Destiny Pharma

Destiny Pharma plc

AIM Admission Document

CANTOR Fitzgerald

Nominated Adviser and Broker

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or the action you should take, you should immediately seek your own financial advice from your stockbroker, bank manager, solicitor, accountant, financial adviser or other person authorised for the purposes of the Financial Services and Markets Act 2000 (as amended) ("FSMA") who specialises in advising on the acquisition of shares and other securities (or, if you are a person outside the UK, a person otherwise similarly qualified in your jurisdiction).

This document, which is drawn up as an AIM admission document prepared in accordance with the AIM Rules for Companies, has been issued in connection with the proposed admission to trading of the Ordinary Shares on AIM, a market operated by the London Stock Exchange plc ("**AIM**"). This document does not constitute an offer to the public requiring an approved prospectus under section 85 of FSMA and, accordingly, this document does not constitute a prospectus for the purposes of FSMA and/or the Prospectus Rules and has not been pre-approved by or filed with the Financial Conduct Authority pursuant to section 85 of FSMA. No offer of transferable securities to the public (for the purposes of section 102B of FSMA) is being made in connection with the Placing.

Application has been made for the whole of the issued and to be issued ordinary share capital of the Company to be admitted to trading on AIM ("**Admission**"). It is expected that Admission will become effective and that trading in the Ordinary Shares will commence on AIM at 8.00 a.m. on 4 September 2017. **Although the whole text of this document should be read, the attention of persons receiving this document is drawn to the section headed "Risk Factors" contained in Part II of this document.** All statements regarding the Company's business, financial position and prospects should be viewed in light of the risk factors set out in Part II of this document.

The AIM Rules for Companies are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the Ordinary Shares to the Official List. No application has been made for the Ordinary Shares to be listed on any other recognised investment exchange.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required, pursuant to the AIM Rules for Companies, to have a nominated adviser. The nominated adviser is required to make a declaration to London Stock Exchange plc (the "London Stock Exchange") on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.

DESTINY PHARMA PLC

(Incorporated in England and Wales with company registration number 3167025)

Placing of 8,619,120 Ordinary Shares at a price of 157p per Ordinary Share

Admission to trading on AIM

Nominated Adviser and Broker

Cantor Fitzgerald Europe

Share capital immediately following Admission

	Number	*Amount*
Ordinary Shares of £0.01 each issued and fully paid	40,537,120	£405,371.20

The Directors of the Company, whose names and functions appear on page 7 of this document, and the Company accept responsibility, both collectively and individually, for the information contained in this document and for its compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts, and does not omit anything likely to affect the import of such information.

This document does not constitute an offer to sell or an invitation to subscribe for, or the solicitation of an offer to buy or to subscribe for, Ordinary Shares in any jurisdiction in which such an offer or solicitation is unlawful and this document is not for distribution in or into any jurisdiction where action to that purpose is required. In particular, this document is not for distribution in or into the United States of America, Canada, Australia, Japan or the Republic of South Africa. The Ordinary Shares have not nor will they be registered under the US Securities Act of 1933 (as amended) (the "**US Securities Act**") or with any securities regulatory authority or under the applicable securities laws of any state or other jurisdiction and, unless an exemption under such act or laws is available, may not be offered for sale or subscription or sold or subscribed directly or indirectly within any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations for the account or benefit of any national, resident or citizen of such jurisdictions. Accordingly, the Ordinary Shares may not, subject to certain limited exceptions, be offered or sold, directly or indirectly, in the United States, Canada, Australia, the Republic of South Africa or Japan or to or for the benefit or account of, any person in, or any national, citizen or resident of the United States of America, Canada, Australia, Japan or the Republic of South Africa.The distribution of this document may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdictions. It should be remembered that the price of securities and the income from them can go down as well as up.

In making any investment decision in respect of the Ordinary Shares, no information or representation should be relied upon other than as contained in this document. No person has been authorised to give any information or make any representation other than that contained in this document and, if given or made, such information or representation must not be relied upon as having been authorised.

Neither the Company nor the Directors are providing prospective investors with any representations or warranties or any legal, financial, business, tax or other advice. Prospective investors should consult with their own advisers as needed to assist them in making their investment decision and to advise them whether they are legally permitted to purchase the Ordinary Shares.

Cantor Fitzgerald Europe, which is authorised and regulated in the UK by the FCA for the conduct of investment business, is acting exclusively for the Company and for no one else in connection with the Placing and Admission (whether or not a recipient of the document) and accordingly will not be responsible to anyone other than the Company for providing the protections afforded to clients of Cantor Fitzgerald Europe or for providing advice in relation to the Placing and Admission or any other matter referred to in this document. In particular, the information contained in this document has been prepared solely for the purposes of the Placing and Admission and it not intended to inform or be relied upon by any subsequent purchasers of Ordinary Shares (whether on or off exchange) and accordingly no duty of care is accepted in relation to them. Apart from the responsibilities and liabilities, if any, which may be imposed on Cantor Fitzgerald Europe by FSMA or the regulatory regime established thereunder, no representation or warranty, express or implied, is made by Cantor Fitzgerald Europe as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued). No liability whatsoever is accepted by Cantor Fitzgerald Europe for the accuracy of any information or opinion contained in this document or for the omission of any material information for which it is not responsible.

Copies of this document will be available during normal business hours on any day (except Saturdays, Sundays, bank and public holidays) free of charge to the public at the registered office of the Company and at the offices of Irwin Mitchell LLP from the date of this document to the date one month from the date of Admission and on the Company's website: www.destinypharma.com.

IMPORTANT INFORMATION

1. General

Investors should rely only on the information in this document. No person has been authorised to give any information or to make any representations in connection with the Placing or Admission other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company, the Directors or Cantor Fitzgerald Europe. No representation or warranty, express or implied, is made by Cantor Fitzgerald Europe or any selling agent as to the accuracy or completeness of such information, and nothing contained in this document is, or shall be relied upon as, a promise or representation by Cantor Fitzgerald Europe or any selling agent as to the past, present or future. Neither the delivery of this document nor any sale made under this document shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company taken as a whole since the date hereof or that the information contained herein is correct as of any time subsequent to the earlier of the date hereof and any earlier specified date with respect to such information.

The Company does not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media or any other person regarding the Placing, Admission or the Company. The Company makes no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication.

As required by the AIM Rules for Companies, the Company will update the information provided in this document by means of a supplement to it if a significant new factor that may affect the evaluation by prospective investors of the Placing occurs prior to Admission or if it is noted that this document contains any mistake or substantial inaccuracy. The document and any supplement thereto will be made public in accordance with the AIM Rules for Companies.

The contents of this document are not to be construed as investment, accounting, legal, business or other professional tax advice. Each prospective investor should consult his or her own lawyer, financial adviser and/or tax adviser for legal, financial and/or tax advice in relation to any purchase or proposed purchase of Ordinary Shares. Each prospective investor should consult with such advisers as needed to make its investment decision and to determine whether it is legally permitted to hold shares under applicable legal investment or similar laws or regulations. Investors should be aware that they may be required to bear the financial risks of an investment in Ordinary Shares for an indefinite period of time.

This document is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the Directors, Cantor Fitzgerald Europe or any of their representatives that any recipient of this document should subscribe for or purchase any of the Placing Shares.

Prior to making any decision as to whether to subscribe for or purchase any Ordinary Shares, prospective investors should read the entirety of this document and, in particular, the section headed "Risk Factors".

Investors should ensure that they read the whole of this document and not just rely on key information or information summarised within it. In making an investment decision, prospective investors must rely upon their own examination of the Company and the terms of this document, including the risks involved. Any decision to purchase Ordinary Shares should be based solely on this document.

Investors who subscribe for or purchase Ordinary Shares in the Placing will be deemed to have acknowledged that: (i) they have not relied on Cantor Fitzgerald Europe or any person affiliated with Cantor Fitzgerald Europe in connection with any investigation of the accuracy of any information contained in this document for their investment decision; and (ii) they have relied only on the information contained in this document, and no person has been authorised to give any information or to make any representation concerning the Company or the Ordinary Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by or on behalf of the Company, the Directors or Cantor Fitzgerald Europe.

None of the Company, the Directors, Cantor Fitzgerald Europe or any of their representatives is making any representation to any subscriber or purchaser of Ordinary Shares regarding the legality of an investment by such subscriber or purchaser.

In connection with the Placing, Cantor Fitzgerald Europe and any of its affiliates, acting as investors for their own accounts, may acquire Ordinary Shares, and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Ordinary Shares and other securities of the Company or related investments in connection with the Placing or otherwise. Accordingly, references in this document to the Ordinary Shares being offered, subscribed, acquired, placed or otherwise dealt with should be read as including any offer to, or subscription, acquisition, dealing or placing by, Cantor Fitzgerald Europe and any of its affiliates acting as investors for their own accounts. Cantor Fitzgerald Europe does not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

Cantor Fitzgerald Europe and any of its respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services to the Company, for which they would have received customary fees. Cantor Fitzgerald Europe and any of its respective affiliates may provide such services to the Company and any of its affiliates in the future.

2. Presentation of Financial Information

The Company publishes its financial statements in pounds sterling ("£" or "sterling"). The abbreviation "£M" or "£ million" represents millions of pounds sterling, and references to "pence" and "p" represent pence in the UK. The historical financial information of the Company included in Part IV(B) of this document has been prepared in accordance with the requirements of the AIM Rules for Companies and, where indicated, in accordance with IFRS. The significant accounting policies are set out within note 1 (Accounting Policies) of the historical financial information for the Company as set out in Part IV(B) of this document.

3. Market, Economic and Industry Data

Market, economic and industry data used throughout this document is derived from various industry and other independent sources. The Company, and the Directors, confirm that such data has been accurately reproduced and, so far as they are aware and are able to ascertain from information published from such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

4. Rounding

Certain figures and percentages in this document have been subject to rounding adjustments. The financial and other numerical information presented in tables in this document has been rounded to the nearest whole number or the nearest decimal place. Accordingly, any apparent discrepancies in tables between the totals and the sums of the relevant amounts are due to rounding. In addition, certain percentages presented may reflect calculations based upon underlying information prior to rounding, and accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

5. Currencies

Unless otherwise indicated in this document, all references to:

- "pounds sterling" or "£" are to the lawful currency of the UK;
- "euro" or "€" are to the lawful currency of the European Union's member states; and
- "U.S. dollars", "dollars" or "$" are to the lawful currency of the United States.

Unless otherwise indicated, the financial information contained in this document has been expressed in pounds sterling.

6. Forward-Looking Statements

Some of the statements in this document include forward looking statements which reflect the Directors' current views with respect to the financial performance, business strategy, plans and objectives of management for future operations (including development plans relating to the Company's products and services). These statements include forward looking statements both with respect to the Company and the sectors and industries in which the Company operates. Statements which include the words "expects", "intends", "plans", "believes", "projects", "anticipates", "will", "targets", "aims", "may", "would", "could", "continue" and similar words are of a future or forward looking nature.

All forward looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause the Company's actual results to differ materially from those indicated in these statements. These factors include, but are not limited to, those described in Part II of this document entitled "Risk Factors", which should be read in conjunction with the other cautionary statements that are included in this document. Any forward looking statements in this document reflect the Directors' current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the Company's operations, results of operations and growth strategy.

These forward looking statements speak only as of the date of this document. The Company undertakes no obligation to publicly update or review any forward looking statement, whether as a result of new information, future developments or otherwise. All subsequent written and oral forward looking statements attributable to the Company or individuals acting on behalf of the Company are expressly qualified in their entirety by this paragraph. Prospective investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision.

7. No Incorporation of Website Information

The contents of the Company's website do not form part of this document and prospective investors should not rely on them.

8. References to Defined Terms

Certain terms used in this document, including certain capitalised terms and other terms, are defined and explained in the Glossary of technical terms and Definitions sections of this document on pages 105 to 110.

9. International Financial Reporting Standards

As required by the Act and Article 4 of the European IAS Regulation, the consolidated financial statements of the Company are prepared in accordance with IFRS issued by the International Accounting Standards Board ("**IASB**") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the European Union.

CONTENTS

		Page
EXPECTED TIMETABLE OF PRINCIPAL EVENTS AND PLACING AND ADMISSION STATISTICS		**6**
DIRECTORS, SECRETARY, REGISTERED OFFICE AND ADVISERS		**7**
PART I	**INFORMATION ON THE COMPANY**	**8**
PART II	**RISK FACTORS**	**34**
PART III	**PATENT ATTORNEY REPORT**	**51**
PART IV	**HISTORICAL FINANCIAL INFORMATION**	**64**
	SECTION A: ACCOUNTANTS' REPORT ON DESTINY PHARMA PLC	64
	SECTION B: HISTORICAL FINANCIAL INFORMATION RELATING TO DESTINY PHARMA PLC	66
PART V	**ADDITIONAL INFORMATION**	**80**
GLOSSARY OF TECHNICAL TERMS		**105**
DEFINITIONS		**107**

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

All times are London times. Each of the times and dates in the table below and mentioned elsewhere in this document are indicative only and may be subject to change at the absolute discretion of the Company and Cantor Fitzgerald Europe without further notice.

Publication of this document	29 August 2017
Admission effective and dealings in the Enlarged Share Capital expected to commence on AIM	8.00 a.m. on 4 September 2017
CREST stock accounts credited in respect of Placing Shares in uncertificated form	as soon as practicable on 4 September 2017
Despatch of definitive share certificates for Placing Shares (where applicable) or as soon as possible thereafter	18 September 2017

PLACING AND ADMISSION STATISTICS

Placing Price	157 pence
Number of Existing Ordinary Shares	31,918,000
Number of Placing Shares to be issued by the Company pursuant to the Placing	8,619,120
Enlarged Share Capital	40,537,120
Percentage of the Enlarged Share Capital represented by the Placing Shares	21.26 per cent.
Gross proceeds of the Placing	£13.5 million
Estimated net proceeds of the Placing receivable by the Company	£12.4 million
Estimated market capitalisation of the Company on Admission at the Placing Price	£63.6 million
ISIN	GB00BDHSP575
SEDOL	BDHSP57
TIDM	DEST

DIRECTORS, SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	Sir Nigel Rudd *Non-Executive Chairman* Neil Clark *Chief Executive Officer* Dr William Love *Chief Scientific Officer* Simon Sacerdoti *Chief Financial Officer* Peter Morgan *Non-Executive Director* Joe Eagle *Non-Executive Director* *Further information on the Directors is contained in Part I of this document*
Company Secretary	Simon Sacerdoti
Registered Office	Unit 36 Sussex Innovation Centre Science Park Square Falmer Brighton BN1 9SB
Nominated Adviser and Broker	Cantor Fitzgerald Europe One Churchill Place London E14 5RB
Legal Adviser to the Company	Irwin Mitchell LLP 40 Holborn Viaduct London EC1N 2PZ
Patent Attorney to the Company	Potter Clarkson LLP The Belgrave Centre Talbot Street Nottingham NG1 5GG
Legal Adviser to the Nominated Adviser and Broker	Berwin Leighton Paisner LLP Adelaide House London Bridge London EC4R 9HA
Reporting Accountant and Auditor	Crowe Clark Whitehill LLP St Bride's House 10 Salisbury Square London EC4Y 8EH
Registrar	Capita Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Public Relations	FTI Consulting 200 Aldersgate Aldersgate Street London EC1A 4HD
Website	www.destinypharma.com

PART I

INFORMATION ON DESTINY PHARMA

1. Introduction

Destiny Pharma is an established, clinical stage, innovative biotechnology company focused on the development of novel medicines that represent a new approach to the treatment of infectious disease. These potential new medicines are being developed to address the need for new drugs for the prevention and treatment of life-threatening infections caused by Antibiotic-Resistant (AR) bacteria, often referred to as "superbugs".

Such AR bacteria pose a threat to public health and are of serious concern to the World Health Organisation (WHO). There is now a global imperative to put in place initiatives at all levels of society (including stewardship, new drug R&D, diagnostics, in both human and animal health) to address AR bacteria in a concerted effort to counter the prediction of ten million deaths (and an estimated $100 trillion cost by 2050) set out in Lord O'Neill's Independent Review on Antimicrobial Resistance (AMR), published in May 2016.

In September 2016, the United Nations announced a recognition of the threat from AMR, and the UN, WHO, the US Food and Agriculture Organization, The World Organisation for Animal Health and Organisation for Economic Co-operation and Development are all planning to recommend actions to address this global problem, which will be delivered at the 73rd UN General Assembly in 2018.

The Hangzhou G20 Leaders' Communiqué, published on 20 May 2017, recognised the importance of reactivating the R&D pipeline through incentive mechanisms that avoid reliance on high price/volume combinations, and called on the WHO, FAO, OIE and OECD to collectively report back in 2017.

The US Centers for Disease Control & Prevention confirm that each year in the US at least two million people become infected with bacteria that are resistant to antibiotics and at least 23,000 die each year as a direct result of such infections.

Bacteria have been shown to evolve to resist the new drugs that modern medicine uses to combat them. Indeed, this was the case with penicillin, one of the first antibiotics developed almost 100 years ago. However, in recent years, the rise in AMR has been a particular concern, especially with the emergence of many different types of superbug.

Methicillin Resistant *Staphylococcus aureus* (MRSA) is one of the most prominent superbugs and a major cause of hospital associated infection and featured in the WHO's 'most dangerous' list of superbugs published in 2017. The WHO followed US and European guidelines in 2016 by recommending the screening and decolonisation of MRSA and all strains of *Staphylococcus aureus* in pre-surgical patients undergoing high risk surgeries in a step designed to help prevent such infections.

Lord O'Neill's Independent Review also highlights the misuse of antibiotics in agriculture where they are not just being used to prevent/treat infections, but also to promote growth. The quantity of antibiotics used in livestock is vast. In the US, for example, of the antibiotics defined as medically important for humans by the US Food and Drug Administration (FDA), over 70 per cent. (by weight) are sold for use in animals. The majority of scientists see this as a threat to human health, given that wide-scale use of antibiotics encourages the development of resistance, which can spread to affect humans and animals alike.

Tackling AMR is now recognised as a high priority at a national and global level. With an increasing number of hospital based medical procedures being carried out across the world, there is a specific need for improved patient care regarding hospital infections. This should deliver both better outcomes for patients and a reduction in the increasing costs of post-operative care incurred by hospitals, governments and insurance companies.

Steps are already being taken in this direction, particularly in the US, with the Generating Antibiotics Incentives Now (GAIN) Act and 21st Century Cures Act both providing incentives to spur development of new drugs, (including a more streamlined regulatory path) to tackle AMR and also the Hospital Acquired Condition reduction programme which financially penalises the poorest performing US hospitals in terms of MRSA infection rates.

The drive to tackle AMR is receiving global interest and priority with new specific sources of 'pull' and 'push' incentives, including IMI, Carb-X, GAMRIF and potential pricing and reimbursement adjustments or market entry rewards to recognise the societal value that anti-bacterial drugs contribute. Destiny Pharma has a strong track record in attracting non-dilutive funding, with approximately £4.5 million received to date and will continue to seek similar non-dilutive funding to assist in financing its pipeline.

Business Strategy

Destiny Pharma's strategy is to generate income and shareholder value by the clinical development and commercial exploitation of its proprietary, highly innovative antibacterial drug platform; the XF Drug Series. The XF drug platform (and the DPD drug platform, a variant on the XF platform) is being developed to prevent and treat existing and emerging superbug infections within and outside of hospitals. The Company's intellectual property is already well established with 94 granted and three pending patents within three patent families, covering composition of matter, novel mechanism of action and bacterial biofilm action. The Company has plans to develop and commercialise its pipeline and is supported by an established international collaborative network with relevant key opinion leaders, industry groups and government initiatives as well as active connections with leading pharmaceutical companies working in the anti-infective sector.

The XF Drugs represent a potential breakthrough in antibacterial drug product development, with the following key features:

- *Ultra-rapid bacteria kill*

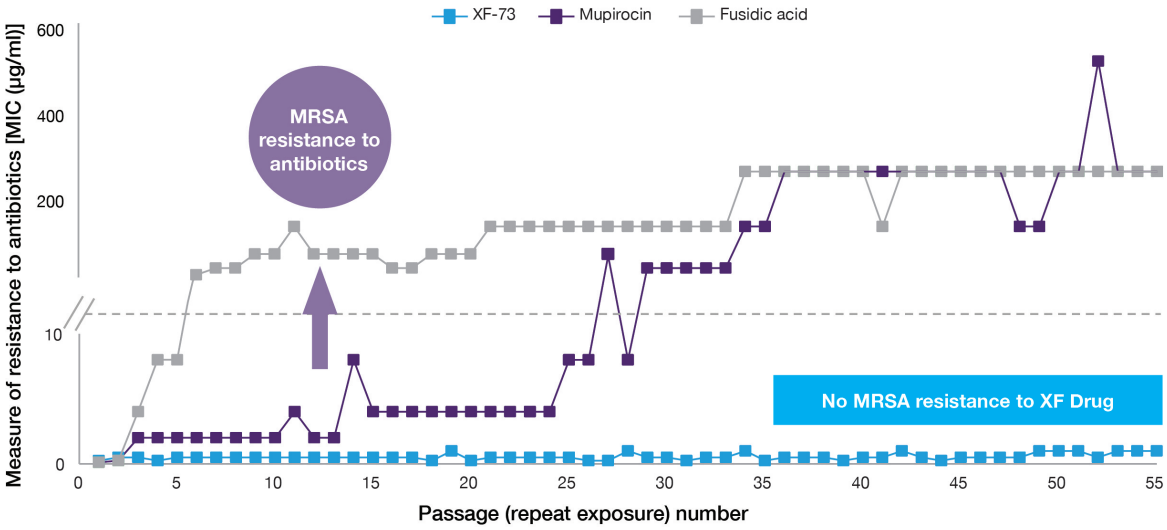
  Studies have shown the XF Drugs killing bacteria *in vitro* in less than 15 minutes; faster acting than standard antibiotics currently in use.

- *No bacterial (MRSA) resistance is seen to emerge*

  No bacterial (MRSA) resistance is seen to emerge in a landmark *in vitro* study of bacterial resistance that compared XF-73 to standard antibiotics currently in use. The bacteria (MRSA) did not demonstrate any resistance to XF-73 even after 55 repeat exposures (being the longest repeat exposure study published as far as the Company is aware). In contrast, MRSA rapidly developed significant resistance to a range of antibiotics tested. A second study using clinical bacterial samples from a Company clinical trial of XF-73 provided the Company's first clinical data supporting the same "no resistance profile".

XF-73

No MRSA Resistance Seen, Unlike Antibiotics



Farrell, et al.; Investigation of the potential for mutational resistance to XF-73, Retapamulin, Mupirocin, Fusidic acid, Daptomycin and Vancomycin in MRSA isolates during a 55-Passage study. Antimicrobial Agents & Chemotherapy (2011); 55; (3) 1177-1181

- *Ability to kill bacteria in any growth phase*

  This is an important feature as bacteria are not always actively growing. XF Drugs are able to kill bacteria even when dormant.

- *Ability to kill bacteria within staphylococcal bacterial biofilms*

  Biofilms are an increasing problem that are poorly treated by current drugs as they act as a protective barrier for bacteria. They are associated with indwelling medical devices (for example, heart valves and joint replacements) and invasive medical devices (for example, catheters and endoscopes).

- *Active against all Gram positive bacteria tested to date and selected Gram negative bacteria*

  This includes clinically important and infection-causing strains, such as:

  - *Staphylococcus aureus*
  - *Propionibacterium acnes*
  - *Mycobacterium tuberculosis*
  - *Bacillus anthracis*
  - *Acinetobacter baumannii*
  - *Clostridium difficile*
  - *Listeria monocytogenes*
  - *Group G Streptococcus*
  - *Streptococcus pneumonia*
  - *Yersinia pestis*
  - *Pseudomonas aeruginosa*

  Indeed, all existing AR strains of Gram positive bacteria tested to date are also susceptible to XF Drugs, including MRSA.

The XF Drugs can operate within existing antibiotic markets and may also be able to open new preventative and therapeutic drug markets that are closed to, or restricted for, traditional antibiotics because of the existence and/or threat of AR. This threat means that antibiotics have to be used sparingly to limit the development of bacterial resistance. Destiny Pharma's XF Drug pipeline includes a number of preventative and therapeutic medicines at clinical and pre-clinical development stages and a portfolio of additional patent protected, XF and DPD Drugs available to enter in-house development and/or partnership collaborations.

Following a review of clinical trial data on the Company's lead drug, XF-73 (exeporfinium chloride), it was awarded Qualifying Infectious Disease Product (QIDP) status in October 2015 by the FDA. Within the QIDP award, the FDA also confirmed a new US disease indication for XF-73; namely the '*Prevention of post-surgical staphylococcal infections',* including MRSA. This represents a new US market for which no existing product is approved. QIDP status identifies XF-73 as a drug that is intended to treat serious or life-threatening infections, including those caused by antibiotic resistant pathogens.

The Company has completed five successful Phase I/IIa clinical trials with XF-73. The most recent trial was conducted in the US and was funded by the US government's expert division on anti-microbial drugs, the National Institute for Allergy & Infectious Diseases (NIAID), who reported the successful outcome from this trial in September 2016.

Destiny Pharma's strategic aim is to become one of the world's leading developers of novel anti-infective drugs. The Company is part of a network of biotech and pharma companies working in this sector and will continue to consider partnerships and licensing opportunities where appropriate. The Board is committed to progressing the pipeline with the goal of delivering better drug treatments for patients and creating significant value for shareholders.

Board directors, management and members of the Scientific Advisory Board are members of key committees and institutions such as the Global Antimicrobial Resistance Innovation Fund, the Wellcome Trust International Clinical Trials Networks for Antibacterial Drug Development, the Sir Francis Crick Institute and the Academy of Medical Sciences. Further details on the experience and qualifications of the team are set out in section 13 below.

The Placing will provide Destiny Pharma with the capital to develop its lead drug asset XF-73 through the proposed US clinical Phase IIb program delivering a robust package for partnering and/or further development into Phase III, which is the final stage of clinical development. The funds raised will also be used to develop new clinical candidates from its focused, pre-clinical pipeline and to capitalise on the commercial opportunities including partnering and licensing.

In the Board's opinion, XF-73 has the potential to break the commercial paradigm which besets antibiotics. Its 'no resistance' characteristic enables widespread use (unlike antibiotics where use is restricted due to the fear of AR). As about a third of the population carry the infection-causing bacteria *Staphylococcus aureus* asymptomatically, and XF-73 is designed to kill these bacteria in the patient ahead of surgery (preventing post-surgical infection), a large new market exists. The new indication has been recognised by the FDA through the QIDP status award.

The Company believes that XF-73's preventative disease indication is more akin to a vaccine approach and could lead to all patients being treated prior to surgery. There are a number of drivers for the adoption of this approach (outlined in section 5 below), including new guidelines and financial penalties for US hospitals with high MRSA infection rates.

Additional assets from the XF drug platform will also be progressed in the areas of prevention and treatments for staphylococcal pneumonia, serious bacterial burn wound infections and bacterial biofilm associated infections. The Company will also establish a number of discovery stage research programs through collaborations and where possible seek non-dilutive funding support.

2. History and Background

Destiny Pharma's business was founded by Dr Bill Love in 1997 to identify and generate high value pharmaceutical intellectual property and is headquartered at Sussex Innovation Centre at Sussex University in Brighton, UK.

In its infancy, the Company predominantly carried out contract research for large pharmaceutical companies, including Novartis. Between its incorporation and 2003 the Company worked in three main areas of research:

- Novel surfaces to improve hip implantation;
- Surface bound photodynamic agents; and
- Anti-microbial photodynamic agents.

The Company had a major breakthrough in 2003 when its innovative research created a new anti-bacterial drug platform, the XF Drugs. Unlike most antibiotics, XF Drugs have demonstrated the remarkable quality of not generating bacterial resistance.

Destiny Pharma is one of only a small number of UK pharma/biotech's which have antibacterial drugs at the clinical stage of development, having completed five successful trials in the UK and most recently in the US. The most recent US clinical trial of XF-73, that reported results in September 2016, was funded by the National Institute for Allergy & Infectious Disease, the US government's specialist division for antimicrobial drugs and diseases.

The lead clinical drug candidate developed from the antimicrobial research is XF-73. It has the potential to be an effective new treatment in the reduction of bacterial infections in hospital patients including those caused by MRSA. XF-73 is administered topically in the form of a nasal gel where it reduces the nasal carriage of *Staphylococcus aureus,* which is a significant source of bacterial infection which patients typically carry on themselves into surgery.

Destiny Pharma has a highly experienced board of directors and operates a virtual business model that is commonplace in modern biotechnology businesses. Under this approach, Destiny Pharma employs experienced directors and senior managers who take a lead in running the various business segments including research, manufacturing, clinical/medical, IP, finance and commercial.

Destiny Pharma's in-house teams work closely together to develop strategies and design projects and then engage a variety of specialised contractors from across the world to execute these projects. This network is extensive and well-established with several relationships being over ten years old. Board directors and managers have experience in the pharmaceutical development of antimicrobial drugs with industry backgrounds, (Pfizer, Bayer, Novartis and Quintiles), and sit on international committees focused on addressing AMR.

The Board also brings a broad range of experience that is available as needed to assist in developing and executing strategy.

3. Antibiotic Resistance and New Market Opportunities

Infections caused by antibiotic resistant strains of bacteria continue to rise at an alarming rate. They pose a threat to public health in the view of the WHO. Dr Margaret Chan (WHO Director General) said during a speech at the G7 health ministers meeting on antimicrobial resistance: "This will be the end of modern medicine as we know it!"

Antibiotics underpin modern medicine but, their effectiveness has been reduced. Bacteria have now developed resistance to almost every antibiotic developed by man and a significant proportion of bacterial infections are now caused by antibiotic resistant strains. These antibiotic resistant bacteria, dubbed by the media as 'superbugs', are harder to treat, cause greater mortality, and result in additional cost to healthcare systems around the world.

Unless action is taken to address this huge global issue, the Independent Review on Antimicrobial Resistance (authored by Lord O'Neill) estimates that it will cost the world an additional ten million lives a year by 2050, more than the number of people currently dying from cancer annually. The review also estimates that it will also have a cumulative cost of $100 trillion, more than one and a half times annual world GDP today.

Destiny Pharma's XF-73 product could contribute to addressing the cost of AR bacteria and the Company has been invited to participate in some of the groups that are discussing the problem and developing solutions:

- The Company is represented at the Wellcome Trust Global AMR Clinical Trials Network team, examining potential for clinical networks for antibacterial drug development, alongside the FDA, BARDA, EMA, WT, CDC, NIAID and other industry leaders in AMR.

- Dr Bill Love was appointed by Professor Dame Sally Davies, UK Chief Medical Officer, Department of Health, to the Expert Advisory Board of the Global Anti-Microbial Resistance Innovation Fund in November 2016.
- The Company is also a founder member of the BEAM Alliance, set up in 2015 and representing and promoting the interests of more than 40 European biotech companies in the area of anti-bacterial drug development.
- Professor David Roblin was appointed a fellow to the Academy of Medical Sciences in May 2017.

Infections caused by AR strains of bacteria continue to rise at an alarming rate and are of serious concern to the WHO. Many initiatives to spur the development and approval of new antibiotics/antibacterial drugs are under consideration. The US and its government are particularly active in this area.

Key initiatives in recent years (a number of which are US) are set out below:

- **Generating Antibiotic Incentives Now (GAIN) Act, 2012 (US)**

  Qualifying Infectious Disease Products (QIDPs), rapid review by FDA and five years additional US market exclusivity.

- **New Technology Add-on Payment (NTAP), (US)**

  New drugs may qualify for NTAP status, which when granted can reimburse up to 50 per cent. of the new product cost to US hospitals.

- **US President's 2016 Budget, January 2015**

  $1.2 billion proposed to specifically tackle antibiotic resistance – a doubling of the budget.

- **Independent Review on Antimicrobial Resistance (AMR), May 2016**

  Predicts ten million deaths and $100 trillion cost of AMR globally by 2050 if not addressed. Recommends global fund to drive R&D and $1 billion market entry rewards for new drugs.

- **United Nations, September 2016**

  UN recognises the threat from AMR and the UN General Assembly has, for only the fourth time in its history, issued a directive for a healthcare issue, requesting UN, WHO, FAO, OIE and OECD to report on actions to address this global issue in 2018.

- **21st Century Cures Act, December 2016 (US)**

  Instructs the FDA to enable approval of QIDPs in Limited Patient Populations which will allow more efficient clinical trial design & greater ease of drug approval for a limited label population.

- **G20 Declaration, May 2017**

  Recognised the importance of reactivating the R&D pipeline through incentive mechanisms that avoid the reliance on high price/volume combinations and the need to promote prudent and responsible use of antimicrobials. In the Hangzhou G20 Leaders' Communiqué, G20 leaders called on the WHO, FAO, OIE and OECD to collectively report back in 2017.

Whilst new antibiotics may 'buy time', strategies need to be adopted that may reduce the emergence of AR strains of bacteria. Destiny Pharma addresses this need through its XF Drug platform, whose novel, ultra-rapid mechanism indicates that it reduces the chance of bacteria becoming resistant to its action, as suggested by the scientific and clinical data.

XF Drug Platform

Potential Solution to Antibiotic Resistance

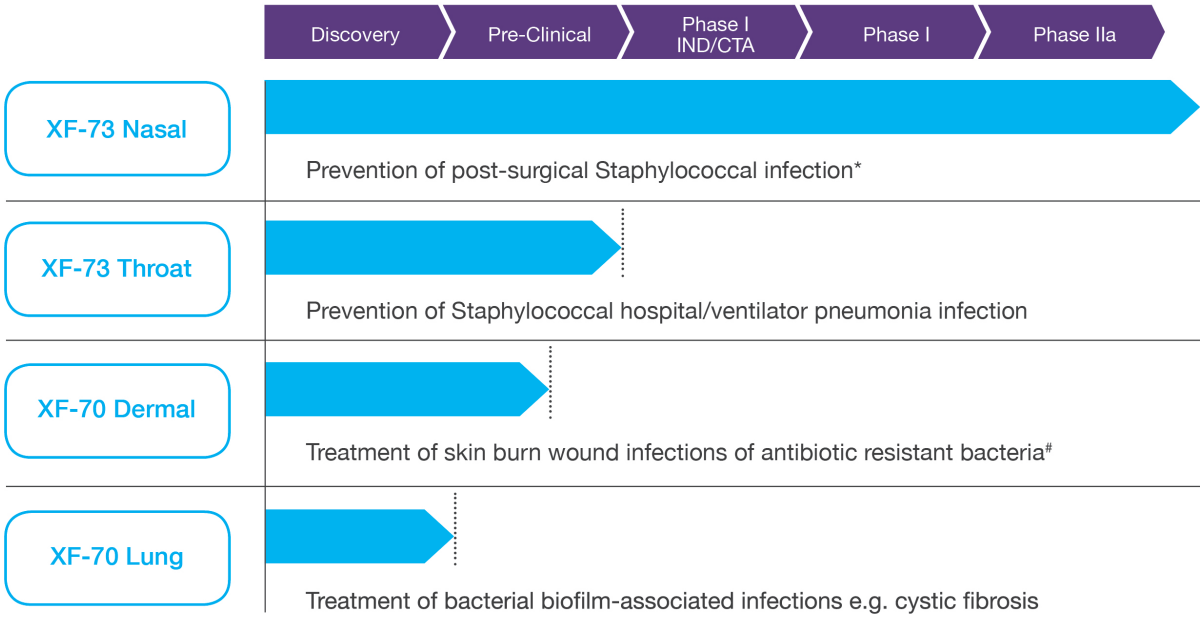
	Antibiotic	XF Drug
Ultra-rapid, bacterial kill (within minutes)	✗	✓
MRSA unable to become resistant to drug action	✗	✓
Potential for widespread use	✗	✓
Kills all antibiotic resistant Gram positive bacteria tested	✗	✓
Kills any stage of bacterial growth – including bacterial Biofilms	✗	✓
FDA, QIDP & Fast Track status	✓	✓

4. Products, Applications and Future Opportunities

The Company is focused on markets restricted or blocked by antibiotic resistance. The XF Drug series is the Company's anti-microbial drug platform and comprises the related XF and DPD Drug candidate assets. The pipeline for the XF Drug products is illustrated below:

XF Drug Platform

Potential Solution to Antibiotic Resistance



** New US disease indication QIDP designated by FDA, October 2015*
 # Gram negative (A. baumannii, P. aeruginosa) & Gram positive (S. aureus) bacteria

Prevention of post-surgical staphylococcal infections

There is a significant market for the prevention of post-surgical staphylococcal infections in the US. The US is a leader in understanding the healthcare benefits of preventing hospital staphylococcal infections. This is apparent from recent guidelines for adoption of this approach issued by the US Surgical Infection Society, the Society of Hospital Epidemiologists of America, the Infectious Disease Society and the US Agency for Healthcare Research & Quality.

