this instrument. This clause does not affect any right or remedy of any person which exists or is available otherwise than pursuant to that Act.

16 FURTHER ASSURANCE

The Company shall, at its own cost and expense, execute all such deeds and documents and do all such acts and things as may reasonably be required in order to give effect to this instrument, including vesting on issue the full legal and beneficial title to the Warrant Shares in the Warrantholder.

17 **SEVERABILITY**

Each of the provisions of this instrument is distinct and severable from the others and if at any time one or more of such provisions is or becomes valid, unlawful or unenforceable (whether wholly or to any extent), the validity, lawfulness and enforceability of the remaining provisions (or the same provision to any other extent) of this instrument shall not in any way be affected or impaired.

18 **GOVERNING LAW**

The provisions of this instrument and the Conditions and any dispute or claim arising out of or in connection with them (including any dispute or claim relating to non-contractual obligations) shall be subject to and governed by English law and the Company and the Warrantholder(s) submit to the exclusive jurisdiction of the English Courts in relation to any such dispute or claim.

The Company intends this instrument to be a deed poll and accordingly it or its duly authorised representatives execute and deliver it as such.

SCHEDULE 1
Form Of Warrant Certificate

MEREO BIOPHMARMA GROUP PLC("COMPANY")
A company registered in England and Wales
under Company number 04206001

WARRANT CERTIFICATE

This certificate is issued pursuant to the warrant instrument issued by the Company on _____ 2020 ("**Warrant Instrument**"). Words and expressions used in this certificate which are defined in the Warrant Instrument have the meanings given to them in the Warrant Instrument.

Certificate number: [•]

Date of issue: _____ 2020

Name and address of Warrantholder: [•]

Number of Warrant Shares for which the Warrantholder may subscribe: [•].

This is to certify that the Warrantholder named above is the registered holder of the right to subscribe in cash for Warrant Shares at the subscription price set out above subject to the Articles and otherwise on the terms and conditions set out in the Warrant Instrument (a copy of which is available for inspection at the registered office of the Company).

EXECUTED as a deed, but not delivered until the date specified on this certificate, by **MEREO BIOPHARMA GROUP PLC**)
by _____a director in the presence of a witness:)

_____
Director

Witness Signature: _____

Witness Name (block capitals): _____

Witness Address: _____

_____

Witness Occupation: _____

Schedule to the Warrant Certificate

Notice of Subscription

To: The Directors

MEREO BIOPHARMA GROUP PLC ("Company")

This notice is issued pursuant to the warrant instrument issued by the Company on 2020 ("**Warrant Instrument**"). Words and expressions used in this notice which are defined in the Warrant Instrument have the meanings given to them in the Warrant Instrument.

By this notice we exercise the Subscription Rights appertaining to [*number*] of the Warrants evidenced by this certificate and confirm that we will procure payment in the sum of £[*amount*], being the aggregate Subscription Price payable for those Warrant Shares

[We direct the Company to allot conditional only on the above the [*number*] of Ordinary Shares to be issued pursuant to this exercise in the following numbers to the following proposed allottees, each of which is either a Warrantholder, a nominee or trustee of a Warrantholder, or a transferee of one of those persons approved in accordance with clause 8.1 of the Warrant Instrument.]

Number/percentage of shares	Name of proposed allottee	Address of proposed allottee	CREST Details
1			Participant ID: [•]
			Member account ID: [•]
			INSP Custodian Client Ref: [•]
			Custodian Name: [•]
2			Participant ID: [•]
			Member account ID: [•]
			INSP Custodian Client Ref: [•]
			Custodian Name: [•]

We request that certificate(s) for such Ordinary Shares be sent by post at our risk to us at the first address shown above or to the agent lodging this certificate as mentioned below.

OR

We hereby request that you register our Warrant Shares in uncertificated form to the CREST account detailed [below][above]:

CREST Details	Participant ID	
	Member Account ID	
	INSP Custodian Client Ref:	
	Custodian Name	

We agree that such shares are issued and accepted subject to the memorandum and articles of association of the Company.

Signature of Warrantholder: _____

Full name: _____

Address: _____

Lodged by: (agent to whom certificate(s) should be sent)

Name of agent: _____

Address: _____

SCHEDULE 2
Conditions

1 An accurate Register will be kept and maintained at all times by the Company at its registered office and there shall be entered in the Register:

1.1 the names and addresses of the persons for the time being entitled to be registered as the holders of the Warrants;

1.2 the number of Warrants held for the time being by every registered holder; and

1.3 the date on which the name of every registered holder is entered in the Register in respect of the Warrants in its name.

2 Any change in the name or address of any Warrantholder shall promptly be notified to the Company which shall cause the Register to be altered accordingly. The Warrantholders or any of them and any person authorised by any Warrantholder shall be at liberty at all reasonable times during office hours to inspect the Register and to take copies of or extracts from it or any part of it.

3 The Company shall be entitled to treat each Warrantholder as the absolute owner of a Warrant and accordingly shall not, except as ordered by a court of competent jurisdiction or as required by law, be bound to recognise any equitable or other claim to or interest in a Warrant on the part of any other person, whether or not it shall have express or other notice of such a claim.

4 Each Warrantholder will be recognised by the Company as entitled to the Warrants free from any equity, set-off or cross-claim on the part of the Company against the original or any intermediate holder of the Warrants.

5 Each transfer of a Warrant shall be made by an instrument of transfer in the usual or common form or in any other form which may be approved for the time being by the Directors.

6 The instrument of transfer of a Warrant shall be executed by or on behalf of the transferor but need not be executed by or on behalf of the transferee. The transferor shall be deemed to remain the holder of the Warrant until the name of the transferee is entered in the Register in respect of the Warrant being transferred.

7 The Directors may decline to recognise any instrument of transfer of a Warrant unless the instrument is deposited at the registered office of the Company accompanied by the Warrant Certificate for the Warrant to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer. The Directors may waive production of any Warrant Certificate upon production to them of satisfactory evidence of the loss or destruction of the Warrant Certificate together with such indemnity as they may require.

8 No fee shall be charged for any registration of a transfer of a Warrant or for the registration of any other documents which in the opinion of the Directors require registration.

9 The registration of a transfer shall be conclusive evidence of the approval by the Directors of such a transfer.

10 Each Warrantholder shall register with the Company an address to which notices can be sent. If any Warrantholder fails to register an address with the Company, notice may be given to that Warrantholder by sending it by any of the methods referred to in paragraph 11 of this Schedule 2 to that Warrantholder's last known place of business or residence or, if none, by exhibiting it for three days at the registered office for the time being of the Company.

11 Notices and other communications to Warrantholders may be given by personal delivery, prepaid letter by first class post or, subject to clause 1.3 of this instrument, fax or email. In proving service of any notice or other communication sent by post, it shall be sufficient to prove that the envelope containing the notice or other communication was properly addressed and stamped and was deposited in a post box or at the post office.

12 A notice or other communication given pursuant to the provisions of paragraph 11 of this Schedule 2 shall be deemed to have been served:

12.1 at the time of delivery, if delivered personally to the registered address;

12.2 on the second Business Day following its posting, if sent by prepaid letter by first class post to an address in the United Kingdom; and

12.3 at 09:00 hours on the Business Day following the despatch of the fax, if sent by fax.

13 All notices and other communications with respect to Warrants standing in the names of joint registered holders shall be given to whichever of such persons is named first in the Register and such notice so given shall be sufficient notice to all the registered holders of such Warrants.

14 Any person who, whether by operation of law, transfer or other means whatsoever, shall become entitled to any Warrant, shall be bound by every notice in respect of such Warrant which, prior to its name and address being entered on the Register, shall have been duly given to the person from which it derives its title to such Warrant.

15 When a given number of days' notice or notice extending over any other period is required to be given, the day of service shall be included but the day upon which such notice will expire shall not be included in such number of days or other period. The signature to any notice to be given by the Company may be written or printed.

SIGNATURE PAGE

EXECUTED as a deed, but not delivered until the date specified on this instrument, by)
)
)
MEREO BIOPHARMA GROUP PLC)

by _____ a director in the presence of a witness:

_____
Director

Witness Signature: _____

Witness Name (block capitals): _____

Witness Address: _____

_____

Witness Occupation: _____

Exhibit 4.30

DEED OF CONSENT AND AMENDMENT TO NOTE INSTRUMENT

THIS DEED is dated 24 November 2020 (such date being the "**Effective Date**")

BETWEEN:

(1) **MEREO BIOPHARMA GROUP PLC**, a public limited company incorporated in England and Wales with company number 04206001 whose registered office is at 4th Floor, One Cavendish Place, London, England W1G 0QF (the "**Company**"); and

(2) **NOVARTIS PHARMA AG**, a company incorporated and registered in Switzerland whose registetered office is at Postfach, 4002 Basel Switzerland ("**Novartis**").

WHEREAS

(A) The Company adopted a convertible loan note instrument on 10 February 2020 a copy of which is appended hereto as Appendix 1 (the "**Note Instrument**") constituting certain loan notes convertible into Ordinary Shares in the capital of the Company (the "**Notes**").

(B) The Company is intending to cancel the admission to trading of its Ordinary Shares on the Alternative Investment Market ("**AIM**") operated by the London Stock Exchange, with effect from 18 December 2020 (the "**Delisting**"). Following the Delisting, the only listing maintained by the Company will be that of American depositary receipts on NASDAQ, the tradeable entitlement representing American Depositary Shares ("**ADSs**"), each of which such ADS represents five Ordinary Shares of £0.003 in the capital of the Company.

(C) In parallel to implementing the Delisting, the Company has made the decision to refinance its existing senior debt (provided by Silicon Valley Bank and Kreos Capital) with a new senior secured loan of up to USD 35,000,000 with a variable interest rate between 7.89% and 10% from Oxford Finance LLC) and is in the process of negotiating loan and security documentation with Oxford pursuant to which such facility shall be provided (the "**Senior Loan Refinancing**").

(D) The parties are entering into this Deed to (i) notify Novartis of the Senior Loan Refinancing and obtain Novartis' consent thereto (nowithstanding that such consent is not expressly required pursuant to the terms of the Note Instrument); and (ii) amend certain additional terms of the Note Instrument to add a mechanism for delivery of ADSs to Novartis following a conversion of the Notes and remove provisions relating to AIM-listed status which will cease to be relevant after the Delisting.

IT IS AGREED AS FOLLOWS:

1. INTERPRETATION

Terms defined in the Note Instrument shall have the same meanings as given therein when used in this Deed unless otherwise defined herein.

2. AMENDMENTS AND CONSENT

2.1 A new definition of "*ADS*" shall be added to clause 1.1 of the Note Instrument as of the Effective Date, and read as follows:

ADS	*means American Depositary Shares representing interests in the Ordinary Shares pursuant to a sponsored American Depositary Receipt facility with the Depositary*

2.2 A new definition of "*ADS Exchange Ratio*" shall be added to clause 1.1 of the Note Instrument as of the Effective Date, and read as follows:

ADS Exchange Ratio	*means the ratio applicable to the exchange of Ordinary Shares for ADSs from time to time, currently being a ratio of 5 Ordinary Shares for each ADS*

2.3 A new definition of "*Depositary*" shall be added to clause 1.1 of the Note Instrument as of the Effective Date, and read as follows:

Depositary	*means the Depositary engaged by the Company for the issuance and transfer of ADSs*

2.4 A new definition of "*Issuance and Delivery Instruction*" shall be added to clause 1.1 of the Note Instrument as of the Effective Date, and read as follows:

Issuance and Delivery Instruction	*means an issuance and delivery instruction in such form as notified from the Company to the Noteholder from time to time, the current form of which is attached hereto at Schedule 4*

2.5 Paragraph 3 of Part 1 of Schedule 3 to the Note Instrument shall, as of the Effective Date, be deleted in its entirety and replaced with the following wording:

3.1 The Conversion Notice shall set out, at a minimum:

(a) the principal amount of Notes to be converted;

(b) whether any accrued but unpaid interest on such principal amount is to be converted

(c) the Conversion Date; and

(d) whether the Ordinary Shares resulting from conversion are to be delivered as ADSs,

3.2 If and to the extent that the Ordinary Shares issued are to be delivered as ADSs, the Noteholder shall be required to deliver to the Company a completed Issuance and Delivery Instruction in the form set out in Schedule 4 (as such form may be amended from time to time by notice to the Noteholder) duly completed and executed by the Noteholder no later than 3 Business Days following service of the relevant Conversion Notice on the Company.

3.3 In the event of any failure by a Noteholder to deliver a duly completed Issuance and Delivery Instruction within such time period the Company shall disregard such Noteholder's request Noteholder for delivery of the relevant Ordinary Shares as ADSs and shall issue the number of Ordinary Shares specified in the Conversion Notice to the Noteholder on the Conversion Date in accordance with paragraphs 1 to 5 of Part 2 of this Schedule 3.

2.6 Paragraph 3 of Part 2 of Schedule 3 to the Note Instrument shall, as of the Effective Date, be deleted in its entirety and replaced with the following wording:

3. The Conversion Shares shall be issued and allotted by the Company on the Conversion Date to:

(a) the Noteholder; or

(b) in the event that the Noteholder has required pursuant to paragraph 3.1 that the Ordinary Shares to be issued upon conversion are to be delivered as ADSs and delivered a duly completed Issuance and Delivery Instruction, and there is an effective registration statement covering the Ordinary Shares to be issued on such exercise, issued to, deposited with (and otherwise registered in the name of) the custodian (or its nominee) of the Depositary, and following such issuance and deposit the Company will direct the Depositary to issue an amount of ADSs via DTC (with such ADSs being eligible for listing on Nasdaq) in accordance with the corresponding Issuance and Delivery Instruction;

and in each case the certificates for such Ordinary Shares shall be dispatched to the persons entitled to them at their own risk.

2.7 Paragraph 5 of Part 2 of Schedule 3 to the Note Instrument shall, as of the Effective Date, be deleted in its entirety and replaced with the following wording:

5.1 The entitlement of the Noteholder to a fraction of an Ordinary Share shall be rounded down to the nearest whole number of Ordinary Shares which result from the conversion of the Notes and any accrued interest (if applicable).

5.2 In the event that a Noteholder requires Ordinary Shares arising on conversion to be delivered as ADSs, the entitlement of such Noteholder to ADSs shall be calculated using the ADS Exchange Ratio. No fractional ADSs will be issued, and any fractional entitlements to an ADS shall be issued to the relevant Noteholder in the form of Ordinary Shares in accordance with Part 2 of this Schedule 3, rounded down to the nearest whole share.

2.8 A new Schedule 4 shall, as of the Effective Date, be added to the Note Instrument in the form attached hereto at Appendix 2.

2.9 By their execution of this Deed Novartis hereby grant consent to

2.9.1 the amendments to the Note Instrument included herein and the provisions of this Deed (including the transactions contemplated herein); and

2.9.2 the Senior Loan Refinancing (although such consent is not expressly required pursuant to the terms of the Note Instrument and is requested by the Company solely for the purposes of keeping Novartis appraised of the details of the Senior Loan Refinancing).

3. MISCELLANEOUS

3.1 This Deed shall be governed by and construed in accordance with English law and the parties submit to the exclusive jurisdiction of the English courts.

3.2 This Deed may be executed in counterparts which together shall constitute one document.

Appendix 1

Note Instrument

Appendix 2

ADS Issuance and Delivery Instruction

[DATE]
Citibank, N.A., as Depositary
388 Greenwich Street
New York, New York 10013
Attn.: Mr. Brian M. Teitelbaum (brian.m.teitelbaum@citi.com)
With a copy simultaneously delivered to:
Citibank, N.A., London Branch
25 Canada Square
Canary Wharf
London E14 5LB, England
Attn.: UK Custody Settlements
Custody Team (uksettlements@citi.com)

Re: Issuance and Delivery Instruction - Mereo BioPharma Group plc (CUSIP No.: 589492107) – Deposit & Hold

Dear Sirs:

Reference is made to the Deposit Agreement, dated as of April 23, 2018, as amended and supplemented from time to time (the "Deposit Agreement"), by and among Mereo BioPharma Group plc, a public limited company incorporated under the laws of England and Wales and its successors (the "Company"), Citibank, N.A., a national banking association organized and existing under the laws of the United States of America, as Depositary (the "Depositary"), and all Holders and Beneficial Owners of American Depositary Shares (the "ADSs") issued thereunder. All capitalized terms used, but not otherwise defined herein, shall have the meaning assigned thereto in the Deposit Agreement.

In accordance with the terms and subject to the limitations set forth in the Deposit Agreement, promptly following the Depositary's receipt of confirmation from the Custodian that the Custodian has received a deposit of the number of Shares specified below made by the Company for the benefit of the undersigned holder thereof (the "Holder" and together with the Company, the "Undersigned"), the Undersigned hereby jointly instruct the Depositary, and the Depositary hereby agrees:

(i) to promptly accept for deposit the number of Shares and issue the number of ADSs as specified below:

Number of Shares deposited: _____Shares

Number of ADSs (CUSIP No.: 589492107; each ADS representing five (5) Shares to be issued:

_____ADSs

and (ii) to promptly deliver such Program ADSs, as follows:

Name of DTC Participant to which the ADSs are to be delivered: _____

DTC Participant Account No.: _____

Account No. for recipient of ADSs at DTC Participant (f/b/o/ information): _____

Name on whose behalf the above number of ADSs are to be issued and delivered: _____

Contact person at DTC Participant: _____

Daytime telephone number of contact person at DTC: _____

The Company hereby confirms and certifies that (i) the registration statement on Form F-3 (File No. 333-239708) (the "Registration Statement"), filed with the U.S. Securities and Exchange Commission (the "Commission") on July 6, 2020, registers the resale of the above Shares represented by ADSs, such ADSs will be freely transferable following the issuance thereof by the Depositary, and there are no legal restrictions on subsequent transfers of the ADSs to be issued hereunder under the laws of England and Wales or the United States, (ii) the Registration Statement is effective under the Securities Act of 1933, as amended (the "Securities Act"), and (iii) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for such purpose have been instituted or are pending or, to the best knowledge of the Company, are contemplated or threatened by the Commission.

The Holder hereby represents and covenants to, and for the benefit of, the Depositary and Citibank, N.A.—London Branch (the "Custodian"), that (i) the Holder is not an "affiliate" of the Company as that term is defined in Rule 144 promulgated by the Commission under the Securities Act and has not been an affiliate at any time during the 90 days immediately preceding the date hereof, and (ii) all stamp duty taxes, including, without limitation, the U.K. Stamp Duty Reserve Tax ("SDRT"), will be paid in full and on a timely basis to the extent such taxes are payable in respect of the deposit of the Shares and the issuance and delivery of the ADSs as contemplated herein.

Each of the Holder and, to the extent it is not unlawful for the Company to do so under the applicable laws of England and Wales, the Company agrees to indemnify the Depositary and the Custodian for, and to hold the Depositary and the Custodian harmless against, all losses, liabilities, taxes, charges, penalties or expenses (including reasonable legal fees and disbursements), incurred by the Depositary and/or by the Custodian or to which the Depositary and/or the Custodian may become subject to and arising directly or indirectly from the failure by any person to pay (or discharge) any applicable stamp duty taxes, including, without limitation, SDRT, or any other similar duty or tax in connection with the deposit of the Shares and the issuance and delivery of the ADSs as contemplated herein, save to the extent that such losses, liabilities, taxes, charges, penalties or expenses are due to the negligence or bad faith of the Custodian or the Depositary.

[HOLDER]

By: _____
Name:
Title:

MEREO BIOPHARMA GROUP PLC

By: _____
Name:
Title:

IN WITNESS WHEREOF this agreement has been executed as a deed and delivered by the parties on the date first above written.

Executed and delivered
as a **DEED** by **MEREO BIOPHARMA GROUP PLC** acting by **DENISE SCOTS-KNIGHT**, a director and **CHARLES SERMON**, its secretary

_____ *Director*

_____ *Secretary*

Executed and delivered
as a **DEED** by **NOVARTIS PHARMA AG** acting by **MARC CEULEMANS** and **MATT OWENS** who, in accordance with the laws of Switzerland, are acting under the authority of the company

_____ *Authorised Signatory*

_____ *Authorised Signatory*

Exhibit 4.31

DEED OF CONSENT AND AMENDMENT TO WARRANT INSTRUMENT

THIS DEED is dated 24 November 2020 (such date being the "**Effective Date**")

BETWEEN:

(1) **MEREO BIOPHARMA GROUP PLC**, a public limited company incorporated in England and Wales with company number 04206001 whose registered office is at 4th Floor, One Cavendish Place, London, England W1G 0QF (the "**Company**"); and

(2) **NOVARTIS PHARMA AG**, a company incorporated and registered in Switzerland whose registetered office is at Postfach, 4002 Basel Switzerland ("**Novartis**").

WHEREAS

(A) The Company adopted a warrant instrument on 10 February 2020, a copy of which is appended hereto as Appendix 1 (the "**Warrant Instrument**") constituting certain warrants to subscribe for Ordinary Shares in the capital of the Company.

(B) The Company is intending to cancel the admission to trading of its Ordinary Shares from the Alternative Investment Market ("**AIM**") operated by the London Stock Exchange, with effect from 18 December 2020 (the "**Delisting**"). Following the Delisting, the only listing maintained by the Company will be that of American depositary receipts on NASDAQ, the tradeable entitlement representing American Depositary Shares ("**ADSs**"), each of which such ADS represents five Ordinary Shares of £0.003 in the capital of the Company.

(C) The parties are entering into this Deed to (i) confirm that the Company has duly notified Novartis of the Delisting as required by clause 11.1.3 Warrant Instrument; and (ii) amend certain additional terms of the Warrant Instrument to add a mechanism for delivery of ADSs to a Warrantholder following a valid exercise of subscription rights and remove provisions relating to AIM-listed status which will cease to be relevant after the Delisting.

IT IS AGREED AS FOLLOWS:

1. INTERPRETATION

Terms defined in the Warrant Instrument shall have the same meanings as given therein when used in this Deed unless otherwise defined herein.

2. AMENDMENTS AND CONSENT

2.1 A new definition of "*ADS*" shall be added to clause 1.1 of the Warrant Instrument as of the Effective Date, and read as follows:

ADS	*means American Depositary Shares representing interests in the Ordinary Shares pursuant to a sponsored American Depositary Receipt facility with the Depositary;*

The definition of "*CREST*" in clause 1.1 of the Warrant Instrument shall, as of the Effective Date, be deleted in its entirety and replaced with the following wording:

[Not used]

2.2 A new definition of "*Depositary*" shall be added to clause 1.1 of the Warrant Instrument as of the Effective Date, and read as follows:

Depositary	*means the Depositary engaged by the Company for the issuance and transfer of ADSs;*

2.3 A new definition of "*Issuance and Delivery Instruction*" shall be added to clause 1.1 of the Warrant Instrument as of the Effective Date, and read as follows:

Issuance and Delivery Instruction	*means an issuance and delivery instruction in such form as notified from the Company to the Warrantholders from time to time, the current form of which is attached hereto at Schedule 3;*

2.4 Clause 6.2 of the Warrant Instrument shall, as of the Effective Date, be deleted in its entirety and replaced with the following wording:

6.2 In order to exercise its Subscription Rights validly, a Warrantholder must deliver the following items to the registered office of the Company:

6.2.1 the Warrant Certificate for the Warrants in respect of which the Subscription Rights are being exercised, together with the Notice of Subscription duly completed;

6.2.2 if required pursuant to clause 6.3.1, a remittance by banker's draft, drawn on a UK clearing bank, (or such other mode of payment as the Company and the Warrantholder shall agree);

6.2.3 the name and address of the Warrantholder to which the Warrant Shares arising on an exercise of Subscription Rights are to be issued (or, if such shares are to be delivered as ADSs, the name and address of the custodian (or its nominee) of the Depositary;

6.2.4 if and to the extent that the Ordinary Shares issued are to be delivered as ADSs, a completed Issuance and Delivery Instruction in the form set out at Schedule 3 hereto (as such form may be amended from time to time by notice to the Warrantholder) duly completed and executed by the Warrantholder.

2.5 Clause 6.3 of the Warrant Instrument shall, as of the Effective Date, be deleted in its entirety and replaced with the following wording:

6.3.1 The Subscription Price for each of the Warrant Shares shall be made to such account as is notified by the Company within 3 Business Days of the relevant Notice of Subscription delivered pursuant to clause 6.2.1 and no Warrant Shares shall be issued to the Warrantholder (or, in the case of Ordinary Shares to be delivered as ADSs, issued to the custodian (or its nominee) of the Depositary) until the aggregate Subscription Price has been satisfied.

6.3.2 In the event of any failure by a Warrantholder to deliver a duly completed Issuance and Delivery Instruction within 3 Business Days of delivering its Notice of Subscription, the Company shall disregard the Warrantholder's request for delivery of the relevant Ordinary Shares as ADSs and shall issue the number of Ordinary Shares specified in the Conversion Notice to the Warrantholder on the Conversion Date in accordance with paragraph 2 of this Part 2 of Schedule 2.

2.6 *A* new Clause 6.4 shall, as of the Effective Date, be added to the Warrant Instrument and read as follows:

6.4 *In the event that a Warrantholder requires Ordinary Shares arising on conversion to be delivered as ADSs, the entitlement of such Warrantholder to ADSs shall be calculated using the ADS Exchange Ratio. No fractional ADSs will be issued, and any fractional entitlements to an ADS shall be issued to the relevant Warrantholder in the form of Ordinary Shares in accordance with clauses 6 and 8 of this instrument, rounded down to the nearest whole share.*

2.7 Clause 7.1 of the Warrant Instrument shall, as of the Effective Date, be deleted in its entirety and replaced with the following wording:

7.1 *Following a valid exercise of Subscription Rights by a Warrantholder, the Company shall in accordance with clause 7.3:*

7.1.1 *allot and issue credited as fully paid the Warrant Shares to which the Warrantholder is entitled by exercising the Subscription Rights (the "**Allotted Shares**") to:*

(i) the Warrantholder (or to its nominee or trustee as notified to the Company in the Notice of Subscription); or

(ii) in the event that the Warrantholder has required pursuant to clause 6.2 that Ordinary Shares to be issued from the Exercise of Subscription Rights are to be delivered as ADSs and delivered a duly completed Issuance and Delivery Instruction, and there is an effective registration statement covering the Ordinary Shares to be issued on such exercise, issue to, deposit with (and otherwise register in the name of) the custodian of the Depositary (or its nominee), and following such issuance and deposit the Company will direct the Depositary to issue an amount of ADSs via DTC (with such ADSs being eligible for listing on Nasdaq) in accordance with the corresponding Issuance and Delivery Instruction;

7.1.2 *immediately following allotment and issue in accordance with clause 7.1.1, enter, or procure that the Company's Registrars enter (i) the Warrantholder's name (or its nominee's or trustee's name) or (ii) in the case of any Ordinary Shares to be delivered as ADSs, the name of the custodian (or its nominee) of the Depositary in the register of members of the Company as the holder of the Allotted Shares;*

7.1.3 *immediately following registration in accordance with clause 7.1.2, send either to the person identified by the Warrantholder pursuant to clause 7.1.1 or the custodian (or its nominee) of the Depositary, free of charge, share certificate(s) in respect of the Allotted Shares;*

7.1.4 *apply for the admission of the Warrant Shares to trading on any recognised investment exchange on which the Warrant Shares are listed at the time of the allotment and issue pursuant to clause 7.1.1, and shall use its reasonable endeavours to secure such admission to trading no later than ten (10) Business Days after such application.*

2.8 Clause 12.1.4 of the Warrant Instrument shall, as of the Effective Date, be deleted in its entirety and replaced with the following wording:

[Not used]

2.9 The Schedule to the Warrant Certificate (*Notice of Subscription*) at Schedule 1 of the Warrant Instrument shall, as of the Effective Date be deleted in its entirety and replaced with the form attached hereto at Appendix 2.

2.10 A new Schedule 3 shall, as of the Effective Date, be added to the Warrant Instrument in the form attached hereto at Appendix 3.

2.11 For the purposes of clause 9.1 of the Warrant Instrument, by their execution of this Deed, Novartis hereby grant Consent to the amendments herein and the provisions of this Deed (including the transactions contemplated herein).

2.12 For the purposes of clause 11.1.3 of the Warrant Instrument, by their execution of this Deed, Novartis hereby confirms that it has been duly notified by the Company of the intention to cancel the admission to trading of the Ordinary Shares on AIM.

3. MISCELLANEOUS

3.1 This Deed shall be governed by and construed in accordance with English law and the parties submit to the exclusive jurisdiction of the English courts.

3.2 This Deed may be executed in counterparts which together shall constitute one document.

Appendix 1

Warrant Instrument

Appendix 2

Notice of Subscription

To: The Directors

MEREO BIOPHARMA GROUP PLC ("Company")

This notice is issued pursuant to the warrant instrument issued by the Company on 10 February 2020 ("**Warrant Instrument**"). Words and expressions used in this notice which are defined in the Warrant Instrument have the meanings given to them in the Warrant Instrument.

We hereby irrevocably elect to exercise [*number*] Warrants issued to us by the Company pursuant to the Warrant Instrument and purchase thereunder (and surrender herewith the relevant warrant certificate) as follows:

(1)

(A) _____ Warrant Shares to be issued to the Warrantholder (or its nominee or trustee) as Ordinary Shares pursuant to the Warrant Instrument;

(B) _____ Warrant Shares to be issued to the custodian of the Depositary for delivery to the Warrantholder as ADSs pursuant to the Warrant Instrument.

(2) We hereby confirm that we will procure payment in the sum of £[*amount*] being the aggregate Subscription Price for such Warrant Shares.

We direct the Company:

[*use for a request under option (1)(A) above*] to issue [*number*] of Ordinary Shares to be issued pursuant to this exercise in the following numbers to the following proposed allottees, each of which is either a Warrantholder, a nominee or trustee of a Warrantholder or a transferee of one of those persons approved in accordance with clause 8.1 of the Warrant Instrument]

Number/percent age of shares	**Name of proposed allottee**	**Address of proposed allottee**
1		

[*OR*] *use for a request under option (1)(B) above*] to issue, allot, and deposit [*number*] of Ordinary Shares to be issued pursuant to this exercise to the custodian (or its nominee) of the Depositary and that following such issuance and deposit, to direct the Depositary to issue an amount of ADSs via DTC in accordance with the Issuance and Delivery Instruction corresponding to this Notice of Subscription.

