MotifBio

ANNUAL REPORT & ACCOUNTS

2017

Chairman's Statement

Motif Bio plc and its wholly-owned subsidiary Motif Biosciences, Inc. ("Motif" or the "Group") finalized the acquisition of iclaprim about three years ago. In that period of time Motif has become a publicly listed company, with a presence on NASDAQ as well as on the London Stock Exchange. We have successfully completed two Phase 3 pivotal trials, bringing to over 1,400 the number of people given iclaprim, and we are busily preparing to submit two applications for marketing approval during 2018 - a New Drug Application ("NDA") to the Food and Drug Administration ("FDA") in the US and a Marketing Authorization Application ("MAA") to the European Medicines Agency ("EMA") in Europe. We currently expect a decision from the FDA during the first quarter of 2019, which, assuming it is positive, should allow the drug to be launched quickly thereafter. To become a revenue generating business in about four years from when the company initiated the iclaprim program would be a considerable accomplishment.

When we acquired the rights to iclaprim in 2015, our in-depth review had convinced us that the drug had the potential to be an efficacious antibiotic with a good safety profile and a number of distinctive features that should give it a special place in the anti-infective armamentarium. For example, iclaprim's safety profile could make it a good candidate to address a growing unmet medical need – patients hospitalized with acute bacterial skin and skin structure infections ("ABSSSI") who have other health problems and are at high risk of vancomycin-associated acute kidney injury ("VA-AKI"). It is estimated that around 10% of hospitalized patients with ABSSSI treated with standard of care vancomycin develop VA-AKI, and the proportion of hospitalized patients with risk factors for VA-AKI is growing. We also plan to develop iclaprim for hospital-acquired bacterial pneumonia ("HABP"), including ventilator-associated bacterial pneumonia ("VABP"), infections that are often caused by methicillin resistant Staphylococcus aureus ("MRSA").

It was clear from the pre-clinical data that iclaprim may have an important role to play in the treatment of respiratory infections. That was borne out by the successful demonstration to the FDA of its potential in the treatment of *Staphylococcus aureus* lung infections in patients with cystic fibrosis, which are a tragic cause of mortality in a majority of the victims of this terrible condition. As a result, the FDA granted Motif Bio the orphan drug designation we were seeking for this indication. While we prudently chose to first proceed with two well-controlled clinical trials in ABSSSI, which will be the basis of our NDA submission to the FDA, we are aware of the acute medical need for novel agents for lung infections in patients with cystic fibrosis, hospital acquired pneumonia, and other infections of the lung, where current treatment options are few and mortality is very high and plan to develop iclaprim further for these indications.

The U.S. government, as well as government agencies in the UK and other countries, have been taking increasingly important steps to foster the development of novel anti-infective agents. Their concern to do this has been driven by the inexorable march of anti-microbial resistance, an unfortunate fact of life with these critical and life-saving pharmaceutical agents. Many of today's established medical procedures, ranging from cancer treatment to surgeries of all kinds, would not be possible without the availability of effective anti-infective drugs. The passage of the GAIN (Generating Antibiotic Incentives Now) Act in 2012 in the US made possible the program we have undertaken to bring iclaprim to market. Because of the passage of time and patent expiry, that otherwise would not have been possible without the QIDP (Qualified Infectious Disease Product) designation we have been granted under the Act. The passage of the 21st Century Cures Act in December 2016, which was designed to help accelerate medical product development and bring new innovations and advances to patients who need them faster and more efficiently, was an equally important watershed moment in the regulatory climate for iclaprim. Many of the provisions of this Act refer specifically to anti-infectives, while some of the provisions that apply to all novel medicines should broaden Motif Bio's ability to make iclaprim available to a far larger patient population than would have been possible without this legislation. In addition, we are encouraged by the actions of the new FDA Commissioner, who has embraced the need to make far-reaching changes to the way in which novel medical technology is made available to patients without compromising the safety concerns of all such innovations. Last year was a banner year with 46 new drug approvals by the FDA, a 21-year high point. We also saw a welcome surge in approvals, submissions, and clinical trial results for antibiotics. Motif Bio was the beneficiary of this shift in priorities last summer when the FDA announced a commitment to clear the backlog of orphan drug applications and granted iclaprim orphan drug designation in a very timely manner. Pharmaceutical products are necessarily and rightly developed and marketed in a highly-regulated environment and the positive changes in the regulatory machinery that rules our lives seem to be continuing and bode well for the future.

The anticipated transition from a promise in the Spring of 2015 to a reality by the Spring of 2019 would not be possible without incredible effort and dedication by the Motif Bio team and support from our shareholders. Large clinical trials are very expensive and in order to complete our two trials we were obliged to raise a considerable amount of capital, in both London and New York. The number of new drugs undergoing clinical trials has been growing rapidly in recent years and has put pressure on the resources available in clinical trial sites around the world. This has increased the cost of all clinical trials and placed additional constraints on the ability to recruit patients into the trials, which in turn means that to be competitive, sponsors must pay the higher prices if the trials are to be completed on time. Raising the large amounts of capital needed to make all this possible has been a constant preoccupation of the Board since we

completed the AIM IPO in 2015. Last year we were able to raise over US $25 million in an equity placing in June and in November we were able to raise an additional US $20 million through a US debt facility, US $5 million of which remains undrawn. We continue to devote a considerable amount of time and effort in the US, in particular, to the communication of iclaprim and the investment opportunity in Motif. The US remains by far the broadest and most active pool of investment capital devoted to health care and life sciences and we remain committed to gaining broad support for the Company in the US which our ADS listing on NASDAQ has made possible. As we continue to pursue our continued clinical development, regulatory approval and commercialization of iclaprim and fund our operations at current cash expenditure levels, we will be required to raise additional capital within the next year. Furthermore, we have disclosed that certain control deficiencies in our financial reporting processes constituted material weaknesses as of December 31, 2017 and 2016. Although we are a small public company, we have implemented and are planning additional substantial changes in our internal control over financial reporting, as we remediate these material weaknesses during the ensuing periods.

I would like to close by expressing our appreciation for the dedication and hard work of the Motif team and to my fellow Board members, who continue to play an active role in supporting the management team. I would like to say again how pleased we are to have Dr. Craig Albanese join the Board. His insights into the US hospital management systems and practices are a vital addition to the Board's deliberations as we approach the commercial launch of iclaprim.

Richard C.E. Morgan
Chairman
April 10, 2018

Chief Executive Officer's Statement

In 2017, Motif made tremendous progress, accomplishing several critical milestones that laid the foundation for success in 2018.

Iclaprim – Exciting potential in treating serious hospital infections not adequately addressed by current treatments

We announced positive topline results from our two Phase 3 clinical trials (REVIVE-1 and REVIVE-2) evaluating iclaprim versus standard of care vancomycin in patients with acute bacterial skin and skin structure infections (ABSSSI). In both trials, iclaprim met the FDA pre-specified primary endpoint of non-inferiority of early clinical response at the early time point. We believe that these results satisfy the requirements for regulatory submissions in 2018 seeking marketing approval for iclaprim in patients with acute bacterial skin and skin structure infections (ABSSSI) in the U.S. and Europe.

If approved, iclaprim may satisfy an important and growing unmet medical need that is not being addressed by current standard of care antibiotics – namely, patients hospitalized with serious infections who have other health problems and are at high risk of vancomycin-associated acute kidney injury (VA-AKI). Vancomycin is one of the standard of care antibiotics used today in hospitals for patients with ABSSSI, but it has known kidney toxicity risk. It is estimated that around 10% of hospitalized patients with ABSSSI treated with vancomycin develop VA-AKI. Risk factors for VA-AKI include obesity, diabetes, age 65+, moderate to severe kidney impairment or a prior history of VA-AKI. The proportion of hospitalized patients with these risk factors is growing. No kidney toxicity was seen with iclaprim in the REVIVE Phase 3 clinical trials.

Subject to future funding, Motif is planning to develop iclaprim for two additional indications. Hospital acquired bacterial pneumonia (HABP), which includes ventilator-associated bacterial pneumonia (VABP), is diagnosed in approximately 1.4 million patients annually in the U.S. Approximately 40% of patients are infected with Gram-positive bacteria, such as methicillin-resistant *Staphylococcus aureus* (MRSA), the type of bacteria that iclaprim is effective against. Despite existing antibiotic therapies, the all-cause mortality rate associated with HABP/VABP is up to 47%. Additionally, VABP prolongs hospitalization by approximately eleven days and is associated with excess cost of approximately $40,000 per patient. Promising data were seen in an earlier Phase 2 trial that showed that iclaprim improved clinical cure and reduced mortality in patients with HABP/VABP caused by Gram-positive bacteria. The results were published in a peer-reviewed medical journal in 2017.

In 2017, iclaprim was granted orphan drug designation by the FDA for the treatment of *Staphylococcus aureus* lung infections in patients with cystic fibrosis (CF). Some 80% or more of patients with CF die as a result of respiratory infections caused by a variety of bacteria; so, there is an urgent need to treat these infections quickly and effectively. *In vivo* data evaluating the therapeutic potential of iclaprim in MRSA lung infections published in 2017 showed that iclaprim treatment resulted in a significantly greater reduction in bacterial colony forming units (CFUs) compared to vancomycin. In January 2018, we announced that Motif had received an award from the Cystic Fibrosis Foundation, a leader in the search for a cure for CF, to fund important *in vitro* testing that will help to advance the development of iclaprim for this indication.

Increasing awareness of iclaprim amongst the infectious disease community

While getting a new medicine approved is the first and most important step towards making it available to patients, the long-term success of a product is dependent on key activities that begin well in advance of regulatory approval. In order for doctors to prescribe a new intravenous antibiotic, the antibiotic must first be approved and available on hospital formularies. Secondly, physicians must be aware of the new antibiotic, and they must understand how it can help their patients – and which patients – better than existing treatment options. During 2017, Motif was hard at work to increase awareness of iclaprim in the infectious disease community. For example, data on iclaprim were presented at IDWeek 2017 in October and ECCMID 2017 in April. IDWeek is an important U.S. scientific conference for infectious disease doctors, and ECCMID is one of the most important European conferences for this community. Additionally, data from the REVIVE-1 trial were published in a major medical journal in December. Motif also held several advisory boards during the year to garner insight from key scientific leaders. We expanded our clinical advisory board to include three leaders in the infectious diseases field - Thomas Lodise, PharmD, PhD; Thomas Holland, MD, MSc-GH and William O'Riordan, MD. With their extensive knowledge and research on infectious diseases, particularly ABSSSI, and on the cost of treating patients with a suboptimal antibiotic, these specialists have given us invaluable insight into where iclaprim might best fit in the treatment paradigm. For instance, Dr. Lodise's research indicates that VA-AKI among hospitalized ABSSSI patients may result in additional hospital costs of about $17,000 per patient due to longer length of stay in hospital, the need for kidney specialist consultations and acute dialysis. In an environment where healthcare costs are spiraling, iclaprim may have the potential to help hospitals avoid such additional costs in the treatment of high-risk patients.

Our work to build awareness of iclaprim among the infectious disease community continues in 2018. Hospital pharmacists, key members of antibiotic formulary decision-making in hospitals, are an important audience. We have already had various data on iclaprim published, resulting in several publications in peer-reviewed journals, and were pleased to announce that the REVIVE-2 Phase 3 results, as well as other iclaprim data, will be presented at ECCMID in April 2018. We are planning to expand our conference presence this year to include the American Society of Hospital Pharmacists (ASHP) and American Society of Microbiology (ASM).

Increasing awareness of Motif in the investment community

Other critical work we conducted during 2017 was to raise awareness of Motif in the investment community. While we are known in the UK and Europe, we need to increase awareness of Motif and iclaprim in the U.S. investment community. The team held over 70 meetings with investors and research analysts on both sides of the Atlantic in 2017.

In addition to participating in various investor conferences, in 2017 we hosted our first investor and analyst event. Held in New York in September, the event was well attended and featured talks from five scientific leaders who discussed iclaprim and the unmet needs in treating hospital infections, including issues with current treatments and potential impact on costs. Our investor outreach work is continuing in 2018, and already in the first quarter of the year we have held a number of meetings with investors and participated in several investor events.

2018 – a transformative year

We expect 2018 to be another transformative year for the Company. Our team has been working around the clock to get the NDA submitted to the FDA as expeditiously as possible. We then will turn our efforts to the Marketing Authorization Application (MAA) for Europe and whilst a significant portion of this has been progressed in parallel with the NDA, we expect to be in a position to submit a MAA in the second half of 2018.