On average, one in three people carry the Gram positive bacteria *Staphylococcus aureus* in the nose without any adverse effects. However, those who carry *Staphylococcus aureus,* including MRSA in the nose are at up to ten times greater risk of becoming infected while they are in hospital for an operation, and studies have shown that the majority of post-surgical infections are from the bacteria carried into the operating theatre by the patient.

The core market for XF-73 in the US is identified by a new disease indication; the "*Prevention of Post-Surgical Staphylococcal Infections*".

In the US there are approximately 40 million surgeries per annum alone where the patient is at risk of a post-surgical infection. However, within this large population there are particular groups who are at an even higher risk of infection due to the nature of their surgery or the procedures and/or their specific hospital environment in which they are treated. These higher risk surgical procedures include cardiovascular, orthopaedic and other complex surgeries. Destiny Pharma estimates that this totals some 14 million US surgeries per year. This figure is set to rise within the context of an ageing population.

A potential product extension of XF-73 would be in the newly established preventative approach of Universal Decolonisation (UD) of intensive care unit (ICU) patients on admission. A number of US hospital groups, including the Hospital Corporation of America, are now implementing UD for **all** patients entering the ICU as research has shown this approach to deliver a >40 per cent. reduction in the ICU bloodstream infection rate. There are over eight million ICU admissions in the US per year.

Therefore, there are potential markets comprising over 20 million patients in the US alone that might benefit from XF-73 preventative treatment.

XF-73 Program Significantly De-risked 5 Clinical Trials Completed

Antibiotic	Sponsor	no. subjects	Design & Results
XF-73A01	Destiny Pharma	23	1st in man, low dose (0.075mg/g), 5 days dosing, **safe**
XF-73B01	Destiny Pharma	45	Higher dose (0.5mg/g), anti-*S. aureus* effect, 5 days dosing, **dose response, safe**
XF-73B02	Destiny Pharma	32	Higher dose (2.0mg/g), **enhanced anti-*S. aureus* effect**, 5 days dosing, **safe**
***XF-73B03**	Destiny Pharma	60	2 day dosing, lower viscosity gel, hospital-like procedure, **rapid anti-*S. aureus* nasal effect, safe**
***DMID-11-0007**	US Government funded	56	5 day dosing, lower viscosity gel, hospital-like procedure, **rapid anti-*S. aureus* nasal effect, safe**

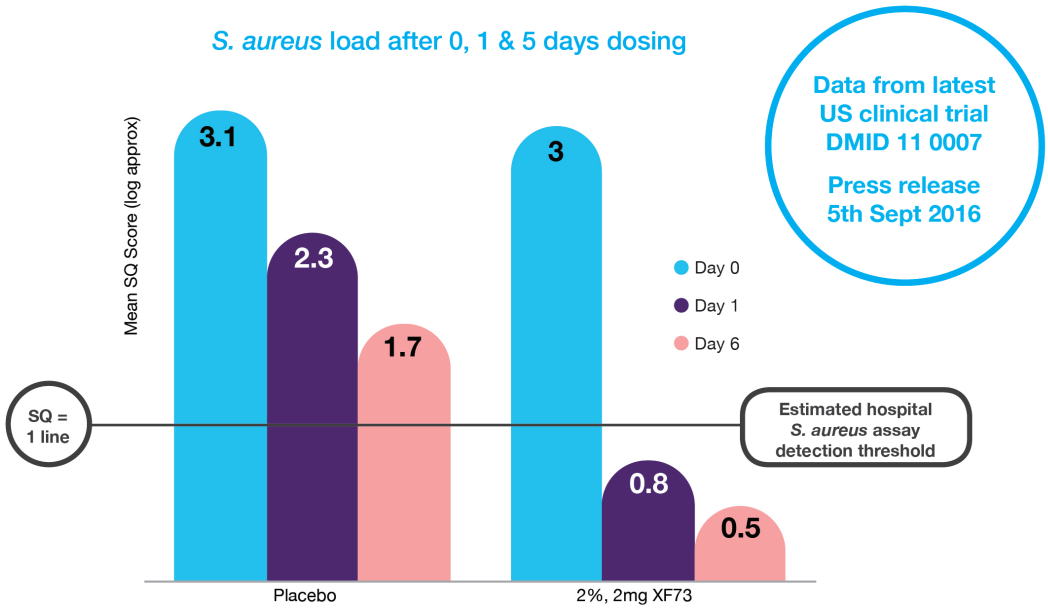
Safety & efficacy clinical data support progression to Phase IIb

* Both studies placebo controlled & XF-73 applied as an intra-nasal gel achieved statistical difference for *S. aureus* reduction

In Europe and the US, the Company has completed five successful Phase I/IIa studies. These trials, in addition to the latest US trial, have provided the following data supporting an attractive new product profile for XF-73:

- Appropriate clinical safety profile;
- Well tolerated at multiple doses;
- No drug exposure in the bloodstream;
- Rapid, anti-staphylococcal action in the nose; and
- Antibacterial efficacy statistically demonstrated over placebo.

XF-73 Achieved Rapid & Sustained Clinical *S. aureus* Nasal Reduction



Earlier stage anti-infective projects

Destiny Pharma plans in the next two years to develop two additional products from its pipeline towards clinical development, and to conduct earlier stage research work in respect of biofilm action:

1) ***The line extension of XF-73 for the prevention of staphylococcal pneumonia in hospital patients***

There is a growing understanding of the link between patient carriage of *Staphylococcus aureus* with the risk of *Staphylococcus aureus* (including MRSA) ventilator-associated pneumonia (VAP). Hospital acquired pneumonia (HAP) is a pulmonary infection that develops in patients hospitalised for more than 48 hours, either in the ICU or in other hospital wards. VAP is a subset of HAP that occurs in mechanically ventilated patients more than 48 hours after tracheal intubation. VAP accounts for approximately 90 per cent. of ICU HAP and afflicts up to 20 per cent. of ICU patients who receive mechanical ventilation.

The crude in-hospital mortality rate of patients with *Staphylococcus aureus* infection with MRSA and MSSA are similar between 29 per cent. and 36 per cent., while costs for MRSA VAP are on average $40,734 per patient and the costs for MSSA VAP are $36,523 per patient.

Staphylococcus aureus is the leading cause of VAP in Europe and ranks alongside *Pseudomonas aeruginosa* as the greatest cause of VAP in US hospitals. There are over 1.7 million mechanically ventilated patients in the US each year who could benefit from preventative treatment. There are up to 300,000 VAPs per annum in the US which cost up to $1.5 billion each year to treat.

Therefore, Destiny Pharma plans to continue to develop XF-73 for the prevention of *Staphylococcus aureus* (including MRSA) VAP. The use of an XF-73 oral cavity/throat treatment to prevent *Staphylococcus aureus* VAP, together with the potential for use of the product as an adjunct to nasal treatment in mechanically ventilated patients is an attractive opportunity.

2) ***XF-70 for the treatment of antibiotic resistant Gram positive and Gram negative bacterial burn wound infections***

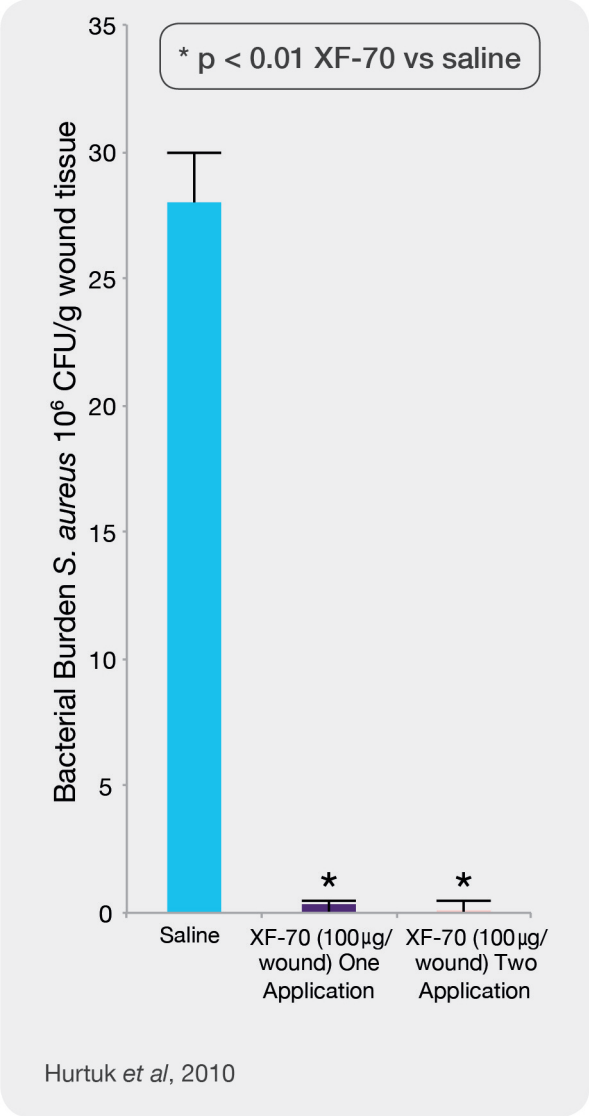
According to Viaderma in 2016 the global topical antibacterial market was estimated at $6 billion.

The Company has a strong pre-clinical, *in vitro* and *in vivo*, infection model data set which demonstrates the efficacy of topically applied XF Drugs against Gram positive and Gram negative bacteria, including MRSA, *Pseudomonas aeruginosa* and *Acinetobacter baumannii*. In some cases, unformulated XF Drugs have been shown to be as active as existing, marketed antibiotics.

Destiny Pharma plans to develop XF-70 towards a therapeutic dermal infection indication, and will deliver a pre-clinical data pack that could support a wide range of indications including impetigo, acne, atopic dermatitis, bacterial infected skin lacerations, candida skin/vaginal infection and treatment of serious bacterial burn wound infections.

The Company already has data supporting the efficacy in serious bacterial burn wound infection models in studies conducted in association with the US Department of Defence. The graph below summarises the key finding, which shows a statistically significant ($p<0.01$) reduction in the *Staphylococcus aureus* burden in infected burn wound tissue delivered by one and two topical applications of XF-70 versus placebo.

Pipeline Products: Additional XF Drug programs



3) ***Biofilm product opportunities***

The Company was granted a US Biofilm patent on 3 May 2016 and will seek to develop and exploit product opportunities including research collaborations based around this emerging market. XF-73 and XF-70 have shown the ability to act against *Staphylococcus aureus* within formed biofilms which are protective against traditional antibiotics.

Excellent effectiveness against bacteria in Biofilm

- A biofilm is an extra-cellular matrix of exo-polysaccharides which bacteria form when in contact with a host tissue or indwelling medical device.

- Biofilms are notoriously resistant to antibiotic therapy – forms an impenetrable barrier to antibiotics.
- Slower growth rate of bacteria in biofilms is fundamental to antibiotic resistance.

Drug	MIC (jug/mL)	MBEC (jug/mL)	Multiple of MIC to kill *S.aureus* in Biofilm (x)
Ciprofloxacin	0.5	>256	>500
Fusidic acid	0.125	>256	>2,000
Tetracycline	0.5	>256	>500
Rifampicin	0.008	128	16,000
XF-70	1	2	2
XF-73	1	2	2

Potential clinical advantage – Biofilms implicated in 80% of infections

Strain: *Staphylococcus aureus* SH1000
Method: Minimum inhibitory concentrations (MIC) and minimum biofilm eradication concentrations (MBEC) determined in the Calgary Biofilm Device

Bacterial biofilms are implicated in chronic and recurring infection and there is a growing understanding of their role and the value in developing treatments that can address this issue in tissue and medical device related infections. For example, bacterial biofilm is implicated in chronic lung infection in conditions such as cystic fibrosis where *Staphylococcus aureus*, including MRSA and *Pseudomonas aeruginosa* are the most common pathogens in this condition.

Results already gained from early stage research have also identified product opportunities in *Clostridium difficile* and *Pseudomonas aeruginosa* infections and bio-threat pathogens including anthrax, anthrax spores and plague from joint studies with the Defence Science & Technology Laboratory and the US Department of Defence. This is an area of high priority for the US government with the on-going threat from bio-terrorism.

Destiny Pharma has generated preliminary data on the potential for XF Drugs to enhance existing antibiotic activity by co-administration and plans to extend these studies through research collaborations to determine if important antibiotic life can be reinvigorated and bacterial resistance combated.

The Company also plans to extend studies of the XF Drug mechanism of action, which may result in further optimisation and the ability to target microbial pathogens beyond bacteria and deliver new intellectual property.

The Directors are keen to explore the possibility for accelerating progress on some of these earlier programs by entering into strategic co-development partnerships with sector experts. Concurrently, the Company will continue to apply for non-dilutive funding grants when suitable structures are available. It is also the Company's intention to apply for US QIDP status for its other pipeline programs.

CMS Asia Collaboration

Destiny Pharma has entered into a framework agreement to collaborate with a wholly-owned subsidiary of China Medical System Holdings Ltd ("CMS") to enable the development and commercialisation of the Company's assets in China and other Asian countries excluding Japan (the "Territory").

CMS is a well-established, 20 year old specialty pharma company focused on China and related Asian markets. It is publicly traded on the Hong Kong Stock Exchange with a market capitalisation of approximately HK$32.38 billion as at 28 August 2017.

A&B (HK) Company Ltd ("A&B"), a company with a controlling shareholder in common with CMS, has invested £3 million in the Placing. Under the collaboration, CMS will make a £3 million equity investment on the finalisation of a detailed agreement under which the parties are to agree to work together in the further research and development of the Destiny Pharma anti-infective portfolio.

Under that agreement, more fully described in paragraph 12.11 in Part V, CMS would invest in the research and development of selected projects in the Territory. Destiny Pharma can supply product to CMS and earn a manufacturing margin and also receive milestone payments if sales revenues in the Territory reach certain targets. The parties would share information and coordinate activities through a Steering Committee and Destiny Pharma's projects outside of the Territory can benefit from the activities undertaken by CMS. The Board believes that this partnership has the potential to accelerate the development of the Company's assets in Asia with a high quality, expert partner, whilst permitting the Company to retain its focus on its main target markets in the US and the EU.

5. Target Markets

The medical indication for Destiny Pharma's lead programme, XF-73, is for the Prevention of Post-Surgical Staphylococcal Infections. XF-73 rapidly kills these bacteria which colonise the nose.

Patient carriage of *Staphylococcus aureus* strains, including MRSA, is recognised as a growing problem and the testing of patients entering hospital for surgery is widespread in many countries, including the US. Landmark outcome studies (Bode *et al* 2010) have demonstrated that reduction of all strains of *Staphylococcus aureus* can significantly reduce the post-surgical infection rate by 60 per cent. and reduce mortality.

In response to these and other findings, in February 2013, the US Surgical Infection Society (SIS), the Society for Hospital Epidemiologists of America (SHEA), the Infectious Disease Society of America (IDSA) and the American Society of Hospital Pharmacists (ASHP) published new guidelines recommending that in the US all *Staphylococcus aureus* (including MRSA) should be decolonised in all cardiovascular and most orthopaedic surgeries. This represents a five to ten fold increase in the market size for *Staphylococcus aureus* decolonisation in the US.

In 2014, AHRQ/IDSA/SHEA recommended an even more aggressive treatment strategy, Universal Decolonisation (UD) of all intensive care unit (ICU) patients without screening, awarding a Grade I (highest) level of evidence rating. US hospital groups, including the Hospital Corporation of America, are now implementing UD for all patients entering the ICU. This market has a potential patient population of over eight million people in the US alone. UD of ICU patients represents a potentially attractive line extension for XF-73 where its rapid antibacterial action and attractive resistance profile could enable this preventative measure into the future.

In Europe, similar guidelines exist recommending decolonisation of *Staphylococcus aureus* positive patients prior to certain surgeries. Despite these recommendations, there is currently no treatment approved for universal decolonisation or nasal bacteria carriage load reduction prior to surgery or ICU admission. The antibiotic, mupirocin, is often used off-label in the US for these applications, although it has two key disadvantages in that it is slow acting, requiring five days of dosing, and staphylococcal resistance to mupirocin can develop rapidly and become widespread. Consequently, many European guidelines are accompanied with a resistance warning related to mupirocin use.

In 2016, the WHO published its Global Guidelines for the Prevention of Surgical Site Infection, which now too recommend the screening and decolonisation of all *Staphylococcus aureus* strains pre-surgery in high risk surgeries.

It is therefore apparent that there has been a move from screening and treatment of just MRSA carriage in 'high risk' patient populations to also now include **all** *Staphylococcus aureus* strains (MRSA and MSSA), an approximate five to tenfold increase in the number of patients who can benefit.

There is a significant potential market for a new drug that can assist in the prevention of post-surgical staphylococcal infections, particularly in the US. There are approximately 40 million surgeries per year in the US alone, all of which expose patients to the risk of post-surgical infections. Of these patients, the Company estimates that 14 million are at a higher risk of infection as a result of the nature of their surgery and the environment in which they are treated. The Company's estimates are based on a variety of sources including the Office of National Statistics (ONS), National Health Service (NHS) data and various medical articles and journals. Therefore, including the potential future use of XF-73 in UD within the ICU the Company believe markets totalling at least 20 million patients per annum exists in the US alone.

In the US, Destiny Pharma gained funding support from the National Institute of Allergy and Infectious Disease (NIAID) that enabled the opening of an investigation new drug (IND) for XF-73 and the delivery of a clinical trial. This clinical study, conducted in the US, was completed successfully and the findings were reported by NIAID in September 2016. The study showed that the majority of nasal *Staphylococcus aureus* subjects showed an anti-bacterial response to the product after only one day of dosing, with the effect sustained throughout five days of dosing. The safety results of the study also showed full compliance with no systemic exposure detected.

The Company has undertaken independent market research of the product profile of XF-73 and this study reported that the sample of 66 US and EU treaters (surgeons, infectious disease specialists and ICU specialists) and payers (hospital medical directors, pharmacy services directors, microbiologists and clinical directors) who were consulted, confirmed that XF-73's target product profile is superior when compared to mupirocin with the potential to replace mupirocin as the preferred treatment.

The Directors believe that there is significant demand for the XF-73 product and have identified the following additional drivers for adoption:

- Current practice guidelines have identified patient populations that can benefit while highlighting that antibiotic resistance as an issue with current products;
- From 2017, US general, acute-care and short-term hospitals with the highest MRSA infections will have 1 per cent. of their Medicare reimbursements withheld;
- On 20 September 2016, the United Nations General Assembly called for new drugs to tackle antibiotic resistance;
- US hospital administrators are keen to reduce infection to ensure high ratings in rankings tables;
- XF-73, having QIDP approval, benefits from five years extra US market exclusivity;
- XF-73 could be the first drug approved into a new US indication with first to market advantages; and
- QIDP eligibility means that XF-73 can benefit from Fast Track regulatory status in the US.

As XF-73 is differentiated from antibiotics due to its superior bacterial resistance profile it is likely that its use can be widespread, preserving antibiotic use and could potentially be used without the need for bacterial screening. In this aspect, XF-73 can be viewed as a preventative pharmaceutical more akin to vaccines than antibiotics.

6. Routes to Market

XF-73 has the opportunity to become the first drug approved in the US for this new indication and will only need to be compared to placebo at Phase IIb and III (as no comparator exists) and could become the benchmark against which all future would-be competitors will be measured. This is a major attribute and will help drive the clinical programme and also the commercialisation of XF-73 in the US.

The core market for XF-73 in the US is identified by the new QIDP/FDA indication of the prevention of post-surgical staphylococcal infections and focuses on surgeries carrying a risk of infection. Destiny Pharma believes those surgeries carrying the highest infection risk (or where the consequences of infection are significant) represent an attractive target population – these include cardiovascular, orthopaedic and other similar invasive surgeries. This high-risk surgical patient population is estimated at over 14 million patients per annum in the US alone. In addition, extended use of XF-73 into 'all risk' surgical populations could take the total market potential to encompass a large proportion of the 40 million surgeries in the US each year.

Furthermore, there are approximately eight million ICU admissions per annum in the US and these represent a potential line extension for XF-73.

The market analysis undertaken by Destiny Pharma and its specialist consultants supports the Company's view that XF-73 could achieve annual peak sales in the US of over $1 billion and peak sales in Europe and Rest of the World could be around US$500 million for the initial indication of "*Prevention of Post-*

Surgical Staphylococcal Infections" alone. While an estimate for the cost of final stage clinical development of XF-73 in this indication is dependent on the outcome of the Phase IIb trial and regulatory advice, Destiny Pharma does not believe it would be of a magnitude that would necessarily preclude a company of its size from subsequently undertaking the study (subject to additional funds being available). Furthermore, as XF-73 would initially be launched as a US hospital-based drug product, only a relatively small hospital focused marketing/sales force would be necessary.

Therefore, while Destiny Pharma's strategy is to develop robust clinical packages around its drug candidates that make them attractive to pharmaceutical companies to licence, the Company believes the above factors suggest it can potentially continue to build value in Destiny Pharma through conducting late stage clinical development itself, ensuring a licensing deal need only be struck at the right time and on optimal terms for its shareholders. Additionally, while the market for the lead asset XF-73 is initially in the US, the need for such a new treatment is global and Destiny Pharma therefore also has the ability to enter into licensing agreements and collaborations for other territories in due course. For example, the framework agreement with CMS, more fully described in paragraph 12.11 in Part V, is in broad collaboration to develop the Company's assets in the Asian Market. The Company will also look to enter selected partnership to develop its earlier stage assets and apply for non-dilutive sources of grant and governmental funding as it has done in the past to assist in the development of its portfolio.

A similar strategy will be adopted in selecting the most appropriate regional or global partner(s) for XF-73 for the prevention of staphylococcal pneumonia and XF-70 for the treatment of serious AR bacterial burn wound infections.

The Board believe that the increasing pressure and financial incentives that are being implemented now and possibly in the future by leading institutions such as the WHO, UN and G7/G20 will increase further the options available for profitable commercialisation.

7. Clinical Development Strategy

The strategy of the Company is to continue the development of its lead asset, XF-73, to a Phase III ready status in the US. The Company then has the option to partner or to consider the further development of XF-73 through Phase III studies.

The key projects representing the Company's development strategy are set out below:

XF-73; Prevention of post-surgical staphylococcal infections

Phase IIb trial in pre-surgical patients

To evaluate the clinical safety and nasal anti-bacterial efficacy of XF-73 in an optimised gel formulation in approximately 200 patients at risk of infection. Comparison against placebo with microbiological end points. The study design will be closely related to the recent successful US NIAID clinical trial in volunteers, only that the Phase IIb will be performed in pre-surgical patients.

Dermatology safety study

A standard dermatology safety evaluation of XF-73 in approximately 200 healthy volunteers will be conducted. Both tolerability and sensitisation will be measured. This is a standard safety study required by the FDA for any new topical drug. Note, the Company has already delivered appropriate safety data from intranasal, multi-dose application of XF-73 in 166 human volunteers.

Toxicology

To perform a number of routine, pre-clinical safety evaluations including ocular, safety pharmacology, genotoxicity, cardiovascular, and respiratory safety tests.

Microbiology

To perform microbiological assay method validation, testing of non-responder samples, microbiological screen, method development, on-going clinical and expand range of *Staphylococcus aureus* clinical strain screens.

XF-73; Prevention of staphylococcal VAP

Milestones:

- Initiate development of suitable XF-73 formulations for throat/oral cavity application;
- Evaluate formulations for microbiological efficacy; and
- Plan and prepare the pre-clinical safety studies to support clinical testing.

XF-70; Treatment of antibiotic resistant bacterial burn/wound infections

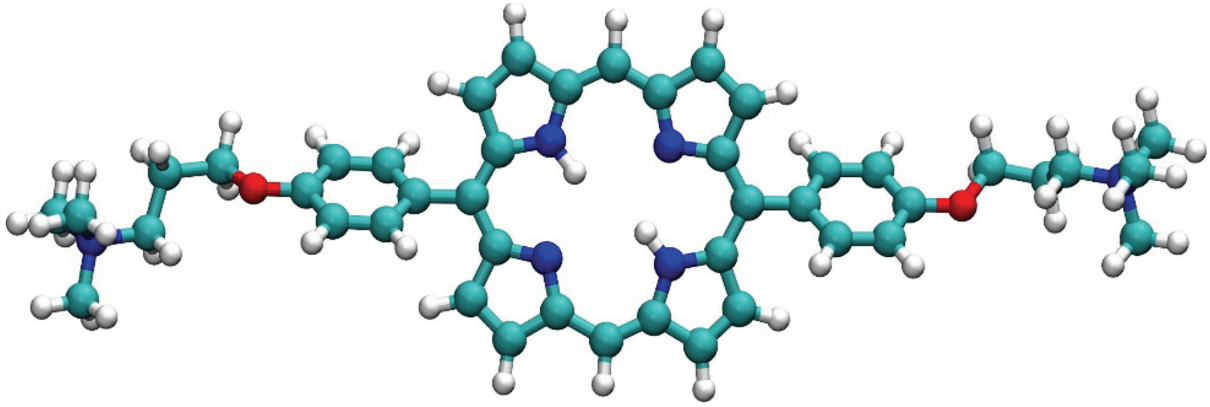
Milestones:

- Synthesis of GLP batch of XF-70 drug;
- Investigation of suitable XF-70 formulations for skin/wound application;
- Evaluate formulations for microbiological efficacy; and
- Plan and prepare appropriate pre-clinical safety studies to support clinical testing.

8. Intellectual Property

Destiny Pharma's intellectual property portfolio is a key strength with XF-73, other platform XF Drugs and DPD Drugs protected by three families of granted and pending patents covering:

- **Family 1**: Composition of matter, i.e. XF & DPD Drug novel molecular structure. This is the strongest form of patent coverage;
- **Family 2**: XF & DPD Drug; new uses arising from novel mechanism of action; and
- **Family 3**: XF & DPD Drug; new uses arising from activity against bacterial biofilms.

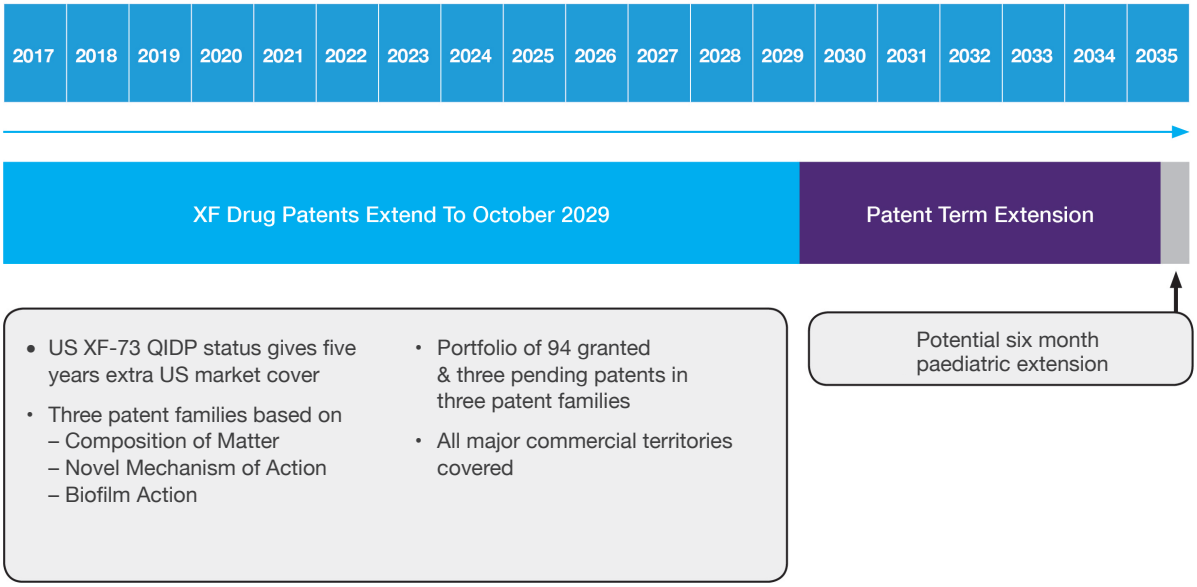


Molecular structure of exeporfinium chloride (XF-73)

Destiny Pharma currently holds 94 granted patents with three applications pending patent. These patents provide protection for the lead drugs and/or specified uses thereof in core markets including the US, Europe and Japan until between 2023 and 2029. Upon marketing approval for its lead drugs, for example by the FDA and/or EMA, the Company intends to apply for available extensions (such as supplementary protection certificates, SPCs) that may provide up to a further five years and six months of patent protection in territories of key commercial interest, such as Europe and the US, which could potentially extend cover until between 2028 – 2035.

Destiny Pharma was granted a US patent for its biofilm technology (patent no. US9326511) on 3 May 2016. Bacterial biofilm involvement in chronic infection is becoming more understood and XF Drug abilities to treat certain bacteria with a biofilm may open new product opportunities.

XF Drug Platform Market Exclusivity Potentially Extends into 2030s



Further information on Destiny Pharma's patents is presented in the patent report contained in Part III of this document.

9. Destiny Pharma's Competitive Strengths

The Directors believe the Company has the following key strengths which underpin confidence in the execution of the Company's strategy alongside clear market opportunities allied to "first mover advantage" with high subsequent barriers to entry:

- *Disruptive patented technology*

  The XF Drug platform represents a new range of anti-microbial drug products which kill bacteria rapidly via a novel mechanism of action against which bacteria appear to be unable to mount a resistance. XF-73 represents the only antibacterial drug known to resist 55 repeat exposures to the superbug, MRSA, without resistance emerging. The patent position that Destiny Pharma holds through the XF platform is strong, robust and multi-tiered with the exclusive ability to exploit and commercialise products based on its innovation.

- *Opportunities in existing and new markets*

  The bacterial resistance profile means that XF Drug products are likely, in the Board's opinion, to have a long product lifetime. This profile would avoid XF Drugs having a restricted use and they could therefore be used in a widespread manner. XF Drug products could operate within existing antibiotic markets and may be able to open new markets. In this manner they have more in common with a preventative vaccine.

- *New US disease indication*

  The FDA's recent confirmation of a new US indication for XF-73 for the prevention of post-surgical staphylococcal infections is a prime example of a new market opportunity for an XF Drug. XF-73 has the opportunity to become the first drug approved in this US market which offers the benefits of a comparison against placebo for approval and the benefits of being the first to market. Competitor drugs in the future would need to be compared in clinical studies against XF-73 which would present a significant barrier to entry.

- *Lower risk, clinical stage lead asset*

  Anti-infective drugs have a high probability of approval following a successful Phase I trial compared to many other drug classes. Destiny Pharma's clinical data for XF-73 has already demonstrated clinical efficacy versus placebo in reducing nasal *Staphylococcus aureus* carriage in

healthy volunteers. The planned Phase IIb study will seek to repeat this outcome in a surgical patient population. There is no reason to suspect that killing bacteria in a patient's nose should in any way differ from that achieved successfully in a volunteer to date.

- *Access to non-dilutive funding*

  Destiny Pharma has already benefited from the alternative sources of funding available for the development of new anti-infective drugs as the US clinical trial was funded by NIAID which is part of the US National Institute of Health. There is continuing support and discussion on the development of new drugs and the Company believes that there will be more opportunities to apply for non-dilutive grants and financings to progress the earlier stage candidates in the Destiny Pharma platform.

- *Experienced team*

  The executive team responsible for the management of Destiny Pharma has extensive experience appropriate for an AIM listed development phase biotechnology company.

  Neil Clark, CEO, has broad experience within private and public biotechnology and healthcare companies at CEO and CFO level. Neil has been successful in completing two previous London listings, a SEC acquisition and several secondary financings. Neil has also been involved in identifying and completing licensing deals with pharma and biotech companies and managing international business development projects in healthcare.

  Dr Bill Love is the founder and CSO, with over 25 years pharma R&D experience, co-inventor of the XF Drugs and recognised for his expertise by the Department of Health's Chief Medical Officer by appointment in 2016 to the Global Antimicrobial Resistance Innovation Fund.

  Simon Sacerdoti, CFO, is a Chartered Accountant with considerable operational and corporate finance experience, including as an AIM Nominated Adviser.

  Dr Steve Felstead is responsible for the clinical projects as CMO and has extensive international drug development experience from his time as VP of Clinical Research, Head of Clinical Development at Pfizer, UK.

  There is also a well-established senior management team who have been with the Company for many years and have successfully managed the research, development and manufacture of drug candidates in the XF Drug platform for over a decade. This team is also very experienced in managing specialist sub-contractors who support Destiny Pharma's projects.

  The management team is supported by non-executive Board members with a strong mix of industry, business and corporate governance expertise. While the non-executive Board members are shareholders and option holders in the Company and have served on the Board for some years, based on their extensive experience, specialised industry knowledge and personal qualities, the Board considers them to be independent. The Company is chaired by one of the UK's leading businessmen, Sir Nigel Rudd, who is currently Chairman of BBA Aviation, Meggitt plc and the UK's Business Growth Fund and has a successful history in running large, listed companies. There are also two non-executive directors:

  – Joe Eagle (non-executive director), an experienced healthcare executive with international pharma marketing experience; and

  – Peter Morgan (non-executive director), an experienced pharmaceutical industry executive and consultant.

  The scientific and clinical development of the Company's programmes will be supported and guided by the proposed Chair of the Company's Scientific Advisory Board, Professor David Roblin. David is a medical doctor and former vice-president of worldwide R&D at Pfizer and Head of Anti-infectives at Bayer Pharma, former COO at the Sir Francis Crick Institute and currently COO and CMO at Summit Therapeutics plc. David was a Director of the Company from 2011 until May 2017. In May 2017, he was appointed a fellow of the Academy of Medical Sciences.

10. Competition

No product has an approved licence for prevention of post-surgical staphylococcal infections in the US. In the absence of a licensed product, hospitals use a number of preventative control procedures.