The Warrantholder represents and warrants that this Notice of Subscription has been duly signed and constitutes a valid and binding act to exercise the said Warrants.

Place and date:

Name of Warrantholder:

_____

By:

Title:

The above exercise is acknowledged and accepted. Place and date:

MEREO BIOPHARMA GROUP PLC

_____

By:

Title:

Appendix 3

ADS Issuance and Delivery Instruction

[DATE]
Citibank, N.A., as Depositary
388 Greenwich Street
New York, New York 10013
Attn.: Mr. Brian M. Teitelbaum (brian.m.teitelbaum@citi.com)
With a copy simultaneously delivered to:
Citibank, N.A., London Branch
25 Canada Square
Canary Wharf
London E14 5LB, England
Attn.: UK Custody Settlements
Custody Team (uksettlements@citi.com)

Re: Issuance and Delivery Instruction—Mereo BioPharma Group plc (CUSIP No.: 589492107) – Deposit & Hold

Dear Sirs:

Reference is made to the Deposit Agreement, dated as of April 23, 2018, as amended and supplemented from time to time (the "Deposit Agreement"), by and among Mereo BioPharma Group plc, a public limited company incorporated under the laws of England and Wales and its successors (the "Company"), Citibank, N.A., a national banking association organized and existing under the laws of the United States of America, as Depositary (the "Depositary"), and all Holders and Beneficial Owners of American Depositary Shares (the "ADSs") issued thereunder. All capitalized terms used, but not otherwise defined herein, shall have the meaning assigned thereto in the Deposit Agreement.

In accordance with the terms and subject to the limitations set forth in the Deposit Agreement, promptly following the Depositary's receipt of confirmation from the Custodian that the Custodian has received a deposit of the number of Shares specified below made by the Company for the benefit of the undersigned holder thereof (the "Holder" and together with the Company, the "Undersigned"), the Undersigned hereby jointly instruct the Depositary, and the Depositary hereby agrees:

(i) to promptly accept for deposit the number of Shares and issue the number of ADSs as specified below:

Number of Shares deposited: _____Shares

Number of ADSs (CUSIP No.: 589492107; each ADS representing five (5) Shares to be issued:
_____ADSs

and (ii) to promptly deliver such Program ADSs, as follows:

Name of DTC Participant to which the ADSs are to be delivered: _____

DTC Participant Account No.: _____

Account No. for recipient of ADSs at DTC Participant (f/b/o/ information): _____

Name on whose behalf the above number of ADSs are to be issued and delivered: _____

Contact person at DTC Participant: _____

Daytime telephone number of contact person at DTC: _____

The Company hereby confirms and certifies that (i) the registration statement on Form F-3 (File No. 333-239708) (the "Registration Statement"), filed with the U.S. Securities and Exchange Commission (the "Commission") on July 6, 2020, registers the resale of the above Shares represented by ADSs, such ADSs will be freely transferable following the issuance thereof by the Depositary, and there are no legal restrictions on subsequent transfers of the ADSs to be issued hereunder under the laws of England and Wales or the United States, (ii) the Registration Statement is effective under the Securities Act of 1933, as amended (the "Securities Act"), and (iii) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for such purpose have been instituted or are pending or, to the best knowledge of the Company, are contemplated or threatened by the Commission.

The Holder hereby represents and covenants to, and for the benefit of, the Depositary and Citibank, N.A.—London Branch (the "Custodian"), that (i) the Holder is not an "affiliate" of the Company as that term is defined in Rule 144 promulgated by the Commission under the Securities Act and has not been an affiliate at any time during the 90 days immediately preceding the date hereof, and (ii) all stamp duty taxes, including, without limitation, the U.K. Stamp Duty Reserve Tax ("SDRT"), will be paid in full and on a timely basis to the extent such taxes are payable in respect of the deposit of the Shares and the issuance and delivery of the ADSs as contemplated herein.

Each of the Holder and, to the extent it is not unlawful for the Company to do so under the applicable laws of England and Wales, the Company agrees to indemnify the Depositary and the Custodian for, and to hold the Depositary and the Custodian harmless against, all losses, liabilities, taxes, charges, penalties or expenses (including reasonable legal fees and disbursements), incurred by the Depositary and/or by the Custodian or to which the Depositary and/or the Custodian may become subject to and arising directly or indirectly from the failure by any person to pay (or discharge) any applicable stamp duty taxes, including, without limitation, SDRT, or any other similar duty or tax in connection with the deposit of the Shares and the issuance and delivery of the ADSs as contemplated herein, save to the extent that such losses, liabilities, taxes, charges, penalties or expenses are due to the negligence or bad faith of the Custodian or the Depositary.

[HOLDER]

By: _____
Name:
Title:

MEREO BIOPHARMA GROUP PLC

By: _____
Name:
Title:

IN WITNESS WHEREOF this agreement has been executed as a deed and delivered by the parties on the date first above written.

Executed and delivered
as a **DEED** by **MEREO BIOPHARMA GROUP PLC** acting by **DENISE SCOTS-KNIGHT**, a director and **CHARLES SERMON**, its secretary

_____ *Director*

_____ *Secretary*

Executed and delivered
as a **DEED** by **NOVARTIS PHARMA AG** acting by **MARC CEULEMANS** and **MATT OWENS** who, in accordance with the laws of Switzerland, are acting under the authority of the company

_____ *Authorised Signatory*

_____ *Authorised Signatory*

Exhibit 4.32

EXECUTION VERSION
CONFIDENTIAL

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY [***], HAS BEEN OMITTED BECAUSE IT IS BOTH (i) NOT MATERIAL AND (ii) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED

COLLABORATION

AND

LICENSE AGREEMENT

by and between

MEREO BIOPHARMA 3 LIMITED

and

ULTRAGENYX PHARMACEUTICAL INC.

Dated as of December 17, 2020

TABLE OF CONTENTS

COLLABORATION AND LICENSE AGREEMENT

This Collaboration and License Agreement (this "**Agreement**") is entered into as of December 17, 2020 (the "**Execution Date**") by and between Mereo BioPharma 3 Limited, a corporation with a place of business at 1 Cavendish Place, London, W1G 0QF, United Kingdom ("**Mereo**") and Ultragenyx Pharmaceutical Inc., a corporation with a place of business at 60 Leveroni Court, Novato, CA 94949, United States ("**UGNX**"). UGNX and Mereo are each hereafter referred to individually as a "**Party**" and together as the "**Parties**".

WHEREAS, Mereo has research, development, manufacturing and commercialization expertise for pharmaceutical and biologics products for the treatment of rare diseases and has worldwide, exclusive rights to develop and commercialize a fully human monoclonal antibody targeting sclerostin, known as BPS-804 or setrusumab;

WHEREAS, UGNX has research, development, manufacturing and commercialization expertise for pharmaceutical and biologics products for the treatment of rare diseases; and

WHEREAS, UGNX and Mereo desire to collaborate to develop and commercialize setrusumab, subject to the terms and conditions of this Agreement;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties hereby agree as follows:

ARTICLE 1. DEFINITIONS

All references to particular Exhibits, Articles or Sections mean the Exhibits to, and Articles and Sections of, this Agreement, unless otherwise specified. For the purposes of this Agreement and the Exhibits and Appendices hereto, the following words and phrases have the following meanings:

Section 1.1 "**Abandoned Patent Right**" has the meaning set forth in Section 9.2.1(b).

Section 1.2 "**Affiliate**" means, with respect to any Person, any other Person that controls, is controlled by or is under common control with such Person, for as long as such control exists. For purposes of this definition, "control" means the direct or indirect ownership of more than fifty percent (50%) of the voting or economic interest of a Person, or the power, whether pursuant to contract, ownership of securities or otherwise, to direct the management and policies of a Person. For clarity, once a Person ceases to be an Affiliate of a Party, then, without any further action, such Person shall cease to have any rights, including license and sublicense rights, under this Agreement by reason of being an Affiliate of such Party.

Section 1.3 "**Agreement**" has the meaning set forth in the Preamble.

Section 1.4 "**Alliance Manager**" has the meaning set forth in Section 3.1.2.

Section 1.5 "**Anti-Bribery and Anti-Corruption Laws**" has the meaning set forth in Section 10.4(c)(i)A.

Section 1.6 "**Anti-Corruption Policies**" has the meaning set forth in Section 10.4(c)(i)D.

Section 1.7 "**Audited Party**" has the meaning set forth in Section 8.10.1.

Section 1.8 "**Background IP**" means Background Patent Rights and Background Know-How.

Section 1.9 "**Background Know-How**" means Know-How (a) Controlled by a Party prior to the Effective Date or (b) coming into the Control of such Party during the Term, but not generated in the performance of the activities conducted under this Agreement.

Section 1.10 "**Background Patent Rights**" means Patent Rights (a) Controlled by a Party prior to the Effective Date or (b) coming into the Control of such Party during the Term, but not generated in the performance of the activities conducted under this Agreement.

Section 1.11 "**Biosimilar Application**" means any BLA filed with applicable Regulatory Authority for Marketing Approval of a Biosimilar Product in a country in the UGNX Territory or Mereo Territory.

Section 1.12 "**Biosimilar Product**" means, with respect to a Licensed Product in a particular country in the UGNX Territory or Mereo Territory, any biological product that is claimed to be biosimilar to, or interchangeable or substitutable with, such Licensed Product (including a product that is the subject of an application submitted under Section 351(k) of the PHSA in the US or under Article 10(4) of Directive 2001/83/EC (as amended, including by EU Directive 2004/27/EC) in the EEA or any member state thereof, in each case citing such Licensed Product as the reference product) or for which the BLA (or any corresponding foreign application outside the United States) otherwise references or relies on such Licensed Product.

Section 1.13 "**BLA**" means (a) a Biologics License Application under section 351 of the PHSA, 42 U.S.C. 262, as amended from time to time, together with any rules, regulations and requirements promulgated thereunder (including all additions, supplements, extensions, and modifications thereto) or (b) any corresponding foreign application, including, with respect to the European Union, a Marketing Authorization Application ("**MAA**") filed with the EMA pursuant to the Centralized Approval Procedure or with the applicable Regulatory Authority of a country in the EEA with respect to the mutual recognition, or any other analogous marketing authorization or approval applications in other countries or regulatory jurisdictions.

Section 1.14 "**Calendar Quarter**" means each of the three (3) month periods ending March 31, June 30, September 30 and December 31; *provided*, *however*, that: (a) the first Calendar Quarter of the Term shall extend from the Effective Date to the end of the first complete Calendar Quarter thereafter; and (b) the last Calendar Quarter shall extend from the beginning of the Calendar Quarter in which this Agreement expires or terminates until the effective date of such expiration or termination.

Section 1.15 "**Calendar Year**" means each of the twelve (12) month periods ending December 31; *provided*, *however*, that: (a) the first Calendar Year of the Term shall extend from the Effective Date to the end of the first complete Calendar Year thereafter; and (b) the last Calendar Year shall extend from the beginning of the Calendar Year in which this Agreement expires or terminates until the effective date of such expiration or termination.

Section 1.16 "**Centralized Approval Procedure**" means the procedure under Regulation (EC) 726/2004 through which a MAA filed with the European Medicines Agency results in a single marketing authorization valid in all European Union member states, Iceland, Norway and Liechtenstein.

Section 1.17 "**Clinical Supply Agreement**" has the meaning set forth in Section 6.2.

Section 1.18 "**Clinical Trial**" means any clinical trials and clinical studies for the Licensed Product, including any Phase 1 Clinical Trial, Phase 2 Clinical Trial, Phase 3 Clinical Trial, Pivotal Clinical Trial and Phase 4 Clinical Trial.

Section 1.19 "**CMC**" means chemistry, manufacturing and controls activities in connection with the Licensed Product.

Section 1.20 "CMO" means contract manufacturing organization.

Section 1.21 "**Combination Product**" has the meaning set forth in Section 1.110.

Section 1.22 "**Commercialization**" means any and all processes and activities conducted to establish and maintain sales for the Licensed Product, including the conduct of Clinical Trials after receipt of Marketing Approval for the relevant Indication to the extent such trials are not included in "Development" hereunder, processes and activities to market, advertise, promote, store, transport, distribute, import, export, offer to sell (including pricing and reimbursement and value and access activities as well as observational research and evidence generation including economic value), detail, sell a pharmaceutical product, conduct other commercialization activities, including activities conducted in connection with commercial launch, such as branding (including activities to obtain international nonproprietary names and other nonproprietary names for the Licensed Product, and research relating to product naming), establishing a sales force, forecasting mechanisms, drug pricing analyses and launch strategies, including in support of any of the foregoing (including training, materials, public relations and market research), as well as medical affairs related to the foregoing activities; *provided*, *however*, that Commercialization shall exclude Development and Manufacturing. "**Commercialize**" shall have the correlative meaning of Commercialization.

Section 1.23 "**Commercial Milestone Events**" has the meaning set forth in Section 8.2.2.

Section 1.24 "**Commercial Milestone Payments**" has the meaning set forth in Section 8.2.2.

Section 1.25 "**Commercially Reasonable Efforts**" means, with respect to a [***] performing activities under this Agreement, those efforts and resources commensurate with those efforts commonly used in the [***]. It is anticipated that the level of effort may change over time, reflecting changes in the status of the aforementioned attributes and potential of the product.

Section 1.26 "**Competing Product**" means any commercial product other than the Licensed Product that (a) is or contains a sclerostin inhibitor or (b) is indicated for the treatment of osteogenesis imperfecta.

Section 1.27 "**Confidential Disclosure Agreement**" means the Confidential Disclosure Agreement by and between the Parties [***].

Section 1.28 "**Confidential Information**" has the meaning set forth in Section 13.1.1.

Section 1.29 "**Control**" or "**Controlled**" means, with respect to any Know-How, Patent Right, Regulatory Documentation, or other Intellectual Property Rights, the possession (whether by ownership or license, other than by a license or sublicense granted pursuant to this Agreement) by a Party or its Affiliate of the ability to grant to the other Party a license or access as provided herein to such Know-How, Patent Right, Regulatory Documentation or other Intellectual Property Rights, without violating the terms of any agreement or other arrangement of such Party with any Third Party, in existence as of the time such Party or its Affiliates would first be required hereunder to grant the other Party such license or access.

Section 1.30 "**Core Development Plan**" has the meaning set forth in Section 4.1.1.

Section 1.31 "**Core Dossier**" means the collection of Data and information necessary for obtaining from the FDA and EMA the Marketing Approvals for the Licensed Product for the first adult Indication and the first pediatric Indication in the U.S. and the EEA respectively.

Section 1.32 "**Costs**" means both internal and external costs and expenses, including allocations for overhead expenses.

Section 1.33 "**Cover**" means (a) with respect to Know-How, that the Exploitation of a given molecule, pharmaceutical product, or item would require the use of such Know-How and (b) with respect to a Patent Right, that the Exploitation of a given molecule, pharmaceutical product, or item would infringe a Valid Claim of such Patent Right (in the absence of ownership of, or a license under, such Patent Right). Cognates of the word "**Cover**" have correlative meanings.

Section 1.34 "**Covered Results**" has the meaning set forth in Section 13.3.

Section 1.35 "**CRO**" means contract research organization.

Section 1.36 "**Data**" means any and all Development data, including preclinical data, safety and efficacy data, pharmacology data, chemistry data (including analytical, product characterization, Manufacturing and stability data), toxicology data, data arising from any Clinical Trial (including investigator reports (both preliminary and final), statistical analyses, expert opinions and reports, safety and other electronic databases), together with supporting data and data generated from early patient access programs or compassionate access programs, in each case specifically directed to, or used in the Development of, a pharmaceutical product for applications in the Field.

Section 1.37 "**Data Security and Privacy Laws**" shall mean all applicable Laws related to data protection and privacy, including, to the extent applicable, the EU Data Protection Laws, the Health Insurance Portability and Accountability Act of 1996, as amended by the Health Information Technology for Economic and Clinical Health Act, and any supranational, federal, state, or national legislation relating to Personally Identifiable Information or privacy that is applicable to a Party relating to the processing of Personally Identifiable Information.

Section 1.38 "**Defending Party**" has the meaning set forth in Section 9.5.

Section 1.39 "**Development**" means those activities required or useful to obtain and maintain Marketing Approval(s) of the Licensed Product, including test and diagnostic method development and stability testing, assay development and audit development, pre-clinical/non-clinical trials (including toxicology, pharmacokinetic, metabolism and excretion studies), formulation development, CMC development, manufacturing process development including commercial scale-up development, pharmacodynamics, quality assurance/quality control development, statistical analysis, Clinical Trials and the associated pharmacovigilance and safety reporting (including all Post-Marketing Commitments), packaging development, regulatory affairs, biomarker strategy and development, report writing and statistical analysis, the preparation, filing and prosecution of Marketing Approval applications and medical affairs in connection with the foregoing activities; *provided, however*, that Development shall exclude post-Marketing Approval Clinical Trials that are not Post-Marketing Commitments (i.e., traditional Phase 4 Clinical Trials without regulatory mandate), which shall be deemed Commercialization. "**Develop**" shall have the correlative meaning of Development.

Section 1.40 "**Disclosing Party**" has the meaning set forth in Section 13.1.1.

Section 1.41 "**DMP Studies**" has the meaning set forth in Section 4.1.4.

Section 1.42 "**Drug Substance**" means the fully human monoclonal antibody targeting sclerostin known as BPS-804 or setrusumab, the sequence of which is set forth on [***], and any derivatives or modifications thereto that bind the same target as BPS-804.

Section 1.43 "**EEA**" means the European Economic Area.

Section 1.44 "**Effective Date**" means the first (1st) business day following the date on which HSR Clearance occurs, or, if the Parties together determine that no HSR Filing is required for the activities and licenses contemplated under this Agreement, the Execution Date.

Section 1.45 "**EMA**" means the European Medicines Agency or any successor entity thereto and, with respect to any Marketing Approval in the European Union, includes the European Commission, and for purposes of this Agreement, other Regulatory Authorities in countries in the EEA that are not under European Medicines Agency jurisdiction (e.g., Switzerland and the United Kingdom after its withdrawal from the European Union).

Section 1.46 "**Enforcing Party**" has the meaning set forth in Section 9.7.4.

Section 1.47 "**EU Data Protection Law**" means the GDPR (and its derivatives), Directive 2002/58/EC (as transposed into domestic legislation of each European Union Member State or Member State of the EEA) and any other applicable data protection laws, regulations or guidance issued by any relevant supervisory authority in the relevant European Union Member State or Member State of the EEA relating to the protection of natural persons with regard to Personal Data, privacy, or amending, implementing, replacing, or superseding any of the foregoing and including, for clarity, the UK Data Protection Act 2018 and any implementing, replacing or superseding laws of the United Kingdom as a result of the exit by the United Kingdom from the European Union, or, and to the extent applicable, the applicable data protection or privacy laws of any other country including, without limitation, Switzerland.

Section 1.48 "**Excluded PCT Application**" [***]

Section 1.49 "**Execution Date**" has the meaning set forth in the preamble.

Section 1.50 "**Executive Officers**" means (a) with respect to Mereo, the Chief Executive Officer, or any other person that such officer designates from time to time, and (b) with respect to UGNX, the Chief Executive Officer, or any other person that such officer designates from time to time.

Section 1.51 "**Existing Studies**" has the meaning set forth in Section 4.1.1.

Section 1.52 "**Exploit**" means to make, have made, use, distribute, sell, offer for sale, sell and import, including to research, develop, modify, enhance, improve, register, distribute, commercialize, export or otherwise dispose of, and, with respect to any Licensed Product, to Develop, Manufacture or Commercialize. Cognates of the word "**Exploit**" shall have correlative meanings.

Section 1.53 "**FDA**" means the United States Food and Drug Administration or any successor entity thereto.

Section 1.54 "**Field**" means (a) the treatment, palliation, or prevention of diseases in humans, including osteogenesis imperfecta, excepting only Infectious Diseases, subject to Section 2.3 and (b) diagnosis solely to use and have used, but not sell or have sold, HuCAL Antibodies (as defined in the [***]) directed against sclerostin for *in vitro* diagnostics in a preclinical or clinical setting, to the extent reasonably necessary to obtain Marketing Approval for a Licensed Product.

Section 1.55 "**Finance Expert**" has the meaning set forth in Section 8.10.3.

Section 1.56 "**First Commercial Sale**" means, with respect to the Licensed Product in any country, the first sale for end use or consumption of such Licensed Product in such country after Marketing Approval has been granted in such country.

Section 1.57 "Force Majeure Event" has the meaning set forth in Section 15.13.

Section 1.58 "**GAAP**" means the then current generally accepted accounting principles in the United States as established by the Financial Accounting Standards Board or any successor entity or other entity generally recognized as having the right to establish such principles in the United States, in each case consistently applied.

Section 1.59 "**GCP**" means good clinical practices as such standard is defined in accordance with the applicable guidance and regulations including the International Conference of Harmonization (ICH).

Section 1.60 "**GDPR**" shall mean Regulation 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data.

Section 1.61 "**GMP**" means the then-current Good Manufacturing Practices required by the FDA, as set forth in the U.S. Food, Drug and Cosmetic Act and the regulations promulgated thereunder, for the manufacture and testing of pharmaceutical materials, and comparable laws or regulations applicable to the manufacture and testing of pharmaceutical materials promulgated by other Regulatory Authorities, as they may be updated from time to time.

Section 1.62 "**Governmental Authority**" means any court, agency, department, authority or other instrumentality of any national, state, county, city or other political subdivision.

Section 1.63 "**HSR Act**" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as codified at 15 U.S.C. §18a, as may be amended from time to time, and the rules and regulations promulgated thereunder, or foreign equivalent thereof under applicable Laws (including all additions, supplements, extensions and modifications thereto).

Section 1.64 "**HSR Clearance**" means, with respect to this Agreement, the expiration or termination of all applicable waiting periods and requests for information (and any extensions thereof) under the HSR Act.

Section 1.65 "**HSR Filing**" means (a) filings by UGNX and Mereo with the United States Federal Trade Commission (the "**FTC**") and the Antitrust Division of the United States Department of Justice (the "**DOJ**") of a Notification and Report Form for Certain Mergers and Acquisitions (as that term is defined in the HSR Act) with respect to the matters set forth in this Agreement, together with all required documentary attachments thereto, or (b) equivalent filings, if any, with applicable foreign Governmental Authorities where such filings are required.

Section 1.66 "**IFRS**" means International Financial Reporting Standards issued by the IFRS Foundation and the International Accounting Standards Board.

Section 1.67 "**Indemnitee**" has the meaning set forth in Section 11.3.

Section 1.68 "**Indemnitor**" has the meaning set forth in Section 11.3.

Section 1.69 "**Indication**" means a specific disease or condition that a pharmaceutical product is designed to diagnose, mitigate, prevent or treat.

Section 1.70 "**Indirect Taxes**" has the meaning set forth in Section 8.12.2.

Section 1.71 "**Infectious Diseases**" shall mean any disease resulting from the presence of a pathogenic microbial agent, including viruses, bacteria, fungi, protozoa, multicellular parasites and prions.

Section 1.72 "**Initial Know-How Transfer**" has the meaning set forth in Section 2.4.

Section 1.73 "**Initiation**" means, with respect to a Clinical Trial, the first dosing in the first patient in such Clinical Trial. Cognates of the word "**Initiation**" have correlative meanings.

Section 1.74 "**Intellectual Property Rights**" means all trade secrets, copyrights, Patents Rights, trademarks, service marks, goodwill, moral rights, Know-How and any and all other intellectual property or proprietary rights (including applications relating thereto), whether or not now known or hereafter recognized in any jurisdiction.

Section 1.75 "**Inventions**" means all inventions invented by or on behalf of either Party or its respective Affiliates or both Parties or their respective Affiliates, whether solely or jointly with any Third Party subcontractor, in the course of activities conducted under this Agreement.

Section 1.76 "**Issuing Party**" has the meaning set forth in Section 13.2.2.

Section 1.77 "**Joint Commercialization Committee**" or "**JCC**" has the meaning set forth in Section 3.1.4.

Section 1.78 "**Joint Development Committee**" or "**JDC**" has the meaning set forth in Section 3.1.4.

Section 1.79 "**Joint IP**" means (a) Joint Know-How and (b) Joint Patents.

Section 1.80 "**Joint Know-How**" has the meaning set forth in Section 9.1.2.

Section 1.81 "**Joint Patents**" has the meaning set forth in Section 9.1.2.

Section 1.82 "**Joint Steering Committee**" or "**JSC**" has the meaning set forth in Section 3.1.1.

Section 1.83 "**Know-How**" means proprietary techniques, technology, trade secrets, inventions (whether patentable or not), methods, know-how, data and results (including pharmacological, toxicological and clinical data and results), analytical and quality control data and results, regulatory documents and other information, compositions of matter, cells, cell lines, assays, animal models, reagents and other physical, biological, or chemical material.

Section 1.84 "**Know-How Transfer Restrictions**" has the meaning set forth in Section 2.4.1.

Section 1.85 "**Labeling**" means any and all (a) labels and other written, printed or graphic matter, including artwork, upon a product or any container utilized with a product; (b) product packaging; or (c) the product package inserts.

Section 1.86 "**Law**" means, individually and collectively, any and all laws, ordinances, rules, directives, administrative circulars and regulations of any kind whatsoever of any Governmental Authority within the applicable jurisdiction.

Section 1.87 "**Licensed IP**" means (a) Licensed Patents and (b) Licensed Know-How.

Section 1.88 "**Licensed Know-How**" means Know-How Controlled by Mereo or its Affiliates (subject to Section 15.10) as of the Effective Date or during the Term that (a) relate to the Drug Substance or the Licensed Product or (b) are necessary or reasonably useful for the Exploitation of the Drug Substance or Licensed Product in the Field. Notwithstanding the foregoing, the Licensed Know-How excludes any Know-How that is not necessary, but may be reasonably useful, for Exploitation of the Drug Substance or Licensed Product and that arise in the course of activities conducted pursuant to a program for development of Mereo's or its Affiliates' products unrelated to the Drug Substance or the Licensed Product, unless Mereo or any of its Affiliates actually uses such Know-How in the Exploitation of the Drug Substance or Licensed Product or otherwise agrees in writing in its sole discretion. For the avoidance of doubt, Know-How that relates to the composition of matter of the Drug Substance or Licensed Product (but excluding the composition of matter of any Other API included in a Combination Product) or use of the Drug Substance or Licensed Product (but excluding use of any Other API included in a Combination Product), shall be deemed to be necessary. Licensed Know-How excludes any Joint Know-How.

Section 1.89 "**Licensed Patents**" means all Patent Rights Controlled by Mereo or its Affiliates (subject to Section 15.10) as of the Effective Date or during the Term that (a) Cover the Drug Substance or the Licensed Product or (b) are necessary or reasonably useful for the Exploitation of the Drug Substance or Licensed Product in the Field. Notwithstanding the foregoing, the Licensed Patents exclude any Patent Rights that are not necessary, but may be reasonably useful, for Exploitation of the Drug Substance or Licensed Product and that arise in the course of activities conducted pursuant to a program for development of Mereo's or its Affiliates' products unrelated to the Drug Substance or the Licensed Product, unless Mereo actually uses such Patent Rights in the Exploitation of the Drug Substance or Licensed Product or otherwise agrees in writing in its sole discretion. For the avoidance of doubt, Patent Rights that Cover the composition of matter of the Drug Substance or Licensed Product (but excluding the composition of matter of any Other API included in a Combination Product) or use of the Drug Substance or Licensed Product (but excluding use of any Other API included in a Combination Product), shall be deemed to be necessary. Licensed Patents existing as of the Effective Date are listed in ExhibitSection 1.89. Licensed Patents exclude any Joint Patent.

Section 1.90 "**Licensed Product**" mean any product that contains the Drug Substance as an active pharmaceutical ingredient, alone or in combination with one or more other active pharmaceutical ingredient that is not a Drug Substance ("**Other API**").

Section 1.91 "**Losses**" has the meaning set forth in Section 11.1.

Section 1.92 "**MAA**" has the meaning set forth in Section 1.13.

Section 1.93 "**Manufacture**" or "**Manufacturing**" means, with respect to the Licensed Product, any and all processes and activities directed to producing, manufacturing, processing, sourcing of materials, filling, finishing, packaging, Labeling, inspecting, quality controls testing, quality assurance and release, receiving, holding, shipping or storage of the Licensed Product or any raw materials or packaging materials with respect thereto, or any intermediate of any of the foregoing, including process and cost optimization, process qualification and validation, commercial manufacture, stability and release testing and quality control.

Section 1.94 "**Manufacturing Costs**" means, with respect to the Licensed Product, the following Costs directly incurred by a Party and its Affiliates, and that are specifically identifiable and allocable to, the Manufacture of such Licensed Product, as evidenced by contemporaneous written records:

(a) to the extent that such Licensed Product is Manufactured by one or more CMOs, the actual price paid by such Party or its Affiliates to such CMO(s) for Manufacturing such Licensed Product [***] but excluding Costs associated with the technology transfer to a CMO to enable Manufacturing and any upfront and milestone based payments and startup costs associated therewith; and

(b) to the extent that the Licensed Product is Manufactured by such Party or its Affiliates, the actual Costs incurred by such Party or its Affiliates for Manufacturing such Licensed Product, calculated consistently with other products manufactured by such Party or its Affiliates and in accordance with GAAP or IFRS, as applicable, including reasonable Costs directly related to Manufacturing such Licensed Product, such as material costs, packaging costs, storage and inventory costs, and depreciation and amortization of capitalized costs of manufacturing equipment and facilities as allocated to the use for the Manufacture of the Licensed Product and not allocated to any other product, but excluding Costs relating to stock based compensation, scale-up, expired materials, waste levels and failed lot charges, CMC development (including formulation and process development) or inventory write offs, or excess capacity charges.

Section 1.95 "**Marketing Approval**" means all approvals, licenses, registrations or authorizations of the Regulatory Authority in a country (including such approvals, licenses, registrations or authorizations obtained through the Centralized Approval Procedure for the European Union if applicable), necessary for the manufacture, use, storage, import, marketing and sale of a pharmaceutical or biologic therapeutic product in such country.

Section 1.96 "**Material**" has the meaning set forth in Section 6.1.

