

PATENT ASSIGNMENT COVER SHEET

Electronic Version v1.1
 Stylesheet Version v1.2

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SUBMISSION TYPE:	NEW ASSIGNMENT
NATURE OF CONVEYANCE:	SECURITY INTEREST
CONVEYING PARTY DATA	
Name	Execution Date
MEREO BIOPHARMA 1 LIMITED	08/07/2017
RECEIVING PARTY DATA	
Name:	KREOS CAPITAL V (UK) LIMITED
Street Address:	25 OLD BURLINGTON STREET
City:	LONDON
State/Country:	ENGLAND
Postal Code:	W1S 3AN
PROPERTY NUMBERS Total: 5	
Property Type	Number
Patent Number:	7863314
Patent Number:	8242117
Patent Number:	8410160
Patent Number:	8580838
Patent Number:	9339491
CORRESPONDENCE DATA	
Fax Number:	(760)720-1330
<i>Correspondence will be sent to the e-mail address first; if that is unsuccessful, it will be sent using a fax number, if provided; if that is unsuccessful, it will be sent via US Mail.</i>	
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ATTORNEY DOCKET NUMBER:	MEREO 1 - BCT197
NAME OF SUBMITTER:	JESSICA R. WOLFF
SIGNATURE:	/JESSICA R. WOLFF/
DATE SIGNED:	08/10/2017
Total Attachments: 30	
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EXECUTION VERSION

DATED *7 August* 2017

- (1) **MEREO BIOPHARMA 1 LIMITED**
- (2) **KREOS CAPITAL V (UK) LIMITED (as Security Agent)**

DEBENTURE

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THIS DEBENTURE is dated

7 August 2017

2016 ^{CRS}

BETWEEN:

- (1) **MEREO BIOPHARMA 1 LIMITED** a company incorporated in England under number 09646998 whose registered office is at 4th Floor, One Cavendish Place, London W1G 0QF (the "**Chargor**"); and
- (2) **KREOS CAPITAL V (UK) LIMITED** a company incorporated in England under registered number 09728300 whose registered office is at 25 Old Burlington Street, London W1S 3AN in its capacity as security trustee for the Secured Parties (the "**Security Agent**").

BACKGROUND:

Under the terms of the Loan Agreement, the Lenders have agreed to advance monies to Mereo BioPharma Group plc (as Original Borrower) on condition, inter alia, that the Chargor will execute and deliver to the Security Agent this Debenture to secure the payment of the Secured Obligations.

AGREED PROVISIONS:

1 INTERPRETATION

- 1.1 In this Debenture, the following words and expressions shall, unless the context otherwise requires, bear the following meanings:

Agent	has the meaning given to that term in the Loan Agreement;
Business Day	has the meaning given to that term in the Loan Agreement;
Debenture	this debenture including its recitals;
Delegate	means any delegate, agent, attorney or co-trustee appointed by the Security Agent;
Event of Default	has the meaning given to that term in the Loan Agreement;
Excluded Property	means (i) any leasehold property held by the Chargor under a lease which either precludes absolutely or conditionally (including requiring the consent of any third party) the Chargor from creating any charge over its leasehold interest in that property, (ii) any scanning or other equipment that is leased by an Obligor from a third party (including the Equipment Lease Agreement between Mereo BioPharma 3 Limited and Scanco USA Inc., dated 13 April 2017); and/or (iii) any interest in assets or property or a contract, instrument, license or agreement where, in each case, the Chargor is precluded by the terms of such contract, instrument, license or agreement from granting a Security Interest over its rights in the

	same or the assets or property that are the subject matter of such contract, instrument, license or agreement;
Finance Parties	has the meaning given to that term in the Loan Agreement;
Intellectual Property	means all legal and beneficial interests of the Chargor in any part of the world in all inventions, patents, utility models (and other second tier protection), designs (both registered or unregistered and including rights relating to semi-conductor topographies), database right, copyright and related rights, trade marks (both registered and unregistered) and confidential information (including trade secrets), together with all rights in or to the same (including rights to the grant of and applications for the same and including all similar or analogous rights and all other rights in the nature of intellectual and industrial property throughout the world and all future rights of such nature) and all related choses in action and claims and all fees, royalties and other rights of every kind deriving from them now or in the future belonging to the Chargor, including the Registered Intellectual Property;
Loan Agreement	means the loan facility agreement dated on around the date of this Debenture between Kreos Capital V (UK) Limited (as Lender, Agent and Security Agent), Silicon Valley Bank (as Lender), Mereo BioPharma Group plc (as Original Borrower) and the Guarantors (as defined therein), as amended, restated, supplemented or replaced from time to time;
Loan Documents	has the meaning given to that term in the Loan Agreement;
Material Patents	means al the patents that are listed in Schedule 3 hereto as "granted" in relation to the United Kingdom and the United States;
Obligors	has the meaning given to that term in the Loan Agreement;
Patents	means the patents listed in Schedule 3;
Permitted Security	<ul style="list-style-type: none"> (i) security created in favour of the Security Agent under the Loan Documents; (ii) the Permitted Liens; and (iii) any security permitted by the Security Agent in writing from time to time;

Real Property	all the freehold, leasehold or other immovable property from time to time the subject of any security created by this Debenture including, but without limitation, the properties (if any) more particularly described in Schedule 1 and the benefit of any covenants for title given or entered into by any predecessor in title of the Chargor and any moneys paid or payable in respect of any such covenant;
Receivables	all present and future book debts and other debts, rentals, fees, VAT and monetary claims and all other amount at any time recoverable or receivable by, or due or owing to, the Chargor (whether actual or contingent and whether arising under contract or in any other manner whatsoever) together with: <ul style="list-style-type: none"> (i) the benefit of all rights, guarantees, securities and remedies relating to any of the foregoing (including, without limitation, negotiable instruments, indemnities, reservations of property rights, rights of tracing and unpaid vendor's liens and similar association rights); and (ii) all proceeds of any of the foregoing;
Receiver	means a receiver or receiver and manager or administrative receiver;
Registered Intellectual Property	means the intellectual property specified in Schedule 3 (including, for the avoidance of doubt, the Patents and Material Patents);
Relevant Patent Office	means the patent registration offices in the United Kingdom and the United States of America;
Secured Obligations	all indebtedness, liabilities and obligations which are now or may at any time in the future be due, owing or incurred by each Obligor to any Secured Party under the Loan Documents;
Secured Parties	the Finance Parties, any Receiver and any Delegate;
Securities	means all stocks, shares, loan capital, bonds and other securities now or in the future belonging to the Chargor (either legally or beneficially);
Security Assets	all property and assets from time to time mortgaged, charged or assigned (or expressed to be mortgaged, charged or assigned) by or pursuant to this Debenture;
Security Interest	a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect; and