The most common procedure involves screening patients for *Staphylococcus aureus* and MRSA followed by treatment using nasal mupirocin and chlorhexidine body wash. This procedure suffers from a number of major drawbacks:

- Mupirocin is slow acting – requiring five days of dosing according to its label. This is disruptive and costly to the patient and to the healthcare system;
- Mupirocin resistance is widespread and well documented with the emergence of mupirocin-resistant *Staphylococcus aureus* strains. This has led physicians to steer away from widespread treatment strategies. Indeed, infection control protocols in some leading institutions specifically advise against the routine use of mupirocin; and
- The antibiotic is generic and the product is not promoted.

Some antiseptics (not drugs) are approved for limited duration, for example PVP-iodine. These are less effective and often poorly tolerated, limiting dosing and therefore effectiveness. Regulatory status is mixed with a few approved for nasal use, some approved under 'over the counter' (OTC) monographs and are unable to make clinical claims or are approved as devices. Such products have been on the market for more than 30 years and yet mupirocin remains the current most effective product, whilst subject to the limitations noted above.

Approaches such as photo – disinfectants are approved as devices and are not in widespread use (they are used mainly in Canada) due to complexity and cost.

A number of big pharma companies have had recent high profile failures of *Staphylococcus aureus* vaccine developments, although some are still pursuing vaccine development. Expert reports cast doubt that a future vaccine may be possible at all. Even if a successful *Staphylococcus aureus* vaccine were to be developed, it could be vulnerable to new emergent *Staphylococcus aureus* strains. Vaccines cannot be used in emergency or urgent surgical situations due to the time a vaccine takes to become effective (weeks in advance). Furthermore, vaccines have poorer activity in the elderly and/or immuno-compromised patients. The Board believes that there is no major overlap with XF-73's surgical target population.

Currently, Destiny Pharma is not aware of any drug based approaches which have the same profile for no bacterial resistance emergence. Due to the nature of drug development, any drug entering clinical development has to be registered on the publicly available clinicaltrials.gov website and therefore there is transparency at the clinical stage. There are a small number of companies which are or have been in clinical development in this space including Lytix, Helperby and Gangagen. There are also a number of pre-clinical stage products in development. However, these, by their very nature, are around ten years behind XF-73 and carry a higher risk of failure due to their earlier stage of development.

11. Reasons for the Placing and Admission and Use of Proceeds

The Directors consider that Admission will be an important step in the Company's development, will enhance its profile and standing within its market place and assist the growth of the business. Pursuant to the Placing, the Company will raise £12.4 million (net of expenses) through the placing of the Placing Shares.

The net proceeds of the Placing will be used primarily to:

- Advance XF-73 to complete a Phase IIb clinical trial and supporting studies;
- Develop two other pipeline projects through formulation and pre-clinical studies;
- Conduct further research on the earlier assets in the XF Drug platform;
- Explore other opportunities to generate shareholder value from the XF and DPD Drug platforms, possibly in fields other than human healthcare; and

- Fund general working capital requirements and strengthen the position of Destiny Pharma in partnership discussions.

12. Current Trading and Prospects

The Company is pre-revenue and a loss-making biotechnology business. The Company is in the process of carrying out further clinical studies on its lead asset and developing earlier stage drug assets so they too can enter human clinical trials. The Company has the option of partnering with larger pharmaceutical companies who will lead the final clinical testing and launch of any successful drug candidates that Destiny Pharma develops. This partnering activity should generate milestone payments and, if any drug is successfully progressed to the next stage of development and if launched as a product, Destiny Pharma would also expect to receive a stream of royalty payments from its licensed partners' regulatory approval for its products.

The Directors do not expect the Company to generate such partnering revenues for at least the next 24 months, however such partnering opportunities could develop. The Company will continue to incur costs to fund its operations including clinical development activities, pre-clinical research and partnering/out-licensing efforts. Should the key clinical milestones referred to above be achieved, the Directors believe that the Company has good prospects of growing the business and generating revenues with significant value for Shareholders.

The Company is not yet revenue-generating. Over the past three years, the Company has incurred losses of £4.03 million, in aggregate, pursuing its scientific and clinical goals and on general and administrative expenses.

The financial information on the Company is set out in Part IV(B) of this document.

13. Board of Directors and Senior Management

Board of Directors

Sir Anthony Nigel Russell Rudd, aged 70, Non-Executive Chairman

In 1982, Sir Nigel founded Williams Holdings, a company which went on to become one of the largest industrial holding companies in the UK until its demerger in November 2000, creating Chubb plc and Kidde plc. He was the non-executive Chairman of Kidde plc until December 2003.

He has been Chairman of some of the largest companies in the UK, including Invensys, Pilkington, Alliance Boots, Heathrow (formerly BAA) and the UK's largest car retailer, Pendragon plc, the company he founded with one dealership in 1982. He was a Director of Barclays plc for 13 years, latterly as Deputy Chairman. He is currently Chairman of BBA Aviation, Meggitt plc and the UK's Business Growth Fund.

Sir Nigel is a Fellow of the Institute of Chartered Accountants in England and Wales. Sir Nigel was knighted in 1996 for services to manufacturing. He has a long record as an active angel investor in small and medium-sized businesses.

While Sir Nigel is a shareholder and option holder in the Company and has served on the Board for some years, based on his extensive experience, specialised industry knowledge and personal qualities, the Board considers him to be independent.

He has been a non-executive Director of the Company since 1 September 2011.

Neil Robert Clark, aged 55, Chief Executive Officer

Neil qualified as an accountant with PWC in Cambridge, UK and worked for over ten years on a variety of local, national and international assignments in audit, corporate finance and consultancy.

In 1997, Neil joined CeNeS Pharmaceuticals plc, a venture capital backed private UK biotech company. He was involved in the flotation of CeNeS in 1999 in London and appointed CFO. In 2001 he became COO as well as CFO, overseeing a restructuring of the business. He became CEO in 2005 and led the company through to its sale in 2008. At CeNeS he was involved in several licensing deals, fund raisings and corporate transactions including the acquisition and disposal of several businesses.

Neil joined Ergomed as Chief Finance Officer in January 2009 and was CFO on its IPO in July 2014 until his move to be full time CEO of PrimeVigilance (Ergomed's successful drug safety business) in January 2016 having been closely involved in the management of PrimeVigilance since its formation in 2009.

Neil has been working with Destiny Pharma on a consultancy basis since September 2016 and was appointed to the Board in January 2017. Neil is a Fellow of the Institute of Chartered Accountants in England and Wales and has a BSc in Bioscience from the University of Nottingham.

Dr William Guy Love, aged 54, Founder and Chief Scientific Officer

Bill was a Senior Scientist at Ciba Geigy/Novartis focused on novel Drug Delivery technologies and involved in development of a world leading eye-care pharmaceutical, Visudyne. In 1997, Bill founded Destiny Pharma and he is the co-inventor of the XF Drug platform.

Bill was a founding member of the BEAM Alliance, an EU SME group focused on promoting anti-microbial drug development. He is an Expert Advisory Board member of Global AMR Innovation Fund, appointed by Professor Dame Sally Davies in October 2016. Bill is the named inventor in more than 70 patents. He has experience in drug R&D from Discovery and Lead identification, through Pre-clinical development and into Phase I/II Clinical development in the UK, EU and US.

Simon Emanuel Sacerdoti, aged 46, Chief Financial Officer

Simon qualified as a Chartered Accountant in 1997 with Levy Gee (now part of RSM), and subsequently spent time in the corporate finance teams at BDO and Ernst & Young, advising public and private clients on a wide variety of UK and international transactions from fund raisings through to exits.

In 2007, Simon joined Dowgate Financial Advisers, a small-cap corporate finance boutique which specialised in AIM. In 2009, he became one of the four founding partners and AIM qualified executives of Cairn Financial Advisers, which is now one of the largest advisory firms in AIM by number of clients. He left Cairn in 2012.

He is also one of the two founders, and until 2015 was CFO/COO, of an innovative payments start-up, WeSwap, where, as well as strategic and general leadership, he held specific responsibility for finance, operations, customer service, compliance and fraud/risk management.

He started working with Destiny Pharma in September 2015 and was appointed to the Board as CFO in April 2016.

Simon is a Fellow of the Institute of Chartered Accountants in England and Wales and holds an MA in Mathematics from Balliol College, Oxford.

Anthony Joseph Eagle, aged 70, Non-Executive Director

Joe's early career was spent in product management and business development in the Wellcome Group, Pfizer and Ciba-Geigy (now Novartis) in locations including London, Brussels, Nairobi and Hong Kong, culminating as Marketing Director at Ciba-Geigy Pharmaceuticals UK between 1981 and 1986.

In 1986, he set up PPS Europe Limited, an international pre-launch medical education and publishing services provider to the Pharmaceutical industry, acting as Chairman and Chief Executive Officer. PPS Europe Ltd was sold to Parexel US in 1999, following which, Joe took the position of President of Medical Marketing Services for two years at Parexel and served as a Board Director of Parexel International.

In 2002, Joe founded Road Angel Group, a consumer electronics business of which he was executive chairman through its sale in 2006.

Since 2008, Joe has been an angel investor in SMEs in various sectors. Joe has a BSc in Physiology and Biochemistry from the University of Southampton. He has been working with Destiny Pharma since he was appointed as a Director of the Company on 27 June 2002.

While Joe is a shareholder and option holder in the Company and has served on the Board for some years, based on his extensive experience, specialised industry knowledge and personal qualities, the Board considers him to be independent.

Peter Morgan, aged 64, Non-Executive Director

Peter's early career was spent in the pharmaceutical industry, initially in engineering and technical operations and then sales and marketing. He was a product manager in UK pharma industry before moving to become managing director of a Ciba-Geigy subsidiary in Scandinavia.

In 1987, Peter became a founder Director of Beaufort Group Limited, a business services company which provided advice and support to pharmaceutical companies and the newly privatised utilities, which was admitted to AIM in 1996. Peter stepped down from Beaufort in 1998 to focus on a portfolio of consulting and investment opportunities. From 2007 until 2015, Peter was a non-executive director of Oncimmune Limited, a cancer diagnostics company spin out from Nottingham University which floated on AIM in 2016.

Peter has advised many of the world's top pharmaceutical companies including Amgen, Bayer, GSK, Novartis, Novo Nordisk, Pfizer and Roche as well as Quintiles, the world's largest clinical research organisation. He has a BSc from Nottingham University and an MBA from London Business School.

While Peter is a shareholder and option holder in the Company and has served on the Board for some years, based on his extensive experience, specialised industry knowledge and personal qualities, the Board considers him to be independent.

Peter's engagement with the Company commenced on 3 April 2000.

Senior Management and Employees

The Company currently has eight staff (including the executive directors) who coordinate the activities of a network of expert consultants and contractors to leverage appropriate expertise. Short biographies of senior management are set out below.

Dr Steve Felstead, aged 58, Chief Medical Officer

Steve studied medicine at Leeds Medical School and qualified in 1983. He then practiced as a medical doctor before joining the pharmaceutical industry in 1986. In a 25 year career with Pfizer, Steve managed various departments and led successful drug development teams, most recently the Selzentry (maraviroc) team.

He was Vice President, Head of Clinical Research, for Pfizer's Pharma-therapeutics Division, from 2009 until his retirement in 2014. He was responsible for the disciplines of Clinical Research, and Pharmacology, Precision Medicine, Preclinical and Clinical Statistics. During this period, he also served as acting Chief Scientific Officer for Anti-Bacterial Discovery for 2012-2013, and was a member of Pfizer's senior leadership council.

Steve has been a committee member for ABPI Stratified Medicine Committee, MRC Bioinformatics Expert Steering Committee, NOCRI – Industry Reference Group, and Stratified Medicine for Scotland, Scientific Advisory Board. He has also served as a reviewer for Innovate UK/ MRC Biomedical Catalyst Late Stage Awards committee. He also served as a Non-Executive Director of Photopharmica Ltd.

Steve joined Destiny Pharma as Chief Medical Officer in 2016 and provides input and guidance on all aspects of the Company's clinical programmes and the design and delivery of current and future clinical milestones.

Ian Hayter, aged 49, Project Director (Pharmaceutical Development)

Ian is a Director of Projects at Destiny Pharma. He received his BSc in Applied Biochemistry at Brunel University in 1989. After several roles in applied research, regulatory and formulation at SmithKline Beecham, Ian transitioned into project and programme management at the Pall Corporation before becoming pharmaceutical development manager and Associate Director at Quintiles in Edinburgh. In this role, and later at Aptuit, he was responsible for the delivery of programmes across all phases of discovery and development spanning a variety of therapeutic areas. With over 25 years' pharmaceutical development experience spanning large pharma, CRO and biotech, Ian has, for the last nine years, worked for Destiny Pharma, leading clinical and non-clinical development.

Ian represents Destiny Pharma on multi-site international clinical project teams, leading activities for CMC, non-clinical and clinical development as well as interactions with regulatory agencies in UK, Europe and US.

Ian regularly attends relevant therapeutic conferences (ID week, ASM/ICAAC and ECCMID), as well as industry specific exhibitions and events.

He has been actively involved in the formation of the BEAM alliance of which Destiny Pharma is a founding member, and through this group in seeking incentives from EU and national governments for antibacterial drug development. Ian is also part of the AMR team supported by the Wellcome Trust to examine potential for clinical networks for antibacterial drug development.

Dr William Rhys-Williams, aged 49, Project Director (Microbiology & Pre-clinical Development)

William is a Director of Projects at Destiny Pharma and has over 27 years of experience working in R&D. He received his BSc in Biochemistry (University of Wales, Bangor) and his PhD in microbial biochemistry (University of Wales, Bangor and Zeneca Bioproducts Ltd) and undertook three years Postdoctoral research on microbial biotransformations at the University of Brighton before joining Destiny Pharma as a Project Director, progressing to becoming a Director of Projects in 2007.

William has been involved in all the Company's research programmes from initiation through to clinical stage and is currently a member of the Company's Clinical Management Team. He is a named inventor on all the Destiny Pharma patents and has been involved in the drafting, successful prosecution and grant of over 90 patents to date.

Stephane Hauduc, aged 43, Chemistry & Intellectual Property Manager

Stephane is the Discovery Chemistry and Intellectual Property Manager at Destiny Pharma and has over 20 years of experience working in the biotech industry. He holds a masters degree in chemistry (Maitrise) and a DUESS in analytical chemistry (a French post-graduate diploma), both from the University of Rouen, France. Stephane worked at CCPA Groupe *(Conseils et Competences en Productions Animales)*, Bristol Myers Squibb and Laboratoires Herbaxt in France before joining Destiny Pharma as a Research Officer, progressing to becoming a Discovery Chemistry and Intellectual Property Manager in 2007.

Stephane has been involved in the management of Destiny Pharma's IP portfolio, the chemistry of all the projects (from discovery to GMP manufacture), market research and other areas, having commenced employment with Destiny Pharma on 3 January 2000.

Scientific Advisory Board

The Company intends to formalise its informal network of scientific advisors into a Scientific Advisory Board, which will be chaired by Professor David Roblin. The role of the Scientific Advisory Board will be to advise the board on the scientific and drug development strategy of the Company.

Professor David Roblin, aged 50, Proposed Chair of Scientific Advisory Board

David practised medicine for five years before entering the pharmaceutical industry. He has held significant leadership roles in his pharmaceutical career, with general management, research, development and commercial responsibilities. He was formerly Senior Vice President, Head of R&D for Pfizer's European sites. David and his units were responsible for the R&D of several medicines including, azithromycin, ciprofloxacin, moxifloxacin, sildenafil (for pulmonary vascular disease), mariviroc, darifenacin and growth hormone including injectable devices. He was co-founder and board member of the Innovative Medicines Initiative a €2 billion public private partnership in precompetitive science.

In 2014, David became Chief Operating Officer and Director of Scientific Translation for the Sir Francis Crick Institute, where he led on establishing the operations of a new institute and led the Crick through the completion of its state-of the-art new building in 2016 and migration into the building from four sites. David became Chief Operating Officer and President of Research & Development for Summit Therapeutics plc in 2017.

David has a first class degree in biochemistry from University College London and later qualified in medicine from St George's Hospital. He is a Fellow of the Royal College of Physicians, a Fellow of the Faculty of Pharmaceutical Medicine, a Fellow of the Academy of Medical Sciences and an honorary

Professor of Medicine at Swansea University and of Translational Medicine at St George's. He serves on the Major Awards Committee of the Biomedical Catalyst Fund, committees of the MRC Confidence in Concept fund and the LEO foundation.

14. Corporate Governance and Board Practices

The Corporate Governance Code applies only to companies on the premium segment of the Official List and not to companies whose shares are admitted to trading on AIM. However, the Directors recognise the importance of sound corporate governance and intend that the Company will comply with the provisions of the QCA Guidelines, insofar as they are appropriate given the Company's size and nature. As the Company grows, the Directors intend that it should develop policies and procedures which further reflect the Corporate Governance Code, so far as it is practicable taking into account the size and nature of the Company.

The corporate governance guidelines were devised by the Quoted Companies Alliance, in consultation with a number of significant institutional small company investors, as an alternative corporate governance code applicable to AIM companies. An alternative code was proposed because the Quoted Companies Alliance considers the Corporate Governance Code to be inapplicable for many AIM companies. The corporate governance guidelines state that "The purpose of good corporate governance is to ensure that the company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term".

Accordingly, the Company will hold regular board meetings. The Directors will be responsible for formulating, reviewing and approving the Company's strategy, budget and major items of capital expenditure. The Directors have established an Audit Committee and a Remuneration Committee and a Nomination Committee, each with formally delegated rules and responsibilities. Each of these committees will include all non-executive directors. The Remuneration Committee, Audit Committee and Nomination Committee will each meet at least twice yearly.

The Audit Committee will be chaired by Peter Morgan. The Audit Committee will, *inter alia*, determine and examine matters relating to the financial affairs of the Company, including the terms of engagement of the Company's auditors and, in consultation with the auditors, the scope of the audit. It will receive and review reports from management and the Company's auditors relating to the half yearly and annual accounts and systems of accounting and internal control in use throughout the Company.

The Remuneration Committee will be chaired by Joe Eagle. The Remuneration Committee will review and make recommendations in respect of the Directors' remuneration and benefits packages and that of senior employees, including share options and the terms of their appointment. The Remuneration Committee will also make recommendations to the Board concerning the allocation of share options to employees under the Share Schemes.

The Nomination Committee will be chaired by Sir Nigel Rudd. The Nomination Committee will monitor the size and composition of the Board and the other Board committees, be responsible for identifying suitable candidates for board membership and monitor the performance and suitability of the current Board on an ongoing basis.

15. Staff

The Directors believe the ability to retain and motivate staff is fundamentally important to the future of the Company and this will be aided by the Company's ability to offer share incentives to employees following Admission.

16. The Placing

The Placing is being undertaken by Cantor Fitzgerald Europe, acting as agent for the Company, and comprises 8,619,120 Placing Shares to be issued by the Company at the Placing Price to raise gross proceeds of £13.5 million.

Cantor Fitzgerald Europe has entered into the Placing Agreement with the Company and the Directors. Pursuant to the Placing Agreement, Cantor Fitzgerald Europe has conditionally agreed, as agent of the Company, to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price.

The Placing of the Placing Shares will be conducted in two separate tranches over two Business Days to assist investors in the First Tranche Placing to claim certain tax reliefs available to EIS and VCT investors.

It is intended that the Company will issue the First Tranche Placing Shares to the persons nominated by the Company in accordance with the Placing Agreement with effect from no later than 8.00 a.m. on 1 September 2017, being one Business Day prior to Admission. The issue of the First Tranche Placing Shares will not be conditional on Admission. It is intended that the Company will issue the Second Tranche Placing Shares in accordance with the Placing Agreement with effect from no later than 8.00 a.m. on 4 September 2017. The issue of the Second Tranche Placing Shares will be conditional on Admission.

Investors should be aware of the possibility that only the First Tranche Placing Shares might be issued and that none, or only some, of the remaining Second Tranche Placing Shares are issued. Investors should also be aware that Admission might not take place. Consequently, even if the First Tranche Placing Shares have been issued there is no guarantee that the placing of the Second Tranche Placing Shares will become unconditional. The working capital statement set out in paragraph 16 of Part V of this document assumes that all of the Placing Shares are issued and that Admission takes place. If all of the Placing Shares are not issued and Admission does not take place the Company may not be able to implement the strategy and growth plans as outlined in this document.

EIS and VCT investors should be aware that, whilst advance assurance has been obtained from HMRC, the Directors cannot guarantee that the First Tranche Placing Shares will be able to be treated as qualifying for relief under the EIS Scheme under Part 5 of the Income Tax Act 2007 or as qualifying holdings under the VCT scheme within the meaning of Part 6 of the Income Tax Act 2007. The Placing is not underwritten and, other than in respect of the First Tranche Placing Shares, is conditional, *inter alia*, upon Admission becoming effective and the Placing Agreement becoming unconditional in all other respects and not being terminated by 8.00 a.m. on 4 September 2017 or such later date (being no later than 30 September 2017) as the Company and Cantor Fitzgerald Europe may agree. The Placing Shares will be issued credited as fully paid. On Admission, the Placing Shares will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends or other distributions declared, made or paid after Admission.

The Placing Shares to be issued by the Company pursuant to the Placing will represent approximately 21.26 per cent. of the Enlarged Share Capital. On Admission, the Company will have a market capitalisation of approximately £63.6 million at the Placing Price.

Further details of the Placing are set out in paragraph 12.1 of Part V of this document.

17. Admission, Settlement and Crest

Application has been made to the London Stock Exchange for all of the issued and to be issued Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective, and that dealings in the Enlarged Share Capital will commence, at 8.00 a.m. on 4 September 2017.

The Articles permit the Company to issue Ordinary Shares in uncertificated form in accordance with the CREST Regulations. CREST is a computerised share transfer and settlement system. The system allows shares and other securities to be held in electronic form rather than paper form, although a Shareholder can continue dealing based on share certificates and notarial deeds of transfer. For private investors who do not trade frequently, this latter course is likely to be more cost-effective. The Company has applied for the Ordinary Shares to be admitted to CREST with effect from the First Tranche Placing. Accordingly, settlement of transactions in Ordinary Shares held in uncertificated form following the First Tranche Placing will take place within the CREST system.

18. Share Dealing Code

The Company will, with effect from Admission, adopt a share dealing code for the Directors and employees, which is appropriate for a company whose shares are admitted to trading on AIM (particularly relating to dealing during close periods in accordance with Rule 21 of the AIM Rules for Companies). This will constitute the Company's share dealing policy for the purpose of compliance with UK legislation including the Market Abuse Regulation and the relevant part of the AIM Rules for Companies. The Company will take all reasonable steps to ensure compliance by the Directors and employees.

It should be noted that the insider dealing legislation set out in the UK Criminal Justice Act 1993, as well as provisions relating to market abuse, will apply to the Company and dealings in Ordinary Shares.

19. Lock-in and Orderly Market Agreements

The CFE Locked-in Parties, who on Admission will be the holders of in aggregate 24,187,500 Ordinary Shares, representing 59.67 per cent. of the Enlarged Share Capital, have (pursuant to the CFE Lock-in Agreements) undertaken to the Company and Cantor Fitzgerald Europe, not to dispose of any interests in Ordinary Shares for a period of twelve months from Admission. Pursuant to the CFE Lock-in Agreements, the CFE Locked-in Parties have also undertaken to the Company and Cantor Fitzgerald Europe, for either an additional twelve month period or an additional six month period (as appropriate, and subject to certain limited exceptions), to only dispose, and that they shall use their best endeavours to procure that their associates will only dispose, of their Ordinary Shares through Cantor Fitzgerald Europe or as Cantor Fitzgerald Europe may reasonably require, in accordance with orderly market principles.

Therefore, on Admission, in aggregate 24,187,500 Ordinary Shares will be subject to lock-in and orderly market arrangements.

Further details of the CFE Lock-in Agreements are set out in paragraph 12.3 of Part V of this document.

20. Dividend Policy

The Company is primarily seeking to achieve capital growth for its Shareholders and it is the Board's intention, during the current phase of the Company's development, to retain future distributable profits and only recommend dividends when appropriate and practicable. The declaration and payment by the Company of any future dividends on the Ordinary Shares and the amount of any such future dividends will depend on the results of the Company's operations, its financial condition, cash requirements and other factors deemed to be relevant at the time.

The Directors do not envisage that the Company will pay dividends in the foreseeable future and intend to re-invest any surplus funds in the development of the Company's business.

21. Employee Share Schemes

The Board considers employee share ownership to be an important part of its strategy for employee incentivisation and has established appropriate share schemes, further details of which are set out in paragraph 11 of Part V of this document.

Rights under the Share Schemes were granted to certain of the Directors and staff prior to Admission. Employees may be granted further awards under the Share Schemes in the future at the discretion of the Remuneration Committee.

It is the Board's intention that, over the medium term, awards granted under the Share Schemes will account for no more than 15 per cent. of the Company's issued share capital from time to time (though no mandatory ceiling has been set).

22. Taxation

Information regarding taxation is set out in paragraph 15 of Part V of this document.

These details are intended only as a general guide to the current tax position under UK taxation law and practice. Shareholders who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than the UK are strongly advised to consult their own independent financial adviser immediately.

23. EIS and VCT

The Company has received advance assurance from HMRC that the First Tranche Placing Shares will rank as "eligible shares" for the purposes of EIS and are capable of being a "qualifying holding" for the purposes of investment by VCTs. However, none of the Company, the Directors or any of the Company's advisers gives any warranties or undertakings that such reliefs will continue to be available and not be withdrawn at a later date. Further information on taxation for UK taxpayers is given in paragraph 15 of Part V of this document.

24. Application of the City Code

The City Code applies to the Company. Under the City Code, if an acquisition of Ordinary Shares or interests therein were to increase the aggregate holding of the acquirer and its concert parties to interests in shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on circumstances, its concert parties would be required (except with the consent of the Panel) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for interests in shares by the acquirer or its concert parties during the previous 12 months.

This requirement would also be triggered by any acquisition of Ordinary Shares or interests therein by a person holding (together with its concert parties) shares carrying between 30 per cent. and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the total voting rights in the Company.

Further information on the City Code is set out in paragraph 5 of Part V of this document.

25. Further Information

You should read the whole of this document which provides additional information on the Company and the Placing and not rely on summaries or individual parts only. Your attention is drawn, in particular, to the Risk Factors set out in Part II of this document and the additional information set out in Part V of this document.

PART II

RISK FACTORS

An investment in the Ordinary Shares involves a high degree of risk. In particular, the Company's performance may be affected by changes in market and/or economic conditions and in political, judicial and administrative factors and in legal, accounting, regulatory and tax requirements in the UK and elsewhere. These risks could be substantial and are inherent in the Company's business. Accordingly, prospective investors should carefully consider the specific risks set out below in addition to all of the other information set out in this document before investing in the Ordinary Shares. The investment offered in this document may not be suitable for all of its recipients. Potential investors are accordingly advised to consult a professional adviser authorised under FSMA, who specialises in advising on the acquisition of shares and other securities, before making any investment decision. A prospective investor should consider carefully whether an investment in the Company is suitable in the light of their personal circumstances and the financial resources available to them.

In addition to the usual risks associated with an investment in a company, the Directors believe that the factors and risks described below are the most significant for potential investors in relation to an investment in the Company and should be carefully considered, together with all the information contained in this document, prior to making any investment decision in respect of the Ordinary Shares. However, the risks listed do not necessarily comprise all of those to which the Company is or may be exposed or all of those associated with an investment in the Company and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Company and the Directors, or that the Company and the Directors currently consider to be immaterial, may also have an adverse effect on the Company and the information set out below does not purport to be an exhaustive summary of the risks affecting the Company. In particular, the Company's performance may be affected by changes in market and/or economic conditions and in legal, regulatory and/or tax requirements.

If any of the following risks, together with possible additional risks and uncertainties of which the Company and the Directors are currently unaware or which the Company and the Directors consider not to be material in relation to the Company's business, were to materialise, the Company's business, financial condition, capital resources, results and/or future operations could be materially and adversely affected. In such circumstances, the value of the Ordinary Shares could decline and an investor may lose part or all of his or her investment in the Company. There can be no certainty that the Company will be able to implement successfully the strategy set out in this document. Any investment in the Company is therefore suitable only for financially sophisticated investors who are capable of evaluating the risks and merits of such an investment and who have sufficient resources to bear any loss that might result from such an investment. The Company's performance may be affected by changes in legal, regulatory and/or tax requirements in any of the jurisdictions in which it operates or intends to operate as well as overall global financial conditions.

Investors should also take their own tax advice as to the consequences of owning shares in the Company as well as receiving returns from it. No warranty, express or implied, is given to investors as to the tax consequences of their acquiring, owning or disposing of any shares in the Company and none of the Company, the Directors or Cantor Fitzgerald Europe will be responsible for any tax consequences for any such investors.

1. Risk Factors Relating to the Business and Operations of the Company

The Company will require additional financing in the long-term and may be unable to raise sufficient capital, which could lead it to delay, reduce or abandon development programmes for some of its product candidates.

The Company expects to incur further significant expenses in connection with its ongoing development activities in relation to its product candidates, including for funding pre-clinical and clinical studies, registration, manufacturing, business development, marketing, sales and distribution. As at 31 December

2016, the Company had capital resources consisting of cash, cash equivalents and investments in marketable securities of approximately £1.5 million. Research and development expenses, administrative expenses and payables are expected to increase significantly from Admission as the Company progresses its product candidates through clinical studies. The Company does not expect to generate any revenues from licensing prior to the achievement of key clinical data with each of its product candidates in development.

The Company does not expect to earn revenues from product sales unless and until its product candidates become commercially available. Because the outcome of any clinical trial is uncertain, the Company cannot reasonably estimate the actual costs involved in completing the development of any of its product candidates, including any future trials. The Company does not anticipate requiring additional funding prior to achievement of key clinical data points from the US Phase IIb trial of XF-73. The Directors believe the proceeds from the Placing, together with the Company's existing cash resources, are sufficient to fund XF-73 to the next stage of development.

The Company's future capital requirements depend on many factors, including:

- the results of the clinical trials for the Company's product candidates;
- the timing of, and the costs involved in, obtaining regulatory approvals for the Company's product candidates;
- the number and characteristics of any additional product candidates the Company develops or acquires;
- the scope, progress, results and costs of developing the Company's product candidates, and conducting pre-clinical and clinical trials;
- the cost of selling, partnering, commercialising or otherwise realising value on any product candidates approved for sale, including marketing, sales and distribution costs;
- the cost of manufacturing any product candidates the Company commercialises;
- the Company's ability to establish and maintain strategic collaborations, licensing or other arrangements and the terms of and timing of such arrangements;
- the degree and rate of market acceptance of any future approved products;
- the emergence, approval, availability, perceived advantages, relative cost, relative safety and relative efficacy of alternative and competing products or treatments;
- any product liability or other lawsuits related to the Company's product candidates;
- the expenses needed to attract and retain skilled personnel;
- the costs associated with being a public company;
- the costs associated with evaluation of the Company's product candidates;
- the costs associated with evaluation of third-party intellectual property;
- the costs associated with obtaining and maintaining licences;
- the costs associated with obtaining, protecting and enforcing intellectual property, such as costs involved in preparing, filing, prosecuting, maintaining, defending and enforcing patent claims, litigation costs and the outcome of such litigation; and
- the timing, receipt and amount of sales of, or royalties on, future approved products, if any.

Adequate additional financing may not be available to the Company when needed, on acceptable terms, or at all. If the Company is unable to raise capital when needed, or on attractive terms, the Company could be forced to delay, reduce or eliminate its development programmes. Any additional fundraising through marketing and distribution arrangements or other collaborations, strategic alliances or licensing arrangements with third parties, may force the Company to relinquish certain valuable rights to its product candidates or future revenue streams or grant licences on terms that may not be favourable; any of which could restrict the Company's ability to realise value on a product candidate or operate as a business.

Risks associated with drug chemical synthesis, formulation, stability, toxicology, microbiology and other scientific, clinical and technical aspects of developing a pharmaceutical

Whilst the Company believes the necessary scientific and technical aspects required for successful product development are in place, there can be no assurance that future technical and clinical milestones can be delivered, including;

- Drug substance and formulated product scale up, stability and specification;
- Microbiological activity and no resistance profile;
- Toxicological evaluations;
- Regulatory acceptability of drug substance and formulated product; and
- Clinical safety and efficacy.

The Company's success depends on the market acceptance of current and new products

Whilst the Directors believe that a viable market for the Company's products exists, there can be no assurance that it will prove to be an attractive addition or alternative to existing market offerings. The development of a market for the Company's products is affected by many factors, some of which are beyond the Company's control, including: (i) the emergence of newer, more competitive products; (ii) the cost of the Company's products themselves; (iii) regulatory requirements; (iv) customer perceptions of the efficacy and effectiveness of its products; and (v) customer reluctance to buy a new product. If a market fails to develop or develops more slowly than anticipated, the Company may be unable to achieve profitability.

Risks relating to delay in obtaining regulatory approvals

The product development milestones (including the estimated timing of when certain regulatory approvals will be obtained by the Company for its products) as set out in paragraph 7 of Part I of this document are indicative only. There can be no assurance that the Company will receive such regulatory approvals. If the Company's products are not approved and commercialised, the Company will be unable to generate product revenues, which would materially adversely affect its business, financial condition and result of operations. Moreover, any delay or setback in the regulatory approval process could have a material adverse effect on the Company's business and prospects.

Failure or delay in completing clinical studies (and delays or difficulties in the enrolment of subjects in clinical studies) for any of the Company's products may also prevent it from obtaining regulatory approval or commercialising products on a timely basis, or at all, which would require the Company to incur additional costs and would delay receipt of any product revenue. Even if the Company's clinical studies and laboratory testing are completed as planned, their results (and any future replication) may fail to provide support for approval of the Company's products which could result in development delays or failure to obtain regulatory approval.

If the Company experiences delays or difficulties in clinical studies, its receipt of necessary regulatory approvals could be delayed or prevented

The Company may encounter delays if a clinical trial is suspended or terminated by it, by the IRB of the institutions in which such trials are being conducted, by the trial's data safety monitoring board, or by the FDA, the EMA or other applicable regulatory authorities. Such authorities may suspend or terminate one or more of the Company's clinical trials due to a number of factors, including the Company's failure to conduct the clinical trial in accordance with relevant regulatory requirements or clinical protocols, inspection of the clinical trial operations or trial site by the FDA, the EMA or other regulatory authorities resulting in the imposition of a clinical hold, unforeseen safety issues or adverse side effects, failure to demonstrate a benefit from using a drug, changes in governmental regulations or administrative actions or lack of adequate funding to continue the clinical trial.

If the Company experiences delays in carrying out or completing any clinical trial of its product candidates, the commercial prospects of its product candidates may be harmed, and its ability to generate product revenues from any of these product candidates will be delayed. In addition, any delays in completing clinical trials will increase the Company's costs, slow down product candidate development

and approval process and jeopardise the Company's ability to commence product sales and generate revenues. Any of these occurrences may significantly harm the Company's business and financial condition, and there can be no assurance that any such development problems can be solved. In addition, many of the factors that cause, or lead to, a delay in the completion of clinical trials may also ultimately lead to the denial of regulatory approval of the Company's product candidates.

