



MOTIF BIO PLC

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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Chairman's Statement

Throughout 2020, the Board engaged with multiple reverse candidates and explored numerous potential Reverse Takeover ('RTO') transactions. The Board is now working towards completing the previously announced RTO transaction with a UK based anti-body drug conjugate drug discovery and development company.

Confidential marketing has begun for a fundraising to accompany the RTO transaction. The Board expects that further details of the transaction will be announced later in May with a General Meeting and shareholder vote to follow thereafter. Of note, in support of the transaction, the Board has agreed to forgo all cash incentives tied to the occurrence of an RTO.

In preparation for the completion of the RTO, Jonathan Gold will step down from his role as an Executive Director and become a Non-Executive Director, with immediate effect. We thank Jonathan for his leadership and collaboration with the Board in advancing what we consider to be a compelling and value-creating RTO opportunity for Motif's shareholders. Jonathan is expected to continue as a Non-Executive Director of the enlarged group following the completion of the RTO.

Bruce Williams
Chairman
10 May 2021

Strategic Report

The Directors present their Strategic Report for the year ended 31 December 2020.

AIM Rule 15 Cash Shell Status

Effective 28 January 2020, 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. Initially, if the Company failed to complete a qualifying transaction by 28 January 2021, the Company's shares would be delisted from the AIM market. On 27 January 2021 and 29 March 2021 Motif provided the market with updates regarding the proposed reverse takeover via RNS, in which the Company confirmed that it would remain suspended from trading while the proposed transaction was negotiated and advanced.

Financial Overview

The Company reported its former wholly owned subsidiary, Motif BioSciences Inc., as discontinued operations in its 2019 financial results. 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. These changes have been made for all periods presented.

In February 2021, the Company divested its shareholdings of Motif BioSciences Inc. ("Inc") to Orange Avenue Technologies, LLC ("Orange"), an entity controlled by John Palmer of Tamarack Associates Inc. Mr. Palmer, through Tamarack Associates Inc., was previously appointed in early 2020 as the sole Executive Officer of Motif BioSciences. Under the Stock Purchase Agreement with Orange, the Company will receive 90% of the revenues received by Inc. from iclaprim, above a \$250,000 threshold.

The net loss from operations for the year ended 31 December 2021 was US \$0.9 million (2019: loss of US \$98.7 million).

The operations had total liabilities of US \$0.1 million (2019: US \$0.4 million) and total assets of US \$0.6 million (2019: US \$0.8 million). The liabilities are primarily \$0.1 million in non-cash derivative warrant obligations and minimal vendor and related obligations.

Going Concern

As of 31 December 2020, the Company had US \$0.5 million in cash. As an AIM Rule 15 cash shell, the Company's ability to continue as a going concern is dependent on its ability to source an appropriate reverse takeover or qualifying transaction. The Company's shares were suspended from trading on AIM on 29 July 2020 pursuant to AIM Rule 40. On 27 January 2021 and 29 March 2021 Motif provided the market with updates regarding the proposed reverse takeover via RNS, in which the Company confirmed that it would remain suspended from trading while the proposed transaction was negotiated and advanced. If the Company is unable to complete reverse takeover transaction for re-admission of trading on AIM the listing of the Company's common shares will be cancelled.

These financial statements have been prepared under the assumption that the Company will continue as a going concern. However, as of the date these financial statements were approved, the Company can provide no assurance that an RTO transaction will be completed or additional capital will be available when required and/or on acceptable terms. Due to the Company's recurring and expected continuing operating losses, the Directors have concluded there is a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. 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 7 to 10.

Jonathan E. Gold
Director
10 May 2021

Directors' Report

The Directors present their annual report on the affairs of the Company, together with the financial statements and auditors' report, for the year ended 31 December 2020.

Principal Activities and Future Objectives

As an AIM Rule 15 cash shell, the Company continues to be focused on completing a 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 2020, material uncertainties, and the outlook, are set out in the Chairman's Statement and Strategic Report on pages 1 - 2.

Capital Structure

The capital structure is intended to support the Company's 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 2020.

Share Capital

Information relating to changes in the issued share capital during the year is given in Note 13 to the financial statements.

Results and Dividends

The statement of comprehensive loss is set out on page 15. The Company's loss after taxation amounted to US \$0.7 million (2019: US \$98.7 million). In January 2020, the Company determined that it no longer has control of its former subsidiary 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. These changes have been made for all periods presented.