The team is working closely with the Board of Directors to ensure that we have sufficient resources to carry out our plans. In 2017, we completed a successful equity financing, raising over $25 million through a placement in the UK and secured $20 million through a debt financing. As is always the case for development-stage biotech companies, we continuously assess our financing needs and access to capital, which is why we filed a shelf registration in the U.S. early in 2018. This gives us flexibility to take advantage of funding opportunities as and when they arise.

In addition, we are also evaluating the various options we have for commercializing iclaprim in the U.S. These options include partnering with a revenue-generating company or a late development-stage company in the hospital space, where there could be synergies and efficiencies by combining forces and utilizing a specialized sales force more effectively. We could also use a commercial outsourcing company or could build our own commercial organization. These are all viable options, each with its own set of pros and cons. The Company is in discussion with several potential partners and views partnering as its preferred strategy. Whilst we have not committed to a single path, we continue our pre-commercialization efforts to raise awareness of iclaprim in the infectious disease/hospital communities. We continue to speak with potential partners for other territories, with a focus on Europe and Japan.

In conclusion, I would like to thank you, our shareholders, for your continued support. I would also like to thank the dedicated individuals on our Motif team for their tireless efforts. And I would like to thank the doctors, patients and their loved ones for their willingness to participate in our clinical trials. At the end of the day, they are the focus and the reason we are in this business. We are excited about the year ahead and about the potential for iclaprim to truly make a difference in people's lives.

Dr. Graham Lumsden
Chief Executive Officer
April 10, 2018

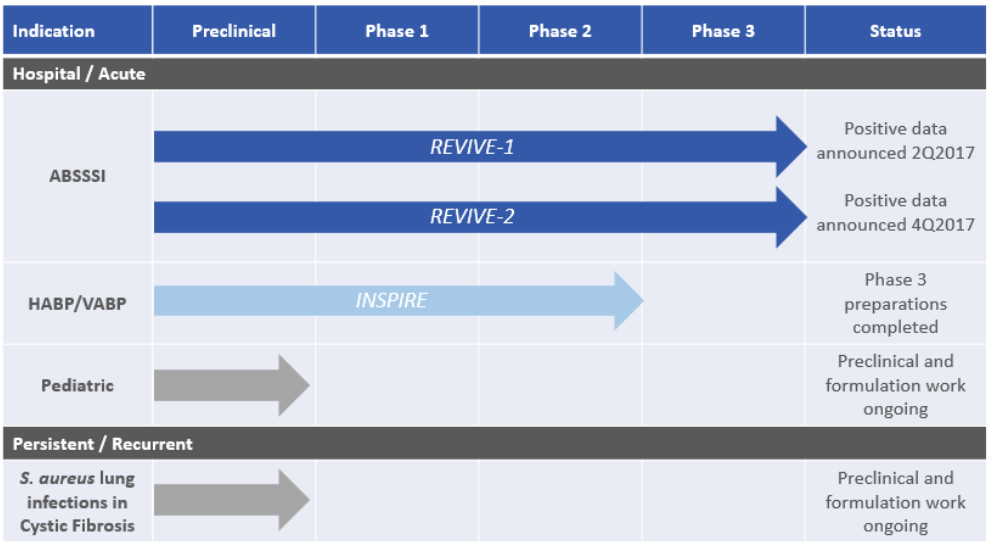
Strategic Report

Strategy and Business Model

The Group's business strategy is to develop novel antibiotics that are designed to be effective against serious and life-threatening infections in hospitalized patients caused by multi-drug resistant bacteria. The Group's lead product candidate, iclaprim, is being developed for the treatment of the most common and serious bacterial infections such as ABSSSI and HABP, including those caused by resistant strains such as MRSA. Positive results from two pivotal Phase 3 clinical trials in ABSSSI were announced in 2017 and are serving as the basis for the New Drug Application (NDA) to the U.S. Food & Drug Administration (FDA), which has been submitted on a rolling basis and is expected to be completed in the second quarter of 2018. Assuming the NDA is accepted for filing by the FDA, Motif expects the FDA to make a decision on the application in the first quarter of 2019. A Phase 3 clinical trial to determine the efficacy of iclaprim in HABP is planned to start in 2018, subject to receipt of appropriate funding. Additionally, iclaprim is in preclinical testing for the treatment of *Staphylococcus aureus* lung infections in patients with cystic fibrosis and was granted orphan drug designation by the FDA for this indication in 2017.

The Group is evaluating commercialization options for its product candidate iclaprim in the US and plans to partner with other companies for commercialization in other countries. The Group expects to generate revenues from sales of its product candidates once they are approved. In addition, the Group expects to be able to enter into commercialization agreements in one or more territories, which could result in cash payments from partners in the form of upfront payments, progress-based milestone payments and/or royalties on sales. Until the Group is able to successfully commercialize its pharmaceutical products, it expects to continue to generate losses until revenues from these sources exceed operating costs. The Board expects to be able to raise sufficient capital to support the Group's commercialization strategy.

The Group's goal is to help physicians to treat hospitalized patients with serious and life-threatening infections by building a leading, fully integrated biopharmaceutical company dedicated to the development and commercialization of novel antibiotics, designed to be effective against multi-drug resistant bacteria as detailed in the preceding paragraphs. The following table provides an illustration of our product development pipeline.



Business Review

The Group's results for the year are set out in the consolidated statement of comprehensive loss on page 35.

General and administrative expenses increased by $3.6 million, to $8.5 million, in the year ended December 31, 2017, compared to $4.9 million in the year ended December 31, 2016. This increase was primarily attributable to an increase in employee compensation and benefits of $0.7 million and non-cash stock-based compensation expense of $0.6 million. Legal, professional and advisory fees increased due to the: (i) increasing costs associated with being a public company in the United Kingdom and in the United States; (ii) costs associated with 2017 financing activities; and (iii) increased costs of outside professional services, including commercial evaluation and strategy services, investor relations and other consulting services.

Research and development (R&D) expenses decreased by $5.3 million, to $29.5 million, in the year ended December 31, 2017, compared to $34.8 million in the year ended December 31, 2016. This decrease was primarily attributable to the completion of the Phase 3 clinical trial program in 2017 for iclaprim in ABSSSI. R&D expenses for the year ended

December 31, 2017 included $22.1 million for contract research organization direct and indirect expenses, which represented a decrease of $8.3 million for similar costs incurred in 2016. The decrease was partially offset by a $2.3 million increase in costs relating to other clinical operating activities, chemistry, manufacturing and control (CMC) requirements and other non-clinical development activities.

Net cash provided by financing activities amounted to $38.5 million for the year ended December 31, 2017. This resulted from $23.7 million of net proceeds from the June 2017 equity issuance of 66,666,667 new ordinary shares at £0.30 per share and $14.4 million of net proceeds from a term loan borrowing under the November 2017 Hercules Loan Agreement.

At December 31, 2017 and 2016, the Group had cash and cash equivalents of approximately $22.7 million and $21.8 million, respectively. The Company does not expect to generate significant revenue from product sales unless and until the Group obtains regulatory approval for and successfully commercializes iclaprim or future product candidates. The Company anticipates that it will continue to generate losses for the foreseeable future as the Company continues the development of and seeks regulatory approvals for its product candidates and begins to commercialize any approved products.

Operations have been financed primarily by net proceeds from the issuance of ADSs on the NASDAQ Capital Market, the issuance of ordinary shares on AIM, the net proceeds of a Hercules Loan Agreement entered into in November 2017 and, prior to the AIM IPO in 2015, the issuance of convertible promissory notes to related parties.

Selected peer companies developing antibiotics, including Achaogen, Melinta, Nabriva, and Paratek, are regularly followed and studied as benchmarks for clinical development timelines, product pricing, capital requirements, financial metrics, and market positioning. Qualitative and quantitative market research is used to identify and assess market opportunities for novel antibiotics.

Going Concern

As of December 31, 2017, the Group had $22.7 million in cash. Net cash used in operating activities was $37.4 million for the year ended December 31, 2017. Net loss for the year ended December 31, 2017 was $44.8 million. The Group has incurred ongoing losses and negative cash flows as a result of costs mainly related to the clinical development of iclaprim and expect to incur losses for the next several years as revenue from expected iclaprim sales and/or licensing agreements are not expected to fully cover the cost of additional research and development of iclaprim as well as commercialization costs. The directors are unable to predict the extent of any future losses or when the Group and Company will become profitable, if at all.

The Group will be required to raise additional capital within the next year to continue the development and commercialization of iclaprim and to continue to fund operations at the current cash expenditure levels. The directors cannot be certain that additional funding will be available on acceptable terms, or at all. To the extent that the Group raises additional funds by issuing equity securities, its stockholders may experience significant dilution. If the Group is unable to raise additional capital when required or on acceptable terms, it may have to (i) significantly delay, scale back, or discontinue the development and/or commercialization of is existing and future product candidates; (ii) seek collaborators for product candidates at an earlier stage than otherwise would be desirable and on terms that are less favorable than might otherwise be available; and/or (iii) relinquish or otherwise dispose of rights on unfavorable terms to technologies, existing and future product candidates or products that the Group would otherwise seek to develop or commercialize itself.

These financial statements have been prepared under the assumption that the Group and Company will continue as a going concern. Due to the Group and Company's recurring and expected continuing losses from operations, the directors have concluded there is material uncertainty which may cast significant doubt about the Group and Company's ability to continue as a going concern for at least one year from the issuance of these financial statements without additional capital becoming available. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Principal Risks and Uncertainties

The principal risks faced by the Group, and the actions taken to mitigate them, are shown in the table below:

Risk	Description	Principal mitigation
Financial	The successful development of the Group's assets requires financial investment which can come from revenues, commercial partners, or investors. Failure to generate additional funding from these sources may compromise the Group's ability to execute its business plans or to continue in business.	The Group has successfully engaged with investors to generate significant cash resources which, providing it can raise sufficient additional development capital, are considered sufficient to fund current plans for the clinical development of the Group's lead antibiotic, iclaprim. See Going Concern discussion above.
Intellectual property (IP)	In common with other companies engaged in pharmaceutical development, the Group faces the risk that IP rights necessary to exploit its research and development efforts may not be adequately secured or defended. The Group's IP may also become obsolete, preventing commercial exploitation.	The Group actively manages its IP, engaging with specialists to apply for and defend IP rights in appropriate territories. As the Group currently has no iclaprim patents, it will depend on the already granted QIDP (Qualified Infectious Disease Product) designation under the GAIN (Generating Antibiotic Incentives Now) Act to provide 10 years' market exclusivity within the US. Outside the US, the Group will depend on similar provisions from regulatory agencies in different territories and on the commercialization partners it is able to attract.
Research and development	The Group may not generate further attractive drug candidates and candidates already in development may fail preclinical testing or clinical trials because of lack of efficacy, unacceptable side effects, or insurmountable challenges in conducting studies adequate to support regulatory approvals. Practical issues, such as the inability to devise acceptable formulations for products or the inability to manufacture products at acceptable cost, may also lead to failure of candidates in development.	The Lead product candidate, iclaprim, has successfully completed a comprehensive preclinical and clinical development program and the safety and efficacy profile is well understood. Two positive Phase 3 trials in ABSSSI have been completed; the results of which will be included in the Group's regulatory applications for marketing approval in the United States and Europe.
Regulatory	Drug development is a highly regulated activity governed by different regulatory authorities in different jurisdictions. It can be difficult to predict the exact requirements of different regulatory bodies. Decisions by regulators may lead to delays in development and approval of drugs	The Group's drug development team includes specialists in regulatory affairs who consult with other experts to ensure that internal control processes and clinical trial designs meet current regulatory requirements. The Group also engages directly with regulatory authorities when appropriate.

	or lack of marketing authorizations in some or all territories.	
Commercial and economic	The Group may be unable to effectively commercialize or license its products to partners or may not be able to execute licensing deals that provide significant revenues. Development of alternative technologies or products may undermine the Group's capacity to generate revenue from commercialization of its assets. If the Group's drugs are commercialized, they may not generate significant revenues if their use and sale are restricted by regulators or by failure of healthcare payers to provide adequate reimbursement of drug costs.	The Group consults with commercial, clinical, and scientific experts to assess the payer and prescriber environment and the potential impact of competing products or changes in the economic landscape pertaining to hospital infections. The Group actively monitors the performance of key competitors in terms of pricing, market share, and prescribing behavior.
Operational	The Group may not be able to recruit and retain appropriately qualified staff. Facilities and other resources may become unavailable.	The Group's recruitment processes are tailored to identify and attract the best candidates for specific roles. The Group aims to provide competitive rewards and incentives to staff and directors and informally benchmarks the level of benefits it provides against similar companies.
The electorate in the United Kingdom voted in favor of leaving the EU (referred to as "Brexit").	On March 29, 2017, the U.K. government delivered to the European Council notice of its intention to leave the EU by March 29, 2019. Brexit could impair the Group's ability to transact business in EU countries. In addition, Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the United Kingdom determines which EU laws to replicate or replace. Any of these effects of Brexit, and others we cannot anticipate, could adversely affect the Group's business, business opportunities, results of operations, financial condition and cash flows	Brexit has already and could continue to adversely affect European and/or worldwide economic and market conditions and could continue to contribute to instability in the global financial markets. The long-term effects of Brexit will depend in part on any agreements the United Kingdom makes to retain access to EU markets following the United Kingdom's withdrawal from the EU. The Group has and will continue to monitor the implications of Brexit leveraging experienced financial and legal advisors.
Information technology ("IT") and cyber security	The Group's third-party hosted computer systems, or those of our research partners or other contractors, consultants or future collaborators, may fail or suffer security breaches, which could result in a disruption of our drug product development programs and planned commercial activities.	The Group routinely monitors the risks associated with information technology and cyber security and will continue to monitor its third-party IT provider and current and future collaborators implemented security measures.