Warrant has the meaning given to that term in the Loan Agreement.
Instrument

1.2 In this Debenture unless the context requires otherwise:

- 1.2.1 capitalized terms not defined in this Debenture shall have the respective meanings given to those terms in the Loan Agreement;
- 1.2.2 any reference to a clause, Schedule or appendix (other than a Schedule to a statutory provision) is a reference to a clause of or Schedule or appendix to this Debenture and the Schedule and appendices form part of and are deemed to be incorporated in and in references to this Debenture;
- 1.2.3 references to this Debenture and to any provisions of this Debenture or to any other document or agreement shall be construed as references to this Debenture or that document or agreement in force for the time being and as amended, varied, supplemented, substituted or novated from time to time;
- 1.2.4 words importing the singular number only shall include the plural number and vice versa; and words importing the masculine gender only shall include the feminine gender;
- 1.2.5 references to persons includes a reference to firms, corporations, unincorporated associations or personal representatives;
- 1.2.6 references to any person are to be construed to include that person's assigns or transferees or successors in title, whether direct or indirect;
- 1.2.7 references to any statutory provision means that statutory provision as amended, supplemented, re-enacted or replaced from time to time (whether before or after the date of this Debenture) and are to include any orders, regulations, instruments or other subordinate legislation made under the relevant statutory provision except to the extent that any amendment, supplement, re-enactment or replacement coming into force after the date of this Debenture would increase or extend the liability of the parties to one another;
- 1.2.8 the rule known as the ejusdem generis rule shall not apply and general words shall not be given a restrictive interpretation by reason of their being preceded or followed by words indicating a particular class of acts, matters or things.
- 1.2.9 clause headings are for ease of reference only and are not to affect the interpretation of this Debenture;
- 1.2.10 the terms of the Loan Agreement are incorporated into this Debenture to the extent required to ensure that any disposition of the Real Property contained in this Debenture is a valid disposition in accordance with section 2(1) of the Law of Property (Miscellaneous Provisions) Act 1989;

- 1.2.11 a reference to continuing in relation to an Event of Default means an Event of Default that has not been remedied to the reasonable satisfaction of the Agent or waived; and
- 1.2.12 it is intended by the parties to this Debenture that this document shall take effect as a deed notwithstanding the fact that a party may only execute this document underhand.

2 COVENANT TO PAY

- 2.1 The Chargor covenants (when the same shall be or become due and payable) on demand to pay and discharge to the Security Agent (as agent and trustee for the Secured Parties) the Secured Obligations.
- 2.2 Any amount which is not paid under this Debenture when due shall bear interest (both before and after judgment and payable on demand) from the due date until the date on which that amount is unconditionally and irrevocably paid and discharged in full at the rate and in the manner specified in the relevant Loan Document.

3 NATURE OF SECURITY

- 3.1 All mortgages, charges, assignments and other security made or created under this Debenture are made or created:
 - 3.1.1 in favour of the Security Agent (as trustee for the Secured Parties);
 - 3.1.2 with full title guarantee in accordance with the Law of Property (Miscellaneous Provisions) Act 1994; and
 - 3.1.3 as a continuing security for the payment or discharge of all Secured Obligations hereby covenanted to be paid or discharged by each Obligor.
- 3.2 Paragraph 14 of Schedule B1 to the Insolvency Act 1986 (incorporated by Schedule 16 of the Enterprise Act 2002) applies to any floating charge created by or pursuant to this Debenture (and each such floating charge is a qualifying floating charge for the purposes of the Insolvency Act 1986).

4 SECURITY

- 4.1 Subject to clause 4.9, the Chargor charges and agrees to charge all the present and future right, title and interest of the Chargor in and to the following assets which are at any time owned by the Chargor or in which the Chargor from time to time has an interest:
 - 4.1.1 by way of first legal mortgage all freehold, leasehold or other immovable property now vested in or charged to the Chargor, including the property listed on Schedule 1;
 - 4.1.2 by way of first fixed charge:

- (a) all other freehold, leasehold and other immovable property now or in the future belonging to the Chargor (and not charged by clause 4.1.1);
 - (b) all plant and machinery now or in the future belonging to the Chargor, including that listed in Schedule 2 (other than fixed plant and machinery charged under clauses 4.1.1 and 4.1.2(a));
 - (c) all computers, vehicles, office equipment and other equipment (together the "Equipment");
 - (d) all cash of the Chargor and all monies from time to time standing to the credit of its accounts with any bank, financial institution or other person;
 - (e) all Receivables;
 - (f) all Securities together with all dividends and all other rights deriving from them;
 - (g) the goodwill of the Chargor and its uncalled capital both present and future;
 - (h) the benefit of all Intellectual Property; and
 - (i) all policies and contracts of insurance issued or entered into for the benefit of or by the Chargor and all rights, claims and interests which the Chargor has from time to time in any such policy or contract, save for any insurance policies that, pursuant to their terms, are intended, directly or indirectly, to compensate a third party that is not a member of the Group.
- 4.2 Subject to clause 4.9, the Chargor hereby charges by way of first fixed charge to the Security Agent the benefit of all its right, title and interest to, in and under all present and future:
- 4.2.1 the Receivables;
 - 4.2.2 goodwill of the Chargor both present and future;
 - 4.2.3 policies and contracts of insurance issued or entered into for the benefit of or by the Chargor and all rights, claims and interests which the Chargor has from time to time in any such policy or contract, save for any insurance policies that, pursuant to their terms, are intended, directly or indirectly, to compensate a third party that is not a member of the Group.
- 4.3 Subject to clause 4.9, to the extent not validly and effectively charged by way of first mortgage pursuant to clause 4.1.1 or fixed charge pursuant to clause 4.1.2, the Chargor by way of first floating charge charges the whole of the Chargor's

undertaking and all its property and assets whatsoever and wheresoever present and future.