Section 1.97 "**Material Anti-Corruption Law Violation**" means a violation of any Anti-Bribery and Anti-Corruption Laws relating to the subject matter of this Agreement which would, if it were publicly known, in the reasonable view of a Party, have a material adverse effect on it or its reputation because of its relationship with the other Party.

Section 1.98 "**Mereo**" has the meaning set forth in the Preamble.

Section 1.99 "**Mereo Acquiree**" has the meaning set forth in Section 15.10.

Section 1.100 "**Mereo Acquirer**" has the meaning set forth in Section 15.10

Section 1.101 "**Mereo Acquisition**" has the meaning set forth in Section 15.10.

Section 1.102 "**Mereo Development Activities**" has the meaning set forth in Section 4.1.3.

Section 1.103 "**Mereo Indemnified Parties**" has the meaning set forth in Section 11.2.

Section 1.104 "**Mereo Regulatory Documentation"** means any Regulatory Documentation Controlled by Mereo or its Affiliates as of the Effective Date and during the Term (including the Transferred Regulatory Documentation prior to completion of the Regulatory Transfer).

Section 1.105 "**Mereo Royalty Term**" has the meaning set forth in Section 8.4.2.

Section 1.106 "**Mereo Territory**" means those countries, nations, states or other territories within the EEA, as such membership may change from time to time on or prior to the first Marketing Approval for the first Licensed Product in the EEA, except that the United Kingdom and Switzerland shall be part of the Mereo Territory regardless of whether or not either such country is within the EEA, and *provided* that Turkey shall be excluded from Mereo Territory regardless of its EEA membership status.

Section 1.107 "**Milestone Events**" has the meaning set forth in Section 8.2.2.

Section 1.108 "**Milestone Payments**" has the meaning set forth in Section 8.2.2.

Section 1.109 [***]

Section 1.110 "**Net Sales**" means, with respect to the Licensed Product, the gross amount invoiced by a Party and any of its Affiliates or Sublicensees (each, a "**Selling Party**") to Third Party customers (including, for clarity, end-use patients, distributors or wholesalers) for such Licensed Product, less:

(a) normal and customary trade and quantity discounts and non-affiliated brokers' or agents' commissions actually allowed and taken and not already reflected in the amount invoiced;

(b) amounts repaid or credited by reason of defects, rejections, returns, recalls, allowances or government-imposed retroactive price reductions;

(c) Third Party cash rebates and chargebacks related to sales of finished Licensed Product, to the extent allowed;

(d) government-imposed retroactive price reductions that are allowed or granted;

(e) tariffs, duties, excise, sales, value-added and other consumption taxes and customs duties to the extent included in the invoice price and paid by or on behalf of UGNX;

(f) cash discounts for timely payment;

(g) delayed ship order credits;

(h) discounts pursuant to indigent patient programs and patient discount programs of any nature;

(i) a fixed charge of [***] of Net Sales to cover warehousing and distribution expenses;

(j) any otherwise specifically identifiable costs or charges included in the gross invoiced sales price of such Licensed Product falling within categories equivalent to those listed above;

(k) uncollectible amounts on previously sold products, but not such amounts that, but for the failure to collect such amounts within [***] from the date of the respective invoice, would have been collectible; *provided* that:

(i) in the case of any sale or other disposal of a Licensed Product between or among UGNX and its Affiliates or sublicensees or marketing partners for resale, Net Sales shall be calculated [***];

(ii) in the case of any sale or other disposal, such as barter or counter-trade, of any Licensed Product, or part thereof, other than in an arm's length transaction exclusively for money, Net Sales shall be calculated [***]; and

(iii) any Licensed Product used in clinical or pre-clinical trials or distributed at no charge to indigent patients or as free samples, shall [***].

If the Licensed Product either (1) is sold in the form of a combination product containing both the Licensed Product and one or more active pharmaceutical or therapeutic ingredient(s) as separate molecular entity(ies) that are not the Licensed Product; or (2) is sold in a form that is any combination of the Licensed Product and another pharmaceutical product that contains at least one other active pharmaceutical ingredient that is not the Licensed Product, where such products are not formulated together but are sold together (e.g., bundled) as a single product and invoiced as one product (in either case ((1) or (2)), a "**Combination Product**"), then the Net Sales of such Licensed Product for the purpose of calculating payments owed under this Agreement for sales of such Licensed Product, shall be determined by [***].

Section 1.111 "Non-Paying Party" has the meaning set forth in Section 8.12.1.

Section 1.112 "**Non-Publishing Party**" has the meaning set forth in Section 13.3.

Section 1.113 "**Novartis**" means Novartis Pharma AG, a Swiss company.

Section 1.114 [***]

Section 1.115 [***]

Section 1.116 [***]

Section 1.117 [***]

Section 1.118 [***]

Section 1.119 "**Other API**" has the meaning set forth in Section 1.90.

Section 1.120 "**Party**" and "**Parties**" has the meaning set forth in the Preamble.

Section 1.121 "**Patent Challenge**" means any action, suit, proceeding or claim challenging the validity, patentability, scope, priority, construction, inventorship, enforceability or Mereo's or its Affiliate's or licensor's ownership of any Licensed Patent, as applicable, in any forum, but excludes any assertion by UGNX or its Sublicensees or Affiliates (a) in connection with a good faith dispute between the Parties on whether a Patent Right is a Licensed Patent, UGNX Patent, or a Joint Patent, or (b) relating to validity, patentability, scope, priority, construction, non-infringement, inventorship, ownership or enforceability as a defense in any legal proceeding, administrative proceeding or arbitration brought by Mereo or its Affiliates or licensors asserting infringement against UGNX, its Affiliates or its and their Sublicensees with respect to the relevant Drug Substance or Licensed Product under this Agreement.

Section 1.122 "**Patent Rights**" means (a) all patents, priority patent filings and patent applications, and (b) any divisional, continuation (in whole or in part), or request for continued examination of any of such patents, patent applications and any and all patents or certificates of invention issuing thereon, and any and all reissues, reviews, reexaminations, extensions, renewals, substitutions, confirmations, registrations, revalidations, revisions and additions of or to any of the foregoing.

Section 1.123 "**Paying Party**" has the meaning set forth in Section 8.12.1.

Section 1.124 "**Person**" means any corporation, limited or general partnership, limited liability company, joint venture, trust, unincorporated association, governmental body, authority, bureau or agency, any other entity or body, or an individual.

Section 1.125 "**Personal Data**" shall have the same meaning as in the EU Data Protection Laws.

Section 1.126 "**Personally Identifiable Information**" or "**PII**" means any information that identifies or can be used to identify a natural person, including any information defined as "personally identifiable information," "personal information," "protected health information," or "nonpublic personal information" under applicable Laws, including, solely with respect to individuals afforded protections under the EU Data Protection Laws, Personal Data.

Section 1.127 "**Pharmacovigilance Agreement**" has the meaning set forth in Section 5.3.1.

Section 1.128 "**Phase 1 Clinical Trial**" means a human clinical trial of a product, the principal purpose of which is a preliminary determination of safety, tolerability, pharmacological activity or pharmacokinetics in healthy individuals or patients, and which may include expansion to estimate activity in a specific patient cohort, or similar clinical study prescribed by the Regulatory Authorities, and that satisfies the requirements of 21 C.F.R. § 312.21(a) or its non-U.S. equivalents.

Section 1.129 "Phase 2 Clinical Trial" means a human clinical trial of a product (whether a standalone trial or a stage of a "Phase 2/3" clinical trial described in the protocol as the "Phase 2 portion") the principal purpose of which is (a) (1) to evaluate the clinical efficacy, safety, pharmacodynamics or biological activity of such Licensed Product in the target patient population as its primary endpoint or (2) determine anti-cancer activity in the applicable tumor type as its primary endpoint (as described in the protocol), in each case of clause (1) and (2), and is prospectively designed to generate sufficient data that may permit commencement of a Phase 3 Clinical Trial, and (b) that satisfies the requirements of 21 C.F.R. § 312.21(b) or its non-U.S. equivalents.

Section 1.130 "**Phase 3 Clinical Trial**" means a human clinical trial of a product (whether a standalone trial or a stage of a "Phase 2/3" clinical trial described in the protocol as the "Phase 3 portion"): (a) (1) with a defined dose or a set of defined doses of such product designed to establish statistically significant efficacy and the safety of such Licensed Product for the purpose of enabling the preparation and submission of a BLA to the competent Regulatory Authorities in a country or jurisdiction, or (2) where the results of such clinical trial are intended (if successful) to be used to establish both safety and efficacy of such product in patients which are the subject of such trial and serve as the basis for initial or supplemental Marketing Approval of such product, and (b) that satisfies the requirements of 21 CFR § 312.21(c) or its non-U.S. equivalents.

Section 1.131 "**Phase 4 Clinical Trial**" means a post-marketing human clinical study for a product with respect to any Indication as to which Marketing Approval has been received or for a use that is the subject of an investigator-initiated or –sponsored trial or study program.

Section 1.132 "**PHSA**" means the Public Health Service Act as set forth at 42 U.S.C. Chapter 6A, as may be amended from time to time, together with any rules, regulations and requirements promulgated thereunder (including all additions, supplements, extensions and modifications thereto).

Section 1.133 "**Pivotal Clinical Trial**" means a human clinical trial of the Licensed Product: (a) with a defined dose or a set of defined doses of such Licensed Product designed to establish statistically significant efficacy and the safety of such Licensed Product for the purpose of enabling the preparation and submission of a BLA to the competent Regulatory Authorities in a country, or (b) that would otherwise satisfy requirements of 21 CFR 312.21(c), or comparable regulations in any country or jurisdiction outside the U.S., and any amended or successor regulations.

Section 1.134 "**Post-Marketing Commitments**" means any post-Marketing Approval trials or studies (including a Phase 4 Clinical Trial) or other post-Marketing Approval commitments (including CMC improvement commitments), in each case, that are required by a Regulatory Authority to be conducted or that a Party has committed to a Regulatory Authority to conduct in order to maintain its then-current Marketing Approval for the Licensed Product in a particular country.

Section 1.135 "**Process**", "**Processed**" and "**Processing**" shall have the same meaning as in the EU Data Protection Laws.

Section 1.136 "**Public Official or Entity**" means (a) any officer, employee (including physicians, hospital administrators, or other healthcare professionals), or agent of any national, regional, or local government, military, or public international organization or any department, agency, instrumentality or subdivision of any such government, military or public international organization, including any ministry or department of health or any state-owned or controlled company or hospital, (b) any candidate for political office, any political party or any official of a political party, or (c) any person acting in an official capacity for or on behalf of any such government, military, or public international organization.

Section 1.137 "**Publishing Party**" has the meaning set forth in Section 13.3.

Section 1.138 "**Receiving Party**" has the meaning set forth in Section 13.1.1.

Section 1.139 "**Regulatory Authority**" means any Governmental Authority or other authority responsible for granting Marketing Approvals for a pharmaceutical product, including the FDA, EMA and any corresponding national or regional regulatory authorities.

Section 1.140 "**Regulatory Documentation**" means, with respect to the Drug Substance or Licensed Product, (a) all applications (including investigational new drug applications or clinical trial authorization applications), registrations, licenses, authorizations and approvals (including Marketing Approvals) and (b) Regulatory Filings and other correspondence and reports submitted to or received from Regulatory Authorities, and all supporting documents with respect thereto.

Section 1.141 "**Regulatory Exclusivity**" means, with respect to a pharmaceutical product, any exclusive marketing rights or data exclusivity rights conferred by the applicable Regulatory Authority with respect to such product, other than a Patent Right.

Section 1.142 "**Regulatory Filing**" means any filing with, request of or submission to any Regulatory Authority with respect to the research, Development, Manufacture, distribution, pricing, reimbursement, marketing or sale of the Licensed Product.

Section 1.143 "**Regulatory Milestone Events**" has the meaning set forth in Section 8.2.1.

Section 1.144 "**Regulatory Milestone Payments**" has the meaning set forth in Section 8.2.1.

Section 1.145 "**Regulatory Transfer**" has the meaning set forth in Section 2.4.2.

Section 1.146 "**Release**" has the meaning set forth in Section 13.2.2.

Section 1.147 "**Representatives**" means, with respect to a Party, its and its Affiliates' respective employees, agents, consultants, independent contractors and other representatives.

Section 1.148 "**Responsible Party**" has the meaning set forth in Section 9.2.1(a).

Section 1.149 "**Reversion Licensed Product**" has the meaning set forth in Section 14.4.4.

Section 1.150 "Reversion Royalty Term" [***]

Section 1.151 "**Review Period"** has the meaning set forth in Section 13.3.2.

Section 1.152 "**Reviewing Party**" has the meaning set forth in Section 13.2.2.

Section 1.153 "**Royalty Term**" means UGNX Royalty Term or Mereo Royalty Term.

Section 1.154 "**Sale Transaction**" has the meaning set forth in Section 15.8.

Section 1.155 "**Selling Party**" has the meaning set forth in Section 1.110.

Section 1.156 "**Specified EMA Documentation**" has the meaning set forth in Section 1.168.

Section 1.157 "**Sublicensee(s)**" means a Third Party, other than a Third Party subcontractor, that has been granted a sublicense under the rights granted to a Party pursuant to Section 2.1, in accordance with Section 2.2.

Section 1.158 "**Supportive Development Activities**" has the meaning set forth in Section 4.1.1.

Section 1.159 "**Tax Action**" has the meaning set forth in Section 8.12.1.

Section 1.160 "**Tax Action Increase**" means additional withholding taxes or an increase in withholding tax liability in respect of a payment to the Non-Paying Party as a result of a Tax Action by the Paying Party, but only to the extent that the amount of such withholding taxes is greater than the amount (if any) that would have been required to be withheld absent such Tax Action; provided, however, that, if the Non-Paying Party has committed a Tax Action, the Tax Action Increase shall not exceed the additional withholding taxes or the increase in withholding tax liability (if any) in respect of such payment that would have been imposed if the Non-Paying Party had not committed the Tax Action.

Section 1.161 "**Term**" has the meaning set forth in Section 14.1.

Section 1.162 "**Terminated Country**" has the meaning set forth in Section 14.5.

Section 1.163 "**Third Party**" means a Person other than (a) UGNX or any of its Affiliates and (b) Mereo or any of its Affiliates.

Section 1.164 "**Third Party Auditing Restrictions**" has the meaning set forth in Section 4.3.2.

Section 1.165 "**Third Party Claim**" has the meaning set forth in Section 11.1.

Section 1.166 "**Third Party IP**" has the meaning set forth in Section 8.3.4.

Section 1.167 "**Transferred Materials**" has the meaning set forth in Section 6.2.1.

Section 1.168 "**Transferred Regulatory Documentation**" means (a) any Regulatory Documentation owned by Mereo or its Affiliates with respect to any Drug Substance or Licensed Product in the UGNX Territory existing as of the Effective Date and (b) any Regulatory Documentation owned by Mereo or its Affiliates with respect to any Drug Substance or Licensed Product in the Mereo Territory existing as of the Effective Date that is necessary for UGNX to perform its obligations under the Core Development Plan in the Mereo Territory (including clinical trial applications), but for clarity, excluding, with respect to countries in the Mereo Territory, (i) pediatric investigation plans ("**PIP**"), (ii) priority medicine ("**PRIME**"), orphan drug and similar designations granted by the applicable Regulatory Authorities in the Mereo Territory, and (iii) all other Regulatory Documentation primarily related to Section 1.168(b)(i) & (ii) existing at any time during the Term ((i) through (iii), the "**Specified EMA Documentation**").

Section 1.169 "**UGNX**" has the meaning set forth in the Preamble.

Section 1.170 "**UGNX Acquiree**" has the meaning set forth in Section 15.9.

Section 1.171 "**UGNX Acquirer**" has the meaning set forth in Section 15.9.

Section 1.172 "**UGNX Acquisition**" has the meaning set forth in Section 15.9.

Section 1.173 "**UGNX Development Activities**" has the meaning set forth in Section 4.1.2.

Section 1.174 "**UGNX Indemnified Parties**" has the meaning set forth in Section 11.1.

Section 1.175 "**UGNX IP**" means (a) UGNX Patents and (b) UGNX Know-How.

Section 1.176 "**UGNX Know-How**" means Know-How that is Controlled by UGNX or its Affiliates (subject to Section 15.9) as of the Effective Date or during the Term that is (a) necessary for the Exploitation of the Drug Substance or Licensed Product in the Field, or (b) that is not necessary, but may be reasonably useful, for Exploitation of the Licensed Product and that either is used by UGNX or any of its Affiliates in the Exploitation of the Licensed Product, or are otherwise agreed to be included in the UGNX Know-How by UGNX in writing in its sole discretion. For the avoidance of doubt, Know-How that relates to the composition of matter of the Drug Substance or Licensed Product (but excluding the composition of matter of any Other API included in a Combination Product) or use of the Drug Substance or Licensed Product (but excluding use of any Other API included in a Combination Product), shall be deemed to be necessary. UGNX Know-How excludes any Joint Know-How.

Section 1.177 "**UGNX Patents**" means all Patent Rights Controlled by UGNX or its Affiliates (subject to Section 15.9) as of the Effective Date or during the Term that (a) Cover the Drug Substance or the Licensed Product, (b) are necessary for the Exploitation of the Licensed Product in the Field, or (c) are not necessary but may be reasonably useful for Exploitation of the Licensed Product, and either are used in the Exploitation of the Licensed Product, or are otherwise agreed to be included in the UGNX Patents by UGNX in writing in its sole discretion. For the avoidance of doubt, Patent Rights that Cover the composition of matter of the Drug Substance or Licensed Product (but excluding the composition of matter of any Other API included in a Combination Product) or use of the Drug Substance or Licensed Product (but excluding use of any Other API included in a Combination Product), shall be deemed to be necessary. UGNX Patents exclude any Joint Patent.

Section 1.178 "**UGNX Regulatory Documentation"** means any Regulatory Documentation Controlled by UGNX or its Affiliates as of the Effective Date and during the Term (including the Transferred Regulatory Documentation after completion of the Regulatory Transfer).

Section 1.179 "**UGNX Royalty Term**" has the meaning set forth in Section 8.3.2.

Section 1.180 "**UGNX Territory**" means worldwide except for the Mereo Territory.

Section 1.181 "**Upstream Agreements**" means the [***] and all other Third Party agreements referenced therein pursuant to which Mereo received a (sub)license under Third Party Intellectual Property Rights related to the Drug Substance or Licensed Product.

Section 1.182 "**Upstream IP**" has the meaning set forth in Section 2.2.3.

Section 1.183 "**Upstream Patent Rights**" has the meaning set forth in Section 9.2.2.

Section 1.184 "**U.S.**" means the United States of America and its territories and possessions.

Section 1.185 "**U.S.-U.K. Income Tax Treaty**" means the Convention Between the Government of the United States of America and the Government of the United Kingdom of Great Britain and Northern Ireland for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and on Capital Gains, signed July 24, 2001, as amended by the Protocol, signed July 19, 2002.

Section 1.186 "**Valid Claim**" means a claim in (a) an issued and unexpired Patent Right that has not been revoked, or held unenforceable or invalid by a decision of a patent office, court or other governmental agency of competent jurisdiction in a final and non-appealable judgment (or a judgment from which no appeal was taken within the allowable time period) and has not been disclaimed, denied or admitted to be invalid or unenforceable through reissue re-examination or disclaimer or otherwise, or (b) a claim in a pending patent application that has not been abandoned, finally rejected or expired without the possibility of appeal or re-filing, or pending for more than [***] since such claim was first presented to the patent authority; *provided*, *however*, that if a claim of a pending patent application shall not have issued within such [***] period, such claim shall constitute a Valid Claim for the purposes of this Agreement when and if a Patent Right issues with such claim.

ARTICLE 2. LICENSE GRANT

Section 2.1 License Grant.

2.1.1 Licenses to UGNX. Subject to the terms and conditions of this Agreement, Mereo hereby grants to UGNX:

(a) an exclusive (even as to Mereo), royalty-bearing, sublicensable (but only in accordance with Section 2.2.1) license and right of reference under the Licensed IP, Mereo's right and interest in the Joint IP, and Mereo Regulatory Documentation, to Exploit the Licensed Product in the Field in the UGNX Territory, and

(b) a non-exclusive, royalty free, sublicensable (but only in accordance with Section 2.2.1) license and right of reference under the Licensed IP and Mereo's right and interest in the Joint IP and Mereo Regulatory Documentation, to Develop, Manufacture and have Manufactured the Licensed Product in the Field in the Mereo Territory and export the Licensed Product out of the Mereo Territory, solely (i) for use in practicing the rights granted to UGNX pursuant to Section 2.1.1(a), or (ii) to perform Development activities under the Core Development Plan or other activities (including regulatory and Manufacturing activities) in the Mereo Territory as provided for, or permitted under, this Agreement.

Notwithstanding anything to the contrary in Section 2.1.1(a), Mereo expressly retains the right under the Licensed IP, Mereo's right and interest in the Joint IP and Mereo Regulatory Documentation, (A) to conduct its responsibilities under this Agreement in the UGNX Territory, (B) to practice the rights licensed to Mereo pursuant to Section 2.1.2, (C) to conduct internal non-clinical research in the Field in the UGNX Territory, and (D) to Manufacture and have Manufactured the Licensed Product in the UGNX Territory and export the Licensed Product out of the UGNX Territory, solely to Develop and Commercialize the Licensed Product in the Field in the Mereo Territory.

2.1.2 Licenses to Mereo. Subject to the terms and conditions of this Agreement, UGNX hereby grants to Mereo:

(a) an exclusive (even as to UGNX), royalty-bearing, sublicensable (but only in accordance with Section 2.2.2) license and right of reference under the UGNX IP, UGNX's right and interest in the Joint IP, and UGNX Regulatory Documentation, to Exploit (other than for Development and Manufacturing, which shall be subject to the non-exclusive license set forth in Section 2.1.2(b)) the Licensed Product in the Field in the Mereo Territory, and

(b) a non-exclusive, royalty free, sublicensable (but only in accordance with Section 2.2.2) license and right of reference under the UGNX IP, UGNX's right and interest in the Joint IP and UGNX Regulatory Documentation, to (i) conduct Development activities to be performed by Mereo with respect to the Licensed Product in the Field in the Mereo Territory as set forth in Article 4, and (ii) make or have made the Licensed Product in the Mereo Territory as set forth in Article 6.

Notwithstanding anything to the contrary in Section 2.1.2(a), UGNX expressly retains the right under the UGNX IP, UGNX's right and interest in the Joint IP and UGNX Regulatory Documentation, (A) to conduct its responsibilities under this Agreement in the Mereo Territory, (B) to practice the rights licensed to UGNX pursuant to Section 2.1.1, (C) to conduct internal non-clinical research and, to the extent provided under this Agreement, clinical Development activities in the Field in the Mereo Territory, and (D) to Manufacture and have Manufactured the Licensed Product in the Mereo Territory and export the Licensed Product out of the Mereo Territory, solely to Develop and Commercialize the Licensed Product in the Field in the UGNX Territory.

Section 2.2 Sublicenses.

2.2.1 Sublicenses by UGNX. UGNX shall have the right, without the prior consent of Mereo, to grant one or more sublicenses under the sublicensable licenses granted to UGNX under Section 2.1.1, by means of written agreement, to its Affiliates or Third Parties (with the right to sublicense through multiple tiers); *provided, however*, that UGNX shall be required to obtain Mereo's prior written consent, not to be unreasonably withheld, conditioned or delayed, for any such sublicense if (a) UGNX has not received Marketing Approval for any Licensed Product in at least one of U.S., China or Japan prior to the date on which the sublicense is to be granted and (b) [***]. UGNX will continue to be responsible for full performance of UGNX's obligations under the Agreement and will be responsible for all actions of such Sublicensee as if such Sublicensee were UGNX hereunder.

2.2.2 Sublicenses by Mereo. Mereo shall have the right, without the prior consent of UGNX, to grant one or more sublicenses under the sublicensable licenses granted to Mereo under Section 2.1.2, by means of written agreement, to Affiliates or Third Parties (with the right to sublicense through multiple tiers); provided, however, that as a condition precedent to and requirement of any such sublicense: (a) if such sublicense is to be granted to a Third Party by Mereo or any of its Affiliates, such grant shall be subject to UGNX's right under Section 2.2.4; (b) [***] and (c) Mereo will continue to be responsible for full performance of Mereo's obligations under the Agreement and will be responsible for all actions of such Sublicensee as if such Sublicensee were Mereo hereunder.

2.2.3 Upstream Agreements. The Parties acknowledge and agree that the licenses and rights granted by Mereo to UGNX under Section 2.1.1 include (a) Intellectual Property Rights related to the Drug Substance or Licensed Product that were assigned by Novartis to Mereo under the [***] and (c) sublicenses to the rights and licenses received by Novartis under the [***] including those rights, licenses (exclusive or non-exclusive, as applicable) and covenants-not-to-sue granted by Novartis to Mereo pursuant to Section 2.1 and Article 3 of the [***] (collectively "**Upstream IP**"). Without limiting the foregoing, the Parties agree that Article 3 of the [***] is hereby incorporated by reference, mutatis mutandis, provided that any reference to "Novartis" therein shall be replaced with Mereo, and any reference to "Buyer" therein shall be replaced with UGNX. Mereo shall be solely responsible for paying all license fees, royalties, milestones or any other consideration that becomes payable to Novartis or, if any, Novartis' licensor(s), pursuant to the Upstream Agreements as a result of the Parties' execution of and performance under this Agreement. The Parties further acknowledge and agree that the licenses and rights granted by Mereo to UGNX under Section 2.1.1 with respect to the Excluded PCT Application is non-exclusive as of the Execution Date, and shall become exclusive to the extent Mereo obtains exclusive rights (including by way of sole ownership) of the Excluded PCT Application.

2.2.4 Right of Negotiation. For each country in the Mereo Territory (a) for which Mereo elects not to Commercialize directly or through an Affiliate a Licensed Product thereafter, or (b) for which Mereo [***], then, upon the earlier of (a) and (b), Mereo will notify UGNX in writing of [***]. Thereafter, Mereo will [***] to add such Licensed Product to such country in the UGNX Territory. [***].

2.2.5 No Other Rights. No right or license under any Patent Rights or other Intellectual Property Rights of a Party is granted or shall be granted by implication to the other Party, and each Party covenants not to practice or use any Patent Rights or other Intellectual Property Rights of the other Party except pursuant to the licenses expressly granted in this Agreement or any other written agreement between the Parties. All such rights or licenses are or shall be granted only as expressly provided in the terms of this Agreement.

Section 2.3 Field Expansion. If Mereo obtains rights to Exploit the Licensed Product for use in the treatment, palliation or prevention of Infectious Diseases from Novartis pursuant to the [***], Mereo shall so notify UGNX in writing and upon the date that Mereo obtains such rights, the Field shall automatically be expanded to include the treatment, palliation, or prevention of Infectious Diseases.

Section 2.4 Transfer of Licensed Know-How and Regulatory Documentation.

2.4.1 Know-How Transfer. Promptly (and in no event later than sixty (60) days) following the Effective Date, to the extent not already provided to UGNX and subject to the restrictions on the transfer of Know-How as set forth in Section 2.3 of the amendment to the [***], dated August 10, 2018 ("**Know-How Transfer Restrictions**"), Mereo shall deliver or have delivered to UGNX or its designee through a data room or cloud drive established by either Party or any other reasonable method requested by UGNX, all documentation and information listed on Exhibit 2.4.1(a) or that is otherwise included in the Licensed Know-How, including such Licensed Know-How reasonably identified by UGNX as missing within sixty (60) days following the completion of the initial transfer (collectively, the "**Initial Know-How Transfer**"), with a goal to complete the Initial Know-How Transfer in accordance with the timeline set forth in the Core Development Plan. Mereo shall subsequently deliver or have delivered to UGNX or its designee any additional Licensed Know-How that the JSC directs Mereo to deliver, at no additional cost. Mereo shall reasonably cooperate with UGNX's requests and provide reasonable assistance in connection with such transfer of Licensed Know-How and shall, upon UGNX's request, use Commercially Reasonable Efforts to obtain from Novartis consent to modify or eliminate the Know-How Transfer Restrictions to allow transfer of Licensed Know-How to certain CMOs designated by UGNX.

2.4.2 Transfer of Regulatory Documentation. Promptly (and in no event later than sixty (60) days) following the Effective Date, Mereo shall transfer and assign to UGNX or its designee the Transferred Regulatory Documentation ("**Regulatory Transfer"**). Prior to completion of the Regulatory Transfer, Mereo shall maintain or cause to be maintained using its current agent (or another agent designated by UGNX) all Transferred Regulatory Documentation in its name, in accordance with applicable Laws and shall consult with UGNX with respect thereto. Mereo will provide and hereby grants UGNX the right to access, reference, use, and update the Specified EMA Documentation in connection with seeking the first Marketing Approval of the Licensed Product in the Mereo Territory. Upon completion of the Regulatory Transfer, all Transferred Regulatory Documentation shall be the sole property and held in the name of, UGNX or its designee. The Parties shall coordinate to complete such Regulatory Transfer, and Mereo shall provide, and shall cause its Affiliates to provide, any assistance as may be reasonably requested by UGNX to complete such Regulatory Transfer. As between the Parties, Mereo shall be solely responsible for reasonable Costs incurred in connection with the Regulatory Transfer.

ARTICLE 3. COLLABORATION

Section 3.1 Management.

3.1.1 Overview. Within thirty (30) days after the Effective Date, the Parties shall establish a cross-functional, joint steering committee (the "**Joint Steering Committee**" or the "**JSC**") which shall oversee the collaboration including Development, Manufacturing and Commercialization activities between the Parties.

3.1.2 Alliance Managers. UGNX and Mereo shall each appoint one representative who possesses a general understanding of Development, Manufacturing and Commercialization matters to act as its respective alliance manager(s) for this relationship (an "**Alliance Manager**"). Each Party may replace its respective Alliance Manager at any time upon written notice to the other in accordance with this Agreement. Any Alliance Manager may designate a substitute to temporarily perform the functions of that Alliance Manager. Each Alliance Manager shall be charged with creating and maintaining a collaborative work environment within the JSC. Each Alliance Manager will also be responsible for:

(a) providing a primary single point of communication within the respective Party's organization and together regarding key strategy and plan issues;

(b) to the extent a matter is within the authorities of the JSC or an applicable subcommittee, ensuring awareness of the governance procedures and rules set forth herein with respect to such matter and monitoring compliance therewith; and

(c) to the extent a matter is within the authorities of the JSC or an applicable subcommittee, identifying and raising any disputes with respect to such matter to the JSC for discussion in a timely manner.