The Directors did not recommend the payment of a dividend for the years ended 31 December 2020 and 2019.

Environmental and Social Matters

The Company 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 2020, the Company's Board was made up of four male directors. The senior management consisted of its President and Chief Business Officer. 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)

Directors' Indemnities

The Company is empowered to indemnify its Directors and Officers against any liability they incur by reason of their directorship or position as an officer. The Company 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, Non-executive Director

Mr. Gold was Motif's Chief Financial Officer from February 2018 to May 2020 and was Motif's President and Chief Business Officer between May 2020 and May 2021. 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 is currently President and Chief Executive Officer at Biomarck Pharmaceuticals, Ltd., a clinical stage biotechnology company developing anti-MARCKS therapies for ARDS, NSCLC and COPD. Prior to joining Motif as Chief Executive Officer, Dr Lumsden was a senior executive at Merck & Co., Inc. where he held commercial leadership positions in worldwide businesses including women's health and osteoporosis. Dr Lumsden graduated BVM&S from the University of Edinburgh and is a member of the Royal College of Veterinary Surgeons (MRCVS). He holds a postgraduate diploma from the Chartered Institute of Marketing (MCIM) and is a dual citizen of the US and the 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

As of 31 December 2020, only Mr. Gold and Mr. Williams owned 148,608 and 105,350 ordinary shares, respectively. No Board member received an option award. All prior option awards were forfeited.

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 Company'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 \$	2020 Total US \$ (2)	2019 Total US \$
Executive				
Jonathan Gold ⁽¹⁾	300,000	—	300,000	618,388
Non-executive				
Graham Lumsden.....	115,000	—	115,000	464,063
Chris Wardhaugh ⁽⁴⁾	10,240	—	10,240	—
Bruce Williams	30,000	—	30,000	48,625
Richard Morgan ⁽²⁾	—	—	—	56,750
Craig T. Albanese ⁽³⁾	—	—	—	31,250
Charlotta Ginman ⁽³⁾	—	—	—	38,975
Zaki Hosny ⁽³⁾	—	—	—	31,250
Mary Lake Polan ⁽³⁾	—	—	—	30,000
Andrew Powell ⁽³⁾	—	—	—	10,044
	<u>455,240</u>	<u>—</u>	<u>455,240</u>	<u>1,328,923</u>

- (1) The compensation listed above is for Mr. Gold's services as an Officer and Executive Director in 2020 and 2019. Mr. Gold assumed the executive role of President and Chief Business Officer in May 2020.
- (2) Effective 18 March 2019, Richard Morgan resigned from the Board of Directors and his role as Chairman.
- (3) Members' resignation effective November 15, 2019.
- (4) Mr. Wardhaugh's fees for 2020 were £8,000. The amounts presented in the table above are based on an average 2020 exchange rate of 1.28.

The 2020 and current monthly Board fees are outlined below.

- Bruce Williams, the non-executive Chairman, was 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. Mr. Williams has voluntarily agreed to waive all deferred cash compensation related to the occurrence of an RTO.
- Graham Lumsden in his capacity as a Non-Executive member was 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 was entitled to an additional US \$100,000 that is deferred and payable only upon the occurrence of a reverse takeover transaction or similar transaction. Dr. Lumsden has voluntarily agreed to waive all deferred cash compensation related to the occurrence of a reverse takeover.
- Chris Wardhaugh, appointed as a Non-Executive Director on 4 May 2020, was 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. Mr. Wardhaugh has voluntarily agreed to waive all deferred cash compensation related to the occurrence of a reverse takeover.
- Jonathan Gold, in his capacity as Chief Financial Officer, President and Chief Business Officer and Executive Director was 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. Mr. Gold has voluntarily agreed to waive all deferred cash compensation related to the occurrence of a reverse takeover.

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 Company 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 Company and of the profit or loss of the 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 Company 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 Company will continue in business.

The Directors are responsible for safeguarding the assets of the 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 Company transactions and disclose with reasonable accuracy at any time the financial position of the 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 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; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the 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 Company'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 Company's auditors are aware of that information.

In September 2020, the Company announced that Crowe U.K. LLP has been reappointed as Motif Bio plc's current auditors.

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
Director
10 May 2021

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, the listing of the Company's ordinary shares on the London Stock Exchange's AIM Market will be cancelled.

On 27 January 2021 and 29 March 2021 Motif provided the market with updates regarding the proposed reverse takeover via RNS, in which the Company confirmed that it would remain suspended from trading while the proposed transaction was negotiated and advanced.

