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If you have sold or otherwise transferred all of your shares, please send this document, together with the enclosed documents, at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.



MEREO BIOPHARMA GROUP PLC

(Incorporated and registered in England and Wales under number 09481161)

CANCELLATION OF ADMISSION OF ORDINARY SHARES TO TRADING ON AIM AND INTENTION TO CONTINUE LISTING OF ADSs ON NASDAQ

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EXPECTED TIMETABLE

Dispatch of this document	11 November 2020
Last date for receipt by Link Group from certificated shareholders of duly completed block transfer participation request forms and original share certificates	4 December 2020 at 11.00 a.m.
Last date for receipt by Citibank from CREST holders of duly completed issuance forms	9 December 2020 at 3.00 p.m.
Expected date of issuance of ADSs to block transfer participants	16 December 2020
Expected date of posting of ADS receipts to shareholders by Citibank	16 December 2020
Last day of dealings in the Ordinary Shares on AIM	17 December 2020
Cancellation of admission to trading on AIM of the Ordinary Shares	18 December 2020 at 7.00 a.m.

Notes

- (1) References to time in this document are to London time unless otherwise stated.
- (2) Each of the times and dates in the above timetable are subject to change. If any of the above times and/or dates change, the revised times and/or dates will be notified to shareholders by announcement through a Regulatory Information Service.



Letter from the Chairman of Mereo BioPharma Group plc

(Registered and incorporated in England and Wales with Company number 09481161)

Directors:

Dr. Peter Fellner *(Non-Executive Chairman)*
Dr. Denise Scots-Knight *(Chief Executive Officer)*
Michael Wyzga *(Interim Chief Financial Officer)*
Peter Bains *(Non-Executive Director)*
Dr. Jeremy Bender *(Non-Executive Director)*
Dr. Anders Ekblom *(Non-Executive Director)*
Kunal Kashyap *(Non-Executive Director)*
Dr. Deepa Pakianathan *(Non-Executive Director)*
Dr. Brian Schwartz *(Non-Executive Director)*
(together, the "**Directors**")

Registered Office:

4th Floor,
One Cavendish Place,
London W1G 0QF

11 November 2020

Cancellation of Admission of Ordinary Shares to Trading on AIM and Intention to Continue Listing of ADSs on Nasdaq

Dear Shareholder,

1. Introduction

On 11 November 2020, it was announced that the Board of Directors of Mereo BioPharma Group plc ("Mereo" or the "Company") had resolved to cancel the admission of its ordinary shares of £0.003 each ("Ordinary Shares") to trading on AIM (the "AIM Delisting"). Following the AIM Delisting, the Company's American Depositary Shares ("ADSs") will remain listed on Nasdaq and all public trading of shares in the Company will take place on that exchange.

The purpose of this letter is to provide you with the background to and reasons for the AIM Delisting, and to explain why the Directors consider the AIM Delisting to be in the best interests of the Company and its shareholders as a whole.

The AIM Delisting will take effect on 18 December 2020 and the last day of trading on AIM will be 17 December 2020. By providing shareholders with substantial advance notice, together with clear guidance as to how to convert Ordinary Shares into the Company's ADSs listed on Nasdaq, it is expected that shareholders who wish to convert their Ordinary Shares into ADSs will be able to do so with relative ease.

2. Background

The Company was founded in 2015 and its Ordinary Shares were admitted to trading on AIM in June 2016. AIM provided the Company with important access to capital and share trading liquidity during the formative phase of Mereo's clinical development business, enabling the Company to invest in and successfully complete three Phase 2 studies on the programs purchased from Novartis, comprising setrusumab for the treatment of OI, acumapimod for the treatment of AECOPD and leflutrolole for the treatment of HH in obese men. In March 2017, Mereo raised £15 million on AIM enabling the Company to continue the development of setrusumab for the treatment of OI and, in October 2017, to complete the in-licensing from AstraZeneca of Mereo's fourth development program: alvelestat, for the treatment of AATD. At the time, almost all the Company's largest shareholders were UK-based institutional investors, in addition to Novartis and AstraZeneca.

