



MOTIF BIO PLC

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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Chairman's Statement

2019 was a challenging year for Motif Bio plc ('Motif' or the 'Company') and its wholly-owned operating subsidiary Motif BioSciences, Inc. (collectively, the 'Group'). In the face of a challenging commercial market for approved anti-biotics, the capital markets were not willing to support the significant costs of generating additional data to advance iclaprim to approval and with the additional complications of having senior debt that could not be serviced under its original terms, the Group determined that the best way to deliver value for shareholders was to undertake a restructuring.

In November 2019, shareholders approved the restructuring, which was designed to provide value to shareholders if the iclaprim asset is monetised at a value above the funds owed to the Group's senior lender. Further, the restructuring led to the discontinuance of operations of Motif BioSciences, Inc. and released the Company from obligations under the subsidiary's loan agreement. The restructuring led the Company to be classified as an AIM Rule 15 Cash Shell and to explore the potential of a Reverse Takeover ('RTO') Transaction. The Board has been actively exploring RTO transactions and engaging with potential RTO candidates. The Board is continuing to work towards completing an RTO transaction before January 2021, when the Company's shares will be de-listed absent an RTO or other qualifying transaction.

On behalf of the Board I wish to express our appreciation for the valued support and patience of Motif's various stakeholders as we endeavor to secure a suitable RTO to generate long term shareholder value. In addition, I would like to express my appreciation for the dedicated Motif team and to my fellow current and former Board members for their support.

Bruce Williams
Chairman
1 September 2020

Strategic Report

The Directors present their Strategic Report for the year ended 31 December 2019.

In 2019, the strategy for the Group changed as a result of an unfavorable regulatory outcome with the Group's anti-biotic product candidate, iclaprim, along with challenging equity capital markets for companies with anti-biotic products. In 2019 and early 2020, a number of the Company's larger peer companies filed for Bankruptcy including Achaogen (formerly NASDAQ: AKAO), Aradigm (formerly NASDAQ: ARDM), and Melinta (formerly NASDAQ: MLTA). On the back of iclaprim's regulatory setback in Q1 2019, and in the face of the regulatory and capital market challenges for Motif and its peers, Motif was able to execute a lender and shareholder supported restructuring.

We believe the restructuring optimized value for shareholders in what was a difficult environment. Under the restructuring, in any monetization of iclaprim, the Company's subsidiary is entitled to any proceeds above the balance owed to Hercules, the subsidiary's lender, at the time of the monetisation. Further, shareholders can benefit from the possibility that the Company, now unencumbered by its previous guarantee of the subsidiary's loan, may be able to complete an RTO and deliver additional value to shareholders. While the Board continues to advance discussions with RTO candidates, there is no assurance that the Company will be able to complete an RTO or other qualifying transaction before the end of January 2021.

AIM Rule 15 Cash Shell Status

Pursuant to the successful completion of the restructuring, as announced on 28 January 2020 and described in the financial statements in Notes 1, the Company was reclassified as an AIM Rule 15 cash shell. As such, the Company is required to make an acquisition, or acquisitions, which constitutes a reverse takeover under AIM Rule 14 to continue to be listed on the AIM Market of the London Stock Exchange. In July 2020, the London Stock Exchange suspended trading in the Company's AIM securities pursuant to AIM Rule 40.

The AIM rules provide that the Company will have an additional six months from the suspension date to complete a qualifying transaction. If the Company does not complete a qualifying transaction by 28 January 2021, the Company's shares will be delisted from the AIM market.

NASDAQ Capital Market

From November 2016 until December 2019, Motif had American Depository Shares (ADS's) and ADS warrants that were traded on the NASDAQ Capital Market. After review and careful consideration of the administrative burden and costs and benefits of being a Nasdaq-listed, reporting company, as well as the uncertainties of the Company being able to re-gain and maintain compliance with the Nasdaq requirements for continued listing, the Company made the decision to voluntarily delist, its ADS' and ADS warrants from the NASDAQ Capital Market, effective December 2019.

Financial Overview

The Company's wholly-owned subsidiary, Motif BioSciences Inc., has been reported as discontinued operations in the consolidated statements of comprehensive loss and the related assets and liabilities have been presented as held-for-sale in the consolidated balance sheet as of 31 December 2019. These changes have been made for all periods presented. In January 2020, the Company determined that it no longer has control of Motif BioSciences Inc. in accordance with IFRS 10 Consolidated Financial Statements. As a result, the Company will not consolidate Motif BioSciences Inc. in future financial periods.

Discontinued Operations

The net loss from discontinued operations for the year ended 31 December 2019 was US \$10.4 million (2018: loss of US \$18.8 million).

The discontinued operations had total liabilities of US \$11.6 million (2018: US \$21.7 million) and total assets of a nominal value (2018: US \$11.8 million). The liabilities are comprised of US \$7.7 million owed to Hercules, including end of term fee, and US \$3.9 million of vendor and related obligations.

Continuing Operations

The net gain from continuing operations for the year ended 31 December 2019 was US \$4.2 million (2018: gain of US \$4.8 million).

The continuing operations had total liabilities of US \$0.4 million (2018: US \$6.0 million) and total assets of US \$0.8 million (2018: US \$0.7 million). The liabilities are comprised of US \$0.2 million of vendor and related obligations and US \$0.2 million in derivative warrant obligations.

Going Concern

As of 31 December 2019, the Company had US \$0.7 million in cash. As of 31 July 2020, the Company had US \$0.8 million of cash. The Company may require additional capital in the future. To the extent that the company raises additional funds by issuing equity securities, its existing stockholders may experience significant dilution.

The Company's wholly owned subsidiary, Motif BioSciences, Inc., is reported as discontinued operations and had US \$7.3 million owed under its loan facility with Hercules as of 31 December 2019. The Company was relieved from its obligation to guarantee the loan effective January 2020 (Note 14).

As an AIM Rule 15 cash shell, the Company's ability to continue as a going concern is dependent on its ability to secure additional capital to fund it in conjunction with an RTO or other suitable transaction. The Company's shares were suspended from trading on AIM on 29 July 2020 pursuant to AIM Rule 40. If the Company is unable to identify a suitable reverse takeover transaction for re-admission of trading on AIM by January 2021, the listing of the Company's common shares would be cancelled on or about 28 January 2021.

These financial statements have been prepared under the assumption that the Group and Company will continue as a going concern. However, as of the date these financial statements were approved, the Company can provide no assurance that a RTO transaction or additional capital will be available when required and/or on acceptable terms. Due to the Group's and Company's recurring and expected continuing operating losses, the Directors have concluded there is a material uncertainty which may cast significant doubt on the Group's and Company's ability to continue as a going concern for at least one year from the date of issuance of these financial statements. The financial statements do not include any adjustments that might result from this uncertainty.

Section 172 statement

The Company's Section 172 statement is set out in the Corporate Governance Report on pages 10 to 11.

Jonathan E. Gold
Executive Director, President & Chief Business Officer
1 September 2020

Directors' Report

The Directors present their annual report on the affairs of the Group, together with the financial statements and auditors' report, for the year ended 31 December 2019.

Principal Activities and Future Objectives

As an AIM Rule 15 cash shell, the Company is focused on identifying a suitable reverse takeover or other strategic transaction.

Business and Strategic Review

The information that fulfills the requirements of the business review, including details of the results for the year ended 31 December 2019, material uncertainties, and the outlook, are set out in the Chairman's Statement and Strategic Report on pages 1 - 3.

Capital Structure

The capital structure is intended to support the Groups business and maximize shareholder value. It includes the monitoring of cash balances, available bank facilities, and cash flows. No material changes were made to these objectives, policies, or processes during the year ended 31 December 2019.

Share Capital

Information relating to changes in the issued share capital during the year is given in Note 17 to the financial statements. After 31 December 2019, the Group issued share capital that significantly increased the outstanding issued shares, as further described in Note 17 to the financial statements.

Results and Dividends

The consolidated statement of comprehensive loss is set out on page 15 The Group's consolidated loss after taxation amounted to US \$6.2 million (2018: US \$14.0 million). The financial results of Motif's wholly-owned subsidiary, Motif BioSciences Inc., has been reported as discontinued operations in the consolidated statements of comprehensive loss and the related assets and liabilities have been presented as held-for-sale in the consolidated balance sheet as of 31 December 2019. These changes have been made for all periods presented. In January 2020, Motif determined that it no longer has control of Motif BioSciences Inc. in accordance with IFRS 10 Consolidated Financial Statements. As a result, the Motif will not consolidate Motif BioSciences Inc. in future financial periods.

The Directors did not recommend the payment of a dividend for the years ended 31 December 2019 and 2018.

Environmental and Social Matters

The Group currently has no operating business, being a cash shell. In our day to day business we commit to comply with applicable environmental laws. The direct impact of our operations is low. We also aim to undertake good housekeeping practices such as reducing energy consumption, using sustainable resources and recycling waste.

Our People

As a result of corporate restructuring, the size of Company's Board and management team was reduced. At 31 December 2019, the Company's Board was made up of three male directors. The senior management (namely, the Chief Executive Officer and Chief Financial Officer) consisted of all men. At the end of the year, there was 1 additional male employee of the Company.

Directors

In connection with the corporate restructuring, the size of the Board was reduced from eight (8) to three (3) members in November 2019. One additional member was appointed in May 2020. The Directors, who served during the year (unless otherwise noted) and to the date of signing the financial statements, were as follows:

Mr. Jonathan Gold	
Dr. Graham Lumsden	
Mr. Bruce Williams	
Mr. Chris Wardhaugh	(appointed on 5 May 2020)
Dr. Craig Albanese	(until 15 November 2019)
Ms. Charlotta Ginman	(until 15 November 2019)
Mr. Zaki Hosny	(until 15 November 2019)
Dr. Mary Lake Polan	(until 15 November 2019)
Mr. Andrew Powell	(until 15 November 2019)

Directors' Indemnities

The Group is empowered to indemnify its Directors and Officers against any liability they incur by reason of their directorship or position as an officer. The Group had maintained third party insurance, for the benefit of its Directors and Officers, throughout the year and it remains in force at the date of this report.

Directors' Biographies

A biography for each current director is listed below.

Bruce A. Williams, Chairman

Mr. Williams has significant operational experience in the biopharmaceutical industry and has held senior leadership positions at both large pharmaceutical firms and start-up biotech's. He served as Senior Vice President, Global Business Management at Enzon Pharmaceuticals, where he led the company's commercial functions. Prior to that, he was Senior Vice President, Sales & Marketing at Genta Incorporated, where he built and led the sales and marketing function and negotiated a licensing and co-development/co-marketing agreement with Aventis for the company's lead product. He was previously Vice President of Sales & Marketing at Celgene Corporation, where he built the company's commercial and distribution infrastructure to support the launch of its first product, Thalomid (thalidomide). Earlier in his career, Mr. Williams was Executive Director, Marketing at Ortho Biotech (subsidiary of Johnson & Johnson), where he led the marketing of Procrit (epoetin alfa) from pre-approval through its first year of \$1 billion in sales. In addition to Motif Bio, Mr. Williams currently serves on the board of Afaxys Incorporated. He also serves on the Board of Trustees of Rutgers Preparatory School and is Treasurer and Trustee of the Independent School Chair Association. He holds an MBA from Columbia University and a Bachelor of Arts degree in biology from Syracuse University.

Jonathan E. Gold, Executive Director, President and Chief Business Officer

Mr. Gold was Motif's Chief Financial Officer from February 2018 to May 2020 and is currently Motif's President and Chief Business Officer since May 2020. He has a history of senior financial positions including as a Managing Director of JEG Capital Partners LLC, a family office and asset manager. He previously was a portfolio manager for the Federated Kaufmann Funds. Prior to that, Mr. Gold was a venture capitalist and was active in financing and building life sciences and technology companies. Mr. Gold received his B.S. and MBA in Finance from New York University's Stern School of Business.

Graham Lumsden, Non-executive Director

Dr. Lumsden has a proven record of success leading change and delivering results in subsidiary and global leadership positions, including new product launches, pre-clinical/clinical development, regulatory strategy, cross-functional team leadership, IP strategy/litigation, and domestic/international sales and marketing. Prior to joining Motif, Dr. Lumsden was a senior executive at Merck & Co., Inc. where he held commercial leadership positions in worldwide businesses including contraceptives and osteoporosis. Dr. Lumsden is a member of the Royal College of Veterinary Surgeons (MRCVS), holds a postgraduate diploma from the Chartered Institute of Marketing (MCIM), and is a dual citizen of the U.S. and UK.

Chris Wardhaugh, Non-executive Director

Mr. Wardhaugh is currently a Non-Executive Director of Altair Medical Limited and Lamellar Biomedical Limited, both based in Scotland. Chris is also Chief Business Officer of MGB Biopharma Limited, a clinical-stage antibiotic company and is the founder of Sercader Limited, a life sciences advisory firm. Chris has over 28 years' experience in life sciences with international experience across large and small companies, all stages of development and commercialisation of companies including preclinical and clinical development, product launches throughout Europe and the United States, M&A and corporate development. Chris has an impressive transaction history working on deals including product licensing, IPOs and both Angel and VC investments.

Statement of Directors' shareholding and share interests

The table below details the total number of shares owned (including their beneficial interests) and the total number of share options and warrants held as of 31 December 2019.

Executive	Shares owned	Options awarded	Options forfeited	Warrants Awarded ⁽⁴⁾	Total
Executive					
Graham Lumsden	–	8,148,800	(8,148,800)	–	–
Jonathan Gold	148,608	1,479,549	(1,479,549)	–	148,608
Non-executive					
Richard Morgan ⁽¹⁾	190,916	773,260	–	–	964,176
Craig Albanese ⁽³⁾	–	100,000	(100,000)	1,200,000	1,200,000
Robert Bertoldi ⁽²⁾	61,251	366,613	–	–	427,864
Charlotta Ginman ⁽³⁾	125,000	376,475	(376,475)	1,200,000	1,200,000
Zaki Hosny ⁽³⁾	215,550	645,644	(645,644)	1,200,000	1,200,000
Mary Lake Polan ⁽³⁾	13,000	336,971	(336,971)	1,200,000	1,200,000
Andrew Powell ⁽³⁾	–	100,000	(100,000)	1,200,000	1,200,000
Bruce Williams ⁽¹⁾	105,350	527,468	(527,468)	–	105,350
Total	859,625	12,854,780	(11,744,907)	6,000,000	7,645,998

- (1) Effective 18 March 2019, Mr. Morgan voluntary resigned from the Board of Directors. Bruce Williams was appointed as interim Chairman at that time.
- (2) Effective 16 July 2018, Mr. Bertoldi voluntary resigned from the Board of Directors.
- (3) Members' resignation effective 15 November 2019.
- (4) The warrants were approved by Shareholder vote on 14 November 2019 and issued on 27 January 2020 (Note 1).

Directors Remuneration

The Board is responsible for determining and reviewing compensation arrangements for the directors and executive management. The board assesses the appropriateness of the nature and amount of emoluments of such officers on an annual basis by reference to industry and market conditions. In determining the nature and amount of officers' remuneration, the board takes into consideration the Group's financial and operational performance.

The table below summarizes the director's cash remuneration for the years ended 2019 and 2018 and are not expected to be part of continuing operations going forward.

	Salaries and fees US \$	Bonus US \$	Amounts Forfeited US \$	2019 Total US \$ (2)	2018 Total US \$
Executive					
Graham Lumsden ⁽²⁾	446,250	—	—	464,063	726,639
Jonathan Gold ⁽¹⁾⁽²⁾	600,000	—	—	618,388	881,517
Non-executive					
Richard Morgan ⁽⁴⁾⁽⁵⁾	56,750	—	—	56,750	113,500
Craig T. Albanese ⁽⁵⁾	62,500	—	(31,250)	31,250	57,500
Robert Bertoldi ⁽³⁾	—	—	—	—	134,563
Charlotta Ginman ⁽⁵⁾⁽⁶⁾	66,800	—	(27,825)	38,975	69,680
Zaki Hosny ⁽⁵⁾	62,500	—	(31,250)	31,250	62,500
Mary Lake Polan ⁽⁵⁾	60,000	—	(30,000)	30,000	60,000
Andrew Powell ⁽⁵⁾	56,500	—	(46,456)	10,044	60,000
Bruce Williams ⁽⁴⁾	109,125	—	(60,500)	48,625	64,000
	<u>1,520,425</u>	<u>—</u>	<u>(227,281)</u>	<u>1,328,923</u>	<u>2,169,899</u>

- (1) The compensation listed above is for Mr. Gold's services as Chief Financial Officer and Executive Director in 2018 and 2019. Mr. Gold assumed the executive role of Chief Financial Officer on February 2, 2018.
- (2) The compensation for Dr. Lumsden and Mr. Gold represents contractual amounts and excludes US \$8,400 and US \$8,400 in employer provided 401k pension contribution during 2019. In addition, the compensation presented excludes US \$17,813 and US \$18,388 in employer provided Social Security contribution during 2019.
- (3) Effective 16 July 2018, Mr. Bertoldi resigned from the Board of Directors. Mr. Bertoldi continued to provide consultancy services under the terms of the consultancy agreement with Amphion Innovation plc until 31 December 2018. Mr. Bertoldi received no compensation in 2019.
- (4) Effective 18 March 2019, Richard Morgan resigned from the Board of Directors and his role as Chairman. Bruce Williams was appointed interim Chairman of the Board at that time.
- (5) Members' resignation effective November 15, 2019.
- (6) Ms. Ginman's fees for 2019 were £ 52,195. The amounts presented in the table above are based on an average 2019 exchange rate of 1.28.