The Board attaches considerable importance to the Company's system of internal control and risk management and has established processes for identifying, evaluating, and managing the significant risks faced by the Company. 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 are identified in these processes, 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 4. 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 2020 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) are all considered independent, except for Jonathan Gold who recently transitioned to a Non-executive Director, and have a particular responsibility to ensure that the strategies proposed by the Executive Director 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.

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.

There were 16 formal Board meetings held during 2020. Jonathan Gold, Bruce Williams and Graham Lumsden attended all meetings. Chris Wardhaugh was appointed to the Board as a Non-Executive Director in May 2020 and attended 11 meetings during the year.

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 Company remains consistently compliant with applicable rules and regulations. In the year 2020, the Company 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 Company has 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. The Company also maintains close relations with employees to allow for feedback and support, meaning that ethical values and behaviors are recognized, closely monitored, understood and respected.

Communication with Shareholders

The Company is strongly committed to the maintenance of good investor relations and seeks, wherever possible, to build a relationship of mutual understanding with its investors. Additionally, the Board seeks to use the Company's website (www.motifbio.com) to communicate with 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
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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
10 May 2021

Independent auditors report to the Members of Motif Bio Plc

Opinion

We have audited the financial statements of Motif Bio Plc (the “Company”) for the year ended 31 December 2020, which comprise:

- the Company statement of comprehensive income for the year ended 31 December 2020;
- the Company statement of financial position as at 31 December 2020;
- the Company statement of changes in equity for the year then ended;
- the 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 the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of the Company's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- 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 Company 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 related to going concern

We draw attention to note 1 in the financial statements, which identifies conditions that may cast significant doubt on the company's ability to continue as a going concern. The ability of the company to continue as a going concern depends on its ability to complete a reverse takeover or a qualifying transaction to avoid being delisted from the AIM market.

As stated in note 1, these events or conditions, outlining the current status as a cash shell, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the director's assessment of the company's ability to adopt the going concern basis of accounting included an analysis of the future viability of the company. This was done by considering management's ability to enter into an equity transaction in the form of a successful reverse takeover or similar transaction.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 Company financial statements as a whole to be \$37,000. In determining this, we considered a range of benchmarks with specific focus on approximately 5% of the Company's net loss from operations.

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 Audit Committee to report to it all identified errors in excess of \$1,850. 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

In establishing our overall approach to the Company audit, we adopted a risk-based approach designed to focus our efforts on the areas at greatest risk of material misstatement, areas subject to significant management judgement as well as greatest complexity, risk and size.

In designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. The valuation of derivative liabilities; specifically warrants was assessed an area which involved significant accounting estimate and judgement by the directors.

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.

Going Concern was identified as a Key audit matter and has been addressed within the material uncertainty related to going concern section of the audit report.

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>
Derivative Liability - Warrants	
The Company utilises the Black-Scholes Option Pricing Model ("Black-Scholes") to estimate the fair value of warrants and stock options granted. The use of Black-Scholes requires management to make various estimates and assumptions that impact the value assigned to the warrants including the forecast future volatility of the stock price, the risk-free interest rate, dividend yield and the expected life of the stock options.	<p>We obtained management's assessment of the warrants value which assessed three key variables being: current share value, exercise price, warrant life and volatility.</p> <p>We obtained and reviewed management's volatility calculation to factor for the element of the suspension.</p> <p>We obtained and reviewed managements revised Black-Scholes model calculation for the warrants as at 31 December 2020.</p>
The Company previously issued warrants which were valued mark to market as a market price was available and reliably quoted. After receiving shareholder approval in November 2019, Motif Bio plc (the 'Company') completed the wind-down of its subsidiary Motive BioSciences, Inc. and implemented procedures to optimally manage the Company as a Cash Shell under AIM rule 15.	
As a result of the delisting the warrants were classified level 3 financial instruments and were valued as at 31 December 2020 using the Black-Scholes model by looking at comparable listed companies and applying a volatility.	

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 contained within the annual report. 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.

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 this gives rise to a material misstatement in the financial statements themselves. 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.