- 4.4 The Security Agent may at any time convert the floating charge by notice in writing to the Chargor into a fixed charge as regards all the property and assets which for the time being are the subject of such floating charge or, as the case may be, such of the said property and assets as are specified by such notice if:
- 4.4.1 the security constituted by this Debenture has become enforceable in accordance with Clause 8 (*Enforcement*); or
 - 4.4.2 the Security Agent reasonably considers any Security Asset to be in danger of being seized or sold under any form of distress, attachment, execution or other legal process or otherwise to be in jeopardy; or
 - 4.4.3 the Security Agent reasonably considers that it is necessary in order to protect the priority of its Security Interests.
- 4.5 The floating charge created by this Debenture shall unless otherwise agreed in writing by the Security Agent automatically, immediately and without notice be converted into a fixed charge in the event that (i) the Chargor shall create (or attempt to create) or permit to subsist any Security Interest other than Permitted Security; (ii) if any person levies (or attempts to levy) any distress, attachment, execution or other legal process against any Security Asset; (iii) a Receiver is appointed over all or any of the Security Assets or a person entitled to appoint an administrator in respect of the Chargor gives notice of its intention to do so or files a notice of appointment with a court; (iv) the Security Agent receives notice of the appointment of, or a proposal or an intention to appoint, an administrator of the Chargor; or (v) any corporate action, legal proceedings or other procedure or step is taken in relation to the suspension of payments, winding up or dissolution of the Chargor other than a winding up petition which is stayed within 21 days of commencement.
- 4.6 Notwithstanding any other provision of this Deed, the floating charge created by Clause 4.3 may not be converted into a fixed charge solely by reason of the obtaining of a moratorium, or anything done with a view to obtaining a moratorium, as a preliminary to a creditors voluntary arrangement by an eligible company (as determined under Schedule 1A of the Insolvency Act) under the Insolvency Act 1986.
- 4.7 A reference in this Debenture to a mortgage, assignment or charge of any freehold or leasehold property includes all buildings and fixtures on the property, the proceeds of sale of any part of that property, any licence, agreement for sale or agreement for lease in relation to that property and the benefit of any covenants for title given or entered into by any predecessor in title of the Chargor in respect of that property or any monies paid or payable in respect of those covenants.
- 4.8 The security from time to time constituted by or pursuant to this Debenture shall be in addition to and shall not prejudice, determine or affect any other security which the Security Agent may from time to time hold for or in respect of all or any part of the Secured Obligations hereby secured. No prior security held by the Security Agent

over the property charged by this Debenture or any part of it shall merge in the security created hereby or pursuant to this Debenture which will remain in full force and effect as a continuing security until discharged by the Security Agent.

- 4.9 Notwithstanding any other provision of the Loan Documents, any Excluded Property shall be excluded from the charge created by clause 4.1 and clause 4.3 and from the operation of clause 16 until the relevant condition, consent or waiver has been satisfied or obtained.
- 4.10 For each Excluded Property falling within paragraph (iii) of the definition of "Excluded Property", the Chargor undertakes:
- 4.10.1 promptly upon becoming aware that such Excluded Property is, or is to become, part of the Chargor's undertaking, property and assets notify the Security Agent of such Excluded Property; and
 - 4.10.2 following written request by the Security Agent, to apply for the relevant consent or waiver of prohibition or condition and use reasonable endeavours to obtain that consent or waiver as soon as possible, and to keep the Security Agent informed of the progress of its negotiations.
- 4.11 Immediately upon receipt of any relevant consent or waiver, the relevant formerly Excluded Property shall stand charged to the Security Agent under clause 4.1 or clause 4.3 (as the case may be) and the Chargor shall promptly inform the Security Agent in writing of the same. If required by the Security Agent at any time following receipt of that waiver or consent, the Chargor shall execute a valid legal mortgage or fixed charge in such form as the Security Agent reasonably requires.

5 RESTRICTIONS ON DEALING

- 5.1 Other than as set out at clause 5.2, the Chargor shall not without the prior written consent of the Security Agent:
- 5.1.1 create or permit to subsist any mortgage, charge, pledge, hypothecation, lien or other security interest on any of the Security Assets other than this Debenture and Permitted Security;
 - 5.1.2 sell, transfer, lease, lend or otherwise dispose of the whole or any part of its undertaking or of the Security Assets (whether by a single transaction or a number of transactions and whether related or not) or enter into any agreement or grant any option for any such sale, transfer, lease, loan or other disposal, provided that this clause shall not restrict (i) any such disposal of Equipment, (ii) any Permitted Disposal or (iii) any sale, transfer, lease, loan or disposal (or agreement to do the same) that is otherwise permitted in the Loan Documents, or (iv) any disposal of Security Assets that are only subject to an uncrystallised floating charge, in each case in the normal course of business (for the avoidance of doubt, any assets of an Obligor disposed of in accordance with any of the foregoing provisions (i) to (iv) inclusive shall, immediately prior to such disposal, be deemed to be

automatically released from any Security Interest under this Debenture without any further action required by any party and the Security Agent shall, if requested by the Obligor (and at the cost of the Chargor), take any reasonable steps to provide any notice, de-registration or certificate of non-crystallisation requested by an Obligor in respect of any assets so disposed of or transferred);

5.1.3 without prejudice to clause 5.1.2 but in addition to the restrictions in that clause, not sell, assign, charge, factor or discount any of the Receivables and all license fees, royalties and other monies deriving from its Intellectual Property without the prior written consent of the Security Agent (not to be unreasonably withheld) and must collect all Receivables and all license fees, royalties and other monies deriving from its Intellectual Property promptly in the ordinary course of business; or

5.1.4 part with possession of any freehold or leasehold property (including the Real Property), grant or agree to grant any option or any licence tenancy or other right of occupation to any person or exercise the powers of leasing or agreeing to lease or of accepting or agreeing to accept surrenders conferred by sections 99 and 100 of the Law of Property Act 1925 provided that such restrictions shall not be construed as a limitation on the powers of any Receiver appointed under this Debenture (and being an agent of the Chargor) and the Security Agent may grant or accept surrenders of leases without restriction.