Key Performance Indicators

The Directors do not consider traditional financial measures, such as EBIT, to be key performance indicators at this stage of the business. However, the Directors closely monitor the Company's cash position. The principal focus of the Group is preparations related to the submission of the NDA to the US FDA and the MAA to the European Medicines Agency (EMA) and related regulatory follow up, as well as activities related to pre-commercialization and partnering.

Substantial shareholdings

As of March 1, 2018, the Group was aware that the following shareholders each had holdings of 3% or more of the issued share capital of the Group.

As of March 1, 2018	Holding	%
Invesco Asset Management Limited	65,465,260	24.79
Amphion Innovations plc	37,150,645	14.07
Bank of America Merrill Lynch [(1)]	18,674,188	7.07
Sand Grove Capital [(2)]	13,257,448	5.02
Aviva Investors plc	11,209,053	4.24

[(1)] This information is based on information contained in a TR-1 Notification sent to us on January 12, 2018 by Bank of America Corporation disclosing an indirect voting interest in our ordinary shares. The principal address of Bank of America Merrill Lynch is 2 King Edward Street, London, EC1A 1HQ, United Kingdom.

[(2)] This information is based on information contained in a TR-1 Notification sent to us on October 5, 2017 by Sand Grove Capital Management LLP disclosing a cash-settlement equity contract for difference. The principal address of Sand Grove Capital Management LLP is 35 Dover Street, 4th Floor, London W1S 4NQ.

Environmental and Social Matters

The Directors do not consider the disclosure of environmental and social matters to be necessary to the understanding of the business or its annual performance.

Greenhouse Gas Emissions

It is not practical for the Group to obtain information on its emissions as information is not available.

Our People

At December 31, 2017, the Company's Board was made up of nine directors (7 men and 2 women). The senior management (namely, the Chief Executive Officer, Chief Financial Officer and Chief Medical Officer) consisted of all men. At the end of the year, there were 5 additional employees of the Company (3 men and 2 women).

Approved by the Board and signed on its behalf by:

Jonathan E. Gold
Chief Financial Officer
April 10, 2018

Board of Directors

Richard C.E. Morgan, Chairman

Mr. Morgan is Chief Executive Officer of Amphion Innovations plc. Over the course of his career, Mr. Morgan has been directly involved in the start-up and development of more than 35 companies in the biopharma, healthcare, and IT industries, including Celgene Corp. and Sequus Pharmaceuticals, two successful biopharma companies. Mr. Morgan is also Chairman of Polarean Imaging plc. Mr. Morgan is a founder and Chief Executive Officer of Amphion Capital Partners LLC. He was also the Managing General Partner of Amphion Partners LLC (formerly known as Wolfensohn Partners, LP) a position which he retains, although the partnership is no longer active. Before joining Wolfensohn, Mr. Morgan spent 15 years with Schroders plc, a British merchant bank, where he was a member of the Board of the merchant bank and head of the Schroder Strategy Group, which he founded. Mr. Morgan, a British citizen, was raised in Kenya and educated in England. He graduated with a B. Engineering First Class Honors from the University of Auckland, New Zealand. In 1982 he completed the Advanced Management Program at the Harvard Business School. He is currently Chairman of four private companies.

Craig T. Albanese, M.D., M.B.A., Non-executive Director

Dr. Albanese has 25 years of clinical and administrative experience focusing on children's and women's health, primarily at the Stanford Children's Hospital, New-York Presbyterian Hospital, Morgan Stanley Children's Hospital and the Sloane Hospital for Women. He is currently Senior Vice President and Chief Operating Officer at New York-Presbyterian/Morgan Stanley Children's Hospital and Sloane Hospital for Women. He has had a distinguished clinical career to date having published 161 peer review articles, contributed 57 book chapters, and risen to Professor of Surgery in Pediatrics, Obstetrics and Gynecology. After receiving his medical degree from SUNY-Health Science Center in Brooklyn, Dr. Albanese was a resident, and later, chief resident in general surgery at Mount Sinai Medical Center. Following his residency, he completed pediatric general surgery and critical care/research fellowships at Children's Hospital of Pittsburgh. He also holds a Master's in Business Administration from the Leavey School of Business at Santa Clara University. As a medical doctor and a hospital executive, Dr. Albanese brings important physician and hospital administration perspective in evaluating and overseeing our performance and strategic direction

Robert Bertoldi, Non-executive Director

Mr. Bertoldi, is President and Chief Financial Officer of Amphion Innovations. He was a founder, President, and Chief Financial Officer of Amphion Capital Partners LLC (the predecessor company) and VennWorks LLC. Mr. Bertoldi is also a general partner of Amphion Partners LLC (formerly known as Wolfensohn Partners, LP). Mr. Bertoldi also serves as a director of Polarean Imaging plc. Prior to that, he served as Chief Financial Officer for James D. Wolfensohn, Inc. and Hambro America Inc. He began his career at KPMG and left as a manager in the investment services department. Mr. Bertoldi received a B.A. in Accounting and Economics from Queens College. He is a member of the AICPA and NYSCPA.

Jonathan E. Gold, Chief Financial Officer, Director

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

Charlotta Ginman, Non-executive Director

A fellow of the Institute of Chartered Accountants in England and Wales, Ms. Ginman is Chair of the Audit Committee. She is a non-executive Director and Chair of the Audit Committee of Polar Capital Technology Trust plc, Pacific Assets Trust plc and Keywords Studios plc. She is also a non-executive Director of Consort Medical plc and Unicorn AIM VCT plc. Ms. Ginman has held senior positions in the investment banking and technology/telecom sectors. As three out of Ms. Ginman's six non-executive directorships are with quoted investment companies that involve less time commitment than trading companies, Ms. Ginman is able to devote sufficient time to all of her appointments.

Zaki Hosny, Non-executive Director

Mr. Hosny is an independent consultant to life sciences companies. He spent most of his career at Merck & Co., Inc. in marketing and general management positions around the globe, including management responsibility for the company's business in major markets in Europe. Mr. Hosny also held senior marketing positions in the United States and several European countries in general management, marketing roles with worldwide responsibility for cardiovascular and other franchises, and was closely involved in the clinical development of some of Merck's major products. Mr. Hosny was CEO of Motif from 2006 to 2013. Mr. Hosny is currently a Senior Advisor to the Albright Stonebridge Group, a strategic consultancy firm based in Washington D.C. and a consultant to Harel Consulting of New Jersey, and Mettle Consulting of the UK. Mr. Hosny is based in Princeton, NJ and is a graduate of Cambridge University with a MA in history and law.

Graham Lumsden, Chief Executive Officer, Director
Dr. Lumsden is responsible for all aspects of the strategy, management, and operations of Motif Bio. Prior to joining Motif, Dr. Lumsden held Worldwide Business Leader, Contraceptives and Osteoporosis at Merck & Co., Inc. where he previously held other international senior leadership roles as well as senior marketing positions. Dr. Lumsden has a proven record of success leading change and delivering results through cross-functional team leadership, including US / international sales and marketing, new product launches, pre-clinical / clinical development, regulatory strategy, and IP strategy / litigation. Dr. Lumsden is a member of the Royal College of Veterinary Surgeons (MRCVS), holds a postgraduate diploma from the Chartered Institute of Marketing (MCIM), and is a dual citizen of the US and UK.

Mary Lake Polan, M.D, Ph.D., MPH, Non-executive Director
Dr. Polan is a Clinical Professor in the Department of Obstetrics, Gynecology, and Reproductive Sciences at Yale University School of Medicine. Dr. Polan specializes in reproductive endocrinology and infertility and hormonal issues related to gynecology patients and menopause. She received her bachelor's degree from Connecticut College and her Ph.D. in Molecular Biophysics and Biochemistry and M.D. from Yale University and completed her residency and Reproductive Endocrine Fellowship at the Department of Obstetrics and Gynecology at the Yale School of Medicine. Dr. Polan received her M.P.H. (Maternal and Child Health Program) from the University of California, Berkeley. She served on the board of Wyeth Pharmaceuticals prior to its acquisition by Pfizer and currently serves on the board of Quidel Corp., San Diego, CA and on the boards of several privately held life sciences companies. She chairs an SAB on Women's Health for the Proctor and Gamble Company and several other advisory boards of private life sciences companies. She is also Managing Director of Golden Seeds, and angel investing group which invests in women led companies.

Bruce A. Williams, Non-executive Director
Mr. Williams has significant operational experience in the pharmaceutical and biotech industries. He was an Executive Director of Ortho Biotech where he led the marketing of this Johnson & Johnson subsidiary's lead product Procrit (epoetin alfa) from pre-launch through to its first years on the market, realizing US $1 billion of revenue. Mr. Williams was previously Senior Vice President of Sales and Marketing at Celgene Corporation where he built the company's commercial and distribution infrastructure to support the launch of its first product, Thalomid (thalidomide). Mr. Williams was previously Senior Vice President, Sales and Marketing at Genta Incorporated where he led the negotiation of a licensing and co-development/ co-marketing agreement with Aventis for the company's lead product. The company realized over US $300 million in proceeds from this agreement. Mr. Williams currently serves on the boards of Motif and Afaxys Incorporated. He also chairs the Board of Trustees of Rutgers Preparatory School, New Jersey's first independent school.

Directors' Report

The Directors present their annual report on the affairs of the Group, together with the financial statements and auditors' report, for the year ended December 31, 2017.

Principal Activities
Motif Bio plc is a clinical-stage biopharmaceutical company specializing in the development and commercialization of novel antibiotics that are designed to be effective against serious and life-threatening infections caused by multi-drug resistant bacteria.

Business and Strategic Review
The information that fulfills the requirements of the business review, including details of the results for the year ended December 31, 2017, principal risks and uncertainties, and the outlook for future years, are set out in the Chairman's Statement, Chief Executive Officer's Statement, and the Strategic Report on pages 1-9.

Future Developments
Motif's future development objectives for 2018 are disclosed in the Chairman's Statement and Chief Executive Officer's Statement on pages 1-4.

Capital Structure
The capital structure is intended to ensure and maintain strong credit ratings and healthy capital ratios in order to support the Group's business and maximize shareholder value. It includes the monitoring of cash balances, available bank facilities, and cash flows.

No changes were made to these objectives, policies, or processes during the year ended December 31, 2017.

Share Capital
Information relating to changes in the issued share capital during the year is given in note 17 to the financial statements.

Results and Dividends
The consolidated income statement is set out on page 35. The Group's loss after taxation amounted to US $44,810,366 (2016: US $40,324,302). A review of 2017 financial is included in the Business Review section of the Strategic Report on pages 5-6.

The Directors did not recommend the payment of a dividend for the years ended December 31, 2017 and 2016.

Directors
The Directors of the Group are shown on pages 10-11. All of the Directors were Directors for the whole year except for Dr. Craig Albanese, who was appointed to the Board on 4 May 2017.

The emoluments and interests of the Directors in the shares of the Group are set out in the Directors' Remuneration Report on page 16.

Details of significant events since the end of the reporting period are contained in note 21 to the financial statements.

The Directors, who served during the year (unless otherwise noted) and to the date of signing the financial statements, were as follows:

Mr. Richard Morgan
Dr. Craig Albanese
Mr. Robert Bertoldi
Ms. Charlotta Ginman
Mr. Jonathan Gold
Mr. Zaki Hosny
Dr. Graham Lumsden
Dr. Mary Lake Polan
Mr. Bruce Williams

Mr. Zaki Hosny, Dr. Mary Lake Polan and Mr. Bruce Williams will retire by rotation at the Annual General Meeting and, being eligible, will offer themselves for re-election.