In recognition of the on-going capital requirements for the business, the Company announced a merger with Oncomed Pharmaceuticals, Inc, a US Nasdaq-listed company, in December 2018. This merger completed in April 2019 with an initial public offering of ADSs on Nasdaq, resulting in Mereo achieving dual-listed status. The liquidity in the trading of Mereo's Ordinary Shares was enhanced by the Nasdaq listing and the Company's shareholder base began to shift towards US investors. In February 2020, the Company raised a total of \$6 million (£4.6 million) from two new US investors, and then, in June 2020, the Company completed a further private placement of \$70 million (£56 million) from a group comprised almost exclusively of US investors. This demand from US investors has led to a rapid and significant increase in the proportion of Mereo's Ordinary Shares that are currently held via ADSs and traded on Nasdaq.

As at 9 November 2020, being the last practicable date prior to the date of this document, 51.27 per cent. of the Company's Ordinary Shares are held in ADS form and tradeable on Nasdaq. By reference to the volume of underlying Ordinary Shares, approximately 79 per cent. of trading in the Company's Ordinary Shares in the past six months has taken place on Nasdaq. All shareholders who have not already converted their Ordinary Shares into ADSs are currently able to do so at any time.

The AIM Rules for Companies require that, unless London Stock Exchange plc otherwise agrees, the cancellation of a company's shares from trading on AIM requires the consent of not less than 75 per cent. of votes cast by its shareholders given in a general meeting. However, in the Company's case, given that the listing of its ADSs on Nasdaq enables shareholders to continue to trade their shares in the Company in that format and, further, that there is a process available to shareholders to convert their Ordinary Shares into ADSs prior to the AIM Delisting, London Stock Exchange plc has agreed that shareholder consent in a general meeting is not required for Mereo to proceed with the AIM Delisting.

3. Reasons for the AIM Delisting

The Board of Directors of the Company has decided to implement the AIM Delisting for the following reasons:

- An increasingly smaller proportion of trading in the Company's Ordinary Shares is conducted on AIM compared to Nasdaq and a continuation of the decline in this proportion would be likely to lead to a decrease in the liquidity of the Ordinary Shares trading on AIM.
- The AIM Delisting is expected to further enhance the liquidity of trading in the Company's ADSs by combining on Nasdaq the volume of transactions from both Nasdaq and AIM.
- The cost of complying with the AIM Rules for Companies is duplicative of that for complying with the Nasdaq market rules and the Company sees advantages in reducing its cost base as it progresses its clinical development and commercialisation strategy, which remains unchanged.
- Internal financial and legal staff time spent on compliance with the AIM Rules for Companies is duplicative of that required for compliance with the Nasdaq market rules.
- The Company's shares will still be tradeable on Nasdaq in ADS format.

Accordingly, the Directors believe that it is no longer in the best interests of the Company or its shareholders as a whole for the Company to retain admission of Ordinary Shares to trading on AIM. However, the Company is providing an opportunity for shareholders to convert their Ordinary Shares into ADSs without cost, prior to the AIM Delisting becoming effective on 18 December 2020.

4. Effect of the AIM Delisting

Shareholders will no longer be able to buy and sell Ordinary Shares on AIM after 17 December 2020. Holders of Ordinary Shares should read "*Information for holders of Ordinary Shares*" below which explains in more detail the process of converting Ordinary Shares into ADSs.

As a company incorporated in England and Wales, the Company will continue to be subject to the requirements of the Companies Act 2006.

Following the AIM Delisting taking effect, the Company will no longer be subject to the AIM Rules for Companies or be required to retain the services of an independent nominated adviser ("Nomad"). The Company will also no longer be subject to the QCA Corporate Governance Code or be required to comply with the continuing obligations set out in the FCA's Disclosure Guidance and Transparency Rules ("DTRs")

or, provided the Company's securities remain outside the scope of the regulation, the EU Market Abuse Regulation ("MAR"). In addition, the Company and its shareholders will no longer be subject to the provisions of the DTRs relating to the disclosure of changes in significant shareholdings in Mereo. The Company will, however, continue to comply with all regulatory requirements for the Nasdaq listing of its ADSs, including all applicable rules and regulations of the SEC.