5.2 Nothing in this Debenture shall prevent the continuing existence or enforcement of Permitted Security.

6 COVENANTS BY THE CHARGOR

6.1 The Chargor shall:

6.1.1 keep and maintain all buildings and all plant, machinery, fixtures and fittings in good repair and condition (fair wear and tear excepted) and permit any person or persons nominated by the Security Agent free access upon reasonable notice to view the state and condition of them, provided that such access shall not be provided more than twice in any calendar year unless an Event of Default has occurred and is continuing at the time such access is requested;

6.1.2 maintain adequate risk protection through insurances on and in relation to its business and assets to the extent reasonably required on the basis of good business practice taking into account, inter alia, its financial position and nature of operations.

6.1.3 apply any insurance proceeds in making good the loss or, following an Event of Default, damage or at the Security Agent's option in or towards the discharge of the Secured Obligations, save for any insurance policies that,

pursuant to their terms, are intended, directly or indirectly, to compensate a third party that is not a member of the Group;

- 6.1.4 punctually pay all rents, taxes, duties, assessments and other outgoings and observe and perform all restrictive and other covenants under which any of the property subject to this Debenture is held;
- 6.1.5 permit the Chargor's bank to furnish directly to the Security Agent from time to time upon request full statements and particulars of all the Chargor's accounts with that bank and such other financial statements information respecting the assets and liabilities of the Chargor as are from time to time available to that bank;
- 6.1.6 following written notice of at least 10 Business Days, deposit with the Security Agent all deeds certificates and documents constituting or evidencing title to the property or any part of the property charged by this Debenture and all material insurance policies;
- 6.1.7 comply with the provisions of all present or future law, regulations, instruments and directives and every notice, order or direction made under any of the foregoing and any requirements of any competent authority and all other licences, approvals and consents;
- 6.1.8 provide the Security Agent with all financial and other information with respect to the assets, liabilities and affairs of the Chargor and its subsidiaries and associated companies (if any) that the Security Agent may from time to time reasonably require.
- 6.1.9 notify the Security Agent within ten Business Days of receipt of every material notice, order or proposal given or made in relation to the Security Assets by any competent authority, and (if required by the Security Agent) immediately provide it with a copy of the same and either (1) comply with the same or (2) make any objections which the Security Agent may require or approve;
- 6.1.10 comply with all material covenants and obligations affecting any of the Security Assets (or the manner of use of any of them);
- 6.1.11 not, except with the prior written consent of the Security Agent, enter into any materially onerous or restrictive obligation affecting any of the Security Assets;
- 6.1.12 not do, cause or permit to be done anything which may be reasonably expected to materially depreciate, jeopardise or otherwise prejudice the value or marketability of any of the Security Assets or the effectiveness of the security created by this Debenture (or make any omission which has such an effect);

- 6.1.13 notify the Security Agent if it intends to acquire any estate or any interest in any freehold or leasehold property and will further notify the Security Agent promptly in writing of the actual acquisition by it of any such freehold or leasehold land
- 6.1.14 promptly on becoming aware of any of the same, give the Security Agent notice in writing of any breach of this Debenture or of any other Loan Documents;
- 6.1.15 within five days of being requested in writing to do so by the Security Agent give notice to any bank or other financial institution with whom the Chargor has an account, and to any other applicable third party, of the creation of the Security Interests under this Debenture and use reasonable efforts to procure that each addressee of any such notice promptly provides an acknowledgement of the Security Agent's interest to the Security Agent. The Chargor shall obtain the Security Agent's prior approval (acting reasonably) of the form of any notice or acknowledgement to be used under this clause;
- 6.1.16 permit the Security Agent, any Receiver and any person appointed by either of them to enter on and inspect any Real Property on reasonable prior written notice, provided that no more than two such inspections shall occur during any calendar year unless an Event of Default has occurred and is continuing at the time of such inspection;
- 6.1.17 duly and promptly pay all calls, instalments and other monies that may be payable from time to time in respect of the Securities. The Chargor acknowledges that the Security Agent shall not be under any liability in respect of any such calls, instalments or other monies;
- 6.1.18 not, without the prior written consent of the Security Agent (such consent not to be unreasonably withheld, conditioned or delayed), amend, or agree to the amendment of, the memorandum or articles of association, or any other constitutional documents, of any issuer of Securities that is not a public company, or the rights or liabilities attaching to any of the Securities;
- 6.1.19 ensure (as far as it is able to by the exercise of all voting rights, powers of control and other means available to it) that any issuer of Securities that is not a public company shall not:
- (a) consolidate or subdivide any of its Securities, or reduce or re-organise its share capital in any way;
 - (b) issue any new shares or stock (except any shares and/or stock issued pursuant to the Warrant Instrument); or
 - (c) after the security constituted by this Debenture has become enforceable in accordance with Clause 8 (*Enforcement*), refuse to register any transfer of any of its Securities that may be lodged for

registration by, or on behalf of, the Security Agent or the Chargor in accordance with this Debenture;