Directors' Indemnities
The Group has made qualifying third party indemnity provisions for the benefit of its Directors, which were made during the year and remain in force at the date of this report.

Statement of Directors' Responsibilities in Respect of the Directors' Report and the Financial Statements
The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulation.

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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

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

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

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

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

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

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

Statement of Directors' Responsibilities in Respect of the Directors' Report and the Financial Statements, (continued)

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

PricewaterhouseCoopers LLP has expressed its willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Dr. Graham Lumsden
Chief Executive Officer
April 10, 2018

Corporate Governance Report

Motif Bio plc has agreed to comply with the Quoted Companies Alliance ("QCA") Corporate Governance Code for Small and Mid-Size Quoted Companies of 2013 (the "Code") to the extent the Directors consider it appropriate, and having regard to the Company's size, Board structure, stage of development, and resources.

The Board

The Board meets regularly, generally every two months with two meetings per year in person and four meetings per year telephonically. Its direct responsibilities include setting annual budgets, reviewing trading performance, approving significant capital expenditure, ensuring adequate funding, setting and monitoring strategy, and reporting to shareholders. The Non-executive Directors have a particular responsibility to ensure that the strategies proposed by the Executive Directors are fully considered.

Each year, one-third of the Board will retire by rotation and offer themselves for re-election in accordance with the Company's Articles of Association.

Audit Committee

The Audit Committee is chaired by Charlotta Ginman, an independent Non-executive Director. The other members during 2017 were Jonathan Gold, a Non-executive Director, Bruce Williams, an independent Non-executive Director and Dr. Craig Albanese, an independent Non-executive Director. In May of 2017, Jonathan Gold stepped down from the committee when Dr. Craig Albanese was appointed to the Board and joined the committee. The Audit Committee meets at least three times a year. The Audit Committee met six times in 2017.

The Audit Committee is responsible for reviewing the half-year and annual financial statements, interim management statements, preliminary results announcements, and any other formal announcement or presentation relating to the Group's financial performance. The Audit Committee also reviews significant financial returns to regulators and any financial information covered in certain other documents such as announcements of a price sensitive nature.

The Audit Committee oversees the appointment of the external auditor and sets their remuneration (both for audit and non-audit work) and discusses the nature, scope, and results of the audit with the auditors. The Audit Committee reviews the extent of the non-audit services provided by the auditors and reviews with them their independence and objectivity. The Chairman of the Audit Committee reports the outcome of the Audit Committee meetings to the Board and the Board receives the minutes of the meetings.

Remuneration Committee

The Remuneration Committee is chaired by Zaki Hosny, an independent Non-executive Director. The other members are Richard C.E. Morgan, Chairman of the Board, and Bruce Williams, an independent Non-executive Director. The Remuneration Committee met eleven times in 2017.

The Remuneration Committee is responsible for making recommendations to the Board, within agreed terms of reference, on the Group's framework of executive remuneration and its cost. The committee determines the contract terms, remuneration, and other benefits for each of the Executive Directors, including performance related bonus schemes and pension rights. Further details of the Group's policies on remuneration and service contracts are given in the Directors' Remuneration Report on page 15.

Nomination and Corporate Governance Committee

As of the date of this Annual Report, Dr. Mary Lake Polan and Dr. Craig Albanese are the members of our Nomination and Corporate Governance committee (or the "Nomination Committee"). Dr. Polan is the chair of the committee. The Nomination Committee met one time in 2017. The Nomination Committee monitors the size and composition of the board of directors and the other committees and is responsible for identifying suitable candidates to join our board of directors. Dr. Craig Albanese was appointed to the Nomination Committee on April 9, 2018.

Internal Control and Risk Management

The Board attaches considerable importance to the Company's system of internal control and risk management. An ongoing process has been established for identifying, evaluating, and managing the significant risks faced by the Group. The process has been in place for the full year under review and up to the date of approval of the annual report and financial statements. The Board regularly reviews this process as part of its review of such risks within its meetings. Where any weaknesses are identified, an action plan is prepared to address the issues and is then implemented.

The internal controls and risk management system is designed to manage, rather than eliminate the risk of failure to achieve the Company's strategic objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

In common with companies of similar size and development, the Group has a small and developing internal financial control environment. Two "material weaknesses", as defined by the Public Company Accounting Oversight Board (the "PCAOB") in the US, have been identified: the Group did not maintain effective internal controls to ensure that processing and reporting

of valid transactions was complete, accurate, and timely; and secondly, because the Group has limited accounting personnel, this did not allow for appropriate monitoring of internal control over financial reporting.

These control deficiencies resulted in the misclassification of derivative liabilities in the statement of financial position as of December 31, 2016. In addition, these control deficiencies resulted in immaterial audit adjustments to increase the Company's trade and other payables as of December 31, 2016. In connection with the 2017 interim consolidated financial statements, these control deficiencies resulted in adjustments to stock-based compensation expense and certain accrued liabilities. Although these control deficiencies did not result in an adjustment as of December 31, 2017, a material misstatement to the annual or interim consolidated financial statements may not be prevented or detected until the control deficiencies are remediated. Accordingly, the Company has determined that these control deficiencies constitute material weaknesses. In an effort to remediate these material weaknesses, we have retained experienced accounting and finance personnel and have implemented certain process improvements in our internal control over financial reporting. We are planning additional substantial changes in our internal control over financial reporting, as we continue to remediate these material weaknesses during the ensuing periods.

The Audit Committee has reviewed the need for an internal audit function and concluded that this is not currently necessary in view of the small size of the Group and the close supervision by the senior leadership team of its day-to-day operations. The Audit Committee will continue to keep this under review.

Each year the Board approves the annual budget. Key risk areas are identified, reviewed, and monitored. Performance is monitored against budget, relevant action is taken throughout the year, and updated forecasts are prepared as appropriate.

Communication with Shareholders

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

Directors' Remuneration Report

Statement by Chairman of the Remuneration Committee
Dear Shareholder,

On behalf of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the year ended December 31, 2017. The Remuneration Committee was established in April 2015 and consists of three Non-executive Directors. Our Remuneration Policy for Executive and Non-executive Directors was approved by our shareholders at our 2017 Annual General Meeting. The foundation of our Remuneration Policy for Executive Directors is to align the interests of our Executive Directors with that of our shareholders, while achieving the following:

- Attract, motivate and retain experienced and talented Executive Directors by providing competitive remuneration packages that take into account their expertise, experience and performance;
- Offer market-based fixed components of remuneration such as salary and benefits;
- Ensure that a significant portion of Executive Director remuneration is awarded annually in a mix of short-term and long-term incentives that meaningfully reflect individual and Company performance;
- Provide operational flexibility in the amounts payable under our remuneration program to accommodate the judicious allocation of the Company's resources as we seek to compete commercially with iclaprim and further expand its clinical development; and
- Balance the broad compensation practices in both the United Kingdom and the United States, as the Company is dual listed on the AIM and NASDAQ exchanges.

We believe that our Remuneration Policy will continue to enable the Company to attract and retain high quality Executive and Non-executive Directors for the next two years. Our Remuneration Policy is detailed further on pages 18-20.

Key decisions in the year ended December 31, 2017

During the year ended December 31, 2017, the Remuneration Committee undertook the following key decisions and activities:

- Increased the base salary of the Chief Executive Officer to US$446,250 per annum with effect from January 1, 2018;
- Measured the performance of the Chief Executive Officer and Chief Medical Officer against established 2017 goals and objectives;
- On February 28, 2018, awarded Dr. Lumsden, our Chief Executive Officer, a cash bonus of $127,500, or 75% of his target opportunity, for his performance and contributions during 2017. A portion, or $42,500, of the cash bonus is contingent upon achieving certain operational milestones in 2018. In addition, Dr. Lumsden received a supplemental bonus of $50,000 that is also contingent upon operational milestones in the first half of 2018,
- On February 28, 2018, awarded Dr. Lumsden an option to purchase 3,000,000 ordinary shares at £0.361 per share. The award vests over a four-year period, 2,000,000 of the options granted are dependent on meeting certain performance targets;
- Maintained the annual fee structure for the Board of Directors remuneration that was proposed by our external consultants, Pearl Meyer & Partners LLC, and adopted by the Board in January of 2017 (Chairman US$107,000; Non–executive Directors US$50,000; Audit Committee chair and member US$15,000 and US$7,500, respectively; Remuneration Committee chair and member US$12,500 and US$6,500, respectively; Nominating Committee chair and member US$10,000 and US$5,000, respectively); and
- Set management team objectives for 2018 against which performance will be measured in early 2019.

In summary, this has been a successful year for the Company with progress against our clinical, strategic, operational and financial objectives. Attracting and retaining a highly qualified and motivated executive team will continue to be critical in the years ahead as the Company progresses its products through development and into commercialization.

Zaki Hosny
Chairman of the Remuneration Committee
April 10, 2018

Remuneration Policy Report

The information provided in this part of the Directors' Remuneration Report is not subject to audit.

The Remuneration Policy Report ("Policy") was approved by the shareholders at the Annual General Meeting ("AGM") held in June 2017. The Policy provides a framework for execution of the Company's remuneration strategy from the date of the AGM and is intended to last for a period of three years, unless changes to the Policy are required earlier. If changes are required, Motif Bio plc ("Motif" or the "Company") will seek earlier shareholder approval.

The Policy aims to establish remuneration programs that provide an appropriate mix of rewards, incentives, and benefits that are balanced across fixed and variable pay, as well as short- and long-term performance.

The Policy seeks to ensure that remuneration levels for the Company's Executive Directors take into account their skills and experience, the nature and complexity of their responsibilities, relevant market comparisons, and their performance.

Policy summary

The policy table below describes the Company's current and future remuneration policy for Directors and provides details as to how each element is expected to operate.

	Purpose	Operation	Maximum opportunity	Performance
Executive Directors				
Salary	Recognizes the skills, experience and expertise of the role and provides the basis for a competitive remuneration package.	• Position salary levels for Executive Directors at a level calculated to attract and retain experienced, skilled executive talent, with reference to: relevant experience and time in the role; compensation of similarly situated executives at companies in an appropriately constituted peer company; general economic environment; and individual performance. • Salaries normally are reviewed annually. • Any salary increases take effect from the start of the financial year.	• Salary increases for the Executive Directors normally are expected to be broadly in line with inflation, and the Committee will consider average salary increases for Executives in an appropriate peer company with whom Motif competes for talent to ensure the Company remains competitive, as well as the individual's personal performance and experience in the role. • At the Committee's discretion, higher than normal increases may be awarded to reflect changes in role size or complexity, which have resulted in salary falling below competitive market levels for the enhanced responsibilities of the role. • For the year ended December 31, 2017, the salary level for the Chief Executive Officer was US$425,000. The salary was increased to US$446,250 for the 2018 fiscal year.	• Review takes account of individual performance and contribution to the Company during the year.

	Purpose	Operation	Maximum opportunity	Performance
Executive Directors				
Pension	Provides market competitive pension benefits to encourage and enable executives to build savings for their retirement.	• There is no separate pension scheme in place that covers only Executive Directors. The Company offers a retirement plan to all US employees in accordance with subsection 401(k) of the Internal Revenue Code ("401(k) Plan") in which employees may make voluntary pre-tax contributions toward their own retirement. • Company contribution level is reviewed against local market practices annually.	• Individual employees may contribute up to US $18,500 of salary per annum. • The employer-paid element of the pension provision is currently set at 3.00%.	• N/A
Other benefits	Protects against risks and provides other benefits in line with market practice.	• Benefits are set in line with local market practice and are reviewed periodically. Currently, benefits include 100% of health insurance premiums for each covered individual and their dependents.	• 100% of health insurance premiums for each covered individual and their dependents.	• N/A
Annual bonus	Aligns incentives with the level of achievement of key annual objectives linked to the Company's strategy.	• The Committee sets objectives at the beginning of each calendar/ performance year. • Annual performance measures and objectives and their relative weights are determined with reference to the Company's overall strategy and annual business plan and priorities for the year. • The Committee determines the bonus amount at the end of the performance year on the basis of the Company's performance against the pre-established objectives and the individual's performance in the year.	• Maximum bonus opportunity level for the Chief Executive Officer is set at 50% of base salary.	• Bonus amount is determined exclusively on the basis of performance measured at the end of the performance year by determining the percentage achievement of performance objectives established at the beginning of the year. • The performance measures are considered commercially sensitive by the Committee given their direct link to the business strategy and so are not disclosed to shareholders in advance. The Committee will review the sensitivity of this information following the end of the performance period with a view to sharing these with shareholders as soon as this information is no longer deemed sensitive.
Share options	To reflect US market practice, supporting the recruitment and retention of our Executive Directors with US market experience and expertise, and strengthen Executive Directors' alignment to shareholder interests through ownership of Company shares.	• Share option awards will usually be considered annually to support the ownership of Company shares. These will be made in the form of market value options.	• The maximum aggregate number of shares that may be issued under the share option plan, including those issued to Executive Directors, shall be 18 million. The individual maximum number of shares to be awarded to each Executive Director is determined on an annual basis by reference to industry standards and peer group comparisons. • Share options granted to Executive Directors are in addition to the fees outlined above.	• Share options granted before December 31, 2017 are subject to time-based vesting over a period of 48 months but are not subject to any performance conditions. • Share options granted after December 31, 2017 may be subject to performance conditions.