Opinion 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 light of the knowledge and understanding of the Company's 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 where 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 parent company 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

As explained more fully in the directors' responsibilities statement set out on pages 5 and 8 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 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 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks within which the Company operates. The laws and regulations we considered in this context were the Companies Act 2006 and taxation legislation.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for biases.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

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

Statutory Auditor

London

10 May 2021

Motif Bio plc
Statements of comprehensive loss
For the years ended 31 December 2020 and 2019
(Per share data in cents)

	Note	Year ended 31 December 2020 US \$ ('000's)	Year ended 31 December 2019 US \$ ('000's)
Operating expenses			
General and administrative expenses.....	4	(891)	(1,246)
Loss on impairment of receivable from subsidiary		—	(19,125)
Operating loss		(891)	(20,371)
Interest income.....	4	1	5
Net foreign exchange gains (losses).....		(53)	49
Gain from revaluation of derivative liabilities	11	209	5,427
Loss on impairment of investment in subsidiary	2	—	(83,771)
Loss before income taxes		(734)	(98,661)
Income tax expense	6	—	—
Net loss from operations		(734)	(98,661)
Comprehensive loss from operations		(734)	(98,661)
Net loss per share (in cents) - basic		—	(0.28)
Net loss per share (in cents) - diluted		—	(0.28)
Weighted average number of ordinary shares			
Basic.....		597,628,009	350,993,002
Diluted		597,628,009	350,993,002

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

Motif Bio plc
Statements of financial position
As at 31 December 2020 and 2019
(in thousands)

	<u>Note</u>	<u>31 December 2020</u> <u>US \$ (000's)</u>	<u>31 December 2019</u> <u>US \$ (000's)</u>
ASSETS			
Current assets			
Cash and cash equivalents	9	457	663
Prepaid expenses and other receivables	8	140	145
Total current assets		<u>597</u>	<u>808</u>
Total assets		<u>597</u>	<u>808</u>
LIABILITIES			
Trade payables and accrued liabilities	10	48	214
Derivative liabilities	11	88	227
Total current liabilities		<u>136</u>	<u>441</u>
Total liabilities		<u>136</u>	<u>441</u>
Net assets (liabilities)		<u>461</u>	<u>367</u>
EQUITY			
Share capital	13	4,798	4,777
Share premium		97,809	97,003
Accumulated deficit		<u>(102,147)</u>	<u>(101,413)</u>
Total Equity		<u>461</u>	<u>367</u>

The financial statements were approved by the Board of Directors and authorized for issue on 10 May 2021. They were signed on its behalf by:

Director
Jonathan E. Gold

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 2020 and 2019
(in thousands)

	<u>Note</u>	<u>Share capital US \$ (000's)</u>	<u>Share premium US \$ (000's)</u>	<u>Accumulated deficit US \$ (000's)</u>	<u>Total US \$ (000's)</u>
Balance at 31 December 2018		4,032	93,456	(2,331)	95,160
Loss for the year		—	—	(98,661)	(98,661)
Total comprehensive loss for the year		—	—	(98,661)	(98,661)
Issue of share capital	13	738	3,569	—	4,307
Cost of issuance	13	—	(317)	—	(317)
Exercise of share options and warrants	11	7	295	—	302
Share-based payments	12	—	—	(424)	(424)
Balance at 31 December 2019		4,777	97,003	(101,413)	367
Loss for the year		—	—	(734)	(734)
Total comprehensive loss for the year		—	—	(734)	(734)
Issue of share capital	13	20	789	—	809
Cost of issuance	13	—	(40)	—	(40)
Exercise of share options and warrants	11	1	58	—	59
Balance at 31 December 2020		4,798	97,809	(102,147)	461

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

Motif Bio plc
Statements of cash flows
For the years ended 31 December 2020 and 2019
(in thousands)

	Note	Year ended 31 December 2020 US \$ (000's)	Year ended 31 December 2019 US \$ (000's)
Operating activities			
Operating loss for the year		(891)	(20,371)
Adjustments to reconcile net loss to net cash used in activities:			
Share-based payments	12	—	(32)
Loss on impairment of receivable from subsidiary	2	—	19,125
Interest received		1	4
Changes in operating assets and liabilities:			
Prepaid expenses and other receivables		5	9
Trade payables and accrued liabilities		(167)	18
Net cash used in operating activities		(1,052)	(1,247)
Investing activities			
Capital contributions to subsidiary		—	(3,821)
Due from Motif Bio Inc.		—	941
Net cash used in investing activities		—	(2,880)
Financing activities			
Proceeds from issue of share capital	13	809	4,307
Costs of issuance of share capital	13	(40)	(317)
Proceeds from exercise of warrants and options	11	59	244
Net cash provided by financing activities		828	4,234
Net change in cash		(224)	107
Cash, beginning of the year		663	560
Effect of foreign exchange rate changes		18	(4)
Cash, end of the year		457	663

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

Notes to the financial statements of Motif Bio plc
For the year ended 31 December 2020

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 initially provided that the Company had an additional six months from the suspension date, or 28 January 2021, to complete a qualifying transaction. On 27 January 2021 and 29 March 2021 Motif provided the market with updates regarding the proposed Reverse Takeover via RNS, in which the Company confirmed that it would remain suspended from trading while the proposed transaction was negotiated and advanced. If the Company is unable to complete reverse takeover transaction for re-admission of trading on AIM the listing of the Company’s common shares will be cancelled.