- 6.1.20 take all reasonably necessary action to safeguard, preserve and maintain all present and future rights of the Chargor in, or relating to, the Intellectual Property including (without limitation) observing all covenants and stipulations relating to such rights, and paying all applicable renewal fees, licence fees and other outgoings, and taking all legal action that may be necessary to defend or to preserve the rights of the Chargor in respect of Intellectual Property, in each case in a timely manner;
 - 6.1.21 use reasonable endeavours to prevent any infringement in any material respect of the Intellectual Property owned by or licenced to the Chargor;
 - 6.1.22 use reasonable endeavours to make such applications for the registration of any Intellectual Property owned by or licenced to the Chargor (as applicable) as are reasonable in all the circumstances, it being acknowledged by the Secured Parties that, if the Chargor's interest in Intellectual Property is only as a licensee, it shall only need to make such reasonable endeavours to register the Intellectual Property if permitted to do so pursuant to the terms of the relevant licence or if a relevant waiver or consent is granted pursuant to the terms of clause 4.10.2 ;
 - 6.1.23 not knowingly use or permit the Intellectual Property owned by or licenced to be used in a way, or knowingly take any step or omit to take any step in respect of that Intellectual Property, which is likely to materially and adversely affect the existence or value of such Intellectual Property or imperil the right of the Chargor to use such property; and
 - 6.1.24 not permit any Registered Intellectual Property to be abandoned, cancelled or to lapse, except with the prior written consent of the Security Agent (not to be unreasonably withheld, delayed or conditioned), except in the case of Intellectual Property where the board of directors of the Chargor reasonably determines that the cost of maintaining a specific piece of Intellectual Property is more than the value of such piece of Intellectual Property, or is otherwise not in the best interests of the Chargor to retain such Intellectual Property.
- 6.2 After the security constituted by this Debenture has become enforceable:
- 6.2.1 all dividends and other distributions paid in respect of the Securities and received by the Chargor shall be held by the Chargor on trust for the Security Agent and immediately paid into an account directed by the Security Agent in writing or, if received by the Security Agent, shall be retained by the Security Agent; and
 - 6.2.2 all voting and other rights and powers attaching to the Securities shall be exercised by, or at the direction of, the Security Agent and the Chargor shall, and shall procure that its nominees shall, comply with any directions

the Security Agent may give, in its absolute discretion, concerning the exercise of those rights and powers.

- 6.3 If the Chargor shall fail to perform any of its obligations under this clause 6, then the Security Agent may take such steps as it considers reasonably appropriate to procure the performance of such obligation and shall not thereby be deemed to be a mortgagee in possession and the monies reasonably expended by the Security Agent shall be reimbursed by the Chargor on demand and until so reimbursed shall carry interest as mentioned in clause 2.2 from the date of payment to the date of reimbursement.

7 WARRANTIES

The Chargor warrants to the Security Agent on the date of this deed and on each day that the Secured Obligations or any of them remain outstanding that:

- 7.1 Schedule 1 to this deed lists all the freehold and leasehold property beneficially owned by it as at the date of this deed that is not Excluded Property;
- 7.2 the details of the Registered Intellectual Property listed in Schedule 3 to this Debenture are correct, complete and up to date as at the date of this Debenture and Schedule 3 lists all Intellectual Property which is (i) registered in the name of the Chargor, or (ii) which is owned by the Chargor, but registered in the name of a third party pending the re-registration of such Intellectual Property in the name of the Chargor, in each case as at the date of the Debenture;
- 7.3 there are no proceedings, actions, or circumstances that it is aware of relating to any of that property which if adversely determined would materially and adversely affect that property's value or the Chargor's ability to use that property for the purposes for which it is currently used;
- 7.4 the Chargor is the legal and beneficial owner of the Security Assets;
- 7.5 the Security Assets are free from any Security Interest other than Permitted Security;
- 7.6 the Chargor has not received or acknowledged any written notice of any claim by any person that could be reasonably expected to have a materially adverse effect on the Security Assets or any interest in them;
- 7.7 there are no covenants, agreements, reservations, conditions, interests, rights or other matters whatsoever that it is aware of, that materially and adversely affect the Security Assets;
- 7.8 there is no breach of any law or regulation that it is aware of that materially and adversely affects the Security Assets; and
- 7.9 to the knowledge of the Responsible Officers, no part of the undertaking, property and assets of the Chargor falls within paragraph (iii) of the definition of "Excluded Property" as at the date of this deed.

8 ENFORCEMENT

- 8.1 This Debenture shall become enforceable at any time during the occurrence of an Event of Default that is continuing.
- 8.2 Section 103 of the Law of Property Act 1925 shall not apply and the statutory power of sale and all other powers under that or any other Act as varied or extended by this Debenture shall arise on and be exercisable at any time after the Security Agent shall have demanded the payment or discharge by the Chargor of all or any of the Secured Obligations secured by this Debenture.
- 8.3 Section 93 of the Law of Property Act 1925 dealing with the consolidation of mortgages shall not apply to this Debenture.

9 RECEIVER

- 9.1 At any time after this Debenture has become enforceable or if the Chargor so requests in writing the Security Agent may without further notice to the Chargor appoint by writing, under hand or under seal any one or more persons either singly, jointly, severally or jointly and severally to be a Receiver of all or any part of the property charged by this Debenture and either at the time of appointment or any time after may fix his or their remuneration and except as otherwise required by statute may remove any such Receiver and appoint another or others in his or their place.
- 9.2 Any Receiver shall be the agent of the Chargor which shall be solely responsible for his acts and defaults and the payment of his remuneration.
- 9.3 Any Receiver shall have all the powers conferred by the Law of Property Act 1925 and the Insolvency Act 1986 on mortgagors, mortgagees in possession (but without liability as such), receivers, administrative receivers and administrators appointed under those Acts which in the case of joint receivers may be exercised either jointly or severally. In addition, but without prejudice to the generality of the foregoing the Receiver shall have power (in the name of the Chargor or otherwise and in such manner and on such terms and conditions as he shall think fit) to:
- 9.3.1 take possession of, collect and get in all or any part of the property in respect of which he is appointed and for that purpose to take any proceedings;
 - 9.3.2 carry on or concur in carrying on the business of the Chargor and to raise money from the Security Agent or others on the security of any property charged by this Debenture;
 - 9.3.3 purchase or acquire any land and purchase, acquire and grant any interest in or right over land;
 - 9.3.4 sell or concur in selling, let or concur in letting and terminate or accept surrenders of leases or tenancies of any of the property charged by this Debenture and to carry any such transactions into effect;

- 9.3.5 sell, assign, let or otherwise dispose of or concur in selling, assigning, letting or otherwise disposing of all or any of the debts and any other property in respect of which he is appointed;
- 9.3.6 make any arrangement or compromise between the Chargor and any other person which he may think expedient;
- 9.3.7 make and effect all repairs, improvement and insurances;
- 9.3.8 purchase materials, tools, equipment, goods or supplies;
- 9.3.9 call up any uncalled capital of the Chargor with all the powers conferred by the articles of association of the Chargor in relation to calls;
- 9.3.10 employ, engage and appoint managers and other employees and professional advisers; and
- 9.3.11 do all such other acts and things as may be considered to be incidental or conducive to any other matters or powers aforesaid or to the realisation of the security constituted by this Debenture and which he lawfully may or can do.