Positive results from early clinical studies in the Company's products are not necessarily predictive of the results of later clinical studies. If the Company cannot replicate the positive results from earlier clinical studies in its later-stage clinical studies, it may be unable to successfully develop, obtain regulatory approval for and commercialise its products

Positive results from early stage clinical studies may not necessarily be predictive of the results from later-stage clinical studies. Many companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in later-stage clinical trials after achieving positive results in early-stage development, and the Company cannot be certain that it will not face similar setbacks. These setbacks have been caused by, among other things, pre-clinical findings made while clinical trials were underway or safety or efficacy observations made in clinical trials, including previously unreported adverse events. Moreover, pre-clinical and clinical data is often susceptible to varying interpretations and analyses, and many companies that believed their product candidates performed satisfactorily in pre-clinical studies and clinical trials nonetheless failed to obtain regulatory approval. If the Company fails to produce positive results in future clinical trials, the development timeline and regulatory approval and commercialisation prospects for its product candidates, and, correspondingly, its business and financial prospects, would be materially adversely affected.

The Company operates in a competitive environment

The antimicrobials market is highly competitive and rapidly changing. Competitors may have access to considerably greater financial, technical and marketing resources. New products may enter the market and make the Company's products obsolete or a competitor's products may be more effective, cheaper or more effectively marketed than the Company's products. A substantial increase in competition for any of these reasons could require the Company to, for example, increase its marketing or capital expenditure or require the Company to alter its business model to remain competitive, either of which may have an adverse impact on the Company's business including its profitability and/or financial condition.

Acceptance of the Company's products in clinical settings

If the Company is unable to convince opinion leaders and health professionals of the benefits of its products, there could be weak penetration of the market, which might have a material adverse effect on the Company, its business, financial situation, growth and prospects. The slow adoption of new methods and treatments could result in timeframes being longer than anticipated by the Company.

Risks of medical change and medical obsolescence

The Company's products could be adversely impacted by the development of alternative medicines. There can be no assurance that the Company's products will not be rendered obsolete. In addition there is no guarantee that the Company will be able to adapt existing medicines for future clinical applications and may not be able to gain traction, which will limit market potential.

Risks relating to IP and proprietary rights

The Company relies primarily on a combination of patents and proprietary knowledge, as well as confidentiality procedures and contractual restrictions to establish and protect its proprietary IP rights.

Whilst the Company seeks patent protection, where appropriate for its products and their uses, there can be no assurance that any existing patents, or patents which may be issued, will provide the Company with sufficient protection in the case of an infringement of its knowledge or that others will not independently develop medicines comparable or superior to that employed by the Company. There can be no assurance regarding the degree and range of protection any patents will afford against competitors and competing medicines, that any existing patents or patents which may be issued will provide any competitive advantage to the Company or that they will not be successfully challenged, invalidated, found unenforceable or circumvented in the future. In addition, there can be no assurance that competitors do not own and/or will not seek to apply for and obtain patents that will prevent, limit or interfere with the

Company's ability to make, use and sell its potential products. The Company cannot predict whether the Company will need to initiate litigation or administrative proceedings, or whether such litigation or proceedings will be initiated by third parties against the Company, which may be costly and time consuming, regardless of whether the Company wins or loses, and whether third parties claim that the Company's products infringes upon their rights.

The Company has entered into consultancy agreements with certain third parties. Although the Company has and will continue to take reasonable steps to ensure that any intellectual property created, designed or produced in the course of the delivery of the consultancy services will belong exclusively to the Company, there can be no assurance that third parties will not seek to claim rights over intellectual property developed by the Company and/or that disputes will not arise as to the proprietary rights to intellectual property that has been developed by the Company with the assistance of third parties.

The complexity and uncertainty of European patent laws has also increased in recent years. In addition, the European patent system is relatively stringent in the type of amendments that are allowed during prosecution and opposition proceedings. Changes in patent law or patent jurisprudence could limit the Company's ability to obtain new patents in the future that may be important for its business.

Risks relating to the protection and infringement of the Company's IP

If the Company is unable to obtain, maintain, defend or enforce the intellectual property rights covering its products, third parties may be able to make, dispose (or offer to dispose) of, use, import or keep products that would otherwise infringe the Company's patents and which would materially adversely affect the Company's ability to compete in the market. The Company cannot guarantee the degree of future protection that it will have in respect of its product candidates and technology. Patent protection is deemed by the Company to be of importance to its competitive position in its planned product lines and a failure to obtain or retain adequate protection could have a material adverse effect on the Company's business, prospects, financial condition and/or results of operations.

The Company's product candidates may infringe or may be alleged to infringe existing patents or patents that may be granted in the future. Neither the Company nor its patent advisors, Potter Clarkson LLP, has as yet conducted any comprehensive searches for third party patent rights of potential relevance to the Company's proposed commercial activities; the Company intends to commission such searches, and obtain formal freedom-to-operate (FTO) opinions, prior to launching its products on the market. As some patent applications in Europe and the US may be maintained in secrecy until the patents are issued, patent applications in Europe, the US and many foreign jurisdictions are typically not published until 18 months after filing, and publications in the scientific literature often lag behind actual discoveries, the Company cannot be certain that others have not filed patents that may cover its technologies, its product candidates or the use of its product candidates.

Additionally, pending patent applications which have been published can, subject to certain limitations, be later amended in a manner that could cover the Company's technologies, its product candidates or the use of its product candidates. As a result, the Company may become party to, or threatened with, future adversarial proceedings or litigation regarding patents with respect to its product candidates and technology.

If the Company is sued for patent infringement, the Company would need to demonstrate that its product candidates or methods either do not infringe the patent claims of the relevant patent or that the patent claims are invalid, and the Company may not be able to do this. If the Company is found to infringe a third party's patent, the Company could be required to obtain a licence from such third party to continue developing and marketing its product candidates and technology or the Company may elect to enter into such a licence in order to settle litigation or in order to resolve disputes prior to litigation. However, the Company may not be able to obtain any required licence on commercially reasonable terms or at all. Even if the Company is able to obtain a licence, it could be non-exclusive, thereby giving its competitors access to the same technologies licensed to the Company, and could require the Company to make substantial royalty payments.

The Company could also be forced, including by court order, to cease commercialising the infringing technology or product candidate. If the Company is found to infringe a third party's patent, the Company may also have to pay damages and/or redesign any infringing products, and redesigning any infringing products may be impossible or require substantial time and monetary expenditure. A finding of infringement could prevent the Company from commercialising its product candidates or force the Company to cease some of its business operations, which could materially harm its business. Further, if a patent infringement suit were brought against the Company, it could be forced to stop or delay research, development, manufacturing and/or sales of the product or product candidate that is the subject of the suit. Claims that the Company has misappropriated the confidential information or trade secrets of third parties could have a similarly negative impact on its business.

Any such claims, with or without merit, could be time consuming and expensive to defend or settle and could divert management resources and attention, which could materially adversely affect the Company's business, results of operations and/or financial condition. There may also be related costs implications and/or potential monetary damages to be paid and/or implications for the products marketed by the Company. Some of its competitors may be able to sustain the costs of complex patent or other litigation more effectively than the Company can because they have substantially greater resources.

Competitors may infringe the Company's patents. To counter infringement or unauthorised use, the Company may be required to file infringement claims, which can be expensive and time-consuming. In addition, in a patent infringement proceeding, a court may decide that a patent of the Company is invalid, unenforceable, and/or has not been infringed. An adverse result in any litigation or defence proceedings could put one or more of the Company's patents at risk of being invalidated or interpreted narrowly and could put any other of the Company's patent applications at risk of not issuing.

The Directors are not aware of any infringement by the Company's products and services of the intellectual property rights of any third parties. However, it is not possible to be aware of all third party intellectual property rights and limited freedom to operate searches have been conducted on behalf of the Company. Third parties may assert claims that the Company and/or the products or services it supplies infringe intellectual property rights or misuse confidential information belonging to them.

Risks relating to the disclosure of confidential information

The Company relies on trade secrets, confidential information and proprietary know-how, which it seeks to protect, in part, through confidentiality and proprietary information agreements. The Company has a policy of requiring advisers, contractors and third-party partners to enter into confidentiality agreements and its employees to enter into invention, non-disclosure and non-compete agreements. The Company may not be able to protect its trade secrets, confidential information and proprietary know-how adequately. There can be no assurance that such confidentiality or proprietary information agreements will not be breached, that the Company would have adequate remedies for any breach (in the event of any unauthorised use or disclosure of information, for example), or that the Company's trade secrets will not otherwise become known to or be independently developed by competitors. If any of the Company's trade secrets were to be independently developed by a competitor, the Company would have no right to prevent them, or those to whom they disclose such trade secrets, from using that technology or information to compete with the Company. If any of the Company's trade secrets were to be unlawfully disclosed to, or independently developed by a competitor or other third-party, relief may not be obtained and the Company's competitive position would be harmed. It may be possible for competitors or customers to copy one or more aspects of the products marketed by the Company or obtain information that the Company regards as proprietary.

No assurance can be given that the Company has entered into appropriate agreements with all parties that have had access to its trade secrets, confidential information and proprietary know-how. Furthermore, the Company cannot provide assurance that any of its employees, consultants, contract personnel or third-party partners, either accidentally or through wilful misconduct, will not cause serious damage to its programmes and/or its strategy, by, for example, disclosing trade secrets, proprietary know-how or confidential information to its competitors. It is also possible that trade secrets, proprietary know-how or confidential information could be obtained by third parties as a result of breaches of its physical or electronic security systems. Any disclosure of confidential data into the public domain or to third parties

could allow the Company's competitors to learn confidential information and use it in competition against the Company. Any action to enforce the Company's rights against any misappropriation or unauthorised use and/or disclosure of trade secrets, proprietary know-how or confidential information is likely to be time-consuming and expensive, and may ultimately be unsuccessful, or may result in a remedy that is not commercially valuable.

The Company may be subject to claims that its employees, consultants or independent contractors have wrongfully used or disclosed confidential information of third parties. The Company employs individuals who were previously employed at other companies. The Company may be subject to claims that it or its employees, consultants and/or independent contractors have inadvertently or otherwise used or disclosed confidential information of its employees' former employers or other third parties. Litigation may be necessary to defend against these claims. There is no guarantee of success in defending these claims, and if the Company does not prevail, the Company could be required to pay substantial damages and could lose rights to important intellectual property. Even if the Company is successful, litigation could result in substantial cost and be a distraction to its management and other employees.

Risks relating to the compatibility of the Company's products with third party products

The Company's products are being designed and developed with the intention that they are compatible with other medicines on the market such that the Company's products will be inserted within the working channel of the relevant scope. There can be no assurance that the Company's products will be compatible with existing and/or future medicines. If the Company's products are not compatible, the Company will be unable to generate product revenues, which would materially adversely affect its business, financial condition and/or result of operations.

Adverse decisions of a regulator, including tax authorities, or changes in tax treaties, laws, rules or interpretations could reduce or eliminate research and development tax relief that the Company may be eligible for in the UK

The Company may be eligible for tax relief for qualifying research and development expenditure in the UK. It is anticipated that the Company will, where available, claim such relief, but this will depend on tax planning as the business develops. However, the tax laws and regulations in the UK may be subject to change, and there may be a change in the interpretation and enforcement of the law (in each case possibly with retroactive effect) although no such change in law, interpretation or enforcement has been announced as at the date of this document. As a result, the Company may not, or may not in the future, be eligible for research and development tax relief in the UK, which could have a negative effect on the Company's profit and cash flow. Furthermore, the Company may not be able to claim R&D tax credits on R&D expenditure or receive tax credit repayments due to changes in the R&D tax credit regime or changes in the interpretation of the regulations.

The UK has introduced a patent box regime in relation to certain income derived from UK or European patents. By electing to enter into the patent box regime, the relevant company making such election would benefit from a lower effective corporation tax rate on relevant income from assets inside the patent box (10 per cent. from 1 April 2017). Entry into the patent box regime is subject to detailed rules, including ensuring that each entity is actively involved in the plans and decisions relating to the exploitation or development of the patent and/or performs a significant amount of activity for the purposes of developing the patent. The patent box regime has been subject to intense scrutiny both by the European Commission and the OECD. As a result, the original patent box regime was closed to new entrants in June 2016 and was replaced by a revised regime with tighter eligibility requirements. Loss-making companies are unlikely to elect to join the regime as tax relief is then limited to 10 per cent. the Company may, where available and where considered appropriate, make an election to participate in such regime, but this will require further analysis as to eligibility as the business develops.

Any change in the Company's tax status or in taxation legislation in any jurisdiction in which the Company operates could affect the Company's financial condition and results and its ability (if any) to provide returns to Shareholders. Statements in this document concerning the taxation of investors in Ordinary Shares are based on current UK tax law and practice which is subject to change. The taxation of an investment in the Company depends on the individual circumstances of investors.

Requirement for additional financing to develop platform technology

The Company's financing requirements depend on numerous factors, including the rate of market acceptance of its technologies and its ability to attract customers. Some factors are outside of the Company's control. The Company may be unable to obtain adequate financing on acceptable terms, if at all, which could cause the Company to delay, reduce or abandon research and development programmes or hinder commercialisation of some or all of its products.

The Company may, in the medium term, need to raise additional capital, whether from equity or debt sources, to finance working capital requirements or to finance its growth through future stages of development. Any additional share issue may have a dilutive effect on Shareholders, particularly if they are unable or choose not to subscribe. Debt funding may require assets of the Company to be secured in favour of the lender, which security may be exercised if the Company were to be unable to comply with the terms of the relevant debt facility agreement. Further, there can be no guarantee or assurance that additional funding will be forthcoming when required, nor as to the terms and price on which such funds would be available. Any of the foregoing could have a material adverse effect on the Company's business, financial condition or operating results.

Dependence on key executives and personnel

The Directors believe that the future success of the Company will depend in part upon the expertise and continued service of certain key executives and technical personnel, including the Directors. Furthermore, the Company's ability to successfully develop commercial products will also depend on its ability to attract, retain and motivate suitable management, engineering, marketing and sales personnel.

Competition for these types of employees is often intense due to the limited number of qualified professionals. The departure of any of the Company's relatively small number of executive officers or other key employees could have a negative impact on its operations. In the event that future departures of employees occur, the Company's ability to execute its business strategy successfully or to continue to develop its products could be adversely affected. The performance of the Company depends, to a significant extent, upon the abilities and continued efforts of its existing senior management. The loss of the services of any of the key management personnel or the failure to retain key employees could adversely affect the Company's ability to maintain and/or improve its operating and financial performance. The Company has attempted to reduce this risk by implementing share option schemes and entering into contracts, which contain limited non-competition provisions with key personnel. However, these measures do not guarantee that key personnel will stay employed with the Company.

Litigation and other adversarial actions in the ordinary course of business could materially adversely affect the Company

Although the Company is not currently subject to any material litigation, it may be subject to such litigation in the future. In addition, the Company may be subject to other disputes, claims and complaints, including adversarial actions, by customers, employees, suppliers, insurers and others in the ordinary course of business. Significant claims or a substantial number of small claims may be expensive to defend, may divert the time and focus of management away from the Company's operations and may result in the Company having to pay monetary damages, any of which could have a material adverse effect on the Company's results of operations and financial condition. In addition, adverse legal publicity or substantial litigation against the Company could negatively impact its reputation, even if the Company is not found liable, which could also adversely impact the Company's business, prospects, results of operations and financial condition.

The Company's risk management procedures may fail to identify or anticipate future risks

Although the Directors believe that the Company's risk management procedures are adequate, the methods used to manage risk may not identify or anticipate current or future risks or the extent of future exposures, which could be significantly greater than historical measures indicate. Risk management methods depend on the evaluation of information regarding markets or other matters that is publicly available or otherwise accessible to the Company. Failure (or the perception that the Company has failed) to develop, implement and monitor the Company's risk management policies and procedures and,

when necessary, pre-emptively upgrade them could give rise to reputational and trading issues which could have a material adverse effect on the Company's business, prospects, results of operations and/or financial condition.

If the Company is unable to establish sales, marketing and distribution capabilities, or enter into relationships for sales, marketing and distribution capabilities, the Company may be unable to realise value on its product candidates

Given the Company's stage of product development, it does not have any internal sales, marketing or distribution infrastructure or capabilities. For the Company to realise value on a product candidate, it must develop or acquire a sales and marketing organisation, outsource these functions to third parties or out-license to a partner with sales and marketing capabilities.

The Company may establish its own sales and marketing capabilities to promote a product candidate in the US, the European Union and other markets if and when such product is approved. Even if the Company establishes sales and marketing capabilities, it may fail to launch a product effectively or to market a product effectively given its limited experience in the sales and marketing of pharmaceutical products. In addition, recruiting and training a sales force is expensive and time consuming and could delay any product launch. In the event that any such launch is delayed or does not occur for any reason, the Company may have prematurely or unnecessarily incurred these commercialisation expenses, and the Company's investment in such product may be lost if it cannot retain or reposition its sales and marketing personnel until they are needed.

Factors that may inhibit the Company's efforts to commercialise its product candidates on its own include:

- the Company's inability to recruit, train and retain adequate numbers of effective sales and marketing personnel;
- the lack of complementary products to be offered by sales personnel, which may put the Company at a competitive disadvantage relative to companies with more extensive product lines;
- unforeseen costs and expenses associated with creating an independent sales and marketing organisation; and
- costs of marketing and promotion above those anticipated by the Company.

If the Company enters into arrangements with third parties to perform sales and marketing services, the Company's product revenues or the profitability of these product revenues for the Company could be lower than if the Company were to market and sell or commercialise any products that it develops itself. In addition, the Company may not be successful in entering into arrangements with third parties to sell, commercialise or market its products or may be unable to do so on favourable terms. Acceptable third parties may fail to devote the necessary resources and attention to sell, commercialise and/or market the Company's products effectively.

If the Company does not establish sales and marketing capabilities successfully, either on its own or with third parties, it may not be successful in realising value on its product candidates.

Even if the Company's product candidates receive regulatory approval, they may fail to achieve the broad degree of physician adoption and use and market acceptance necessary for commercial success

Even if the Company obtains FDA, EMA or other regulatory approvals for its product candidates, the commercial success of such products will depend significantly on their broad adoption and use by physicians and other medical professionals for approved indications.

The degree and rate of physician and patient adoption of a product candidate, if approved, will depend on a number of factors, including:

- the clinical indications for which the product candidate is approved;
- the safety and efficacy of the Company's product candidate as compared to existing therapies or newly developed therapies for those indications;
- the prevalence and severity of adverse side effects;

- patient satisfaction with the results and administration of the Company's product candidates and overall treatment experience, including relative convenience, ease of use and avoidance of, or reduction in, adverse side effects;
- patient demand for the treatment for approved indications;
- physician and patient willingness to adopt new therapies for approved indications;
- the cost of treatment in relation to alternative treatments, the extent to which these costs are reimbursed by third-party payers, and patients' willingness to pay for the Company's product candidates; and
- proper training and administration of the Company's products by medical staff.

If any of the Company's product candidates are approved for use but fail to achieve the broad degree of physician adoption and market acceptance necessary for commercial success, the Company's operating results and financial condition will be adversely affected.

Product development

Much of the Company's future revenues depend on its ability to continue to develop new products. All new product development has an inherent level of risk. New products may take longer to develop than planned, impacting potential future revenue, may require more resources than planned which will increase development costs and may pose technical challenges that the Company cannot solve.

Regulatory risk

The Company's products are regulated by national and regional medical regulations. Additionally, the Company is required to comply with ongoing regulatory requirements such as to maintain a quality system pursuant to these regulations which subjects it to periodic inspections, scheduled and unscheduled. Failure to pass an inspection, recall or the loss of clearance to market a particular product, could have an immediate and negative impact on the Company's revenues, prospects and its share price. The Company's prospects for the foreseeable future will depend heavily on its ability to successfully obtain regulatory approval for its products in multiple jurisdictions (if regulatory approval can be obtained at all).

Following regulatory approval of the products, the products will be subject to post-market safety surveillance programmes and adverse event reporting in the relevant countries. Failure by the Company to comply with post-marketing regulatory requirements may result in the suspension of a regulatory approval, as well as civil and criminal sanctions. If there are potential safety concerns in relation to a product, the Company may be required to take further action to improve product safety, or even to remove the relevant product from the market.

The applicable rules, regulations and guidance in the various countries also change frequently and are subject to interpretation. Change of rules applicable to a new product filing or as related to a currently marketed product (including substantial changes to devices) could mean that the Company needs to conduct additional studies and re-submit products to the regulatory authorities for re-examination/re-assessment, which may impact the Company's ability to generate revenue in certain markets and the costs, timing or successful completion of a clinical study. Furthermore, if any examination/assessment is not favourable, the Company may not be able to continue to market and sell the product.

There is a risk that the Company's employees, principal investigators, consultants and commercial partners may engage in misconduct or other improper activities, including non-compliance with regulatory standards and/or applicable law. It is not always possible to identify and deter misconduct by employees, independent contractors, principal investigators, consultants, suppliers, commercial partners and vendors, and the precautions the Company takes to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses, or in protecting the Company from governmental investigations or other actions or claims stemming from a failure to be in compliance with such laws or regulations. If any such actions are initiated against the Company, and the Company is not successful in defending itself or asserting its rights, those actions could have a significant adverse impact on its business, including the imposition of significant fines or other sanctions, and its reputation.

Insurance

The Company's business will expose it to potential product liability and other legal risks related to its operations. Criminal and/or civil proceedings might be filed against the Company by study subjects, patients, the regulatory authorities, other companies and any other third party using or marketing its products. These actions could include claims resulting from acts by its partners, licensees (if any) and subcontractors, over which the Company has little or no control. Any such product liability claims may include allegations of manufacturing or quality defects in drug product, a failure to warn of dangers inherent in the products, negligence, strict liability and a breach of warranties. If the Company cannot successfully defend itself against product liability claims, it may incur substantial liabilities or be required to limit commercialisation of its products if approved. Even successful defence could require significant financial and management resources. Regardless of the merits or eventual outcome, liability claims may result in: decreased demand for its products due to negative public perception; injury to the Company's reputation or brands; withdrawal of clinical study participants or difficulties in recruiting new study participants; initiation of investigations by regulators; costs to defend or settle the related litigation; a diversion of management's time and its resources; substantial monetary awards to patients, study participants or subjects; product recalls, or withdrawals; labelling, and marketing or promotional restrictions; loss of revenues from product sales; and/or the inability to commercialise any of the Company's products, if approved.

There can be no assurance that product liability or other claims would not materially and adversely affect the business. Certain products planned for development by the Company and certain uses of these products may present greater risks than that presented by the Company's present product line.

While the Company maintains commercial insurance at a level it believes is appropriate against certain risks commonly insured in the industry, there is no guarantee that it will be able to obtain the desired level of cover on acceptable terms in the future. Furthermore, the nature of these risks is such that liabilities could exceed policy limits or that certain risks could be excluded from the Company's insurance coverage. There are also risks against which the Company cannot insure or against which it may elect not to insure. The potential costs that could be associated with any liabilities not covered by insurance or in excess of insurance coverage may cause substantial delays and require significant capital outlays, adversely affecting the Company's earnings and competitive position in the future and, potentially, its financial position. The Company's operations could suffer losses which may not be fully compensated by insurance. In addition, certain types of risk may, or may become, either uninsurable or not economically insurable, or may not be currently or in the future covered by the Company's insurance policies. Any of the foregoing could have a material adverse effect on the Company's business, financial condition or operating results.

Reputation risk

The Company's reputation is central to its future success in terms of the services and products it provides, the way in which it conducts its business and the financial results which it achieves. Issues that may give rise to reputational risk include, but are not limited to, failure to deal appropriately with legal and regulatory requirements, money-laundering, fraud prevention, privacy, record-keeping, sales and trading practices and the credit, liquidity, and market risks inherent in the Company's business. If the Company fails, or appears to fail, to deal with various issues that may give rise to reputational risk or if it fails to retain customers for any other reason, this could materially harm its business prospects.

Also, failure to meet the expectations of its customers, suppliers, employees, shareholders and other business partners may have a material adverse effect on the Company's reputation and future revenue.

Global economic conditions and risks could adversely affect the Company's business and operations

In recent years, the commercial and financial markets have been faced with very challenging global economic conditions, particularly in the US and Europe. Many of the Company's potential customers are international pharmaceutical and biotechnology companies based in the US or in Europe. Deterioration in the global economic environment, particularly in those regions, may negatively impact the Company's ability to access additional funding, or the Company's ability to commercialise or otherwise realise value from its product candidates due to downward pressures on the potential prices for product candidates, longer sales cycles and slower adoption of new technologies. A weakening of macroeconomic conditions may also adversely affect the Company's third-party suppliers based in the

US or Europe, which could result in interruptions in supply in the future. There can be no assurance that a deterioration of economic conditions in international markets will not adversely affect the Company's future results. Moreover, changes in foreign currency exchange rates could affect the value of the Company's assets and liabilities, and the amount of its revenue and expenses.

Market risks and economic conditions

The Company may be affected by general market trends which are unrelated to the performance of the Company itself. The Company's success depends on market acceptance of the Company's solutions and services and there can be no guarantee that this acceptance will continue to be forthcoming. Market opportunities targeted by the Company may change and this could lead to an adverse effect upon its revenue and earnings.

Any economic downturn either globally or locally in any area in which the Company operates may have an adverse effect on the demand for the Company's products or services.

The Company has limited operating history, has incurred losses since its inception and anticipates it will continue to incur losses for the foreseeable future. The Company has no sales, which, together with its limited operating history, make it difficult to assess the Company's future commercial viability

The Company is a small clinical stage company. To date, the Company has commenced clinical trials with one of its product candidates. Further, the Company has not generated any material revenues from out-licensing, selling, commercialising or otherwise realising value on its product candidates. The Company continues to incur significant development and other expenses related to its planned clinical trials and operations. The Company's ability to achieve revenues and profitability is dependent on its ability to develop its product candidates to key value inflection points or to commercialisation and obtain necessary regulatory approvals. Even if the Company achieves profitability in the future, the Company may not be able to sustain profitability in subsequent periods. The Company's prior losses, combined with expected future losses, may adversely affect the market price of its Ordinary Shares and its ability to raise capital and continue operations.

The Company has not yet demonstrated its ability to manufacture or conduct sales and marketing activities necessary to commercialise successfully a product candidate. In addition, given its limited operating history, the Company may encounter unforeseen expenses, difficulties, complications or delays. If the Company completes successfully clinical studies and receives marketing approval from the FDA and the EMA for any product candidate, the Company anticipates transitioning from a company with only a development focus to a company also capable of supporting commercial activities. The Company may not be successful in such a transition or may incur greater costs than expected during such transition that adversely affect its financial results and prospects.

Failure or delay in completing clinical studies for any of the Company's product candidates may delay or even prevent it from obtaining regulatory approval or commercialising its product candidates

Clinical studies are typically expensive, complex and time-consuming, and have uncertain outcomes. Conditions in which clinical studies are conducted differ and results achieved in one set of conditions could be different from the results achieved in different conditions or with different subject populations. The Company, the FDA, the EMA and other applicable regulatory authorities or IRBs may suspend or terminate clinical studies of product candidates at any time if the subjects participating in such clinical studies are being exposed to unacceptable health risks or for other reasons.

Failure can occur at any stage of the testing and the Company may experience unforeseen events during, or as a result of, the clinical study process. Several factors could result in the failure or delay in completion of a clinical study, including but not limited to the following:

- delays in securing clinical investigators or clinical study sites;
- delays in obtaining institutional review board or other regulatory approvals to commence a clinical study;
- inability to monitor subjects adequately during or after treatment or problems with investigator or subject compliance with the study protocols;

- inability to replicate or confirm in larger studies (such as Phase 3 studies) the safety and efficacy data obtained in studies to date;
- inability to agree upon protocols with the FDA, the EMA or other regulatory authorities;
- inability or unwillingness of medical investigators to follow agreed upon clinical protocols; and
- unexpected adverse events or results, or other safety issues.

Any such factors leading to a delay in the completion of a clinical study could require the Company to incur additional costs and would also delay receipt of any product revenues. Any failure to complete successfully a clinical study could result in the Company not receiving any product revenues with respect to the relevant product candidate at all.

The Company relies on third parties to enrol qualified subjects and conduct, supervise and monitor its clinical studies. Its reliance on these third parties for clinical development activities reduces its control over these activities. However, it does not relieve the Company of its regulatory responsibilities, including ensuring that its clinical studies are conducted in accordance with relevant regulations. Pre-clinical or clinical studies may not be performed or completed in accordance with relevant regulatory requirements or its study design.

Even if Phase II and Phase III clinical trials are completed in accordance with relevant regulatory requirements, the Company would not be permitted to market any product candidate in the US until it received approval of a new drug application (NDA) or Biologics License Application (BLA) from the FDA, or in any other countries until the Company receives the requisite approval from the respective regulatory agencies in such countries, and the Company may never obtain regulatory approval for its product candidates in any jurisdiction. To gain approval of an NDA or other equivalent regulatory approval, the Company must provide the FDA or other relevant regulatory authority with clinical data that demonstrates, among other things, the safety, efficacy, purity and potency of the product for the intended indication. The Company also may be required to perform additional or unanticipated clinical trials to obtain approval or be subject to additional post-marketing testing requirements to maintain regulatory approval. In addition, regulatory authorities may withdraw their approval of the product or impose restrictions on its distribution in the form of a modified risk evaluation and mitigation strategy.

The Company's current plans for commercialising its product candidates depend on it meeting current estimates for the timing of completing clinical studies.

Application of the proceeds from the Placing may not help develop the Company's revenues or increase the price of the Ordinary Shares

There is no guarantee that the use of net proceeds described in paragraph 11 of Part I of this document will result in the Company developing revenue and/or the price of the Ordinary Shares increasing.

The UK's exit from the European Union could have a material adverse effect on the Company's business, results of operations and financial condition

The UK voted to leave the EU in a referendum held on 23 June 2016 and the Company faces risks associated with the political and economic instability associated with this. For example, as a proportion of the legal and regulatory regime applicable to the Company is derived from EU Directives and Regulations a UK exit from the EU may change the legal framework applicable to the Company's business and result in further political and economic uncertainty which may adversely affect the market in which the Company operates. In addition, it could result in restrictions on the movement of capital and people. The general speculation and concern surrounding how and when the UK will leave the EU has also caused uncertainty in the market which may damage customers' and investors' confidence. Any of these risks could have a material adverse effect on the Company's business, results of operations and/or financial condition.

Force majeure

The Company's operations now or in the future may be adversely affected by risks outside the control of the Company, including labour unrest, civil disorder, war, terrorist attacks, computer viruses, telecommunications failures, power loss, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

2. Risks Relating to the Company's Securities

General

An investment in the Ordinary Shares is only suitable for investors capable of evaluating the risks (including the risk of capital loss) and merits of such investment and who have sufficient resources to sustain a total loss of their investment. An investment in the Ordinary Shares should be seen as long-term in nature and complementary to investments in a range of other financial assets as part of a diversified investment portfolio. Accordingly, typical investors in the Company are expected to be institutional investors, private client fund managers and private client brokers, as well as private individuals who have received advice from their professional advisers regarding investment in the Ordinary Shares and/or who have sufficient experience to enable them to evaluate the risks and merits of such investment themselves.

Conditionality of the Placing

The Placing (other than the in respect of the First Tranche Placing Shares) is conditional, *inter alia*, upon the new Ordinary Shares having being allotted, Admission becoming effective and the Placing Agreement becoming unconditional in all respects. In the event that certain conditions to which Admission is subject are not satisfied or, if capable of waiver, waived, then such Admission will not occur. The First Tranche Placing Shares will be issued to Placees regardless of whether Admission occurs. Consequently, in the event that Admission does not occur, any Placees subscribing for First Tranche Placing Shares may end up holding shares in a company that is unable to trade its shares on AIM.

No prior market for the Ordinary Shares

Before Admission, there has been no prior market for the Ordinary Shares. Although application has been made for the Ordinary Shares to be admitted to trading on AIM, an active public market may not develop or be sustained following Admission.

VCT

Advance assurance has been sought and obtained by the Company from HMRC that the First Tranche Placing Shares should be a "qualifying holding" for the purpose of investment by VCTs.

The qualifying status for VCT purposes will be contingent upon certain conditions being met by both the Company and the relevant VCT investor throughout the relevant period (generally three years from the date of the issue of the First Tranche Placing Shares). Neither the Company, its directors nor the Company's advisers give any warranties, representations or undertakings that VCT qualifying status will be available or that, if initially available, such status will not be subsequently withdrawn. Should the law change, then any qualifying status previously obtained may be lost.

Circumstances may arise (which may include the sale of the Company) where the Directors believe that the interests of the Company are not best served by acting in a way that preserves VCT qualifying status. In such circumstances, the Company cannot undertake to conduct its activities in a way designed to secure or preserve any such status claimed by any Shareholder.

If the Company does not employ the proceeds of a VCT's share issue for qualifying purposes within 24 months, the funds invested by the VCT would be apportioned *pro rata* and its qualifying holding would be equal to the VCT's funds that had been employed for qualifying trading purposes within the above time limits. Any remaining element of the VCT's investment would comprise part of its non-qualifying holdings.

The information in this document is based upon current tax law and practice and other legislation and any changes in the legislation or in the levels and bases of, and reliefs from, taxation may affect the value of an investment in the Company.

If the Company ceases to carry on the business outlined in this document or acquires or commences a business which is not insubstantial to the Company's activities and which is a non-qualifying trade for VCT purposes, this could prejudice the qualifying status of the Company (as referred to above) at any time that a VCT is an investor in the Company. This situation will be monitored by the Directors with a view to preserving the Company's qualifying status but this cannot be guaranteed.

Any company receiving aid through any Government State aid scheme, that would include from VCTs and under the EIS, individually or combined, that amounts to a value above the investment link currently shown at section 292A(1) of the Income Tax Act 2007 (£5 million per annum) is at risk of the European Commission deeming the aid to be illegal, and bears the risk of sanctions imposed by the European Commission to recover that aid.

EIS

The Company has applied for and obtained provisional advance assurance from HMRC that the First Tranche Placing Shares will be eligible for EIS purposes, subject to the submission of the relevant claim form in due course. The obtaining of such provisional advance assurance and submission of such a claim by the Company does not guarantee EIS qualification for an individual, whose claim for relief will be conditional upon his or her own circumstances and is subject to holding the First Tranche Placing Shares throughout the relevant three year period.

The continuing status of the First Tranche Placing Shares as qualifying for EIS purposes will be conditional on qualifying conditions being satisfied throughout the relevant period of ownership.

Neither the Company, the Directors nor the Company's advisers give any warranty, representation or undertaking that any investment in the Company by way of First Tranche Placing Shares will remain a qualifying investment for EIS purposes. Investors must take their own advice and rely on it. If the Company carries on activities beyond those disclosed to HMRC, then EIS investors may cease to qualify for the tax benefits.

3. General Market Risks

Share price volatility and liquidity

The share price of quoted emerging companies can be highly volatile and shareholding illiquid. Investors should be aware that, following Admission, the market price of the Ordinary Shares may be subject to wide fluctuations in response to many factors, including stock market fluctuations and general economic conditions or changes in political sentiment that may substantially affect the market price of the Ordinary Shares irrespective of the Company's actual financial, trading or operational performance. These factors could include the performance of the Company, large purchases or sales of the Ordinary Shares (or the perception that the same may occur, as, for example in the period leading up to the expiration of the restrictions in the CFE Lock-in Agreements), legislative changes and market, economic, political or regulatory conditions. The share price for publicly traded companies can be highly volatile and may go down as well as up and the market price of the Ordinary Shares may not reflect the underlying value of the Company. Admission to AIM should not be taken as implying that a liquid market for the Ordinary Shares will either develop or be sustained following Admission. Active, liquid trading markets generally result in lower price volatility and more efficient execution of buy and sell orders for investors. The liquidity of a securities market is often a function of the volume of the underlying shares that are publicly held by unrelated parties. If a liquid trading market for the Ordinary Shares does not develop, the price of the Ordinary Shares may become more volatile and it may be more difficult to complete a buy or sell order for such Ordinary Shares.