The 2020 monthly Board fees are outlined below.

- The non-executive Chairman is to receive a monthly salary of US \$2,500 payable in cash and an equal amount deferred and payable only upon the occurrence of a reverse takeover transaction or similar transaction.
- Graham Lumsden in his capacity as a Non-Executive member is to receive a monthly salary of US \$1,250 payable in cash and a monthly amount of US \$2,500 that is deferred and payable only upon the occurrence of a reverse takeover transaction or similar transaction. Further, as a result of his executive service earlier to May 2020, Dr. Lumsden is entitled to an additional US \$100,000 that is deferred and payable only upon the occurrence of a reverse takeover transaction or similar transaction.
- Chris Wardhaugh, appointed as a Non-Executive Director on 4 May 2020, is to receive a monthly salary of £1,000 (GBP) payable in cash and a monthly amount of £2,000 (GBP) that is deferred and payable only upon the occurrence of a reverse takeover transaction or similar transaction.
- Jonathan Gold, in his capacity as Chief Financial Officer, President and Chief Business Officer and Executive Director is to receive a monthly salary of US \$25,000 payable in cash and a monthly amount of US \$25,000 that is deferred and payable only upon the occurrence of a reverse takeover transaction or similar transaction.

Statement of Directors' Responsibilities in Respect of the Directors' Report and the Financial Statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with IFRSs as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and IFRSs as adopted by the European Union have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Company's performance, business model and strategy.

Each of the current Directors, whose names and functions are listed in the Annual Report and Accounts, confirms that, to the best of his knowledge:

- the Company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

Auditors

Each person who is a Director at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Group's auditors are unaware; and
- the Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

In June 2020, the Company announced that Crowe UK LLP has been appointed as Motif Bio plc's current auditors Crowe UK LLP subject to approval at the Company's Annual General Meeting.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

By order of the Board

Jonathan E. Gold
Executive Director, President & Chief Business Officer
1 September 2020

Corporate Governance Report

Dear Shareholders,

As Chairman of the Board of Directors of Motif Bio plc, it is my responsibility to ensure that Motif practices sound corporate governance and that the Board operates effectively. The Chairman's principal responsibilities are to ensure that Motif and its Board are acting in the best interests of its shareholders. My leadership of the Board is undertaken in a manner which ensures that the Board retains integrity and effectiveness, whilst creating the right Board dynamic for ensuring that all strategic decisions receive adequate time and discussion at Board meetings.

Motif has adopted the Quoted Companies Alliance (QCA) Corporate Governance Code for Small and Mid-Size Quoted Companies (the Code).

The Board recognizes that the Company does not fully comply with the 10 principles and general provisions of the Code but does use it as a benchmark in assessing its corporate governance standards. Areas of non-compliance are disclosed in the text below. Details of the Company's compliance with the Code can be found below and in the Corporate Governance section of the Company's website.

The Board believes that corporate governance is more than just a set of guidelines; rather it is a framework which underpins the core values for running the business in which we all believe, including a commitment to open and transparent communications with stakeholders. We believe that good corporate governance improves long-term success and performance, whilst simultaneously managing risks and provides an underlying framework of commitment and transparent communications with stakeholders.

Strategy, Risk Management and Internal Controls

As mentioned in my Chairman's Statement, the Company altered its business strategy. The Company's shares were suspended from trading on AIM pursuant to Rule 40 in July 2020. If the Company is unable to complete a suitable reverse takeover or other strategic transaction that constitutes a reverse takeover under AIM Rule 14 by January 2021, the listing of the Company's ordinary shares listed on the London Stock Exchange's AIM Market will be cancelled on or about 28 January 2021.

The Board attaches considerable importance to the Group's system of internal control and risk management and has established processes for identifying, evaluating, and managing the significant risks faced by the Group. The Board is focused on ensuring that such processes adequately support the Company's current needs and objectives and be foundational in the transition with any reverse takeover opportunity. If any weaknesses of such processes are identified, an action plan, if appropriate, is prepared to address the issues and is then implemented. The Board continuously monitors and upgrades its internal control procedures and risk management mechanisms.

The Board

At the date of this Report, the Board has four (4) members, whose biographies and roles are set out on page 5. The Board meets regularly during the year in person or telephonically. The responsibilities of the Board include setting annual budgets, reviewing trading performance, approving significant capital expenditure, ensuring adequate funding, approving and monitoring strategy, and reporting to shareholders. The Directors believe that the Board, as a whole, has a broad range of commercial, personal and professional skills, providing the ability to deliver the Company's immediate strategy for the benefit Shareholders.

The Board did not undertake a Board performance evaluation in 2019 or a review of the effectiveness of the Board. It is intended that this will be addressed following completion of an RTO or qualifying transaction which may result in changes to the Board.

Non-Executive Directors and Independence

The Non-Executive Directors (including the Chair), all of whom, save for Graham Lumsden given his previous executive director role, are considered independent, have a particular responsibility to ensure that the strategies proposed by the Executive Directors are fully considered. The Board believes that the Non-Executive Directors, together, have a sufficient range of experience and skills to enable them to provide the necessary guidance, oversight and advice for the Board to operate effectively. All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational. The Non-Executive Directors are required to commit a minimum of 1 day per month to the Company.

The Board is satisfied that there is a suitable balance between independence, on the one hand, and direct managerial and operational knowledge of the Company, on the other, to ensure that no individual or group may dominate the Board's decisions.

Attendance at Board and Committee Meetings

There were 27 Board meetings held during 2019. The table below sets out attendance statistics for each Director at Board, and where relevant, Committee meetings held during the financial year. Chris Wardhaugh was not appointed to the Board until post the year end and accordingly did not attend any Board or Committee meetings in 2019.

Director	Board (27 meetings held)	Audit Committee (3 meetings held)	Remuneration Committee (0 meetings held)	Nomination Committee (1 meeting held)
Graham Lumsden	27 /27	-	-	1/1
Jonathan Gold	27 /27	3/3	-	-
Bruce Williams	27 /27	3/3	-	-
Charlotta Ginman ⁽¹⁾	19 /27	3/3	-	-
Zaki Hosny ⁽¹⁾	24 /27	-	-	-
Dr. Craig Albanese ⁽¹⁾	13/27	3/3	-	1/1
Dr. Mary Lake Polan ⁽¹⁾	22 /27	-	-	1/1
Andrew Powell ⁽¹⁾	12/27	-	-	-
Richard Morgan ⁽²⁾	7 /27	-	-	-

⁽¹⁾ Members' resignation effective 15 November 2019.

⁽²⁾ Mr. Morgan left the Board on 18 March 2019.

Board Committees

The Board previously delegated specific responsibilities to three committees of the Board: Audit, Remuneration and Nomination and Corporate Governance. As part of the transition from a trading business to a cash shell, the Board has disbanded the Audit, Remuneration and Nomination and Corporate Governance Committees, with all relevant remaining responsibilities returned to the direct oversight of the Board. Accordingly, there are no reports from the Chairs of the aforementioned Committees outlined in this report, an area of non-compliance with the Code. It is intended that these committees are re-introduced following completion of an RTO or qualifying transaction.

Advisers

The Board has regular contact with its advisers to ensure that it is aware of changes to corporate governance procedures and requirements and that the Group remains consistently compliant with applicable rules and regulations. In the year 2019, the Group sought external advice regarding general governance arrangements and compliance with the Code and advice on the Company's conversion to a cash shell and matters related thereto.

The Non-Executive Directors (including the Chair), endeavor to ensure that their knowledge of best practices and regulatory developments is continually up-to-date by attending relevant seminars and conferences. All Directors may receive Independent professional advice at Motif's expense, if necessary, for the performance of their duties.

Company Culture

The Board recognizes that its decisions regarding strategy and risk will impact the corporate culture of the Company and that this, in turn, will impact the Company's performance. The Board is aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole. The corporate governance arrangements that the Board has adopted are designed to ensure that the Company delivers long term value to its shareholders, and that shareholders have the opportunity to express their views and expectations for the Company in a manner that encourages open dialogue with the Board.

The Group has adopted a code for Directors' and employees' dealings in securities which is appropriate for a company whose securities are traded on AIM and is in accordance with the requirements of the Market Abuse Regulation which came into effect in 2016. The Group also maintains close relations with all employees to allow for feedback and support, meaning that ethical values and behaviors are recognized, closely monitored, understood and respected.

Communication with Shareholders

The Group is strongly committed to the maintenance of good investor relations and seeks, wherever possible, to build a relationship of mutual understanding with both its institutional and private client investors. Additionally, the Board seeks to meet with shareholders whenever possible and to use the Group's website (www.motifbio.com) to communicate with all shareholders. Further queries are welcome and should be directed to ir@motifbio.com.

S172 Statement

The Board of Motif are aware that the decisions we make affect the lives of many people. We make a conscious effort to try and understand the interests of our stakeholders, and to reflect them in the choices we make in creating long-term sustainable success for our business.

Engagement with our shareholders and wider stakeholder groups plays an essential role throughout Motif’s business. We are aware that each stakeholder group requires a tailored engagement approach in order to foster effective and mutually beneficial relationships. Our understanding of stakeholders is then factored into boardroom discussions, regarding the potential long-term impacts of our strategic decisions on each group, and how we might best address their needs and concerns.

Throughout this Annual Report, we provide examples of how we:

- Take into account the likely consequences of long-term decisions;
- Foster relationships with stakeholders;
- Understand our impact on our local community and the environment; and
- Demonstrate the importance of behaving responsibly.

This section serves as our section 172 statement and should be read in conjunction with the Strategic Report and the Company’s Corporate Governance Statement. Section 172 of the Companies Act 2006 requires Directors to act in a way that they consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole, taking into account the factors listed in s172. The Directors continue to have regard to the interests of the Company’s employees and other stakeholders, including the impact of its activities on the community, the environment and the Company’s reputation, when making decisions. Acting in good faith and fairly between members, the Directors consider what is most likely to promote the success of the Company for its members in the long term.

The Board regularly reviews our principal stakeholders and how we engage with them. The stakeholder voice is brought into the boardroom throughout the annual cycle through information provided by management and also by direct engagement with stakeholders themselves. The relevance of each stakeholder group may increase or decrease depending on the matter or issue in question, so the Board seeks to consider the needs and priorities of each stakeholder group during its discussions and as part of its decision making.

The table below acts as our s172(1) statement by setting out the key stakeholder groups, their interests and how Motif has engaged with them over the reporting period.

Stakeholder	Their interests	How we engage
Investors	<ul style="list-style-type: none"> • Business sustainability • High standard of governance • Comprehensive review of financial performance of the business • Success of the business • Ethical behaviour • Awareness of long-term strategy and direction • Improving market perception of the business • Delivering long term value to shareholders 	<ul style="list-style-type: none"> • Interim and Annual Report • Investor Relations section on the Company website • RNS announcements • Option to receive news releases directly from Motif by email • Shareholder circulars • AGM • Stock exchange announcements • Press releases • Board encourages open dialogue with the Company’s investors • Key contact on the Board for shareholder liaison
Regulatory bodies	<ul style="list-style-type: none"> • Compliance with regulations • Worker pay and conditions 	<ul style="list-style-type: none"> • Company website • Stock exchange announcements • Annual Report • Direct contact with regulators • Compliance updates at Board Meetings • Consistent risk review •

Environment	<ul style="list-style-type: none"> • Sustainability • Energy usage • Recycling 	<ul style="list-style-type: none"> • Oversight of corporate responsibility plans • Workplace recycling policies and processes
Contractors	<ul style="list-style-type: none"> • Terms and conditions of contract • Health and safety • Human rights and modern slavery 	<ul style="list-style-type: none"> • Anti-Bribery Policy • Whistleblowing Policy

The Section 172 statement should be read in conjunction with the full Strategic Report and the Company's Corporate Governance Report.

By order of the Board

Bruce Williams
Chairman
1 September 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MOTIF BIO PLC

Opinion

We have audited the financial statements of Motif Bio Plc (the "Company") and its subsidiary (the "Group") for the year ended 31 December 2019, which comprise:

- the Group consolidated statement of comprehensive loss for the year ended 31 December 2019;
- the Group consolidated and Company statements of financial position as at 31 December 2019;
- the Group and Company statements of changes in equity for the year then ended;
- the Group consolidated and Company statement of cash flows for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2019 and of the Group's loss for the year then ended; and
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern – Group and Company

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Group's and Company's ability to continue as a going concern. There is no assurance that the efforts will be successful to source and/or complete a reverse takeover transaction. In addition, as of the date these financial statements were approved, the Company can provide no assurance that additional capital will be available if/when required and/or on acceptable terms. The Directors have concluded that these conditions, including recurring and expected continuing operating losses, indicate a material uncertainty that may cast a significant doubt about the Group and Company's ability to continue as a going concern. The Group and Company financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be US \$300,000 (FY2018: US \$699,000) based on approximately 5% (2018: 5%) of the comprehensive loss for the period (2018: loss before tax for the period).

We determined overall materiality for the Company financial statements as a whole to be \$200,000 (FY2018: US \$240,000) based on approximately 5% of the normalised profit for the period (2018: 5% of the profit before tax for the period).

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with the Board of Directors to report to it all identified misstatements in excess of US \$3,000 (FY2018: US \$6,900). Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

There were two components of the Group in the period, the Company and its subsidiary. We audited both components and obtained audit evidence for transactions from management. As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

<i>Key audit matter</i>	<i>How the scope of our audit addressed the key audit matter</i>
<p><i>Treatment of discontinued activities and disclosure thereof</i></p> <p>As set out in note 3, the Company's wholly-owned subsidiary Motif BioSciences Inc. has been reported as discontinued operations in the consolidated statements of comprehensive loss and the related assets and liabilities have been presented as held-for-sale in the consolidated statement of financial position as of 31 December 2019</p> <p>We also considered the appropriateness of the judgement made by management as to whether the activities of Motif BioSciences Inc should be accounted for as discontinued operations under IFRS 5.</p> <p>We considered the risk the accounting for the discontinued operations was materially misstated, and that assets and liabilities acquired may be recognised at inappropriate values.</p>	<p>We discussed with management, and challenged the judgements and assumptions underlying the accounting treatment.</p> <p>We performed audit procedures including, but not limited to:</p> <ul style="list-style-type: none">• reviewing the documentation supporting the cessation of activities of Motif BioSciences Inc, including the circular to shareholders dated 25 October 2019 setting out the proposals which were subsequently approved and the consequent amendments to the existing credit agreement with Hercules and the Amendment and Release agreement were completed on 27 January 2020• testing management's recognition of the carrying value of disposal groups at the lower of carrying amount and fair values less cost to sell to available evidence including approved budgets and business plans and other evidence of future intentions for the relevant assets, which we found to be materially consistent; and• reviewing the appropriateness of the disclosures made and in the financial statements.