Shareholders who continue to hold Ordinary Shares will continue to be notified in writing of the availability of key documents on our website, including publication of Annual Reports and Annual General Meeting documentation. Holders of ADSs will be able to continue to access all such information via the Mereo website. Holders of Ordinary Shares and ADSs will both be eligible to receive any future dividends that may be declared.

Following the AIM Delisting, as the Company will remain a public limited company incorporated in England and Wales but its securities will not be admitted to trading on a regulated market or multilateral trading facility in the United Kingdom (or a stock exchange in the Channel Islands or the Isle of Man), the City Code on Takeovers and Mergers (the "Code") will only apply to the Company if it is considered by the Panel on Takeovers and Mergers (the "Panel") to have its place of central management and control in the United Kingdom (or the Channel Islands or the Isle of Man). This is known as the "residency test". The way in which the test for central management and control is applied for the purposes of the Code may be different from the way in which it is applied by the United Kingdom tax authorities, HM Revenue & Customs ("HMRC"). Under the Code, the Panel looks to where the majority of the directors of the Company are resident, amongst other factors, for the purposes of determining where the Company has its place of central management and control.

Accordingly, following the AIM Delisting, the Panel has confirmed to the Company that the Code will not apply to the Company, and the Company and its shareholders will therefore not have the benefit of the protections the Code affords, including, but not limited to, the requirement that a person who acquires an interest in Ordinary Shares carrying 30 per cent. or more of the voting rights in the Company must make a cash offer to all other shareholders at the highest price paid in the 12 months before the offer was announced.

Notwithstanding the above, the Company may become subject to the Code in the future if any changes to the Board composition result in the majority of the Directors being resident in the United Kingdom, Channel Islands or the Isle of Man.

5. Information for holders of Ordinary Shares

The Company's Ordinary Shares will continue to be traded on AIM until market close (4.30 p.m. London time) on 17 December 2020. Thereafter, holders of unconverted Ordinary Shares can still hold the Ordinary Shares, but there will be no public market in the United Kingdom on which the Ordinary Shares can be traded, and the Ordinary Shares will not be tradeable on Nasdaq in this form.

In order to sell Ordinary Shares on a public market following the AIM Delisting, selling shareholders will need to convert their Ordinary Shares into ADSs. Each ADS represents five Ordinary Shares. This conversion can be made at any time, including before the AIM Delisting, subject in all cases to the provisions of, and the limitations set forth in, the Company's deposit agreement of 23 April 2019 with Citibank, N.A., as depositary (the "Depositary"), which governs the Company's ADSs (the "Deposit Agreement"). A copy of the Deposit Agreement has been filed with the SEC under cover of a Registration Statement on Form F-6. You may obtain a copy of the Deposit Agreement from the SEC's website (www.sec.gov). Please refer to Registration Number 333-249338 when retrieving such copy.

The Board considers that shareholders should consider converting their Ordinary Shares into ADSs prior to the AIM Delisting on 18 December 2020 for the following reasons:

- For those shareholders who hold their Ordinary Shares in certificated form and wish to convert their Ordinary Shares into ADSs, the Company's registrar, Link Group, will facilitate, on the Company's behalf, a block transfer process. Shareholders who hold their Ordinary Shares in certificated form will find enclosed a personalized block transfer participation request form for use if they wish to convert their Ordinary Shares into ADSs. Subject to the requisite documents being returned to Link Group by the required deadline (being 11:00 a.m. on 4 December 2020), Link Group will arrange for the relevant

Ordinary Shares to be transferred to and through Link Group's CREST account to the CREST account of Citibank, N.A. – London (the "Custodian"), which has been appointed by the Depositary to safekeep the Ordinary Shares upon deposit, so that the Depositary can arrange to convert the Ordinary Shares into the corresponding number of ADSs. The Custodian, on behalf of the Depositary, will hold all deposited Ordinary Shares in a separate custody account for the benefit of the holders and beneficial owners of ADSs.