The Alliance Managers shall have the right to attend all JSC and subcommittee meetings as non-voting members. In accordance with Section 3.1.9, each Alliance Manager may bring any matter to the attention of the JSC that such Alliance Manager reasonably believes is within the authority of the JSC or an applicable subcommittee. Within ten (10) days after the Effective Date, each Party shall appoint and notify the other Party in writing of the identity of such Party's representative to act as its Alliance Manager under this Agreement.

3.1.3 Joint Steering Committee.

(a) **Composition**. The JSC shall be composed of [***] representatives of each Party (or such other number as the Parties may agree in writing). The JSC will be led by [***] appointed by each Party. Within thirty (30) days after the Effective Date, each Party shall designate by written notice to the other Party its initial representatives on the JSC. Each Party may replace one or more of its representatives, in its sole discretion, effective upon written notice to the other Party of such change. Each Party's representatives on the JSC, and any replacement for any such representative, shall be bound by the obligations of confidentiality set forth in Article 13 and obligations consistent with the principles of invention ownership set forth in Section 9.1. Each Party shall be responsible for all of its own expenses incurred in connection with participating in all such meetings.

(b) **Function and Powers of the JSC**. The JSC shall, consistent with the terms and conditions set forth in this Agreement:

(i) keep each Party informed as to the Development, Manufacturing and Commercialization of the Licensed Product in the Mereo Territory and the UGNX Territory, and any Invention made, created or discovered by it or its Representatives;

(ii) review (but not approve) the Development plans (including the Core Development Plan) for the Licensed Product in the Mereo Territory and the UGNX Territory, and any material updates or amendments proposed thereto;

(iii) review (but not approve) the Commercialization plans for the Licensed Product in the Mereo Territory and the UGNX Territory, and any material updates or amendments proposed thereto;

(iv) review (but not approve) overall Development strategy and Commercialization strategy (including pricing strategies and revenue forecasts, global branding strategies and medical affairs) for the Licensed Product in the Mereo Territory and UGNX Territory;

(v) review (but not approve) overall global strategy for Manufacturing of the Licensed Product for clinical and commercial uses, including plans for packaging, Labeling, supply chain and trade and distribution activities and risk mitigation strategies;

(vi) review (but not approve) clinical development plans and protocols from each Party for the Licensed Product (to the extent not included in the Core Development Plan) and provide comments to the same;

(vii) discuss and direct transfer of additional Licensed Know-How by or on behalf of Mereo to UGNX or its designee after the Initial Know-How Transfer;

(viii) establish subcommittees or teams, as appropriate, as described more fully in Section 3.1.4 below;

(ix) direct and oversee any subcommittee or team, including the JDC and JCC;

(x) resolve disputed matters that may arise at the subcommittees or teams;

(xi) perform any and all tasks and responsibilities that are otherwise expressly attributed to the JSC under the Agreement; and

(xii) perform such other functions as the Parties may mutually agree in writing.

(c) **Meetings**.

(i) The JSC shall meet at least once per [***], with the location of such meetings alternating between locations designated by UGNX and locations designated by Mereo. The chairpersons of the JSC shall be responsible for calling meetings on reasonable prior notice. Each Party shall use reasonable efforts to make all proposals for agenda items and to provide all appropriate information with respect to such proposed items reasonably in advance of the applicable meeting. The Alliance Managers may suggest topics for the agenda for JSC meetings by forwarding such topics and relevant information to the JSC chairpersons. The Alliance Managers shall prepare and circulate to the JSC for review and approval of the Parties' minutes of each meeting. The Parties shall agree on the minutes of each meeting as promptly as practicable following such meeting.

(ii) Representatives of the Parties on the JSC may attend meetings by telephone, videoconference or in person; *provided* that each participant in any meeting held by telephone or videoconference can hear what is said by, and be heard by, all other participants. At least two (2) JSC meetings per year shall be held in person, unless by reason of a Force Majeure Event, travel or in-person meeting cannot reasonably occur. A quorum of the JSC shall exist whenever there is present at a meeting at least two (2) representatives appointed by each Party.

(iii) As appropriate, and upon at least two (2) business days' prior written notice to the other Party, a Party may allow its other employees or a Third Party to attend JSC meetings as observers; *provided*, however, that a Party shall not allow a Third Party to attend a JSC meeting without the other Party's prior written consent, not to be unreasonably withheld, conditioned or delayed; and *provided further*, *however*, that each such additional attendees (x) shall not vote or otherwise participate in the decision-making process of the JSC and (y) shall agree in writing to be bound by obligations of confidentiality and non-disclosure, and obligations to assign inventions, consistent with those set forth in Article 13 and Section 9.1.

(iv) Each Party may also call for special meetings of the JSC with reasonable prior written notice to the other Party (it being agreed that at least ten (10) business days shall constitute reasonable notice) to resolve particular matters requested by such Party and within the decision-making responsibility of the JSC. Each Party shall be responsible for all of its own expenses incurred in connection with participating in all such meetings.

3.1.4 Subcommittees. The JSC shall establish a subcommittee for joint development ("**Joint Development Committee**" or the "**JDC**") as set forth in Section 3.1.5 within thirty (30) days after the establishment of the JSC, a subcommittee for joint patent activities ("**Joint Patent Committee**" or the "**JPC**") as set forth in Section 3.1.7 within sixty (60) days after the establishment of the JSC and a subcommittee for joint commercialization ("**Joint Commercialization Committee**" or the "**JCC**") as set forth in Section 3.1.6 at least one (1) year prior to the projected initial commercial launch date of the Licensed Product anywhere in the world. The JSC may establish other subcommittees as it deems necessary (including, where applicable, a subcommittee for CMC for both the Development and Commercialization phase of the Licensed Product) and disband any subcommittees if the function of such subcommittee is no longer relevant. Each subcommittee shall consist of the same number of representatives designated by each Party, which number shall be mutually agreed by the Parties, and for the JDC and JCC, a minimum of [***] representatives from each Party. Each Party shall be free to change its representatives on written notice to the other Party or to send a substitute representative to any subcommittee meeting. Each Party's representatives and any substitute for a representative shall be bound by the obligations of confidentiality set forth in Article 13. Except as expressly provided in this Agreement, no subcommittee shall have the authority to bind the Parties hereunder and each subcommittee shall report to the JSC. Each Party shall be responsible for all of its own expenses incurred in connection with participating in all such meetings. Any matters arising within a subcommittee that are not resolved by members of such subcommittee shall be submitted to the JSC for resolution. Section 3.1.3(c) shall apply *mutatis mutandis* to the JDC and JCC. All other subcommittees shall hold meetings according to mutually agreed upon schedules and procedures.

3.1.5 Joint Development Committee. The JDC shall have overall responsibility for reviewing and serving as a forum for information exchange regarding the Parties' conduct of Development activities under the Core Development Plan. The JDC shall, consistent with the terms and conditions set forth in this Agreement:

(a) discuss (but not approve), prepare and submit to the JSC for review the Core Development Plan and any material amendments and updates thereto (including any Initiation, modification or discontinuation of any Clinical Trial under the Core Development Plan);

(b) discuss (but not approve) clinical development plans and protocols from each Party for the Licensed Product (to the extent not included in the Core Development Plan) for submission to the JSC for review;

(c) receive and discuss periodic reports on the Parties' clinical Development of Licensed Products;

(d) keep each Party informed of the conduct of Development activities planned to be conducted by the Parties in the Mereo Territory and UGNX Territory under this Agreement;

(e) discuss (but not approve) proposed Post-Marketing Commitments for the Product in the UGNX Territory and the Mereo Territory;

(f) perform any and all tasks and responsibilities that are otherwise expressly attributed to the JDC under this Agreement; and

(g) perform such other functions assigned by the JSC or as the Parties may mutually agree in writing.

3.1.6 Joint Commercialization Committee. The JCC shall have overall responsibility for reviewing and serving as a forum for information exchange regarding the Parties' conduct of Commercialization activities. The JCC shall, consistent with the terms and conditions set forth in this Agreement:

(a) discuss (but not approve) the Commercialization plans and strategies (including pricing strategies and revenue forecasts, global branding strategies and medical affairs in connection with Commercialization matters) and any material amendments and updates thereto for submission to the JSC for review;

(b) keep each Party informed of the Commercialization of the Licensed Product in its territory (the Mereo Territory for Mereo, and the UGNX Territory for UGNX) and keep the JSC informed of the same;

(c) perform any and all tasks and responsibilities that are otherwise expressly attributed to the JCC under this Agreement; and

(d) perform such other functions assigned by the JSC or as the Parties may mutually agree in writing.

3.1.7 Joint Patent Committee. The JPC shall have overall responsibility for reviewing and serving as a forum for information exchange regarding the Parties' patent filing, prosecution, and maintenance activities. The JPC shall, consistent with the terms and conditions set forth in this Agreement:

(a) review Inventions disclosed by either Party and interface with the JSC, JDC, and JCC to discuss (but not approve) potentially patentable Inventions for patent filing;

(b) keep each Party informed as to the Parties' patent filing, prosecution, and maintenance activities with respect to the Licensed Patents, UGNX Patents and Joint Patents in connection with Article 9;

(c) discuss (but not approve) the Parties' strategies and activities with respect to challenges to the validity or enforceability of any Third Party patents that may be relevant to the Exploitation of Licensed Products;

(d) perform any and all tasks and responsibilities that are otherwise expressly attributed to the JPC under this Agreement; and

(e) perform such other functions assigned by the JSC or as the Parties may mutually agree in writing.

3.1.8 Cooperation. Each Party shall provide the JSC and each subcommittee, as applicable, such information as required under this Agreement or as otherwise reasonably requested by the other Party and reasonably available to such Party to enable the other Party to perform its obligations under this Agreement, in each case relating to the progress against the goals or performance of activities under the Core Development Plan and other agreed upon activities with respect to the Licensed Product. Each Party further agrees to disclose its proposed clinical development plans and protocols with respect to the Licensed Product to the other party (through the JDC and the JSC) for review and comment, and shall consider in good faith such other Party's (and the JDC's or the JSC's) comments and consult with such other Party to implement changes to clinical development as necessary.

3.1.9 Decisions. Other than as set forth herein, in order to make any decision required of it hereunder, the JSC and each subcommittee, as applicable must have present (in person, by videoconference or telephonically) at least two (2) representative appointed by each Party. Decisions of the JSC and each subcommittee shall be by consensus, with each Party having one (1) vote irrespective of the number of representatives of such Party in attendance. If a dispute arises that cannot be resolved by a subcommittee, the Alliance Manager of either Party may refer such dispute to the JSC for resolution. If the JSC cannot reach consensus or a dispute arises that cannot be resolved within the JSC through good faith discussions (whether the matter originated at the JSC or within a subcommittee), the JSC representatives of either Party may cause such dispute to be referred to the Executive Officers for resolution. Such officers (or their designees) will in good faith seek to resolve the matter within [***] after the matter has been referred to them, or within such longer time periods as the Parties may mutually agree upon. In the event that consensus cannot be reached with respect to a decision after a meeting of the Executive Officers, then the decision will be made as follows:

(a) [***];

(b) [***]; and

(c) [***].

3.1.10 Exceptions. Notwithstanding the foregoing, neither Party in exercising its right to finally resolve a dispute pursuant to Section 3.1.9 shall have any power to amend, modify, or waive compliance with the terms of this Agreement.

3.1.11 Authority. The JSC and any subcommittee shall have only the powers assigned expressly to it in this Article 3 and elsewhere in this Agreement, and shall not have any power to amend, modify or waive compliance with this Agreement. In furtherance thereof, each Party shall retain the rights, powers and discretion granted to it under this Agreement and no such rights, powers or discretion shall be delegated or vested in the JSC or subcommittee unless such delegation or vesting of rights is expressly provided for in this Agreement or the Parties expressly so agree in writing.

3.1.12 Discontinuation of JSC and Subcommittees. The JSC and each subcommittee shall continue to exist until the first to occur of (a) termination or expiration of this Agreement or (b) (i) with respect to the JSC, the Parties' mutual agreement in writing to disband or (ii) with respect to a subcommittee, the Parties' mutual agreement in writing, or JSC's decision to disband in accordance with Section 3.1.4.

Section 3.2 Reports.

3.2.1 Development Reports. During the Term, until no Licensed Product is in Development, UGNX shall provide Mereo, through the JDC and the JSC, with reports [***] of the status of its Development activities under the Core Development Plan [***], and each Party shall provide the other Party, through the JDC and the JSC, with reports of the status of other Development activities conducted by such Party for the Licensed Product [***]. For clarity, such reports may be in the form of presentation slides that either Party presents to the JDC and the JSC.

3.2.2 Commercialization Reports. During the Term, each Party shall provide the other Party, through the JCC and the JSC, with reports [***] of the status of its Commercialization activities during [***] in the Mereo Territory (for Mereo) or the UGNX Territory (for UGNX) for Licensed Product [***]. For clarity, such reports may be in the form of presentation slides that either Party presents to the JCC and the JSC.

3.2.3 Confidentiality. All reports and other information and Data provided by either Party under this Section 3.2 will be the Disclosing Party's Confidential Information subject to the terms of Article 13, and the provision of these reports does not convey, assign, or transfer any Intellectual Property Rights of the Disclosing Party to the Receiving Party.

ARTICLE 4. DEVELOPMENT

Section 4.1 Development Responsibilities.

4.1.1 Core Development Plan. UGNX will be the lead Party for all Development activities for the Licensed Product, except as otherwise provided in this Article 4. For any Licensed Product, the Development activities to obtain Marketing Approvals for such Licensed Product for the first adult Indication and the first pediatric Indication in the U.S. and the EEA respectively shall be set forth in a reasonably detailed development plan (as may updated as provided herein, the "**Core Development Plan**"), which shall include a description of the Development activities, expected timelines, clinical Development, non-commercial Manufacturing (including the CMO(s) used for clinical Manufacturing), process development and CMC to support manufacturing scale-up for commercial supply, regulatory activities including preparation and submission of Regulatory Filings, as well as product risk assessment for planned activities, all as necessary to enable creation of a Core Dossier. The Core Development Plan shall also include all on-going Clinical Trials conducted by or on behalf of Mereo for the Licensed Product existing as of the Effective Date ("**Existing Studies**"). UGNX shall be primarily responsible for the activities set forth in the Core Development Plan, *provided* that, (a) Mereo shall be responsible for conducting all Existing Studies, *provided, however,* that Mereo shall not make any material changes to such Existing Studies without UGNX's prior written approval; (b) upon UGNX's reasonable request and Mereo's reasonable acceptance, Mereo will provide specific support for the site management, patient enrollment or other supportive activities for Clinical Trials set forth in the Core Development Plan ("**Supportive Development Activities**"). The Core Development Plan shall include a reasonably detailed description of the schedule of work activity and the allocation of responsibility therefor. As the circumstances may require, either Party may propose from time to time, through the JDC and the JSC, amendments to the Core Development Plan, subject to UGNX's final decision-making authority pursuant to Section 3.1.9(c) following good faith discussion of the proposed amendment by the JDC and JSC pursuant to Section 3.1.5(a) and Section 3.1.3(b)(ii), respectively. To the extent permitted under applicable Laws, UGNX shall have the right to reference and use any data generated from Development activities under the Core Development Plan for Development and Commercialization of the Licensed Product in the UGNX

Territory, and Mereo shall have the right to reference and use any data generated from Development activities under the Core Development Plan for Development and Commercialization of the Licensed Product in the Mereo Territory. The initial Core Development Plan is as set forth on Exhibit 4.1.1.

4.1.2 UGNX Development Activities. Subject to Section 4.1.4, UGNX shall be solely responsible for the following Development activities for the Licensed Product:

(a) all Development activities set forth in the Core Development Plan as necessary to develop a Core Dossier to obtain Marketing Approvals for the Licensed Product for pediatric and adult Indications in the U.S. and EEA (other than the Mereo Development Activities included therein, if any);

(b) all Development for both the adult and pediatric Indications in the UGNX Territory that is not included in the Core Development Plan, including any post-Marketing Approval Development activities for the Licensed Product;

(c) Post-Marketing Commitments that are specific to the UGNX Territory or any countries therein; and

(d) any other Development activities with respect to the Licensed Product (i) that are not included in Section 4.1.2(a), Section 4.1.2(b) or Section 4.1.2(c), and (ii) that are not Mereo Development Activities (collectively the "**UGNX Development Activities**").

During the Term, UGNX shall use Commercially Reasonable Efforts to (i) conduct the UGNX Development Activities at its own Cost, in compliance with then-current GCP and all other regulatory requirements for achieving and maintaining the applicable Marketing Approvals and (ii) obtain Marketing Approval of a Licensed Product in the UGNX Territory and the first Marketing Approval of the Licensed Product in the EEA.

4.1.3 Mereo Development Activities. Subject to Section 4.1.4, Mereo shall be solely responsible for the following Development activities for the Licensed Product:

(a) the Existing Studies, as set forth on [***];

(b) the Supportive Development Activities, if any; and

(c) Post-Marketing Commitments that are specific to the Mereo Territory or any countries therein (collectively the "**Mereo Development Activities**").

During the Term, Mereo shall use Commercially Reasonable Efforts to conduct the Mereo Development Activities at its own Cost, in compliance with GCP and all other regulatory requirements for achieving and maintaining the applicable Marketing Approvals. For clarity, during the Term, with respect to the Licensed Product in the Mereo Territory, Mereo shall have the right to conduct post-Marketing Approval Clinical Trials that are part of the Commercialization activities (i.e., that are not included in the Mereo Development Activities) without UGNX's prior written consent, provided that (i) prior to initiation of any such post-Marketing Approval Clinical Trial, Mereo shall, via the JSC, provide UGNX with a reasonably detailed plan for such post-Marketing Approval Clinical Trial and discuss such plan with UGNX, and shall consider UGNX's comments in good faith; and (ii) Mereo shall conduct such post-Marketing Approval Clinical Trial at its own Cost, in compliance with then-current GCP and all other applicable Laws.

4.1.4 Disease Monitoring Program. Following the first Marketing Approval for the Licensed Product in the UGNX Territory, UGNX may launch a disease monitoring program conducting studies for patients treated by the Licensed Product (the "**DMP Studies**"). UGNX shall be solely responsible for the DMP Studies, at its own Cost, *provided, however*, that, Mereo may, upon mutual agreement by the Parties and to the extent permitted by applicable Laws, participate in the DMP Studies, in which case, UGNX shall be responsible for conducting the DMP Studies in the Mereo Territory. Mereo will have the right to reference and use the data generated from all DMP Studies in accordance with Section 5.1.3; provided that UGNX shall reasonably consider in good faith any request from Mereo to use the data generated during the conduct of DMP Studies for purposes other than those in Section 5.1.3. For avoidance of doubt, to the extent any data generated during the conduct of DMP Studies is published or otherwise enters public domain through no fault of Mereo, its Affiliates or its or their Sublicensees (for clarity, in a manner consistent with the terms of this Agreement, including Section 13.1.3), Mereo shall have the right to use such published or public data for any purpose without compensation to UGNX.

Section 4.2 Subcontracting. Each Party may engage its Affiliates or Third Party subcontractors (including CROs and CMOs) to perform certain of its obligations under this Agreement. Any Third Party subcontractor to be engaged by a Party to perform such Party's obligations set forth in this Agreement will meet the qualifications typically required by such Party for the performance of work similar in scope and complexity to the subcontracted activity. The activities of any such Third Party subcontractors will be considered activities of such subcontracting Party under this Agreement. The subcontracting Party will be responsible for ensuring compliance by any such Third Party subcontractors with the terms of this Agreement, as if such Third Party(ies) were such Party hereunder. Each subcontracting Party will, and will contractually require that its Affiliates and subcontractors, if any, conduct the relevant Development activities in accordance with such subcontracting Party's commitments under this Agreement.

Section 4.3 Development Updates and Development Audit.

4.3.1 Each Party shall keep the other Party reasonably informed through the JDC and the JSC of its material Development activities relating to the Licensed Product in the form of Development reports submitted to the JDC and the JSC pursuant to Section 3.2.1. Upon completion (i.e., signing of the final study report by the principal investigator) of an Existing Study, Mereo shall be responsible for closing out such Existing Study and shall promptly (and in no event late than thirty (30) days after such completion), provide UGNX, (a) a clinical study report and, to the extent not included therein, a summary of the data generated from such Existing Study, and (b) a copy of all such data, saved in an appropriate format for purposes of filing with applicable Regulatory Authorities.

4.3.2 Subject to the limitations on Mereo's right to audit under Mereo's agreements with its applicable subcontractors, including CROs and CMOs, as set forth on Exhibit 4.3.2 ("**Third Party Auditing Restrictions**"), UGNX shall have the right, upon prior written

notice to Mereo, to conduct a GCP audit of Existing Studies and Clinical Trials for the Drug Substance and Licensed Product conducted prior to the Effective Date, including clinical data, trial master files, clinical site study conduct records, standard operating procedures, site contracts, supply records, regulatory filings and correspondences with respect to the applicable Clinical Trials, and prior audit records. Mereo shall reasonably coordinate with UGNX to conduct any such audit, including, upon UGNX's request, using Commercially Reasonable Efforts to seek approval from applicable CROs and CMOs to eliminate any Third Party Auditing Restrictions, and UGNX's conduct of such audit shall be subject to confidentiality obligations consistent with those set forth herein.

4.3.3 During the Term, UGNX shall, upon Mereo's reasonable requests, share with Mereo findings of the GCP audits conducted by or on behalf of UGNX on its CROs or CMOs with respect to Clinical Trials for the Drug Substance and Licensed Product conducted under the Core Development Plan, including such audit finding with respect to clinical data, trial master files, clinical site study conduct records, standard operating procedures, site contracts, supply records, regulatory filings and correspondences with respect to the applicable Clinical Trials, provided that any such audit information shared by UGNX with Mereo shall be deemed UGNX's Confidential Information under this Agreement and Mereo shall be bound by the confidentiality obligations with respect to such Confidential Information as set forth herein, provided further, if Mereo is requested or required by a Regulatory Authority or court of competent jurisdiction to conduct an audit of UGNX's CROs or CMOs with respect to Clinical Trials for the Drug Substance and Licensed Product conducted under the Core Development Plan, UGNX shall reasonably coordinate with Mereo to timely conduct such audit on Mereo's behalf or allow Mereo or the applicable regulatory authority to conduct such audit.

ARTICLE 5. REGULATORY

Section 5.1 Regulatory Responsibilities.

5.1.1 UGNX Responsibilities.

(a) In the UGNX Territory, UGNX will be responsible for and lead, at its own Costs, all interactions with Regulatory Authorities relating to the Licensed Product in the Field, and all Regulatory Filings and Marketing Approvals including maintenance thereof, and will be the Marketing Approval owner for the Licensed Product in all countries in the UGNX Territory, *provided*, *however*, that, with respect to the Licensed Product in the Field, to the extent permitted under applicable Laws, (i) Mereo may participate in regulatory interactions with the FDA, (ii) UGNX will provide to Mereo copies of all material communications and records of interactions with the FDA with respect thereto, (iii) UGNX will provide to Mereo draft of all material Regulatory Filings to the FDA reasonably in advance of filing such proposed submissions to the FDA to allow Mereo to review and comment thereon and will consider in good faith all comments thereon from Mereo with respect to such Regulatory Filings; and (iv) UGNX will provide to Mereo copies of all material Regulatory Filings submitted to the FDA and copies of all material responses, notices and other documents received from the FDA.

(b) In the Mereo Territory, UGNX will be responsible for and lead all interactions with Regulatory Authority relating to the Licensed Product in the Field, including all Regulatory Filings prior to the receipt of the first Marketing Approval for the Licensed Product in the Field by the EMA, *provided*, *however*, UGNX will submit the MAA for the Licensed Product to the EMA under Mereo's or its Affiliate's name and act as Mereo's or its Affiliate's agent with respect thereto (for which Mereo or its Affiliate will submit to the EMA the required documentation to enable such agency status) and Mereo shall be responsible for all out-of-pocket Costs incurred in connection with filing of such MAA; and *provided further* that, with respect to the Licensed Product in the Field, to the extent permitted under applicable Laws, (i) Mereo or its Affiliate, as applicable, may participate in regulatory interactions with the EMA, (ii) UGNX will provide to Mereo or its Affiliate copies of all communications and records of interactions with the EMA with respect thereto, (iii) UGNX will provide to Mereo or its Affiliate a draft of all Regulatory Filings to the EMA reasonably in advance of filing such proposed submissions to the EMA to allow Mereo or its Affiliate reasonable opportunity to review and comment thereon, and UGNX will consider in good faith all such comments, and (iv) UGNX will provide to Mereo or its Affiliate copies of all Regulatory Filings submitted to the EMA and copies of all responses, notices and other documents received from the EMA.

5.1.2 Mereo Responsibilities. Mereo or its Affiliate, as applicable, will be the Marketing Approval owner for the Licensed Product in all countries under EMA jurisdiction and Mereo will, at its own Costs, assume responsibility for maintaining such Marketing Approval, *provided*, *however*, that for purposes of Exploiting the Licensed Product in a country in the UGNX Territory that may fall under EMA jurisdiction, if any, with respect to the Licensed Product in the Field, (i) UGNX may participate in post-Marketing Approval regulatory interactions with the EMA, (ii) Mereo or its Affiliate will provide to UGNX copies of all material communications and records of interactions with the EMA with respect thereto, (iii) Mereo or its Affiliate will provide to UGNX draft of all material post-Marketing Approval Regulatory Filings to the EMA reasonably in advance of filing such proposed submissions to the EMA to allow UGNX reasonable opportunity to review and comment thereon, and Mereo or its Affiliate will consider in good faith all comments thereon from UGNX, (iv) Mereo or its Affiliate will provide to UGNX copies of all material post-Marketing Approval Regulatory Filings submitted to the EMA, and (vi) Mereo or its Affiliate will allow UGNX to cross-reference applicable EMA Regulatory Filings for the Licensed Product in the Field for such country.

5.1.3 Mutual Support and Right of Reference. Mereo shall use Commercially Reasonable Efforts to support UGNX's efforts under this Section 5.1, including by providing any necessary or reasonably useful Manufacturing information for the CMC section of the Regulatory Filings for the Licensed Product for the UGNX Territory and, as applicable, the Mereo Territory. To the extent permitted under applicable Laws, with respect to each Licensed Product, the Parties agree to share data generated under post-Marketing Approval Development activities, post-Marketing Approval Commercialization activities and the DMP Studies, and the other Party shall have the right to reference and use such data solely for fulfilling its regulatory reporting obligations and other regulatory requirements for maintaining the Marketing Approval (including, for clarity, for pricing and reimbursement purposes) of such Licensed Product in such other Party's territory.

Section 5.2 Regulatory Updates. Each Party shall keep the other Party reasonably informed through the JDC and the JSC of all material regulatory developments relating to the Licensed Product in the UGNX Territory and Mereo Territory.

Section 5.3 Pharmacovigilance.

5.3.1 The Parties will discuss in good faith and enter into an agreement governing the Parties' respective pharmacovigilance responsibilities reasonably prior to any Party's Initiation of any Clinical Trial of the Licensed Product anywhere in the world following the Effective Date (the "**Pharmacovigilance Agreement**"). These responsibilities shall include adhering to mutually acceptable guidelines and procedures for the receipt, investigation, recording, communication, and exchange (as between the Parties) of adverse events, serious adverse events, pregnancy reports, and any other safety related information concerning the safety and benefit-risk profile of the Licensed Product Developed or Commercialized by Parties. Such guidelines and procedures shall be in accordance with, and enable the Parties and their Affiliates to fulfill, local and international regulatory reporting obligations to Governmental Authorities. Furthermore, such agreed procedures shall be consistent with relevant ICH (of Technical Requirements for Registration of Pharmaceuticals for Human Use) guidelines, except where in terms of reporting said guidelines may conflict with existing local regulatory safety reporting requirements, in which case local reporting requirements shall prevail.

5.3.2 Each Party hereby agrees to comply with its respective obligations under the Pharmacovigilance Agreement (as the Parties may agree to modify it from time to time) and to cause its Affiliates and Sublicensees to comply with such obligations.

5.3.3 Specific details regarding the timelines for exchange and management of safety information related to the use of Licensed Product including the Company Core Data Sheet ("CCDS"), shall be delineated in the Pharmacovigilance Agreement; *provided* that the Pharmacovigilance Agreement shall require UGNX to (a) maintain and manage the global safety database and CCDS for Licensed Product and (b) provide Mereo with all reports and other data necessary for Mereo to comply with the requirements of Regulatory Authorities (but not to permit direct access to the global safety database). The Parties agree that compliance with the terms of the Pharmacovigilance Agreement is a material provision of this Agreement.

ARTICLE 6. MANUFACTURING AND SUPPLY

Section 6.1 Technology Transfer. Upon UGNX's request and subject to the Know-How Transfer Restrictions, Mereo shall, in a timely manner conduct and cause its applicable CMOs to conduct, the transfer of the Manufacturing processes for the Drug Substance, Licensed Product and placebo for the Licensed Product (each a "**Material**" and collectively, "**Materials**") to one or more CMOs designated by UGNX to allow establishment and validation of the Manufacturing process for the Materials (the "**Technology Transfer**"), which may include Mereo authorizing its current CMOs to Manufacture the Materials for UGNX using the same processes and activities conducted for Mereo. Such Technology Transfer shall include any Manufacturing processes and technology transferred by Novartis (or its CMO(s)) to Mereo (or its CMO(s)) with respect to the Drug Substance or Licensed Product. Mereo shall bear solely its own internal Costs, and UGNX shall reimburse Mereo for its out-of-pocket Costs (such as amounts payable to CMOs or other Third Parties), incurred by or on behalf of Mereo or its Affiliates to conduct such technology transfer on Mereo's behalf. The Parties will develop and agree on a transition plan to facilitate the Technology Transfer, including, where applicable, to transfer the oversight of the CMO and contract testing labs from Mereo to UGNX (the "**Technology Transfer Plan**") within

[***] following the Effective Date (or such other timeline as may be mutually agreed by the Parties). The Technology Transfer Plan will set forth the roles and responsibilities of each Party, and each Party shall perform the activities assigned to it in accordance with the Technology Transfer Plan, consistent with the standards and timelines set forth therein. The Parties will coordinate their Manufacturing activities under the Core Development Plan on a monthly basis via teleconference or in person, or more frequently as necessary, to ensure consistent Manufacturing strategies between the Parties and to coordinate Technology Transfer. Prior to conducting any Technology Transfer activities and subject to applicable Third Party Auditing Restrictions, UGNX shall have the right, upon prior written notice to Mereo, to conduct a Manufacturing/GMP data audit of the Manufacturing, quality control testing and quality assurance release history and records, all process and method development reports, characterization reports, stability and quality control testing reports. Mereo shall reasonably coordinate with UGNX to conduct such audit. UGNX's conduct of such audit shall be subject to confidentiality obligations consistent with those set forth herein.