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or

otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 7 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Stephen Bullock
(Senior Statutory Auditor)
for and on behalf of
Crowe U.K. LLP
London
1 September 2020

Motif Bio plc
Consolidated statements of comprehensive loss
For the years ended 31 December 2019 and 2018
(in thousands, except share and per share data)

	Note	Year ended 31 December 2019 US \$ (000's)	Year ended 31 December 2018 US \$ (000's) Restated
Continuing operations			
General and administrative expenses	5	(1,246)	(1,747)
Research and development expenses		—	—
Operating loss		(1,246)	(1,747)
Interest income	5	5	3
Net foreign exchange gains (losses)		49	(64)
Gain (loss) from revaluation of derivative liabilities	15	5,427	6,654
Gain (loss) before income taxes		4,235	4,846
Income tax expense	8	—	—
Net gain (loss) from continuing operations		4,235	4,846
Comprehensive gain (loss) from continuing operations		4,235	4,846
Comprehensive loss from discontinued operations	3	(10,378)	(18,831)
Total comprehensive loss for the year		(6,143)	(13,985)
Net earnings (loss) per share - basic			
Continuing operations	9	0.01	0.02
Discontinued operations		(0.03)	(0.07)
Net earnings (loss) per share - diluted	9		
Continuing operations		0.01	—
Discontinued operations		(0.03)	(0.07)
Weighted average number of ordinary shares			
Basic		350,993,002	284,530,534
Diluted		350,993,002	287,131,688

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

Motif Bio plc
Consolidated statements of financial position
As at 31 December 2019 and 2018
(in thousands)

	Note	31 December 2019 US \$ (000's)	31 December 2018 US \$ (000's)
ASSETS			
Non-current assets			
Intangible assets	10	—	6,196
Other non-current		—	18
Total non-current assets		—	6,214
Current assets			
Cash and cash equivalents	12	663	12,279
Prepaid expenses and other receivables	11	145	231
Total current assets		808	12,510
Held-for-sale			
Non-current and current assets held for sale	3	37	—
Total assets		845	18,724
LIABILITIES			
Non-current liabilities			
Term loan, net of current portion	14	—	10,131
Other non-current liabilities	14	—	196
Total non-current liabilities		—	10,327
Current liabilities			
Trade payables and accrued liabilities	13	214	7,207
Derivative liabilities	15	227	5,789
Term loan, current portion	14	—	4,327
Total current liabilities		441	17,323
Held-for-sale			
Non-current and current liabilities held for sale	3	11,605	—
Total liabilities		12,046	27,650
Net asset (liabilities)		(11,201)	(8,926)
EQUITY			
Share capital	17	4,777	4,032
Share premium		97,003	93,456
Group reorganization reserve		9,938	9,938
Accumulated deficit		(122,919)	(116,352)
Total deficit		(11,201)	(8,926)

The financial statements were approved by the Board of Directors and authorized for issue on 1 September 2020. They were signed on its behalf by:

Director
Bruce Williams

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

Motif Bio plc
Company statements of financial position
As at 31 December 2019 and 2018
(in thousands)

	Note	31 December 2019 US \$ (000's)	31 December 2018 US \$ (000's)
ASSETS			
Non-current assets			
Investment.....	18	—	80,306
Total non-current assets.....		—	80,306
Current assets			
Cash and cash equivalents.....	12	663	560
Prepaid expenses and other receivables.....	11	145	154
Receivable from Motif Bio Inc.	18	—	20,105
Total current assets		808	20,819
Total assets		808	101,125
LIABILITIES			
Trade payables and accrued liabilities.....	13	214	176
Derivative liabilities	15	227	5,789
Total current liabilities.....		441	5,965
Total liabilities		441	5,965
Net assets (liabilities)		367	95,160
EQUITY			
Share capital	17	4,777	4,032
Share premium		97,003	93,456
Group reorganization reserve.....		(544)	(544)
Accumulated deficit.....		(100,869)	(1,784)
Total Equity		367	95,160

The loss for the Company for the year was US\$98.661 million (2018: US\$4.848 million profit).

The financial statements were approved by the Board of Directors and authorized for issue on 1 September 2020. They were signed on its behalf by:

Director
Bruce Williams

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

Motif Bio plc
Consolidated statements of changes in equity
For the years ended 31 December 2019 and 2018
(in thousands)

	Note	Share capital US \$ (000's)	Share premium US \$ (000's)	Group reorganization reserve US \$ (000's)	Accumulated deficit US \$ (000's)	Total US \$ (000's)
Balance at 31 December 2017		3,589	80,873	9,938	(103,308)	(8,908)
Loss for the year		—	—	—	(13,985)	(13,985)
Total comprehensive loss for the year		—	—	—	(13,985)	(13,985)
Issue of share capital	17	433	12,989	—	—	13,422
Cost of issuance	17	—	(749)	—	—	(749)
Exercise of share options and warrants.....	15	10	343	—	—	353
Share-based payments	16	—	—	—	941	941
Balance at 31 December 2018		4,032	93,456	9,938	(116,352)	(8,926)
Loss for the year		—	—	—	(6,143)	(6,143)
Total comprehensive loss for the year		—	—	—	(6,143)	(6,143)
Issue of share capital	17	738	3,569	—	—	4,307
Cost of issuance	17	—	(317)	—	—	(317)
Exercise of share options and warrants.....	15	7	295	—	—	302
Share-based payments	16	—	—	—	(424)	(424)
Balance at 31 December 2019		4,777	97,003	9,938	(122,919)	(11,201)

(A) The amounts related to discontinued operations have not been segregated and remain included in the major equity. Accordingly, the Consolidated Statements of Changes in Equity include the results of continuing and discontinued operations.

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

Motif Bio plc
Company statements of changes in equity
For the years ended 31 December 2019 and 2018
(in thousands)

	Note	Share capital US \$ (000's)	Share premium US \$ (000's)	Group reorganization reserve US \$ (000's)	Accumulated deficit US \$ (000's)	Total US \$ (000's)
Balance at 31 December 2017		3,589	80,873	(544)	(7,573)	76,345
Gain for the year.....		—	—	—	4,848	4,848
Total comprehensive loss for the year		—	—	—	4,848	4,848
Issue of share capital	17	433	12,989	—	—	13,422
Cost of issuance	17	—	(749)	—	—	(749)
Exercise of share options and warrants.....	15	10	343	—	—	353
Share-based payments	16	—	—	—	941	941
Balance at 31 December 2018		4,032	93,456	(544)	(1,784)	95,160
Loss for the year	18	—	—	—	(98,661)	(98,661)
Total comprehensive loss for the year		—	—	—	(98,661)	(98,661)
Issue of share capital	17	738	3,569	—	—	4,307
Cost of issuance	17	—	(317)	—	—	(317)
Exercise of share options and warrants.....	15	7	295	—	—	302
Share-based payments	16	—	—	—	(424)	(424)
Balance at 31 December 2019		4,777	97,003	(544)	(100,869)	367

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

Motif Bio plc
Consolidated statements of cash flows
For the years ended 31 December 2019 and 2018
(in thousands)

	Note	Year ended 31 December 2019 (A) US \$ (000's)	Year ended 31 December 2018 (A) US \$ (000's)
Operating activities			
Operating loss for the year		(9,778)	(18,623)
Adjustments to reconcile net loss to net cash used in activities:			
Share-based payments	16	(424)	941
Warrant issued for services performed	15	—	—
Loss on impairment	10	6,196	—
Interest received.....		45	97
Changes in operating assets and liabilities:			
Prepaid expenses and other receivables.....		97	91
Trade payables and accrued liabilities		<u>(3,119)</u>	<u>(3,952)</u>
Net cash used in operating activities.....		(6,983)	(21,446)
Financing activities			
Proceeds from issue of share capital.....	17	4,307	13,422
Costs of issuance of share capital.....	17	(317)	(749)
Proceeds from exercise of warrants and options	15	244	145
Proceeds from issuance of term loan.....	14	—	—
Costs of issuance of term loan.....	14	—	—
Principal payments under term loan	14	(8,134)	—
Interest paid	14	<u>(785)</u>	<u>(1,585)</u>
Net cash provided by financing activities		<u>(4,685)</u>	<u>11,233</u>
Net change in cash.....		(11,668)	(10,213)
Cash, beginning of the year		12,279	22,651
Effect of foreign exchange rate changes		<u>84</u>	<u>(159)</u>
Cash, end of the year		<u><u>695</u></u>	<u><u>12,279</u></u>

(A) The cash flows related to discontinued operations have not been segregated and remain included in the major classes of assets and liabilities. Accordingly, the Consolidated Statements of Cash Flows include the results of continuing and discontinued operations.

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

Motif Bio plc
Company statements of cash flows
For the years ended 31 December 2019 and 2018
(in thousands)

	<u>Note</u>	<u>Year ended 31 December 2019 US \$ (000's)</u>	<u>Year ended 31 December 2018 US \$ (000's)</u>
Operating activities			
Operating loss for the year		(20,371)	(1,746)
Adjustments to reconcile net loss to net cash used in activities:			
Share-based payments	16	(32)	107
Loss on impairment of receivable from subsidiary.....	18	19,125	—
Interest received.....		4	3
Changes in operating assets and liabilities:			
Prepaid expenses and other receivables.....		9	95
Trade payables and accrued liabilities		18	138
		<u> </u>	<u> </u>
Net cash used in operating activities.....		(1,247)	(1,403)
Investing activities			
Capital contributions to subsidiary.....		(3,821)	(12,180)
Due from Motif Bio Inc.		941	858
		<u> </u>	<u> </u>
Net cash used in investing activities		(2,880)	(11,322)
Financing activities			
Proceeds from issue of share capital.....	17	4,307	13,422
Costs of issuance of share capital	17	(317)	(749)
Proceeds from exercise of warrants and options	15	244	145
		<u> </u>	<u> </u>
Net cash provided by financing activities		4,234	12,818
Net change in cash.....		107	93
Cash, beginning of the year		560	629
Effect of foreign exchange rate changes		(4)	(162)
		<u> </u>	<u> </u>
Cash, end of the year		<u>663</u>	<u>560</u>

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

**Notes to the consolidated financial statements of Motif Bio plc
For the year ended 31 December 2019**

1. General information

Motif Bio plc (the “Company” or “Motif”) is domiciled in England and Wales having originally been incorporated on November 20, 2014 as Motif Bio Limited, a private company, with company registration number 09320890. On 1 April 2015, the Company was re-registered as a public company limited by shares and changed its name to Motif Bio plc. The Company’s registered office is at: 201 Temple Chambers, 3-7 Temple Avenue, London EC4Y 0DT, U.K.

The Company’s ordinary shares are listed on the AIM Market (“AIM”) of the London Stock Exchange plc. On 28 January 2020, the Company announced that it was reclassified as an AIM Rule 15 Cash Shell and, as such, was required to make an acquisition or acquisitions which constitute(s) a reverse takeover under AIM Rule 14 within six months to continue to have its shares traded on the AIM market. On 29 July 2020, the London Stock Exchange suspended the trading in the Company’s AIM listed ordinary shares pursuant to AIM Rule 40. The AIM rules provide that the Company has an additional six months from the suspension date to complete a qualifying transaction. If the Company does not complete a qualifying transaction by 28 January 2021, the Company’s shares will be delisted from the AIM market.

From November 2016 until December 2019, the Company had American Depository Shares (“ADS’s”) and ADS warrants that were traded on the NASDAQ Capital Market. Effective December 2019 following a voluntary delisting, the Company’s ADS’s and ADS warrants are no longer traded on the NASDAQ Capital Market.

Motif BioSciences Inc. was incorporated in the US State of Delaware on 2 December 2003 and has its registered office at 251 Little Falls Drive, Wilmington, Delaware, 19808. On 1 April 2015, Motif BioSciences Inc. became a wholly owned subsidiary of the Company by way of a group reorganization by plan of merger. Motif BioSciences Inc. was the operating subsidiary of the Group and was shut down as part of the corporate restructuring approved by the Company’s Shareholders in November 2019. As a result, Motif BioSciences Inc. has been reported as discontinued operations in the consolidated statements of comprehensive loss and the related assets and liabilities have been presented as held-for-sale in the consolidated balance sheet as of 31 December 2019. These changes have been applied for all periods presented.

The consolidated financial statements include the accounts of Motif Bio plc and its wholly owned subsidiary, Motif BioSciences Inc. (together, the “Group”). Motif BioSciences Inc. is reported as discontinued operations as at 31 December 2019. Unless otherwise noted, information contained within these notes to the consolidated financial statements relates to continuing operations. As of the date these financial statements are issued, the Company is not certain as to the manner and timing of disposal. Refer to Note 3 for additional information on discontinued operations.

The financial statements were approved by the Board of Directors on 1 September 2020.

Going concern

The Company had US \$0.7 million and US \$0.6 million in cash as of 31 December 2019 and 2018, respectively. The Company may require additional capital in the future. To the extent that the company raises additional funds by issuing equity securities, its existing stockholders may experience significant dilution.

The Company’s wholly owned subsidiary, Motif BioSciences, Inc., is reported as discontinued operations and had US \$7.3 million owed under its loan facility with Hercules Capital Inc. (Hercules) as of 31 December 2019. Effective 27 January 2020, the Company was relieved from a loan guarantee that it had originally provided at the origination of the Hercules the loan (Note 14).

The Company’s Directors are focused on sourcing an appropriate reverse takeover candidate for the Company. There is no assurance that the effort will be successful to source and/or complete a reverse takeover transaction. In addition, as of the date these financial statements were approved, the Company can provide no assurance that additional capital will be available if/when required and/or on acceptable terms.

The Directors have concluded that these conditions, including recurring and expected continuing operating losses, indicate a material uncertainty that may cast a significant doubt about the Company’s ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on the basis that the Company is a going concern, which contemplates the continuity of normal business activity, realization of assets and settlement of liabilities in the normal course of business. Should the entity not be able to continue as a going concern, it may be required to realize its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Company not continue as a going concern.

**Notes to the consolidated financial statements of Motif Bio plc
For the year ended 31 December 2019**

1. General information, continued

Significant and recent events

On 27 January 2020, the Company and its wholly owned subsidiary, Motif BioSciences Inc. completed the conditions and actions described below. The actions were detailed in a circular dated 25 October 2019 and approved by the Company's Shareholders at a general meeting held on 14 November 2019.

The Company and its wholly owned subsidiary, Motif BioSciences Inc. amended the existing credit agreement with the subsidiary's lender Hercules Capital, Inc. (or Hercules) by entering into an Amendment and Release agreement. Pursuant to the terms of the Amendment and Release agreement:

- Hercules relinquished the loan guarantee provided by the Company and relieved Motif Bio plc of obligations to Hercules related to the November 2017 Hercules Loan to Motif BioSciences Inc.;
- Motif BioSciences Inc. granted Hercules a perfected security interest in all its intellectual property related to the iclaprim asset; and
- Hercules agreed with Motif BioSciences Inc. to certain forbearance provisions under the Loan Agreement through to June 2020.

The agreement specified that Hercules claim is only for the amount due to them including accrued interest and fees, and that this applies in all circumstances including if Hercules forecloses on the iclaprim asset.

The Company also granted to Hercules warrants over an aggregate of 121,337,041 ordinary shares of 0.01 pence ("Ordinary Shares"), representing a total of 25 per cent of the Company's then outstanding share capital. These warrants will expire on 27 January 2025 and have an exercise price of 0.42 pence per share.

The Company separately granted SP Angel Corporate Finance LLP warrants over 7,142,857 Ordinary Shares in connection with its service as placing agent on a conditional placing initially announced on 2 October 2019. The conditional placing and the issuance of these warrants was subject to shareholder approval and was approved on 14 November 2019. These warrants will expire on 27 January 2025 and have an exercise price of 0.68 pence per share.

Motif BioSciences, Inc. ceased all operations in 2019 and had engaged Tamarack Associates in 2019 to facilitate the sale of iclaprim and other assets of Motif BioSciences Inc.

In January 2020, John Palmer of Tamarack Associates was appointed as the sole Executive Officer of Motif BioSciences Inc. and Bernadette Barron of Barron Business Consultants was appointed as the sole, independent non-executive officer of Motif BioSciences Inc. Concurrent with these appointments, Graham Lumsden, Jonathan Gold, and David Huang resigned as officers of Motif BioSciences Inc. and Graham Lumsden resigned as director of the Company.

Former directors of Motif Bio plc, Dr. Craig Albanese, Charlotta Ginman, Zaki Hosny, Dr. Mary Lake Polan, and Andrew Powell forfeited all previously outstanding vested and non-vested options and outstanding Board fees in 2019 when they stood down from the Board of Directors. In exchange for their forfeiture, the Company issued to each of the above named former directors a warrant option to purchase up to 1,200,000 ordinary shares at an exercise price of 0.24 pence per share that will expire on 27 January 2025. The remaining continuing directors also forfeited all outstanding vested and non-vested options in 2019.