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.

The financial statements presented represent the accounts of the Company. After shareholder approval of a corporate restructuring in November 2019, the Company’s former wholly owned subsidiary, Motif BioSciences Inc., an entity incorporated in U.S. State of Delaware, was reported as discontinued operations as at 31 December 2019. During the first quarter of 2020, the Company appointed John Palmer of Tamarack Associates, Inc. as the sole Executive Officer of Motif Biosciences Inc. As a result, the Company determined that it no longer had control over Motif BioSciences Inc. will no longer consolidate the financial results of the entity for financial reporting periods commencing in 2020. In February 2021, the Company divested it’s the ownership of Motif BioSciences Inc., to Orange Avenue Technologies, LLC, an entity controlled by John Palmer of Tamarack Associates Inc.

The financial statements were approved by the Board of Directors on 10 May 2021.

Going concern

The Company had US \$0.5 million and US \$0.6 million in cash as of 31 December 2020 and 2019, respectively. The Company’s Directors are focused on completing a reverse takeover over transaction for the Company. There is no assurance that the effort will be successful to complete a reverse takeover or qualifying transaction to avoid being delisted from the AIM market. Based on this condition, including recurring and expected continuing operating losses, the Directors have concluded that there is 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.

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 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 accounting policies is set out below.

Notes to the financial statements of Motif Bio plc
For the year ended 31 December 2020

2. Significant accounting policies, continued

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 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 recently adopted new standards that are potentially relevant to the Company are discussed below.

IFRS 3- Business Combination – effective date 1 January 2020 - 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.

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 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 corporate restructuring approved by shareholders in November 2019, 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 are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The 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.

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.

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.

2. Significant accounting policies, continued

d. Financial assets and liabilities

Financial assets and financial liabilities are included in the Company's statement of financial position when it 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 Company has transferred substantially all risks and rewards of ownership.

e. Fair value disclosures

The Company'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. The Company's derivative liability is measured at fair value using Level 1 and 2 inputs (Note 11).

There were no non-recurring fair value measurements for the years ended 31 December 2020 or 2019.

When measuring the fair value of an asset or a liability, the Company 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).

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 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 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.

2. Significant accounting policies, continued

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

The Company 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 Company does not apply hedge accounting.

f. Impairment of financial assets

The Company 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.

Prior to being classified as discontinued operations, the Company's former wholly owned subsidiary Motif BioSciences, Inc. was in proprietary drug discovery research and development. In early 2020, the Company determined that it no longer has control of Motif BioSciences Inc. in accordance with IFRS 10 Consolidated Financial Statements and, as a result, the Company will not consolidate Motif BioSciences Inc. (Note 1).

The Company evaluated the investment and intercompany receivable balances for impairment as of the 31 December 2019. Based on 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.

g. 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.

2. Significant accounting policies, continued

h. Financial income

Financial income comprises interest receivable on funds invested.

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

i. 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 reporting 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 reporting 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.

j. 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.

k. 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.

2. Significant accounting policies, continued

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.

1. 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:

Going concern

Refer to going concern assessment described in Note 1.

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 warrants, including appropriate factors for volatility, risk-free interest rate, and applicable future performance conditions and exercise patterns.

3. Financial risk management

The Company's exposure to financial risks and how these risks could affect the Company's future financial performance is primarily limited to credit risk from a counterparty, liquidity risk and market risk.

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 2020, no current assets were impaired.

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

The Company has financed its operations to date using cash raised through the issuance equity. The Directors acknowledge that uncertainty remains over the ability of the Company to have the resources to support the Company's foreseeable operating needs as an AIM Rule 15 cash shell and complete a qualifying transaction. An inability to complete a qualifying transaction will result in the Company being delisted from the AIM Market of the London Stock Exchange.

The Company 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 Company 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.