Investment in AIM traded securities

The Ordinary Shares will be traded on AIM rather than admitted to the Official List. An investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List. AIM has been in existence since June 1995 but its future success and liquidity in the market for the Company's securities cannot be guaranteed.

The AIM market is designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. The rules of AIM are less demanding than those admitted to the Official List and an investment in shares traded on AIM may carry a higher risk than an investment in shares admitted to the Official List. In addition, the market in shares traded on AIM may have limited liquidity, making it more difficult for an investor to realise its investment on AIM than to realise an investment in a company whose shares are admitted to the Official List. Investors should, therefore, be aware that the market price of the Ordinary Shares may be more volatile than that of shares admitted to the Official List and may not reflect the underlying value of the net assets of the Company. Investors may, therefore, not be able to sell at a price which permits them to recover their original investment and could lose their entire investment. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser authorised under FSMA who specialises in advising on the acquisition of shares and other securities.

Current operating results as an indication of future results

The Company's operating results may fluctuate significantly in the future due to a variety of factors, many of which are outside its control. Accordingly, investors should not rely on comparisons with the Company's results to date as an indication of future performance. Factors that may affect the Company's operating results include increased competition, an increased level of expenses, technological change necessitating additional capital expenditure, slower than expected sales and changes to the statutory and regulatory regime in which it operates. It is possible that, in the future, the Company's operating results may fall below the expectations of market analysts or investors. If this occurs, the trading price of the Ordinary Shares may decline significantly.

Dilution of Shareholders' interest as a result of additional equity fundraisings

The Company will need to issue, pursuant to a public offer or otherwise, additional Ordinary Shares in the future at a price or prices higher or lower than the Placing Price. An additional issue of Ordinary Shares by the Company, or the public perception that an issue may occur, could have an adverse effect on the market price of Ordinary Shares and could dilute the proportionate ownership interest and the proportionate voting interest of Shareholders if, and to the extent that, such an issue of Ordinary Shares is not effected on a pre-emptive basis or Shareholders do not take up their rights to subscribe for further Ordinary Shares under a pre-emptive offer. Shareholders may also experience subsequent dilution and/or such securities may have preferred rights, options and pre-emption rights senior to the Ordinary Shares.

Dividends

Upon the Company generating revenues and profits, the Company's current policy is to retain future distributable profits and only recommend dividends when appropriate and practicable. There can be no assurance as to the level of future dividends (if any) that may be paid by the Company or, in light of the accrued losses of the Company, of the ability to pay dividends. Any determination to pay dividends in the future will be a decision for the Board (and will be subject to applicable laws and generally accepted accounting principles from time to time, and other factors the Board deems relevant).

Forward-looking statements

Some of the statements in this document include forward-looking statements which reflect the Company's or, as appropriate, the Directors' current views with respect to financial performance, business strategy, plans and objectives of management for future operations (including development plans relating to the Company's business). These statements include forward-looking statements both with respect to the Company and the sectors and industry in which the Company operates. All forward looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause the Company's actual performance to differ materially from those indicated in these statements. These factors include, but are not limited to, those described in this Part II of this document which should be read in conjunction with the other cautionary statements that are included in this document.

Any forward-looking statements in this document reflect the Company's or, as appropriate, the Directors' current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the Company's operations, results of operations, growth strategy and liquidity.

These forward-looking statements speak only as at the date of this document. Subject to any applicable obligations, the Company undertakes no obligation to update publicly or review any forward-looking statement, whether as a result of new information, future developments or otherwise, unless required by the AIM Rules and Disclosure Guidance and Transparency Rules, as appropriate. All subsequent written and oral forward-looking statements attributable to the Company or individuals acting on behalf of the Company are expressly qualified in their entirety by this paragraph. Prospective investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision.

Foreign exchange rate fluctuations may adversely affect the Company's results

The Company records its transactions and prepares its financial statements in pounds sterling, but a substantial proportion of the Company's expenditure is expected to be in US dollars as well as smaller amounts in Euros and other currencies. To the extent that the Company's foreign currency assets and liabilities are not matched, fluctuations in exchange rates between pounds sterling, the US dollar and the Euro and to a lesser extent, other currencies, may result in realised or unrealised exchange gains and losses on translation of the underlying currency into pounds sterling that may increase or decrease the Company's results of operations and may adversely affect the Company's financial condition, each as stated in pounds sterling.

PART III

PATENT ATTORNEY REPORT

Destiny Pharma plc
Sussex Innovation Centre
Science Park Square
Falmer, Brighton
BN1 9SB
UK

Cantor Fitzgerald Europe
One Churchill Place
Canary Wharf
London, E14 5RB
UK

29 August 2017

Dear Sirs

Patent Attorney Report on behalf of Destiny Pharma plc
Our ref: DESBA/M19988

1. Introduction

Potter Clarkson LLP ('**PC**') advises and represents Destiny Pharma plc (Company no. 03167025; formerly 'Destiny Pharma Holdings Limited' and, prior to that, 'Destiny Pharma Limited'; '**Destiny Pharma**') in patent matters and has done so since 2002. PC is a limited liability partnership in private practice wherein all of the partners who practise in patent matters are Chartered Patent Attorneys and European Patent Attorneys. Thus, PC can represent its clients before the UK Intellectual Property Office and the European Patent Office.

We have prepared this report for the directors of Destiny Pharma and Destiny Pharma's nominated adviser, Cantor Fitzgerald Europe, for inclusion in the admission document dated with the same date as this report issued by Destiny Pharma in connection with the admission of its entire issued and to be issued share capital to trading on AIM, a market operated by the London Stock Exchange ('**Admission Document**').

For the purposes of paragraph (a) of Schedule Two of the AIM Rules, we declare that we are responsible for this report, which forms part of the Admission Document, and that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge and belief, in accordance with the facts and does not omit anything likely to affect the import of such information.

The partner responsible for Destiny Pharma is Dr Stephen Smith, who holds a MA(Oxon) in biochemistry and a DPhil in neuroscience. Stephen is a Fellow of the Chartered Institute of Patent Attorneys (CIPA) and a member of the Institute of Professional Representatives before the European Patent Office (epi). He is also a Member of PC and sits on the Board of Management thereof.

This report contains (1) a brief introduction to PC; (2) a general introductory guide to the national, European Patent Convention and Patents Cooperation Treaty patent systems and brief details regarding supplementary protection certificates; (3) a brief summary of the interaction between PC and Destiny Pharma on patent matters including an outline of the work which PC has undertaken for Destiny Pharma; (4) a report on Destiny Pharma's patent portfolio and how it maps to Destiny Pharma's lead candidate compounds; (5) comments as regards infringement searches and investigations of third party rights in relation to Destiny Pharma's freedom to make, sell and use its lead candidate compounds; and (6) a summary of risk factors associated with intellectual property rights.

2. An Introduction to Patents

2.1 *Background to the Patent System*

The patent system exists with the intention of promoting and rewarding innovation by giving to the patent owner (or an exclusive licensee) a monopoly right for a fixed period of time to allow the patent owner (or an exclusive licensee) to stop other people from carrying out the invention claimed in the granted patent and to claim damages for any infringing acts.

In general, a patent can be granted for any invention which is new, is not obvious, is commercially or industrially useful and is not otherwise barred by law from being the subject of a patent.

Methods of medical treatment and methods of diagnosis performed on the human or animal *body are not patentable as such in certain countries, including the contracting States of the* European Patent Convention (**EPC**), as they are deemed not capable of industrial application (the notable exception to this being the US). However, patent protection for medical uses of new and known compounds in such countries is nevertheless possible through the use of so-called 'first medical use' and 'second/further medical use' claims of legally defined formats. Destiny Pharma's patent applications have, where possible, been filed and prosecuted with appropriate medical and diagnostic use claims in order ultimately to provide suitable protection in those cases where product *per se* protection, or protection for methods of medical treatment, is not available (or has already been obtained by Destiny Pharma in an earlier patent filing).

Patents are very important to a company such as Destiny Pharma in order to protect its innovative products and their uses. In return for the monopoly protection given by the patent as defined in the claims of the granted patent, the invention must be sufficiently described in the patent application and is disclosed to the public when the patent application is published.

A patent has a limited territorial effect and so it is desirable to seek patent protection in those territories where any product is to be made or sold and any process used. Various international treaties and conventions exist which facilitate the acquisition of patent protection in many countries.

It is important to appreciate that a patent does not give the proprietor the right to use the invention, it gives the proprietor the right to stop others using the invention. By way of example, a third party may own an independent patent that could impact upon the proprietor's right to use their invention.

In addition, in the case of novel medicinal products such as those being developed by Destiny Pharma, regulatory approval will be required (for example, from the European Medicines Agency (**EMA)** in Europe and the Food and Drug Administration (**FDA**) in the US).

2.2 *Obtaining Patent Protection*

The procedure for obtaining a patent is typically started by filing a national patent application in a patent office of a territory party to the Paris Convention, for example a UK patent application at the UK Intellectual Property Office (**UKIPO**). Most major industrialised countries are party to the Paris Convention. This national application can provide a so-called "priority date" for the invention disclosed in this "priority" application such that the patentability of the invention is assessed as of that date. This priority date can be made effective for further patent applications filed in other Paris Convention territories provided that these further patent applications are filed within 12 months of the first priority application.

Although it is possible to file individual national or regional patent applications in those Paris Convention territories in which protection is sought, each claiming the right to priority from the priority application, it is common to file an "international" or "PCT" (Patent Cooperation Treaty) application. This is a single application which can provide a filing date in any of those territories which are party to the PCT and which are specified in the PCT application. Thus, a PCT application is, effectively, a bundle of separate territorial applications, each of which has the potential of becoming a national or regional patent application if the appropriate steps are taken. No patent can be granted directly from a PCT application and the right to grant a patent is left to the national or regional laws as implemented by the national or regional patent offices. Most major industrialised countries are party to the PCT.

Patent applications (and in particular the "claims" which define the protection the patent applicant is seeking) are searched and examined by the relevant patent office before a patent is granted. The purpose of the search is to identify documents (and possibly other prior disclosures) which are relevant in assessing whether the invention claimed in the patent application is new and non-obvious; the purpose of the examination is for a patent office examiner to assess whether the claimed invention meets all the requirements of patentability. The examination process is an interactive procedure between the patent examiner and patent applicant (or more usually his professional representatives) in which the patent applicant may have to put forward arguments and evidence to rebut objections that the patent examiner may have to the patent application. The patent applicant may have to amend the claims to his invention during the procedure.

A PCT application is searched and it may also be examined to give a non-binding opinion on the patentability of the claimed invention. In order to continue with the application in the specified territories it must be processed into the national or regional patent offices at the latest about two and a half years from the first priority date. These separate national and regional patent applications are typically searched and examined further by the national and regional patent offices which determine whether a patent is to be granted. The request for examination of a patent application in certain countries (for example, Japan and Canada) need not be made until several years from the filing date of the application and it is usual to defer requesting examination until this time unless it is commercially desirable to request examination earlier.

Many European countries are now party to the European Patent Convention which allows the European Patent Office (**EPO**) to search and examine a European regional patent application. The EPO is a party to the PCT so it is common to specify the EPO on a PCT application as a regional application. A European patent application may specify any territory which is party to the EPC (presently Albania (AL), Austria (AT), Belgium (BE), Bulgaria (BG), Croatia (HR), Cyprus (CY), Czech Republic (CZ), Denmark (DK), Estonia (EE), Finland (FI), France (FR), Germany (DE), Greece (GR), Hungary (HU), Iceland (IS), Ireland (IE), Italy (IT), Latvia (LV), Liechtenstein (LI), Lithuania (LI), Luxembourg (LU), Former Yugoslav Republic of Macedonia (MK), Malta (MT), Monaco (MC), Netherlands (NL), Poland (PL), Portugal (PT), Romania (RO), San Marino (SM), Serbia (RS), Slovakia (SK), Slovenia (SI), Spain (ES), Sweden (SE), Switzerland (CH), Turkey (TR) and the UK (GB)). It is also possible to extend a European patent to certain Extension States and/or Validation States under certain circumstances.

When a European patent is granted it is, effectively, a bundle of national patents which will, if appropriate action is taken, take effect nationally and will be enforceable under the national law. It should be noted that the number of territories which are party to the European Patent Convention has increased considerably over recent years and that not all were party to the convention at the time the European patent applications listed below were filed.

Because of the requirements for search and examination of patent applications, the typical time from filing a priority application to grant of any patent by a national or regional patent office is around four to six years. It can be longer, for example when the request for examination is deferred and when there is a backlog of examination at the relevant patent office. Not all patent applications are found to be allowable following examination. Most patent offices have an appeal procedure if the examiner refuses the application. If use of these appeals procedures is necessary, the time to grant of any patent would be delayed, typically by two to four years.

2.3 ***Rights arising from the publication of a patent application and grant of a patent***

With the principal exception of a US national patent application where no equivalent overseas applications have been filed, a patent application (such as a PCT application) is usually published 18 months after the first priority date. A particular relevance of the publication date is that it may be possible, under certain circumstances, to claim damages back to the date of publication for an infringement of the invention claimed. However, at least in most of Europe and in the USA, it is only possible to sue for infringement of a patent (and seek damages or an order to stop an infringing act) once a patent has been granted.

2.4 ***Limitation of the rights arising from grant of a patent***

The grant of a patent gives the owner thereof the right to prevent others, without the consent of the patent owner, from operating the invention as defined by the claims of the patent.

Importantly, however, the grant of a patent does not confer any rights upon the owner of the patent to work the invention themselves. Third party patent rights, *i.e.* rights owned by persons *other than* the owner of the patent in question, may exist which hinder or even prevent the patent owner from operating the invention.

2.5 ***The validity of granted patents may be challenged***

The fact that a patent has been granted by a patent office does not mean that the patent is valid. The validity of a granted patent may be challenged by a third party throughout the life of the patent on the grounds that it does not satisfy certain statutory requirements (for example, that it is not new or that it is obvious). Typically, the challenge may take place before the national or regional patent office or before the national courts. For example, a European patent granted through the EPO may be challenged centrally at the EPO up to nine months from the grant date (the opposition period) but, of course, any national patents derived from the European patent can be challenged nationally thereafter.

2.6 ***The duration of the monopoly right and possible "supplementary protection"***

Once a patent is granted it will remain in force for a specified period upon payment of renewal fees. Typically, the duration of a patent is twenty years from the filing date. In general, the patent monopoly extends until the expiry of the patent. However, in the European Union and some other European countries, and in the USA and elsewhere, there are provisions for extending the term of protection for a specific approved medicinal product which is covered by a patent, when there have been delays in obtaining regulatory approval. For example, in European Union countries supplementary protection certificates (SPCs) may be available for some of Destiny Pharma's products. Thus, the effective expiry date of the monopoly in relation to any specific approved medicinal product may be later than the projected expiry date specified for each of the patents listed below. The maximum term of an SPC is five years (with an extension of six months available if appropriate tests in paediatric patient population are completed).

3. The Interaction between PC and Destiny Pharma, and Destiny Pharma's Patent Strategy

In our view, Destiny Pharma understands the importance of patent protection for its technologies. Destiny Pharma and PC have consulted regularly on patent matters both at periodic patent review meetings and on an ad hoc basis as required. Typically, the consultations are with the Discovery Chemistry and Intellectual Property Manager (Stephane Hauduc) and/or with the Director of Projects (William Rhys-Williams).

Destiny Pharma has a strategy of seeking patent protection for novel technology which it develops in-house, or which arise through collaborations. PC has advised Destiny Pharma of the importance of keeping its technology secret before appropriate patent protection is sought.

PC has also advised Destiny Pharma of the importance of appropriate recordkeeping in relation to when an invention was made and by whom, since such records may be important in establishing ownership of the invention. Such records may also be of value in establishing entitlement to patent rights in the US, which operated a "first to invent" system at the time the patent families in Destiny Pharma's patent portfolio were filed.

Where a potentially protectable invention is made and referred to PC, the patentability of the invention is considered and appropriate points raised with Destiny Pharma concerning the technology. Searches to try to establish novelty of the invention may be carried out at Destiny Pharma's request, for example by searching appropriate patent and journal databases, although, by their nature, such searches cannot be comprehensive and it is not possible to be certain that any invention claimed in a patent or patent application has not been disclosed before filing. If Destiny Pharma wishes to proceed with a patent application, typically a first patent application is filed at the UKIPO and, making use of the Paris Convention which provides priority rights for up to a year in all major industrialised countries for such a first application, a subsequent international (PCT) application has been filed which specifies all the

countries in which patent protection may ultimately be sought. Destiny Pharma is aware of the criteria for determining inventorship for patent purposes and advises PC who are to be named as inventors on the patent applications.

Whenever possible, Destiny Pharma seeks patent protection in key commercial markets for compounds *per se* and/or for new uses of known compounds or manufacturing processes. Destiny Pharma has informed us that the key markets include Europe, Japan and the US. Each of the patent families has been filed in each of those core jurisdictions.

The above strategy, which has been developed in consultation with PC, gives Destiny Pharma potential protection in commercially relevant countries while effectively controlling the costs of patent protection.

Throughout all stages of preparation, filing and prosecution of the patent applications PC has had valuable cooperation and assistance from Destiny Pharma.

In order to keep patents and certain patent applications in force, it is necessary to pay renewal fees. PC does not handle renewal fees; rather, this is the responsibility of Destiny Pharma. All patents and patent applications for Destiny Pharma handled by PC are automatically and electronically notified to the renewals bureau CPA Global ("CPA") in Jersey, Channel Islands. Patent renewal reminders are issued by CPA to Destiny Pharma as and when necessary. CPA will seek instructions directly from Destiny Pharma for renewal of all such cases. Destiny Pharma has advised PC that for all the patents and patent applications listed below where Destiny Pharma is responsible for payment of renewals, the renewals are up to date.

PC has advised Destiny Pharma that any "supplementary protection" as discussed above (*e.g*. SPCs), if available, will require a regulatory approval of a medicinal product in the patent territory, and that Destiny Pharma should alert PC immediately when any marketing authorisation is obtained so that PC can advise Destiny Pharma on the possibility of such "supplementary protection".

Destiny Pharma has advised PC that Destiny Pharma will conduct investigations of third party patent rights that may be relevant to the freedom to make or sell its products once the product has reached an appropriate stage of its commercial development. PC has carried out limited investigations of certain third party rights which were considered to be of potential relevance to the freedom to make, sell or use the products Destiny Pharma intends to commercialise or currently commercialises in the core jurisdictions of interest of Europe, Japan and the United States (see Section 5 below). There is no guarantee that any infringement searches would identify all relevant third party patent rights. PC has not conducted any independent infringement searches or investigations of third party patent rights which may be relevant to Destiny Pharma's freedom to make, sell or use any of the products Destiny Pharma intends to commercialise or currently commercialises, or to carry out other of its activities.

4. Destiny Pharma's Patent Portfolio

4.1 *The "XF" patent family*

4.1.1 *Summary of the invention*

The 'XF' patent family relates to the XF drug series developed by Destiny Pharma, in collaboration with Solvias AG of Switzerland, and uses thereof.

The claims are directed to the following aspects of the invention:

(a) Substituted porphyrin compounds of defined formulae *per se*;

(b) Pharmaceutical formulations of the compounds of the invention;

(c) Medical uses of the compounds of the invention, *e.g*. to treat or prevent microbial infections;

(d) Sterilising solutions comprising the compounds of the invention and *in vitro* uses of the same; and

(e) Methods of producing the compounds of the invention.

The scope of the claims differs from territory to territory, as a consequence of the examination process being conducted by different national/regional patent offices. However, in all cases, the claims provide protection for Destiny Pharma's lead candidates XF-73 (exeporfinium chloride) and XF-70.

4.1.2 *Members of patent family*

Territory	*Application number*	*Grant number*	*Grant date*	*Status**
International (PCT)	PCT/GB2003/005649 (WO 2004/056828)	N/A	N/A	Dormant
Australia (AU)	2003295157	2003295157	10/02/2011	Patent in force
Canada (CA)	2,527,155	2,527,155	21/06/2011	Patent in force
China (CN)	200380109937.2	ZL200380109937.2	09/01/2008	Patent in force
Europe (EP)	03786158.0	1,578,750	21/11/2007	Patent in force in AT, BE, BG, CY, CZ, DK, EE, FI, FR, DE, GB, GR, HU, IE, IT, LI, LU, MC, NL, PT, RO, SK, SI, ES, SE, CH, TR
India (IN)	2782/DELNP/2005	224376	13/10/2008	Patent in force
Japan (JP)	2004-561687	4786182	22/07/2011	Patent in force
New Zealand (NZ)	540918	540918	11/09/2008	Patent in force
USA (US)	10/744,863	7,244,841	17/07/2007	Patent in force
USA (US)	11/562,183	8,084,602	27/12/2011	Patent in force

* '*Dormant*' indicates that the PCT application has entered the national/regional phase in the selected territories.

'*Patent in force*' indicates that the relevant national/regional patent office has completed its examination of patentability and proceeded to grant a patent for the invention as claimed.

4.1.3 *Ownership*

All the patents in the 'XF' family are jointly owned by and stand in the co-proprietor names of Destiny Pharma and Solvias AG.

We have been informed by Destiny Pharma that:

- Destiny Pharma has entered into a contract with Solvias (and others) regarding the commercialisation of the 'XF' patent family; and
- as between Solvias and Destiny Pharma, Destiny Pharma has the exclusive right to exploit the 'XF' patent family.

PC has not independently verified the ownership status of this patent family.

4.1.4 *Anticipated expiry dates*

As discussed in Section 2.6, the duration of a patent is typically twenty years from the filing date (subject to payment of the necessary renewal/annuity fees).

The 'XF' patent family has a filing date of 23 December 2003. Accordingly, the default expiry date of the patents will be 23 December 2023 (subject to payment of the necessary renewal/annuity fees).

However, US 8,084,602 has been granted a patent term adjustment (PTA) of 1222 days, thus extending the duration of this patent to 28 April 2027 (subject to payment of the necessary renewal/annuity fees).

Upon approval of XF-73, XF-70 or any of the other compounds of the invention by a relevant regulatory authority (such as the EMA and the FDA), Destiny Pharma may have the opportunity to apply for supplementary protection in order to extend the term of protection for the specific approved medicinal product (see Section 2.6 above). Such protection, if granted, could extend the effective period of patent protection for the approved product by up to five years.

4.1.5 *Validity and infringement*

Save for the matter resolved with Molteni (see Section 5 below), neither PC nor Destiny Pharma is aware of any challenges by third parties to any of the patents identified in Section 4.1.2.

Neither PC nor Destiny Pharma is aware of an infringement by third parties of any of the patent rights identified in Section 4.1.2.

4.2 ***The "SXF" patent family***

4.2.1 *Summary of the invention*

The 'SXF' patent family relates to the use of the XF drug series to prevent or kill microbial agents by means that do not comprise exogenous activation of the compounds by exposure to a photodynamic or ultrasonic stimulus.

The claims are directed to medical uses of the compounds of the invention, *e.g*. to treat or prevent microbial infections.

The scope of the claims differs from territory to territory, as a consequence of the examination process being conducted by different national/regional patent offices. However, in all cases, the claims provide protection for the use of Destiny Pharma's lead candidates XF-73 (exeporfinium chloride) and XF-70.

4.2.2 *Members of patent family*

Territory	*Application number*	*Grant number*	*Grant date*	*Status**
International (PCT)	PCT/GB2005/002457 (WO 2006/000765)	N/A	N/A	Dormant
Australia (AU)	2005256812	2005256812	24/11/2011	Patent in force
Brazil (BR)	PI0512563-4	N/A	N/A	Application pending
Canada (CA)	2,571,558	2,571,558	23/04/2013	Patent in force
China (CN)	200580028590.8	ZL200580028590.8	06/03/2013	Patent in force
Europe (EP)	05755384.4	1,768,666	15/02/2012	Patent in force in AT, BE, BG, CH, CY, CZ, DE, DK, EE, ES, FI, FR, GB, GR, HU, IE, IS, IT, LI, LT, LU, MC, NL, PL, PT, RO, SE, SI, SK, TR
Indonesia (ID)	W-00200603672	ID P0029000	18/08/2011	Patent in force
Israel (IL)	179900	179900	01/02/2014	Patent in force
Japan (JP)	2012-27117	5933983	13/05/2016	Patent in force
South Korea (KR)	2007-7001551	1380229	26/03/2014	Patent in force
Mexico (MX)	MX/A/2007/000356	279433	28/09/2010	Patent in force
Norway (NO)	20065802	338010	18/07/2016	Patent in force
New Zealand (NZ)	552078	552078	08/01/2011	Patent in force
Russia (RU)	2007102296	2383340	10/03/2010	Patent in force
Singapore (SG)	200608936-1	128344	31/12/2007	Patent in force
Ukraine (UA)	a200700633	94027	11/04/2011	Patent in force
USA (US)	11/571,130	7,977,474	12/07/2011	Patent in force
South Africa (ZA)	2007/00450	2007/00450	30/07/2008	Patent in force

* '*Dormant*' indicates that the PCT application has entered the national/regional phase in the selected territories.

'*Patent in force*' indicates that the relevant national/regional patent office has completed its examination of patentability and proceeded to grant a patent for the invention as claimed.

'Application pending' indicates that examination of patentability by the relevant national/regional patent office is ongoing, and a patent has yet to be formally granted.

4.2.3 *Ownership*

All the patents in the 'SXF' family stand in the sole proprietor name of Destiny Pharma.

We have been informed by Destiny Pharma that:

- Destiny Pharma has entered into a contract with Solvias regarding the commercialisation of the 'SXF' patent family; and
- as between Solvias and Destiny Pharma, Destiny Pharma has the exclusive right to exploit the 'SXF' patent family.

PC has not independently verified the ownership status of this patent family.

4.2.4 *Anticipated expiry dates*

As discussed in Section 2.6, the duration of a patent is typically twenty years from the filing date (subject to payment of the necessary renewal/annuity fees).

The 'SXF' patent family has a filing date of 22 June 2005. Accordingly, the default expiry date of the patents will be 22 June 2025 (subject to payment of the necessary renewal/annuity fees).

However, US 7,977,474 has been granted a patent term adjustment (PTA) of 876 days, thus extending the duration of this patent to 15 November 2027 (subject to payment of the necessary renewal/annuity fees).

Upon approval of XF-73, XF-70 or any of the other compounds of the invention by a relevant regulatory authority (such as the EMA and the FDA), Destiny Pharma may have the opportunity to apply for supplementary protection in order to extend the term of protection for the specific approved medicinal product (see Section 2.6 above). Such protection, if granted, could extend the effective period of patent protection for the approved product by up to five years.

4.2.5 *Validity and infringement*

Neither PC nor Destiny Pharma is aware of any challenges by third parties to any of the patents identified in Section 4.2.2.

Neither PC nor Destiny Pharma is aware of an infringement by third parties of any of the patent rights identified in Section 4.2.2.

4.3 ***The "Biofilm" patent family***

4.3.1 *Summary of the invention*

The 'Biofilm' patent family relates to the use of the XF drug series to prevent or treat microbial biofilms.

The claims are directed to medical uses of the compounds of the invention to prevent or kill microbial biofilms in medicine, as well as in domestic, commercial and industrial environments.

The scope of the claims differs from territory to territory, as a consequence of the examination process being conducted by different national/regional patent offices. However, in all cases, the claims in force in granted patents and those as currently pending in applications provide protection for the use of Destiny Pharma's lead candidates XF-73 (exeporfinium chloride) and XF-70.

4.3.2 *Members of patent family*

Territory	*Application number*	*Grant number*	*Grant date*	*Status**
International (PCT)	PCT/GB2009/002537 (WO 2010/046663)	N/A	N/A	Dormant
Brazil (BR)	PI0920042-8	N/A	N/A	Application pending
Canada (CA)	2,741,413	N/A	N/A	Application allowed, grant of patent imminent
Europe (EP)	09759759.5	2,355,816	14/05/2014	Patent in force in CH, DE, ES, FR, GB, HR, IT, LV, MK, MT
Japan (JP)	2011-532715	5745417	15/05/2015	Patent in force
South Korea (KR)	2011-7010992	1749659	15/06/2017	Patent in force
USA (US)	13/124,508	9,326,511	03/05/2016	Patent in force
South Africa (ZA)	2011/03171	2011/03171	29/08/2012	Patent in force

* '*Dormant*' indicates that the PCT application has entered the national/regional phase in the selected territories.

'*Patent in force*' indicates that the relevant national/regional patent office has completed its examination of patentability and proceeded to grant a patent for the invention as claimed.

'*Application pending*' indicates that examination of patentability by the relevant national/regional patent office is ongoing, and a patent has yet to be formally granted.

'*Application allowed (grant imminent)*' indicates that examination of patentability by the relevant, national/regional patent office has been successfully completed and grant of patent is imminent.

4.3.3 *Ownership*

All the patents in the 'Biofilm' family stand in the sole proprietor name of Destiny Pharma.

We have been advised by Destiny Pharma that it has full ownership of this patent family.

PC has not independently verified the ownership status of this patent family.

4.3.4 *Anticipated expiry dates*

As discussed in Section 2.6, the duration of a patent is typically twenty years from the filing date (subject to payment of the necessary renewal/annuity fees).

The 'Biofilm' patent family has a filing date of 23 October 2009. Accordingly, the default expiry date of the patents will be 23 October 2029 (subject to payment of the necessary renewal/annuity fees).

Upon approval of XF-73, XF-70 or any of the other compounds of the invention by a relevant regulatory authority (such as the EMA and the FDA), Destiny Pharma may have the opportunity to apply for supplementary protection in order to extend the term of protection for the specific approved medicinal product (see Section 2.6 above). Such protection, if granted, could extend the effective period of patent protection for the approved product by up to five years.

4.3.5 *Validity and infringement*

Neither PC nor Destiny Pharma is aware of any challenges by third parties to any of the patents identified in Section 4.3.2.

Neither PC nor Destiny Pharma is aware of an infringement by third parties of any of the patent rights identified in Section 4.3.2.

4.4 ***Mapping of patent protection to Destiny Pharma's lead candidates***

4.4.1 *XF-73 (exeporfinium chloride)*

Destiny Pharma's lead candidate XF-73 (exeporfinium chloride) is protected by the following patent rights belonging to Destiny Pharma:

(a) The 'XF' patent family (see Section 4.1)

This patent family provides patent protection for compound XF-73 *per se* and any and all uses thereof, including the use of XF-73 to prevent post-surgical staphylococcal infection ('XF-73 Nasal') and the use of XF-73 to prevent staphylococcal respiratory infection ('XF-73 Throat').

(b) The 'SXF' patent family (see Section 4.2)

This patent family provides patent protection to the extent that XF-73 is used to prevent or kill microbial agents by means that do not comprise exogenous activation of the compounds by exposure to a photodynamic or ultrasonic stimulus. Such uses include the use of XF-73 to prevent post-surgical staphylococcal infection ('XF-73 Nasal') and the use of XF-73 to prevent staphylococcal respiratory infection ('XF-73 Throat').

(c) The 'Biofilm' patent family (see Section 4.3)

This patent family provides patent protection to the extent that XF-73 is used to prevent or treat microbial biofilms.

4.4.2 *XF-70*

Destiny Pharma's alternative lead candidate XF-70 is protected by the following patent rights belonging to Destiny Pharma:

(a) The 'XF' patent family (see Section 4.1)

This patent family provides patent protection for compound XF-70 and any and all uses thereof, including the use of XF-70 to treat dermal antibiotic resistant Gram-positive and-Gram negative bacterial infections ('XF-70 Dermal') and the use of XF-70 to prevent and treat bacterial biofilm-associated infections ('XF-70 Various').

(b) The 'SXF' patent family (see Section 4.2)

This patent family provides patent protection to the extent that XF-70 is used to prevent or kill microbial agents by means that do not comprise exogenous activation of the compounds by exposure to a photodynamic or ultrasonic stimulus. Such uses may include the use of XF-70 to treat dermal antibiotic resistant Gram-positive and-Gram negative bacterial infections ('XF-70 Dermal') and the use of XF-70 to prevent and treat bacterial biofilm-associated infections ('XF-70 Various').

(c) The 'Biofilm' patent family (see Section 4.3)

This patent family provides patent protection to the extent that XF-70 is used to prevent or treat microbial biofilms. Such uses include the use of XF-70 to prevent and treat bacterial biofilm-associated infections ('XF-70 Various').

4.4.3 *DPD-207*

DPD-207 is a derivative of XF-73 (exeporfinium chloride) complexed with an iron (Fe) moiety within its porphyrin ring.

DPD-207 is protected by the following patent rights belonging to Destiny Pharma:

(a) The 'XF' patent family (see Section 4.1)

This patent family provides patent protection for compound DPD-207, and any and all uses thereof.

(b) The 'SXF' patent family (see Section 4.2)

This patent family provides patent protection to the extent that DPD-207 is used to prevent or kill microbial agents by means that do not comprise exogenous activation of the compounds by exposure to a photodynamic or ultrasonic stimulus.

(c) The 'Biofilm' patent family (see Section 4.3)

This patent family provides patent protection to the extent that DPD-207 is used to prevent or treat microbial biofilms.

5. Challenges to the Validity of Destiny Pharma's Patent Rights

In 2010, the Destiny Pharma entered into an agreement to settle an opposition that had been filed in respect of Destiny Pharma's 'XF' European patent by an Italian pharmaceutical company L. Molteni & C. Dei Fratelli Alitti Societa' Di Esercizio Societa' Per Azioni ("Molteni"). Under the agreement, Molteni abandoned its opposition to Destiny Pharma's European patent (EP 1,578,750 B) and the EPO subsequently decided not to continue the opposition of its own volition; consequently, Destiny Pharma's 'XF' European patent was maintained as granted.

Part of the settlement included an exclusive licence under Destiny Pharma's XF patents to Molteni to manufacture and commercialise certain products (the "**Molteni Products**"). The licence is royalty-free and sub-licensable by Molteni.

The Molteni Products explicitly exclude XF-73 (exeporfinium chloride), XF-70 and metallated forms of these lead compounds (such as DPD-207). Destiny Pharma has informed PC that the Molteni Products are not of commercial interest to Destiny Pharma.

The patents licensed by Destiny Pharma to Molteni do not include the 'SXF' or 'Biofilm' patent families.

The settlement also included an exclusive licence to Destiny Pharma under patents owned by Molteni which were considered at the time to be of potential relevance to Destiny Pharma's freedom to commercialise its lead compounds in some core jurisdictions of interest (notably, Europe, Japan and the US). However, Molteni has subsequently abandoned these patent rights and so they no longer present any obstacle to Destiny Pharma's current or planned commercial activities in core jurisdictions of interest.

Molteni has not challenged the validity of any of Destiny Pharma's other patent rights.

6. Third Party Patent Rights

Save for the matter resolved with Molteni (see Section 5 above), Destiny Pharma has informed us that it has not received any correspondence from any person alleging that the use or commercialisation of any of Destiny Pharma's lead candidate compounds (XF-73, XF-70 and DPD-207) might infringe third party patent rights.

PC has not conducted any independent freedom-to-operate searches or analysis in relation to the commercialisation of any of Destiny Pharma's lead candidate compounds (XF-73, XF-70 and DPD-207).