10 APPLICATION OF PROCEEDS

- 10.1 Any monies received by the Security Agent or any Receiver shall subject to the repayment of any claims having priority to the charges created by this Debenture be applied in the following order but without prejudice to the right of the Security Agent to recover any shortfall from the Chargor:
 - 10.1.1 in the payment of all costs, charges and expenses of and incidental to the appointment of the Receiver and the exercise of all or any of his powers and of all outgoings paid by him;
 - 10.1.2 in the payment of the Receiver's remuneration;
 - 10.1.3 in or towards the satisfaction of the Secured Obligations secured by this Debenture in such order as the Security Agent in its absolute discretion thinks fit;
 - 10.1.4 in payment of the surplus (if any) to the person or persons entitled to it.
- 10.2 All monies received, recovered or realised by the Security Agent under this Debenture may be credited at the discretion of the Security Agent to any suspense or impersonal account and may be held in such account for so long as the Security Agent shall think fit pending its application from time to time in or towards the discharge of any of the Secured Obligations secured by this Debenture.

11 PROTECTION OF THIRD PARTIES

No person dealing with a Receiver or the Security Agent shall be concerned to enquire whether any power which he or it is purporting to exercise has become

exercisable or whether any money is due under this Debenture or as to the application of any money paid raised or borrowed or as to the propriety or regularity of any sale by or other dealing with such Receiver or the Security Agent. All the protection to purchasers contained in sections 104 and 107 of the Law of Property Act 1925 shall apply to any person purchasing from or dealing with a Receiver or the Security Agent.

12 ENTRY INTO POSSESSION AND LIABILITY TO PERFORM

- 12.1 If the Security Agent or any Receiver shall enter into possession of the property charged under this Debenture or any part of it, it or he may from time to time and at any time go out of such possession. Neither the Security Agent nor any Receiver shall in any circumstances (either by reason of any entry into or taking of possession of any such property or for any other reason and whether as mortgagee in possession or on any other basis) be liable to account to the Chargor for anything except its or his actual receipts or be liable to the Chargor for any loss or damage arising from any realisation of the property hereby charged or from any act, default or omission in relation to that (except in relation to fraud or wilful negligence).
- 12.2 Notwithstanding anything contained in this Debenture or implied to the contrary, the Chargor remains liable to observe and perform all of the conditions and obligations assumed by it in relation to the Security Assets. The Security Agent is under no obligation to perform or fulfil any of those conditions or obligations or make any payment in respect of those conditions or obligations.

13 POWER OF ATTORNEY

The Chargor, following an Event of Default which is continuing (including, for the avoidance of doubt, following a failure by the Chargor to do anything which the Security Agent requests it to do pursuant to clause 16), irrevocably appoints the Security Agent, any Receiver and any person nominated by the Security Agent jointly and also severally to be the attorney of the Chargor with the power of substitution and in its name and otherwise on its behalf and as its act and deed to sign or execute all deeds instruments and documents which the Security Agent or any Receiver or any person nominated by the Security Agent may require or deem proper for any of the purposes of or which the Chargor ought to do under this Debenture. The Chargor agrees to ratify and confirm anything such attorney shall lawfully and properly do.

14 NEW ACCOUNTS

If the Security Agent shall at any time receive actual or constructive notice of any charge or other interest affecting any part of the property of the Chargor hereby charged then the Security Agent may open a new account or accounts for the Security Agent and if the Security Agent does not do so then the Security Agent shall be treated as if it had done so at the time when it received or was deemed to receive notice and as from that time all payments made by the Chargor to the Security Agent shall be credited or treated as having been credited to the new account and shall not

operate to reduce the amount secured by this Debenture at the time when the Security Agent received or was deemed to receive notice.

15 PRIOR CHARGES

If there is any encumbrance over any of the property charged by this Debenture which ranks in priority to this Debenture and any proceedings or steps are taken to exercise or enforce any powers or remedies conferred by such prior encumbrance, the Security Agent or any Receiver appointed under this Debenture in respect of such property may (but without prejudice to any rights the Receiver may have under section 43 of the Insolvency Act 1986) redeem such prior encumbrance or procure its transfer to itself and may settle and pass the accounts of any prior mortgagee, chargee or encumbrancer. Any account so settled and passed shall be conclusive and binding on the Chargor and all the principal, interest, costs, charges and expenses of and incidental to such redemption or transfer shall be secured on the property charged by this Debenture and all the powers conferred by any prior encumbrance upon the encumbrancer or any Receiver under such encumbrance shall be exercisable by the Security Agent or a Receiver in like manner as if the same were expressly included in this Debenture.

16 FURTHER ASSURANCE

16.1 The Chargor shall whenever requested by the Security Agent promptly execute and sign all such deeds and documents and do all such things as the Security Agent may reasonably require over any property or assets specified by the Security Agent (other than any Excluded Property) for the purpose of perfecting security to the Security Agent for the payment and discharge of the Secured Obligations secured by this Debenture, provided that any registration in respect of a Security Interest over Intellectual Property shall only be required (if at all) in the United Kingdom and the United States of America.

16.2 In relation to real property charged by way of legal mortgage under this deed situated in England and Wales, the Chargor hereby irrevocably consents to the Security Agent applying to the Chief Land Registrar for a restriction to be entered on the Register of Title of all that real property (including any unregistered properties subject to compulsory first registration at the date of this deed) on the prescribed Land Registry form and in the following or substantially similar terms:

"No disposition of the registered estate by the proprietor of the registered estate is to be registered without a written consent signed by the proprietor for the time being of the charge dated [date] in favour of Kreos Capital V (UK) Limited referred to in the charges register or, if appropriate, signed on such proprietor's behalf by its authorised signatory."

16.3 The Chargor undertakes at its own expense to promptly apply for the particulars of this Debenture and of the Security Agent's interest in the Material Patents to be registered at the Relevant Patent Office as set out herein. Within 20 Business Days of the date hereof, the Chargor shall file the applications (in the prescribed form) in

respect of the Material Patents registered in the United Kingdom and in respect of the Material Patents registered in the United States of America.