- Shareholders who elect to convert their Ordinary Shares into ADSs prior to the AIM Delisting will not incur a UK stamp duty, or stamp duty reserve tax ("SDRT"), charge. However, it is expected that shareholders who elect to convert their Ordinary Shares into ADSs following the AIM Delisting will incur a stamp duty, or SDRT, charge, at a rate of 1.5 per cent. of the market value of the Ordinary Shares being converted, to the UK taxation authority, HMRC.
- Ordinarily, shareholders who convert their Ordinary Shares into ADSs may be charged an ADS issuance fee, by the Depositary, of up to \$0.05 per ADS. However, no ADS issuance fees will be charged to shareholders who elect to convert their Ordinary Shares into ADSs from the date of this letter until (and including) 17 December 2020, being the last day of trading of the Company's Ordinary Shares on AIM. Thereafter, ADS issuance fees of up to \$0.05 per ADS may be charged by the Depositary in connection with any future conversions of Ordinary Shares into ADSs.
- Conversion of Ordinary Shares has to take place in multiples of five. It is not possible to receive a fraction of an ADS, so in the event that the conversion is completed after the AIM Delisting, there is a risk that shareholders will be left with a small number of Ordinary Shares (up to a maximum of four shares) which cannot be converted into ADSs. If converted before the AIM Delisting has taken effect, any residual Ordinary Shares can be sold by shareholders on AIM prior to 18 December 2020 so long as those Ordinary Shares are in electronic form. Shareholders who hold their Ordinary Shares in certificated form may elect to donate their residual shares to the charity ShareGift by making that election on their personalised block transfer participation request form.

Shareholders who do not elect to participate in the block transfer process can utilise the services of a broker who is able to facilitate conversion at the shareholder's convenience.

Shareholders whose Ordinary Shares are held in uncertificated form in CREST and who wish to convert their Ordinary Shares into ADSs, should contact their broker without delay to request that their Ordinary Shares are converted.

Mereo advises holders of Ordinary Shares which are not in ADS form to seek independent financial advice regarding the AIM Delisting and the conversion of their Ordinary Shares into ADSs.

Information on the process to convert Ordinary Shares into ADSs and the forms to be completed accompany this letter. The information and forms, and contacts at the Company's registrar, Link Group, in respect of completion of the block transfer participation request form for certificated holders, and the Company's ADS depository, Citibank, in respect of the conversion of Ordinary Shares to ADSs, are included on Mereo's website at www.mereobiopharma.com/AIM-Delisting

6. UK tax treatment

Many investors purchase AIM-quoted shares because they are classed as unlisted/unquoted securities which may qualify individuals who are UK tax resident and UK domiciled for relief from inheritance taxation and certain other preferential tax benefits. Mereo cannot and does not provide any form of taxation advice to shareholders and therefore shareholders are strongly advised to seek their own taxation advice to confirm the consequences of continuing to hold unlisted Ordinary Shares or converting Ordinary Shares into ADSs.

The following summary does not constitute legal or tax advice and is not exhaustive. The Company's understanding of the current position for UK individuals who are UK domiciled under UK taxation law is as follows but it should be noted that the Company has not taken steps to confirm the current position with HMRC. Therefore the following should not be relied upon by shareholders without taking further advice (and the Company accepts no liability in respect of any such reliance on any information provided herein on taxation matters):

- Following the AIM Delisting, Ordinary Shares should continue to be accepted by HMRC as qualifying as unlisted/unquoted securities for the purposes of certain specific UK tax rules (notably, the UK inheritance tax business property relief rules). Therefore, those shareholders who elect to continue to

hold unlisted Ordinary Shares should continue to be regarded as holding unlisted/unquoted securities under those same rules.