	Purpose	Operation	Maximum opportunity	Performance
Executive Directors				
Notes	(1) Use of discretion The Committee will operate the annual bonus plan according to their respective rules and in accordance with the AIM Rules and/or the NASDAQ Rules, where applicable. The Committee retains discretion, consistent with market practice, in a number of areas with regard to the operation and administration of this plan. In relation to the annual bonus plan, the Committee retains discretion over: • the participants; • the timing of grant of a payment; • the determination of the bonus payment; • dealing with a change of control; • determination of the treatment of leavers based on the rules of the plan and the appropriate treatment chosen; and • the annual review of performance measures and weighting, and performance measures for the annual bonus plan from year to year. In relation to the Company's bonus plan, the Committee retains the ability to adjust the performance objectives and/or set different measures if events occur (e.g. material acquisition and/or divestment of a Company business) which cause the Committee to determine that the conditions are no longer appropriate and the amendment is required so that the conditions achieve their original purpose and are not materially less difficult to satisfy. Any use of the above discretions would, where relevant, be explained in the Annual Report on Remuneration. (2) Remuneration policy for other employees The Company's approach to reward and remuneration is broadly consistent across the Company; however, the Executive Director remuneration is more heavily weighted towards variable elements of remuneration that are conditional upon the Executive Director achieving performance targets linked to the successful delivery of strategy. This aims to create a clear link between the value created for shareholders and remuneration received by the Executive Director. In line with this, a lower level of maximum annual bonus/short-term incentive opportunity typically applies to other employees.			
Non-executive Directors ("NEDs")				
Fees	Allows the Company to attract and retain NEDs of a high caliber with experience in the Company's markets.	• NEDs receive basic fees with incremental fees paid for additional roles and responsibilities held, such as Board Committee Chairmanships and participation. • Fee levels take into account the required time commitment, experience and responsibilities of each NED role. • Reviewed by the Committee annually and with regard to market comparatives.	• Value of aggregate fees will not exceed £500,000 in any given year.	• Fee review takes account of market comparatives.
Other benefits	To reimburse reasonable travel costs for attendance at Board meetings.	• NEDs receive all reasonable travel costs in connection with attendance at Board meetings.	• All expenses will be borne where the Committee considers that these are reasonable.	• N/A
Share options	To reflect US market practice, supporting the recruitment and retention of NEDS with US market experience and expertise, and strengthen NEDS' alignment to shareholder interests through ownership of Company shares.	• Share option awards will usually be considered annually to support the ownership of Company shares. These will be made in the form of market value options.	• The maximum aggregate number of shares that may be issued under the share option plan, including those options granted to NEDs, is 18 million. The individual maximum number of shares to be awarded to each NED is determined on an annual basis by reference to industry standards and peer group comparisons. Share options granted to NEDS are in addition to the fees outlined above.	• Share options granted before December 31, 2017 are subject to time-based vesting over a period of 48 months but are not subject to any performance conditions. • Share options granted after December 31, 2017 may be subject to performance conditions.

Recruitment policy

The remuneration package for any new Executive Director will be set in accordance with the terms of the Company's Remuneration Policy at the time of appointment (including salary, pension, benefits and annual bonus). It is recognized that in order to attract and recruit talented individuals the recruitment remuneration policy needs to maintain sufficient flexibility. Basic salaries for Executive Directors are reviewed annually having regard to individual performance and market practice. Each calendar year, a bonus may be awarded at the discretion of the Board, having considered the recommendations of the Remuneration Committee to reward the Executives' contributions to the achievement of the annual performance plan, which includes the Company's strategic and financial targets and personal performance objectives.

To facilitate recruitment, the Committee may offer additional cash and/or share-based remuneration to take account of and compensate for remuneration that the Executive Director is required to relinquish when leaving a former employer. The Committee will seek to structure any such replacement awards to be no more generous overall in terms of quantum or vesting than the award to be forfeited from the previous employer and will take into account the timing, form and performance requirements of the awards forgone.

For an internal Executive Director appointment, any variable pay element awarded in respect of the prior role will be allowed to pay out according to its terms. In addition, any other contractual remuneration obligations existing prior to appointment may continue.

For external and internal appointments, the Committee may agree that the Company will provide reasonable relocation support.

In all cases, the Committee will ensure that decisions made are in the best interests of the Company.

The remuneration for any Non-executive Director appointments will be set in accordance with the prevailing policy and no additional payments will be made.

Policy on payments for loss of office

The Chief Executive Officer has a service contract with a notice period to the Company of three months until he has completed two years' continuous employment and thereafter, one additional month's notice for each complete year of his period of continuous employment or twelve months' notice if less.

There is no automatic entitlement to any bonus payment, or proportion thereof, upon loss of office; however, the Remuneration Committee may exercise its discretion to make such a payment, taking into consideration performance to the date of cessation of employment and time in role in that calendar/performance year. Any bonus paid will be time pro-rated unless, at the discretion of the Committee, it is deemed appropriate to award a full bonus (for example in cases of cessation by way of death, illness, injury, disability or retirement). Holders of share options who cease to be employees or directors to the Company will normally forfeit unvested options. Other than in the case of termination for cause, vested options may normally be exercised for a limited period of time following termination.

The Committee reserves the right to make payments it considers reasonable under a compromise or settlement agreement, including payment or reimbursement of reasonable legal and professional fees, and any payment in respect of statutory rights under employment law in the U.K. or other jurisdictions. Payment or reimbursement of reasonable outplacement fees may also be provided.

Service contracts

In April 2015, the Company entered into a service agreement with Dr. Graham Lumsden pursuant to which Dr. Lumsden is employed as our Chief Executive Officer on a full-time basis. Under the terms of the agreement Dr. Lumsden received an initial gross annual salary of $360,000. In February 2016, our Board of directors increased Dr. Lumsden's gross annual salary to $425,000. Effective 1 January 2018, Dr. Lumsden's annual salary was increased to $446,250. Dr. Lumsden is eligible to participate in the Company's discretionary annual bonus program in an amount to be determined by the Board of Directors in its absolute discretion. The agreement contains customary confidentiality, non-competition and non-solicitation provisions.

Dr. Lumsden is employed by us on a permanent contract. In March 2018, we amended our service agreement with Dr. Lumsden to provide for a six-month notice period for termination by either party.

In addition, the Company may terminate Dr. Lumsden's employment without notice in certain circumstances by making a payment to Dr. Lumsden in lieu of notice, which payment will be equal to the portion of his annual salary due him for the duration of the notice period. The agreement also contains garden leave provisions which can be utilized in the event that Dr. Lumsden's employment is terminated by the Company.

Motif Bio plc entered into a consultancy agreement with Amphion Innovations plc for Robert Bertoldi, an employee of Amphion Innovations plc. The term of this agreement is twelve months, automatically renewing each year on the anniversary, subject to cancellation by either party by giving 90-day written notice.

Motif Bio plc entered into an employment agreement with Jonathan Gold for his acceptance of the Chief Financial Officer executive role. The effective date of this agreement was February 2, 2018. The pre-existing consulting service agreement with Mr. Gold was temporarily suspended as of December 31, 2017.

The Committee considers these Directors' notice periods to be appropriate as they are in line with the market and take account of the Directors' knowledge and experience.

Details of Directors' service contracts or letters of appointment are as follows:

Director	Date of service contract/letter of appointment	Notice period
Executive		
Graham Lumsden	1 April 2015	Six months
Jonathan Gold [(1)]	1 April 2015	N/A
Non-Executive		
Richard Morgan	1 April 2015	N/A
Robert Bertoldi	1 April 2015	N/A
Charlotta Ginman	1 April 2015	N/A
Zaki Hosny	1 April 2015	N/A
Mary Lake Polan	1 April 2015	N/A
Bruce Williams	1 April 2015	N/A
Craig Albanese	4 May 2017	N/A

(1) Effective February 2, 2018, Jonathan Gold assumed the role of Chief Financial Officer and is currently considered an Executive Director. In the single-figure remuneration and related tables, which represent data as of December 31, 2017, Mr. Gold is considered a Non-executive Director.

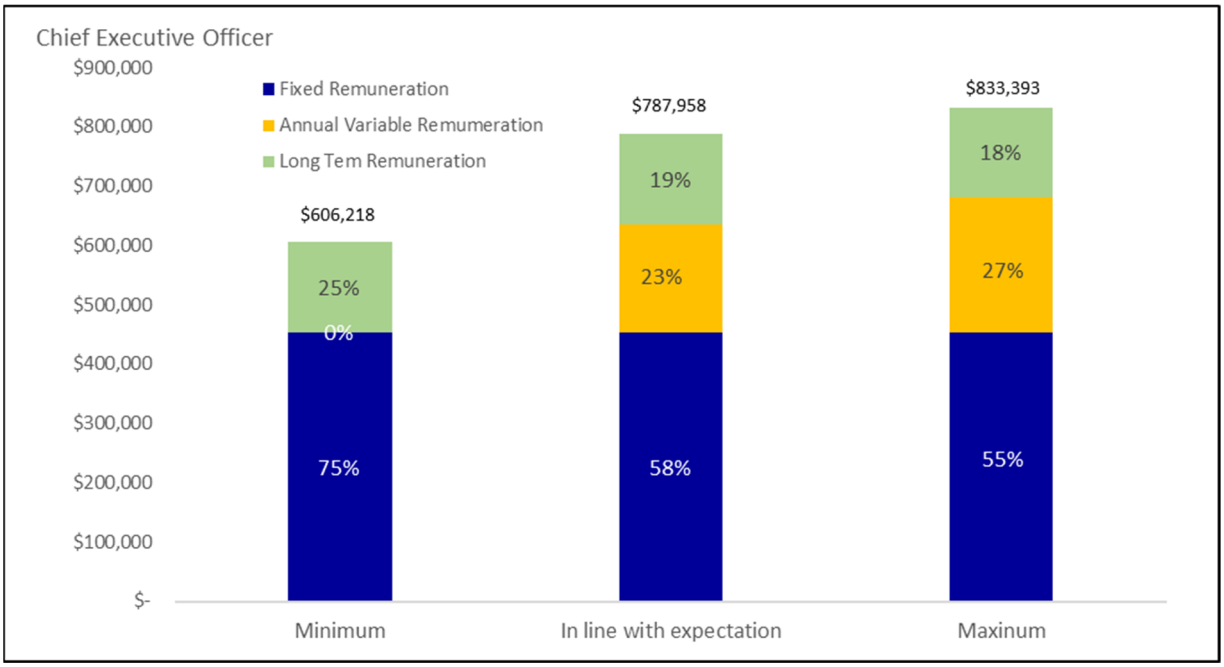
All of the Company's Directors are subject to election by shareholders at the first annual general meeting after their appointment to the Board. Following this initial appointment by the shareholders, the Directors are subject to retirement by rotation. At each AGM of the Company, one-third of the Directors or, if their number is not three or a multiple of three, then the number nearest to one-third shall retire from office by rotation. A director who retires at a general meeting shall be eligible for reappointment if such director is willing to be re-elected. In addition, a non-executive director who would not otherwise be required to retire at an annual general meeting will retire if he or she has been in office for a continuous period of nine years or more at the date of the meeting. Such non-executive director will not be taken into account when determining the Directors required to retire by rotation.

Illustrations of the application of the Remuneration Policy

The chart below shows how the composition of 2018 remuneration for the Chief Executive Officer varies at different levels of performance under the policy set out above, as a percentage of total remuneration opportunity.

Minimum – fixed elements of remuneration	This scenario assumes that the current basic salary continues to be earned in the financial year ending December 31, 2018. The value of benefits receivable for the year ended December 31, 2018 is assumed to be equal to the value of benefits received in the year ended December 31, 2017 as set out in the single total figure of remuneration on page 24. No short-term incentive payments are assumed. Vesting of long-term equity based incentives assumes time-based vesting. The amount of long-term variable compensation is calculated as the number of share options that will vest during 2018 at face value, which was determined to be the market value on the date of grant.