On 4 May 2020, the Company made the following directorate changes:

- Chris Wardhaugh was appointed as a Non-Executive Director;
- Jonathan Gold, the Company's then Chief Financial Officer, was appointed as President and Chief Business Officer; and
- Graham Lumsden, the Company's then Chief Executive Officer, stepped down from his role as CEO and became a Non-Executive Director.

On 5 May 2020, the Company announced the placement of 162,500,000 new ordinary shares at 0.4 pence per share for net proceeds of \$0.76 million.

On 29 July 2020, the London Stock Exchange suspended trading in the Company's AIM listed ordinary shares pursuant to AIM Rule 40. The AIM rules provide that the Company has an additional six months from the suspension date to complete a qualifying transaction. If the Company does not complete a qualifying transaction by 28 January 2021, the Company's shares will be delisted from the AIM market.

**Notes to the consolidated financial statements of Motif Bio plc
For the year ended 31 December 2019**

1. General information, continued

Significant events during and prior to 2019

On 14 November 2019, the Company's shareholders approved a corporate restructuring, including the underlying tenets of the amendment to the loan agreement with Hercules Capital Inc. (or Hercules) described above. Additional details of the corporate restructure are listed below.

- Each of the Company's Ordinary Shares of 1 penny par value were divided into one New Ordinary Share of 0.01 pence par value and one deferred share of 0.99 pence. The deferred shares have no rights and the Company did not issue any share certificates or credit CREST accounts in respect of them. The deferred shares are not admitted to trading on AIM and have no rights to participate in the profits of the Company. In the event of a wind-down or dissolution of the Company, the deferred shares shall be entitled to participate in the dissolution of the Company's assets that are in excess of GBP £1 trillion.
- The number of New Ordinary Shares in issue and held by each Shareholder, was equal to the number of existing Ordinary Shares in issue immediately prior to the Share Capital Reorganisation. Only the nominal value changed with respect to the New Ordinary Share. The New Ordinary Shares will continue to carry the same rights as those attached in the previously existing Ordinary Shares, save for the reduction in nominal value.
- The outstanding conditions relating to the conditional Placing to raise £600,000 (US \$0.73 million), before expenses by way of the issue of 142,857,143 Placing Shares (as first announced by the Company on 2 October 2019) were satisfied. As previously described, the Company also agreed to grant SP Angel Corporate Finance LLP warrants over 7,142,857 Ordinary Shares in connection with its service as placing agent for this raise.

On 14 February 2019, the Group receive a Complete Response Letter (CRL) from the U.S. Food & Drug Administration (FDA) regarding the New Drug Application (NDA) for iclaprim for the treatment of Acute Bacterial Skin and Skin Structure Infections. Following the receipt of the CRL, the Group evaluated potential options to address the deficiencies and met with the FDA on 3 May 2019 and 19 September 2019. The Group continues to believe that a regulatory pathway may be available for the iclaprim asset. However, a path forward will likely require a partner with a lower cost of capital and/or other strategic synergies to be viable.

On 25 March 2019, the Group placed 45,000,000 new ordinary shares at 0.06 pence per share and received US \$3.3 million of net proceeds.

On 17 May 2018, the Group placed 32,258,064 new ordinary shares at 0.31 pence per share and received US \$12.7 million of net proceeds.

On 19 January 2018, the Group filed a "universal" shelf registration statement on Form F-3 with the SEC, which was declared effective by the SEC on 31 January 2018. The Company filed to withdraw the shelf registration on 23 December 2019.

2. Significant accounting policies

a. Basis of preparation

The accounting policies set out below have been applied consistently to all periods presented in this financial information. The accounting policies have been applied consistently across the Group.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and with the Companies Act 2006 applicable to companies reporting under IFRS. This basis of preparation describes how the financial statements have been prepared in accordance with IFRS. The financial statements have been prepared under the historical cost convention as modified for financial instruments (including derivative instruments) at fair value through the statement of comprehensive loss. A summary of the significant Group accounting policies is set out below.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial information and the reported amounts of revenue and expenses during the period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The Company has taken advantage of the exemption in Section 408 of the Companies Act 2006 to not present its own Statement of Comprehensive Loss.

Notes to the consolidated financial statements of Motif Bio plc
For the year ended 31 December 2019

2. Significant accounting policies, continued

a. New and amended standards effective from 1 January 2019

IFRS 16, Leases — Effective date — 1 January 2019 — IFRS 16 replaces IAS 17. It eliminates the distinction between classification of leases as finance or operating leases for lessees. The adoption of IFRS 16 did not have a significant impact on the Group's net results or net assets and any future impact would be primarily dependent on future leasing transactions, if any.

b. New and amended standards effective from 1 January 2018

IFRS 2, Share-based Payments (as amended) was adopted with an effective date of 1 January 2018. IFRS 2 related to the classification and measurement of share-based payment transactions. The amendments were intended to eliminate diversity in practice regarding (i) accounting for cash-settled share-based payment transactions that include a performance condition, (ii) share-based payments in which the manner of settlement is contingent on future events, (iii) share-based payments settled net of tax withholdings, and (iv) modification of share-based payment transactions from cash-settled to equity-settled. The impact of the adoption of this guidance did not have a material impact on the Group's 2018 and 2019 consolidated financial statements and any future impact would be primarily dependent on future modifications to share-based payment awards, if any.

IFRS 9, Financial Instruments (as revised in 2014) was adopted with an effective date of 1 January 2018. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. The adoption of this guidance did not have an impact on the Group's 2018 and 2019 consolidated financial statements and any future impact would be primarily dependent on future financial instrument transactions, if any. In particular, the Group has evaluated the impact of the new accounting standard on the intercompany receivable position within the Company's statement of financial position and determined that there is no expected credit loss to be recorded.

IFRS 15, Revenue from Contracts with Customers was adopted with an effective date of 1 January 2018. IFRS 15 establishes a comprehensive guideline for determining when to recognize revenue and how much revenue to recognize. The Group currently has no revenues. However, all applicable revenues generated by the Group prospectively will be accounted for in accordance with IFRS 15, or, where applicable, other relevant guidance.

On 1 January 2017, the Group adopted amendments to IAS 7, Disclosure Initiative. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The only balance sheet liability for which cash flows are classified as financing activities is the term loan, as amended, with Hercules Capital Inc. The net movement in period end balances are further detailed in Note 14.

c. New standard and interpretation not yet effective.

The new standards that are potentially relevant to the group are discussed below.

IFRS 3- Business Combination. The amendments confirm that a business must include inputs and a process, and clarified that the process must be substantive and the inputs and process must together significantly contribute to creating outputs. The amendment also narrowed the definition of a business and included tests that make it easier to conclude whether a business or group of assets was acquired. Any future impact of adopting the amendment would be primarily dependent on future acquisition transactions, if any.

Principles of consolidation

Subsidiaries are all entities (including structured 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 to direct the activities of 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. All intercompany transactions, balances, and unrealized gains on transactions between Group companies are eliminated.

The Company's wholly-owned subsidiary, Motif BioSciences Inc., has been reported as discontinued operations in the consolidated statements of comprehensive loss and the related assets and liabilities have been presented as held-for-sale in the consolidated balance sheet as of 31 December 2019. These changes have been made for all periods presented. Based on the subsequent event on 27 January 2017, and other operational changes that occurred in 2019 and early 2020, the Company determined that as at 27 January 2017 it no longer had an ability to direct the activities of Motif BioSciences Inc. Based on its assessment the Company determined that it no longer has control of Motif BioSciences Inc. in accordance with IFRS 10 Consolidated Financial Statements in May 2020. As a result, the Company will not consolidate Motif BioSciences Inc. in reportable financial periods commencing in 2020.

Notes to the consolidated financial statements of Motif Bio plc
For the year ended 31 December 2019

2. Significant accounting policies, continued

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying value recognized in profit or loss. The fair value becomes the initially carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture, or financial asset.

The consolidated financial statements as of and for the periods presented include the accounts of Motif Bio plc and its wholly owned subsidiary, Motif BioSciences Inc. (the Group). Unless otherwise noted, information contained within these notes to the consolidated financial statements relates to continuing operations. Refer to Note 2 and Note 3 for additional information on discontinued operations.

b. Segment reporting

The chief operating decision-maker is considered to be the Board of Directors of Motif Bio plc. The chief operating decision-maker allocates resources and assesses performance of the business and other activities at the operating segment level. In addition, they review the IFRS consolidated financial statements.

The chief operating decision-maker had determined that the Company currently has one segment-to support its strategy as an AIM 15 cash shell entity focused on sourcing a reverse-take-over candidate. In 2019 prior to the wind-down of Motif BioSciences Inc., the Company had one segment to support the development and commercialization of pharmaceutical formulations.

c. Foreign currency translation

(a) Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities 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 United States Dollars (US \$), which is Motif Bio plc's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are generally recognized in the statement of comprehensive loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of comprehensive loss on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognized in other comprehensive income.

d. Research and development costs

Expenditure on drug development activities are expensed. No activities met the requirements for capitalization. The Group and Company do not expect to incur any research and development costs in the foreseeable future.

The Group's past preclinical studies and clinical trials have been performed utilizing third-party contract research organizations ("CROs") and other vendors. For preclinical studies, the significant factors used in estimating accruals include the percentage of work completed to date and contract milestones achieved. For clinical trial expenses, the significant factors used in estimating accruals include the number of patients enrolled, duration of enrollment, percentage of work completed to date and contract milestones achieved.

e. Intangible assets

Intangible assets acquired separately from a business are initially stated at cost, net of any amortization and any provision for impairment. Where a finite useful life of the acquired intangible asset cannot be determined, the asset is not subject to amortization but is tested for impairment annually or more frequently whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

**Notes to the consolidated financial statements of Motif Bio plc
For the year ended 31 December 2019**

2. Significant accounting policies, continued

f. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually in the second half of each fiscal year for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

g. Financial instruments—initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a) Financial assets, initial recognition and measurement

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. The Group includes intercompany asset and investment accounts as financial assets. Transaction costs of financial assets carried at fair value reported in profits and loss (FVPL) are expensed in profit or loss.

The group's financial assets include the intercompany receivable balance in the Company balance sheet.

b) Financial liabilities, initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings and warrants classified as liabilities. The Group includes intercompany liability accounts as financial liabilities.

c) Subsequent measurement

The measurement of financial liabilities depends on their classification. Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial assets at fair value through profit or loss are subsequently carried at amortized cost as the Group's and Company's assets are held within a business model whose objective is to collect the contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest.

h. Financial assets and liabilities

Financial assets and financial liabilities are included in the Group's and Company's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Fair value disclosures

The Group's cash, prepaid expenses and other current assets and trade and other payables are stated at their respective historical carrying amounts, which approximates fair value due to their short-term nature. These are measured at fair value using Level 1 inputs. The Group's derivative liabilities are measured at fair value using Level 1 or 2 inputs. See discussion in Note 15 on the inputs utilized in the Black-Scholes option pricing model and for a roll-forward of the derivative liability from 31 December 2018 to 31 December 2019. The Group determined that the book value of the Hercules Loan Agreement (Note 14) approximates its fair value as of 31 December 2019 due the proximity of the transaction date and the interest being tied to the U.S. Prime Rate. There were no transfers between fair value levels during the years ended 31 December 2019 or 2018.

There were no non-recurring fair value measurements for the years ended 31 December 2019 or 2018.

Notes to the consolidated financial statements of Motif Bio plc
For the year ended 31 December 2019

2. Significant accounting policies, continued

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Non-derivative financial instruments

Cash and cash equivalents

Cash and cash equivalents include bank balances, demand deposits, and other short-term, highly liquid investments (with less than three months to maturity) that are readily convertible into a known amount of cash and are subject to an insignificant risk of fluctuations in value.

Financial liabilities and equity

The Group classifies an instrument, or its component parts, on initial recognition as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

An instrument is classified as a financial liability when it is either (i) a contractual obligation to deliver cash or another financial asset to another entity; or (ii) a contract that will or may be settled in the Group's own equity instruments and is a non-derivative for which the Group is, or may be, obliged to deliver a variable number of the Group's own equity instruments or a derivative that will, or may be, settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

An equity instrument is defined as any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. An instrument is an equity instrument only if the issuer has an unconditional right to avoid settlement in cash or another financial asset.

Trade payables and accrued liabilities

Trade payables and accrued liabilities are obligations to pay for goods or services that have been acquired in the ordinary course of business from or rendered by suppliers. All are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables and accrued liabilities are initially measured at fair value, and, where applicable, are subsequently measured at amortized cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received. Direct issuance costs are processed as a deduction on equity.

Derivative financial instruments

The Group does not have a policy of engaging in speculative transactions, nor does it issue or hold financial instruments for trading purposes.

The Group has entered into financing arrangements that include the issuance of warrants. These warrants may be considered derivative financial instruments based on the terms of the agreements.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The resulting gain or loss is recognized in the consolidated statement of comprehensive loss, as the Group currently does not apply hedge accounting.

**Notes to the consolidated financial statements of Motif Bio plc
For the year ended 31 December 2019**

2. Significant accounting policies, continued

Impairment of financial assets

Starting 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. An expected credit losses model replaces the incurred loss impairment model used in IAS 39.

The accounting policy applied under IAS 39 in previous accounting periods is described below.

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

j. Share-based payment transactions

The fair value of options and warrants granted to employees, Directors, and consultants is recognized as an expense, with a corresponding increase in equity, over the period in which the option and warrant holders become unconditionally entitled to the options and warrants unless incremental and directly attributable to an equity transaction in which case it is deducted from equity. The fair value of the options and warrants granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted.

k. Financial income and expenses

Financial income comprises interest receivable on funds invested. Financial expenses comprise interest payable.

Interest income and interest payable are recognized in the statement of comprehensive loss as they accrue, using the effective interest method.

l. Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognized in the consolidated statement of comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized.

m. Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its shares. Basic EPS is calculated by dividing the profit or loss attributable to shares of the Company by the weighted average number of shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to shareholders and the weighted average number of shares outstanding for the effects of all dilutive potential shares, which comprise share options and warrants granted to employees and non-employees. Refer to Note 9 for calculation of EPS for all periods presented.

n. Non-current assets or disposal groups held-for-sale and discontinued operations

Non-current assets or disposal groups are classified as held-for-sale if their carrying amount will be recoverable principally through a sale transaction, not through continuing use. The condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

Notes to the consolidated financial statements of Motif Bio plc
For the year ended 31 December 2019

2. Significant accounting policies, continued

These assets may be a component of an entity, a disposal group or an individual non-current asset. Upon initial classification as held-for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair values less cost to sell.

A discontinued operation is a significant distinguishable component of the Group's business that is available for sale in its immediate condition pursuant to a single formal plan, and which represents a separate major line of business or geographical area of operation. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held-for-sale.

The profit or loss on sale of a discontinued operation is determined from the formalized discontinuance date. Discontinued operations are separately recognised in the financial statements once management has made a commitment to discontinue the operation without a realistic possibility of withdrawal which should be expected to qualify for recognition as a completed sale within one year of classification.

o. Borrowings

Borrowings are recognized initially 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.

p. Equity

The Company classifies an instrument, or its component parts, on initial recognition as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

An instrument is classified as a financial liability when it is either (i) a contractual obligation to deliver cash or another financial asset to another entity; or (ii) a contract that will, or may be, settled in the Company's own equity instruments and is a non-derivative for which the Company is, or may be, obliged to deliver a variable number of the Company's own equity instruments or a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

An equity instrument is defined as any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. An instrument is an equity instrument only if the issuer has an unconditional right to avoid settlement in cash or another financial asset.

Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds

q. Critical accounting estimates and judgments

In preparing the financial information, the Directors make judgments on how to apply the Group's accounting policies and make estimates about the future. The critical judgments that have been made in arriving at the amounts recognized in the financial information and the key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities in the next financial year, are discussed below:

Discontinued Operations

The Directors used judgement to determine whether Motif BioSciences Inc. met the criteria as held-for-sale and classified as discontinued operations. Considerations included in the Directors' assessment include, but are not limited to, the publicly communicated wind-down of the entity and the Company's subsequent loss of control of the entity.