Section 6.2 Pre-Approval Supply.

6.2.1 Transfer of Materials. Mereo shall, within [***] following the Effective Date, deliver or have delivered to UGNX, free and clear of any lien or security interest, Materials from its existing inventory in such quantity and in accordance with the specifications as set forth on Exhibit 6.2.1 ("**Transferred Materials**"), at no additional cost to UGNX except for shipping, duty and insurance costs, for UGNX to conduct non-clinical studies and clinical studies included as part of UGNX Development Activities. The Transferred Materials shall be or have been Manufactured in accordance with applicable Laws, GMP and the relevant specifications. Mereo shall transfer and assign, and hereby transfers and assigns, its title and interest in the Transferred Materials to UGNX, effective as of the Effective Date. The Transferred Materials shall be delivered to UGNX or its designee CIP (Incoterms 2020), together with the certificate of analysis, certificate of release, and any other related documentation in Mereo's or its applicable CMO's possession, custody and control, upon reasonable request by UGNX. In addition, to the extent permitted under applicable Laws and consistent with applicable informed consents and subject to Section 10.4(d), Mereo will transfer to UGNX any clinical and non-clinical samples existing as of the Effective Date that relate to the Materials and that are in Mereo's or its applicable CRO's possession, custody and control.

6.2.2 Subsequent Clinical Supply. After delivery of the Transferred Materials, but before receipt of the first Marketing Approval for the Licensed Product in the U.S. or EEA and continuing until such time that UGNX has established and validated its own Manufacturing operations for the Materials pursuant to Section 6.1, Mereo shall use Commercially Reasonable Efforts to supply UGNX with such GMP compliant Materials required by UGNX to conduct non-clinical studies and clinical studies included as part of UGNX Development Activities. UGNX shall compensate Mereo for such supply of Materials for UGNX Development Activities at Mereo's Manufacturing Costs plus an additional [***] thereof. The Parties shall negotiate in good faith and enter into a clinical supply agreement within [***] (or such other timeline as may be mutually agreed by the Parties) following the Effective Date (the "**Clinical Supply Agreement**"). The Clinical Supply Agreement will specify customary terms, including a quality agreement, and Mereo shall use Commercially Reasonable Efforts to supply to UGNX the Materials in such quality and quantity as may be reasonably required by UGNX for the UGNX Development

Activities. After the Effective Date, and prior to entering into the Clinical Supply Agreement and subject to applicable Third Party Auditing Restrictions under Mereo's CMO agreement(s), UGNX shall have the right to a perform an initial GMP facility audit of Mereo's supply chain of the Materials, including applicable CMO(s) and contract testing labs, as well as the quality management system that governs release decisions. Mereo shall reasonably coordinate, and cause its applicable CMO(s) and contract testing labs to coordinate with UGNX to conduct such audits, and UGNX's conducting of such audits shall be subject to confidentiality obligations consistent with those set forth herein.

Section 6.3 Continuity of Supply. Notwithstanding anything to the contrary herein, all Licensed Product necessary for preparing Regulatory Filings worldwide, including to the FDA and EMA, will be produced at the same CMO(s) that supplied the Materials, as applicable, to perform Phase 3 Clinical Trials included in such Regulatory Filings.

Section 6.4 Post-Approval Supply. UGNX will be responsible for establishing and maintaining the Commercial supply of the Drug Substance and the Licensed Product for the UGNX Territory and supply for conducting post-Marketing Approval Clinical Trials that are UGNX Development Activities. Mereo will responsible for establishing and maintaining Commercial supply of Drug Substance and Licensed Product for the Mereo Territory and supply for the conduct of Post-Marketing Approval Clinical Trials that are Mereo Development Activities. The Parties will cooperate to achieve a consistent and coordinated global supply of Materials and the continuity of Licensed Product supply and quality globally by sharing, and requiring their respective CMOs to share, (a) data from (i) Manufacturing processes and trends, and (ii) out-of-specification batches, and (b) any proposed and actual process changes that may affect any attribute of the Licensed Product's quality. Upon the request by one Party for additional supply of the Drug Substance or Licensed Product, the other Party shall use Commercially Reasonable Efforts to facilitate the requesting Party to enter into a separate supply agreement with its CMO to procure supply of the Drug Substance or Licensed Product to the requesting Party.

ARTICLE 7. COMMERCIALIZATION

Section 7.1 Responsibilities. Each party shall be responsible for, and shall use Commercially Reasonable Efforts to perform, the Commercialization of the Licensed Product in its territory (for Mereo, the Mereo Territory and for UGNX, the UGNX Territory) and shall keep the other Party informed through the JCC and the JSC as to its Commercialization plans, strategies and activities in its territory, including (a) the countries in which such Party has Commercialized or plans to Commercialize the Licensed Product; and (b) to the extent permitted under applicable Laws, proposed pricing and revenue forecasts, branding, and medical affairs with respect to Commercialization of the Licensed Product in the key countries in such Party's territory. During the Term, each Party shall update its Commercialization plan [***] and submit to the JCC (and the JSC) for review no later than [***]. During the Term, to the extent permitted under applicable Laws, the Parties shall discuss through the JCC and the JSC shared global Commercialization activities (including associated Costs) that may benefit the Licensed Product globally. The Parties agree that all medical affairs activities conducted in connection with a Party's Commercialization responsibilities shall be conducted in all respects in compliance with applicable Laws governing medical affairs.

Section 7.2 Pricing. Without limiting the last sentence in Section 7.1, the Parties shall discuss, through the JCC and the JSC, the pricing strategies, including, to the extent permitted under applicable Laws, the proposed pricing and global pricing band for the Licensed Product to be marketed in the UGNX Territory and the Mereo Territory, *provided* that each Party shall have the final decision-making authority with respect to the pricing of the Licensed Product in its territory (for Mereo, the Mereo Territory and for UGNX, the UGNX Territory).

Section 7.3 No Diversion. To the extent permitted by applicable Laws, each Party shall use Commercially Reasonable Efforts not to, and shall use Commercially Reasonable Efforts to cause its Affiliates, licensees, sublicensees, distributors and wholesalers not to, (a) export, distribute, market, promote, offer for sale or sell the Licensed Product outside its territory (for Mereo, the Mereo Territory and for UGNX, the UGNX Territory); or (b) distribute, market, promote, offer for sale or sell the Licensed Product to any Third Party inside its territory that is reasonably likely to directly or indirectly distribute, market, promote, offer for sale or sell the Licensed Product in the other Party's territory, or distribute, market, promote, offer for sale or sell the Licensed Product to another Person that, in turn, will be reasonably likely to do so. Without limiting the foregoing, to the extent permitted by applicable Laws, each Party shall, in connection with marketing, selling or otherwise distributing the Licensed Product in its territory, use Commercially Reasonable Efforts to require the Selling Party or any distributor or wholesaler to (i) provide a bona fide estimate of the demand for the Licensed Product in their respective country(ies) in the territory, and (ii) include in the agreement between such Selling Party, distributor or wholesaler on the one hand, and each of their customers on the other hand, provisions that would prevent such customers from exporting, marketing, selling or otherwise distributing the Licensed Product outside such Party's territory. If either Party or any of its Affiliates receives, or becomes aware of receipt by a licensee, sublicensee, distributor or wholesaler of, any orders for the Licensed Product from the other Party's territory, such Party shall refer such orders to the other Party. To the extent permitted by applicable Laws, Parties shall coordinate and agree on other measures to implement the intent of this Section 7.3.

ARTICLE 8. PAYMENTS

Section 8.1 Upfront Payment. UGNX shall pay to Mereo a non-refundable, non-creditable payment equal to Fifty Million Dollars ($50,000,000) within [***] after the Effective Date.

Section 8.2 Milestone Payments.

8.2.1 Regulatory Milestones. UGNX shall pay to Mereo one-time regulatory milestone payments ("**Regulatory Milestone Payments**") following [***] occurrence of the corresponding regulatory milestone events ("**Regulatory Milestone Events**") with respect to [***] Licensed Product for which such Regulatory Milestone Event is achieved in the Field in the UGNX Territory, as set forth in the following table:

Regulatory Milestone Event	Regulatory Milestone Payment
[***]	[***]
[***]	[***]

Regulatory Milestone Event	Regulatory Milestone Payment
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]

For clarity, the maximum aggregate Regulatory Milestone Payment payable by UGNX shall be [***].

8.2.2 Commercial Milestones. UGNX shall pay to Mereo one-time commercial milestone payments ("**Commercial Milestone Payments**", together with the Regulatory Milestone Payments, the "**Milestone Payments**") following [***] of the corresponding commercial milestone events ("**Commercial Milestone Events**", together with the Regulatory Milestone Events, the "**Milestone Events**") with respect to the first achievement of such milestone event for aggregate Net Sales of all Licensed Products in the UGNX Territory in a Calendar Year, as set forth in the following table:

Commercial Milestone Event	Commercial Milestone Payment
Net Sales in the UGNX Territory equal or exceed [***] in a Calendar Year	[***]
Net Sales in the UGNX Territory equal or exceed [***] in a Calendar Year	[***]
Net Sales in the UGNX Territory equal or exceed [***] in a Calendar Year	[***]

The maximum aggregate Commercial Milestone Payments shall be [***].

8.2.3 Each of the Milestone Payments shall be non-refundable and non-creditable. UGNX shall promptly report to Mereo its achievement of each Milestone Event for which payment to Mereo is due, and in no event later than [***] after achievement of such Milestone Event. Mereo will invoice UGNX for the applicable Milestone Payment for each Milestone Event achieved. UGNX will pay each such invoice within [***] of its receipt thereof.

Section 8.3 Royalties to Mereo.

8.3.1 Royalty Rates. UGNX shall pay to Mereo, with respect to the Licensed Product sold by or for UGNX, its Affiliates and Sublicensees in the UGNX Territory, on a Licensed Product-by-Licensed Product and country-by-country basis, royalties on annual Net Sales of such Licensed Product during the UGNX Royalty Term at the following royalty rates:

Aggregate Annual Net Sales of the Licensed Product in the UGNX Territory	Royalty Rate
Portion of aggregate annual Net Sales less than [***]	[***]
Portion of aggregate annual Net Sales from [***] to [***]	[***]
Portion of aggregate annual Net Sales greater than [***] to [***]	[***]
Portion of aggregate annual Net Sales greater than [***]	[***]

Royalties will be payable on a Calendar Quarter-by-Calendar Quarter basis and any such payments shall be made in accordance with Section 8.3.6 after the end of the Calendar Quarter during which the Net Sales of such Licensed Product occurred.

8.3.2 Royalty Term. UGNX's obligation to pay royalties with respect to the Licensed Product as set forth in Section 8.3.1 shall commence upon the First Commercial Sale of such Licensed Product in a country in the UGNX Territory and shall expire on a Licensed Product-by-Licensed Product and country-by-country basis on the latest of (a) the date on which [***], (b) the loss of Regulatory Exclusivity for such Licensed Product in such country and (c) the tenth (10^{th}) anniversary of the First Commercial Sale of such Licensed Product in such country (the "**UGNX Royalty Term**"), *provided* that, solely for purposes of this Section 8.3 (and, for clarity, not for purposes of determining Commercial Milestone Payments), UGNX shall pay royalties for any Licensed Product sold by a Selling Party in Pre-Approval Sales in a country in the UGNX Territory, commencing upon the first of such sales made by a Selling Party, and the royalty rates set forth in Section 8.3.1 shall apply with respect to the Net Sales of such Licensed Product in Pre-Approval Sales, *mutatis mutandis*.

8.3.3 Royalty Reduction. On a Licensed Product-by-Licensed Product and country-by-country basis, if (a) the sale or use of the Licensed Product is no longer Covered by a Valid Claim of a Licensed Patent in such country and (b) the Licensed Product is not subject to Regulatory Exclusivity in such country in the UGNX Territory, then the royalty rates set forth in Section 8.3.1 with respect to Net Sales for such Licensed Product in such country in the UGNX Territory shall be reduced to [***] of the rates set forth in Section 8.3.1, effective as of the date on which the sale or use of such Licensed Product is no longer Covered by a Valid Claim of a Licensed Patent in such country in the UGNX Territory and such Licensed Product is not subject to Regulatory Exclusivity in such country in the UGNX Territory.

8.3.4 Third Party Intellectual Property. In the event that a Party learns that a Third Party Controls Intellectual Property Rights that are [***] for the Exploitation of the Licensed Product (collectively, "**Third Party IP**") in the UGNX Territory, such Party shall so notify the other Party thereof as soon as reasonably practicable. In such case, the Parties shall consult in good faith with each other regarding such Third Party IP and reasonably consider the other Party's comments thereto before deciding whether to obtain a license to such Third Party IP. UGNX shall have final decision-making authority at its sole discretion over strategic decisions as to whether such Third Party IP is [***] for the Exploitation of the Licensed Product in the UGNX Territory and whether to obtain a license to such Third Party IP. [***]. During the Term, if UGNX (or any of its Affiliates or Sublicensees) obtains a license to Third Party IP, UGNX shall use Commercially

Reasonable Efforts to seek or cause to seek a right under such license providing that any such license is freely transferable or assignable to Mereo without the Third Party licensor's consent upon termination of this Agreement. If UGNX (or any of its Affiliates or Sublicensees) obtains a license to any Third Party IP, [***] of the license fees, royalties, milestone payments and other payment obligations that UGNX (or such Affiliate or Sublicensee) actually pays to such Third Party in consideration for such license in connection with the Exploitation of such Licensed Product in a country in the UGNX Territory during a Calendar Quarter may be credited against royalties otherwise payable by UGNX to Mereo under Section 8.3.1 (and, where applicable, after the reduction pursuant to Section 8.3.3) for such Licensed Product in such country in such Calendar Quarter.

8.3.5 Maximum Reduction. The maximum aggregate reduction with respect to the Licensed Product during any Calendar Quarter pursuant to Section 8.3.4 shall be capped at [***] of the amount of the royalty that would be payable in respect of Net Sales in such country under Section 8.3.1 (and, where applicable, after the reduction pursuant to Section 8.3.3) prior to any such reductions. Any amounts that are eligible for crediting pursuant to Section 8.3.4 but are not applied by reason of the foregoing cap shall be carried forward and applied to subsequent Calendar Quarters, always subject to the foregoing cap for such Calendar Quarter, until all eligible credits have been applied.

8.3.6 Invoicing and Payment of Royalties. As soon as reasonably practicable, but no later than the [***] after the end of each Calendar Quarter, on a Licensed Product-by-Licensed Product basis, beginning with the Calendar Quarter in which the First Commercial Sale (or the first Pre-Approval Sales, where applicable) of such Licensed Product occurs in a country in the UGNX Territory, UGNX shall furnish a preliminary report to Mereo providing a good faith, non-binding estimate of Net Sales of such Licensed Product accrued during the preceding Calendar Quarter. Thereafter, within [***] after the end of such Calendar Quarter, UGNX shall provide a written royalty report to Mereo showing the Net Sales of such Licensed Product sold in such country in the preceding Calendar Quarter and the total royalty payments due to Mereo on such sales. Each royalty report shall include sufficient details to enable the calculation of Net Sales of the Licensed Product and total royalty payments due. Concurrent with the provision of the written royalty report, UGNX shall pay to Mereo the royalty payments due under each royalty report not later than [***] after the end of each Calendar Quarter covered by such royalty report.

Section 8.4 Royalties to UGNX.

8.4.1 Royalty Rate. Mereo shall pay to UGNX, with respect to the Licensed Product sold by or for Mereo, its Affiliates and Sublicensees in the Mereo Territory, on a Licensed Product-by-Licensed Product and country-by-country basis, royalties on annual Net Sales of such Licensed Product during the Mereo Royalty Term for such Licensed Product in such country at a rate of [***]. Such royalties will be payable on a Calendar Quarter-by-Calendar Quarter basis and any such payments shall be made in accordance with Section 8.4.4 after the end of the Calendar Quarter during which the Net Sales of such Licensed Product occurred.

8.4.2 Royalty Term. Mereo's obligation to pay royalties with respect to the Licensed Product as set forth in Section 8.4.1 shall commence upon the First Commercial Sale of such Licensed Product in such country in the Mereo Territory and shall expire on a Licensed Product-by-Licensed Product and country-by-country basis on the latest of (a) the date on which [***], (b) the loss of Regulatory Exclusivity for such Licensed Product in such country and (c) the tenth (10^{th}) anniversary of the First Commercial Sale of such Licensed Product in such country (the "**Mereo Royalty Term**"); *provided* that, solely for purposes of this Section 8.4, Mereo shall pay royalties for any Licensed Product sold by a Selling Party in Pre-Approval Sales in a country in the Mereo Territory at a rate of [***], commencing upon the first of such sales made by a Selling Party.

8.4.3 Royalty Reduction. On a Licensed Product-by-Licensed Product and country-by-country basis, if (a) the sale or use of the Licensed Product is not Covered by a Valid Claim of a Licensed Patent in such country in the Mereo Territory, and (b) the Licensed Product is not subject to Regulatory Exclusivity in such country in the Mereo Territory, then the royalty rate set forth in Section 8.4.1 with respect to Net Sales for such Licensed Product in such country in the Mereo Territory shall be reduced by [***] of the rate set forth in Section 8.4.1, effective as of the date on which the sale or use of such Licensed Product is no longer Covered by a Valid Claim of a Licensed Patent in such country in the Mereo Territory and the Licensed Product is not subject to Regulatory Exclusivity in such country in the Mereo Territory.

8.4.4 Third Party Intellectual Property. In the event that a Party learns of Third Party IP in the Mereo Territory, such Party shall so notify the other Party thereof as soon as reasonably practicable. In such case, the Parties shall consult in good faith with each other regarding such Third Party IP and reasonably consider the other Party's comments thereto before deciding whether to obtain a license to such Third Party IP. Mereo shall have final decision-making authority at its sole discretion over strategic decisions as to whether such Third Party IP is [***] for the Exploitation of the Licensed Product in the Mereo Territory and whether to obtain a license to such Third Party IP. [***]. During the Term, if Mereo (or any of its Affiliates or Sublicensees) obtains a license to any Third Party IP, [***] of the license fees, royalties, milestone payments and other payment obligations that Mereo (or any of its Affiliates or Sublicensees) actually pays to such Third Party in consideration for such license in connection with the Exploitation of such Licensed Product in a country in the Mereo Territory during a Calendar Quarter may be credited against royalties otherwise payable by Mereo to UGNX under Section 8.4.1 (and where applicable, after the reduction pursuant to Section 8.4.3) for such Licensed Product in such country in such Calendar Quarter.

8.4.5 Maximum Reduction. The maximum aggregate reduction with respect to the Licensed Product during any Calendar Quarter pursuant to Section 8.4.4 shall be capped at [***] of the amount of the royalty that would be payable in respect of Net Sales in such country under Section 8.4.1 (and where applicable, after the reduction pursuant to Section 8.4.3) prior to any such reductions. Any amounts that are eligible for crediting pursuant to Section 8.4.4 but are not applied by reason of the foregoing cap shall be carried forward and applied to subsequent Calendar Quarters, always subject to the foregoing cap for such Calendar Quarter, until all eligible credits have been applied.

8.4.6 Invoicing and Payment of Royalties. As soon as reasonably practicable, but no later than [***] after the end of each Calendar Quarter, on a Licensed Product-by-Licensed Product basis, beginning with the Calendar Quarter in which the First Commercial Sale (or the first Pre-Approval Sales, where applicable) of such Licensed Product occurs in a country in the

Mereo Territory, Mereo shall furnish a preliminary report to UGNX providing a good faith, non-binding estimate of Net Sales of such Licensed Product accrued during the preceding Calendar Quarter. Thereafter, within [***] after the end of such Calendar Quarter, Mereo shall provide a written royalty report to UGNX showing the Net Sales of such Licensed Product sold in such country in the preceding Calendar Quarter and the total royalty payments due to UGNX on such sales. Each royalty report shall include sufficient details to enable the calculation of Net Sales of the Licensed Product and total royalty payments due. Concurrent with the provision of the written royalty report, Mereo shall pay to UGNX the royalty payments due under each royalty report not later than [***] after the end of each Calendar Quarter covered by such royalty report.

Section 8.5 Set-off. Notwithstanding anything to the contrary in this Agreement, the royalty and other payment obligations by each Party to the other may be set-off against each other. The Parties shall cooperate to affect the accounting for set-off for the purpose of advancing their mutual convenience, including easing of calculating and paying royalties and other amounts required hereunder.

Section 8.6 Priority Review Voucher. If any priority review voucher is granted or otherwise issued by the FDA to UGNX in connection with the Licensed Product, then UGNX shall compensate Mereo as follows: (a) if UGNX sells such priority review voucher to a Third Party, then UGNX shall pay Mereo [***]; and (b) if UGNX uses such priority review voucher for one of its or its Affiliate's or licensee's product candidates that is not a Licensed Product, then UGNX shall pay Mereo [***]. For the avoidance of doubt, nothing set forth herein shall obligate UGNX to sell the priority review voucher should it be issued to UGNX by the FDA or to maximize the proceeds should UGNX decide to sell such priority review voucher.

Section 8.7 Invoicing. To the extent an invoice is required to be submitted under Section 8.1-8.4 to either Party, such invoice shall be addressed to:

Mereo BioPharma 3 Limited
[***]

Ultragenyx Pharmaceutical Inc.
[***]

Section 8.8 Method of Payment. Unless otherwise agreed by the Parties, all payments due from the paying Party under this Agreement shall be paid in U.S. Dollars by wire transfer or electronic funds transfer of immediately available funds to an account designated by the non-paying Party. After the First Commercial Sale of the Licensed Product (or a first Pre-Approval Sales, where applicable) by a Party or its Selling Party and until expiration of the last UGNX Royalty Term or Mereo Royalty Term, as applicable, for the Licensed Product of such Party, such Party shall prepare and deliver to the other Party reports of the sale of the Licensed Product by the Selling Parties for each Calendar Quarter together with the corresponding royalty payment or other consideration to be paid to the non-paying Party, specifying on a Licensed Product-by-Licensed Product and country-by-country basis, the Net Sales for each Licensed Product sold in such Party's territory.

Section 8.9 Currency Conversion. All payments to either Party shall be payable in full in U.S. Dollars. Any financial report in this Article 8 in a currency other than U.S. Dollars shall be converted to the U.S. Dollar equivalent using the average of the daily foreign exchange rates as published at www.oanda.com\fx-for-business\historical-rates (or any updated webpage at Oanda.com) for the Calendar Quarter in which the Net Sales, or such other conversion standard as may be mutually agreed by the Parties.

Section 8.10 Records and Audits.

8.10.1 Right to Audit. Each Party will keep complete and accurate records of payments required under this Agreement for a period of [***] years after the end of the Calendar Year in which any such payment was due. Each Party will have the right, no more than [***] at its own expense, to have a nationally recognized, independent, certified public accounting firm, selected by it, and subject to the other Party's prior written consent (which shall not be unreasonably withheld, conditioned or delayed), review any such records of the other Party and its Affiliates (the "**Audited Party**") relevant to such payments in the location(s) where such records are maintained by the Audited Party upon reasonable written notice (which shall be no less than [***] prior written notice) and during regular business hours and under obligations of strict confidence, for the sole purpose of verifying the basis and accuracy of payments made under this Agreement within the [***] preceding the date of the request for review. The Audited Party may, upon receiving such written notice, request an alternative auditing date, which shall be within [***] from the date of receiving such notice. Each Party shall require its Sublicensees in its territory to retain and provide to it all records of payments that such Party would be required to keep as if sales of the Licensed Product by such Sublicensees were sales of the Licensed Product by such Party, to enable the other Party to audit such records pursuant to this Section 8.10. No Calendar Year will be subject to audit under this Section 8.10 more than once.

8.10.2 Auditing Results. The Audited Party will receive a copy of each audit report concurrently with receipt by the non-Audited Party, and such accounting firm shall report to the Parties only whether or not such calculations are correct and the amount of any discrepancy. No other information shall be shared. Each Party agrees to treat the results of any such review of the other Party's records under this Section 8.10 as Confidential Information of the other Party and subject to the terms of Article 13. Should such inspection lead to the discovery of a discrepancy to the non-Audited Party's detriment, the Audited Party will, within [***] after receipt of such report from the accounting firm, pay any undisputed amount of the discrepancy together with interest at the rate set forth in Section 8.10. Each Party requesting review under this Section 8.10 will pay the full Cost of the review unless the underpayment of amounts due to the non-Audited Party, as determined pursuant to this Section 8.10.2 or Section 8.10.3, is greater than the greater of (a) [***] of the amount due for the entire period being examined and (b) [***], in which case the Audited Party will pay the Cost charged by such accounting firm for such review. Should the audit lead to the discovery of a discrepancy to the non-Audited Party's benefit, the non-Audited Party shall pay to the Audited Party the amount of the discrepancy, with interest at the rate set forth in Section 8.10, within [***] of non-Audited Party's receipt of the auditor's report.

8.10.3 Audit Disputes. If a discrepancy is identified during the course of an audit and the Parties are unable to reach a mutually acceptable resolution of such dispute within [***], the dispute shall be submitted for resolution to a certified independent public accounting firm jointly selected by each Party's certified public accountants (the "**Finance Expert**"). The decision of the Finance Expert shall be final, and the costs of such dispute resolution shall be shared equally between the Parties. Any amounts owed by one Party to the other Party as a result of such resolution shall be paid or reimbursed by the owing Party within [***] following the applicable decision of the Finance Expert.

Section 8.11 Late Payments. In the event that any payment due hereunder is not made when due, the payment shall accrue interest beginning on the day following the due date thereof, calculated at the annual rate of [***]; *provided, however*, that in no event shall said annual interest rate exceed the maximum rate permitted by Law. Each such payment when made shall be accompanied by all interest so accrued. Said interest and the payment and acceptance thereof shall not negate or waive the right of any Party to seek any other remedy, legal or equitable, to which it may be entitled because of the delinquency of any payment including termination of this Agreement as set forth in Article 14. With respect to any disputed payments, no interest payment shall be due until such dispute is resolved and the interest which shall be payable thereon shall be based on the finally-resolved amount of such payment, calculated from the original date on which the disputed payment was due through the date on which payment is actually made.

Section 8.12 Taxes.

8.12.1 Withholding. Each Party shall be entitled to deduct and withhold from any amounts payable under this Agreement such taxes as are required to be deducted or withheld therefrom under any provision of applicable Law; provided, however, that notwithstanding anything to the contrary herein, absent a change in law after the Effective Date, UGNX hereby acknowledges and agrees that no deduction or withholding shall be made on the payment under Section 8.1. In the event that any applicable Law requires the paying Party to withhold taxes with respect to any payment to be made by the paying Party pursuant to this Agreement, the paying Party (a) will notify the non-paying Party of such withholding requirement prior to making the payment to the non-paying Party (such notice, which shall include the authority, basis and method of calculation for the proposed deduction or withholding, shall be given at least a reasonable period of time before such deduction or withholding is required, in order for such non-paying Party to obtain reduction of or relief from such deduction or withholding), and (b) provide such assistance to the non-paying Party, including the provision of such standard documentation as may be required by a tax authority, as may be reasonably necessary in the non-paying Party's efforts to claim an exemption from or reduction of such taxes. The paying Party will, in accordance with such Law, withhold taxes from such payment, remit such taxes to the appropriate tax authority, and furnish the non-paying Party with proof of payment of such taxes within thirty (30) days following the payment. If taxes are so withheld and paid to a tax authority, the paying Party shall provide reasonable assistance to the non-paying Party to obtain a refund of taxes withheld, or obtain a credit with respect to taxes paid. If any taxes are so withheld and paid to the appropriate tax authority in accordance with this Section 8.12.1, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the non-paying Party. The non-paying Party shall provide the paying Party any tax forms (including Internal Revenue Service Forms W-9 or applicable W-8) that may be reasonably necessary in order for the paying Party to determine whether to withhold tax on any such payments or to withhold tax on such payments at a reduced rate under applicable Laws, including any applicable bilateral income tax treaty. For sake of clarification, on or before the Effective Date, Mereo shall deliver to UGNX a duly completed,

accurate and validly executed Internal Revenue Service Form W-8BEN-E claiming benefits under Article 12 of the U.S.-U.K. Income Tax Treaty and setting forth the basis upon which Mereo is eligible for such benefits pursuant to Article 23 of the U.S.-U.K. Income Tax Treaty. Notwithstanding the foregoing, the Parties agree to cooperate in claiming the maximum allowable amounts of refunds or exemptions from such deductions or withholdings under any relevant agreement or treaty which is in effect. The Parties shall discuss applicable mechanisms for minimizing such taxes to the extent possible in compliance with applicable Laws. Notwithstanding the foregoing, if any Party (or its assignee pursuant to Section 15.8) required to make payments (the "**Paying Party**") to the other Party (the "**Non-Paying Party**") redomiciles or otherwise changes its tax residence, transfers the Agreement or its benefits or burdens to or from a permanent establishment of such party or assigns or delegates its rights or obligations under this Agreement pursuant to Section 15.8 (a "**Tax Action**") and such Tax Action leads to a Tax Action Increase, the Paying Party will indemnify and hold harmless the Non-Paying Party from any such Tax Action Increase by increasing such amount payable to take into account such Tax Action Increase as may be necessary so that, after making all required withholdings (including any withholding on additional payments), the Non-Paying Party receives an amount equal to the sum it would have received had no such Tax Action Increase been imposed. The Non-Paying Party shall use Commercially Reasonable Efforts to obtain a refund or cash tax savings in respect of such Tax Action Increase, and, to the extent the Non-Paying Party obtains such refund or cash tax savings (determined on a with and without basis) as a result of such withholding tax liability in any tax year beginning during the Term or the immediately succeeding tax year of the last tax year beginning during the Term, the Non-Paying Party shall reimburse the Paying Party an amount equal to such refund or cash tax savings (less any reasonable out of pocket costs incurred with respect to obtaining such refund or cash tax savings).