Performance in line with expectations	This scenario is illustrative only and is not expected to be predictive of the financial year ending December 31, 2018 remuneration for the Chief Executive Officer. Fixed elements of remuneration as set out above, plus: • On target level of short-term incentive payment is taken to be 40% of basic salary, being the current best estimate of the average bonus likely to be awarded by the Remuneration Committee in years when performance is in line with expectations. • Vesting of long-term equity based incentives assumes time-based vesting. The amount of long-term variable compensation is calculated as the number of share options that will vest during 2018 at face value, which was determined to be the market value on the date of grant. • On February 28, 2018, Dr. Lumsden was awarded an option to purchase 3,000,000 ordinary shares at £0.361 per share. The award vests over a four-year period, 2,000,000 of the options granted are dependent on meeting certain performance targets.
Maximum remuneration receivable	This scenario is illustrative only and is not expected to be predictive of the financial year ending December 31, 2018 remuneration for the Chief Executive Officer. Fixed elements of remuneration as set out above, plus: • The maximum level of short-term incentive payment is assumed to be equivalent to 50% of basic salary. • Vesting of long-term equity based incentives assumes time-based vesting. The amount of long-term variable compensation is calculated as the number of share options that will vest during 2018 at face value, which was determined to be the market value on the date of grant. • On February 28, 2018, Dr. Lumsden was awarded an option to purchase 3,000,000 ordinary shares at £0.361 per share. The award vests over a four-year period, 2,000,000 of the options granted are dependent on meeting certain performance targets.



Statement of consideration of employee conditions elsewhere in the Company
The Remuneration Committee considers the pay and conditions of the wider employee workforce when setting the Remuneration Policy for the Executive Directors. Employees have not been consulted directly in relation to decisions on the Remuneration Policy of the Executive Directors but the Remuneration Committee will keep this under review.

Statement of shareholder views
The Remuneration Committee considers shareholder feedback received in relation to the AGM each year as well as any additional feedback received throughout the year. This feedback, so far as it relates to remuneration, is then considered by the Company in its annual review of the appropriateness of its Remuneration Policy. Should any material changes be anticipated in the Remuneration Policy, the Company will seek to engage directly with major shareholders where appropriate ahead of submitting a revised Policy to shareholder vote.

Annual Report on Remuneration
The information provided in this part of the Directors' Remuneration Report is subject to audit.

Single total figure of remuneration for each Director (subject to audit)
The Directors received the following remuneration for the years ended December 31, 2017 and December 31, 2016:

Year ended December 31, 2017	Salaries and fees US $	Short-term incentives US $	Long-term incentives (2) US $	Benefits in kind US $	Social security US $	2017 Total US $
Executive						
Graham Lumsden (1)	425,000	127,500	327,327	-	15,499	895,326
Non-executive						
Craig Albanese	38,333	-	-	-	-	38,333
Richard Morgan	113,500	-	52,111	-	-	165,611
Robert Bertoldi (3)	125,000	-	26,055	-	9,563	160,618
Charlotta Ginman (4)	67,279	-	34,740	-	-	102,019
Jonathan Gold (3)	194,004	-	26,055	-	-	220,059
Zaki Hosny	63,000	-	26,055	-	-	89,055
Mary Lake Polan	60,000	-	26,055	-	-	86,055
Bruce Williams	64,000	-	26,055	-	-	90,055
Total	1,150,116	127,500	544,453	-	25,062	1,847,131

(1) On February 28, 2018, the Board awarded Dr. Lumsden a cash bonus of $127,500, or 75% of his target opportunity, for his performance and contributions during 2017. A portion, or $42,500, of the cash bonus is contingent upon achieving certain operational milestones in 2018. In addition, Dr. Lumsden received a supplemental bonus of $50,000 that is also contingent upon operational milestones in the first half of 2018.
(2) The value of long-term incentives is calculated as the number of options vested during the year multiplied by the Company's share price on the vesting date, less the amount that would be paid to exercise those vested options.
(3) Total salaries and fees paid to Mr. Bertoldi and Mr. Gold include $50,000 and $53,125, respectively, for services rendered as a Board and committee member.
(4) Ms. Ginman's remuneration for 2017 was £52,195 or US $67,279 based on an average exchange rate of 1.289 for the period.

Year ended December 31, 2016	Salaries and fees US $	Short-term incentives US $	Long-term incentives (5) US $	Benefits in kind US $	Social security US $	2016 Total US $
Executive						
Graham Lumsden [(1)]	425,000	50,000	164,296	-	13,510	652,806
Non-executive						
Richard Morgan [(2)]	114,950	62,775	20,873	-	-	198,598
Robert Bertoldi	127,500	-	10,437	-	10,283	148,220
Charlotta Ginman	57,475	-	11,298	-	-	68,773
Jonathan Gold [(3)]	114,094	-	10,437	-	-	124,531
Zaki Hosny	57,475	-	22,669	-	-	80,144
Mary Lake Polan	54,094	-	10,437	-	-	64,531
John Stakes [(4)]	30,869	-	10,437	-	-	41,306
Bruce Williams	54,094	-	10,437	-	-	64,531
Total	1,035,551	112,775	271,321	-	23,793	1,443,440

(1) For the year ended December 31, 2016, a short-term incentive payment of US $100,000 was awarded to Dr. Lumsden for his performance against objectives in 2016. Half of the payment was payable immediately and the remaining half was contingent upon the Company raising at least US $20 million and Dr. Lumsden's continued service with the Company.

(2) A short-term incentive payment of £100,000 was awarded to the Chairman in recognition of him working a substantial number of hours over an extended period of time during the year in addition to his agreed responsibilities as Chairman. His services were instrumental in the Company securing a listing on the NASDAQ Capital Market in November 2016 and the associated financing of the Company's operations. Half of the payment was payable immediately and the remaining half was contingent upon the Company raising at least US $20 million.

(3) In addition to his fees as a Director, Mr. Gold received US $60,000 in 2016 for services provided under a consulting agreement to the Company.

(4) Mr. Stakes resigned from the Board of Directors effective July 1, 2016. No loss of office was paid to Mr. Stakes.

(5) The value of long-term incentives is calculated as the number of options vested during the year multiplied by the Company's share price on the vesting date, less the amount that would be paid to exercise those vested options.

Short-term incentive payments made during the financial year (subject to audit)

For the year ended December 31, 2017, a short-term incentive payment of US$127,500 was awarded to Dr. Lumsden for his performance against objectives in the 2017 Performance Plan. Dr. Lumsden was awarded a supplemental bonus of US $50,000, which is contingent on operational milestones in the first half of 2018.

Long-term incentive payments made during the financial year (subject to audit)

No share options were granted to Directors during the year ended December 31, 2017, except for share options to purchase 100,000 ordinary shares awarded to Craig Albanese and share options to purchase 1,700,000 ordinary shares awarded to Dr. Lumsden. These option awards are scheduled to vest ratably over 48 months.

Long-term incentive payments vesting during the financial year (subject to audit)

The Company's options are subject to time based vesting. During the year ended December 31, 2017, 3,644,002 options vested, with a total value of US $711,945.

Statement of Directors' shareholding and share interests (subject to audit)

The table below details the total number of shares owned (including their beneficial interests), the total number of share options held with and without performance conditions, the number of share options vested but not exercised and those exercised during 2017.

		Options				
	Shares owned	Unvested with performance conditions	Unvested without performance conditions	Vested not yet exercised	Exercised during the year	Total (shares and options)
Executive						
Graham Lumsden (1)	–	–	1,369,927	3,778,873	–	5,148,800
Non-executive						
Richard Morgan	190,916	–	–	582,344	–	773,260
Craig Albanese	–	–	85,417	14,583	–	100,000
Robert Bertoldi	61,251	–	–	305,362	–	366,613
Charlotta Ginman	125,000	–	–	251,475	–	376,475
Jonathan Gold (2)	148,608	–	–	330,941	–	479,549
Zaki Hosny	215,550	–	–	430,094	–	645,644
Mary Lake Polan	13,000	–	–	323,971	–	336,971
Bruce Williams	105,350	–	–	422,118	–	527,468
Total	859,675	–	1,455,344	6,439,761		8,754,780

(1) On February 28, 2018, Dr. Lumsden was awarded an option to purchase 3,000,000 ordinary shares at £0.361 per share. The award vests over a four-year period, 2,000,000 of the options granted are dependent on meeting certain performance targets.

(2) On February 28, 2018, Mr. Gold was awarded an option to purchase 1,000,000 ordinary shares at £0.361 per share. A portion of the award, 750,000 options, vests over a four-year period and is based on meeting certain performance targets. The remaining options will vest over a 12-month period beginning at the end of his interim assignment.

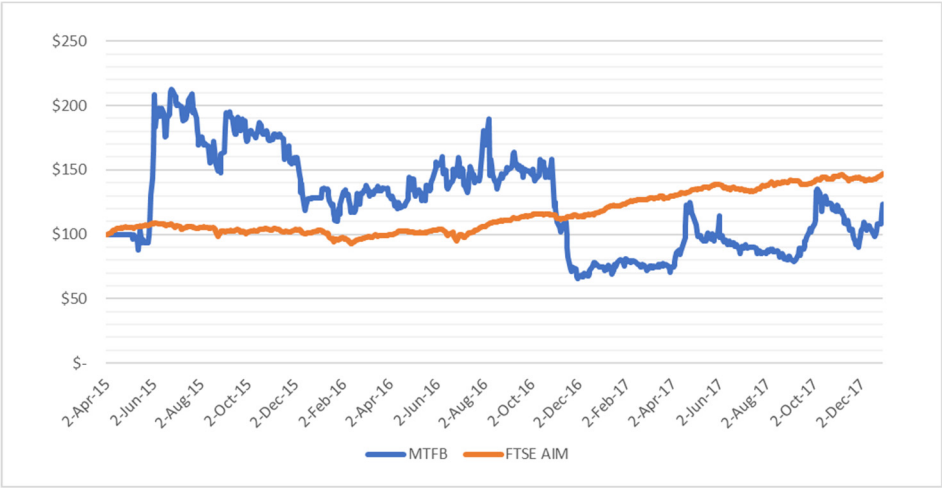
The interests of the Directors in the Company's share options at December 31, 2017 are as follows:

	January 1, 2017	Granted	December 31, 2017	Exercise price US$	Grant date	Expiry date	Date from which exercisable
Executive							
Graham Lumsden (1)	574,800	–	574,800	$0.14	25-May-13	25-May-23	Note (i)
	2,874,000	–	2,874,000	$0.14	4-Dec-14	4-Dec-24	Note (i)
	–	1,000,000	1,000,000	$0.33	7-Feb-17	7-Feb-27	Note (ii)
	–	700,000	700,000	$0.33	7-Feb-17	7-Feb-27	Note (iii)
	3,448,800	1,700,000	5,148,800				
Non-executive							
Richard Morgan	73,215	–	73,215	$0.70	1 Jan 2010	1 Jan 2020	Note (i)
	6,179	–	6,179	$0.70	1 Jan 2011	1 Jan 2021	Note (i)
	502,950	–	502,950	$0.14	4 Dec 2014	4 Dec 2024	Note (i)
	582,344	–	582,344				
Craig Albanese	–	100,000	100,000	$0.44	4 May 2017	4 May 2027	Note (iv)
	–	100,000	100,000				
Robert Bertoldi	53,887	–	53,887	$0.70	1 Jan 2010	1 Jan 2020	Note (i)
	251,475	–	251,475	$0.14	4 Dec 2014	4 Dec 2024	Note (i)
	305,362	–	305,362				
Charlotta Ginman	251,475	–	251,475	$0.14	4 Dec 2014	4 Dec 2024	Note (i)
	251,475	–	251,475				
Jonathan Gold (2)	73,502	–	73,502	$0.70	1 Jan 2010	1 Jan 2020	Note (i)
	5,964	–	5,964	$0.70	1 Jan 2011	1 Jan 2021	Note (i)
	251,475	–	251,475	$0.14	4 Dec 2014	4 Dec 2024	Note (i)
	330,941	–	330,941				
Zaki Hosny	53,888	–	53,888	$0.70	18 Jun 2009	18 Jun 2019	Note (i)
	14,370	–	14,370	$0.70	1 Jan 2010	1 Jan 2020	Note (i)
	2,587	–	2,587	$0.70	1 Jan 2011	1 Jan 2021	Note (i)
	107,774	–	107,774	$0.14	30 Jan 2013	30 Jan 2023	Note (i)
	251,475	–	251,475	$0.14	4 Dec 2014	4 Dec 2024	Note (i)
	430,094	–	430,094				
Mary Lake Polan	67,036	–	67,036	$0.70	1 Jan 2010	1 Jan 2020	Note (i)
	5,461	–	5,461	$0.70	1 Jan 2011	1 Jan 2021	Note (i)
	251,474	–	251,474	$0.14	4 Dec 2014	4 Dec 2024	Note (i)
	323,971	–	323,971				
Bruce Williams	67,252	–	67,252	$0.70	1 Jan 2010	1 Jan 2020	Note (i)
	28,740	–	28,740	$0.70	16 Jan 2010	16 Jan 2020	Note (i)
	71,850	–	71,850	$0.70	15 Nov 2010	15 Nov 2020	Note (i)
	2,802	–	2,802	$0.70	1 Jan 2011	1 Jan 2021	Note (i)
	251,474	–	251,474	$0.14	4 Dec 2014	4 Dec 2024	Note (i)
	422,118	–	422,118				