Notes to the consolidated financial statements of Motif Bio plc
For the year ended 31 December 2019

2. Significant accounting policies, continued

Subsequent Events

The Directors evaluate all events occurring after the reporting period dated to evaluate whether evidence of conditions existed or rose after the reporting period date. The Directors determined that 27 January 2017 events (Note 1) had substantial evidence that that conditions existed prior to reporting period date, including, but not exclusively, the results of the November General Meeting where Shareholders approved the proposed corporate restructuring and wind-down of Motif BioSciences Inc. The financial impact of the 27 January 2017 events was considered adjusting events as of 31 December 2019.

Valuation of the iclaprim assets (Judgement and Estimate)

The Directors use their judgment to determine a fair value of the iclaprim intangible asset based upon the consideration paid, the nature of the asset, industry statistics, future potential, and other relevant factors. An asset's acquisition cost or the consideration transferred by the acquiring entity is assumed to be equal to the fair value of the net assets acquired unless contrary evidence exists. These fair values are tested for impairment on an annual basis or when a triggering event has occurred. The assessment includes multiple quantitative and qualitative factors and estimates regarding future cash flows. The projected future cash flows are also used to support the carrying value of the investment and intercompany receivable balances recognised on the Company's Statement of Financial Position. Refer to Note 10 for discussion on the Company's assessment and impairment charge recorded.

Research and development expenditures (Judgement)

Research and development expenditures were not capitalized because the criteria for capitalization are not met. At each balance sheet date, the Group estimates the level of service performed by the vendors and the associated costs incurred for the services performed.

Share based payments and fair value of warrants (Estimate)

The Directors have to make judgments when deciding on the variables to apply in arriving at an appropriate valuation of share based compensation and warrants, including appropriate factors for volatility, risk-free interest rate, and applicable future performance conditions and exercise patterns.

3. Discontinued operations

The Company's wholly-owned subsidiary Motif BioSciences Inc. has been reported as discontinued operations in the consolidated statements of comprehensive loss and the related assets and liabilities have been presented as held-for-sale in the consolidated balance sheet as of 31 December 2019 (Note 1). As set out in note 1, on 14 November 2019 the Company's Shareholders approved the actions detailed in a circular dated 25 October 2019 which had the effect that Motif BioSciences, Inc. ceased all operations and engaged Tamarack Associates to facilitate the sale of iclaprim and other assets of Motif BioSciences Inc for the benefit of the subsidiary's lender, Hercules Capital, Inc. (or Hercules). The consequent amendments to the existing credit agreement with Hercules and the Amendment and Release agreement were completed on 27 January 2020. Effective 27 January 2017, the Company was relieved from a loan guarantee that it had originally provided at the origination of the Hercules loan. Based on the subsequent event on 27 January 2017, and other operational changes that occurred in 2019 and early 2020 described in note 1, the directors consider that it is unlikely that significant changes to the disposal plan will be made or that the plan will be withdrawn even if Hercules forecloses on the iclaprim asset. The directors also consider that the Company, as at 27 January 2017, no longer had an ability to direct the activities of Motif BioSciences Inc. Based on its assessment the Company determined that it no longer has control of Motif BioSciences Inc. in accordance with IFRS 10 Consolidated Financial Statements. As a result, the Company will not consolidate Motif BioSciences Inc. in reportable financial periods commencing in 2020.

The information presented in this footnote summarizes the financial information for Motif BioSciences Inc.

Notes to the consolidated financial statements of Motif Bio plc
For the year ended 31 December 2019

a. Operating activity (discontinued operations)

The following table summarizes the major line items that are included in the consolidated statements of comprehensive loss for the years ending 31 December 2019 and 2018.

(in thousands)	Year ended 31 Dec 2019 US \$ (000's)	Year ended 31 Dec 2018 US \$ (000's)
Gain on settlement of contract disputes ⁽¹⁾	2,418	—
General and administrative expenses.....	(2,738)	(5,889)
Research and development expenses	(2,016)	(10,988)
Loss on impairment ⁽²⁾	(6,196)	—
Interest income.....	40	110
Interest expense	(1,905)	(2,160)
Net foreign exchange gains (losses).....	19	104
Income tax expenses	—	(9)
Net loss from discontinued operations	<u>(10,378)</u>	<u>(18,831)</u>
Comprehensive loss from discontinued operations	<u>(10,378)</u>	<u>(18,831)</u>

⁽¹⁾ The gain resulted from the Group's settlement of disputed obligations billed by its contract research organization.

⁽²⁾ Loss on impairment reflects the write-down of the iclaprim intangible asset (Note 10).

b. Breakdown of expenses by nature (discontinued operations)

The following table details the nature of expenses for the years ending 31 December 2019 and 2018.

(in thousands)	Year ended 31 Dec 2019 US \$ (000's)	Year ended 31 Dec 2018 US \$ (000's)
<i>General and administrative expenses</i>		
Employee salary and benefits expenses, including share-based payments.....	1,385	2,677
Legal and professional fees.....	597	2,217
Investor and public relations and related fees	315	628
Other expenses.....	<u>441</u>	<u>367</u>
	2,738	5,889
<i>Research and development costs</i>		
Employee salary and benefits expenses, including share-based payments.....	765	1,154
Contract research organization expenses.....	—	—
Chemistry and manufacturing development and other non-clinical development	274	3,444
Other research and development costs ⁽¹⁾	<u>986</u>	<u>6,391</u>
	2,016	10,988

⁽¹⁾ Other research and development costs incurred during 2018 were primarily comprised of regulatory and related preparatory activities for the iclaprim product candidate.

Notes to the consolidated financial statements of Motif Bio plc
For the year ended 31 December 2019

3. Discontinued operations, continued

c. Finance income and costs (discontinued operations)

The following table details the nature of expenses for the years ending 31 December 2019 and 2018.

(in thousands)	Year ended 31 Dec 2019 US \$ (000's)	Year ended 31 Dec 2018 US \$ (000's)
<u>Finance income</u>		
Interest from financial assets	40	110
	<u>40</u>	<u>110</u>
<u>Finance costs</u>		
Interest expense (Note 14)	(1,079)	(1,585)
Accretion of end of term payment (Note 14)	(234)	(174)
Amortization of deferred financing costs (Note 14)	(592)	(401)
	<u>(1,905)</u>	<u>(2,160)</u>
Net finance costs	(1,865)	(2,050)

d. Financial position (discontinued operations)

The following table summarizes the carrying amounts of major classes of assets and liabilities of discontinued operations for each of the periods presented on the consolidated statements of financial position.

(in thousands)	As at 31 Dec 2019 US \$ (000's)	As at 31 Dec 2018 US \$ (000's)
<u>Assets</u>		
Prepaid expenses and other receivables	5	77
Cash and cash equivalents	32	11,719
Total current assets	<u>37</u>	<u>11,796</u>
Intangible assets	—	6,196
Intangible assets (Note 10)	—	18
Other non-current	—	6,214
Total assets	<u>37</u>	<u>18,010</u>
<u>Liabilities</u>		
Trade payable and accrued liabilities	3,874	7,029
Term loan, current portion	3,536	4,327
Total current liabilities	<u>7,410</u>	<u>11,356</u>
Term loan, net of current portion	3,765	10,131
Other non-current liabilities	430	196
Total non-current liabilities	<u>4,195</u>	<u>10,327</u>
Total liabilities	<u>11,605</u>	<u>21,683</u>

Notes to the consolidated financial statements of Motif Bio plc
For the year ended 31 December 2019

3. Discontinued operations, continued

e. Cash flows (discontinued operations)

The following table summarizes the cash flows carrying amounts of major classes of assets and liabilities of discontinued operations for each of the periods presented on the consolidated statements of financial position.

<u>(in thousands)</u>	<u>Year ended 31 Dec 2019 US \$ (000's)</u>	<u>Year ended 31 Dec 2018 US \$ (000's)</u>
Net cash used in operations	(5,736)	(20,043)
Net cash provided by investing activities (from parent)	2,880	11,322
Net cash used in by financing activities	(8,919)	(1,585)
Net change in cash	(11,775)	(10,306)
Cash, beginning of the year	11,719	22,022
Effect of foreign exchange rate changes	88	3
Cash at the end of the year	32	11,719

f. Contractual maturities of financial liabilities (discontinued operations)

<u></u>	<u>< 1 year US \$</u>	<u>Between 1 and 2 years US \$</u>	<u>Between 2 and 5 years US \$</u>	<u>Over 5 years US \$</u>	<u>Total US \$</u>
At 31 December 2019					
Trade payables and accrued liabilities ¹	3,874	—	—	—	3,874
Term Loan and other non-current (Note 14)	3,830	3,901	—	—	7,731
	<u>7,704</u>	<u>3,901</u>	<u>—</u>	<u>—</u>	<u>11,605</u>
At 31 December 2018					
Trade payables and accrued liabilities	7,029	—	—	—	7,029
Term Loan and other non-current (Note 14)	4,655	5,642	5,133	—	15,430
	<u>11,684</u>	<u>5,642</u>	<u>5,133</u>	<u>—</u>	<u>22,459</u>

⁽¹⁾ Trade payables at 31 December 2019 include \$2.2 million invoiced outside of terms by Motif BioSciences Inc.'s supplier of active pharmaceutical ingredient.

4. Financial risk management (Group and Company)

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance.

a. Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, and if a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The credit risk on liquid funds is limited because cash balances are held with bank and financial institutions with credit-ratings assigned by international credit-rating agencies. All deposits are held with banks that have a minimum S&P rating of A or A-3 for short term deposits.

At 31 December 2019, no current asset receivables were aged over three months. No receivables were impaired.

b. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they become due. The principal risk to which the Group is exposed is liquidity risk. See discussion in Note 1 as it relates to the Group's and Company's ability to continue as a going concern.

The Group has financed its operations to date using cash raised through the issuance of debt and equity. The Directors acknowledge that uncertainty remains over the ability of the Group to have the resources to fully support the Company's foreseeable operating needs as an AIM Rule 15 cash shell. To fund these activities and maintain business operations, the Group may need additional funding. An inability to obtain additional funding could have a negative impact on the Company's prospects (Note 1).

**Notes to the consolidated financial statements of Motif Bio plc
For the year ended 31 December 2019**

4. Financial risk management (Group and Company), continued

c. Market risk

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed by minimizing the balance of foreign currencies to cover expected cash flows during periods where there is strengthening in the value of the foreign currency. The Group holds part of its cash resources in US dollars and British pounds sterling. The valuation of the cash fluctuates along with the US dollar/sterling exchange rate. No hedging of this risk is undertaken.

The carrying amounts of foreign currency denominated monetary net assets at the reporting date are as follows:

<i>(in thousands)</i>	31 December 2019	31 December 2018
	US \$	US \$
Sterling - Cash	655	491

The exchange rate between British Pound and the United States Dollar at 31 December 2019 and 2018 was 1.33 and 1.28, respectively. A change in foreign currency exchange rates may have a significant impact on the profit or losses of the Group.

Interest rate risk (Continuing Operations)

The Company's exposure to interest rate risk is limited to interest earned on the cash and cash equivalent balances which were US \$0.7 million at 31 December 2019.

Interest rate risk (Discontinued Operations)

Motif BioSciences Inc.'s exposure to interest rate risk is limited to and its financing vulnerabilities on the Hercules loan, which has an interest rate tied to a margin the US prime rate over 4.5% (with a floor of 10%), equating to 10.75% as of 31 December 2019. The interest rate at 31 December 2019 was 10.75%. A change in interest rates may have a significant impact on the profit or losses of Motif BioSciences Inc. The Hercules loan and associated interest rate risk are presented as part of discontinued operations for all periods presented. (Note 3 and Note 14).

d. Capital risk management

The Directors define capital as the total equity of the Group. The Directors' objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal structure to reduce the cost of capital. In order to maintain an optimal capital structure, the Directors may adjust the amount of dividends paid to shareholders, return capital to shareholders and issue new shares to reduce debt.

5. Other income and expense items (Company)

This note provides a breakdown of the items included in other income, finance income and expenses by nature for the years ended 31 December 2019 and 2018.

a. Breakdown of expenses by nature (Company)

<i>(in thousands)</i>	Year ended 31 Dec 2019	Year ended 31 Dec 2018
	US \$ (000's)	US \$ (000's)
<u>General and administrative expenses</u>		
Employee salary and benefits expenses, including share-based payments.....	11	387
Director fees	247	562
Director, legal and professional fees	586	398
Investor and public relations and related fees	32	549
Other expenses.....	370	121
	<u>1,246</u>	<u>1,747</u>

Notes to the consolidated financial statements of Motif Bio plc
For the year ended 31 December 2019

5. Other income and expense items (Company), continued

Auditors' Remuneration (Group ⁽¹⁾ and Company)

<i>(in thousands)</i>	2019 US \$ (000's)	2018 US \$ (000's)
Fees paid/payable to the company's auditors and its associates for the audit of the parent company and consolidated financial statements	47	70
- Audit of the Group's overseas filings ⁽¹⁾	—	254
- Audit related assurance services ⁽¹⁾	—	113
	47	437

⁽¹⁾ Fees incurred by the Group to support overseas filings and related services are not expected to be part of continuing operations.

c. Finance income and cost (Company)

<i>(in thousands)</i>	Year ended 31 Dec 2019 US \$ (000's)	Year ended 31 Dec 2018 US \$ (000's)
<i>Finance income</i>		
Interest from financial assets	5	3
	5	3
<i>Finance costs</i>		
Interest expense	—	—
	—	—
Net finance income.....	5	3

6. Employee numbers and costs (Group and discontinued operations)

The monthly average number of persons employed by the Group (including Executive Directors but excluding Non-Executive Directors) and key management personnel during the year, analyzed by category, was as follows:

	Year ended 31 Dec 2019	Year ended 31 Dec 2018
Executive Directors	2	2
Key management personnel	4	5
Total ⁽¹⁾	6	7

⁽¹⁾ The Company had no employees in 2019 and 2018 and only one employee in 2017.

The aggregate payroll costs of Executive Directors and key management personnel were as follows:

<i>(in thousands)</i>	Year ended 31 Dec 2019 US \$ (000's)	Year ended 31 Dec 2018 US \$ (000's)
Short-term benefits:		
Wages and salaries ⁽¹⁾	2,528	3,040
Social security and other employer costs	144	234
Share-based payments ^{(2) (3)}	(424)	941
	2,248	4,215

⁽¹⁾ Wages and salaries presented are that of the Group. It is expected that a portion will be part of continuing operations.

⁽²⁾ The total share-based payments recorded in 2019 reflect the benefit received from the forfeitures of outstanding and unvested options (Note 16).

⁽³⁾ The total share-based payments do not reflect the out-of-period adjustment recorded in 2017 (Note 16).

Notes to the consolidated financial statements of Motif Bio plc
For the year ended 31 December 2019

7. Directors' remuneration (Group)

On 14 November 2019, the Company's shareholders approved the Group's proposed corporate restructuring (Note 1). As part of the restructuring directors Dr. Craig Albanese, Charlotta Ginman, Zaki Hosny, Dr. Mary Lake Polan, and Andrew Powell resigned from the board and all directors forfeited all previously outstanding vested and non-vested option and waived accrued cash fees owed at that time.

The table below summarizes the director's cash remuneration for the periods presented.

	Salaries and fees	Bonuses	Social Security	2019 Total	2018 Total
	US \$ (000's)	US \$ (000's)	US \$ (000's)	US \$ (000's)	US \$ (000's)
<i>Executive</i>					
Graham Lumsden ⁽²⁾	446,250	—	17,813	464,063	726,639
Jonathan Gold ⁽¹⁾⁽²⁾	600,000	—	18,388	618,388	881,517
<i>Non-executive</i>					
Robert Bertoldi ⁽³⁾	—	—	—	—	134,563
Richard Morgan ⁽⁴⁾	56,750	—	—	56,750	113,500
Charlotta Ginman ⁽⁵⁾	43,472	—	—	43,472	69,680
Zaki Hosny ⁽⁵⁾	32,625	—	—	32,625	62,500
Mary Lake Polan ⁽⁵⁾	30,000	—	—	30,000	60,000
Bruce Williams ⁽⁴⁾	48,625	—	—	48,625	64,000
Craig T. Albanese ⁽⁵⁾	35,000	—	—	35,000	57,500
	<u>1,292,722</u>	<u>—</u>	<u>36,201</u>	<u>1,328,923</u>	<u>2,169,899</u>

⁽⁷⁾ The compensation listed above is for Mr. Gold's services as Executive Director and Chief Financial Officer in 2018 and 2019. Mr. Gold assumed the executive role of Chief Financial Officer on 2 February 2018.