- 16.4 The Chargor agrees to execute all documents and forms required to enable those particulars pursuant to clause 16.3 to be registered at the Relevant Patent Office and shall promptly provide the Security Agent with evidence that such registration has been completed at the Relevant Patent Office.
- 16.5 The Chargor shall promptly inform the Security Agent of any objection or challenge to any registration pursuant to clause 16.3 or any likely delay in such process. The Chargor shall comply with all reasonable requests of the Security Agent to achieve such registration, including allowing the Security Agent to take on the registration itself at the cost, and with the assistance of, the Chargor.
- 16.6 Subject to the terms of the Loan Agreement, the Security Agent is under an obligation to make further advances to the Chargor (which obligation is deemed to be incorporated into this deed) and this security has been made for securing those further advances. In relation to real property charged by way of legal mortgage under this deed situated in England and Wales, the Security Agent may apply to the Chief Land Registrar for a notice to be entered onto the Register of Title of all that real property (including any unregistered properties subject to compulsory first registration at the date of this deed) that there is an obligation to make further advances on the security of the registered charge.
- 16.7 In respect of any part of the Security Assets title to which is registered at Land Registry, it is certified that the security created by this deed does not contravene any of the provisions of the memorandum or articles of association of the Chargor.

17 SET OFF

The Security Agent may at any time and without notice to the Chargor combine or consolidate all or any of the Chargor's then existing accounts with and liabilities to the Security Agent and set off or transfer any sums standing to the credit of any one or more of such accounts in or towards satisfaction of any of the liabilities of the Chargor to the Security Agent on any other account or in any other respects. The Security Agent shall notify the Chargor that such a transfer has been made.

18 AVOIDANCE OF PAYMENTS

No assurance, security or payment which may be avoided or adjusted under any enactment relating to bankruptcy or insolvency or Part IV of the Insolvency Act 1986 or similar legislation binding on the Chargor in a jurisdiction other than England and Wales and no release, settlement or discharge given or made by the Security Agent on the faith of any such assurance, security or payment shall prejudice or affect the right of the Security Agent to recover from the Chargor (including the right to recover any monies which it may have been compelled by due process of law to refund under the provisions of the Insolvency Act 1986 and any costs payable by it pursuant to or otherwise incurred in connection with such process) or to enforce the security created

by or pursuant to this Debenture to the full extent of the Secured Obligations secured by this Debenture.

19 RELEASE

- 19.1 Upon redemption and payment in full (in accordance with the terms of the Loan Documents) of all the Secured Obligations, the Security Agent shall do all things reasonably necessary to release the assets of the Chargor from the security constituted by this Debenture provided that any release shall be subject to clause 18.
- 19.2 The Security Agent may release any asset of the Chargor from the security constituted by this Debenture at any time and any release shall not in any way affect, prejudice or invalidate the security created under this Debenture over any of the remaining assets of the Chargor.

20 COSTS AND INDEMNITY

The Security Agent and every Receiver, attorney or other person appointed by the Security Agent under this Debenture and their respective employees shall be entitled to be indemnified on a full indemnity basis out of the property charged by this Debenture in respect of all liabilities and reasonable expenses incurred by any of them in or directly or indirectly as a result of the lawful exercise or purported exercise of any of the powers authorities or discretions vested in them under this Debenture and against all actions, proceedings, losses, costs, claims and demands in respect of any matter or thing lawfully done or omitted in any way relating to the property charged by this Debenture and the Security Agent and any such Receiver may retain and pay all sums in respect of the same out of the monies received under the powers conferred by this Debenture.

21 MISCELLANEOUS

- 21.1 The Security Agent may without discharging or in any way affecting the security created by this Debenture or any remedy of the Security Agent grant time or other indulgence or abstain from exercising or enforcing any remedies, securities, guarantees or other rights which it may now or in the future have from or against the Chargor and may make any arrangement, variation or release with any person or persons without prejudice either to this Debenture or the liability of the Chargor for the Secured Obligations secured by this Debenture.
- 21.2 All the provisions of this Debenture are severable and distinct from one another and if, at any time, any one or more of the provisions of this Debenture is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity and enforceability of the remaining provisions of this Debenture nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall be in any way affected or impaired as a result.
- 21.3 The rights and remedies of the Security Agent provided by this Debenture are cumulative and are not exclusive of any rights powers or remedies provided by law

and may be exercised from time to time and as often as the Security Agent may deem expedient.

- 21.4 This Debenture may be executed in any number of counterparts each of which when executed and delivered is an original, but all counterparts together constitute the same document.
- 21.5 A person who is not a party to this Debenture shall have no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Debenture. This clause does not affect any right or remedy of any person which exists, or is available, otherwise then pursuant to that Act.
- 21.6 The Chargor may not assign any of its rights, or transfer any of its obligations, under this Debenture, or enter into any transaction that would result in any of those rights or obligations passing to another person.
- 21.7 The Security Agent may only assign its rights or transfer any of its obligations under this Debenture or enter into a transaction that would result in any of those rights or obligations passing to another person to a person to whom it assigns its interest, or transfers its obligations, in the Loan Agreement (in compliance with the assignment and transfer terms of the Loan Agreement).
- 21.8 Any waiver or variation of any right or remedy by the Security Agent (whether arising under this Debenture or under the general law), or any consent given under this Debenture, is only be effective if it is in writing and signed by the waiving, varying or consenting party, and applies only in the circumstances for which it was given, and shall not prevent the party giving it from subsequently relying on the relevant provision.
- 21.9 No act or course of conduct or negotiation by, or on behalf of, the Security Agent shall, in any way, preclude the Security Agent from exercising any right or remedy under this Debenture or constitute a suspension or variation of any such right or remedy.
- 21.10 No delay or failure to exercise any right or remedy under this Debenture shall operate as a waiver of that right or remedy.
- 21.11 No single or partial exercise of any right or remedy under this Debenture shall prevent any further or other exercise of that right or remedy, or the exercise of any other right or remedy under this Debenture.

22 GOVERNING LAW AND JURISDICTION

- 22.1 This Debenture and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the law of England and Wales.
- 22.2 The parties to this Debenture irrevocably agree that, subject as provided below, the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim that arises out of, or in connection with, this Debenture or its subject matter or

formation (including non-contractual disputes or claims). Nothing in this clause shall limit the right of the Security Agent to take proceedings against the Chargor in any other court of competent jurisdiction, nor shall the taking of proceedings in any one or more jurisdictions preclude the taking of proceedings in any other jurisdiction, whether concurrently or not, to the extent permitted by the law of that other jurisdiction.