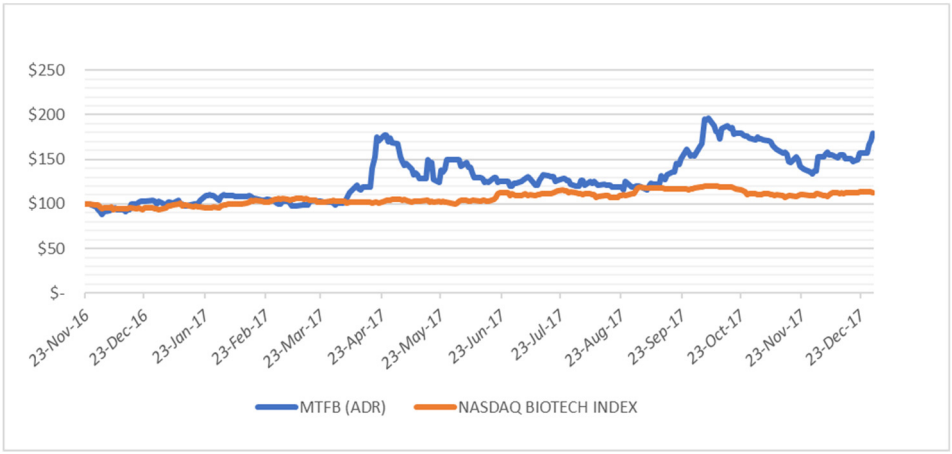
(i) Options are fully vested an available for exercise at December 31, 2017.
(ii) Options vest in equal tranches over 48 months starting March 2017.
(iii) Options vest in equal tranches over 48 months starting in May 2017.
(iv) Options vest in equal tranches over 48 months starting in June 2017.
(1) On February 28, 2018, Dr. Lumsden was awarded an option to purchase 3,000,000 ordinary shares at £0.361 per share. The award vests over a four-year period, 2,000,000 of the options granted are dependent on meeting certain performance targets.
(2) On February 28, 2018, Mr. Gold was awarded an option to purchase 1,000,000 ordinary shares at £0.361 per share. A portion of the award, 750,000 options, vests over a four-year period and are based on meeting certain performance targets. The remaining options will vest over a 12-month period beginning at the end of his interim assignment.

Illustrations of total shareholder return

The graph below shows the daily movements of £100 invested in Motif Bio plc on April 2, 2015 compared with the value of £100 invested in the FTSE: AIM Index through December 31, 2017. The Company has chosen to use the FTSE: AIM Index as they consider this index to be the most suitable comparator index for the business as an AIM-traded company.



The graph below shows the daily movements of US $100 invested in Motif Bio plc's American Depositary Shares on November 23, 2016 compared with the value of US $100 invested in the NASDAQ Biotech Index through December 31, 2017. The Company has chosen to use the NASDAQ Biotech Index because it is the most suitable comparator index for US-listed shares in the Company's sector.



Chief Executive Officer total remuneration history

Year Ended December 31	CEO single figure of total remuneration US $	Short-term incentive payout against maximum US $	Long-term incentive vesting rates against maximum opportunity [4] US $
2017 Dr. Lumsden [1]	567,999	60%	–
2016 Dr. Lumsden [2]	488,510	24%	–
2015 Dr. Lumsden [3]	557,180	125%	–

(1) On February 28, 2018, the Board awarded Dr. Lumsden a cash bonus of $127,500, or 75% of his target opportunity, for his performance and contributions during 2017. A portion, or $42,500, of the cash bonus is contingent upon achieving certain operational milestones in 2018. In addition, Dr. Lumsden received a supplemental bonus of $50,000 that is also contingent upon operational milestones in the first half of 2018 and is not included in the remuneration figure above.

(2) Dr. Lumsden was awarded a short-term incentive payment of US $100,000 for his performance against objectives in the 2016 Performance Plan. Half of the payment was payable immediately and the remaining half was contingent upon the Company raising at least US $20 million and Dr. Lumsden's continued service with the Company. The calculation above does not reflect the US $50,000 contingent payment.

(3) Dr. Lumsden received a short-term incentive payment that exceeded the maximum due to his contribution to the Company successfully completing the merger with Nuprim Inc., the AIM admission in April 2015, a secondary fund raising in July 2015 and QIDP designation from the FDA.

(4) On February 28, 2018, Dr. Lumsden was awarded an option to purchase 3,000,000 ordinary shares at £0.361 per share. The award vests over a four-year period, 2,000,000 of the options are dependent on meeting certain performance targets. All options awarded to Dr. Lumsden prior to 31 December 2017 are subject to time-based vesting over a period of 48 months and are not subject to performance conditions and, as a result, are not included in the table above.

The table below shows the percentage change in remuneration of the Chief Executive Officer and the Company's employees as a whole between the year ended December 31, 2016 and the year ended December 31, 2017.

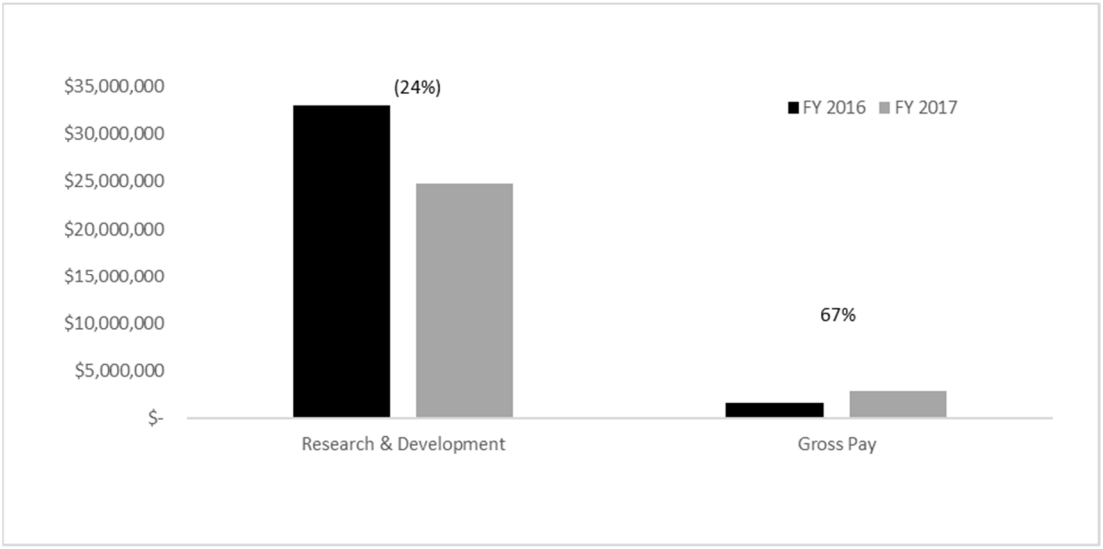
	Percentage increase in remuneration in year ended December 31, 2017 compared with remuneration in the year ended December 31, 2016	
	CEO (1)	All employees (2)
Basic salary	–%	57%
Short-term incentives	28%	230%
Taxable benefits	N/A	N/A

(1) Dr. Lumsden's 2017 salary was consistent with his 2016 salary. Dr. Lumsden received a short-term incentive that represented a higher percentage of his target amount in 2017 as compared to 2016.

(2) The increase in basic salary and short-term incentives is primarily attributable to the Chief Financial Officer role being filled for a complete year and the hiring of additional finance personnel.

Relative importance of spend on pay
The Remuneration Committee considers the Company's research and development expenditure relative to gross pay for all employees as reported in the Statement of Comprehensive Loss to be the most appropriate metric for assessing overall spend on pay due to the nature and stage of the Company's business.

The graph below illustrates the gross pay to all employees per year as compared to research and development expenditure and the year-on-year change.



Application of the Remuneration Policy
The Remuneration Policy applies from the date of the Company's 2017 AGM for a period of three years. The Company retains the right to make any payments per contractual arrangements with Executive Directors, that were entered into prior to the approval of the Remuneration Policy.

Fixed elements of remuneration
The Chief Executive Officer's salary for the year ending December 31, 2018 is currently set at US $446,250. Any salary increase will be awarded from January 1, 2018 and will be considered in the context of external and internal factors, including annual review of data from comparator companies (using external advisers where required), performance, changes to the remuneration of the broader employee population and any changes in the Executive Director's duties or role.

Variable elements of remuneration

Short-term incentives
The Committee established its 2016 Performance Plan, which includes performance objectives with respect to execution of key elements of the Company's strategy as well as value drivers for the business, including certain financial and operational goals, including clinical programs and business and organizational development. In the first quarter of 2018, based on Dr. Lumsden's performance against these objectives, the Remuneration Committee recommended and the Board of Directors approved a short-term incentive payment of US$127,500 and a supplemental bonus of $50,000 that is contingent on achieving certain operational milestones in the first half of 2018.

Long-term incentives
The Company anticipates that long-term incentives for the Executive Director will be recommended at the discretion of the Remuneration Committee, to be awarded by the Board of Directors on an annual basis. In line with this policy, in the first quarter of 2018, Dr. Lumsden was awarded 3,000,000 options to purchase ordinary shares at an exercise price of £0.361 per share. Of the total award, 1,000,000 options will vest in equal tranches over 48 months and 2,000,000 options are subject to certain performance conditions.

Remuneration Committee approach to remuneration matters
The Remuneration Committee was established in April 2015 and is comprised of Zaki Hosny (Chairman), Richard C.E. Morgan and Bruce Williams.

Statement of voting at Annual General Meeting
The Company is committed to ongoing shareholder dialogue and the Remuneration Committee takes an active interest in shareholder views and voting outcomes. Voting is held at the Company shareholder meetings and is conducted through a show of hands by shareholders who are in attendance at the meeting, as well as any votes lodged by proxy in advance of the meeting.

Distributions to Shareholders
The Company did not provide any dividends or distributions to its shareholders during 2017.

Approval
This report was approved by the Board of Directors and signed on its behalf by:

Richard C.E. Morgan
Chairman
April 10, 2018

Independent auditors' report to the members of Motif Bio plc

Report on the audit of the financial statements

Opinion

In our opinion, Motif Bio plc's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2017 and of the group's loss and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Consolidated and Company statements of financial position as at 31 December 2017; the Consolidated statement of comprehensive loss, the Consolidated and Company statements of cash flows, and the Consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty relating to going concern – Group and Company

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Group's and Company's ability to continue as a going concern. The Group has suffered recurring losses and negative cash flows as a result of the continuing clinical trials and will require additional funding to fund ongoing operations. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and Company's ability to continue as a going concern. The Group and Company financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

Explanation of material uncertainty

Note 1 to the financial statements details the Directors' disclosures of the material uncertainty relating to going concern in respect of the requirement to raise additional funding within 12 months from the date of approval of the financial statements.

The Group and Company have incurred ongoing losses and negative cash flows as a result of costs mainly related to clinical development and expect to continue to incur losses in future years to reach commercialisation. The Group will be required to raise additional finance within the next 12 months to fund the required clinical development costs and ongoing working capital. Judgement is required in estimating future forecast costs and the likelihood of future funding being available to the Group. There is no certainty that future funding will be available and the Directors have drawn attention to this as a material uncertainty relating to going concern in the basis of preparation to the Annual Report.

What audit procedures we performed

In concluding there is a material uncertainty, our audit procedures included:

- Obtaining future cash flow forecasts for a period covering 12 months from the date of approval of the financial statements. The cash flow forecasts supported that additional funding would be required within the next 12 months;
- Considering the Group's plan for raising additional finance and the potential for future fundraising in the UK or US capital markets; and
- Reading the disclosures in note 1 to the financial statements and checking these were consistent with the Group's plans for future fundraising and the Group's current funding position.