⁽⁸⁾ The compensation for Dr. Lumsden and Mr. Gold excludes US \$8,400 and US \$8,400 in employer provided 401k pension contribution during 2019 and US \$8,100 and US \$8,100 during 2018.

⁽⁹⁾ Effective 16 July 2018, Mr. Bertoldi resigned from the Board of Directors. Mr. Bertoldi continued to provide consultancy services under the terms of the consultancy agreement with Amphion Innovation plc until 31 December 2018. Mr. Bertoldi received no compensation in 2019.

⁽¹⁰⁾ Effective 18 March 2019, Richard Morgan resigned from the Board of Directors and his role as Chairman. Bruce Williams was appointed interim Chairman of the Board at that time.

⁽¹¹⁾ Members' resignation effective 15 November 2019 (Note 1).

The compensation for Board members continuing in 2020 is outlined below by individual.

Bruce Williams is to receive a monthly salary of US \$2,500 and is entitled to receive an additional monthly salary of US \$2,500 that is deferred and payable only upon the occurrence of a reverse takeover transaction. or similar transaction.

Graham Lumsden, in his capacity as Non-Executive Director, is to receive a monthly salary of US \$1,250 and is entitled to receive an additional monthly salary of US \$2,500 that is deferred and payable only upon the occurrence of a reverse takeover transaction or similar transaction. Further, as a result of his executive service earlier to May 2020, Dr. Lumsden is entitled to an additional US \$100,000 that is deferred and payable only upon the occurrence of a reverse takeover transaction or similar transaction.

Chris Wardhaugh, appointed as a Non-Executive Director on 4 May 2020, is to receive a monthly salary of £1,000 (GBP) and is entitled to receive an additional monthly salary of £2,000 (GBP) that is deferred and payable only upon the occurrence of a reverse takeover transaction or similar transaction.

Jonathan Gold, in his capacity as Chief Financial Officer, President and Chief Business Officer and Executive Director is to receive a monthly salary of US \$25,000 and is entitled to receive an additional monthly salary of US \$25,000 that is deferred and payable only upon the occurrence of a reverse takeover transaction or similar transaction.

**Notes to the consolidated financial statements of Motif Bio plc
For the year ended 31 December 2019**

8. Income tax expense (Group and Company)

Recognized in the consolidated statement of comprehensive loss:

(in thousands)	Year ended Dec 31, 2019 US \$ (000's)	Year ended Dec 31, 2018 US \$ (000's)
Current tax expense		
U.K. corporation taxes	—	—
Overseas taxes ⁽¹⁾	—	9
	<u>—</u>	<u>9</u>

⁽¹⁾ The overseas taxes are not expected to be incurred as part of continuing operations.

The main rate of U.K. corporation tax was reduced from 21% to 19% from 1 April 2015 and has been reflected in these consolidated financial statements.

The tax expense recognized for the years ended 31 December 2019 and 2018 is lower than the standard rate of corporation tax in the U.K. of 19%. The differences are reconciled below:

(in thousands)	2019 US \$ (000's)	2018 US \$ (000's)
Reconciliation of effective tax rate:		
Loss on ordinary activities before taxation	(6,144)	(13,976)
U.K. Corporation tax at 19%	720	921
Overseas tax at higher rate	(2,179)	(3,953)
Effects of:		
Unrecognized losses	(1,375)	(3,032)
Other adjustments-overseas taxes	—	9
Total tax charge	<u>—</u>	<u>9</u>

The Company has a net deferred tax asset of US \$18 million related to net cumulative operating losses of US \$106 million, which includes the impairment charges relating to the Company's operating receivable from and investment in its discontinued subsidiary Motif BioSciences, Inc. The Group has US \$128.9 million of cumulative net operating losses generated as of 31 December 2019. Net operating loss are subject to review and possible adjustment by taxing authorities and may become subject to an annual limitation, which could limit the amount of tax attributes that can be utilized annually to offset future taxable income or tax liabilities. There is no assurance as to the extent and timing of the Company's or Group's ability to realize the possible tax benefits derived from cumulative net operating losses.

9. Loss per share (Group)

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Group by the weighted average number of shares in issue during the year. Diluted EPS is computed by dividing net income (loss) by the weighted average of all potentially diluted share of common stock that were outstanding during the periods presented.

The treasury stock method is used in the calculation of diluted EPS for potentially dilutive liability classified options and warrants, which assumes that any proceeds received from the exercise of in-the-money options and warrants, would be used to purchase common shares at the average market prices for the period.

The following table shows the derivation of loss per share for continuing operations.

(in thousands, except share and per share data)	Year ended Dec 31, 2019 US \$	Year ended Dec 31, 2018 US \$
Basic – continuing operations		
Net gain	4,235	4,846
Basic weighted average shares in issue	350,993,002	284,530,534
Basic earnings per share	0.01	0.02
Basic – discontinued operations		
Net loss	(10,378)	(18,831)
Basic weighted average shares in issue	350,993,002	284,530,534
Basic loss per share	<u>(0.03)</u>	<u>(0.07)</u>

Notes to the consolidated financial statements of Motif Bio plc
For the year ended 31 December 2019

9. Loss per share (Group), continued

Diluted – continuing operations

Net gain.....	4,235	4,846
Effect of dilutive securities: liability-classified warrants.....	—	(6,654)
Diluted net gain/(loss)	<u>4,235</u>	<u>(1,808)</u>

Weighted average shares in issue - basic	350,993,002	284,530,534
Incremental dilutive shares from liability-classified warrants (treasury stock method)	—	2,601,154
Weighted average shares in issue - diluted	<u>350,993,002</u>	<u>287,131,688</u>
Diluted net loss	<u>0.01</u>	<u>—</u>

Diluted – discontinued operations

Net loss	<u>(10,378)</u>	<u>(18,831)</u>
Weighted average shares in issue - diluted	<u>350,993,002</u>	<u>287,131,688</u>
Diluted net loss	<u>(0.03)</u>	<u>(0.07)</u>

The following potentially dilutive securities outstanding at 31 December 2019 and 2018 have been excluded from the computation of diluted weighted average shares outstanding, as they would be antidilutive.

	<u>2019</u>	<u>2018</u>
Warrants	54,154,709	12,878,944
Share options	<u>3,778,563</u>	<u>18,387,038</u>
	<u>57,933,272</u>	<u>31,265,982</u>

10. Intangible assets (Group and Discontinued Operations)

(in thousands)

As of 31 December 2017

Cost.....	6,196
Accumulated amortization and impairment.....	—
Net book amount at 31 December 2017	<u>6,196</u>
Additions.....	—
Amortization charge	—
Net book amount at 31 December 2018	<u>6,196</u>

As of 31 December 2018

Cost.....	6,196
Accumulated amortization and impairment.....	—
Net book amount at 31 December 2018	<u>6,196</u>
Additions.....	—
Impairment charge	<u>(6,196)</u>
Net book amount at 31 December 2019	<u>—</u>

In connection with the group restructuring in 2015, Motif BioSciences Inc. acquired the assets owned by Nuprim Inc. a Maryland corporation, related to iclaprim. Group recorded an intangible asset of US \$6.2 million, or the estimated fair value of the net assets acquired. The intangible asset was considered an in-process research and development asset that was not yet available for commercial use. As such, no amortization was previously recorded.

The Group performs an impairment test over the indefinite lived asset on an annual basis or when a triggering event has occurred. As the result of receipt of a Complete Response Letter from U.S. Food & Drug Administration (“FDA”) and the Type A meeting held with the FDA on 3 May 2019 and subsequent FDA meetings, the Group concluded a triggering event occurred and as a result conducted an interim impairment test for iclaprim as of 30 June 2019. In performing the test, the Group developed a discounted cash flow model, which utilized assumptions including, but not limited to, probability of success, market size and related growth assumptions, market share and related growth assumptions, expected period of treatment, pricing, patent life, operating costs, and a discount rate reflective of market conditions and Group specific risk. Our approach to assigning values to each of our assumptions used within the impairment test, are consistent with external sources of data, further adjusted for specific considerations given the uncertainty described below. The aforementioned discounted cash flow model and related assumptions took into account the conditions that existed at 30 June 2019 including the concerns raised by the FDA included in the minutes of the 3 May 2019 meeting, the uncertainty regarding the results of the Type B meeting held on 19 September 2019, which were not be fully known until the minutes to the meeting were available, and

**Notes to the consolidated financial statements of Motif Bio plc
For the year ended 31 December 2019**

10. Intangible assets (Group and Discontinued Operations), continued.

whether it would result in a reasonable path forward, as well as the uncertainty surrounding the Groups ability to find a strategic partner on acceptable terms to support the continued clinical advancement for iclaprim. The assessment also analyzed the impact of changes to the discount rate and probability of success. The sensitivity analysis evaluated favorable and unfavorable changes with a minimum range of 10%. The sensitivity did not have a meaningful impact to the Group's assessment. The Group estimated that the net present value of the cash flows of the Group's indefinite lived intangible asset was a nominal amount. As a result of the interim impairment assessment, the Group recorded a non-cash impairment charge equal to the full net carrying value as of 30 June 2019. The Group reassessed the impairment test as of 31 December 2019, including the evaluation of potential events and circumstances through the issuance date of these financial statements, and determined that intangible asset continues to be impaired.

11. Prepaid expenses and other receivables (Company)

	Year end 31 Dec 2019 US \$ (000's)	Year end 31 Dec 2018 US \$ (000's)
Amounts due within one year		
Prepayments and other receivables	145	154
	<u>145</u>	<u>154</u>

The maximum exposure to credit risk at the end of each reporting period is the fair value of each class of receivables set out above. The Company held no collateral as security. The Directors estimate that the carrying value of receivables approximated their fair value.

12. Cash and cash equivalents (Company)

	Year end 31 Dec 2019 US \$ (000's)	Year end 31 Dec 2018 US \$ (000's)
Cash and cash equivalents at bank	663	560
	<u>663</u>	<u>560</u>

13. Financial liabilities (Company)

	Year end 31 Dec 2019 US \$ (000's)	Year end 31 Dec 2018 US \$ (000's)
Amounts due within one year		
Trade payables.....	119	—
Accrued expenses	95	178
Derivative liabilities (Note 15)	227	5,789
	<u>441</u>	<u>5,967</u>

The Directors estimate that the carrying value of trade and accrued expenses approximated their fair value. Trade payables are generally payable on normal trade terms, usually 30 days.

14. Interest bearing loans and borrowings (Discontinued operations)

	31 Dec 2019 US \$ (000's)	31 Dec 2018 US \$ (000's)
Term loan, non-current	3,541	10,345
Unamortized deferred financing costs	—	(214)
Payment-in-kind interest	24	—
Net non-current.....	<u>3,765</u>	<u>10,131</u>
Term loan, current portion	3,325	4,655
Unamortized deferred financing costs	—	(328)
Payment-in-kind interest	211	—
Net current portion	<u>3,536</u>	<u>4,327</u>
Total term loan obligation	<u>7,301</u>	<u>14,458</u>

On 15 November 2017, the Group entered into a credit agreement (the "Hercules Loan Agreement") for up to US \$20 million in debt financing with Hercules Capital, Inc. ("Hercules"). Pursuant to the credit agreement, Hercules agreed to loan the Group up to US \$20.0 million in two tranches. The first tranche of US \$15.0 million was drawn down at closing. The milestones for the second tranche of US \$5.0 million were not achieved and no further funds were drawn down.

Notes to the consolidated financial statements of Motif Bio plc
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14. Interest bearing loans and borrowings (discontinued operations), continued

The original terms included an initial interest-only period of 15 months; a 30-month capital and interest repayment period thereafter; an interest rate tied to a margin the US prime rate over 4.5% (with a floor of 10%), equating to 10.75% as of 31 December 2019, and customary security over all assets of the Group, except for intellectual property where there is a negative pledge. Under the credit agreement, the Group issued Hercules warrants to purchase up to 73,452 of its ADS (each representing 20 ordinary shares) at an exercise price of US \$9.53 per ADS, representing 3.5% warrant coverage of the total loan facility. In connection with the Hercules Loan Agreement closing, the Group incurred US \$0.5 million in fees and issued warrants with a fair value of approximately \$0.4 million. Both items are classified as a direct reduction from the Hercules Loan Agreement balance and were previously being amortized over the life of the Loan using the effective interest rate method. In connection with the Amended and Release Agreement dated 27 January 2017, the remaining balance of capitalized fees and warrants issued at origination was fully amortized as of 31 December 2019. The Group is also subject to an end of term charge equal to 2.15% of the total loan capacity, or US \$0.43 million. The end of term charge is payable upon loan maturity or the date that the Group prepays the outstanding loan balance. The entire amount of the end of term charge was fully accrued for at 31 December 2019.

The Hercules Loan Agreement was amended effective on 17 February, 22 March, 31 July, and 30 August 2019. Pursuant to the amendments, the Group made early repayments of US \$7.5 million and received an interest-only period on the remaining loan balance for the period from March 2019 through June 2019 and the months of August 2019 and September 2019. All prepayment charges for the remaining term of the loan were waived. In connection with the amendments to the Hercules Loan Agreement, the Group incurred US \$0.05 in fees and recorded a US \$0.06 million modification loss. The fees were classified as a direct reduction from the Loan balance and will be amortized over the life of the loan and the modification loss was recorded as interest expense with a corresponding adjustment to the Loan balance. As of 31 December 2019, all unamortized financing costs and modification loss were fully amortized.

On 30 September 2019, the Company announced that it reached an agreement in principle to amend the Hercules Loan Agreement in a manner that may allow the shareholders of Motif Bio plc to benefit from the monetization of the iclaprim asset, while relieving the Company of its guarantee of the loan. The proposed restructuring and amendment were approved by shareholder vote on 14 November 2019. The Amendment and Release Agreement was signed on 27 January 2017 and is treated as an adjusting subsequent event (Note 1). Pursuant to the terms of the Amendment and Release agreement:

- Hercules relinquished the loan guarantee provided by the Company and agreed to relieve Motif Bio plc of obligations to Hercules related to the November 2017 Hercules Loan to Motif BioSciences Inc.;
- Motif BioSciences Inc. granted Hercules a perfected security interest in all its intellectual property;
- Interest payable for the period October 2019 to May 2020 accrued as paid-in-kind and added to the outstanding principal balance on each interest date; and
- Hercules provided a forbearance provision regarding compliance certificates and default provisions to June 2020.

The Company granted to Hercules warrants over an aggregate of 121,337,041 ordinary shares of 0.01 pence par value ("Ordinary Shares"), representing a total of 25 per cent of the Company's then outstanding share capital. These warrants will expire on 27 January 2025 and have an exercise price of 0.42 pence per share. The warrants previously issued to Hercules on 14 November 2017 to purchase 73,452 American Depositary Shares were cancelled as a result of the amendment. All outstanding discounts and modification loss were amortized to a nil value and the end of term fee was fully accrued for as of 31 December 2019 as a result of the amendment.

The Hercules Loan Agreement, as amended, subjects the Group's formerly controlled subsidiary Motif Biosciences, Inc. to various affirmative and restrictive covenants, including a perfected pledge on intellectual property.

15. Warrants (Group and Company)

Warrant activity

The Group has issued warrants for services performed and in conjunction with various equity financings. The Group's warrants represent ordinary shares or ADS and have either a Pounds Sterling or US Dollar exercise price. The ADS warrants are exercisable to purchase ADS's, which each represent 20 ordinary shares. Depending on the terms of the warrant agreements, the ordinary share or ADS warrants are classified as either equity or a liability. Liability classified warrants are remeasured each reporting period, with changes in fair value recorded in the statements of comprehensive loss. The following is a summary of the Group's warrant activity during the year ended 31 December 2019:

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15. Warrants (Group and Company), continued

	Number of Warrants		Weighted Average Exercise Price	
	Ordinary shares	ADS	Ordinary shares	ADS
Outstanding as of 1 January 2019	21,915,552	1,336,354	£ 0.273	\$ 8.08
Granted	127,337,041	—	£ 0.004	—
Cancelled	—	(123,425)	—	\$ 8.61
Exercised	(830,780)	—	£ 0.228	—
Outstanding as of 31 December 2019	21,915,552	1,336,354	£ 0.273	\$ 8.02

The Group's warrants outstanding and exercisable as of 31 December 2019 were as follows:

Type of Warrant Outstanding	Number Outstanding and Exercisable	Exercise Price	Expiration Date
Ordinary shares ⁽¹⁾	724,705	GBP £ 0.20	April 2, 2020
Ordinary shares ⁽¹⁾	1,082,384	GBP £ 0.50	July 21, 2020
Ordinary shares ⁽²⁾	10,317,252	GBP £ 0.322	23 November 2021
ADS ⁽²⁾⁽³⁾	1,202,902	US \$ 8.03	23 November 2021
Ordinary shares ⁽¹⁾	8,960,431	GBP £ 0.20	April 2, 2025
ADS ⁽²⁾⁽³⁾	10,000	US \$ 7.26	July 31, 2022
Ordinary shares ⁽¹⁾⁽⁴⁾	7,142,857	GBP £ 0.007	27 January 2025
Ordinary shares ⁽²⁾⁽⁴⁾	121,337,047	GBP £ 0.004	27 January 2025
Ordinary shares ⁽²⁾⁽⁴⁾	6,000,000	GBP £ 0.002	27 January 2025

⁽¹⁾ Warrants totalling 17,910,377 of ordinary shares are equity classified.