- 22.3 The Chargor irrevocably consents to any process in any proceedings being served on it in accordance with the provisions of the Loan Agreement relating to service of notices. Nothing contained in this Debenture shall affect the right to serve process in any other manner permitted by law.

EXECUTED as a Deed and delivered on the date above.

Schedule 1
~~FREE OF AND FREE FROM~~ PROPERTY

None as at the date of this Debenture.

Schedule 2
PATENT MACHINERY

None as at the date of this Debenture.

Schedule 3
INTELLECTUAL PROPERTY

Patents and Patent Applications

BCT-197

Patent Family P001– 5-Membered heterocycle-based P38 kinase inhibitors (based on WO2005/009973).

Country	Application/ Grant no.	Status	Name	Country	Application / Grant no.	Status	Name
Algeria	4384	Granted	Novartis AG	Japan	4838121	Granted	Mereo BPI Ltd
Australia	2004259662	Granted	Mereo BPI Ltd	Malaysia	MY-158162-A	Granted	Mereo BPI Ltd
Brazil	PI0411825.1	Pending	Novartis AG	Mexico	290092	Granted	Novartis AG
Canada	2526455	Granted	Novartis AG	New Zealand	544230	Granted	Mereo BPI Ltd
China	200480018056.4	Granted	Novartis AG	Norway	334947	Granted	Novartis AG
Colombia	2432	Granted	Novartis AG	Russia	2381219	Granted	Novartis AG
Egypt	858/2005	Pending	Novartis AG	Singapore	122993	Granted	Mereo BPI Ltd
Europe	1641764	Granted	Novartis AG	South Africa	2005/09018	Granted	Novartis AG
Europe (Div)	2298743	Granted	Novartis AG	South Korea	1120857	Granted	Novartis AG
Hong Kong	1088895	Granted	Novartis AG	UAE	P697/05	Pending	Novartis AG
Hong Kong (Div)	1149764	Granted	Novartis AG	USA	7863314	Granted	Mereo BPI Ltd
India	234101	Granted	Mereo BPI Ltd	USA (Div)	8242117	Granted	Mereo BPI Ltd
Indonesia	IDP0031204	Granted	Novartis AG	USA (Cont.)	8410160	Granted	Mereo BPI Ltd
Israel	172182	Granted	Mereo BPI Ltd	USA (Cont.)	8580838	Granted	Mereo BPI Ltd
Iceland	2916	Granted	Novartis AG				
Iceland (Div)	9037	Pending	Novartis AG				

EP1641764 and EP2298743 are both granted and are both in force in the following European territories:

Austria	Hungary
Belgium	Ireland
Bulgaria	Italy
Switzerland	Lithuania
Cyprus	Luxembourg

Czech Republic	Latvia
Germany	Monaco
Denmark	Netherlands
Estonia	Poland
Spain	Portugal
Finland	Romania
France	Sweden
United Kingdom	Slovenia
Greece	Slovakia
Croatia	Turkey

Patent Family P002 – Use of pyrazole derivative in the treatment of acute exacerbations of chronic obstructive pulmonary tissue (based on WO2013/139809).

Country	Application no.	Status	Name	Country	Application no.	Status	Name
Algeria	9122	Granted	Novartis AG	New Zealand	628392	Granted	Mereo BP1 Ltd
Australia	2013237503	Granted	Mereo BP1 Ltd	Philippines	1-2014-502107	Pending	Novartis AG
Brazil	112014023107-9	Pending	Novartis AG	Russia	2014141893	Granted	Novartis AG
Canada	2866108	Granted	Novartis AG	Singapore	11201404941W	Granted	Mereo BP1 Ltd
China	ZL201380015703.5	Granted	Novartis AG	South Africa	2014/05871	Granted	Novartis AG
Egypt	PCT/1325/2014	Pending	Novartis AG	South Korea	2014-7025904	Pending	Novartis AG
Europe	EP2827860	Granted	Mereo BP1 Ltd	Taiwan	102109739	Granted	Novartis AG
Hong Kong	15101000.9	Pending	Novartis AG	Thailand	1401005467	Pending	Novartis AG
Indonesia	P00201405202	Pending	Novartis AG	UAE	P977/14	Pending	Novartis AG
Israel	234537	Granted	Mereo BP1 Ltd	United States	9,339,491	Granted	Mereo BP1 Ltd
Japan	601593	Granted	Mereo BP1 Ltd				
Mexico	MX/A/2014/011291	Pending	Novartis AG				

EP2827860 is granted and in force in the following European territories:

Austria	Hungary	Iceland
Belgium	Ireland	Liechtenstein
Bulgaria	Italy	Malta
Switzerland	Lithuania	Norway
Cyprus	Luxembourg	
Czech Republic	Latvia	
Germany	Monaco	
Denmark	Netherlands	

Estonia
Spain
Finland
France
United Kingdom
Greece
Croatia

Poland
Portugal
Romania
Sweden
Slovenia
Slovakia
Turkey

Trade Marks and Trade Marks Applications

None as at the date of this Debenture.

Copyright

None as at the date of this Debenture.

SIGNED as a DEED by MERO
BIOPHARMA 1 LIMITED acting by:

EDWARD JONES

in the presence of:

Director

Witness Signature

Name

67A ABBEY ROAD, LONDON, NW8 0AE

Address

LEGAL COUNSEL

Occupation

SIGNED as a DEED by KREOS CAPITAL V
(UK) LIMITED acting by:

Director

in the presence of:

Witness Signature

Name

Address

Occupation

SIGNED as a DEED by MERO
BIOPHARMA 1 LIMITED acting by:

Director

in the presence of:

Witness Signature

Name

Address

Occupation

SIGNED as a DEED by KREOS CAPITAL V
(UK) LIMITED acting by:

Director

Ross Angell
Ross Angell

in the presence of:

Witness Signature

Name

Address

Occupation

Lauren Mahoney
Lauren Mahoney
25 Old Burlington St.
Administrator