8.12.2 Indirect Taxes. All payments due to the non-paying Party from the paying Party pursuant to this Agreement shall be paid exclusive of any value-added tax, sales tax, consumption taxes and other similar taxes ("**Indirect Taxes**") (which, if applicable, shall be payable by the paying Party upon receipt of a valid Indirect Tax invoice). If the non-paying Party determines that it is required to report any such tax, the paying Party shall promptly provide the non-paying Party with applicable receipts and other documentation necessary or appropriate for such report. For clarity, this Section 8.12.2 is not intended to limit the paying Party's right to deduct Indirect Taxes in determining Net Sales, which shall be governed by the definition of Net Sales. The Parties shall cooperate in accordance with applicable Laws to minimize Indirect Taxes in connection with this Agreement.

8.12.3 No Tax Partnership. For the avoidance of doubt, UGNX and Mereo agree not to, and will not treat this Agreement, for U.S. federal income and other applicable tax purposes, as giving rise to a partnership between any of UGNX, Mereo and any of their Affiliates, unless otherwise required as a result of a determination within the meaning of Section 1313(a) of the Internal Revenue Code of 1986, as amended.

ARTICLE 9. INTELLECTUAL PROPERTY

Section 9.1 Intellectual Property Ownership.

9.1.1 Background IP. Each Party will own all right, title and interest in its Background IP.

9.1.2 Inventions. The Parties agree that U.S. Law governing inventorship shall apply for all Inventions arising under this Agreement. Mereo shall solely own all Inventions and Know-How and all Intellectual Property Rights therein made, created or discovered solely by or for Mereo or its Representatives. UGNX shall solely own all Inventions and Know-How and all Intellectual Property Rights therein made, created or discovered solely by or for UGNX or its Representatives. The Parties shall jointly own (a) all Inventions and Know-How and all Intellectual Property Rights therein made, created or discovered jointly by or for both Mereo and UGNX or their Representatives, whether or not patentable ("**Joint Know-How**"), and (b) any Patent Rights Covering any Invention included in the Joint Know-How ("**Joint Patents**"). Subject to the licenses granted by a Party to the other Party pursuant to Section 2.1, (i) neither Party will have any obligation to obtain any approval or consent of, nor pay a share of the proceeds to or account to, the other Party to practice, enforce, license, assign or otherwise Exploit any Joint IP, and each Party hereby waives any right it may have under the laws of any jurisdiction to require such approval, consent or accounting; and (ii) each Party hereby grants to the other party a nonexclusive, royalty-free (except as provided in this Agreement), worldwide license, with the right to grant sublicenses through multiple tiers (except as otherwise expressly provided in this Agreement) under their undivided interest in the Joint IP (to the extent not already licensed to the other Party pursuant to Section 2.1) to Exploit the Joint IP. Each Party agrees to cooperate with the other Party, as reasonably requested, and to take such actions as may be required to give effect to this Section 9.1.2 in a particular country or jurisdiction. Each Party shall disclose all Inventions made, created or discovered by it or its Representatives to the other in writing after the actual or constructive reduction to practice of such Inventions through the JPC as soon as practicable, and in any event no later than the first JPC meeting following such Party's senior management or patent prosecution counsel becoming aware of such reduction to practice.

Section 9.2 Patent Prosecution and Maintenance.

9.2.1 Prosecution of Patents.

(a) As between the Parties, UGNX shall be responsible, using patent counsel of its choice at UGNX's expense, for preparing, filing, prosecuting and maintaining (i) all Licensed Patents and Joint Patents in the UGNX Territory and (ii) all UGNX Patents. As between the Parties, Mereo shall be responsible, using patent counsel of its choice at Mereo's expense, for preparing, filing, prosecuting and maintaining all Licensed Patents and Joint Patents in the Mereo Territory. The Party having responsibility for preparing, filing, prosecuting and maintaining Patent Rights (the "**Responsible Party**") will provide the other Party with copies of and an opportunity to review and comment upon the draft applications and material correspondences with the applicable patent authority, in each case, relating to the applicable Patent Rights, at least [***] before filing; *provided*, *however*, that if it is not reasonably practicable to provide such application in such [***] period, then the Responsible Party will provide either a then-current draft copy of

such application or a statement of intent to file such application in such [***] period. The other Party shall provide the Responsible Party reasonable support, where applicable, to enable the Responsible Party to have standing before applicable patent authorities to conduct activities under this Section 9.2.1(a) with respect to the relevant Patent Rights, or where the Responsible Party cannot establish such standing with respect to the relevant Patent Rights, the other Party shall cooperate to submit such filings and execute any applicable documents necessary to effect the intent of this Section 9.2.1(a). With respect to any Licensed Patent, Joint Patent and UGNX Patent and in each case until it becomes an Abandoned Patent Rights, the Responsible Party will provide the other Party with a copy of each material submission made to, and each material document received from, a patent authority, court or other tribunal regarding any such Patent Right for which it conducts such activities reasonably promptly after making such filing or receiving such document, including a copy of each application for each such Patent Right as filed together with notice of its filing date and application number. The Responsible Party will keep the other Party advised of the status of all material communications, and actual and prospective filings or submissions regarding the relevant Patent Rights and will give the other Party copies of and an opportunity to review and comment on any such material communications, filings and submissions proposed to be sent to any patent authority or judicial body. The Responsible Party will consider in good faith the other Party's comments on such communications, filings and submissions for the relevant Patent Rights.

(b) If either Party serving as the Responsible Party declines to file, prosecute or maintain any of the relevant Patent Rights, elects to allow any such Patent Rights to lapse in any country, or elects to abandon any such Patent Rights before all appeals within the respective patent office have been exhausted (each, an "**Abandoned Patent Right**"), then: (i) such Party shall provide the other Party with reasonable notice of such decision so as to permit the other Party to decide whether to file, prosecute or maintain such Abandoned Patent Rights and to take any necessary action (which notice shall, in any event, be given no later than [***] prior to the next deadline for any action that may be taken with respect to such Abandoned Patent Right with the U.S. Patent & Trademark Office, the European Patent Office or any other patent office); (ii) the other Party, at the other Party's expense, may assume control of the filing, prosecution or maintenance of such Abandoned Patent Rights; (iii) the other Party shall have the right, at its expense, to transfer the responsibility for such filing, prosecution and maintenance of such Abandoned Patent Rights to patent counsel (outside or internal) selected by the other Party; and (iv) the Responsible Party shall, at the other Party's reasonable request and at the other Party's expense, assist and cooperate in the filing, prosecution and maintenance of such Abandoned Patent Rights. Upon any such assumption by the other Party of such responsibilities, such other Party shall become deemed the new Responsible Party for such Patent Rights, and the foregoing set forth in Section 9.2.1(a) shall again apply with respect to the filing, prosecution and maintenance of the relevant Patent Rights.

(c) The Parties shall coordinate their patent activities with respect to the Licensed Patents, the UGNX Patents and the Joint Patents, through regular meetings (at least once [***] of the JPC to review and discuss (but not approve) patent strategies on a global basis.

9.2.2 Upstream Patent Rights. Notwithstanding the foregoing in Section 9.2.1(a), Mereo does not have the right to prepare, file, prosecute or maintain the Patent Rights in the Upstream IP that are owned by Novartis or Novartis' licensors and licensed or sublicensed respectively to Mereo pursuant to the [***] and the [***], as set forth on Exhibit 9.2.2 ("**Upstream Patent Rights**"). Accordingly, the foregoing provisions of Section 9.2.1 shall not apply to the Upstream Patent Rights.

Section 9.3 Patent Term Extensions. The Parties will cooperate with each other in gaining Patent Right term extensions where applicable to the Licensed Product in the UGNX Territory and Mereo Territory. In the event of any disagreement, (a) UGNX shall have final authority as to term extension for (i) all Licensed Patents and Joint Patents, in each case, applicable to the Licensed Product in the UGNX Territory, and (ii) all UGNX Patents, *provided* that if Mereo requests an extension of an UGNX Patent for the Licensed Product in the Mereo Territory, UGNX shall not unreasonably deny such a request and (b) Mereo shall have final authority as to term extension for all Licensed Patents and Joint Patents, in each case, applicable to the Licensed Product in the Mereo Territory. Notwithstanding the foregoing, if any Licensed Patent, UGNX Patent or Joint Patent becomes an Abandoned Patent Right in a country, then the new Responsible Party shall have the final decision-making authority as to term extension for such Abandoned Patent Right in such country.

Section 9.4 Patent Listings. With respect to each Licensed Product, each Party shall have the right to make all listings with Regulatory Authorities in the its territory (for UGNX, the UGNX Territory and for Mereo, the Mereo Territory) for any Licensed Patents, UGNX Patents and Joint Patents Covering such Licensed Product as may be required or allowed under applicable Laws.

Section 9.5 Defense and Settlement of Third Party Claims. If a Licensed Product in the UGNX Territory or Mereo Territory becomes the subject of a Third Party's claim or assertion of infringement of a Third Party patent or trademark or misappropriation of a trade secret, the Party first having notice of the claim or assertion shall promptly notify the other Party, and the Parties shall promptly confer to consider the claim or assertion and the appropriate course of action. Unless the Parties otherwise agree in writing, each Party shall have the right to defend itself against a suit that names it as a defendant (the "**Defending Party**"). Neither Party shall enter into any settlement of any claim described in this Section 9.5 (a) that admits to the invalidity or unenforceability of any Joint Patents or any Patent Rights Controlled by the other Party (or otherwise affects the scope, validity or enforceability of such Patent Right) or (b) causes the other Party to incur any financial liability or requires an admission of liability, wrongdoing or fault on the part of the other Party, in each case ((a) or (b)), without such other Party's written consent, such consent not to be unreasonably withheld, delayed or conditioned, *provided* that the foregoing shall not limit either Party's final decision making authority to obtain a license with respect to Third Party IP necessary for the Exploitation of the Licensed Product in their respective territories pursuant to Section 8.3.4 and Section 8.4.4 respectively. In any event, the other Party shall reasonably assist the Defending Party and cooperate in any such litigation at the Defending Party's request and expense. Additionally, if an action involves a Joint Patent or the Defending Party is not the Party that Controls the Patent Right in question, then the other Party has the right to join any such action.

Section 9.6 Third Party Declaratory Judgment or Similar Action.

9.6.1 If a Third Party asserts, in a declaratory judgment action or similar action or claim filed by such Third Party, that any UGNX Patent, Licensed Patent or Joint Patent, is invalid or unenforceable, then the Party first becoming aware of such action or claim shall promptly give written notice to the other Party.

9.6.2 The Party having the right to prosecute such Patent Rights under Section 9.2 shall use Commercially Reasonable Efforts to defend against such action or claim. Any Costs with respect to such defense with respect to such Patent Rights shall be borne by the Party or Parties responsible for the expenses of prosecuting such Patent Rights, and the Parties shall reimburse one another for such expenses in the same manner as the Parties are to bear and reimburse one another for the expenses relating to prosecution and maintenance of Patent Rights in accordance with Section 9.2. If such Party fails, notwithstanding the foregoing, to assume such defense and use Commercially Reasonable Efforts in respect to any Licensed Patent, UGNX Patent, or Joint Patent, the other Party or its Affiliate or Sublicensee shall have the right to defend against such action or claim at the other Party's expense.

Section 9.7 Enforcement.

9.7.1 Notice of Infringement. The Parties shall inform each other promptly of any infringement or suspected infringement of any Licensed Patent, UGNX Patent or Joint Patents and the Parties shall promptly confer to consider the best appropriate course of action.

9.7.2 UGNX Right to Enforce. UGNX shall have the first right to enforce (a) the Licensed Patents and Joint Patents in the UGNX Territory and (b) the UGNX Patents. UGNX shall at all times keep Mereo informed as to the status of such enforcement pursuant to this Section 9.7.2. UGNX may, at its own expense, institute suit against any infringer or alleged infringer and control and defend such suit (including any counterclaim in connection therewith) in a manner consistent with the terms and provisions hereof and recover any damages, awards or settlements resulting therefrom, subject to Section 9.7.5. Upon UGNX's request, Mereo shall reasonably cooperate in any such litigation at UGNX's expense. UGNX shall not enter into any settlement of any claim described in this Section 9.7.2 that admits to the invalidity or unenforceability of any Licensed Patents, UGNX Patents or Joint Patents (or otherwise affects the scope, validity or enforceability of such Patent Rights), incurs any financial liability on the part of Mereo or requires an admission of liability, wrongdoing or fault on the part of Mereo without Mereo's prior written consent, not to be unreasonably withheld, delayed or conditioned, *provided* that the foregoing shall not limit UGNX's final decision making authority to obtain a license with respect to Third Party IP necessary for the Exploitation of the Licensed Product in the UGNX Territory pursuant to Section 8.3.4. If UGNX does not elect to enforce any Patent Right as described in the first sentence of this Section 9.7.2, then Mereo shall be entitled to do so. Mereo shall not enter into any settlement of any claim described in this Section 9.7.2 that admits to the invalidity or unenforceability of any Licensed Patents, UGNX Patents, or Joint Patents (or otherwise effects the scope, validity or enforceability of such Patent Rights), incurs any financial liability on the part of UGNX or requires an admission of liability, wrongdoing or fault on the part of UGNX without UGNX's prior written consent, not to be unreasonably withheld, delayed or conditioned.

9.7.3 Mereo Right to Enforce. Mereo shall have the first right to enforce the Licensed Patents and the Joint Patents in the Mereo Territory. Mereo shall at all times keep UGNX informed as to the status of such enforcement pursuant to this Section 9.7.3. Mereo may, at its own expense, institute suit against any infringer or alleged infringer and control and defend such suit (including any counterclaim in connection therewith) in a manner consistent with the terms and provisions hereof and recover any damages, awards or settlements resulting therefrom, subject to Section 9.7.5. Upon Mereo's request, UGNX shall reasonably cooperate in any such litigation at Mereo's expense. Mereo shall not enter into any settlement of any claim described in this Section 9.7.3 that admits to the invalidity or unenforceability of any Licensed Patents (or otherwise affects the scope, validity or enforceability of such Licensed Patents), incurs any financial liability on the part of UGNX or requires an admission of liability, wrongdoing or fault on the part of UGNX without UGNX's prior written consent, not to be unreasonably withheld, delayed or conditioned; *provided* that the foregoing shall not limit Mereo's final decision making authority to obtain a license with respect to Third Party IP necessary for the Exploitation of the Licensed Product in the Mereo Territory pursuant to Section 8.4.4. If Mereo does not elect to enforce any Patent Right in the Mereo Territory as described in the first sentence of this Section 9.7.3, then UGNX shall be entitled to do so, *provided* that UGNX shall not enter into any settlement of any claim described in this Section 9.7.3 that admits to the invalidity or unenforceability of any Licensed Patents or Joint Patents (or otherwise effects the scope, validity or enforceability of such Patent Rights), incurs any financial liability on the part of Mereo or requires an admission of liability, wrongdoing or fault on the part of Mereo without Mereo's prior written consent, not to be unreasonably withheld, delayed or conditioned.

9.7.4 Progress Reporting. The Party initiating or defending any enforcement action under this Section 9.7 (the "**Enforcing Party**") shall keep the other Party reasonably informed of the progress of any such enforcement action, and such other Party shall have the individual right to participate with counsel of its own choice at its own Costs.

9.7.5 Allocation of Recoveries. Except as otherwise expressly provided herein, the Costs of the Party bringing suit under this Section 9.7 shall be borne by such Party, and any damages, settlements or other monetary awards recovered shall be shared as follows: (a) the amount of such recovery [***].

9.7.6 Biosimilar Applications. Without limiting the foregoing, each Party shall promptly notify the other Party in writing if it becomes aware of the submission by a Third Party to a Regulatory Authority of a Biosimilar Application, including if such Party receives a notice of commercial marketing provided by such Third Party applicant for such Biosimilar Application pursuant to Section 351(l)(8)(A) of the PHSA or a copy of the Biosimilar Application. Each Party that is permitted under applicable Laws to obtain a copy of the Biosimilar Application and related confidential information (including in accordance with Section 351(l)(1)(B)(iii) of the PHSA) shall seek and obtain such information and, if a Party is not able to obtain such information, then to the extent permissible under applicable Laws, the other Party shall provide copies of such Biosimilar Application and related confidential information to the first Party. As reasonably requested by UGNX and to the extent permitted by applicable Laws, in the U.S., Mereo shall provide information regarding any Licensed Patent and any other applicable Patent Rights that should be listed pursuant to Section 351(l)(1)(3)(A) or Section 351(l)(7) of the PHSA. UGNX shall, as permitted by applicable Laws, (i) provide Mereo copies of the lists, statements, and other communications exchanged with the applicant for a Biosimilar Application pursuant to Section 351(l)(3)-(5) and (7) of the PHSA, (ii) keep Mereo informed of any material steps taken in the process described in Section 351(l)(3)-(5) and (7) of the PHSA, and (iii) consult with and consider in good faith any comments from Mereo with respect to UGNX's performance of the obligations

of the reference product sponsor pursuant to Section 351(l)(3)-(5) and (7) of the PHSA, including the preparation of the lists, statements, and other communications described therein. Upon UGNX's request, and at UGNX's cost, Mereo shall assist in seeking an injunction against any commercial marketing by the filer of a Biosimilar Application as permitted pursuant to Section 351(l)(8)(B) of the PHSA or in filing an action for infringement against the filer of such Biosimilar Application. The Parties recognize that procedures other than those set forth above may apply with respect to applications for Biosimilar Products. In the event that the Parties determine that certain provisions of applicable Laws in the United States or in any other country in the UGNX Territory or Mereo Territory apply to actions taken by the Parties with respect to applications for Biosimilar Products in such country, the Parties shall comply with any such applicable Laws in such country (and any relevant and reasonable procedures established by Parties) in exercising their rights and obligations with respect to applications for Biosimilar Products under this Section 9.7.6, provided that a Party shall have the right to control the actions contemplated by this Section 9.7.6 in its territory (i.e., UGNX in the UGNX Territory and Mereo in the Mereo Territory). The Party that does not control the actions contemplated by this Section 9.7.6 shall cooperate with the controlling Party in implementing any decisions that the controlling Party elects to take pursuant to this Section 9.7.6.

Section 9.8 Trademarks. The Parties shall discuss and agree, through the JCC, and where applicable, the JSC, a global branding strategy for the Licensed Product. UGNX shall own all right, title and interest in and to any trademarks (including any international nonproprietary names or other names) adopted by the JCC for use with the Licensed Product (the "**Product Trademarks**") in the UGNX Territory and Mereo shall own all right, title and interest in and to any Product Trademarks in the Mereo Territory. Neither Party shall, directly or indirectly: (a) use in their respective businesses, any trademark that is confusingly similar to, misleading or deceptive with respect to or that dilutes any Product Trademarks of the other Party and (b) do any act which endangers, destroys, or similarly affects, in any material respect, the value of the goodwill pertaining to the Product Trademarks of the other Party. Each Party shall conform to the customary industry standards for the protection of the Product Trademarks with respect to manner of use of such Product Trademarks in its territory. Without limiting any pre-existing trademarks a Party may have, neither Party shall, directly or indirectly, attack, dispute, or contest the validity of or ownership of any Product Trademark or any registrations issued or issuing with respect thereto. Each Party shall be responsible, at its sole Cost, for the registration, filing, and maintenance of its own Product Trademarks. Each Party will monitor the Product Trademarks against infringing uses within its territory. Each Party will promptly notify the other Party of any infringement or threatened infringement of any of the Product Trademarks of which it becomes aware, and the patent enforcement provisions under Sections 9.7.1 to 9.7.5 with respect to Licensed Patents shall apply *mutatis mutandis*. Upon an expansion of UGNX Territory under Section 2.2.4, Mereo shall immediately assign to UGNX all rights, title and interest in and to all Product Trademarks owned by Mereo in the country(ies) that are added to the UGNX Territory. Upon termination (but not expiration) of this Agreement in whole or on a country-by-country basis under Article 14, UGNX shall immediately assign to Mereo all rights, title and interest in and to all Product Trademarks owned by UGNX in the UGNX Territory or the Terminated Country(ies) within the UGNX Territory, as applicable.

ARTICLE 10. REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 10.1 Mutual Representations and Warranties. Each of UGNX and Mereo represents and warrants to the other Party, as of the Execution Date and the Effective Date, that:

(a) it is duly authorized to execute and deliver this Agreement and to perform its obligations hereunder, and the individual executing this Agreement on its behalf has been duly authorized to do so by all requisite corporate action;

(b) this Agreement is legally binding upon it and enforceable in accordance with its terms and the execution, delivery and performance of this Agreement by it have been duly authorized by all necessary corporate action and do not and will not: (i) conflict with, or constitute a default under, any agreement, instrument or understanding, oral or written, to which it is a party or by which it may be bound, or violate any material applicable Laws; (ii) violate its charter documents, bylaws or other organizational documents or any order, writ, judgment, injunction, decree, determination or award of any court or governmental agency presently in effect and applicable to such Party; or (iii) require any consent or approval of its stockholders or similar action; and

(c) subject to Section 10.5 with respect to HSR Clearance, all consents, approvals and authorizations from all Governmental Authorities or other Third Parties required to be obtained by it in connection with this Agreement have been obtained.

Section 10.2 Additional Mereo Representations, Warranties and Covenants. Mereo represents and warrants to UGNX that, as of the Execution Date and the Effective Date (except with respect to the representations and warranties set forth in Section 10.2(f)(i), Section 10.2(i), Section 10.2(j), Section 10.2(k), and Section 10.2(l), which shall be true and accurate as of the Execution Date, and for which Mereo shall promptly inform UGNX in the event, between the Execution Date and the Effective Date, any such representation and warranty is no longer true or accurate):

(a) it is duly incorporated and validly existing under the Laws of England and Wales, and has full corporate power and authority to enter into this Agreement and to carry out the provisions hereof;

(b) it has full legal or beneficial title and ownership of, or license to, the Licensed Patents as is necessary to grant the licenses (or sublicenses) to UGNX to such Licensed Patents that Mereo purports to grant pursuant to this Agreement;

(c) it has the rights necessary to grant the licenses to UGNX under the Licensed IP that Mereo purports to grant pursuant to this Agreement and has not granted any Third Party rights that would interfere or be inconsistent with UGNX's rights hereunder in any material respect;

(d) Mereo either solely owns or has an exclusive license to the Licensed Patents existing as of the Execution Date (other than the Excluded PCT Application and those that are nonexclusively licensed to Mereo pursuant to the [***]), and the Licensed Patents are not subject to any liens or encumbrances;

(e) except with respect to the Excluded PCT Application, each Person who has or has made an inventive contribution to the Licensed Patents or any Licensed Know-How, in each case, owned or purported to be owned by Mereo, has assigned and has executed an agreement assigning its entire right, title and interest in and to such Licensed Patents and Licensed Know-How to Mereo;

(f) (i) the granted Licensed Patents owned by Mereo, and to Mereo's knowledge the granted Licensed Patents licensed to Mereo as of the Execution Date, are subsisting, and to Mereo's knowledge, not invalid or unenforceable, in whole or in part, and (ii) the Licensed Patents owned by Mereo as of the Execution Date, have been filed and maintained properly and correctly and all applicable fees have been paid on or before the due date for payment (after giving effect to any available extensions);

(g) Mereo will not during the Term grant any right to any Third Party under or with respect to the Licensed IP that would conflict with the rights granted to UGNX hereunder in any material respect or terminate any rights granted by a Third Party to Mereo or its Affiliates that are further granted to UGNX hereunder;

(h) [***] sets forth a complete and accurate list of all Licensed Patents existing as of the Execution Date, identifying whether each such Licensed Patent is owned or licensed to Mereo, and except as expressly identified on [***], none of the Licensed Patents is in-licensed by Mereo;

(i) no claim or action has been brought or, to Mereo's knowledge, threatened by any Third Party alleging that (i) the Licensed Patents are invalid or unenforceable or (ii) use of the Licensed IP infringes, misappropriates or otherwise conflict or interfere with, or would infringe, misappropriate or otherwise conflict or interfere with any right of any Third Party, and no Licensed Patent is the subject of any interference, opposition, cancellation or other protest proceeding, and Mereo has not received any written notice, from any Third Party asserting or alleging that the Development, Manufacture, use or sale of the Licensed Product infringes, misappropriate or otherwise conflict or interfere with the rights of such Third Party in the UGNX Territory or Mereo Territory;

(j) to Mereo's knowledge, there are no pending actions, claims, investigations, suits or proceedings against Mereo or its Affiliates, at law or in equity, or before or by any Regulatory Authority, and neither Mereo nor any of its Affiliates has received any written notice regarding any pending or threatened actions, claims, investigations, suits or proceedings against Mereo or such Affiliate, at law or in equity, or before or by any Regulatory Authority, in either case with respect to the Licensed IP;

(k) to Mereo's knowledge, no Third Party, including any current or former employee or consultant of Mereo, is infringing or misappropriating or has infringed or misappropriated the Licensed IP;

(l) [***]

(m) Mereo has not breached in any material respect the Upstream Agreements, and is otherwise in compliance with such Upstream Agreements, including by timely paying all payments due and payable in accordance with the terms of the Upstream Agreements;

(n) there are no agreements or arrangements to which Mereo or any of its Affiliates is a party that would limit the rights granted to UGNX under this Agreement or that restrict or would result in a restriction in UGNX's ability to perform the activities under this Agreement;

(o) to Mereo's knowledge, each of the granted Licensed Patents properly identifies each and every inventor of the claims thereof as determined in accordance with the laws of the jurisdiction in which such Licensed Patent is issued;

(p) Mereo has disclosed or made available to UGNX all material Data and other scientific and technical information known to it as of the Execution Date relating to the Licensed Product, including (i) the safety and efficacy of any Licensed Product, and (ii) the results of all clinical trials conducted on any Licensed Product;

(q) starting from the Execution Date and lasting until the end of the Term, Mereo shall comply with and maintain in full force the [***] and the [***] and shall not amend or modify such agreements, which amendment or modification may adversely affect the rights granted to UGNX under this Agreement, without the prior written consent of UGNX. Mereo shall promptly provide written notice to UGNX describing any breach or alleged breach of either the [***] or the [***] of which it becomes aware, use Commercially Reasonable Efforts to defend an alleged claim of breach, and, if such defense is not successful, cure such breach, and provide UGNX with copies of any correspondence related thereto. UGNX shall be entitled to cure any such breach if Mereo does not do so reasonably in advance of the expiration of any applicable cure period, and set off any Losses (as defined in Section 11.1) incurred in doing so against any payment due to Mereo under this Agreement. In the event of termination of the [***], Mereo shall promptly use best efforts to enable UGNX to obtain a license directly from Novartis; and in the case of termination of the [***], Mereo shall promptly (i) use Commercially Reasonable Efforts to enable UGNX to obtain a license directly from [***] or (ii) exercise its rights under the [***] to cause Novartis to use best efforts as provided in the [***] to enable Mereo to obtain a license directly from [***], in each case where applicable, that grants substantially the same rights granted to UGNX under this Agreement;

(r) to Mereo's knowledge, except for the sublicenses, benefits, and other rights granted to Mereo in Article 3 of the [***] and sublicensed to UGNX pursuant to Section 2.2.3, there are no sublicenses, benefits, or other rights arising under or related to [***] that would be reasonably necessary for UGNX to exercise its rights under this Agreement, including the right to Develop, Manufacture, and Commercialize the Licensed Products; and

(s) In connection with Exploitation of the Licensed Product, Mereo is and for the past five (5) years has been, in material compliance with (a) all Data Security and Privacy Laws; (b) all policies of Mereo relating to the privacy, protection and security of PII; and (c) all contractual and other legal requirements to which Mereo is subject with respect to the privacy, protection, and security of PII; and has in place commercially reasonable safeguards to protect the confidentiality and security of PII, including from unauthorized access or misuse, based on Data Security and Privacy Laws.

Section 10.3 Additional UGNX Representations, Warranties and Covenants. UGNX represents and warrants to Mereo that, as of the Execution Date and the Effective Date (except with respect to the representations and warranties set forth in Section 10.3(f), Section 10.3(g), Section 10.3(h) and Section 10.3(i), which shall be true and accurate as of the Execution Date, and for which UGNX shall promptly inform Mereo in the event, between the Execution Date and the Effective Date, any such representation and warranty is no longer true or accurate):

(a) it is duly incorporated and validly existing under the Laws of Delaware, and has full corporate power and authority to enter into this Agreement and to carry out the provisions hereof;

(b) it has full legal or beneficial title and ownership of, or an exclusive license to, the UGNX Patents as is necessary to grant the licenses (or sublicenses) to Mereo to such UGNX Patents that UGNX purports to grant pursuant to this Agreement;

(c) it has the rights necessary to grant the licenses to Mereo under UGNX IP that UGNX purports to grant pursuant to this Agreement and has not granted any Third Party rights that would interfere or be inconsistent with Mereo's rights hereunder in any material respect;

(d) UGNX either solely owns or has an exclusive license to the UGNX Patents existing as of the Execution Date and such UGNX Patents are not subject to, any liens or encumbrances;

(e) UGNX will not during the Term grant to any Third Party any rights or licenses under such Patent Rights that would conflict with the licenses granted to Mereo hereunder in any material respect and UGNX has not terminated any rights granted by a Third Party to UGNX or its Affiliates that are further granted to Mereo hereunder;

(f) to UGNX's knowledge, no Third Party has made any claim or allegation to UGNX or its Affiliates in writing that a Third Party has any right or interest in or to the UGNX Patents;

(g) no claim or action has been brought or, to UGNX's knowledge, threatened in writing by any Third Party alleging that (i) the granted UGNX Patents owned by UGNX are invalid or unenforceable or (ii) use of the UGNX IP owned by UGNX infringes or misappropriates or would infringe or misappropriate any right of any Third Party, and no UGNX Patent owned by UGNX is the subject of any interference, opposition, cancellation or other protest proceeding. UGNX has not received any written notice from any Third Party asserting or alleging that the Development, Manufacture, use or sale of the Licensed Product infringes the rights of such Third Party;

(h) to UGNX's knowledge, there are no pending actions, claims, investigations, suits or proceedings against UGNX or its Affiliates, at law or in equity, or before or by any Regulatory Authority, and neither UGNX nor any of its Affiliates has received any written notice regarding any pending or threatened actions, claims, investigations, suits or proceedings against UGNX or such Affiliate, at law or in equity, or before or by any Regulatory Authority, in either case with respect to the UGNX IP and that would reasonably be expected to have a material adverse effect on Mereo's rights under this Agreement; and

(i) to UGNX's knowledge, no Third Party, including any current or former employee or consultant of UGNX, is infringing or misappropriating or has infringed or misappropriated the UGNX and that would reasonably be expected to have a material adverse effect on Mereo's rights under this Agreement.