⁽²⁾ Warrants totalling 137,654,293 of ordinary shares and 1,212,902 of ADS are liability classified.

⁽³⁾ Each ADS represents 20 ordinary shares.

⁽⁴⁾ Warrants totalling 134,479,904 of ordinary shares were issued on 27 January 2017. The accounting treatment thereof was recorded as of December 31, 2019 as an adjusting subsequent event (Note 1).

Liability classified warrants

ADS warrants

On 23 November 2016, the Group closed an initial U.S. offering of 2,438,491 ADS and 1,219,246 ADS warrants at a price of US \$6.98 per ADS/Warrant combination. Each ADS represents 20 ordinary shares. The warrants have an exercise price of US \$8.03 per ADS and expire on 23 November 2021. In the event the Group failed to maintain the effectiveness of its Registration Statement and a Restrictive Legend Event has occurred, the warrant shall only be exercisable on a cashless basis. This would result in variability in the number of shares issued and therefore, the warrants were designated as a financial liability carried at fair value through profit and loss. On issuance of the ADS warrants, the Group recorded a derivative liability of US \$3.8 million using the Black-Scholes model. The Group develops its own assumptions for use in the Black-Scholes option pricing model that do not have observable inputs or available market data to support the fair value. This method of valuation involves using inputs such as the fair value of the Group's common stock, stock price volatility of comparable companies, the contractual term of the warrants, risk free interest rates and dividend yields. November 26, 2019, the Company notified NASDAQ Capital Market of its intention to delist the ADS shares and ADS warrants from trading. The ADS shares and ADS warrants were voluntarily delisted from trading in December 2019. Due to the nature of these inputs, the valuation of the warrants is considered Level 1 and 2 measurements.

On 1 August 2017, the Group issued to a third party a warrant to purchase up to 60,000 ADSs at an exercise price of US \$7.26 per ADS. The warrant vested 5,000 ADSs at issuance, with the remaining 55,000 ADSs vesting upon satisfaction of various performance conditions related to the Group's stock price and trading volumes. A total of 10,000 ADSs were vested and outstanding as of 30 June 2019. The performance conditions related to remaining 50,000 ADSs were not achieved. The vested warrants may be exercised on a cashless basis and expire on 31 July 2022. Exercising on a cashless basis would result in variability in the number of shares issued and therefore, the warrants were designated as a financial liability carried at fair value through profit and loss. On issuance of the ADS warrants, the Group recorded a derivative liability of \$0.1 million using the Black-Scholes model. At issuance, the following assumptions were used in the Black-Scholes model.

On 14 November 2017, in conjunction with the Hercules Loan Agreement, the Group issued to Hercules a warrant to purchase up to 73,452 ADSs at an exercise price of US \$9.53 per ADS, representing 3.5% warrant coverage of the total loan facility. The warrant may be exercised on a cashless basis, and is immediately exercisable through 14 November 2022. Exercising on a cashless basis would result in variability in the number of shares issued and therefore, the warrants were designated as a financial liability carried at fair value through profit and loss. On issuance of the ADS warrants, the Group recorded a derivative liability of US \$0.4 million using the Black-Scholes model. These warrants were cancelled in connection with the 27 January 2017 amendment to the Hercules Loan Agreement (Note 14).

Notes to the consolidated financial statements of Motif Bio plc
For the year ended 31 December 2019

15. Warrants (Group and Company), continued

At 31 December 2019 and 2018, the liability classified ADS warrants had a fair value of US \$ nil and \$3.9 million using the following weighted-average assumptions in the Black-Scholes model:

	31 December 2019	31 December 2018
Share price (US \$) ⁽¹⁾	0.10	6.59
Exercise price (US \$)	8.08	8.08
Expected volatility.....	92 %	75 %
Number of periods to exercise	1.90	2.98
Risk-free rate	1.58 %	2.46 %
Expected dividends.....	—	—

⁽¹⁾ Effective December 2019 following a voluntary delisting, the Company's ADS shares are no longer traded on the NASDAQ Capital Market. The share price utilized represent the Company's ordinary share price at 31 December 2019 adjusted to reflect the conversion to ADS equivalents and conversion to the U.S. dollar.

Ordinary warrants

On 23 November 2016, the Group placed 22,863,428 ordinary shares together with 11,431,714 warrants over ordinary shares at a price of £0.28 per share/warrant combination. The warrants have an exercise price of £0.322 per warrant and expire on 23 November 2021. As the Group has not maintained an effective Registration Statement, the warrant is now only exercisable on a cashless basis. This results in variability in the number of shares issued and therefore, the warrants were designated as a financial liability carried at fair value through profit and loss. On issuance of the warrants, the Group recorded a derivative liability of US \$1.8 million using the Black-Scholes model.

On 27 January 2017, the Company granted to Hercules Capital Inc. warrants over an aggregate of 121,337,041 ordinary shares. These warrants will expire on 27 January 2025 and have an exercise price of 0.42 pence per share. The Company also granted warrants over 6,000,000 ordinary shares to certain former board members at an exercise price of 0.24 pence per share that will expire on 27 January 2025. This issuance of these warrants is presented as an adjusting subsequent event (Note 2 and Note 20).

At 31 December 2019 and 2018, the liability classified ordinary warrants had a fair value of US \$0.2 million and \$2.0 million using the following weighted-average assumption in the Black-Scholes model:

	31 December 2019	31 December 2018
Share price (GBP).....	0.002	0.31
Weighted exercise price (GBP)	0.028	0.322
Expected volatility.....	85 %	74 %
Number of periods to exercise	4.77	2.90
Risk-free rate	1.68 %	2.46 %
Expected dividends.....	—	—

The following is a summary of the Group's liability classified warrant activity, including both ADS and Ordinary warrants, during the years ended 31 December 2019 and 2018:

(in thousands)	Fair value US \$
Liability classified warrants	
Balance at 1 January 2018	12,626
Issued during the year	—
Exercised during the year	(84)
Impact of foreign exchange	(99)
Gain from revaluation of derivative liabilities	(6,654)
Balance at 31 December 2018	5,789
Issued during the year	—
Exercised during the year	(55)
Impact of foreign exchange	(80)
Gain from revaluation of derivative liabilities	(5,427)
Balance at 31 December 2019	227

Notes to the consolidated financial statements of Motif Bio plc
For the year ended 31 December 2019

16. Share based payments (Group and Company)

Motif Bio plc adopted a Share Option Plan (the “New Plan”) on 1 April 2015. The exercise price for each option will be established at the discretion of the Board provided that the exercise price for each option shall not be less than the nominal value of the relevant shares if the options are to be satisfied by a new issue of shares by the Group and provided that the exercise price per share for an option shall not be less than the fair market value of a share on the effective date of grant of the option. Options will be exercisable at such times or upon such events and subject to such terms, conditions and restrictions as determined by the Board on grant date. However, no option shall be exercisable after the expiration of ten years after the effective date of grant of the option.

	Number of share options	Weighted average exercise price US \$
Outstanding at 31 December 2017	17,065,534	0.32
Granted during the year	5,050,000	0.49
Forfeited during the year	(2,656,116)	0.34
Cancelled during the year	(946,644)	0.56
Exercised during the year	<u>(125,736)</u>	0.14
Outstanding at 31 December 2018	18,387,038	0.34
Granted during the year	100,000	0.11
Forfeited during the year ⁽¹⁾	(14,549,544)	0.34
Cancelled during the year	(158,931)	0.56
Exercised during the year	—	—
Expired during the year	—	—
Outstanding at 31 December 2019	<u>3,778,563</u>	0.50
Exercisable at 31 December 2019	<u>3,778,563</u>	0.50

⁽¹⁾ The options forfeited during 2019 were related to the corporate restructuring approved by the Company’s shareholders at a general meeting held on 14 November 2019.

The range of exercise prices of the options at 31 December 2019 was US \$0.14 - \$0.91. The weighted remaining average contractual term of options outstanding at 31 December 2019 and 2018 was 3.5 years and 6.7 years, respectively. Subsequent to 31 December 2019, options for 3,024,138 ordinary shares were forfeited. As of the date these financial statements, options for 745,425 ordinary shares are outstanding.

The total expense recognized for the years arising from stock-based payments are as follows:

(in thousands)	Year ended 31 Dec 2019 US \$ (000’s)	Year ended 31 Dec 2018 US \$ (000’s)
General and administrative expense	(309)	750
Research and development expense	(115)	191
Total share-based payment (gain) expense	<u>(424)</u>	<u>941</u>

For the year ended 31 December 2019, the Company recorded a net gain of \$0.4 million due to the forfeitures that occurred during the period.

Notes to the consolidated financial statements of Motif Bio plc
For the year ended 31 December 2019

17. Share capital (Company)

On 14 November 2019, each of the Company's ordinary shares of 1 pence par value were divided into one New Ordinary Share of 0.01 pence par value and one deferred share of 0.99 pence stated value. The deferred shares have no rights and the Company did not issue any share certificates or credit CREST accounts in respect of them. The deferred shares are not admitted to trading on AIM and have no rights to participate in the profits of the Company. In the event of a wind-down or dissolution of the Company, the deferred shares shall be entitled to participate pari-passu in the dissolution of the Company's assets that are in excess of GBP £1 trillion.

The number of New Ordinary Shares in issue and held by each Shareholder at the time of the Share Capital Reorganisation, was equal to the number of existing Ordinary Shares in issue immediately prior to the Share Capital Reorganisation. Only the nominal value changed with respect to the New Ordinary Share. The New Ordinary Shares will continue to carry the same rights as those attached in the previously existing Ordinary Shares, save for the reduction in nominal value.

The net effect is that the par value for the Company's ordinary shares changed to 0.01 pence as a result of this sub-division.

Allotted, called up and fully paid:	Number	US \$ ('000's)
(in thousands, except share data)		
Ordinary shares in issue at 31 December 2017	263,519,128	3,589
Issued:		
Ordinary shares of 1p each	757,315	9
Ordinary shares of 1p each	32,258,064	433
Ordinary shares of 1p each	125,736	1
Ordinary shares in issue at 31 December 2018 ¹	<u>296,660,243</u>	<u>4,032</u>
Issued:		
Ordinary shares of 1p each ¹	830,780	7
Ordinary shares of 1p each ¹	45,000,000	594
Ordinary shares of .01p each	<u>142,857,143</u>	<u>144</u>
Ordinary shares in issue at 31 December 2019	<u>485,348,166</u>	<u>4,777</u>
Deferred shares at 31 December 2019 ¹	<u>342,491,023</u>	<u>—</u>

¹ On 14 November 2019, each ordinary share of 1 pence were divided into one New Ordinary Share of 0.01 pence par value and one deferred share of 0.99 pence stated value, as previously described.

During 2019, 830,780 ordinary shares were issued upon the exercise of warrants.

On 25 March 2019, the Group placed 45,000,000 new ordinary shares at 6 pence per share and received US \$3.3 million of net proceeds.

On 18 November 2019, the Group placed 142,857,143 new ordinary shares at 0.42 pence per share and received US \$0.7 million of net proceeds.

During 2018, 757,315 ordinary shares were issued upon the exercise of warrants.

On 17 May 2018, the Group placed 32,258,064 new ordinary shares at £0.31 per share. The Company raised US \$13.4 million in gross proceeds and incurred US \$0.7 million of issuance costs in connection with this offering. These issuance costs, which include placement fees, are recorded as a reduction in equity.

In June 2018, 125,736 ordinary shares were issued upon the exercise of a stock option.

Share premium represents the excess over nominal value of the fair value consideration received for equity shares net of expenses of the share issue

The Deferred shares were issued pursuant to a corporate restructuring and consequent capital reorganisation approved by the Company's shareholders on 14 November 2019 in accordance with which each Ordinary Share of 1 penny was subdivided into one new ordinary share of 0.01 pence and one deferred share of 0.99 pence. The deferred shares have no rights to participate in the profits of the company and the Company has not issued any share certificates or credited CREST accounts in respect of them. The deferred shares were not admitted to trading on AIM.

**Notes to the consolidated financial statements of Motif Bio plc
For the year ended 31 December 2019**

17. Share capital (Company), continued

Retained deficit represents accumulated losses.

The group re-organization reserve arose when Motif Bio plc became the parent of the Group in 2015. Being a common control transaction and, therefore, outside the scope of IFRS 3, it was accounted for as a group re-organization and not a business combination. The re-organization reserve can be derived by calculating the difference between the nominal value of the shares in Motif Bio plc issued to the former shareholders in Motif BioSciences Inc. and the share capital and share premium of Motif BioSciences Inc. at the date of the merger. The nominal value of the Company shares was used in the calculation of the reorganization reserve.

18. Subsidiaries

<u>Company name</u>	<u>Country of incorporation</u>	<u>Percentage shareholding</u>	<u>Percentage voting power</u>	<u>Method used to account for investment</u>
Motif BioSciences Inc.....	Delaware, USA	100%	100%	Consolidation (discontinued operations)

The principal activity of Motif BioSciences, Inc. was proprietary drug discovery research and development. Motif BioSciences Inc. was incorporated in the US State of Delaware on 2 December 2003 and has its registered office at 251 Little Falls Drive, Wilmington, Delaware, 19808. Motif BioSciences Inc. has been reported as discontinued operations in the consolidated statements of comprehensive loss and the related assets and liabilities have been presented as held-for-sale in the consolidated balance sheet as of 31 December 2019. These changes have been applied for all periods presented. Based on the subsequent event on 27 January 2017, the Company determined at that time that it no longer had the ability to direct the activities of Motif BioSciences Inc. Based on its assessment the Company determined that it no longer has control of Motif BioSciences Inc. in accordance with IFRS 10 Consolidated Financial Statements. As a result, the Company will not consolidate Motif BioSciences Inc. in future financial periods.

The Company evaluated the investment and intercompany receivable balances for impairment as of the 31 December 2019. Based on the Group's intangible asset in 2019 and the operations of Motif BioSciences Inc. being discontinued, the Company determined that the probability of recovering both balances was unlikely. As a result, the Company recorded an impairment charge equal to the full amount of the respective balances as of 31 December 2019.

19. Related party transactions

Transactions with Amphion Innovations plc and Amphion Innovations US, Inc.

At 31 December 2018, Amphion Innovations plc and its wholly owned subsidiary, Amphion Innovations US, Inc., or collectively, the Amphion Group, owned 8.51% of the issued ordinary shares in Motif Bio plc. In addition, the Amphion Group previously provided funding for the activities of Motif BioSciences Inc. through the issue of convertible interest bearing loan notes, which were converted to shares in December 2016. Richard Morgan and Robert Bertoldi were Directors of both the Company and Amphion Innovations plc in the period. Transactions between the Group and the Amphion Group are disclosed below:

Advisory and Consultancy Agreement with Amphion Innovations US, Inc.

On 1 April 2015, the Group entered into an Advisory and Consultancy Agreement with Amphion Innovations US, Inc. The consideration for the services is US \$120,000 per annum. The agreement was amended in December 2016 so that either party may terminate the agreement at any time, for any reason, upon giving the other party ninety-days advance written notice. The Group paid \$120,000 to Amphion Innovations US, Inc. during each year ending 31 December 2018, 2017 and 2016 in accordance with the terms of the agreement. The agreement was terminated as of 31 December 2018.