However, save for the matter resolved with Molteni (see Section 5 above), PC is not aware of any third party patent rights that impact upon Destiny Pharma's freedom to commercialise its lead candidate compounds (XF-73, XF-70 and DPD-207) in the core jurisdictions of interest: Europe, Japan and the United States.

7. Summary

This report provides an accurate and comprehensive summary of Destiny Pharma's intellectual property (IP) rights as they relate to Destiny Pharma's lead candidate compounds (XF-73, XF-70 and DPD-207).

Destiny Pharma has secured extensive patent protection for its lead candidate compounds (as detailed in Section 4 above).

PC is not aware of any IP-related issues that would materially impact to any substantive extent upon Destiny Pharma's freedom to commercialise its lead candidate compounds (XF-73, XF-70 and DPD-207) in the core jurisdictions of interest: Europe, Japan and the United States.

However, as is invariably the case in relation to intellectual property portfolios, the following risk factors exist in relation to Destiny Pharma's patent rights and associated commercial activities:

(a) a third party may seek to invalidate one or more of Destiny Pharma's patent rights;

(b) a third party may seek to challenge Destiny Pharma's right of ownership to one or more of Destiny Pharma's patent rights;

(c) a third party patent right may exist, of which we are currently unaware, that could impact upon Destiny Pharma's freedom to commercialise its lead candidate compounds (XF-73, XF-70 and DPD-207); and

(d) a third party may commence an activity which constitutes an infringement of Destiny Pharma's patent rights.

We make no warranties, express, implied or apparent, regarding the validity, ownership or enforceability of Destiny Pharma's patent rights other than those explicitly stated herein.

Yours faithfully

Potter Clarkson LLP

GLOSSARY

EMA	European Medicines Agency	The EMA is an agency of the European Union which is responsible for the evaluation and approval of medicinal products in the European Union.
EPC	European Patent Convention	This is a multinational treaty which established the EPO and provides an autonomous legal system according to which European patents are granted (see section 2.2 for more detail).
EPO	European Patent Office	The EPO is one of the two organs of the European Patent Organisation, the other being the Administrative Council. The EPO acts as executive body for the Organisation with responsibility for implementing the European Patent Convention.
FDA	United States Food and Drug Administration	The FDA is a federal agency which is responsible for is responsible for the evaluation and approval of medicinal products in the United States.
PCT	Patent Cooperation Treaty	This is a multinational treaty which provides a unified procedure for filing patent applications to protect inventions in each of its contracting states.
UKIPO	UK Intellectual Property Office	The UK's Intellectual Property Office manages various intellectual property registries, including the UK Patent Office.

PART IV

FINANCIAL INFORMATION

Section A: Accountants' Report on Destiny Pharma plc

Crowe Clark Whitehill LLP
Chartered Accountants
Member of Crowe Horwath International
St Bride's House
10 Salisbury Square
London EC4Y 8EH, UK
+44 (0)20 7842 7100
+44 (0)20 7583 1720
DX: 0014 London Chancery Lane
www.croweclarkwhitehill.co.uk

29 August 2017

The Directors
Destiny Pharma plc
Unit 36
Sussex Innovation Centre
Science Park Square
Falmer
Brighton BN1 9SB

The Directors
Cantor Fitzgerald Europe
One Churchill Place
London E14 5RB

Dear Sirs,

Introduction

We report on the audited historical financial information of Destiny Pharma plc (the "Company") set out in Section B of Part IV (the "Financial Information") of the Admission document dated 29 August 2017 (the "Document") of the Company. This Financial Information has been prepared for inclusion in the Document on the basis of preparation and accounting policies set out in note 2 to the Financial Information. This report is required by paragraph 20.1 of Annex 1 of the Prospectus Directive Regulation as applied by part (a) of Schedule Two to the AIM Rules for Companies (the "AIM Rules") and is given for the purposes of complying with the AIM Rules and for no other purpose.

Responsibilities

The directors of the Company (the "Directors") are responsible for preparing the Financial Information in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

It is our responsibility to form an opinion on the Financial Information as to whether the financial information gives a true and fair view, for the purposes of the Document and to report our opinion to you.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any person other than the addressees of this letter for any loss suffered by any such person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Document.

Basis of Opinion

We conducted our work in accordance with Standards of Investment Reporting issued by the Auditing Practices Board in the UK. Our work included an assessment of evidence relevant to the amounts and disclosures in the Financial Information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the Financial Information gives, for the purposes of the Document, a true and fair view of the state of affairs of the Company as at the date stated and of the results, financial position, cash flows and changes in equity for the period then ended in accordance with the basis of preparation set out in note 2 to the Financial Information and International Financial Reporting Standards as adopted by the European Union.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in any jurisdictions other than the UK and accordingly should not be relied upon as if it had been carried out in accordance with those other standards and practices.

Declaration

For the purposes of paragraph (a) of Schedule Two of the AIM Rules for Companies, we are responsible for this report as part of the Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Document in compliance with Paragraph (a) of Schedule Two of the AIM Rules.

Yours faithfully,

Crowe Clark Whitehill LLP
Chartered Accountants

PART IV

Section B: Historical Financial Information relating to Destiny Pharma plc

Statement of Comprehensive Income

The statements of comprehensive income of the Company for each of the three years ended 31 December 2016 is set out below:

		Year ended 31 December		
		2014	*2015*	*2016*
	Notes	*£*	*£*	*£*
Continuing operations				
Revenue		—	—	—
Administrative expenses	6	(1,708,106)	(920,755)	(1,249,035)
Other operating income		—	—	89
Share option charge		(367,468)	(283,872)	(200,857)
Operating loss		(2,075,574)	(1,204,627)	(1,449,803)
Finance income	3	10,505	7,662	397
Loss before income tax		(2,065,069)	(1,196,965)	(1,449,406)
Income tax	5	303,276	181,932	191,578
Loss for the year		(1,761,793)	(1,015,033)	(1,257,828)
Other comprehensive income		—	—	—
Total comprehensive loss for year		(1,761,793)	(1,015,033)	(1,257,828)
Loss per share				
Basic and diluted (£)	7	(0.06)	(0.03)	(0.04)

Statement of Financial Position

The statements of financial position of the Company at 31 December 2014, 2015 and 2016 are set out below:

	Notes	31 December 2014 £	31 December 2015 £	31 December 2016 £
ASSETS				
Non-current asserts				
Property, plant and equipment	8	602	2,500	1,161
Current assets				
Trade and other receivables	9	397,215	200,879	216,520
Cash and cash equivalents	10	2,004,021	1,118,574	1,481,493
Prepayments		27,689	23,210	—
		2,428,925	1,342,663	1,698,013
TOTAL ASSETS		2,429,527	1,345,163	1,699,174
EQUITY				
Shareholders' equity				
Called up share capital	11	620	620	638
Share premium		16,974,402	16,984,525	18,335,092
Retained earnings		(15,003,163)	(15,734,324)	(16,791,295)
		1,971,859	1,250,821	1,544,435
LIABILITIES				
Current liabilities				
Trade and other payables	12	457,668	94,342	154,739
		457,668	94,342	154,739
TOTAL EQUITY AND LIABILITIES		2,429,527	1,345,163	1,699,174

Statement of Changes in Equity

	Called up share capital	*Share premium*	*Retained earnings*	*Total equity*
	£	£	£	£
Balance at 1 January 2014	566	13,962,975	(13,608,838)	354,703
Issue of share capital	54	3,011,427	—	3,011,481
Total comprehensive loss	—	—	(1,761,793)	(1,761,793)
Share option charge			367,468	367,468
Balance at 31 December 2014	620	16,974,402	(15,003,163)	1,971,859
Issue of share capital		10,123	—	10,123
Total comprehensive loss	—	—	(1,015,033)	(1,015,033)
Share option charge			283,872	283,872
Balance at 31 December 2015	620	16,984,525	(15,734,324)	1,250,821
Issue of share capital	18	1,350,567	—	1,350,585
Total comprehensive loss	—	—	(1,257,828)	(1,257,828)
Share option charge			200,857	200,857
Balance at 31 December 2016	638	18,335,092	(16,791,295)	1,544,435

Statement of Cash Flows

The statements of cash flows of the Company for each of the three years ended 31 December 2016 are set out below:

		Year ended 31 December		
		2014	*2015*	*2016*
	Notes	*£*	*£*	*£*
Cash flows from operating activities				
Cash utilised in operations	1	(1,857,708)	(1,082,492)	(1,179,623)
Tax received		303,276	181,932	191,578
Net cash from operating activities		(1,554,432)	(900,560)	(988,045)
Cash flows from investing activities				
Purchase of tangible fixed assets		(798)	(2,676)	—
Interest received		10,505	7,789	396
Net cash from investing activities		9,707	5,113	396
Cash flows from financing activities				
Share issue		3,011,481	10,000	1,350,568
Increase/(decrease) in cash and cash equivalents		1,466,756	(885,447)	362,919
Cash and cash equivalents at start of year	2	537,265	2,004,021	1,118,574
Cash and cash equivalents at end of year	2	2,004,021	1,118,574	1,481,493

Notes to the Statement of Cash Flows

1. Reconciliation of Loss before Income Tax to Cash Generated from Operations

	Year ended 31 December		
	2014	*2015*	*2016*
	£	*£*	*£*
Loss before income tax	(2,065,069)	(1,196,965)	(1,449,406)
Depreciation charges	805	778	1,339
Share option charge	367,468	283,872	200,857
Finance income	(10,505)	(7,662)	(397)
	(1,707,301)	(919,977)	(1,247,607)
(Increase)/decrease in trade and other receivables	(302,115)	200,812	7,587
Increase/(decrease) in trade and other payables	151,708	(363,327)	60,397
Cash utilised in operations	(1,857,708)	(1,082,492)	(1,179,623)

2. Cash and Cash Equivalents

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

	2014	*2015*	*2016*
	£	*£*	*£*
Cash and cash equivalents			
1 January	537,265	2,004,021	1,118,574
31 December	2,004,021	1,118,574	1,481,493

Notes to the Historic Financial Informatoin

1. Accounting Policies

General information

The Company was incorporated and domiciled in the UK on 4 March 1996 with registration number 03167025. The Company's registered office is located at Unit 36 Sussex Innovation Centre Science Park Square, Falmer, Brighton, BN1 9SB.

The Company is engaged in the discovery, development and commercialisation of new antimicrobials that have unique properties to improve outcomes for patients and the delivery of medical care into the future.

Basis of preparation

This financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS's") as adopted by the European Union. The financial information has been prepared under the historical cost convention.

The Company's Financial Information has been presented in Pound sterling (GBP), being the functional and presentation currency of the Company.

Standards and interpretations issued but not yet applied

At the date of authorisation of the Company's Financial Information, certain new standards, amendments and interpretations to existing standards have been published by the International Accounting Standards Board but are not yet effective and have not been adopted early by the either the Company. All relevant standards, amendments and interpretations to existing standards will be adopted in the Company's accounting policies in the first period beginning on or after the effective date of the relevant pronouncement.

The Directors do not anticipate that the adoption of these standards, amendments and interpretations will have a material impact on the Company's Financial Information in the periods of initial application.

Segment reporting

The chief operating decision-maker is considered to be the Board of Directors of the Company. The chief operating decision-maker allocates resources and assesses performance of the business and other activities at the operating segment level.

The chief operating decision maker has determined that the Company has one operating segment, the development and commercialisation of pharmaceutical formulations. All activities take place in the UK.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. The Company currently does not use derivative financial instruments to manage or hedge financial exposures or liabilities.

Financial assets and financial liabilities are initially measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Cash and cash equivalents

Bank balances and cash in the statement of financial position comprise cash at banks and on hand.

Trade and other receivables and payables

Trade and other receivables and trade and other payables are initially recognised at fair value. Fair value is considered to be the original invoice amount, discounted where material, for short-term receivables and payables. Long term receivables and payables are measured at amortised cost using the effective interest rate method. Where receivables are denominated in a foreign currency, retranslation is made in accordance with the foreign currency accounting policy.

Derecognition of financial assets and liabilities

a) *Financial assets*

A financial asset is derecognised where:

- the right to receive cash flows from the asset has expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a pass-through arrangement; or
- the Company has transferred the rights to receive cash flows from the asset, and
  - i. either has transferred substantially all the risks and rewards of the asset; or
  - ii. has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

b) *Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Share based payments

Employees (including Directors and senior executives) of the Company receive remuneration in the form of share-based payment transactions, whereby these individuals render services as consideration for equity instruments ("equity-settled transactions"). These individuals are granted share option rights approved by the Board. No cash settled awards have been made or are planned.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant individuals become fully entitled to the award ("vesting point"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments and value that will ultimately vest. The statement of comprehensive income charge for the year represents the movement in the cumulative expense recognised as at the beginning and end of that period.

The fair value of share-based remuneration is determined at the date of grant and recognised as an expense in the statement of comprehensive income on a straight-line basis over the vesting period, taking account of the estimated number of shares that will vest. The fair value is determined by use of a Black Scholes model.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Plant and machinery	– between 2 and 10 years

Taxation

Current taxes are based on the results shown in the financial information and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the statement of financial position date.

Research and development

Development costs and expenditure on pure and applied research are charged to the profit and loss account in the year in which they are incurred.

Foreign currency

Transactions in foreign currencies are initially recorded using the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange ruling at the statement of financial position date. Any resulting exchange differences are included in the statement of comprehensive income.

Employee benefit costs

Contributions are made to the personal pension plans of certain employees. The expenditure is charged to the profit and loss account in the period to which it relates.

Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Critical Accounting Judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following critical judgements have been made by the directors.

Going concern

The Company has not yet recorded any revenues and funds its operations through periodic capital issues. Management prepares detailed working capital forecasts which are reviewed by the Board on a regular basis. Cash flow forecasts and projections take into account sensitivities on receipts, and costs. Having made relevant and appropriate enquiries, including consideration of the Company's current cash resources and the working capital forecasts, the Directors have a reasonable expectation that the Company will have adequate cash resources to continue to meet the requirements of the business for at least the next twelve months. Accordingly, the Board continues to adopt the going concern basis in preparing the financial statements.

Share based payments

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

2. Directors' Remuneration

	2014 £	*2015* £	*2016* £
Directors' remuneration	180,267	175,411	152,580
Pension costs	10,681	10,681	10,681
Share option expense	337,399	263,771	186,571

The number of directors to whom retirement benefits were accruing was as follows:

	2014	*2015*	*2016*
Defined benefit schemes	1	1	1

The Company defines key management personnel as the Directors of the Company. In addition to the above directors' remuneration, amounts were paid to third parties for directors' services which are disclosed in note 16.

3. Net Finance Income

	2014 £	*2015* £	*2016* £
Finance income:			
Deposit account interest	10,505	7,662	397

4. Loss Before Income Tax

The loss before income tax is stated after charging:

	2014 £	*2015* £	*2016* £
Depreciation – owned assets	804	778	1,339
Auditors remuneration	8,850	9,204	15,259
Foreign exchange differences	—	367	91
Paid to third parties for directors' services	50,125	49,750	107,568

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund. The amount due to the fund at 31 December 2016 was £2,082 (2015: nil; 2014: £5,144).

5. Income Tax

	2014 £	*2015* £	*2016* £
Research and development tax credits based on costs in the financial year	303,276	181,932	191,578

Tax reconciliation

	2014 £	*2015* £	*2016* £
Loss before tax	(2,065,069)	(1,196,965)	(1,449,406)
Loss before tax multiplied by the UK corporation Tax rate of 20% (2015: 20%, 2014: 20%)	(413,014)	(239,393)	(289,881)
Effects of:			
Non-deductible expenditure	73,494	56,674	40,171
R&D tax credit	303,276	181,932	191,578
Tax losses carried forward	339,520	182,719	249,710
Total tax credit on loss	303,276	181,932	191,578

There were no tax charges in the period. There are tax losses available to carry forward amounting to approximately £10.74 million (2015: £9.04 million; 2014: £8.68 million). A deferred tax asset on losses is not recognised in the accounts due to the uncertainty of future profits against which they will be utilised.

6. Administrative Expenses

Administrative expenses include:

	2014 £	*2015* £	*2016* £
Staff costs	440,806	482,236	505,292
Depreciation	804	778	1,339
Research and development costs	1,090,258	274,348	496,356
Other administrative expenses	176,238	163,393	246,048
	1,708,106	920,755	1,249,035

7. Loss Per Ordinary Share

The calculation for loss per ordinary share (basic and diluted) for the relevant period is based on the earnings after income tax attributable to equity shareholders for the period. As the Company made losses during the period, there are no dilutive potential ordinary shares in issue, and therefore basic and diluted loss per share are identical. The calculation is as follows:

	2014 £	*2015* £	*2016* £
Loss for the year attributable to shareholders	(1,761,793)	(1,015,033)	(1,257,828)
Weighted average number of shares	61,960	61,973	62,426
Bonus issue of shares in January 2017 (see note 17)	31,854,164	31,854,164	31,854,164
Total	31,916,124	31,916,137	31,916,590
Loss per share (£) – Basic and diluted	(0.06)	(0.03)	(0.04)

8. Property, Plant and Equipment

	Plant and machinery £
Cost	
At 1 January 2014	52,673
Additions	798
At 31 December 2014	53,471
Additions	2,676
At 31 December 2015	56,147
Additions	—
At 31 December 2016	56,147
Depreciation	
At 1 January 2014	52,065
Charge for the year	804
At 31 December 2014	52,869
Charge for the year	778
At 31 December 2015	53,647
Charge for the year	1,339
At 31 December 2016	54,986
Net book value	
At 1 January 2014	608
At 31 December 2014	602
At 31 December 2015	2,500
At 31 December 2016	1,161

9. Trade and Other Receivables

	2014 £	*2015* £	*2016* £
Other debtors	93,939	18,947	24,942
Research and development tax repayment	303,276	181,932	191,578
	397,215	200,879	216,520

10. Cash and Cash Equivalents

	2014 £	*2015* £	*2016* £
Cash and bank balances	2,004,021	1,118,574	1,481,493

11. Share Capital

Ordinary shares of £0.01 each	*2014* *Number*	*2015* *Number*	*2016* *Number*
Authorised	100,000	100,000	100,000
Allotted and fully paid			
At 1 January	61,960	61,960	61,976
Issued for cash during the year	—	16	1,860
At 31 December	61,960	61,976	63,836

	£	£	£
Authorised	1,000	100,000	100,000
Allotted and fully paid	620	620	638

	2014 £	*2015* £	*2016* £
Share premium account			
Share premium account	16,974,402	16,984,525	18,335,092

Each ordinary share ranks *pari passu* for voting rights, dividends and distributions and return of capital on winding up.

Share options

1,887 share options were issued during 2016 (2015: nil; 2014: 594).

Movement in the year:

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, share options during the year:

	2014 *Number*	*2015* *Number*	*2016* *Number*
Outstanding at 1 January	13,215	13,809	13,809
Granted during the year	594	—	1,887
Outstanding at 31 December	13,809	13,809	15,696
Exercisable at 31 December	—	13,215	13,215

	WAEP £	*WAEP* £	*WAEP* £
Outstanding at 1 January	124.19	141.77	141.77
Granted during the year	532.90	—	541.30
Outstanding at 31 December	141.77	141.77	189.80
Exercisable at 31 December	—	124.19	124.19

The weighted average remaining contractual life of the options outstanding at the statement of financial position date is 6.18 years (2015: 6.75 years, 2014: 7.75 years) and weighted average fair value of the options granted during the year was £322.13 (2015:£nil, 2014: £328.60).

The options were issued pursuant to equity settled plans and fair value is measured at the grant date of the option. Options vest over a three year period provided the recipient remains an employee of the Company.

The expected volatility is based on the historic volatility of similar listed companies which reflects the assumption that historical volatility of similar listed companies is indicative of future trends of the Company, which may not necessarily be the actual outcome.

The exercise price of the options issued in the year ended 31 December 2016 ranged from £532.90 to £726.09 (2015: n/a; 2014: £532.90).

The fair value was calculated using the Black Scholes option pricing model. The weighted average inputs were as follows

	2014	*2015*	*2016*
Stock price	£532.90	—	£541.30
Exercise price	£532.90	—	£541.30
Interest rate	1.70%	—	1.55%
Volatility	49%	—	49%
Time to maturity	10 years	—	10 years

12. Trade and Other Payables

	2014 £	*2015* £	*2016* £
Trade creditors	301,856	39,155	57,881
Social security and other taxes	15,126	29,508	17,251
Accrued expenses	135,542	25,679	77,525
Pension contribution payable	5,144	—	2,082
	457,668	94,342	154,739

13. Financial Instruments – Risk Management

The Company is exposed through its operations to credit risk and liquidity risk. In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Directors' objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout this financial information.

Financial Instruments

Categories of financial instruments

	2014 £	*2015* £	*2016* £
Financial assets			
– Financial assets measured at fair value through profit or loss	2,004,021	1,118,574	1,481,493
– Financial assets measured at amortised cost	93,936	18,947	24,924
Financial liabilities			
– Financial liabilities measured at amortised cost	437,399	64,834	135,405

Credit risk

The Company's credit risk arises from cash and cash equivalents with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted.

Liquidity risk

Liquidity risk arises from the Directors' management of working capital and is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Further details on the going concern basis of preparation are provided in Note 1.

The Directors' policy is to ensure sufficient cash is available to allow it to meet its liabilities when they become due. To achieve this aim, the Directors seek to maintain a cash balance sufficient to meet expected operational requirements for a period of at least 45 days.

14. Capital Risk Management

The Directors' objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. At the date of this financial information, the Company had been financed from shareholders. In the future, the capital structure of the Company is expected to consist of equity attributable to equity holders of the Company, comprising issued share capital and reserves.

The Company is not subject to any externally imposed capital requirements.

15. Ultimate Controlling Party

Due to the Company's shareholding structure, as no shareholder owns in excess of 50 per cent. of the total share capital of the Company, the directors consider there to be no ultimate controlling party.

16. Related Party Transactions

The Cadmus Organisation

During the year, £32,827 (2015: £38,025, 2014: £30,554) was paid to the Cadmus Organisation Ltd ("Cadmus") for the services of G H Matthews as director. The amount due to Cadmus at 31 December 2016 was £3,324 (2015: £3,617, 2014: £2,693).

Sacerdoti Consulting

During the year, £56,429 (2015 and 2014: £nil) was paid to Sacerdoti Consulting Limited for the services of S Sacerdoti as director of the company. The amount due to Sacerdoti Consulting Limited at 31 December 2016 was £9,600 (2015 and 2014: £nil).

Dr D Roblin

During the year, £18,312 (2015: £21,364, 2014: £4,578) was paid for the services of Dr D Roblin as director of the company. The amount due to Dr D Roblin at 31 December 2016 was £nil (2015 and 2014: £nil)

17. Subsequent Events

In January 2017, the Company undertook a bonus issue of shares whereby, in respect of each Ordinary Share in issue, 499 Ordinary Shares were issued, fully paid resulting in a transfer of £318,542 from share premium to called up share capital. Further details of the bonus issue and resultant adjustments to the Company's capital structure are set out in Part V of this document.

On 26 January 2017, the Company effected a reduction of share capital whereby the outstanding balance on the Share Premium account amounting to £18,016,550 was transferred to the profit and loss reserve.

The pro forma share capital and reserves as at 31 December 2016 reflecting these transactions as if they had taken place at that date, is as follows:

	At 31 December 2016 £	*Pro forma At 31 December 2016* £
Called up share capital	638	319,180
Share premium	18,335,092	—
Retained earnings	(16,791,295)	1,225,255
Total	1,544,435	1,544,435

On 18 April 2017, Long Term Incentive Plans were adopted for the benefit of the Company's employees, further details of which are set out in paragraph 11 of Part V of this document.

On 22 August 2017, the Company re-registered as a public limited company.

18. Nature of Financial Information

The Company's Financial Information presented above does not constitute statutory financial statements for the periods under review.

PART V

ADDITIONAL INFORMATION

1. Responsibility Statement

The Directors, whose names and functions are set out on page 7 of this document and the Company, accept responsibility, both individually and collectively, for all the information contained in this document, and compliance with the AIM Rules. To the best of the knowledge and belief of the Directors and the Company (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

The business address of each Director is set out on page 7 of this document.

2. The Company

2.1 The Company is domiciled in the UK and was incorporated and registered on 4 March 1996 in England and Wales under the Companies Act 1985 with registration number 3167025 as a private company limited by shares.

2.2 On 14 February 1997, the Company's name was changed from Destiny Consultants Limited to Destiny Pharma Limited and to Destiny Pharma Holdings Limited on 26 January 2016.

2.3 On 22 August 2017 the Company was re-registered as a public limited company under the Act and its name was changed to Destiny Pharma plc.

2.4 The Company is a public limited company and accordingly the liability of its members is limited to the amount paid up or to be paid on their shares. The principal legislation under which the Company operates and which the Placing Shares will be issued is the Act and regulations made thereunder.

2.5 The registered office and corporate headquarters of the Company is Unit 36, Sussex Innovation Centre, Science Park Square, Falmer, Brighton, BN1 9SB and its telephone number is +44 (0)1273 704 440.

2.6 The Company's web site address is www.destinypharma.com.

2.7 The Company has a dormant subsidiary which it intends to strike off following Admission.

3. Share Capital of the Company

3.1 As at 28 August 2017 (being the latest practicable date prior to the date of this document) and, assuming that the Placing is fully subscribed, immediately following Admission, the issued and fully paid up share capital of the Company is, and will be, as follows:

	Number of Ordinary Shares issued and credited as fully paid	*Aggregate nominal value (£)*
As at 28 August 2017	31,918,000	£319,180.00
On Admission	40,537,120	£405,371.20

3.2 As at 28 August 2017 (being the latest practicable date prior to the date of this document), EMI Options are outstanding over a total of 741,000 Ordinary Shares, Unapproved Options are outstanding over a total of 103,000 Ordinary Shares and LTIP Options are outstanding over a total of a further 5,904,823 Ordinary Shares (722,484 of which are LTIP EMI Options, 677,024 of which are LTIP (NTA) Employee Options and 4,505,315 of which are LTIP Non-Employee Options). Options are therefore outstanding over a total of 6,748,823 Ordinary Shares at various exercise

prices between £0.01 and £1.46 (representing, in aggregate, 16.65 per cent. of the Enlarged Share Capital). The number of Ordinary Shares subject to such outstanding options will remain the same immediately following the Placing and Admission.

In addition to the options held by the Directors (as further set out in paragraph 6.1 of this Part V), the following options have been granted:

Name	*Number of share options*	*Date of grant*	*Exercise price*	*Scheme*
David Roblin	271,312	2 June 2017	£0.01	LTIP Non-employee
William Rhys-Williams	195,500	1 September 2012	£0.2484	EMI
	41,000	10 June 2016	£1.0658	EMI
	108,621	16 May 2017	£0.01	LTIP Employee (EMI)
	1,976	2 June 2017	£0.01	LTIP Employee (non EMI)
Ian Hayter	17,000	1 September 2012	£0.2484	EMI
	41,000	10 June 2016	£1.0658	EMI
	110,597	16 May 2017	£0.01	LTIP Employee (EMI)
Stephane Hauduc	20,000	10 June 2016	£1.0658	EMI
	38,396	16 May 2017	£0.01	LTIP Employee (EMI)
Kirsty Richardson	20,000	10 June 2016	£1.0658	EMI
	17,946	16 May 2017	£0.01	LTIP Employee (EMI)
Geoff Webb	62,000	1 September 2012	£0.2484	Unapproved

3.3 The following changes to the share capital of the Company have taken place since 1 January 2014 to the date of this document:

3.3.1 on 2 February 2014 the Company issued 1 Ordinary Share, with £532.90 paid up;

3.3.2 on 6 February 2014 the Company issued 3,761 Ordinary Shares, with £532.90 paid up per Ordinary Share;

3.3.3 on 30 July 2014 the Company issued 1,562 Ordinary Shares, with £532.90 paid up per Ordinary Share;

3.3.4 on 12 December 2014 the Company issued 337 Ordinary Shares, with £532.90 paid up per Ordinary Share;

3.3.5 on 6 January 2015 the Company issued 3 Ordinary Shares, with £532.90 paid up per Ordinary Share;

3.3.6 on 2 March 2015 the Company issued 16 Ordinary Shares, with £532.90 paid up per Ordinary Share;

3.3.7 on 28 September 2016 the Company issued 1,378 Ordinary Shares, with £726.09 paid up per Ordinary Share;

3.3.8 on 21 October 2016 the Company issued 403 Ordinary Shares, with £726.09 paid up per Ordinary Share;

3.3.9 on 31 October 2016 the Company issued 79 Ordinary Shares, with £726.09 paid up per Ordinary Share; and

3.3.10 on 24 January 2017 the Company issued 31,854,164 Ordinary Shares, with £0.01 paid up per Ordinary Share. These Ordinary Shares constituted a bonus issue of Ordinary Shares issued to existing Shareholders at nominal value and in proportion to their respective shareholdings.

3.4 On 15 September 2011, the Shareholders passed a resolution on the following terms:

3.4.1 the Directors were generally and unconditionally authorised for the purposes of section 551 of the Act to exercise all powers of the Company to allot shares in the capital of the Company and grant rights to subscribe for, or convert any securities into, shares in the capital of the Company up to an aggregate nominal amount of £1,000; and

3.4.2 the Directors were generally empowered pursuant to section 570 of the Act to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority granted by the resolution summarised in paragraph 3.4.1 above as if section 561 of the Act did not apply to any such allotment.

3.5 On 24 October 2016, the Shareholders ratified and approved that, with regard to a fundraising round announced by the Company on 12 May 2016, the Directors had the requisite authority to allot shares under section 550 of the Act and that the pre-emption provisions contained in the Company's articles of association and those in sections 561(1), 562 and 568(3) of the Act were excluded from applying to the Company.

3.6 On 26 January 2017, the Company changed its name to 'Destiny Pharma Holdings Limited', and simultaneously, the Company's wholly-owned, dormant subsidiary changed its name to 'Destiny Pharma Limited'. Further, the Company approved a reduction of capital of the share premium account by way of the procedure set out in section 641(1)(a) of the Act and the reserve arising on the cancellation was credited to the Company's profit and loss account.

3.7 On 20 April 2017, the Shareholders passed resolutions on the following terms:

3.7.1 the Directors were generally and unconditionally authorised for the purposes of section 551 of the Act to exercise all powers of the Company to allot shares and grant rights to subscribe for, or convert any securities into, shares up to an aggregate nominal amount of £65,000; and

3.7.2 the Directors were generally empowered pursuant to section 570 of the Act to allot equity securities (as defined in section 560 of the Act) pursuant to the authority granted by the resolution summarised in paragraph 3.7.1 above as if section 561 of the Act did not apply to any such allotment.

3.8 On 21 August 2017, the Shareholders passed resolutions on the following terms:

3.8.1 pursuant to sections 90 to 92 of the Act, the Company be re-registered as a public limited company with the name 'Destiny Pharma plc' (and simultaneously, the Company's wholly-owned, dormant subsidiary changed its name to 'Destiny Pharma (Brighton) Limited');

3.8.2 the Company adopt new articles of association in substitution for and to the exclusion of all existing articles of association of the Company, with effect from the date of re-registration of the Company as a public company;

3.8.3 the Directors be generally and unconditionally authorised in accordance with section 551 of the Act to allot shares or grant rights to subscribe for or convert any security into shares up to an aggregate nominal amount of £120,000, expiring on Admission (unless previously renewed, varied or revoked);

3.8.4 the Directors be given the power to allot equity securities (as defined by section 560 of the Act) of the Company pursuant to the authorities granted by the resolution summarised in paragraph 3.8.3 as if section 561 of the Act did not apply to any such allotment in respect of the allotment of equity securities up to an aggregate nominal amount of £120,000 expiring on Admission (unless previously renewed, varied or revoked);

3.8.5 conditional upon Admission, the Company adopt the Articles as the articles of association of the Company in substitution for and to the exclusion of all existing articles of association of the Company (including those adopted pursuant to 3.8.2 above);

3.8.6 conditional on Admission, the Directors be generally and unconditionally authorised in accordance with section 551 of the Act to allot shares or be granted rights to subscribe for or convert any security into shares up to an aggregate nominal amount of £146,393.33 or (if smaller) an aggregate nominal amount equal to one third of the nominal value of the Company's Enlarged Share Capital expiring on the conclusion of the first annual general meeting of the Company following Admission (unless previously renewed, varied, or revoked);

3.8.7 conditional on Admission, the Directors be given the power to allot equity securities (as defined by section 560 of the Act) of the Company pursuant to the authorities granted by the resolution summarised in paragraph 3.8.6 as if section 561 of the Act did not apply to such allotment:

(a) in connection with an offer of securities by way of an offer to holders of Ordinary Shares (and any other equity securities) in proportion to their respective holdings;

(b) otherwise than pursuant to (a) above, in respect of the allotment of equity securities up to an aggregate nominal amount of £87,836 or if smaller, an aggregate nominal amount equal to one fifth of the nominal value of the Enlarged Share Capital; and

(c) in addition to the amount in (b) above, the allotment of equity securities for cash up to an aggregate nominal amount of £21,959 or, if smaller, an aggregate nominal amount equal to one twentieth of the nominal value of the Enlarged Share Capital, provided that any allotment of equity securities under this paragraph (c) shall only be used in connection with an acquisition or a specified capital investment,

in each case expiring on the conclusion of the first annual general meeting of the Company following Admission (unless previously renewed, varied or revoked).

3.9 Save as disclosed in this Part V, since 31 December 2016 (being the date of the most recent balance sheet included in Part IV of this document):

3.9.1 no share or loan capital of the Company is under option or is the subject of an agreement, conditional or unconditional, to be put under option;

3.9.2 no share or loan capital of the Company has been issued, or is now proposed to be issued (other than pursuant to the Placing or on the exercise of the Options to be issued under the Share Schemes), fully or partly paid, either for cash or other consideration to any person;

3.9.3 no person has any preferential subscription rights for any share capital of the Company;

3.9.4 no commissions, discounts, brokerages or other special terms, have been granted by the Company in connection with the issue or sale of any share or loan capital of the Company;

3.9.5 neither the Company nor the Company's wholly-owned, dormant subsidiary, holds any of the Ordinary Shares;

3.9.6 the Company has no convertible debt securities, exchangeable debt securities or debt securities with warrants in issue; and

3.9.7 there are no acquisition rights or obligations over the authorised but unissued share capital of the Company and there is no undertaking to increase the share capital of the Company.

3.10 The Ordinary Shares have been created under the Act.

3.11 The Ordinary Shares are in registered form and may be held either in certificated form or in uncertificated form through CREST. The Articles permit the Company to issue shares in uncertificated form.

3.12 No shares of the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.

3.13 Save for the Options, the Company does not have in issue any securities not representing share capital.

3.14 There are no issued but not fully paid Ordinary Shares.

3.15 Other than pursuant to the Placing, the Ordinary Shares are not being marketed or being made available to the public in whole or in part in conjunction with the application for Admission.

3.16 The Existing Ordinary Shares have not been admitted to dealing on any recognised investment exchange or other trading facility, nor has any application for such admission been made and it is not intended to make any arrangements for dealings in the Ordinary Shares on any such exchange other than the application to be made in connection with Admission.

3.17 The Company has the contractual capacity of a natural person and is empowered to borrow, guarantee and give security.