Section 10.4 Mutual Covenants.

(a) **Employees, Consultants and Contractors.** Each Party covenants that it has obtained or will obtain written agreements from each of its and its Affiliate's employees, consultants and contractors who perform research or Development activities pursuant to this Agreement, which agreements will obligate such persons to obligations of confidentiality and non-use and to assign inventions in a manner consistent with the provisions of this Agreement.

(b) **Debarment.** Each Party represents, warrants and covenants to the other Party that it is not debarred, excluded, disqualified, or the subject of disbarment, exclusion or disqualification proceedings under the U.S. Food, Drug and Cosmetic Act or comparable Laws in any country or jurisdiction other than the U.S. and, to its knowledge, does not, and will not during the Term knowingly, employ or use, directly or indirectly, including through Affiliates or Sublicensees, the services of any person who is debarred, excluded, disqualified, or the subject of disbarment, exclusion or disqualification proceedings in connection with activities relating to the Licensed Product. In the event that either Party becomes aware of the debarment, exclusion or disqualification or threatened debarment, exclusion or disqualification of any person providing services to such Party, directly or indirectly, including through Affiliates or Sublicensees, which directly or indirectly relate to activities contemplated by this Agreement, such Party shall promptly notify the other Party in writing and such Party shall cease employing, contracting with, or retaining any such person to perform any such services.

(c) **Anti-Corruption Compliance.**

(i) Each Party agrees, on behalf of itself and its subsidiaries, and their respective officers, directors, employees, Affiliates and agents, that, in connection with the matters that are the subject of this Agreement, and the performance of its obligations hereunder:

A. It will comply with the U.S. Foreign Corrupt Practices Act of 1977, as amended, the UK Bribery Act 2010, as amended, and any other applicable Laws or regulations relating to or concerning public or commercial bribery or corruption (collectively, "**Anti-Bribery and Anti-Corruption Laws**"), and will not take any action that will cause the other Party or its Affiliates to be in violation of any such laws.

B. It will not, directly or indirectly, pay, offer or promise to pay, or authorize the payment of any money, or give, offer or promise to give or authorize the giving of anything of value to any person, including any Public Official or Entity, for the purpose of improperly influencing the acts of a Public Official or Entity to induce them to use their influence with any Governmental Authority, or improperly obtaining or retaining business or any improper advantage in connection with this Agreement, or that would otherwise violate any applicable Anti-Bribery and Anti-Corruption Laws.

C. It will not directly or indirectly solicit, receive or agree to accept any payment of money or anything else of value in violation of any applicable Anti-Bribery and Anti-Corruption Laws.

D. It has adopted applicable anti-corruption policies ("**Anti-Corruption Policies**") and will train its employees involved in the performance of its obligations under this Agreement to comply with such Anti-Corruption Policies and applicable Anti-Bribery and Anti-Corruption Laws.

(ii) Each Party, on behalf of itself and its subsidiaries, and their respective officers, directors, employees, represents and warrants to the other Party that, in connection with the matters that are the subject of this Agreement, and the performance by each Party of its obligations hereunder:

A. As of the Effective Date, it and, to its knowledge, its Affiliates, agents, and representatives have not committed any Material Anti-Corruption Law Violation.

B. To its knowledge, none of its contracts, licenses or other assets that are the subject of this Agreement were procured in violation of the Anti-Bribery and Anti-Corruption Laws.

(iii) Each Party will keep and maintain accurate books, accounts, invoices and reasonably detailed financial records in connection with the performance of its obligations under, and payments made in connection with, this Agreement, including any costs, fees, and expenses, and all records required to establish compliance with the provisions of this Section 10.4(c), until the later of (A) six (6) years after the end of the period to which such books and records pertain or (B) the expiration of the applicable statute of limitations (or any extension thereof).

(iv) If a Party becomes aware that any of its owners, partners, officers, directors or employees becomes during the Term a Public Official or Entity in a position to take or influence official action for or against a Party in connection with the performance of its obligations under this Agreement, that Party will promptly notify the other Party. A Party shall (to the extent legally permissible) as soon as reasonably practicable notify the other Party upon receiving a formal notification that it is the target of a formal investigation by a Governmental Authority for an Anti-Corruption Law Violation or upon receipt of information from any of its representatives that any of them is the target of a formal investigation by a Governmental Authority for an Anti-Corruption Law Violation, in either case in connection with this Agreement.

(v) If either Party requests that any other Party complete a compliance certification certifying compliance with this Section 10.4(c), which request shall occur

no more than once every twelve (12) months, such other Party shall promptly complete and deliver such compliance certification truthfully and accurately. If either Party requests, in connection with a Corporate Integrity Agreement or similar arrangement with a Governmental Authority, that any other Party complete a compliance certification certifying adherence to and compliance with such other Party's code of conduct and compliance program with respect to such other Party's activities under this Agreement, which request shall occur no more than once per Calendar Year, such other Party shall cooperate with the first Party to promptly complete and deliver such compliance certification truthfully and accurately, and should there be reasonable additional requests of such other Party as a result of a Corporate Integrity Agreement or similar arrangement with a Governmental Authority of the requesting Party, such other Party shall comply with such requests.

(vi) In the event that a Party has a good faith reason to believe that (A) the other Party may be in breach or violation of any representation, warranty or undertaking in this Section 10.4(c), and (B) such breach or violation would cause such Party or its Affiliates to be in violation of Anti-Bribery and Anti-Corruption Laws, then such Party shall have the right to conduct an examination and audit of relevant books and records of the other Party upon reasonable prior written notice, and, during the pendency of such examination, to suspend any obligations on the part of such Party to the other Party. In the event that a Party becomes aware, whether or not through audit, that the other Party is in breach of or in violation of any representation, warranty or undertaking in this Section 10.4(c), then that Party shall have the right to take such steps as are reasonably necessary in order to avoid a violation or continuing violation of the Anti-Bribery and Anti-Corruption Laws, including by requesting such additional representations, warranties, undertakings and other provisions including a further audit as it believes in good faith are reasonably necessary.

(d) **Data Privacy and Security**. Each Party covenants that it will comply with all applicable Data Security and Privacy Laws in its performance of its obligations under this Agreement. The Parties will enter into a written agreement governing Personal Data and PII protection prior to exchanging any Personal Data and PII under this Agreement consistent with applicable Data Security and Privacy Laws to safeguard such Personal Data and PII.

Section 10.5 HSR.

10.5.1 HSR Filing. Each of UGNX and Mereo shall make an HSR Filing within ten (10) business days after the Execution Date, unless the Parties together determine that no HSR Filing is required for the activities and licenses contemplated under the Agreement. The Parties shall cooperate with one another to the extent necessary in the preparation of any such filings. Each Party shall be responsible for its own costs and expenses associated with any such filings, *provided* that UGNX shall be solely responsible for the HSR Filing fees.

10.5.2 HSR Clearance. In connection with obtaining HSR Clearance, UGNX and Mereo shall use their respective commercially reasonable efforts to resolve as promptly as practicable any objections that may be asserted by the FTC or the DOJ with respect to the transactions notified in the HSR Filing. The term "commercially reasonable efforts" as used in this Section 10.5.2 shall not require UGNX or Mereo to (a) sell, divest (including through a license or a reversion of licensed or assigned rights), hold separate, transfer, or dispose of any assets, operations, rights, product lines, or businesses, or interests therein, of itself or any of its Affiliates (or consent to any of the foregoing actions), or (b) litigate or otherwise formally oppose any determination (whether judicial or administrative in nature) by a Governmental Authority seeking to impose any of the restrictions referenced in clause (a) above.

10.5.3 Cooperation. In connection with obtaining HSR Clearance, each of UGNX and Mereo shall (a) cooperate with each other in connection with any investigation or other inquiry relating to an HSR Filing and the transactions contemplated by this Agreement; (b) keep the other Party or its counsel informed of any communication received from or given to the FTC or DOJ relating to the HSR Filing and the transactions contemplated by this Agreement (and provide a copy to the other Party if such communication is in writing); (c) reasonably consult with each other in advance of any meeting or conference with the FTC or DOJ, and, to the extent permitted by the FTC or DOJ, give the other Party or its counsel the opportunity to attend and participate in such meetings and conferences; and (d) permit the other Party or its counsel to review in advance, and in good faith consider and incorporate where appropriate, the views of the other Party or its counsel concerning, any submission, filing or communication (and documents submitted therewith) intended to be given to the FTC or DOJ.

Section 10.6 Disclaimer. EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS ARTICLE 10, NEITHER PARTY MAKES ANY REPRESENTATIONS OR EXTENDS ANY WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY, QUALITY, OR FITNESS FOR A PARTICULAR PURPOSE, NONINFRINGEMENT, OR VALIDITY OF PATENT CLAIMS. NOTHING IN THIS AGREEMENT SHALL BE CONSTRUED AS A REPRESENTATION MADE OR WARRANTY GIVEN BY EITHER PARTY THAT EITHER PARTY WILL BE SUCCESSFUL IN OBTAINING ANY PATENT RIGHTS, OR THAT ANY PATENT RIGHTS WILL ISSUE BASED ON A PENDING APPLICATION. WITHOUT LIMITING THE RESPECTIVE RIGHTS AND OBLIGATIONS OF THE PARTIES EXPRESSLY SET FORTH HEREIN, EACH PARTY SPECIFICALLY DISCLAIMS ANY GUARANTEE THAT THE PRODUCTS WILL BE SUCCESSFUL, IN WHOLE OR IN PART.

ARTICLE 11. INDEMNIFICATION

Section 11.1 By Mereo. Mereo shall defend UGNX, its Affiliates, and each of their respective directors, officers, employees and agents (the "**UGNX Indemnified Parties**"), at Mereo's Costs, and will indemnify and hold UGNX and the other UGNX Indemnified Parties harmless from and against any claims, losses, costs, damages, fees or expenses (including reasonable legal fees and expenses) (collectively, "**Losses**") to the extent resulting from any claims, actions, suits or proceedings brought by a Third Party (including product liability claims) (a "**Third Party Claim**") arising out of (a) the gross negligence or willful misconduct of Mereo, its Affiliates or their respective Sublicensees in connection with its activities under this Agreement; (b) the breach of this Agreement or the representations, warranties and covenants made hereunder by Mereo, (c) the breach of the [***] or the [***] by Mereo, (for clarity, except to the extent such breach is attributable to a breach of this Agreement by UGNX that in turn results in a breach of the [***] or the [***]); or (d) the Development, Manufacture, Commercialization or other Exploitation of the Licensed Product by or on behalf of Mereo or its Affiliates or their respective Sublicensees (i) prior to the Effective Date, or (ii) during the Term in the Mereo Territory; except, in each case ((a)-(d)), to the extent such Losses result from negligence or willful misconduct of any UGNX Indemnified Party or are attributable to the circumstances described in clause (b) or (c) of Section 11.2.

Section 11.2 By UGNX. UGNX shall defend Mereo, its Affiliates and their respective directors, officers, employees and agents (the "**Mereo Indemnified Parties**"), at UGNX's Cost, and will indemnify and hold Mereo and the other Mereo Indemnified Parties harmless from and against any Losses to the extent resulting from any Third Party Claims arising out of (a) the gross negligence or willful misconduct of UGNX, its Affiliates, or their respective Sublicensees in connection with its activities under this Agreement; (b) the breach of this Agreement or the representations, warranties and covenants made hereunder by UGNX; or (c) the Development, Commercialization or other Exploitation of the Licensed Product by or on behalf of UGNX, its Affiliates, or their respective Sublicensees during the Term in the UGNX Territory; except, in each case ((a)-(c)), to the extent such Losses result from negligence or willful misconduct of any Mereo Indemnified Party, or are attributable to the circumstances described in clause (b), (c) or (d) of Section 11.1.

Section 11.3 Procedure. The foregoing indemnity obligations shall be conditioned upon (a) the indemnified Party ("**Indemnitee**") promptly notifying the indemnifying Party ("**Indemnitor**") in writing of the assertion or the commencement of the relevant Third Party Claim (*provided, however*, that any failure or delay to notify shall not excuse any obligation of the Indemnitor, except to the extent the Indemnitor is actually prejudiced thereby), (b) the Indemnitee granting the Indemnitor sole management and control, at the Indemnitor's sole expense, of the defense of such Third Party Claim and its settlement, *provided, however*, that the Indemnitor shall not settle any such Third Party Claim without the prior written consent of the Indemnitee if such settlement does not include a complete release from liability or if such settlement would involve the Indemnitee undertaking an obligation (including the payment of money by the Indemnitee), would bind or impair the Indemnitee, or includes any admission of wrongdoing by the Indemnitee or that any Intellectual Property Rights of Indemnitee or this Agreement is invalid, narrowed in scope or unenforceable, *provided, further,* that the assumption of the defense of a Third Party Claim by the Indemnitor shall not be construed as an acknowledgment that the Indemnitor is liable to indemnify the Indemnitee in respect of the Third Party Claim, nor shall it constitute a waiver by the Indemnitor of any defense it may assert against the Indemnitee's claim for indemnification, and (c) the Indemnitee reasonably cooperating with the Indemnitor (at the Indemnitee's expense). The Indemnitee shall have the right (at its own expense) to be present in person or through counsel at all legal proceedings giving rise to the right of indemnification. Notwithstanding the foregoing, Indemnitee shall be entitled to participate in, but not control, the defense of such Third Party Claim and to employ counsel of its choice for such purpose; *provided, however*, that such employment shall be at the Indemnitee's sole cost and expense unless (i) the employment thereof has been specifically authorized in writing by the indemnifying Party in writing, (ii) Indemnitor has failed to assume the defense and employ counsel in accordance with Section 11.3 (in which case the Indemnitee shall control the defense) or (iii) the interests of the Indemnitee and Indemnitor with respect to such Third Party Claim are sufficiently adverse to prohibit the representation by the same counsel of both Parties under applicable Laws, ethical rules or equitable principles. In such event, the Indemnitee shall not settle or compromise such Third Party claim without the prior written consent of the Indemnitor, such consent not to be unreasonably withheld, conditioned or delayed. The Indemnitee shall furnish promptly to the Indemnitor copies of all papers and official documents received in respect of any Losses and Third Party Claims.

ARTICLE 12. LIMITATIONS OF LIABILITY

Section 12.1 LIMITATION OF DAMAGES. IN NO EVENT SHALL A PARTY BE LIABLE HEREUNDER TO THE OTHER PARTY FOR ANY PUNITIVE, INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING LOST REVENUE, LOST PROFITS, OR LOST SAVINGS) HOWEVER CAUSED AND UNDER ANY THEORY, EVEN IF IT HAS NOTICE OF THE POSSIBILITY OF SUCH DAMAGES. THE LIMITATIONS SET FORTH IN THIS SECTION 12.1 SHALL NOT APPLY WITH RESPECT TO ANY BREACH OF ARTICLE 13, OR FRAUD, WILLFUL MISCONDUCT OR GROSS NEGLIGENCE OF A PARTY. NOTHING IN THIS SECTION 12.1 IS INTENDED TO LIMIT OR RESTRICT THE INDEMNIFICATION RIGHTS OR OBLIGATIONS OF A PARTY UNDER ARTICLE 11 WITH RESPECT TO ANY DAMAGES PAID TO A THIRD PARTY IN CONNECTION WITH A THIRD PARTY CLAIM.

Section 12.2 Insurance. Each Party will, at their own respective expense procure and maintain insurance policies adequate to cover their obligations hereunder as such obligations arise during the Term and consistent with the normal business practices of prudent biopharmaceutical companies of similar size and scope (or reasonable self-insurance sufficient to provide materially the same level and type of protection). Such insurance will not create a limit to either Party's liability hereunder. Without limiting the foregoing, each Party shall, from and after such time as it commences any Clinical Trial of Licensed Products during the Term, obtain and keep in force and for a period of not less than (a) [***] after termination or expiration of this Agreement, or (b) the date that all statutes of limitation covering claims or suits that may be instituted for personal injury based on the sale or use of the Licensed Product have expired, commercial general liability insurance from a minimum "A-" AM Best rated insurance company, including contractual liability and product liability or clinical trials, if applicable, with coverage limits of not less than [***] in the aggregate, taking into account any applicable umbrella coverage. Such policies shall be primary and non-contributing with respect to any other similar insurance policies available to each Party or its Affiliates. Upon the other Party's request thereafter, each Party shall furnish the other with a certificate of insurance signed by an authorized representative of such Party's insurance underwriter evidencing the insurance coverage required by this Agreement and providing for at least [***] prior written notice to the other Party of any cancellation, termination or reduction of such insurance coverage.

ARTICLE 13. CONFIDENTIALITY

Section 13.1 Confidential Information.

13.1.1 Confidential Information. Each Party (the "**Receiving Party**") may receive during the course and conduct of activities under this Agreement, certain proprietary or confidential information of the other Party (the "**Disclosing Party**") as furnished to the Receiving Party by or on behalf of the Disclosing Party. The term "Confidential Information" means all non-public, confidential or proprietary information or materials of any kind, whether in written, oral, graphical, machine-readable or other form, whether or not marked as confidential or proprietary, which are transferred, disclosed or made available by Disclosing Party or at the request of Receiving Party, including any of the foregoing of Affiliates or Third Parties. Without limiting the licenses granted by a Party to the other Party under Section 9.1.2, Confidential Information included in the Joint IP shall constitute Confidential Information of both Parties unless both Parties agree to otherwise.

13.1.2 Restrictions. Starting from the Execution Date and lasting until [***] (or for trade secrets, for so long as such information maintains its legal status as trade secret under applicable trade secret Law) after expiration or termination of this Agreement, Receiving Party will keep all Disclosing Party's Confidential Information in confidence with the same degree of care with which Receiving Party holds its own confidential information (but in no event less than a commercially reasonable degree of care). Receiving Party will not use Disclosing Party's Confidential Information except in connection with the performance of its obligations and exercise of its rights under this Agreement. Receiving Party may disclose Disclosing Party's Confidential Information without Disclosing Party's prior written consent [***] Receiving Party's Affiliates and their employees, subcontractors, consultants or agents who have a need to know such Confidential Information in order to perform its obligations and exercise its rights under this Agreement and who are bound by confidentiality obligations and restrictions on use and disclosure substantially similar to this Article 13. Receiving Party will use diligent efforts to cause those entities and persons to comply with the restrictions on use and disclosure in this Section 13.1.2. Receiving Party assumes responsibility for those entities and persons maintaining Disclosing Party's Confidential Information in confidence and using same only for the purposes described herein.

13.1.3 Exceptions. Receiving Party's obligation of nondisclosure and the limitations upon the right to use the Disclosing Party's Confidential Information will not apply to the extent that Receiving Party can demonstrate that the Disclosing Party's Confidential Information: (a) was known to Receiving Party or any of its Affiliates, without any obligation to keep it confidential or any restriction on its use, prior to the time of disclosure; (b) is or becomes public knowledge through no fault or omission of Receiving Party or any of its Affiliates; (c) is obtained by Receiving Party or any of its Affiliates from a Third Party lawfully in possession thereof and without any obligation to keep it confidential or restriction on its use; (d) has been independently discovered or developed by employees, subcontractors, consultants or agents of Receiving Party or any of its Affiliates without the aid, application, use or reference of Disclosing Party's Confidential Information, as evidenced by contemporaneous written records; or (e) was released from the restrictions set forth in this Agreement by express prior written consent of the Disclosing Party. Confidential Information disclosed to the Receiving Party hereunder shall not be deemed to fall within the foregoing exceptions merely because it is embraced by more general information that falls within such exceptions.

13.1.4 Permitted Disclosures. Receiving Party may disclose Disclosing Party's Confidential Information to the extent (and only to the extent) such disclosure is reasonably necessary in the following instances:

(a) in order to comply with applicable Laws (including any securities law or regulation or the rules of a securities exchange) or with a legal or administrative proceeding, or in connection with prosecuting or defending litigation;

(b) in connection with preparing, filing or seeking Marketing Approvals and other Regulatory Filings for the Licensed Product, filing, prosecuting and enforcing Patent Rights and Product Trademarks in connection with Receiving Party's rights and obligations pursuant to this Agreement; and

(c) in connection with exercising its rights hereunder, to its Affiliates, potential and future collaborators (including Sublicensees) or independent contractors; permitted acquirers or assignees; and investment bankers, investors and lenders;

provided, *however*, that (i) with respect to Sections 13.1.4(a) or 13.1.4(b), unless prohibited by applicable Laws, Receiving Party will notify Disclosing Party of Receiving Party's intent to make any disclosure pursuant thereto sufficiently prior to making such disclosure so as to allow Disclosing Party adequate time to take whatever action it may deem appropriate to protect the confidentiality of the information to be disclosed; and (ii) with respect to Section 13.1.4(c), each of those named people and entities are contractually bound (or where applicable, professionally bound by rules of professional conduct) by restrictions on use and disclosure substantially similar to this Article 13, *provided* that financial terms shall not be disclosed to any such potential acquirer or investor who, at the time of such disclosure, is involved or has invested in a program related to a Competing Product.

Section 13.2 Terms of this Agreement; Publicity.

13.2.1 Restrictions. The Parties agree that the terms of this Agreement will be treated as Confidential Information of both Parties, and thus may be disclosed only as permitted by Section 13.1.4. Except as required by Law or as permitted under Section 13.1.4, each Party agrees not to issue any press release or public statement disclosing information relating to this Agreement or the transactions contemplated hereby or the terms hereof without the prior written consent of the other Party, not to be unreasonably withheld, conditioned or delayed (or as such consent may need to be obtained in accordance with Section 13.3). Notwithstanding the foregoing, a press release substantially in the form attached hereto as Exhibit 13.2.1 shall be issued by the Parties on or as promptly as practicable after the Effective Date through coordination of the Parties.

13.2.2 Review. Subject to Section 13.2.1, to the extent required by Law or as permitted under Section 13.1.4, if either Party (the "**Issuing Party**") desires to issue a press release (other than as set forth on Exhibit 13.2.1) or other public statement disclosing information relating to this Agreement or the transactions contemplated hereby or the terms hereof, the Issuing Party will provide the other Party (the "**Reviewing Party**") with a copy of the proposed press release or public statement (the "**Release**"). The Issuing Party will specify with each such Release, taking into account the urgency of the matter being disclosed, a reasonable period of time (which shall be no less than [***] unless earlier disclosure is required by applicable Law, or in a proceeding as provided in Section 13.1.4(a) or 13.1.4(b), or pursuant to other agreements between the Parties), within which the Reviewing Party may provide any comments on such Release. If the Reviewing Party notifies in writing that it does not have any comments or fails to respond within the period notified by the Issuing Party, then it shall be deemed that the Reviewing Party has agreed that the Issuing Party may issue such the proposed press release or public statement in the form provided to the Reviewing Party. If the Reviewing Party provides any comments, the Parties will consult on such Release and the Issuing Party shall consider the Reviewing Party's comments in good faith to prepare a mutually acceptable Release. Neither Party shall be required to seek the permission of the other Party to disclose any information included in a prior Release that has already been publicly disclosed by such Party or by the other Party, in accordance with Section 13.2.1 or this Section 13.2.2, *provided* that such information remains accurate as of such time and the frequency and form of such disclosure are reasonable.

Section 13.3 Publication. Subject to Section 13.1.4, each Party (in such capacity the "**Publishing Party**") agrees that, except as required by applicable Laws, it shall not publish or present, or permit to be published or presented, any results of the Development, use or Commercialization of the Licensed Product, including studies relating to medical affairs activities with respect to the Licensed Product ("**Covered Results**"), to the extent such results refer to the other Party's (the "**Non-Publishing Party**") Confidential Information, (a) without the prior review by and written approval of UGNX if Mereo is the Publishing Party (which approval shall not be unreasonably withheld, conditioned or delayed), or (b) without the prior review and written approval by Mereo (which approval shall not be unreasonably withheld, conditioned or delayed) if UGNX is the Publishing Party, in accordance with the following:

13.3.1 The Publishing Party shall submit to the other any proposed academic, scientific and medical publication or public presentation that contains Covered Results or otherwise contains the Non-Publishing Party's Confidential Information.

13.3.2 Such review will be conducted for the purposes of preserving the value of the Covered Results and determining whether any portion of the proposed publication or presentation containing the Non-Publishing Party's Confidential Information (other than Covered Results) should be modified or deleted. Written copies of such proposed publication or presentation required to be submitted hereunder shall be submitted to the Non-Publishing Party no later than [***] before submission for publication or presentation (the "**Review Period**"). The Non-Publishing Party shall provide its written comments with respect to such publications and presentations within [***] after its receipt of such written copy, and the Publishing Party shall delete any Confidential Information of the Non-Publishing Party upon request. The Review Period may be extended for an additional [***] in the event the non-publishing Party can, within [***] of receipt of the written copy, demonstrate in writing reasonable need for such extension, including for the preparation and filing of patent applications.

13.3.3 Notwithstanding anything to the contrary in Section 13.3, neither Party shall publish or present any Covered Results without providing prior written notice to other Party and reasonably considering the other Party's comments thereon (to the extent provided in accordance with this Section 13.3), and to the extent a Reviewing Party has made contribution to the generation of Covered Results, it shall have the right to co-author or otherwise join the Publishing Party in such publication or presentation. The Parties will each comply with standard academic practice regarding authorship of scientific publications and recognition of contribution of other parties in any publication under this Agreement.

Section 13.4 Relationship to the Confidentiality Agreement. This Agreement supersedes the Confidential Disclosure Agreement; *provided, however,* that all "Confidential Information" disclosed or received by the Parties thereunder will be deemed "Confidential Information" hereunder and will be subject to the terms and conditions of this Agreement.

Section 13.5 Attorney-Client Privilege. Neither Party is waiving, nor will be deemed to have waived or diminished, any of its attorney work product protections, attorney-client privileges or similar protections and privileges recognized under the applicable Laws of any jurisdiction as a result of disclosing information pursuant to this Agreement, or any of its Confidential Information (including Confidential Information related to pending or threatened litigation) to the Receiving Party, regardless of whether the Disclosing Party has asserted, or is or may be entitled to assert, such privileges and protections. The Parties may become joint defendants in proceedings to which the information covered by such protections and privileges relates and may determine that they share a common legal interest in disclosure between them that is subject to such privileges and protections, and in such event, may enter into a joint defense agreement setting forth, among other things, the foregoing principles but are not obligated to do so.

ARTICLE 14. TERM & TERMINATION

Section 14.1 Term.

14.1.1 Effectiveness of this Agreement. This Agreement shall become effective upon the first (1st) business day after the HSR Clearance occurs, unless Parties jointly determine that no HSR Filing is required, in which event this Agreement shall become effective on the Execution Date. If either Party receives a second request for additional information under the HSR Act, this Agreement shall be rescinded upon a rescission notice given by either Party to the other Party, *provided* that the notifying Party delivers such notice of rescission within ten (10) business days after receipt of such second request under the HSR Act. In the event of such rescission, this Agreement, in its entirety, will be null and void and of no force and effect. Notwithstanding the foregoing, the provisions of Section 10.5, this Section 14.1.1, Article 13 and Article 15 shall become binding and effective as of the Execution Date.

14.1.2 Term of this Agreement. The term of this Agreement shall commence on the Effective Date, and unless terminated earlier as provided in this Article 14, shall continue in full force and effect until expiration of the last-to-expire Royalty Term with respect to the Licensed Product anywhere in the world (the "**Term**"). Upon the expiration of the applicable Royalty Term with respect to a Licensed Product in a country, the licenses granted by the applicable Party to the other Party under Section 2.1 with respect to such Licensed Product in such country shall all become non-exclusive, fully paid-up, royalty-free, perpetual and irrevocable.

Section 14.2 Termination by Mereo.

14.2.1 Material Breach. Mereo will have the right to terminate this Agreement in the event of any material breach by UGNX of any terms and conditions of this Agreement; *provided, however*, that such termination will not be effective if such breach has been cured within [***] after written notice thereof is given by Mereo to UGNX specifying the nature of the alleged breach; *provided further, however*, if such breach is not reasonably subject to cure within [***] after receipt of written notice thereof, then as long as UGNX used Commercially Reasonable Efforts to cure such breach during such [***] period, UGNX shall have an additional [***] to effect such cure *provided* that UGNX continues to use Commercially Reasonable Efforts to cure such breach during such additional [***] period and shall have provided to Mereo at the beginning of such additional period a written plan on how it intended to cure such breach during such

additional period. Notwithstanding the foregoing in this Section 14.2.1, in the event of a good faith dispute as to whether a material breach by UGNX has occurred, the foregoing cure period with respect thereto will be tolled pending final resolution of such dispute in accordance with the terms of this Agreement; *provided, however*, if such dispute relates to payment, such tolling of the cure period will only apply with respect to payment of the disputed amounts, and not with respect to any undisputed amount. Notwithstanding the foregoing, if the breach and failure to cure contemplated by this Section 14.2.1 is with respect to UGNX's material breach in one or more (but not all) of the countries in the UGNX Territory (but excluding the U.S.), then Mereo shall not have the right to terminate this Agreement in its entirely, but shall have the right to terminate this Agreement solely with respect to such country(ies) to which such breach and failure to cure applies (each, a "**Terminated Country**").