Consultancy Agreement with Amphion Innovations plc

On 1 April 2015, the Group entered into a Consultancy Agreement with Amphion Innovations plc for the services of Robert Bertoldi, an employee of Amphion Innovations plc. The consideration for his services was US \$5,000 per month. On 1 November 2015, the consideration was increased to US \$180,000 per annum. On 1 July 2016, the consideration decreased to US \$75,000 per annum. The agreement was for an initial period of 12 months and would automatically renew each year on the anniversary date unless either party notifies the other by giving 90-days written notice prior to expiration. The agreement was amended in December 2016 so that either party may terminate the agreement at any time, for any reason, upon giving the other party ninety-days advance written notice. In July 2017, the Group amended the consulting agreement with Amphion Innovations plc to increase the annual consideration to \$125,000 to better reflect Robert Bertoldi's time commitment to the Group with and effective date of 1 January 2017. The Group paid Robert Bertoldi US \$125,000 during the years ended 31 December 2018 and 2017 in accordance with the terms of the agreement. The agreement was terminated as of 31 December 2018.

Notes to the consolidated financial statements of Motif Bio plc
For the year ended 31 December 2019

20. Subsequent events

On 27 January 2017, the Company and its wholly owned subsidiary, Motif BioSciences Inc. completed the conditions and actions described in Note 1 as approved by the Company's Shareholders at a general meeting held on 14 November 2019, the circular of which was dated 25 October 2019. Refer to Note 1 for a description of the completed conditions and actions. The Board evaluated these events and determined that sufficient conditions existed at the end of the reporting period and recorded the event as if occurred as of 31 December 2019. Refer to Note 1 for further details.

On 4 May 2020, the Company made the following directorate changes:

- Chris Wardhaugh was appointed as a Non-Executive Director;
- Jonathan Gold, the Company's Chief Financial Officer, was appointed as President and Chief Business Officer; and
- Graham Lumsden, the Company's Chief Executive Officer, stepped down from his role as CEO and become a Non-Executive Director.

On 5 May 2020, the Company placed 162,500,000 new ordinary shares at £0.004 per share and received US \$0.76 million of net proceeds.

On 29 July 2020, the London Stock Exchange suspended the trading in the Company's AIM securities pursuant to AIM Rule 40. The AIM rules provide that the Company will have an additional six months from the suspension date to complete a qualifying transaction. If the Company does not complete a qualifying transaction by 28 January 2021, the Company's shares will be delisted from the AIM market.

On 7 August 2020, Motif BioSciences, Inc. received a notice from its lender Hercules Capital Inc. ('Hercules') as to their intention to foreclose on the collateral, of intellectual property of iclaprim. Under the terms and condition of the Amended and Restated Loan Agreement (Note 14), Hercules claim is to be only for the amount due to them including accrued interest and fees, and that this applies even in circumstances where Hercules forecloses on the iclaprim asset.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action you should take, you are recommended to seek financial advice from your stockbroker or other independent adviser authorized under the Financial Services and Market Act 2000 (as amended).

If you have recently sold or transferred all of your shares in Motif Bio plc, please forward this document, together with the accompanying documents, as soon as possible either to the purchaser or transferee or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

Motif Bio PLC

(incorporated and registered in England and Wales under number 09320890)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING (“AGM”) OF MOTIF BIO PLC (“MOTIF” OR THE “COMPANY”), WILL BE HELD AT 11 A.M. BST ON 30 SEPTEMBER 2020 AT 201 TEMPLE CHAMBERS, 3-7 TEMPLE AVENUE, LONDON, EC4Y 0DT. THE BOARD STRONGLY ENCOURAGES ALL SHAREHOLDERS TO VOTE ON THE RESOLUTIONS BY PROXY BEFORE THE DEADLINE OF 11 a.m. ON 28 SEPTEMBER 2020.

The health of our shareholders, employees and stakeholders is extremely important to us and, accordingly, in light of the Covid-19 pandemic, the Board has arranged for a quorum to be present at the Meeting and no other shareholders, advisers or other guests will be allowed to attend the Meeting in person. **Anyone seeking to attend the Meeting who has not been specifically invited by the Board for the purposes of forming a quorum will be refused entry.**

Shareholders are requested to therefore submit their votes, in respect of the business to be discussed, via proxy as early as possible. Shareholders should appoint the Chair of the Meeting as their proxy. If a shareholder appoints someone else as their proxy, that proxy will not be able to attend the Meeting in person or cast the shareholder's vote.

A Form of Proxy for use at the Annual General Meeting (“AGM”) has been sent to all shareholders today. Shareholders can return their proxy vote by post, online or (for CREST members) through CREST.

TO VOTE BY POST: Please complete the Form of Proxy and return it in accordance with the instructions printed thereon so as to reach the Company’s Registrars, Share Registrars Limited, The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR, United Kingdom no later than 11 a.m. on 28 September 2020.

TO VOTE VIA CREST: CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message must be transmitted so as to be received by the Company’s agent, Share Registrars Limited (ID 7RA36) no later than 11 a.m. on 28 September 2020.

Further information on voting by proxy is set out in the Notes to the Notice of AGM.

Notice is hereby given that the Annual General Meeting (“AGM”) of Motif Bio plc (“Motif” or the “Company”), will be held at 11 a.m. BST on 30 September 2020 at 201 Temple Chambers, 3-7 Temple Avenue, London, EC4Y 0DT for the transaction of the following business.

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

Resolution No. 1 To receive the Company’s annual accounts and the strategic, directors' and auditors' reports for the year ended 31 December 2019.

- Resolution No. 2 To reappoint Graham Lumsden as a director, who is retiring by rotation under the provisions of article 78 of the Company's Articles of Association at the AGM of the Company and who, being eligible, offers himself for re-election as permitted by article 84.
- Resolution No. 3 To reappoint Christopher Wardhaugh as a director, who has been appointed by the board since the last annual general meeting.
- Resolution No. 4 To reappoint Crowe LLP as UK reporting and statutory auditors to the Company under International Auditing Standards (UK), who have been appointed by the board as the Company auditors since the last annual general meeting.
- Resolution No. 5 To authorise the directors to determine the remuneration of the auditors.
- Resolution No. 6 The directors of the Company be and are hereby generally and unconditionally authorised, pursuant to section 551 of the Companies Act 2006 (the "Act"), in addition to any such authority previously granted and which has not expired, to issue and allot, or grant rights to subscribe for or convert any securities into, up to such number of Ordinary Shares of one penny each in the capital of the Company ("Ordinary Shares") as is equal to one half of the number of Ordinary Shares in issue at 5.00 p.m. BST on 29 September 2020 (or, if such number is not a whole number, then the nearest whole number below such number), provided that this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution, save that the Company may make an offer or agreement before the expiry of this authority which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities pursuant to any such offer or agreement as if the authority conferred by this resolution had not expired.

To consider and, if thought fit, to pass the following resolution as a special resolution:

- Resolution No. 7 That, subject to and conditional upon the passing of resolution 6, the directors of the Company be and are hereby generally empowered, pursuant to section 570 of the Act, in addition to any existing authorities under that section, to allot equity securities (as defined in section 560(1) of the Act) for cash pursuant to the authority conferred by resolution 8 as if section 561 of the Act did not apply to such allotment, provided that this power shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution, save that the Company may make an offer or agreement before the expiry of this power which would or might require equity securities to be allotted for cash after such expiry and the Directors may allot equity securities for cash pursuant to any such offer or agreement as if the power conferred by this resolution had not expired.

By order of the board
Liam O'Donoghue
Secretary

Registered Office:
201 Temple Chambers
3-7 Temple Avenue
London
EC4Y 0DT

1 September 2020

The Company's Explanatory Notes on Resolutions:

Resolution 1: Receiving the Company's accounts

An ordinary resolution to receive and adopt the report of the directors and the accounts for the year ended 31 December 2019, together with the report of the auditors and the strategic report.

Resolution 2: Re-election of a Director

An ordinary resolution to re-elect Graham Lumsden as a director of the Company, who retires in accordance with the Articles and is eligible for re-election.

Graham Lumsden has a proven record of success leading change and delivering results in subsidiary and global leadership positions, including new product launches, pre-clinical/clinical development, regulatory strategy, cross-functional team leadership, IP strategy/litigation, and domestic/international sales and marketing. Prior to joining Motif, Dr. Lumsden was a senior executive at Merck & Co., Inc. where he held commercial leadership positions in worldwide businesses including contraceptives and osteoporosis. Dr. Lumsden is a member of the Royal College of Veterinary Surgeons (MRCVS), holds a postgraduate diploma from the Chartered Institute of Marketing (MCIM), and is a dual citizen of the U.S. and UK.

Resolution 3: Reappointment of a Director

An ordinary resolution to re-elect Mr. Christopher Wardhaugh as a director of the Company. Mr. Wardhaugh was appointed to the board of directors since the last annual general meeting.

Chris Wardhaugh is currently a Non-Executive Director of Altair Medical Limited and Lamellar Biomedical Limited, both based in Scotland. Chris is also Chief Business Officer of MGB Biopharma Limited, a clinical-stage antibiotic company and is the founder of Sercader Limited, a life sciences advisory firm. Chris has over 28 years' experience in life sciences with international experience across large and small companies, all stages of development and commercialisation of companies including preclinical and clinical development, product launches throughout Europe and the United States, M&A and corporate development. Chris has an impressive transaction history working on deals including product licensing, IPOs and both Angel and VC investments.

Resolutions 4 and 5: Reappointment of the Company's auditors

An ordinary resolution to approve the re-appointment of Crowe LLP as the Company's auditor to hold office until the conclusion of the next general meeting at which accounts are laid before the Company at a remuneration to be fixed by the directors of the Company from time to time.

Resolutions 6 and 7: Authority to allot Ordinary Shares and disapplication of statutory pre-emptive rights

Under UK company law, directors of a company incorporated in England must have specific authority from shareholders to allot and issue any of the Company's Ordinary Shares. Additionally, when the directors of a company incorporated in England determine that it is in the best interests of the company to issue shares for cash, the company must first offer those shares on the same terms to existing shareholders of the company on a pro-rata basis (often referred to as a statutory pre-emption right) unless this statutory pre-emption right is dis-applied, or opted out of, by the approval of shareholders.

Resolutions 6 and 7 are asking shareholders to renew, until the conclusion of the 2021 annual general meeting, its share issuance authorities.

This authority will expire at the conclusion of the annual general meeting to be held in calendar year 2021. Resolution 7 will be proposed as a special resolution which means that for the resolution to be passed, at least three-quarters of the votes cast must be cast in its favour. Resolution 6, along with resolutions 1 through 5, will be proposed as ordinary resolutions which means that for each of those resolutions to be passed, more than half the votes cast must be cast in their favour.

Other Explanatory Notes:

1. A member entitled to attend and vote at the AGM convened by this notice is entitled to appoint one or more proxies to attend, speak and vote in his or her stead. A proxy need not be a member of the Company. **However, shareholders are urged to appoint the Chairman of the Meeting as their proxy, as due to the Covid-19 pandemic, entry will be refused to anyone else apart from one other Director to ensure the AGM is quorate.**

2. To appoint a proxy you may use the form of proxy enclosed with this notice of AGM. Please carefully read the instructions on how to complete the form of proxy. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of the same, must reach the Company's Registrars, Share Registrars Limited, The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR, United Kingdom by post or by scan and email

to voting@shareregistrars.uk.com not less than 48 hours before the time of holding of the AGM (excluding any part of a day that is not a working day). The form of proxy should therefore be completed and deposited with the Company's Registrars by 11 a.m. on 28 September 2020 (or, if the meeting is adjourned, no later than 48 hours (excluding any part of a day that is not a working day) before the time of any adjourned meeting). The completion and return of a form of proxy will not preclude a member from attending the AGM and voting in person if he or she so wishes. If a member has appointed a proxy and attends the AGM in person, such proxy appointment will automatically be terminated.

3. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those holders of the Company's shares registered on the register of members of the Company as at 11.a.m. on 28 September 2020, or, in the event that the AGM is adjourned, 48 hours (excluding any part of a day that is not a working day) before the time of the adjourned meeting, shall be entitled to attend and vote at the AGM in respect of the number of such shares registered in their name at the relevant time. Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend and vote at the AGM.

4. Any member may insert the full name of a proxy or the full names of two alternative proxies of the member's choice in the space provided with or without deleting "the Chairman of the meeting". A proxy need not be a member of the Company but must attend the meeting to represent the relevant member. The person whose name appears first on the form of proxy and has not been deleted will be entitled to act as proxy to the exclusion of those whose names follow. If this proxy form is signed and returned with no name inserted in the space provided for that purpose, the Chairman of the meeting will be deemed to be the appointed proxy. Where a member appoints as his/her proxy someone other than the Chairman, the relevant member is responsible for ensuring that the proxy attends the meeting and is aware of the member's voting intentions. Any alteration, deletion or correction made in the form of proxy must be initialled by the signatory/ies.

5. You may appoint more than one proxy in relation to the AGM provided each proxy is appointed to exercise rights attached to a different share or shares held by you. You may not appoint more than one proxy to exercise rights attached to any one share. If you wish to appoint more than one proxy, please contact the Company's Registrars, Share Registrars Limited on 01252 821390 or +44 1252 821390 from outside the UK. Lines are open from 9.00 am to 5.30 pm Monday to Friday, excluding public holidays. Alternatively, you may write to Share Registrars Limited, The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR, United Kingdom for additional proxy forms and for assistance.

6. Any corporation which is a member of the Company can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same share.

7. Voting on all resolutions will be conducted by way of a poll, rather than on a show of hands.

8. As at the close of business on the date immediately preceding this notice the Company's issued share capital comprised 654,991,023 Ordinary Shares of 0.01 pence each. Each Ordinary Share carries the right to one vote at the AGM and, therefore, the total number of voting rights in the Company as at the close of business on the date immediately preceding this notice is 654,991,023.

9. A member's instructions to the proxy must be indicated in the appropriate space provided. To abstain from voting on a resolution, select the relevant "Vote withheld" box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her decision. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

10. This form of proxy must be signed by the appointor or his attorney duly authorised in writing. The power of attorney or other authority (if any) under which the form of proxy is signed, or a notarially certified copy of the power or authority, must be received by the Company's registrar with the form of proxy. If the appointor is a corporation, the form of proxy should be signed on its behalf by an attorney or duly authorised officer or executed as a deed or executed under common seal. In the case of joint holders, the signature of any one of them will suffice, but the names of all joint holders should be stated. If more than one holder is present at the meeting, the vote of the first named on the register of members of the Company will be accepted to the exclusion of other joint holders.

11. CREST members who wish to appoint a proxy or proxies through the CREST Electronic Proxy Appointment Service may do so for the AGM and any adjournment(s) thereof by following the procedures described in the CREST manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously-appointed proxy, must, in order to be valid, be transmitted so as to be received by Share Registrars Limited

(ID 7RA36) no later than 11 a.m. on 28 September 2020, or, if the meeting is adjourned, 48 hours before the time fixed for the adjourned meeting (excluding any part of a day that is not a working day). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Share Registrars Limited is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat a CREST Proxy Instruction as invalid in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.

12. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Registrars, in the case of a member which is a company, the revocation notice must be executed in accordance with note 10 above. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice must be received by the Registrars not less than 48 hours (excluding any part of a day that is not a working day) before the time fixed for the holding of the Meeting or any adjourned Meeting (or in the case of a poll before the time appointed for taking the poll) at which the proxy is to attend, speak and to vote. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

13. You may not use any electronic address provided either in this notice or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.

Directors, Secretary, and Advisors

Directors	Bruce Williams Graham Lumsden Chris Wardhaugh Jonathan Gold	<i>Non-executive Chairman</i> <i>Non-executive Director</i> <i>Non-executive Director</i> <i>Executive Director</i>
Nominated Advisor and Broker	SP Angel Corporate Finance LLP Prince Frederick House 35-39 Maddox Street London W1S 2PP United Kingdom	
Company Secretary	Liam O'Donoghue	
Registered Office	201 Temple Chambers 3-7 Temple Avenue London EC4Y 0DT United Kingdom	
Auditors to the Company	Crowe U.K. LLP St Bride's House 10 Salisbury Square London EC4Y 8EH United Kingdom	
Solicitors to the Company	Reed Smith LLP The Broadgate Tower 20 Primrose Street London EC2A 2RS United Kingdom	
Public and Investor Relations	Walbrook PR Ltd. 4 Lombard Street London EC3V 9HD United Kingdom	
Registrars to the Company	Share Registrars Limited Suite E, First Floor 9 Lion and Lamb Yard Farnham Surrey GU9 7LL United Kingdom	
Website	www.motifbio.com	