4. Articles of Association

The Company's Articles contain no specific restriction on the Company's objects and contain provisions, *inter alia*, to the following effect:

Board powers

a) The directors acting as a board may exercise all the Company's powers, and may do on its behalf anything that can be done by the Company or on its behalf, which is not required by law or the Articles to be done by the Company in general meeting, subject to applicable laws, the Articles and any direction that the Company gives to the directors by passing a special resolution.

b) The board may delegate any of its powers under the Articles, and any other of its powers capable of delegation, to such person or persons or to any board committee as it considers appropriate. The board may grant to any such person(s) or committee the power to sub-delegate a delegated power to one or more other persons or to a sub-committee.

Directors – appointment, election, re-election and removal

c) The Company must have at least two directors but no more than ten. These numbers can be changed by the Company passing an ordinary resolution.

d) The board may appoint as a director a person who is willing to act as such. The Company may by ordinary resolution appoint as a director a person who is willing to act as such. The board may appoint any director to hold any employment or executive office with the Company for such period and on such terms as the board decides.

e) At each annual general meeting (i) each director who was appointed by the board as a director since the previous annual general meeting is to be proposed for election by members as a director, (ii) each other director who has continued to be a director without being appointed or elected or re-elected by member as such at one of the two previous annual general meetings is to be proposed for re-election by members as a director, and (iii) any other director can be proposed by the board for re-election as a director. If a resolution for the election or re-election of a person as a director is put to vote at that meeting but not passed, that person will cease to be a director.

f) The Company may remove a director from office by ordinary resolution of which special notice has been given in accordance with the Act or by special resolution.

g) A person will cease to be a director when (i) he ceases to be a director as a matter of law, (ii) he is removed from office pursuant to the Articles, (iii) a resignation notice that the Company has received from him takes effect in accordance with its terms or, if later, on its receipt by the Company, (iv) the board resolves that he cease to be a director on the ground that a bankruptcy order has been made against him or a composition has been made with his creditors generally in satisfaction of his debts or he is unable to act properly as a director for reasons of ill-health or incapacity and has been unable to do so for the previous six months or he has not attended a board meeting in the previous six months, (v) all of the other directors sign a written notice (or different notices in the same form) or unanimously pass a resolution requiring him to resign or (vi) in the case of a director who is an employee of a group undertaking, he ceases to be employed by any group undertaking without the board having resolved that, on such cessation, he is to continue in office as a director.

Fees and remuneration

h) The Company may pay to the directors for their services as directors such aggregate amount of fees as the board decides of up to £2,000,000 per annum, or such larger amount as the Company may by ordinary resolution decide. The aggregate fees may be divided among the directors in proportions decided by the board or, if no decision is made, equally. The remuneration of an executive director is to be decided by the board. It may be paid in addition to or instead of a fee payable to him as a director pursuant to these Articles. A director who performs any special or extra service for the Company which the board considers to be outside the scope of his ordinary duties as a director or, where applicable, the scope of his duties as an executive director, may be paid additional remuneration for doing so.

Directors' interests

i) A director is not required to account to the Company for any profit, remuneration or other benefit which he obtains as a consequence of him (i) being interested in any arrangement or transaction with the Company or any other group undertaking or in which the Company is otherwise interested, (ii) holding any other office or place of profit with the Company in conjunction with his office of director for such period and on such terms, including as to remuneration, as the board may decide, (iii) acting in a professional capacity for the Company or any other group undertaking or body corporate in which the Company is interested, (iv) being a partner or a member or an employee of a firm or company, or a consultant to it, that provides services to the Company or any other group undertaking or any such body corporate, or (v) being a director or other officer of a body corporate in which the Company or any other group undertaking is interested or which has an interest in the Company or in any other group undertaking or being employed by or otherwise interested in any such body corporate. This applies, if the director is or has been required to disclose the nature and extent of his interest in the matter concerned to the other directors in accordance with the Act, only if he has done so.

j) A director is not allowed to vote or be counted in the quorum on any board resolution concerning any contract in which he has an interest unless that interest could not reasonably be regarded by a majority of the other directors as likely to give rise to a conflict of interest for him or only arises from or relates to one or more of:

   i. the giving of any security, guarantee or indemnity to him in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of a group undertaking;

   ii. the giving of any security, guarantee or indemnity to a third party in respect of a debt or obligation of a group undertaking for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

   iii. an offer of securities by a group undertaking in which he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;

   iv. a contract with or relating to another company in which he does not have to his knowledge an interest in shares representing at least one per cent. of any class of that company's equity share capital or that carry at least one per cent. or the rights to vote on substantially all matters at its general meetings;

   v. an arrangement for the benefit of employees of any group undertaking which does not award him any privilege or benefit not generally awarded to the employees to whom the arrangement relates;

   vi. insurance which the Company proposes to maintain or purchase for the benefit of directors or for the benefit of persons including any director; or

   vii. a proposal for the Company (1) to provide him with an indemnity permitted by company legislation, (2) to provide him with funds in circumstances permitted by company legislation to meet his defence expenditure in respect of any civil or criminal proceedings or regulatory

investigation or other regulatory action or in connection with any application for any category of relief permitted by company legislation, or (3) to do anything to enable him to avoid incurring any such expenditure.

k) The directors may authorise any situation or matter relating to a director to which section 175 of the Act (on "Duty to avoid conflicts") applies (each a "conflict matter") on such terms as they think fit. Any terms to which such an authorisation is made subject may include that the director concerned (i) is not obliged to disclose to the Company confidential information obtained by him in any situation to which the authorisation applies, nor to use any such information for the benefit of the Company, where doing so would amount to a breach of a duty of confidence to any third party that he has previously disclosed to the board and (ii) may absent himself from any board discussions relating to the conflict matter concerned for so long as he has or may have a conflict of interest as a director in respect of it.

Dividends

l) The Company may by ordinary resolution declare a dividend in respect of fully paid ordinary shares in issue on a record date fixed by the board. The dividend must not exceed the amount recommended by the board. The board may resolve that the Company pay an interim dividend in respect of fully paid ordinary shares in issue on a record date fixed by the Board. The amount of a dividend payable on fully paid ordinary shares carrying the right to receive it shall be the same for each share. Any dividend unclaimed after a period of six years from the date the dividend was declared or became due for payment will be forfeited and revert to the Company.

General meetings

m) The board is to decide when and where an annual general meeting is to be held. The board may call a general meeting which is not an annual general meeting to be held when and where the board considers appropriate. A general meeting is to be called by at least the minimum period required under the Act. A general meeting that is not an annual general meeting may also be called an "extraordinary" general meeting.

n) Notice of a general meeting is to be given to each person who is a member at the relevant time specified in the notice in accordance with company legislation, other than a member who (under these Articles or the terms attached to his shares) does not have the right to receive it. Notice of a general meeting need not be given to a person entitled to a share in consequence of the death or bankruptcy of a member or of any other event giving to its transmission by operation of law.

o) A person who is a holder of ordinary shares at the time specified by the Company for a general meeting in accordance with company legislation may, subject to the Articles and company legislation and any restrictions attaching to those shares (i) attend and speak and vote at that meeting as a member, (ii) appoint another person, or two or more persons in respect of different shares held by him, as his proxy to exercise all or any of his rights to attend, speak and vote at the meeting or (iii) if it is a corporation, by resolution of its directors or other governing body authorise a person or persons to act as its representative or representatives at the meeting. Every such holder who is present at a general meeting as an individual or through the appointment of a corporate representative or proxy has one vote on a resolution put to the meeting on a show of hands and one vote for every share of which he is the holder on a resolution put to the meeting on a poll. Only the vote of the senior of joint holders will be counted to the exclusion of the votes of the other joint holders. Seniority is determined by the order in which the names of the holders appear in the Company's register of members in respect of the joint holding.

Interests in shares not disclosed to the Company

p) The Company may suspend the exercise of voting rights attached to shares if (i) a person to whom the Company has given a notice under section 793 of the Act on the ground that such person is or appears to be interested in those shares fails to comply with it by the date 14 days after it was given or, if later, by any deadline specified in it (a "default") and (ii) that person remains in default of the notice, so far as the board is aware. Where this is the case, the Company may suspend all rights conferred by those shares ("default shares") to attend or vote at a general meeting or at a class meeting or on a poll and may also suspend all other rights conferred by those shares in relation to any meeting or poll.

q) Where the default shares represent at least 0.25 per cent. of the issued shares of their class, the Company may (i) suspend the payment of all dividends on those shares and the right of their holder to elect to receive other shares instead of any dividend on them, (ii) require their holder to refrain from transferring them, other than pursuant to an exempt transfer, (iii) require a holder of default shares in uncertificated form to have them converted into certificated form, (iv) refuse to register the transfer of default shares in certificated form, unless the transfer is an exempt transfer, and (v) may require the operator of the CREST system to convert default shares in uncertificated form into certificated form in accordance with the CREST regulations. An "exempt transfer" is a transfer of shares (i) made pursuant to an acceptance of a takeover offer made in compliance with the City Code or (ii) which the board is satisfied is made pursuant to a genuine sale to a person who has no connection with the member making the transfer nor with the defaulter nor with anyone else appearing (other than as a result of the sale) to be interested in the shares or appearing to have been interested in them at any relevant time.

r) The suspension of any rights conferred by default shares, and the obligation of their holder to continue to comply with any requirements notified to it, will cease (i) in relation to all default shares, on the earlier of the Company notifying the holder of such cessation and seven days after the Company's receipt, of all the information required by the statutory notice, (ii) in relation to default shares that are the subject of an exempt transfer, on the registration of those shares in a transferee's name pursuant to that transfer, and (iii) in relation to some (but not all) default shares, at such earlier time as the Company may notify to the holder.

Return of capital

s) On the Company's winding up its assets available for distribution to members are first to be applied in paying to members sums equal to the nominal amounts of capital paid up on their shares. The remaining assets of the Company available for distribution are then to be applied in making payments to the holders of ordinary shares in proportion to the number of ordinary shares held by them.

Share class rights

t) Rights attached to a class of shares may be varied with the consent in writing from the holders of at least three-quarters in nominal value of the issued shares of that class. They may also be varied with the sanction of a special resolution passed at a separate general meeting of the holders of shares of that class. Rights attached to shares of the same class will not be treated as varied by the allotment or issue of other shares ranking in all respects equally with them, unless the terms conferring those rights expressly state otherwise.

Share transfers

u) A member may transfer certificated shares by an instrument of transfer in writing in any usual form. The instrument must be signed by or on behalf of the member as the transferor. An instrument of transfer in respect of shares that are not fully paid must also be signed by or on behalf of the transferee. A member may transfer all or any of his uncertificated shares without a written instrument in accordance with the CREST regulations.

v) The Company may refuse to register a transfer of fully paid certificated shares in accordance with provisions in the Articles summarised above under "Disclosure of interests in shares". It may also refuse to register a transfer of fully paid certificated shares unless (i) the instrument of transfer is properly stamped or is certified or otherwise shown to the board's satisfaction to be exempt from stamp duty, (ii) all the shares to which the instrument relates are of the same class and (iii) the instrument is in favour of a single transferee or not more than four joint transferees and is delivered for registration to the Company at its registered office or such other place as the board may decide and accompanied by the certificate for the shares to which it relates (except for shares in respect of which the Company did not issue a certificate for their holder) and by any other evidence required by the Company to show the right of the transferor to make the transfer or, if the instrument is signed by some other person, to show that person's authority to do so. The Company may refuse to register a transfer of certificated shares which are not fully paid.

w) Registration of the transfer of an uncertificated share may be refused if the transfer is in favour of more than four persons jointly or if any other circumstances apply in respect of which refusal to register it is permitted or required by the CREST regulations.

Pre-emption rights

x) There are no rights of pre-emption under the articles of association of the Company in respect of transfers of issued Ordinary Shares. In certain circumstances, the Company's shareholders may have statutory pre-emption rights under the Act in respect of the allotment of new shares in the Company. These statutory pre-emption rights would require the Company to offer new shares for allotment by existing shareholders on a pro rata basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares would be offered to the Company's shareholders.

5. The City Code, Mandatory Bids, Squeeze-Out and Sell-Out Rules

5.1 ***Mandatory takeover bids***

5.1.1 The City Code is issued and administered by the Panel on Takeovers and Mergers (the "**Panel**"). The Panel has been designated as the supervisory authority to carry out certain regulatory functions in relation to takeovers pursuant to the Directive on Takeover Bids (2004/25/EC) (the "**Directive**"). Following the implementation of the Directive by the Takeovers Directive (Interim Implementation) Regulations 2006, the rules set out in the City Code which are derived from the Directive now have a statutory basis.

5.1.2 The Company is a public company incorporated in England and Wales and will be admitted to trading on AIM. Accordingly, the City Code will apply to the Company from Admission. The City Code operates principally to ensure that shareholders are treated fairly and are not denied an opportunity to decide on the merits of a takeover and that shareholders of the same class are afforded equivalent treatment.

5.1.3 The City Code is based upon a number of General Principles which are essentially statements of standards of commercial behaviour. General Principle One states that all holders of securities of an offeree company of the same class must be afforded equivalent treatment and, if a person acquires control of a company, the other holders of securities must be protected. This is reinforced under Rule 9 of the City Code. Under Rule 9 of the City Code, where:

(a) any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which persons acting in concert with him are interested) carries 30 per cent. or more of the voting rights of a company subject to the City Code; or

(b) any person who, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent. but not more than 50 per cent. of the voting rights of such a company, if such person, or any person acting in concert with him, acquires an interest in any other shares which increases the voting rights in which he is interested,

then, except with the consent of the Panel, he, and any person acting in concert with him, must make a general offer in cash to the other shareholders to acquire the balance of the shares not held by him and his concert parties.

5.1.4 An offer under Rule 9 of the City Code must be in cash and at the highest price paid within the preceding 12 months for any shares by the person required to make the offer or any person acting in concert with him.

5.2 ***Compulsory acquisition – squeeze out***

Under sections 974 to 991 of the Act, if within certain time limits, an offeror acquires or contracts to acquire (pursuant to a takeover offer) not less than 90 per cent. of the shares (in value and by voting rights) to which such offer relates, it may then compulsorily acquire the outstanding shares not assented to the offer. The offeror would accept the compulsory acquisition by sending a notice to outstanding

holders of shares telling them that it will compulsorily acquire their shares and then, six weeks from the date of the notice, it would execute a transfer of the outstanding shares in its favour and pay the consideration for the shares to the Company, which would hold the consideration on trust for the outstanding holders of shares. The consideration offered to the holders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer.

5.3 ***Compulsory acquisition – sell out***

In addition, pursuant to section 983 of the Act, if an offeror acquires or agrees to acquire not less than 90 per cent. of the shares (in value and by voting rights) to which the offer relates, any holder of shares to which the offer relates who has not accepted the offer may require the offeror to acquire his shares on the same terms as the takeover offer. Certain time limits apply to this entitlement. The offeror would be required to give any holder of shares notice of his right to be bought out within one month of that right arising. Sell-out rights cannot be exercised after the end of the period of three months from the last date on which the offer can be accepted or, if later, three months from the date on which the notice is served on the holder of shares notifying them of their sell-out rights. If a holder of shares exercises his/her rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

6. Interests of the Directors

6.1 As at the date of this document, the interests of the Directors and their families (including any interest known to that Director which could with reasonable diligence be ascertained by him) or any person connected with a Director (within the meaning set out in the AIM Rules for Companies) in the issued share capital of the Company and, assuming that the Placing is fully subscribed, immediately following Admission, are as follows:

	As at the date of this document		*Immediately following Admission*	
Name	*No. of Ordinary Shares*	*% of Existing Ordinary Shares*	*No. of Ordinary Shares*	*% of Enlarged Share Capital*
Bill Love	6,859,500*	21.49%	6,859,500	16.92%
Joe Eagle	2,269,000	7.11%	2,269,000	5.60%
Sir Nigel Rudd	995,764**	3.12%	1,155,000	2.85%
Peter Morgan	1,025,500	3.21%	1,025,500	2.53%

* 3,667,700 of these Ordinary Shares are held by Bill Love directly and 3,191,800 are held by Bill's wife, Carole Love.

** 303,764 of these Ordinary Shares are held by Sir Nigel Rudd directly and 35,000 are held by Sir Nigel Rudd's wife, Lady Lesley Rudd. The following are the beneficial holders of Ordinary Shares held by Rock (Nominees) Limited: 175,000 held by Sir Nigel Rudd and 13,000 held by Lady Lesley Rudd. Further, Sir Nigel Rudd is the beneficial holder of 469,000 Ordinary Shares in the name of City Partnership Nominee Limited.

Name	*Number of share options*	*Date of grant*	*Exercise price*	*Scheme*
Sir Nigel Rudd	20,500	13 December 2016	£1.4522	Unapproved
	466,177	2 June 2017	£0.01	LTIP Non-employee
Neil Clark	172,152	16 May 2017	£0.01	LTIP Employee (EMI)*
	172,153	2 June 2017	£0.01	LTIP Employee (non EMI)*
Simon Sacerdoti	172,152	16 May 2017	£0.01	LTIP Employee (EMI)
	74,469	2 June 2017	£0.01	LTIP Employee (non EMI)
	172,152	2 June 2017	£0.01	LTIP Employee (non EMI)*
Bill Love	406,500	1 September 2012	£0.2484	EMI
	102,620	16 May 2017	£0.01	LTIP Employee (EMI)
	256,274	2 June 2017	£0.01	LTIP Employee (non EMI)

Name	*Number of share options*	*Date of grant*	*Exercise price*	*Scheme*
Peter Morgan	719,962	2 June 2017	£0.01	LTIP Non-employee
Joe Eagle	20,500	13 December 2016	£1.4522	Unapproved
	1,425,976	2 June 2017	£0.01	LTIP Non-employee

Notes:
All options granted under the EMI Scheme and the Unapproved Scheme are exercisable at any time after the third anniversary of grant but before the tenth anniversary of grant. Unless marked with an asterisk (*), all options granted under the LTIP Employee Scheme or the LTIP Non-Employee Scheme are exercisable after the first anniversary of grant. Options marked with an asterisk (*) are exercisable from the first anniversary of Admission.

6.2 There are no outstanding loans granted or guarantees provided by the Company to, or for the benefit of, any of the Directors.

6.3 Save as otherwise disclosed in this document, no Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by the Company since its incorporation and which remains in any respect outstanding or under-performed.

6.4 None of the Directors or any person connected with a Director (within the meaning of section 252 to 255 of the Act) is interested in any related financial product referenced to the Ordinary Shares (being a financial product whose value is, in whole or in part, determined directly or indirectly by reference to the price of the Ordinary Shares, including a contract for difference or a fixed odds bet).

7. Directors' Service Agreements and Letters of Appointment

7.1 The Directors have been appointed to the offices and roles set out against their respective names below. The service agreements and letters of appointment summarised below are each between the respective Director and the Company.

7.2 ***Executive Directors***

7.2.1 Neil Clark *(Chief Executive Officer, Age 55)* entered into a service agreement with the Company dated 29 August 2017, the terms of which are conditional on Admission. Neil's continuous employment date is 16 January 2017. His appointment is terminable on 12 months' notice by either party and the agreement contains provisions for early termination, without notice, in certain circumstances, including if the director is prevented or prohibited by law from being a director or is in serious (after written warning) repeated breach of any of his obligations to the Company or of any legal duty owed to it. Neil's salary is £200,000 per annum. The agreement also provides for pension contributions by the Company at 10 per cent. of monthly salary, payments by the Company into a critical illness scheme and a life assurance scheme, a private health insurance scheme and a permanent health insurance scheme as well as the repayment of all reasonable expenses properly and reasonably incurred in the performance of the director's duties. In addition, the agreement contains post-termination restrictive covenants and confidentiality obligations.

7.2.2 Simon Sacerdoti *(Chief Financial Officer, Age 46)* entered into a service agreement with the Company dated 29 August 2017, the terms of which are conditional on Admission. Simon's continuous employment date is 1 May 2017. His appointment is terminable on 12 months' notice by either party and the agreement contains provisions for early termination, without notice, in certain circumstances, including if the director is prevented or prohibited by law from being a director or is in serious (after written warning) repeated breach of any of his obligations to the Company or of any legal duty owed to it. Simon is employed three days a week at a salary of £108,000 per annum. This equates to a full time equivalent salary of £180,000 per annum. The agreement also provides for pension contributions by the Company at 10 per cent. of monthly salary, payments by the Company into a critical illness scheme and a life assurance scheme, a private health insurance scheme and a permanent health insurance scheme as well as the repayment of all reasonable expenses properly and reasonably incurred in the performance of the director's duties. In addition, the agreement contains post-termination restrictive covenants and confidentiality obligations.

7.2.3 Bill Love *(Chief Scientific Officer, Age 54)* entered into a service agreement with the Company dated 29 August 2017, the terms of which are conditional on Admission. Bill's continuous employment date is 1 January 1997. His appointment is terminable on 12 months' notice by either party and the agreement contains provisions for early termination, without notice, in certain circumstances, including if the director is prevented or prohibited by law from being a director or is in serious (after written warning) repeated breach of any of his obligations to the Company or of any legal duty owed to it. Bill's salary is £170,000 per annum. The agreement also provides for pension contributions by the Company at 10 per cent. of monthly salary, payments by the Company into a critical illness scheme and a life assurance scheme, a private health insurance scheme and a permanent health insurance scheme as well as the repayment of all reasonable expenses properly and reasonably incurred in the performance of the director's duties. In addition, the agreement contains post-termination restrictive covenants and confidentiality obligations.

7.3 ***Non-Executive Directors***

7.3.1 Sir Nigel Rudd (*Non-Executive Chairman, Age 70*) entered into a letter of appointment with the Company dated 29 August 2017 (effective 20 May 2017). The appointment and terms of the letter of appointment will expire if Admission does not occur. The appointment is for an initial term until the date falling 2 years from Admission, terminable on 3 months' notice by either party. The terms of the appointment letter entitle Sir Nigel Rudd to a remuneration of £80,000. Sir Nigel Rudd is also entitled to the reimbursement of reasonable travelling and other expenses incurred in performing his duties. The appointment is subject to re-appointment pursuant to the Articles. There are no benefits payable on the termination of the appointment.

7.3.2 Peter Morgan (*Non-Executive Director, Age 64*) entered into a letter of appointment with the Company dated 29 August 2017 (effective 20 May 2017). The appointment and terms of the letter of appointment will expire if Admission does not occur. The appointment is for an initial term until the date falling 1 year from Admission, terminable on 3 months' notice by either party. The annual fee payable is £40,000 and Peter is entitled to the reimbursement of reasonable travelling and other expenses incurred in performing his duties. The appointment is subject to re-appointment pursuant to the Articles. There are no benefits payable on the termination of the appointment.

7.3.3 Joe Eagle *(Non-Executive Director, Age 70)* entered into a letter of appointment with the Company dated 29 August 2017 (effective 20 May 2017). The appointment and terms of the letter of appointment will expire if Admission does not occur. The appointment is for an initial term until the date falling 2 years from Admission, terminable on 3 months' notice by either party. The annual fee payable is £40,000 and Joe is entitled to the reimbursement of reasonable travelling and other expenses incurred in performing his duties. The appointment is subject to re-appointment pursuant to the Articles. There are no benefits payable on the termination of the appointment.

7.4 On 29 August 2017, deeds of indemnity were entered into by the Company in respect of each of the Directors. Pursuant to these deeds of indemnity, the Company indemnifies each Director, subject to the provisions of the Act, against all charges, costs, damages, expenses and liabilities suffered or (acting reasonably) incurred by the director in the execution or purported exercise of his duties, powers or responsibilities as a director of the Company or any group company or otherwise in connection with his office. Amongst others exceptions, the indemnity does not apply to any liability of the Director to pay a fine imposed in criminal proceedings or to pay a sum payable to a regulatory authority by way of a penalty in respect of non-compliance with any requirement of a regulatory nature (however arising).

7.5 The aggregate remuneration and benefits in kind paid by the Company to the Directors in respect of the financial period ended 31 December 2016 was £252,000. It is estimated that under the arrangements currently in force as at the date of this document, the aggregate remuneration payable and benefits in kind to be granted to the Directors by the Company for the financial period ending 31 December 2017 will be no less than £500,000.

8. Additional Information on the Directors

8.1 Other than in respect of the Company and its wholly-owned dormant subsidiary, the names of all companies and partnerships of which the Directors have been a director or partner at any time in the five years preceding the date of this document (and indicating whether they are current or former) are set out below:

Name	*Current Directorships/Partnerships*	*Former Directorships/Partnerships*
Sir Nigel Rudd	Loch Lomond Members Golf Club Ipulse Direct Limited Ipulse Limited JCCIP LLP BBA Aviation plc Juno Capital (FP) LLP Juno Capital LLP Juno Capital (GP) LLP Cyden Limited Pacarula Limited Coleman Investments Limited Rother House Finance Limited Sappi Limited Meggitt plc Loch Lomond Golf Club Limited LCIP 2010 LLP LCIP 2009 LLP LCIP 2007 LLP Business Growth Fund Limited Juno Capital Partners LLP	Eagle Buyer Limited UK Business Angels Association Invensys Limited Barclays Wealth Longbow Capital LLP Heathrow Airport Holdings Limited Aquarius Platinum Limited Business Growth Fund plc
Neil Clark	Primevigilance Limited	Sound Opinion Limited Ergomed Clinical Research Limited Ergomed plc
Simon Sacerdoti	Elaine Securities plc Tristone Green Energy plc Tristone Healthcare plc Tristone Healthcare Bond DAC Sacerdoti Consulting Limited	White Panther Capital Limited Weswap.com Limited Insetco plc
Bill Love	—	—
Joe Eagle	Wade Group Limited	Lifestyle Capital Partners Limited The Eagle-Millar Foundation
Peter Morgan	TPK Management Limited The Bertinet Bakery Limited	Oncimmune Limited

8.2 Joe Eagle was a director of LL123 Limited when it was placed into creditors' voluntary liquidation on 24 September 2010.

8.3 Save as disclosed in this paragraph 8, none of the Directors has:

8.3.1 any unspent convictions in relation to indictable offences;

8.3.2 been or is the subject of any bankruptcy order made against him or been the subject of any form of individual voluntary arrangements;

8.3.3 been a director of a company which has been placed in receivership, compulsory liquidation, creditors voluntary liquidation, administration, been subject to a company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director;

8.3.4 been a partner in any partnership which has been placed in compulsory liquidation, or administration or been the subject of a partnership voluntary arrangement or where the assets of any such partnership have been subject of a receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;

8.3.5 been the owner of any asset or been a partner in any partnership which owned, any asset which while he owned that asset, or while he was a partner or within the 12 months after he ceased to be a partner in the partnership which owned the asset, which has at any time been the subject of a receivership;

8.3.6 been the subject of any public criticism and/or investigation by any statutory or regulatory authority (including recognised professional body); or

8.3.7 ever been or is disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of any company.

8.4 Save as disclosed in this document, none of the Directors has or have had any interest in transactions which are or were unusual in their nature or conditions or which are or were significant to the business of the Company and which were effected by any member of the Company in the current or immediately preceding financial year or which were effected during an earlier financial year and which remain in any respect outstanding or unperformed.

8.5 Each of the Directors has given an undertaking not to dispose of any of their Ordinary Shares, save in certain specified circumstances, for the period of twelve months from the date of Admission and, for a further twelve month period, to only dispose, and that they shall use their best endeavours to procure that their associates will only dispose, of their Ordinary Shares through Cantor Fitzgerald Europe or as Cantor Fitzgerald Europe may reasonably require, in accordance with orderly market principles. Further details of the lock-in arrangements are set out in paragraph 12.3 of this Part V.

8.6 No loans made or guarantees granted or provided by any member of the Company to or for the benefit of any Director are outstanding and there are no loans or guarantees provided by any of the Directors for the Company or its wholly-owned dormant subsidiary.

9 Significant Shareholders

9.1 Save as disclosed in paragraph 6.1 above, the Company is only aware of the following persons who, as at the date of this document and immediately following Admission, are or will be immediately following Admission interested (within the meaning of DTR Chapter 5) directly or indirectly, jointly or severally, in 3 per cent. or more of the Company's issued share capital or could exercise control over the Company:

	At the date of this document		*Immediately following Admission*	
Name	*No. of Ordinary Shares*	*Percentage of Existing Ordinary Shares*	*No. of Ordinary Shares*	*Percentage of Enlarged Share Capital*
The Wade Family*	5,946,500	18.63%	5,946,500	14.67%
Hargreave Hale Limited	–	–	4,777,070	11.78%
Rosetta Capital V GP Limited	2,771,500	8.68%	3,089,971	7.62%
A&B (HK) Company Ltd	–	–	1,910,828	4.71%
Andrew Cohen**	1,858,500	5.82%	1,858,500	4.58%
Rock (Nominees) Ltd	1,542,500	4.83%	1,542,500	3.81%

* 2,173,500 of these Ordinary Shares are held by Charles Wade directly, 2,173,000 are held by Charles Wade's wife, Jemima Wade, 350,000 are held by Jemima and Charles Wade jointly and 1,250,000 are held by Wade Furniture Group Limited, a company over which Charles Wade and persons connected with him have control.

** of which 412,000 are held by Andrew Cohen personally and 1,446,500 are held by Andrew Cohen, Wendy Cohen and NSS Trustees Limited as Trustees of the Betterware (ALC) Retirement and Death Benefit Scheme.

9.2 Save as disclosed in paragraph 9.1 above, the Company is not aware of any person who directly or indirectly, jointly or severally, exercises or could exercise control over the Company and none of the Company or any of the Directors is aware of any arrangement the operation of which may at a subsequent date result in a change of control of the Company.

9.3 None of the Directors nor any persons named in paragraph 9.1 above has voting rights which are different to those of other Shareholders.

10. Employees

The number of employees (including directors) employed by the Company for each of the last 3 financial years was as follows:

Year ended 31 December 2014	*Year ended 31 December 2015*	*Year ended 31 December 2016*
8	8	8

11. Share Option Schemes

11.1 The LTIP Schemes were established on 18 April 2017 and are administered by the Remuneration Committee. LTIP Options may be granted under the LTIP Schemes.

11.2 The EMI Scheme and the Unapproved Scheme were established on 15 November 2000 and are administered by the Remuneration Committee.

11.3 Options over a total of 6,748,823 Ordinary Shares have been granted as of 28 August 2017 (being the latest practicable date prior to the date of this document), as set out in paragraphs 3.2 and 6.1 of this Part V. As at 28 August 2017 (being the latest practicable date prior to the date of this document), no Options have been exercised, leaving a total of 6,748,823 outstanding as at such date. Pursuant to a resolution of Shareholders passed on 21 August 2017, the Directors are entitled to grant such number of further options as is set out in paragraph 3.8 of this Part V (in addition to any previously existing authority).

11.4 ***The LTIP Schemes***

The LTIP Employee Scheme

The principal terms of the LTIP Employee Scheme in respect of LTIP EMI Options are:

11.4.1 *Grant of options*

The Directors in their absolute discretion may grant to an employee an option pursuant to the LTIP, provided that the grant would not be prohibited by law the Market Abuse Regulation or any dealing code.

LTIP EMI Options may be granted to an Eligible Employee (as so defined) and in accordance with Schedule 5 of the Income Tax (Earnings and Pensions) Act 2003 ("**Schedule 5**"). The number of Ordinary Shares over which options may be granted to any one Eligible Employee shall not exceed a value of £250,000 (or such other limit that may apply in paragraph 5 of Schedule 5), except where granted under Part 6 (Company Reorganisation) of Schedule 5. If an LTIP EMI Option exceeds this limit, it shall be treated as two options: one within the EMI limit and the other shall be a LTIP (NTA) Employee Option as to the balance.

No LTIP EMI Options shall be granted if as a result the total value of Ordinary Shares over which unexercised LTIP EMI Options exist would exceed £3 million (or such other limit in paragraph 7 of Schedule 5) and if the aggregate of all options granted over Ordinary Shares exceeds 15 per cent. of the issued share capital of the Company immediately following any initial public offer. If an LTIP EMI Option exceeds this limit, it shall be treated as an LTIP (NTA) Employee Option insofar as it relates to the excess.

11.4.2 *Exercise Price*

The price per share to be paid on exercise of an LTIP EMI Option will be the market value as agreed with the Shares and Assets Valuation Division of HM Revenue & Customs at the time of the grant of the option and as detailed in the option agreement.

11.4.3 *Exercise of options*

LTIP EMI Options may only be exercised to the extent it can be exercised in accordance with the Rules or any option agreement. No option may be exercised if prohibited by any law or regulation. LTIP EMI Options may be exercised in whole or part in accordance with the rules.

11.4.4 *Non-transferable*

Except on death of an option holder, no LTIP EMI Option shall be transferrable, assigned or charged in any manner. Upon any purported transfer, assignment or charge, the LTIP EMI Option shall immediately lapse and cease to be exercisable.

11.4.5 *Lapse*

The option will lapse on the expiry of ten years from the date of grant, the date specified in any Leaver Provisions (as so defined) or any other lapse date specified in the relevant option agreement (as so defined), the first anniversary of the option holder's death, a change of control of the Company, the date on which an option is purported to be transferred or assigned (other than on death), mortgaged or charged, bankruptcy of the option holder or the option holder is deprived (other than on death) of the legal or beneficial ownership of the option by operation of the law or the option holder doing or omitting to do anything causing him to be deprived.

11.4.6 *Takeovers*

The grantee may give notice to exercise all of the options held upon notice from the Directors of a Change of Control (as so defined). Such exercise will occur immediately prior to the Change of Control but only on the basis that all of the Ordinary Shares received by the option holder are agreed to be immediately acquired by the person making the offer at the same amount or value of consideration per Ordinary Share that is accepted by all holders of Ordinary Shares.

If an option holder does not exercise his option immediately prior to a Change of Control, within the relevant period stated in paragraph 42 of Schedule 5, the option holder may release any LTIP EMI Options which have not lapsed in consideration of the grant to him of shares in the acquiring company, subject to satisfying the conditions set out in paragraph 43 of Schedule 5.

11.4.7 *Loss of office or employment*

The grant of an LTIP EMI Option does not form part of the option holder's remuneration or benefits pursuant to his terms of employment with the Company nor does it give rise to any expectation that an option might be granted or that further options will be granted.

11.4.8 *Variation of share capital*

The number of Ordinary Shares over which an option is granted and the exercise price shall be adjusted in such manner as the Directors shall determine following any capitalisation issue, rights issue, subdivision, consolidation or reduction of share capital of the Company to the intent that the total exercise price multiplied by the number of option shares shall remain unchanged.

11.4.9 *Amendment and administration*

The Directors shall have discretion to amend the Rules (as so defined) and impose additional conditions or requirements on the LTIP EMI Options or on the Ordinary Shares acquired, provided such amendment complies with any requirements in Schedule 5, does not exceed any limits or thresholds referred to in the rules and does not adversely affect subsisting rights of option holders (unless, for example, with the written consent of affected option holder or by resolution of at least 75 per cent. of option holders).

11.4.10 *Termination*

The plan shall terminate on the tenth anniversary of the adoption date or earlier by resolution of the Directors. Termination shall be without prejudice to the subsisting rights of option holders.

11.4.11 *LTIP (NTA) Employee Options*

To the extent that any options granted pursuant to the LTIP Employee Scheme do not satisfy the EMI limits and/or the requirements of Schedule 5 to the Income Tax (Earnings and Pensions) Act 2003, those options shall be treated as non-tax advantaged options granted pursuant to the LTIP Employee Scheme (referred to in this document as LTIP (NTA) Employee Options).