Notes to the financial statements of Motif Bio plc
For the year ended 31 December 2020

3. Financial risk management, continued

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

	31 December 2020	31 December 2019
(in thousands)	US \$	US \$
Sterling - Cash	210	655

The exchange rate between British Pound and the United States Dollar at 31 December 2020 and 2019 was 1.37 and 1.33, respectively. A change in foreign currency exchange rates may have a significant impact on the profit or losses of the Group.

4. Other income and expense items

This note provides a breakdown of the items included in other income, finance income and expenses by nature for the years ended 31 December 2020 and 2019.

a. Breakdown of expenses by nature

(in thousands)	Year ended 31 Dec 2020 US \$ (000's)	Year ended 31 Dec 2019 US \$ (000's)
General and administrative expenses		
Director fees, employee/consultant compensation, including share-based payments	563	258
Legal, insurance and professional fees	214	586
Investor and public relations and related fees	59	32
Other expenses	55	370
	<u>891</u>	<u>1,246</u>

The Company had one male Executive Director and one male employee at 31 December 2020.

b. Auditors' Remuneration

(in thousands)	2020 US \$ (000's)	2019 US \$ (000's)
Fees paid/payable to the company's auditors and its associates for the audit of the Company's financial statements	27	47
	<u>27</u>	<u>47</u>

c. Finance income and cost

(in thousands)	Year ended 31 Dec 2020 US \$ (000's)	Year ended 31 Dec 2019 US \$ (000's)
Finance income		
Interest from financial assets	1	5
	<u>1</u>	<u>5</u>
Finance costs		
Interest expense	—	—
	<u>—</u>	<u>—</u>
Net finance income	1	5

Notes to the financial statements of Motif Bio plc
For the year ended 31 December 2020

5. Directors' remuneration

As part of the corporate restructuring approved by the Company's shareholders on 14 November 2019 (Note 1) 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 US \$ (000's)	Bonuses US \$ (000's)	2020 Total US \$ (000's)	2019 Total US \$ (000's)
<i>Executive</i>				
Jonathan Gold ⁽¹⁾	300,000	—	300,000	618,388
<i>Non-executive</i>				
Graham Lumsden ⁽¹⁾	115,000	—	115,000	464,063
Richard Morgan ⁽³⁾	—	—	—	56,750
Charlotta Ginman ⁽³⁾	—	—	—	43,472
Zaki Hosny ⁽³⁾	—	—	—	32,625
Mary Lake Polan ⁽³⁾	—	—	—	30,000
Chris Wardhaugh	10,250	—	10,250	48,625
Bruce Williams	30,000	—	30,000	48,625
Craig T. Albanese ⁽³⁾	—	—	—	35,000
	<u>455,250</u>	<u>—</u>	<u>455,250</u>	<u>1,328,923</u>

⁽¹⁾ The compensation for Dr. Lumsden and Mr. Gold excludes US \$8,400 and US \$8,400 in employer provided 401k pension contribution during 2019. There was no contribution in 2020.

⁽²⁾ 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.

⁽³⁾ 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. Mr. Williams has voluntarily agreed to waive all deferred cash compensation related to the occurrence of a reverse takeover.

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. Dr. Lumsden has voluntarily agreed to waive all deferred cash compensation related to the occurrence of a reverse takeover.

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. Mr. Wardhaugh has voluntarily agreed to waive all deferred cash compensation related to the occurrence of a reverse takeover.

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. Mr. Gold has voluntarily agreed to waive all deferred cash compensation related to the occurrence of a reverse takeover.

Notes to the financial statements of Motif Bio plc
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6. Income tax expense

The Company did not recognize U.K. corporate tax expense in the statement of comprehensive loss during the years ended 31 December 2020 and 2019. The main rate of U.K. corporation tax was reduced from 21% to 19% from 1 April 2015. The Company has an unrecognized net deferred tax asset of US \$18 million related to net cumulative operating losses of US \$107 million, which includes the impairment charges relating to the Company's operating receivable from and investment in its previously discontinued subsidiary Motif BioSciences, Inc. 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 ability to realize the possible tax benefits derived from cumulative net operating losses.

7. Loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company 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.

	Year ended 31 Dec 2020 US \$ ('000's)	Year ended 21 Dec 2019 US \$ ('000's)
(Per share data in cents)		
Basic		
Net loss	(734)	(98,660)
Basic weighted average shares in issue	597,628,009	350,993,002
Basic loss per share (in cents)	—	(0.28)
Diluted		
Net gain.....	(734)	(98,660)
Effect of dilutive securities: liability-classified warrants.....	—	—
Diluted net gain/(loss)	(734)	(98,660)
Weighted average shares in issue - basic	597,628,009	350,993,002
Incremental dilutive shares from liability-classified warrants treasury stock method).....	—	—
Weighted average shares in issue - diluted	597,628,009	350,993,002
Diluted net loss per share (in cents)	—	(0.28)

The following potentially dilutive securities outstanding at 31 December 2020 and 2019 have been excluded from the computation of diluted weighted average shares outstanding, as they would be antidilutive.

	2020	2019
Warrants	146,614,724	54,154,709
Share options.....	754,425	3,778,563
	147,369,149	57,933,272

Notes to the financial statements of Motif Bio plc
For the year ended 31 December 2020

8. Prepaid expenses and other receivables

	Year end 31 Dec 2020 US \$ (000's)	Year end 31 Dec 2019 US \$ (000's)
Amounts due within one year		
Prepayments and other receivables	140	145
	140	145

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.

9. Cash and cash equivalents

	Year end 31 Dec 2020 US \$ (000's)	Year end 31 Dec 2019 US \$ (000's)
Cash and cash equivalents at bank	457	663
	457	663

10. Financial liabilities

	Year end 31 Dec 2020 US \$ (000's)	Year end 31 Dec 2019 US \$ (000's)
Amounts due within one year		
Trade payables.....	26	119
Accrued expenses	22	95
Derivative liabilities (Note 15)	88	227
	136	441

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.

11. Warrants

Warrant activity

The Company has issued warrants for services performed and in conjunction with various equity financings. The Company'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 Company's warrant activity during the year ended 31 December 2020:

	Number of Warrants		Weighted Average Exercise Price	
	Ordinary shares	ADS	Ordinary shares	ADS
Outstanding as of 1 January 2019	155,564,670	1,212,902	£ 0.273	\$ 8.02
Granted	—	—	—	—
Cancelled	(1,807,089)	—	£ 0.380	—
Exercised	(7,142,857)	—	£ 0.007	—
Outstanding as of 31 December 2020	146,614,724	1,212,902	£ 0.273	\$ 8.02

Notes to the financial statements of Motif Bio plc
For the year ended 31 December 2020

The warrants outstanding and exercisable as of 31 December 2020 were as follows:

Type of Warrant Outstanding	Number Outstanding and Exercisable	Exercise Price		Expiration Date
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 ⁽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 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 31 December 2019 as an adjusting subsequent event. A total of 7,142,857 of these warrants were exercised prior to 31 December 2020.

Liability classified warrants

ADS warrants

On 23 November 2016, the Company 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 represented 20 ordinary shares. The warrants have an exercise price of US \$8.03 per ADS and expire on 23 November 2021. As the Company failed to maintain the effectiveness of its Registration Statement, the warrant is 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 ADS warrants, the Company recorded a derivative liability of US \$3.8 million using the Black-Scholes model.

On 1 August 2017, the Company issued to a third party a warrant to purchase up to 60,000 ADSs at an exercise price of US \$7.26 per ADS. A total of 10,000 ADSs were vested and outstanding as of 30 June 2020. The remaining 50,000 ADSs were forfeited. On issuance of the ADS warrants, the Company recorded a derivative liability of \$0.1 million using the Black-Scholes model.

The Company 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 Company'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.

At 31 December 2020 and 2019, the liability classified ADS warrants had a fair value of US \$ nil value using the following weighted-average assumptions in the Black-Scholes model:

	31 December 2020	31 December 2019
Share price (US \$) ⁽¹⁾	0.03	0.10
Exercise price (US \$)	8.02	8.08
Expected volatility.....	139 %	92 %
Number of periods to exercise	0.90	1.90
Risk-free rate	0.16 %	1.58 %
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 to reflect the conversion to ADS equivalents and conversion to the U.S. dollar.

Notes to the financial statements of Motif Bio plc
For the year ended 31 December 2020

11. Warrants, continued

Ordinary warrants

On 23 November 2016, the Company 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. 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 Company recorded a derivative liability of US \$1.8 million using the Black-Scholes model.

On 27 January 2020, 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. The issuance of these warrants was presented as an adjusting subsequent event at 31 December 2019 (Note 1).