- Under HMRC's stated practice those shareholders who elect to convert their holdings of Ordinary Shares to Nasdaq listed ADSs, should not be considered as disposing of the Ordinary Shares for UK capital gains tax purposes when transferring the shares to the Company's ADS depository, Citibank, in exchange for issue of ADSs on the basis that the shareholder retains beneficial ownership of the shares.

It is recommended that shareholders obtain appropriate professional advice in respect of the application of other UK taxes.

Shareholders who elect to convert their holdings of Ordinary Shares to Nasdaq-listed ADSs prior to the AIM Delisting should not incur a stamp duty, or SDRT, charge. It is expected that shareholders who elect to convert their holdings of Ordinary Shares to Nasdaq listed ADSs following the AIM Delisting may incur a stamp duty, or SDRT, charge at the rate of 1.5 per cent. of the market value of the Ordinary Shares being converted.

If you are in any doubt as to your tax position you should consult an appropriate professional adviser immediately.

7. Conclusion

Mereo's Board of Directors believe that cancellation of the admission to trading on AIM of the Company's Ordinary Shares is an appropriate next step for the Company and is in the best interests of shareholders as a whole. Further information about the process required to convert Ordinary Shares into ADSs tradeable on Nasdaq, together with a set of Frequently Asked Questions, accompany this letter.

8. Action to be taken

Shareholders are reminded that the Company's Ordinary Shares will continue to be traded on AIM until market close (4.30 p.m. London time) on 17 December 2020. Any shareholder holding Ordinary Shares in certificated form who wishes to convert their holding of Ordinary Shares into Nasdaq-listed ADSs prior to the AIM Delisting must submit their block transfer participation request form accompanying this letter and their original share certificate(s) to Link Group, so as to be received by Link Group by no later than 11.00 a.m. on 4 December 2020 in accordance with the instructions in the form.

Any shareholder holding shares in CREST who wishes to convert their holding of Ordinary Shares into Nasdaq-listed ADSs prior to the AIM Delisting should contact their broker as soon as possible to convert their Ordinary Shares into ADSs.

After AIM market close on 17 December 2020, holders of unconverted Ordinary Shares can still hold the Ordinary Shares, but there will be no public market in the United Kingdom on which the Ordinary Shares can be traded. It is expected that shareholders who elect to convert their holdings of Ordinary Shares to Nasdaq-listed ADSs following the AIM Delisting may incur a stamp duty, or SDRT, charge at the rate of 1.5 per cent. of the market value of the Ordinary Shares being converted.

Existing holders of ADSs not also holding Ordinary Shares do not need to take any action in connection with the AIM Delisting.

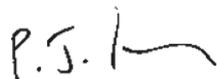
9. Further Information

Further information can be found on Mereo's website at www.mereobiopharma.com/AIM-Delisting

In respect of any queries regarding completion of the block transfer participation request form, a shareholder assistance advice line is being operated by the Company's registrar, Link Group, which can be accessed by all shareholders on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls from outside the UK will be charged at the applicable international rate. Lines are open 9.00 a.m. to 5.30 p.m., Monday to Friday, excluding public holidays in England and Wales.

In respect of any queries regarding the conversion of Ordinary Shares to ADSs, please contact the Company's depository, Citibank, on +353 1 622 5710. Calls are charged at the applicable international rate and will vary by provider. Calls from outside the UK will be charged at the applicable international rate. Lines are open 9.00 a.m. to 5.30 p.m., Monday to Friday local time, excluding public holidays in Ireland.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'P. J. L.' followed by a stylized flourish.

Peter Fellner

Chairman

Glossary of Technical Terms

“AATD”

alpha-1 antitrypsin deficiency, a lack of alpha 1 anti-trypsin protein, a protein made by the liver that’s released into the bloodstream to protect the body from neutrophil serine proteases damaging the lungs

“AECOPD”

acute exacerbation of chronic obstructive pulmonary disease

“HH”

hypogonadotropic hypogonadism, a condition in which the male testes or the female ovaries produce little or no sex hormones

“OI”

osteogenesis imperfecta a rare genetic bone disorder characterized by fragile bones that break easily, also known as brittle bone disease



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