11.5 ***The LTIP Non-Employee Scheme***

The principal terms of the LTIP Non-Employee Scheme in respect of LTIP Non-Employee Options are on substantially similar terms to the LTIP Employee Scheme in respect of LTIP EMI Options, save that:

11.5.1 the LTIP Non-Employee Options are not granted pursuant to Schedule 5 of the Income Tax (Earnings and Pensions) Act 2003 and therefore the respective EMI and/or employment related provisions and requirements do not apply;

11.5.2 the LTIP Non-Employee Options shall be granted to "Eligible Participants", being any director of or individual providing consultancy or other services to any group company; and

11.5.3 the grant of a LTIP Non-Employee Option does not form part of the option holder's entitlement to remuneration or benefits pursuant to his contract for services nor does it give rise to any expectation that an option might be granted or that further options will be granted.

11.6 ***The Unapproved Scheme***

The principal terms of the Unapproved Scheme are:

11.6.1 *Grant of options*

The Directors in their absolute discretion may grant to an employee an option pursuant to the Unapproved Scheme. No amount is payable on grant of an option.

The aggregate of all options granted over Ordinary Shares shall not exceed 15 per cent. of the nominal value of the issued share capital of the Company (from time to time).

11.6.2 *Subscription price*

The price per share to be paid on exercise of an option will be the market value as agreed with the Share Valuation Division of HM Revenue & Customs at the time of the grant of the option and as detailed in the option certificate.

11.6.3 *Exercise of options*

Options may be exercised in whole or in part in accordance with the rules, any objective exercise conditions imposed by the Company and not until the expiry of three years from the date of grant to the grantee. Earlier exercise is permitted notwithstanding that performance conditions have not been met if the option holder dies (where exercise is permitted by his personal representatives for 12 months).

11.6.4 *Lapse*

Where the grantee becomes bankrupt, ceases to be in employment with the Company, the Company is wound up or there is a change of control of the Company (see Takeovers below), the option will lapse. Otherwise, the option shall lapse on the expiry of ten years from the date of grant of the option to the grantee.

11.6.5 *Takeovers*

The grantee may agree with an acquiring company to release his rights in exchange for a new option, provided the market value of the shares at the date of grant is the same as for the shares under the old option and as such will be treated as having been granted at the date of the old option.

11.6.6 *Adjustment of options*

If a reorganisation of the Company is effected, the number of shares subject to option and the exercise price may be adjusted as the Company may determine.

11.6.7 *Costs*

Costs of administration of the Unapproved Scheme are to be borne by the Company.

11.6.8 *Termination*

If the EMI Scheme is terminated, the existing EMI Options will remain in full force. The EMI Scheme is not intended to form any contract of employment and individuals who participate will not have any rights to damages for any loss, or potential loss of benefit, in the event of termination of office.

11.7 ***The EMI Scheme***

The rules of the EMI Scheme are the same as the Unapproved Scheme, save that the EMI Scheme rules comply with the terms of the enterprise management incentive as set out in Schedule 14 of the Finance Act 2000.

12. Material Contracts

Other than as set out below and in paragraph 13 of this Part V, and other than contracts in the ordinary course of business, neither the Company nor its wholly-owned, dormant subsidiary, has entered into any contract in the two years immediately prior to the date of this document which is or may be material, or which contains any provision under which the Company or its wholly-owned, dormant subsidiary has any obligation or entitlement which is material to the Company as at the date of this document.

12.1 ***Placing Agreement***

Pursuant to the Placing Agreement dated 29 August 2017 between the Company, each Director and Cantor Fitzgerald Europe:

12.1.1 Cantor Fitzgerald Europe has agreed, subject to certain conditions, to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price;

12.1.2 the Placing Agreement is conditional on, *inter alia*, Admission occurring by 8.00 am on 4 September 2017 or by such later date as is agreed in writing between the Company and Cantor Fitzgerald Europe, being not later than 8.00 am on 30 September 2017;

12.1.3 the Placing Agreement contains certain customary representations and warranties from the Company and the Directors in favour of Cantor Fitzgerald Europe, as to the accuracy of the information in this document and certain other matters concerning the Company and an indemnity from the Company to Cantor Fitzgerald Europe and its affiliates in respect of certain liabilities and claims that may arise or be made against them in connection with the Placing and Admission;

12.1.4 the Company has agreed to pay Cantor Fitzgerald Europe a corporate finance fee together with a commission based on the aggregate value of the Placing Shares subscribed at the Placing Price, and the costs and expenses of the Placing, together with any applicable VAT;

12.1.5 Cantor Fitzgerald Europe has the right to terminate the Placing Agreement prior to Admission in certain circumstances, including, *inter alia,* any breach by the Company or any Director of any of their respective obligations or warranties in the Placing Agreement or in certain force majeure circumstances. If the Placing Agreement is terminated, the Placing will not proceed and no shares will be issued under the Placing; and

12.1.6 the Placing Agreement is governed by English law and is subject to the exclusive jurisdiction of the English Courts.

12.2 ***Nominated Adviser and Broker Agreement***

The Company, the Directors and Cantor Fitzgerald Europe have entered into a nominated adviser and broker agreement dated 29 August 2017 (the "**Nominated Adviser and Broker Agreement**"), pursuant to which and conditional upon Admission, the Company has appointed Cantor Fitzgerald Europe to act as its nominated adviser and broker for the purposes of the AIM Rules for Companies. The Company has agreed to pay Cantor Fitzgerald Europe an annual advisory fee for its services as nominated adviser and broker under such agreement, payable quarterly in advance from the date of Admission.

The Nominated Adviser and Broker Agreement contains certain undertakings from the Directors and the Company and indemnities given by the Company in respect of, amongst other things, compliance with all laws and applicable regulations. The Nominated Adviser and Broker Agreement continues for a minimum period of 12 months from Admission and is subject to termination by either the Company or Cantor Fitzgerald Europe on not less than three months' prior written notice.

12.3 ***CFE Lock-in Agreements***

Pursuant to the CFE Lock-in Agreements, each of the CFE Locked-in Parties has undertaken to the Company and Cantor Fitzgerald Europe that, save in specified and customary circumstances, they will not, and they shall use their best endeavours to procure that their associates, by reference to the definition of "related party" in the AIM Rules for Companies ("**Associates**"), will not dispose of any interest in Ordinary Shares held by them for a period of 12 months from Admission ("**Lock-in Period**").

Furthermore, certain of the CFE Locked-in Parties have also undertaken to the Company and Cantor Fitzgerald Europe for a further 12 month period (and certain others for a further six month period instead) following the expiry of the Lock-in Period to only dispose, and that they shall use their best endeavours to procure that their Associates will only dispose, of their Ordinary Shares through Cantor Fitzgerald Europe or as Cantor Fitzgerald Europe may reasonably require, in accordance with orderly market principles.

12.4 ***Shareholders' Agreement***

The Company entered into a shareholders' agreement (entitled "Subscription Agreement") with existing shareholders and certain investors dated 13 July 2005 in respect of the Company and it was subsequently varied from time to time. The agreement terminates with effect from Admission, save as regards obligations of confidentiality. Termination will be without prejudice to any accrued rights.

12.5 ***Piper Jaffray Limited ("Piper Jaffray") Engagement Letter***

On 9 September 2013, the Company entered into an agreement with Piper Jaffray appointing them as its exclusive financial adviser in connection with the proposed sale of the Company or licencing of the Company's lead programme, XF-73, to a third party.

12.6 ***An-eX DYNAMICRO Collaboration Agreement dated 29 October 2001***

On 29 October 2001, the Company entered into an agreement with Solvias A.G ("**Solvias**"), Waldmann Eclairage S.A. and An-eX Analytical Services Limited (the "**Collaboration Agreement**") governing the further development and exploitation of all intellectual property arising under the terms of the 'CRAFT project' (a programme relating to the research and development of photodynamic therapeutic ("**PDT**") products), as permitted pursuant to a contract entered into

between the parties and the European Community (represented by the Commission of the European Communities) for the development of photodynamic treatment to eradicate and control the current spread of infectious antibiotic resistance micro-organisms in man ("**DYNAMICRO**").

Pursuant to the Collaboration Agreement, each party grants a licence to the other to develop, use, manufacture and exploit know-how owned by it in respect of the PDT products. Each party agrees to preserve and defend any intellectual property rights or know-how held by, or licensed to, it pursuant to this Collaboration Agreement.

12.7 ***European Commission DYNAMICRO Project Contract***

On 26 November 2001, the Company entered into an agreement (as amended on 3 December 2012) with the European Community (represented by the Commission of the European Communities) ("**Commission**"), Solvias, Waldmann Eclairage S.A. and An-eX Analytical Services Limited in relation to a project called "Development of a Photodynamic Treatment to Eradicate and Control the Current Spread of Infectious Antibiotic Resistant Microorganisms in Man" (the "**Project Contract**"). The role of the Company in this project is to coordinate the scientific and administrative aspects of the DYNAMICRO study, to ensure that intellectual property which is developed is protected and exploited as well as to design the topical photosensitiser formulations. The Commission's maximum contribution under the Project Contract is €637,900.

12.8 ***Molteni Cross Licence Agreement***

On 31 March 2010, the Company entered into an agreement with L. Molteni & c. Del Fratelli Alitti Societa' Di Esercizo Societa' Per Asioni which settles oppositions lodged by each party to patents registered by the other at the European Patent Office. Each party grants to the other an exclusive royalty and payment free licence to use the patents registered in its own name in the respective territories in order to clarify their respective commercial and development rights.

12.9 ***Solvias A.G. – Agreement Relating to Third Generation Products***

On 9 May 2007, the Company entered into an agreement (the "**Third Generation Products Agreement**") with Solvias in order to govern the development and exploitation of therapeutic products which do not require photo activation for use as pharmaceutical agents in human and/or veterinary application and/or for use in diagnostics. The Third Generation Products Agreement is in addition to the License Agreement mentioned at paragraph 12.8 above. Pursuant to the Third Generation Products Agreement, Solvias granted to the Company the exclusive right to develop, manufacture, exploit and licence therapeutic products that do not require photo activation, which includes the Company's XF and DPD drug candidates.

After the Company has recovered a multiple of the development costs, the Company is obliged to pay to Solvias a small proportion of net income derived from the exploitation of products covered by the Third Generation Products Agreement. While the commercial terms of the Third Generation Products Agreement remain confidential, the Company does not believe that the obligations are material.

12.10 ***NIAID Clinical Trials Agreement for Clinical Trial DMID***

On 20 June 2011, the Company entered into an agreement with The Division of Microbiology and Infectious Diseases of the National Institute of Allergy and Infectious Diseases for a two-part phase 1 study to establish and compare the safety and local tolerability of nasal formulations of XF-73. Informed consent of each participating subject is to be obtained using an Institutional Review Board approved, informed consent process.

12.11 ***Investment, Development and Commercialisation Framework Agreement with CMS Medical Venture Investment Limited ("CMS")*** **(the "Framework Agreement")**

On 28 August 2017, the Company entered into a binding investment, development and commercialisation framework agreement with CMS pursuant to which, following Admission, the Company and CMS will negotiate in good faith a detailed agreement by reference to the Framework Agreement to grant CMS rights to, amongst other things, develop, manufacture, sell and commercialise certain assets in the Company's current product portfolio (those assets being the

"**CMS Assets**") for certain Asian countries (the "**CMS Territory**"), including China, Macau, Hong Kong, Taiwan, Thailand, Malaysia, Indonesia, Philippines and India. CMS will also, on reaching this agreement, make an equity investment in the Company of £3 million, by subscribing for 1,910,828 Ordinary Shares at the Placing Price.

The Framework Agreement sets out the key arrangements under which CMS would acquire those rights and coordinate the research and clinical development of the CMS Assets.

CMS will undertake research and clinical development of the CMS Assets to develop products that CMS will then market in the CMS Territory. The parties to the agreement will establish a Steering Committee to oversee those activities.

The Company will potentially benefit from having access to any data produced by CMS's research and development, although such data will remain in CMS's ownership. The Company will also have certain rights to provide finished products to CMS at an agreed margin and, if sales of the CMS Assets in the CMS Territory reach certain targets, to receive milestone payments.

Following Admission, CMS and entities under common control, will have pre-emption rights in respect of the further issue of Ordinary Shares, but this excludes (amongst other things) Ordinary Shares issued on the exercise of options granted pursuant to any employee incentive scheme.

Under the terms of the agreement, CMS shall have the right to appoint, remove and replace a non-executive director to the Board of the Company and shall continue to have this right for so long as it and entities under common control hold, in aggregate, more than 5 per cent. of the issued share capital of the Company.

13. Related Party Transactions

The following transactions are the only related party transactions which, as a single transaction or in their entirety, are or may be material (within the meaning of the AIM Rules for Companies) to the Company and have been entered into by the Company during the periods for which historical financial information appears in this document and in respect of the period commencing on 31 December 2016 to the date of this document:

13.1 the transactions referred to in note 16 to the report in Section B of Part IV of this document; and

13.2 the Shareholders' Agreement.

14. Litigation

No member of the Company is or has been involved in any governmental, legal or arbitration proceedings which may have, or have had during the last 12 months preceding the date of this document, a significant effect on the Company's financial position or profitability and, so far as the Directors are aware, there are no such proceedings pending or threatened against the Company or its wholly-owned, dormant subsidiary.

15. Taxation

The following paragraphs are intended as a general guide only to certain UK tax considerations for Shareholders who are resident (and in the case of individual Shareholders, domiciled) in (and only in) the UK for tax purposes, holding Ordinary Shares as investments (other than under an individual savings account) and not as securities to be realised in the course of a trade and who are the absolute beneficial owners of both their Ordinary Shares and the dividends paid on them. The following paragraphs do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of Ordinary Shares. The following paragraphs are based on current UK legislation and what is considered to be the current practice of HMRC as at the date of this document, both of which may change, possibly with retroactive effect. The tax position of certain categories of Shareholders who are subject to special roles (such as persons acquiring Ordinary Shares in connection with employment, dealing in securities, insurance companies and collective investment schemes) or trustees and beneficiaries as regards shares

held in trust is not considered. Any person who is in any doubt about his tax position, or who may be subject to taxation in a jurisdiction other than the UK, should consult his own professional adviser immediately.

UK taxation

15.1 *Taxation of dividends*

Under current UK legislation, no tax is withheld from dividend payments by the Company. The Company assumes no obligation to withhold UK tax at source from dividend payments.

Investors who are individuals pay tax on the amount of dividends actually received – dividends are no longer "grossed up". The first £5,000 of dividend income received by an individual in any tax year is currently subject to zero per cent. tax (tax-free). The rates of tax payable over and above this are 7.5 per cent. for basic rate taxpayers, 32.5 per cent. for higher rate taxpayers and 38.1 per cent. for additional rate taxpayers.

UK resident corporate Shareholders (including authorised unit trusts and open-ended investment) and pension funds will not normally be liable to UK taxation on any dividend received. There are various exceptions to this exemption, depending on the size of the shareholder, and whether certain anti-avoidance provisions apply. Corporate shareholders should confirm their tax position with a specialist tax adviser.

15.2 *Capital Gains*

UK resident individual Shareholders, depending upon their individual circumstances and any available reliefs, may be subject to capital gains tax at the prevailing rate on a disposal of Ordinary Shares. For individuals whose total taxable income and gains after all allowable deductions (including losses, the income tax personal allowance and the capital gains tax annual exempt amount) is less than the upper limit of the basic rate income tax band (£33,500 for 2017-18), the rate of capital gains tax will be 10 per cent. For gains (and any parts of gains) above that limit, the rate will be 20 per cent. For trustees and personal representatives, the rate will be 20 per cent. for gains above the applicable capital gains tax annual exempt amount.

Where a Shareholder is within the charge to corporation tax, a disposal of Ordinary Shares may give rise to a chargeable gain (or allowable loss) for the purposes of UK corporation tax, depending on the circumstances and subject to any available exemption or relief. Corporation tax is charged on chargeable gains at the rate of 19 per cent. for gains made between 1 April 2017 and 31 March 2020, 17 per cent. thereafter. Indexation allowance may reduce the amount of chargeable gain that is subject to corporation tax, but may not create or increase a loss.

15.3 *Inheritance Tax*

The Ordinary Shares are assets situated in the UK for the purposes of UK inheritance tax. A gift of Ordinary Shares by, or the death of, an individual Shareholder may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax even if the Shareholder is neither domiciled nor deemed to be domiciled in the UK.

Relief from inheritance tax is available on assets that qualify as "business property" as long as the asset has been owned for a minimum period of two years. 100 per cent. relief is available on all unquoted shares in a trading company. Shares traded on AIM are treated as unquoted for these purposes. Relief from IHT is restricted where the Company's assets include assets that have not been used for the purpose of the business in the last two years nor required for the future use of the business. The Company is a trading company and, as such, the Company's shares are exempt from inheritance tax once they have been held for two years. Neither the Company nor the Directors, however, make any warranty or give any undertaking that IHT business property relief will be available in respect of any investment in the Company pursuant to this document, nor do they warrant or undertake that the shares in the Company will continue to qualify for IHT business property relief purposes.

15.4 *Stamp Duty and Stamp Duty Reserve Tax*

The following comments are intended as a guide to the general UK stamp duty and stamp duty reserve tax ("**SDRT**") position and do not apply to persons such as market makers, brokers, dealers or intermediaries. In relation to stamp duty and SDRT:

15.4.1 The allocation and issue of the Placing Shares will not give rise to a liability to stamp duty or SDRT.

15.4.2 Following Admission, the Ordinary Shares will be eligible securities traded on a recognised growth market (and not on any other recognised stock exchange) and accordingly no stamp duty or SDRT will be charged on the conveyance, transfer or sale of Ordinary Shares (nor will any stamp duty or SDRT be chargeable on any transfer of Ordinary Shares effected on a paperless basis through CREST) in accordance with the Finance Act 2014.

15.5 *EIS and VCT relief*

The Company has received provisional clearance from HMRC that the First Tranche Placing Shares will rank as a qualifying investment for the purposes of the Enterprise Investment Scheme and for the purposes of investment by Venture Capital Trusts.

EIS provides the following tax reliefs for individual investors provided investments are held for three years and that the investor qualifies as an individual entitled to relief under the EIS rules:

- Initial income tax relief of up to 30 per cent. of the amount subscribed (subject to a maximum investment of £1,000,000).
- Exemption from capital gains tax CGT on a disposal of the eligible shares where the disposal takes place more than three years after they are acquired and where EIS income tax relief has been claimed on those shares and not withdrawn.
- Liability of individuals and certain trustees to CGT arising from the disposal of any assets may be deferred by investing the gain (or part of the gain) in the shares of a qualifying company. The investment must be made within a time period beginning one year before and ending three years after the original disposal.
- Where a loss is incurred by an investor on the first disposal of his EIS shares, the loss calculated after deducting EIS tax relief from the cost of the investment may be set against either chargeable gains or taxable income at the election of the investor.

A claim for CGT deferral relief or income tax relief under EIS is made by the individual investors and/or trustees claiming the relief.

Investors considering taking advantage of any of the reliefs under EIS or available to VCTs should seek their own professional advice in order that they may fully understand how the rules apply in their individual circumstances. As the rules governing EIS and VCT reliefs are complex and interrelated with other legislation, if any potential investors are in any doubt as to their tax position, require more detailed information than the general outline above, or are subject to tax in a jurisdiction other than the UK, they should consult their professional adviser.

The continuing availability of EIS relief and the status of the First Tranche Placing Shares as a qualifying holding for VCT purposes will be conditional on the Company and trade continuing to satisfy the requirements of EIS and VCT throughout the relevant period (three years from the date of share issue for EIS).

The Directors intend to manage the Company so as to maintain the status of the Company as a qualifying company for EIS purposes and its shares as a qualifying VCT investment. However, neither the Directors nor the Company give any warranty or undertaking that EIS relief or VCT qualifying status, if granted, will not be withdrawn, nor do they warrant or undertake that the Company will conduct its activities in a way that qualifies for or preserves its status.

16. Working Capital

In the opinion of the Directors, having made due and careful enquiry, and taking into account the net proceeds of the Placing, the working capital of the Company will be sufficient for its present requirements, that is, for at least the period of 12 months from the date of Admission.

17. General

17.1 The gross proceeds of the Placing receivable by the Company are expected to be £13.5 million, with the total net proceeds of the Placing after settling fees expected to be approximately £12.4 million. The total costs and expenses relating to Admission and the Placing (including those fees and commissions referred to in paragraph 12 above) payable by the Company are estimated to be £1.1 million (excluding VAT).

17.2 The Placing Shares are not being offered generally and no applications have or will be accepted other than under the terms of the Placing Agreement and the Placing Letters. All the Placing Shares have been placed firm with Placees. The Placing is not being guaranteed or underwritten by any person.

17.3 Monies received from Placees pursuant to the Placing will be held in accordance with the terms and conditions of the Placing until such time as the Placing Agreement becomes unconditional in all respects. If the Placing Agreement does not become unconditional in all respects by 30 September 2017, application monies will be returned to the Placees at their risk without interest.

17.4 The Placing Price represents a premium over nominal value of 156p per Ordinary Share.

17.5 Cantor Fitzgerald Europe, the nominated adviser and broker to the Company, is a member of the London Stock Exchange and is authorised and regulated in the UK by the Financial Conduct Authority. Cantor Fitzgerald Europe has given and not withdrawn its written consent to the inclusion in this document of its name and reference to it in the form and context in which they appear.

17.6 Crowe Clark Whitehill LLP, the reporting accountant to the Company, is a firm of chartered accountants regulated by the Institute of Chartered Accountants in England and Wales. Crowe Clark Whitehill LLP has given and not withdrawn its written consent to the inclusion in this document of its report and accepts responsibility for the same pursuant to Schedule Two of the AIM Rules for Companies.

17.7 Potter Clarkson LLP, the patent attorney to the Company, is a firm of patent attorneys regulated by The Intellectual Property Regulation Board, the UK's independent regulatory body of Patent Attorneys & Trade Mark Attorneys. Potter Clarkson LLP has given and not withdrawn its written consent to the inclusion of its report in Part III of this document and the references to its report and its name in the form and in the context in which they are included and accepts responsibility for the same pursuant to Schedule Two of the AIM Rules for Companies.

17.8 Where information in this document has been sourced from a third party, this information has been accurately reproduced. So far as the Company and the Directors are aware and are able to ascertain from information provided by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

17.9 The percentage dilution as a result of the issue of the Placing Shares, is 21.18 per cent.

17.10 The accounting reference date of the Company is 31 December.

17.11 It is expected that definitive share certificates will be despatched by hand or first class post by 18 September 2017. In respect of uncertificated shares, it is expected that Shareholders' CREST stock accounts will be credited at 8.00 a.m. on 4 September 2017.

17.12 Save as disclosed in this document, there have been no significant changes in the trading or financial position of the Company since 31 December 2016, being the date to which the Financial Information of the Company, as set out in Part IV of this document, was prepared.

17.13 CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The Articles permit the holding and transfer of shares under CREST. The Company has applied for the issued and to be issued Ordinary Shares to be admitted to CREST and it is expected that the issued and to be issued Ordinary Shares will be so admitted, and accordingly enabled for settlement in CREST.

17.14 No person (other than the Company's professional advisers and trade suppliers or as disclosed in this document) has received, directly or indirectly, from the Company within the last twelve months preceding the date of application for Admission or is contractually entitled to receive, directly or indirectly, from the Company on or after Admission (excluding in either case persons who are professional advisers otherwise than as disclosed in this document and persons who are trade suppliers) any payment or benefit from the Company to the value of £10,000 or more or securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price or entered into any contractual arrangements to receive the same from the Company at the date of Admission.

17.15 Directors' and Officers' liability insurance and Public Offering of Securities insurance has been effected by the Company in respect of each of the Directors for aggregate sums assured of £5 million and £5 million, respectively.

17.16 The ISIN for the Ordinary Shares is GB00BDHSP575.

17.17 Pursuant to Chapter 5 of the DTRs a person must notify the Company of the percentage of its voting rights he holds as shareholder or through his direct or indirect holding of certain financial instruments (or a combination of such holdings) if the percentage of those voting rights (a) reaches, exceeds or falls below 3 per cent., 4 per cent., 5 per cent., 6 per cent., 7 per cent., 8 per cent., 9 per cent., 10 per cent. and each 1 per cent. threshold thereafter up to 100 per cent. as a result of an acquisition or disposal of shares or such financial instruments; or (b) reaches, exceeds or falls below an applicable threshold in (a) as a result of events changing the breakdown of voting rights and on the basis of information disclosed by the Company in accordance with the DTRs. Certain voting rights held by investment managers, unit trusts, open ended investment companies and market makers can be disregarded except at the thresholds of 5 per cent. and 10 per cent. and above.

18. Availability of this document

Copies of this document are available free of charge at the offices of the Company's solicitors, Irwin Mitchell LLP, 40 Holborn Viaduct, London EC1N 2PZ, UK during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) and shall remain available for at least one month after Admission. An electronic version of this document will also be available to download from the Company's website, www.destinypharma.com from Admission.

29 August 2017

GLOSSARY OF TECHNICAL TERMS

The following definitions apply throughout this document, unless the context otherwise requires:

AHRQ	Agency for Healthcare Research and Quality
AMR	Antimicrobial Resistance
AR	Antibiotic-Resistant
ASHP	American Society of Hospital Pharmacists
BARDA	Biomedical Advanced Research and Development Authority (US)
Carb-X	A biopharmaceutical accelerator created as a partnership between, among others, BARDA, NIAID, WT and the AMR Centre, to spur product development in the anti-bacterial field
CDC	The Centers for Disease Control and Prevention
DPD Drugs	Drugs described by Destiny Pharma patents. The Company has a number of drug candidates, which are categorised as the XF Drugs and the DPD Drugs. The DPD Drugs are variants of the XF Drugs. Both the DPD Drugs and the XF Drugs are covered by the Company's patents.
EMA	European Medicines Agency
FAO	The US Food and Agriculture Organization
FDA	The US Food and Drug Administration
GAMRIF	The Global Anti-Microbial Resistance Innovation Fund
Gram negative bacteria	Gram negative bacteria have a thinner layer of peptidoglycan (10 per cent. of the cell wall) and stain reddish or pink in the Gram test (generally the first test performed when identifying bacteria). Well known types of Gram negative bacteria are *Escherichia coli* and *Salmonella*
Gram positive bacteria	Gram positive bacteria have a thick meshlike cell wall which is made up of peptidoglycan (5060 per cent. of the cell wall) and stains purple in the Gram test. Well known types of Gram positive bacteria are *Staphylococcus* and *Streptococcus*
HAP	Hospital acquired pneumonia
IDSA	Infectious Disease Society of America
IMI	The Innovative Medicines Initiative – Europe's largest public-private initiative aimed at speeding up the development of better and safer medicines for patients
INN	International Non-proprietary Name, also known as the generic name.
IRB	Institutional Review Boards
MRSA	Methicillin Resistant *Staphylococcus aureus*
MSSA	Methicillin Susceptible *Staphylococcus aureus*
NIAID	National Institute of Allergy and Infectious Diseases, one of the US National Institutes of Health

OECD	The Organisation for Economic Co-operation and Development
OIE	The World Organisation for Animal Health
QIDP	Qualifying Infectious Diseases Product
SHEA	Society of Hospital Epidemiologists of America
VAP	Ventilator associated pneumonia
WHO	World Health Organization
WT	The Wellcome Trust
UN	United Nations
XF-70	A molecule that is a member of the XF drug platform, but is distinct from XF-73. XF-70 has no INN yet
XF-73	Exeporfinium chloride
XF Drugs	Drugs described by Destiny Pharma's patents. The Company has a number of drug candidates, which are categorised as the XF Drugs and the DPD Drugs. The DPD Drugs are variants of the XF Drugs. Both the DPD Drugs and the XF Drugs are covered by the Company's patents

All references to legislation in this document are to the legislation of England & Wales unless the contrary is indicated. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof.

Words importing the singular shall include the plural and *vice versa*, and words importing the masculine gender shall include the feminine or neutral gender.

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

"Act"	the Companies Act 2006 (as amended)
"Admission"	admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with rule 6 of the AIM Rules for Companies
"Admission Document" or **"document"**	this document
"AIM"	the market of that name operated by the London Stock Exchange
"AIM Rules for Companies"	the AIM Rules for Companies published by the London Stock Exchange from time to time (including, without limitation, any guidance notes or statements of practice) which govern the rules and responsibilities of companies whose shares are admitted to trading on AIM
"Articles"	the articles of association of the Company as at the date of Admission, a summary of which is contained in paragraph 4 of Part V of this document
"Audit Committee"	the audit committee of the Board, as constituted from time to time, further details of which are contained in paragraph 13 of Part I of this document
"Board"	the board of directors of the Company from time to time, or a duly constituted committee thereof
"Business Day"	means a day (other than a Saturday or Sunday or a public holiday) on which the clearing banks in the City of London are open for business
"Cantor Fitzgerald Europe"	Cantor Fitzgerald Europe, nominated adviser and broker to the Company
"certificated" or **"in certificated form"**	recorded on the relevant register of the share or security concerned as being held in certificated form (that is not in CREST)
"CFE Lock-in Agreements"	the lock-in and orderly market agreements entered into between the Company, Cantor Fitzgerald Europe and each of the CFE Locked-in Parties, further details of which are set out in paragraph 12.3 of Part V of this document
"CFE Locked-in Parties"	the Directors, Dr. William Rhys-Williams and certain of the Shareholders, each of whom is a party to the CFE Lock-in Agreements
"City Code"	The City Code on Takeovers and Mergers issued from time to time by or on behalf of the Panel on Takeovers and Mergers
"Company" or **"Destiny Pharma"**	Destiny Pharma plc, a public limited company incorporated in England and Wales with company number 3167025
"Corporate Governance Code"	the UK Corporate Governance Code published by the Financial Reporting Council, as the same may be varied or amended

"CREST"	the relevant system (as defined in the CREST Regulations) which enable title to securities to be evidenced and transferred without a written instrument, administered by Euroclear UK & Ireland as the Operator (as defined in the CREST Regulations)
"CREST Regulations"	the Uncertificated Securities Regulations 2001(SI2001 no. 3755), as amended, and any applicable rules made under those regulations
"Directors"	the directors of the Company as at the date of this document, whose details are set out on page 5 of this document
"EIS"	the Enterprise Investment Scheme under the provisions of Part 5 of the Income Tax Act 2007 (as amended)
"EMI Options"	the options granted pursuant to the EMI Scheme
"EMI Scheme"	the EMI share options scheme adopted by the Company on 15 November 2000
"Enlarged Share Capital"	the Existing Ordinary Shares and the Placing Shares
"Euroclear UK & Ireland"	Euroclear UK & Ireland Limited, a company incorporated in England and Wales with registered number 2878738 and the operator of CREST
"Existing Ordinary Shares"	the Ordinary Shares in issue immediately prior to the issue of the Placing Shares
"FCA" or **"Financial Conduct Authority"**	the Financial Conduct Authority established pursuant to the Financial Services Act 2012 and responsible for, among other things the conduct and regulation of firms authorised and regulated under FSMA and the prudential regulations of firms which are not regulated by the PRA
"First Tranche Placing"	the placing of the First Tranche Placing Shares
"First Tranche Placing Shares"	574,523 Placing Shares proposed to be issued by the Company to certain EIS and/or VCT investors
"FSMA"	the Financial Services and Markets Act 2000 (as amended)
"HMRC"	Her Majesty's Revenue & Customs
"IFRS"	International Financial Reporting Standards (including International Accounting Standards)
"ISIN"	International Securities Identification Number
"London Stock Exchange"	London Stock Exchange plc
"LTIP EMI Options"	the EMI approved options granted pursuant to the LTIP Employee Scheme
"LTIP Employee Scheme"	the LTIP (EMI and non-tax advantaged (non-EMI)) share options scheme adopted by the Company on 18 April 2017 for the benefit of directors and employees
"LTIP (NTA) Employee Options"	the non-tax advantaged options granted pursuant to the LTIP Employee Scheme

"LTIP Non-Employee Options"	the non-tax advantaged (non-EMI) options granted pursuant to the LTIP Non-Employee Scheme
"LTIP Non-Employee Scheme"	the LTIP non-tax advantaged (non-EMI) share options scheme adopted by the Company on 18 April 2017
"LTIP Options"	the options granted pursuant to the LTIP Schemes
"LTIP Schemes"	the LTIP Employee Scheme and the LTIP Non-Employee Scheme
"Market Abuse Regulation"	the EU Market Abuse Regulation (No. 596/2014)
"Nomination Committee"	the nomination committee of the Board, as constituted from time to time
"Official List"	the official list of the UK Listing Authority
"Options"	the EMI Options, the Unapproved Options and the LTIP Options
"Ordinary Shares"	the ordinary shares of 1 pence each in the capital of the Company
"Panel"	The Panel on Takeovers and Mergers
"Placees"	the subscribers for Placing Shares pursuant to the Placing
"Placing"	the conditional placing of the Placing Shares by Cantor Fitzgerald Europe, as agent on behalf of the Company pursuant to and on the terms and conditions set out in the Placing Agreement
"Placing Agreement"	the conditional placing agreement dated 29 August 2017 between (amongst others) (1) the Company, (2) the Directors and (3) Cantor Fitzgerald Europe relating to the Placing, further details of which are set out in paragraph 12.1 of Part V of this document
"Placing Letters"	the letters from Cantor Fitzgerald Europe to Placees in respect of Placees subscriptions of Placing Shares pursuant to the Placing
"Placing Price"	157 pence per Placing Share
"Placing Shares"	8,619,120 new Ordinary Shares to be issued at the Placing Price by the Company pursuant to the Placing
"Prospectus Rules"	the Prospectus Rules made by the FCA pursuant to sections 73(A)(1) and (4) of FSMA
"QCA Corporate Governance Code"	QCA Corporate Governance Code for Small and Mid-Size Quoted Companies 2013 published by the Quoted Companies Alliance
"Remuneration Committee"	the remuneration committee of the Board, as constituted from time to time
"RIS"	Regulatory Information Service
"Second Tranche Placing Shares"	the Placing Shares other than the First Tranche Placing Shares
"Shareholder(s)"	holders of Ordinary Shares
"Shareholders' Agreement"	the shareholders' agreement (entitled 'Subscription Agreement') in relation to the Company, dated 13 July 2005 (and any amendments thereto), as further described in paragraph 12.4 of Part V of this document

"Share Scheme(s)"	the EMI Scheme, the Unapproved Scheme and the LTIP Schemes
"UK"	the UK of Great Britain and Northern Ireland
"UK Listing Authority"	the FCA, acting in its capacity as the competent authority for the purposes of FSMA
"uncertificated" or **"in uncertificated form"**	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
"Unapproved Options"	the non-tax advantaged (non-EMI) options granted pursuant to the Unapproved Scheme
"Unapproved Scheme"	the non-tax advantaged (non-EMI) share options scheme adopted by the Company on 15 November 2000 for the benefit of directors and employees
"US"	the United States of America and all of its territories and possessions
"VAT"	value added tax
"VCT"	a Venture Capital Trust under the provisions of Part 6 of the Income Tax Act 2007 (as amended)
"£" or **"Sterling"**	British pounds sterling
"€" or **"EUR"** or **"Euro"**	Euro
"HK$"	Hong Kong Dollars
"$" or **"USD"** or **"Dollars"**	US Dollars

Perivan Financial Print (9294-01)

Destiny Pharma

Destiny Pharma plc. Sussex Innovation Centre
Science Park Square Falmer Brighton BN1 9SB UK

www.destinypharma.com