14.2.2 Insolvency. Mereo will have the right to terminate this Agreement if, at any time, UGNX: (a) files in any court or agency pursuant to any statute or regulation of any state or country, a petition in bankruptcy or insolvency or for reorganization or for an arrangement or for the appointment of a receiver or trustee of UGNX or of its assets; (b) proposes a written agreement of composition or extension of its debts; (c) is served with an involuntary petition against it, filed in any insolvency proceeding, and such petition will not be dismissed within [***] after the filing thereof; (d) passes a resolution for its winding up or proposes to be or is a party to any dissolution or liquidation; or (e) if UGNX makes an assignment for the benefit of its creditors.

14.2.3 Patent Challenge. Mereo will have the right to terminate this Agreement immediately upon written notice to UGNX if UGNX or Affiliates initiates or asserts any Patent Challenge and fails to initiate withdrawal of such Patent Challenge within [***] after such written notice and thereafter fails to withdraw such Patent Challenge within [***] after such written notice. In the event any Sublicensee (or any Person acting on its behalf) of UGNX initiates or asserts any Patent Challenge in any forum, UGNX shall, upon written request by Mereo, terminate the applicable sublicense agreement with such Sublicensee if such Sublicensee fails to initiate withdrawal of such Patent Challenge within [***] after such written request and thereafter fails to withdraw such Patent Challenge within [***] after such written request.

Section 14.3 Termination by UGNX.

14.3.1 Mereo Breach. UGNX will have the right to terminate this Agreement in the event of any material breach by Mereo of any terms and conditions of this Agreement; *provided*, *however*, that such termination will not be effective if such breach has been cured within [***] after written notice thereof is given by UGNX to Mereo specifying the nature of the alleged breach; *provided further*, however, if such breach is not reasonably subject to cure within [***] after receipt of written notice thereof, then as long as and Mereo used Commercially Reasonable Efforts to cure such breach during such [***] period, Mereo shall have an additional [***] to effect such cure *provided* that Mereo continues to use Commercially Reasonable Efforts to cure such breach during such additional [***] period and shall have provided to UGNX at the beginning of such additional period a written plan on how it intended to cure such breach during such additional period. Notwithstanding the foregoing in this Section 14.3.1, in the event of a good faith dispute as to whether a material breach by Mereo has occurred, the foregoing cure period with respect thereto will be tolled pending final resolution of such dispute in accordance with the terms of this Agreement; *provided*, *however*, if such dispute relates to payment, such tolling of the cure period

will only apply with respect to payment of the disputed amounts, and not with respect to any undisputed amount. Without limiting any other rights UGNX may have under this Agreement or applicable Laws, if UGNX has the right to terminate this Agreement in its entirety under this Section 14.3.1, it shall have the right to keep this Agreement effective and seek monetary damages or specific performances against Mereo as provided in this Agreement or by applicable Laws.

14.3.2 Insolvency. UGNX will have the right to terminate this Agreement if, at any time, Mereo: (a) files in any court or agency pursuant to any statute or regulation of any state or country, a petition in bankruptcy or insolvency or for reorganization or for an arrangement or for the appointment of a receiver or trustee of Mereo or of its assets; (b) proposes a written agreement of composition or extension of its debts; (c) is served with an involuntary petition against it, filed in any insolvency proceeding, and such petition will not be dismissed within [***] after the filing thereof; (d) passes a resolution for its winding up or proposes to be or is a party to any dissolution or liquidation; or (e) if Mereo makes an assignment for the benefit of its creditors.

14.3.3 Discretionary Termination. UGNX, in its sole discretion, may terminate this Agreement in whole or on a country-by-country basis at any time after the [***] anniversary of the Effective Date, and the respective rights and obligations thereunder, upon delivery of at least [***] prior written notice to Mereo.

Section 14.4 Effects of Termination in its Entirety. Upon termination (but for clarity not expiration) of this Agreement in its entirety by a Party, as applicable, under Section 14.2 or Section 14.3, then the following shall apply:

14.4.1 Ongoing Clinical Studies. To the extent permitted by applicable Laws and not reasonably expected to have a material adverse effect on patient safety, Mereo shall assume all responsibilities for all ongoing Clinical Trials and Post-Marketing Commitments that UGNX is conducting as of the effective date of termination. Upon Mereo's request, UGNX shall promptly, at its own Costs (unless this Agreement is terminated by UGNX pursuant to Section 14.3.1 or Section 14.3.2, in which case Mereo shall bear the Costs), (a) transfer to Mereo all Regulatory Filings and Data (including safety data) held by UGNX with respect to all ongoing Clinical Trials and (b) assign, novate or transfer to Mereo all ongoing contracts with CROs and clinical trial sites that relate to ongoing Clinical Trials including any master services agreements and clinical trial agreements, or to the extent such assignment, novation or transfer is not permissible under such contract or applicable Laws, and facilitate Mereo's engagement with such subcontractors. For clarity, Mereo shall have sole discretion on whether to wind-down, in accordance with accepted biopharmaceutical industry norms and ethical practices, any on-going Clinical Trials or whether to continue such Clinical Trials. For further clarity, UGNX shall be responsible for and pay all Costs that accrued prior to the effective date of termination for the ongoing Clinical Trials that UGNX is conducting as of the effective date of termination.

14.4.2 Termination of Licenses and Sublicense. Subject to Section 14.4.4(e). all relevant licenses and sublicenses granted under Article 2, as of the effective date of such termination, shall terminate automatically unless otherwise agreed in writing by the Parties.

14.4.3 Destruction of Confidential Information. Except to the extent a Party requires the use of the other Party's Confidential Information to perform its obligations or exercise its rights under Sections 14.4.1 and Section 14.6, each Party shall at the other Party's written request, destroy all Confidential Information of the other Party that is in its possession as of the effective date of termination (with the exception of one copy of such Confidential Information, which may be retained by the legal department of the Party that received such Confidential Information to confirm compliance with the non-use and non-disclosure provisions of this Agreement), *provided* that each Party may retain and continue to use such Confidential Information of the other Party to the extent necessary to exercise any surviving rights, licenses or obligations under this Agreement. Notwithstanding the foregoing, a Party shall not be required to destroy any Confidential Information stored in computer files created during automatic system back up that are subsequently stored securely by it, that is not accessible to its employees, consultants, or other Third Parties and not for any other uses or purposes.

14.4.4 Licensed Product Reversion. The Licensed Products existing as of the effective date of the termination shall automatically become the "**Reversion Licensed Products**," and the following shall apply to the extent applicable:

(a) To the extent that UGNX or its Affiliates holds any Regulatory Filings or Marketing Approvals for the Reversion Licensed Products, at Mereo's request, all of UGNX's and its Affiliates' rights, title and interests therein shall be assigned or transferred to Mereo or its designee. At Mereo's request, all material documents necessary to further Exploit the Reversion Licensed Products and all Data generated for the Reversion Licensed Products, to the extent possessed or Controlled by UGNX or its Affiliates and not already shared with Mereo, and all of UGNX's and its Affiliates' right, title and interest therein and thereto, shall be assigned and transferred to Mereo or its designee as promptly as reasonably practicable thereafter.

(b) At Mereo's request and to the extent permissible pursuant to applicable Laws, any existing agreements between UGNX or its Affiliates and any Third Party that are solely related to the Exploitation of the Reversion Licensed Products, and all of UGNX's and its Affiliates' right, title and interest therein and thereto, shall be assigned and transferred to Mereo or its designee, in each case, to the extent permissible pursuant to the terms thereof, in which case, Mereo or its designee shall assume all of UGNX's obligations (but for clarity and subject to Section 14.4.4(h), not liabilities accrued by UGNX prior to such transfer) under such transferred agreements with respect to the Exploitation of the Reversion Licensed Products after the effective date of such transfer, and for any such agreement that by its terms cannot be so assigned, UGNX shall reasonably cooperate with Mereo to provide to Mereo the benefits of such agreement.

(c) At Mereo's request, should UGNX or its Affiliates own or control any inventory of the Reversion Licensed Products suitable for use or sale in the UGNX Territory existing as of the effective date of the termination, UGNX shall notify Mereo in writing and Mereo shall have the right (but not the obligation) to purchase such Reversion Licensed Products from UGNX at a price equal to UGNX's or its Affiliate's actual direct cost of procuring such Reversion Licensed Product plus an additional [***].

(d) At Mereo's request, UGNX shall assign (or, if applicable, cause its Affiliate to assign) to Mereo all of UGNX's (and such Affiliates') right, title and interest in and to any trademark (including goodwill) or internet domain name or social media accounts that is specific to the Reversion Licensed Products and used by UGNX or any of its Affiliates in the Exploitation of the Reversion Licensed Products prior to such termination of this Agreement.

(e) Upon the effectiveness of such termination, UGNX shall grant and hereby grants (without further action required) as of such effectiveness of termination, to Mereo an exclusive perpetual, royalty-bearing, worldwide license, with the right to grant sublicenses through multiple tiers of sublicensees, under the UGNX IP and UGNX's interest in the Joint IP, in each case, that is Controlled by UGNX or any of its Affiliates as of the date of such termination and that is necessary to Exploit such Reversion Licensed Product, solely for the purposes of Exploiting such Reversion Licensed Product, *provided*, to the extent a Third Party agreement under which UGNX IP is licensed to UGNX and sublicensed to Mereo pursuant to this Section 14.4.4(e) is not assigned by UGNX or its Affiliates to Mereo or its designee pursuant to Section 14.4.4(b), (i) Mereo shall be responsible for (A) making any payments (including royalties, milestones and other amounts) payable by UGNX to Third Parties after the effective date of such termination under such Third Party agreement with respect to the Exploitation of the Reversion Licensed Product, by making such payments directly to UGNX, together with necessary reporting information in sufficient time to enable UGNX to comply with its obligations under such Third Party agreements, and (B) complying with any other obligations included in such Third Party agreement and that are applicable to the Exploitation of the Reversion Licensed Products, and (ii) UGNX shall be responsible for paying or providing to any such Third Party any payments or reports made or provided by Mereo under the preceding subclause (i).

(f) During the Reversion Royalty Term, Mereo shall pay to UGNX royalties that equal to [***] of the Net Sales of the Reversion Licensed Products sold by Mereo, its Affiliates or Sublicensees, and, the definition of "Net Sales," Section 8.4.3, Section 8.4.4, Section 8.5, and Section 8.8 to Section 8.11 shall apply, *mutatis mutandis* to the calculation, payment, recording, and auditing of such royalties payable by Mereo for the Reversion Licensed Product.

(g) At Mereo's request and discretion, UGNX shall return to Mereo or destroy all literature, samples and other sales or sales training materials for the Reversion Licensed Product in the possession of UGNX and its Affiliates as promptly as practical after the date of such termination (to the extent then existing). At Mereo's request, UGNX shall provide Mereo with copies of lists of distributors and purchasers of the Licensed Product in the UGNX Territory as of the effective date of termination.

(h) The Parties will use Commercially Reasonable Efforts to complete all transfer and transition activities required in this Section 14.4.4 as promptly as practicable following the effective date of such termination and each Party shall be responsible for its own Costs in connection therewith, unless this Agreement is terminated by UGNX pursuant to Section 14.2.1 or Section 14.2.2, in which case Mereo shall bear all such Costs.

Section 14.5 Termination of this Agreement in a Terminated Country. If this Agreement is terminated with respect to a Terminated Country, then the following shall apply:

14.5.1 All licenses and other rights granted by Mereo to UGNX pursuant to Section 2.1.1 and Section 2.2.1 shall automatically be deemed to be amended to exclude, if applicable, the right to Exploit the Licensed Products in such Terminated Country, *provided* that such licenses and other rights shall survive and continue in effect in such Terminated Country solely for the purpose of furthering the Exploitation of the Licensed Products in the UGNX Territory other than the Terminated Country, including any Development or Manufacturing in support thereof.

14.5.2 Upon termination of this Agreement with respect to the Terminated Country, the Licensed Products Developed or Commercialized in the Terminated Country shall automatically, become the Reversion Licensed Products, and the terms in Section 14.4.4 shall apply, *mutatis mutandis*, only to the extent exclusively related to the Terminated Country.

14.5.3 The anti-diversion obligations set forth in Section 7.3 shall apply, *mutatis mutandis*, with respect to the Reversion Licensed Products sold by Mereo, its Affiliates or Sublicensees in the Terminated Country, and the Licensed Product sold by UGNX, its Affiliates or Sublicensees in the UGNX Territory.

Section 14.6 Survival. In addition to the expiration or termination consequences set forth in Section 14.4 and Section 14.5, the following provisions will survive termination or expiration of this Agreement: Article 1 (as applicable to other surviving provisions), Article 11, Article 12, Article 13 and Article 15, and Section 2.2.5, Section 3.2.3, Section 8.7, Section 8.8, Section 8.9, Section 8.10, Section 8.11, Section 8.12 (for sections within Article 8, solely with respect to payments accrued during the Term), Section 9.1, and this Section 14.6. Termination or expiration of this Agreement are neither Party's exclusive remedy and will not relieve the Parties of any liability or obligation which accrued hereunder prior to the effective date of such termination or expiration nor preclude either Party from pursuing all rights and remedies it may have hereunder or at law or in equity with respect to any breach of this Agreement nor prejudice either Party's right to obtain performance of any obligation. All other rights and obligations will terminate upon termination or expiration of this Agreement.

ARTICLE 15. MISCELLANEOUS

Section 15.1 Entire Agreement; Amendment. This Agreement and all Exhibits attached hereto or thereto, constitute the entire agreement between the Parties as to the subject matter hereof. All prior and contemporaneous negotiations, representations, warranties, agreements, statements, promises and understandings with respect to the subject matter of this Agreement, including the Confidential Disclosure Agreement, are hereby superseded and merged into, extinguished by and completely expressed by this Agreement. Neither of the Parties shall be bound by or charged with any written or oral agreements, representations, warranties, statements, promises or understandings not specifically set forth in this Agreement. No amendment, supplement or other modification to any provision of this Agreement shall be binding unless in writing and signed by UGNX and Mereo.

Section 15.2 Section 365(n) of the Bankruptcy Code. All rights and licenses granted under or pursuant to any section of this Agreement are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the U.S. Bankruptcy Code or any analogous Laws in any other country or jurisdiction, licenses of rights to "intellectual property" as defined under Section 101(35A) of the U.S. Bankruptcy Code, or the analogous provisions in any other country or jurisdiction. The Parties agree that the Parties, as licensees of such rights under this Agreement,

shall retain and may fully exercise all of their rights and elections under the U.S. Bankruptcy Code or any analogous provisions in any other country or jurisdiction. The Parties further agree that, in the event of the commencement of a bankruptcy proceeding by or against either Party under the U.S. Bankruptcy Code or any analogous provisions in any other country or jurisdiction, the Party hereto that is not a Party to such proceeding shall be entitled to a complete duplicate of (or complete access to, as appropriate) any such intellectual property and all embodiments of such intellectual property, which, if not already in the non-subject Party's possession, shall be promptly delivered to it (i) upon any such commencement of a bankruptcy proceeding upon the non-subject Party's written request therefor, unless the Party subject to such proceeding elects to continue to perform all of its obligations under this Agreement or (ii) if not delivered under clause (i) above, following the rejection of this Agreement by or on behalf of the Party subject to such proceeding upon written request therefor by the non-subject Party.

Section 15.3 Independent Contractors. The relationship between UGNX and Mereo created by this Agreement is solely that of independent contractors. This Agreement does not, for any purpose including tax purposes, create any agency, distributorship, employee-employer, partnership, joint venture or similar business relationship between the Parties, including for all tax purposes. No such Party is a legal representative of the other Party, and no such Party can assume or create any obligation, representation, warranty or guarantee, express or implied, on behalf of the other Party for any purpose whatsoever. Each such Party shall use its own discretion and shall have complete and authoritative control over its employees and the details of performing its obligations under this Agreement.

Section 15.4 Governing Law; Jurisdiction. This Agreement and its effect are subject to and shall be construed and enforced in accordance with the law of the State of New York, without regard to its conflicts of laws provision thereof, except as to any issue which depends upon the validity, scope or enforceability of any UGNX Patent or Licensed Patent, which issue shall be determined in accordance with the laws of the country in which such patent was issued. Each of the Parties hereby irrevocably and unconditionally consents to submit to the exclusive jurisdiction of United States District Court for the Southern District of New York, for any matter arising out of or relating to this Agreement and the transactions contemplated hereby (other than the matters and disputes that shall be resolved in accordance with Section 3.1.9). Each Party agrees to commence any such action, suit or proceeding in the United States District Court for the Southern District of New York, or, if such suit, action or other proceeding may not be brought in such court for lack of federal jurisdiction, in another court having jurisdiction over such matter in the State of New York. The Parties irrevocably and unconditionally waive their right to a jury trial. Each Party further agrees that service of any process, summons, notice or document by a nationally recognized overnight courier (receipt requested) to such Party's respective address set forth in Section 15.5 shall be effective service of process for any action, suit or proceeding in New York with respect to any matters to which it has submitted to jurisdiction in this Section 15.4. Each of the Parties hereby irrevocably and unconditionally waives any objection to the laying of venue of any matter arising out of this Agreement or the transactions contemplated hereby in the United States District Court for the Southern District of New York, or, where applicable, the Supreme Court of the State of New York, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such matter brought in any such court has been brought in an inconvenient forum. The Parties agree that a final judgment in any such matter shall be conclusive and may be enforced in other jurisdictions by suits on the judgment or in any other manner provided by law. Any proceeding brought by either Party under this Agreement shall be exclusively conducted in the English language.

Section 15.5 Notice. Any notice required or permitted to be given by this Agreement shall be in writing, in English and refer specifically to this Agreement. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective if (a) delivered by hand or by overnight courier with tracking capabilities, (b) mailed postage prepaid by registered, or certified mail with receipt confirmation, or (c) if neither (a) or (b) is feasible due to a Force Majeure Event, then notice shall be deemed given electronically via email with the notice in the body of the email or attached as a PDF or other electronic file, and addressed or sent as set forth below unless changed by notice so given:

If to Mereo:	Attn: General Counsel Mereo BioPharma 3 Limited [***]
	with a copy (which shall not constitute notice) to:
	[***]
If to UGNX:	Ultragenyx Pharmaceutical Inc. [***]
	with a copy (which shall not constitute notice) to:
	[***]

Any such notice delivered via method (a) or (b) shall be deemed given on the date received. Any such notice delivered via method (c) shall be deemed given on the date that the recipient acknowledges receipt of the electronic notice by replying to the sender a message confirming receipt, such acknowledgement and confirmation shall not be unreasonably delayed, withheld, or conditions. A Party may add, delete, or change the Person or address or email address to which notices should be sent at any time upon written notice delivered to the Party's notices in accordance with this Section 15.5. Each Party providing notice under methods (a) or (b) above shall concurrently with the physical delivery of such notice send each recipient an email with a courtesy PDF copy of the notice, which shall not constitute notice.

Section 15.6 Compliance with Law; Severability. Nothing in this Agreement shall be construed to require the commission of any act contrary to Law. If any one or more provisions of this Agreement is held to be invalid, illegal or unenforceable under any present or future Law and if the rights or obligations of either Party under this Agreement will not be materially and adversely affected thereby, (a) such provision shall be fully severable, (b) this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, (c) the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom and (d) the Parties shall agree upon an amendment of this Agreement pursuant to which a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible shall be added to replace the severed provision.

Section 15.7 Non-Use of Names. Mereo shall not use the name, trademark, logo, or physical likeness of UGNX or any of its respective officers, directors or employees, or any adaptation of any of them, in any advertising, promotional or sales literature, without UGNX's prior written consent, not to be unreasonably withheld, delayed or conditioned. Mereo shall require its Affiliates to comply with the foregoing. UGNX shall not use the name, trademark, logo, or physical likeness of Mereo or any of its officers, directors or employees, or any adaptation of any of them, in any advertising, promotional or sales literature, without Mereo's prior written consent. UGNX shall require its Affiliates and Sublicensees to comply with the foregoing.

Section 15.8 Successors and Assigns. Neither this Agreement nor any of the rights or obligations created herein may be assigned by either Party, in whole or in part, without the prior written consent of the other Party, not to be unreasonably withheld, conditioned or delayed except that either Party shall be free to assign this Agreement (a) to an Affiliate of such Party (for so long as such Affiliate remains an Affiliate) *provided* that such Party shall remain liable and responsible to the other Party for the performance and observance of all such duties and obligations by such Affiliate, or (b) in connection with any sale of all or substantially all of the assets of the Party that relate to this Agreement to a Third Party, whether by merger, consolidation, divestiture, restructure, sale of stock, sale of assets or otherwise (a "**Sale Transaction**"), *provided* that the party to which this Agreement is assigned expressly agrees in writing to assume and be bound by all obligations of the assigning Party under this Agreement. A copy of a written agreement by an assignee described above shall be provided to the non-assigning Party within [***] of execution of such written agreement. This Agreement shall bind and inure to the benefit of the successors and permitted assigns of the Parties hereto. Any attempted assignment of this Agreement in contravention of this Section 15.8 shall be null and void.

Section 15.9 UGNX Sale Transaction or UGNX Acquisition. In the event of (a) a Sale Transaction involving UGNX (such Third Party acquiror and any Affiliate of such Third Party immediately prior to such Sale Transaction, each, a "**UGNX Acquirer**"), or (b) the acquisition by UGNX or an Affiliate of UGNX, of all or substantially all of the business of a Third Party as such business exists immediately prior to such acquisition (such Third Party and any Affiliate of such Third Party, each, a "**UGNX Acquiree**"), in each case ((a) or (b)), whether by merger, sale of stock, sale of assets or otherwise (a "**UGNX Acquisition**"), Intellectual Property Rights of the UGNX Acquirer or the UGNX Acquiree, as applicable, shall not be included in the Patent Rights or Know-How licensed hereunder by UGNX to Mereo or otherwise subject to this Agreement, unless such Intellectual Property Rights of the UGNX Acquirer or the UGNX Acquiree (i) have already been licensed to UGNX and are subject to the licenses granted to Mereo hereunder prior to the consummation of the UGNX Acquisition, or (ii) becomes under Control by UGNX and is used by UGNX, its Affiliates or Sublicensees, in connection with the activities under this Agreement after the UGNX Acquisition.

Section 15.10 Mereo Sale Transaction or Mereo Acquisition. In the event of (a) a Sale Transaction involving Mereo (such Third Party acquiror and any Affiliate of such Third Party immediately prior to such Sale Transaction, each, a "**Mereo Acquirer**") or (b) the acquisition by Mereo or an Affiliate of Mereo of all or substantially all of the business of a Third Party as such business exists immediately prior to such acquisition (such Third Party and any Affiliate of such Third Party, each, a **"Mereo Acquiree**"), in each case ((a) or (b)), whether by merger, sale of stock, sale of assets or otherwise (a "**Mereo Acquisition**"), Intellectual Property Rights of the Mereo Acquirer, or the Mereo Acquiree, as applicable, shall not be included in the Patent Rights or Know-How licensed hereunder by Mereo to UGNX, or otherwise subject to this Agreement, unless such Intellectual Property Rights of the Mereo Acquirer or the Mereo Acquiree (i) have already been licensed to Mereo and are subject to the licenses granted to UGNX hereunder prior to the consummation of the Mereo Acquisition, or (ii) becomes under Control by Mereo and is used by Mereo, its Affiliates or Sublicensees, in connection with the activities under this Agreement after the Mereo Acquisition. For clarity, subject to the terms of this Agreement, any Intellectual Property Rights of one of Mereo's upstream licensors (including Novartis and [***]) that is licensed by Mereo to UGNX hereunder shall continue to be included in such license if such licensor becomes a Mereo Acquirer or Mereo Acquiree.

Section 15.11 Waivers. A Party's consent to or waiver, express or implied, of any other Party's breach of its obligations hereunder shall not be deemed to be or construed as a consent to or waiver of any other breach of the same or any other obligations of such breaching Party. A Party's failure to complain of any act, or failure to act, by the other Party, to declare the other Party in default, to insist upon the strict performance of any obligation or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof, no matter how long such failure continues, shall not constitute a waiver by such Party of its rights hereunder, of any such breach, or of any other obligation or condition. A Party's consent in any one instance shall not limit or waive the necessity to obtain such Party's consent in any future instance and in any event no consent or waiver shall be effective for any purpose hereunder unless such consent or waiver is in writing and signed by the Party granting such consent or waiver.

Section 15.12 No Third Party Beneficiaries. Nothing in this Agreement shall be construed as giving any Person, other than the Parties hereto and their successors and permitted assigns, any right, remedy or claim under or in respect of this Agreement or any provision hereof, except for the provisions of Article 11 (with respect to which the persons to which Article 11 applies shall be Third Party beneficiaries for Article 11 only in accordance with the terms and conditions of Article 11).

Section 15.13 Force Majeure. Except with respect to delays or nonperformance by a Party caused by the negligent or intentional act or omission of such Party, any delay or nonperformance by such Party (other than payment obligations under this Agreement) will not be considered a breach of this Agreement to the extent such delay or nonperformance is caused by acts of God, natural disasters, acts or failures to act of the government (including any Regulatory Authority) or civil or military authority, fire, floods, epidemics, pandemic (including the COVID-19 pandemic), quarantine, energy crises, war or riots or other similar cause outside of the reasonable control of such Party arising after the Execution Date (each, a "**Force Majeure Event**"), *provided* that the Party affected by such Force Majeure Event will promptly begin or resume performance as soon as reasonably practicable after the event has abated.

Section 15.14 Headings; Exhibits; Appendices. Article and Section headings used herein are for convenient reference only, and are not a part of this Agreement. All Exhibits are incorporated herein by this reference.

Section 15.15 Interpretation. Except where the context otherwise requires, wherever used, the singular shall include the plural, the plural the singular, and the use of any gender shall be applicable to all genders. The term “including” as used herein means including, without limiting the generality of any description preceding such term. The word “will” shall be construed to have the same meaning and effect as the word “shall”. The words “herein”, “hereof” and “hereunder” and words of similar import will be construed to refer to this Agreement in its entirety and not to any particular provision hereof. The word “or” has the inclusive meaning represented by the phrase “and/or”. All references to a “business day” or “business days” in this Agreement means any day other than a day which is a Saturday, a Sunday or any day banks are authorized or required to be closed in the State of California or in London, England. The language in all parts of this Agreement shall be deemed to be the language mutually chosen by the Parties. The Parties and their counsel have cooperated in the drafting and preparation of this Agreement, and this Agreement therefore shall not be construed against any Party by virtue of its role as the drafter thereof.

Section 15.16 Counterparts Electronic or Facsimile Signatures. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument. This Agreement may be executed and delivered electronically or by facsimile and upon such delivery such electronic or facsimile signature will be deemed to have the same effect as if the original signature had been delivered to the other Party.

[*signature page follows*]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Execution Date.

ULTRAGENYX PHARMACEUTICAL INC.

By: /s/ [***]
[***]

MEREO BIOPHARMA 3 LIMITED

By: /s/ [***]
[***]

Exhibit Section 1.42

[OMITTED]

Exhibit Section 1.89

[OMITTED]

Exhibit 2.4.1

[OMITTED]

Exhibit 4.1.1

[OMITTED]

Exhibit 4.3.2

[OMITTED]

Exhibit 6.2.1

[OMITTED]

Exhibit 9.2.2

[OMITTED]

Exhibit 13.2.1

[OMITTED]

Exhibit 8.1

Subsidiaries of Mereo BioPharma Group plc

Legal Name of Subsidiary	Jurisdiction of Organization
Mereo BioPharma 1 Limited	United Kingdom
Mereo BioPharma 2 Limited	United Kingdom
Mereo BioPharma 3 Limited	United Kingdom
Mereo BioPharma 4 Limited	United Kingdom
Mereo BioPharma Ireland Limited	Ireland
Mereo US Holdings Inc.	Delaware
Mereo BioPharma 5, Inc.	Delaware
NAVI Subsidiary, Inc.	Delaware

Exhibit 12.1

Certification by the Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Denise Scots-Knight, certify that:

1. I have reviewed this annual report on Form 20-F of Mereo BioPharma Group plc (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit and risk committee of the Company's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: March 31, 2021

/s/ Denise Scots-Knight, Ph.D.
Name: Denise Scots-Knight, Ph.D.
Title: Chief Executive Officer

Exhibit 12.2

Certification by the Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Christine Fox, certify that:

1. I have reviewed this annual report on Form 20-F of Mereo BioPharma Group plc (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit and risk committee of the Company's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: March 31, 2021

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

Exhibit 13.1

Certification by the Chief Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the annual report of Mereo BioPharma Group plc (the "Company") on Form 20-F for the year ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Denise Scots-Knight, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 31, 2021

By: /s/ Denise Scots-Knight, Ph.D.
Name: Denise Scots-Knight, Ph.D.
Title: Chief Executive Officer

Exhibit 13.2

Certification by the Chief Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the annual report of Mereo BioPharma Group plc (the "Company") on Form 20-F for the year ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christine Fox, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 31, 2021

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

Consent of Independent Registered Public Accounting Firm

Mereo BioPharma Group plc 2019 Equity Incentive Plan
Mereo BioPharma Group plc 2019 Non-Employee Equity Incentive Plan

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement on Form S-8 (No, 333-231636) pertaining to both the Mereo BioPharma Group plc 2019 Equity Incentive Plan and the Mereo BioPharma Group plc 2019 Non-Employee Equity Incentive Plan; and

(2) Registration Statement on Form S-8 (No. 333-236498) pertaining to both the Mereo BioPharma Group plc 2019 Equity Incentive Plan and the Mereo BioPharma Group plc 2019 Non-Employee Equity Incentive Plan; and

(3) Registration Statement on Form S-8 (No. 333-252147) pertaining to i) Mereo BioPharma Group plc 2019 Equity Incentive Plan, as amended; ii) Mereo BioPharma Group plc 2019 Non-Employee Equity Incentive Plan, as amended, iii) Mereo BioPharma Group plc Share Option Scheme 2016, as amended; iv) Mereo BioPharma Group plc Deferred Bonus Share Plan 2016, as amended; v) Mereo BioPharma Group plc Long Term Incentive Plan 2016, as amended and vi) Mereo BioPharma Group Share Option Scheme 2015, as amended; and

(4) Registration Statements on Form F-3 (No. 333-249341 and No. 333-239708) of Mereo BioPharma Group plc and in the related Prospectuses;

of our report dated March 31, 2021, with respect to the consolidated financial statements of Mereo BioPharma Group plc included in this Annual Report (Form 20-F) for the year ended December 31, 2020.

/s/ Ernst & Young LLP

London, United Kingdom
March 31, 2021