At 31 December 2020 and 2019, the liability classified ordinary warrants had a fair value of US \$0.1 million and US \$0.2 million, respectively, using the following weighted-average assumption in the Black-Scholes model:

	31 December 2020	31 December 2019
Share price (GBP)	0.001	0.002
Weighted exercise price (GBP)	0.028	0.028
Expected volatility.....	99 %	85 %
Number of periods to exercise	3.84	4.77
Risk-free rate	0.15 %	1.68 %
Expected dividends.....	—	—

The following is a summary of the liability classified warrant activity, including both ADS and Ordinary warrants, during the years ended 31 December 2020 and 2019:

(in thousands)	Fair value US \$
Liability classified warrants	
Balance at 1 January 2019	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
Issued during the year	—
Exercised during the year	—
Impact of foreign exchange	70
Gain from revaluation of derivative liabilities	(209)
Balance at 31 December 2020	88

12. Share based payments

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 Company 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.

Notes to the financial statements of Motif Bio plc
For the year ended 31 December 2020

12. Share based payments, continued

	Number of share options	Weighted average exercise price US \$
Outstanding at 31 December 2018	18,387,038	0.34
Granted during the year	100,000	0.11
Forfeited during the year	(14,549,544)	0.34
Cancelled during the year	(158,931)	0.56
Exercised during the year	—	—
Outstanding at 31 December 2019	3,778,563	0.50
Granted during the year	—	—
Forfeited during the year	(2,500,218)	0.35
Exercised during the year	—	—
Expired during the year	(523,920)	0.69
Outstanding at 31 December 2020	754,425	0.14
Exercisable at 31 December 2020	754,425	0.14

All options at 31 December 2020 had a per share exercise price of US \$0.14 and a remaining contractual term of 2 years.

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

	Year ended 31 Dec 2020 US \$ (000's)	Year ended 31 Dec 2019 US \$ (000's)
(in thousands)		
General and administrative expense	—	(309)
Research and development expense	—	(115)
Total share-based payment (gain) expense	—	(424)

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. No gain was recorded for the forfeitures that occurred during the year ended 31 December 2020.

13. Share capital

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.

Notes to the financial statements of Motif Bio plc
For the year ended 31 December 2020

13. Share capital, continued

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: (in thousands, except share data)	Number	US \$ (000's)
In issue at 31 December 2018.....	296,660,243	3,589
Issued:		
Ordinary shares of 1p each	830,780	9
Ordinary shares of 1p each	45,000,000	433
Ordinary shares of 1p each	142,857,143	1
In issue at 31 December 2019 ⁽¹⁾	485,348,166	4,032
Issued:		
Ordinary shares of .01p each	162,500,000	20
Ordinary shares of .01p each	7,142,857	1
In issue at 31 December 2020.....	654,991,023	4,798
<i>Deferred shares at 31 December 2019 and 2020 ⁽¹⁾</i>	<i>342,491,023</i>	<i>—</i>

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. The Deferred shares have no rights to participate in profits and losses of the Company.

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

On 5 May 2020, the Company issued 162,500,000 new ordinary shares at 0.004 pence per share and received US \$0.8 million of net proceeds.

On 14 May 2020, the Company issued 7,142,857 new ordinary shares upon the exercise of a warrant.

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

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

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 reorganization 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.

Retained deficit represents accumulated losses and a Formation reserve that arose when Motif Bio plc re-organized and became the parent entity of Motif Biosciences, Inc. 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.

14. Subsequent events

In January 2021, the Company divested the ownership of Motif Biosciences, Inc. to Orange Avenue Technologies, LLC ('Orange'), an entity controlled by John Palmer of Tamarack Associates Inc. Mr. Palmer, through Tamarack Associates Inc., was previously appointed in early 2020 as the sole Executive Officer of Motif BioSciences. Under the Stock Purchase Agreement with Orange, the Company will receive 90% of the revenues received by Inc. from iclaprim, above a \$250,000 threshold.

On 27 January 2021 and 29 March 2021 Motif provided the market with updates regarding the proposed Reverse Takeover via RNS, in which the Company confirmed that it would remain suspended from trading while the proposed transaction was negotiated and advanced. If the Company is unable to complete reverse takeover transaction for re-admission of trading on AIM the listing of the Company's common shares will be cancelled.

Directors, Secretary, and Advisors

Directors	Bruce Williams Jonathan Gold Graham Lumsden Chris Wardhaugh	<i>Non-executive Chairman</i> <i>Non-executive Director</i> <i>Non-executive Director</i> <i>Non-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	One Advisory Limited	
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 55 Ludgate Hill London EC4M 7JW 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	