Having performed the above procedures, we concluded that the disclosures included within the financial statements were consistent with the cash flow forecasts and the Group's funding position. We agreed with the Group's assessment that there was no certainty that future funding would be available which raises substantial doubt over the Group and Company's ability to continue as a going concern. On this basis we concluded there is a material uncertainty in relation to going concern which is included within our audit opinion.

Our audit approach

Overview

- Overall group materiality: $2,200,000 (2016: $1,970,000), based on 5% of loss before tax.
- Overall company materiality: $380,000 (2016: $110,000), based on 5% of loss before tax.

- We performed an audit of the complete financial information of Motif BioSciences, Inc. and Motif Bio plc.
- Taken together, the entities audited comprised 100% of loss before tax.
- Audit work was performed by the group team in the UK and component auditors in the US.

- Valuation of derivative financial liabilities (Group and Company)
- Carrying value of intangible assets (Group).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

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

Key audit matter	***How our audit addressed the key audit matter***
Valuation of derivative financial liabilities (Group and Company) The Group and Company has $12.6m (2016: $5.8m) of derivative financial liabilities recognised on the balance sheet at year end. These represent share warrants which were issued to investors in November 2016, and additional warrants which were issued in 2017 to a third party, and also as part of the new term loan secured. The accounting for share warrants is complex, and involves management judgement in re-measuring the liabilities to fair value at each year end. We focused on this area due to the material nature of the derivative financial liabilities in the financial statements, and also due to the level of judgement required in determining the fair value.	We obtained managements' Black Scholes fair value models for the warrants and agreed the resulting valuation was recorded as the fair value for the warrants at the balance sheet date. We performed audit procedures over the assumptions used in respect of the share price, volatility, future dividends and risk free rate. We corroborated the appropriateness of the rates used with reference to third party data where appropriate. We tested the derivative liability disclosures in the financial statements and checked these to the disclosure requirements in the accounting standards. Based on our work performed we conclude that the fair value of the derivative financial liabilities is materially correct at the year-end date.
Carrying value of intangible assets (Group) The Group has $6.2m (2016: $6.2m) of intangible assets which arose on the acquisition of Nuprim iclaprim assets in 2015. Frequent changes in the competitive landscape and regulatory rulings could increase the likelihood of the intangible asset being impaired. IAS 38, Intangible assets also requires that the carrying value of indefinite life intangible assets are tested for impairment on an annual basis. We focused on this area due to the material nature of the intangible assets in the financial statements, and also due to the	We obtained managements' forecast cash flow model for the iclaprim drug and tested the mathematical accuracy of the model and agreed the cash flow forecasts used in the models to the latest approved forecasts. We discussed with management the latest clinical trial results to identify if there were any potential impairment triggers. We performed audit procedures over the assumptions used in respect of revenue assumptions, growth rates, forecast costs, probability of success and discount rates. We corroborated the appropriateness of the rates used with reference to observable market data and trends.

Key audit matter	How our audit addressed the key audit matter
level of judgement required in determining future cash flows to support the carrying value of the intangible asset.	Based on our work performed we conclude that the carrying value of intangible assets at the year end is appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The group is comprised of two entities and we performed an audit of the complete financial information of Motif Bio plc and Motif BioSciences, Inc., due to their financial significance within the group. Taken together, the entities where we performed our audit work accounted for 100% of group loss before tax.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed over the components either by us, as the group engagement team, or component auditors from other PwC network firms operating under our instruction. As the finance operations and key management are located in the US, we engaged our PwC Network firm in the US to perform an audit of the consolidated Motif Bio plc financial information.

Members of the group engagement team were involved in the component auditor's work throughout the audit. We maintained regular communication and conducted a formal year-end conference call with the component team and key management in the US. Additionally, the group engagement leader, performed a site visit to the US.

Due to the lower company materiality levels, the additional work required for the Motif Bio plc statutory audit was performed by the PwC UK group engagement team.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	$2,200,000 (2016: $1,970,000).	$380,000 (2016: $110,000).
How we determined it	5% of loss before tax.	5% of loss before tax.
Rationale for benchmark applied	The benchmark is consistent with previous years. We consider that due to the continued losses shown in the annual report, loss before tax is the primary measure used by the shareholders in assessing the performance of the group, and is a generally accepted auditing benchmark.	The benchmark is consistent with previous years. We consider that due to the continued losses shown in the annual report, loss before tax is the primary measure used by the shareholders in assessing the performance of the Company, and is a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between $380,000 and $2,090,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above $110,000 (Group audit) (2016: $98,500) and $19,150 (Company audit) (2016: $5,555) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 and ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Directors' Report and the Financial Statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Richard Spilsbury (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
10 April 2018

Motif Bio plc
Consolidated statement of comprehensive loss
For the year ended December 31, 2017

	Note	Year ended December 31, 2017 US $	Year ended December 31, 2016 US $	Year ended December 31, 2015 US $
Continuing operations				
General and administrative expenses	4	(8,541,396)	(4,912,150)	(3,577,180)
Research and development expenses	4	(29,475,293)	(34,794,815)	(4,680,940)
Gains on settlement of contract disputes	4	-	83,320	5,027
Operating loss		(38,016,689)	(39,623,645)	(8,253,093)
Interest income	4	133,612	69,754	15,028
Interest expense	4	(275,449)	(383,259)	(268,216)
Net foreign exchange losses		(238,289)	(250,926)	(9,644)
Loss from revaluation of derivative liabilities	14	(6,391,551)	(135,939)	-
Loss before income taxes		(44,788,366)	(40,324,015)	(8,515,925)
Income tax	7	(22,000)	(287)	(774)
Net loss for the year		(44,810,366)	(40,324,302)	(8,516,699)
Total comprehensive loss for the year		(44,810,366)	(40,324,302)	(8,516,699)
Net loss per share	8			
Basic and diluted per share *		$(0.19)	$(0.35)	$(0.14)
Weighted average number of ordinary shares, basic and diluted		231,530,091	116,558,191	61,225,922

** In accordance with IAS 33 "Earnings per share", shares are not diluted where the entity has reported a loss for the year.*

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

Motif Bio plc
Consolidated statements of financial position
As at December 31, 2017

	Note	December 31, 2017 US $	December 31, 2016 US $
ASSETS			
Non-current assets			
Intangible assets	9	6,195,748	6,195,748
Other non-current assets		23,075	-
Total non-current assets		6,218,823	6,195,748
Current assets			
Prepaid expenses and other receivables	10	317,584	401,064
Cash		22,651,475	21,829,632
Total current assets		22,969,059	22,230,696
Total assets		29,187,882	28,426,444
LIABILITIES			
Non-current liabilities			
Term loan, net of deferred financing costs	13	14,057,147	-
Other non-current liabilities	13	22,758	-
Total non-current liabilities		14,079,905	-
Current liabilities			
Trade and other payables	12	10,889,554	12,319,117
Payable on completion of clinical trial	9	500,000	500,000
Derivative liabilities	14	12,626,299	5,798,058
Total current liabilities		24,015,853	18,617,175
Total liabilities		38,095,758	18,617,175
Net (liabilities) / assets		(8,907,876)	9,809,269
EQUITY			
Share capital	17	3,589,201	2,728,199
Share premium	17	80,872,838	57,348,694
Group reorganization reserve	17	9,938,362	9,938,362
Accumulated deficit		(103,308,277)	(60,205,986)
Total (deficit) / equity		(8,907,876)	9,809,269

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

The financial statements were approved by the Board of Directors and authorized for issue on April 9, 2018. They were signed on its behalf by:

Director
Richard C.E. Morgan

Motif Bio plc
Company statement of financial position
At December 31, 2017 and 2016

	Note	December 31, 2017 US $	December 31, 2016 US $
ASSETS			
Non-current assets			
Investment	19	40,519,390	38,951,647
Total non-current assets		40,519,390	38,951,647
Current assets			
Prepaid expenses and other receivables	10	249,152	349,368
Cash		629,257	21,817,489
Receivable from Motif Bio Inc.		47,733,088	3,294,823
Total current assets		48,611,497	25,461,680
Total assets		89,130,887	64,413,327
LIABILITIES			
Trade and other payables	12	159,975	96,916
Derivative liabilities	14	12,626,299	5,798,058
Total current liabilities		12,786,274	5,894,974
Total liabilities		12,786,274	5,894,974
Net assets		76,344,613	58,518,353
EQUITY			
Share capital	17	3,589,201	2,728,199
Share premium	17	80,872,838	57,348,694
Reorganization reserve		(544,378)	(544,378)
Loss for the period		(8,266,961)	(2,221,872)
Issue of share capital		25,416,301	19,599,378
Cost of issuance		(1,734,562)	(3,370,155)
Exercise of share options and warrants		703,401	117,313
Share-based payments		1,708,075	255,830
Conversion of promissory note		–	3,550,786
Accumulated deficit		(7,573,048)	(1,014,162)
Total equity		76,344,613	58,518,353

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

The financial statements were approved by the Board of Directors and authorized for issue on April 9, 2018. They were signed on its behalf by:

Director
Richard C.E. Morgan

Motif Bio plc
Consolidated statements of changes in equity
For the year ended December 31, 2017

	Note	Share capital US $	Share premium US $	Group reorganization reserve US $	Accumulated deficit US $	Total US $
Balance at December 31, 2014		**1,110**	**3,964,455**	**-**	**(14,884,023)**	**(10,918,458)**
Loss for the year		-	-	-	(8,516,699)	(8,516,699)
Total comprehensive loss for the year		-	-	-	(8,516,699)	(8,516,699)
Conversion of promissory notes		3,573	6,275,213	-	-	6,278,786
Group reorganization		539,267	(10,239,668)	9,938,362	-	237,961
Issue of share capital	17	1,095,805	41,334,240	-	-	42,430,045
Cost of issuance		-	(2,898,693)	-	-	(2,898,693)
Exercise of share options and warrants		5,536	98,733	-	-	104,269
Issue of warrants to acquire assets		-	-	-	2,340,373	2,340,373
Share-based payments	16	-	-	-	665,124	665,124
Balance at December 31, 2015		**1,645,291**	**38,534,280**	**9,938,362**	**(20,395,225)**	**29,722,708**
Loss for the year		-	-	-	(40,324,302)	(40,324,302)
Total comprehensive loss for the year		-	-	-	(40,324,302)	(40,324,302)
Issue of share capital	17	897,812	18,701,566	-	-	19,599,378
Cost of issuance	17	-	(3,370,155)	-	-	(3,370,155)
Conversion of promissory notes	17	177,786	3,373,000	-	-	3,550,786
Exercise of share options and warrants	17	7,310	110,003	-	-	117,313
Share-based payments	16	-	-	-	513,541	513,541
Balance at December 31, 2016		**2,728,199**	**57,348,694**	**9,938,362**	**(60,205,986)**	**9,809,269**
Loss for the year		-	-	-	(44,810,366)	(44,810,366)
Total comprehensive loss for the year		-	-	-	(44,810,366)	(44,810,366)
Issue of share capital	17	846,667	24,569,634	-	-	25,416,301
Cost of issuance		-	(1,734,562)	-	-	(1,734,562)
Exercise of share options and warrants	17	14,335	689,072	-	-	703,407
Share-based payments	16	-	-	-	1,708,075	1,708,075
Balance at December 31, 2017		**3,589,201**	**80,872,838**	**9,938,362**	**(103,308,277)**	**(8,907,876)**

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

Motif Bio plc
Company statement of changes in equity
For the year ended December 31, 2017

	Note	Share capital US $	Share premium US $	Reorganization reserve US $	Accumulated earnings US $	Total US $
Balance at November 20, 2014		-	-	-	-	-
Loss for the year		-	-	-	(1,757,475)	(1,757,475)
Total comprehensive loss for the year		-	-	-	(1,757,475)	(1,757,475)
Group reorganization		544,378	-	(544,378)	-	-
Issue of share capital	17	1,095,377	41,334,240	-	-	42,429,617
Cost of issuance		-	(2,898,693)	-	-	(2,898,693)
Exercise of share options and warrants		5,536	98,733	-	-	104,269
Issue of warrants issued to acquire assets		-	-	-	2,340,373	2,340,373
Share-based payments	16	-	-	-	368,982	368,982
Balance at December 31, 2015		**1,645,291**	**38,534,280**	**(544,378)**	**951,880**	**40,587,073**
Loss for the year		-	-	-	(2,221,872)	(2,221,872)
Total comprehensive loss for the year		-	-	-	(2,221,872)	(2,221,872)
Issue of share capital	17	897,812	18,701,566	-	-	19,599,378
Cost of issuance		-	(3,370,155)	-	-	(3,370,155)
Conversion of promissory notes	17	177,786	3,373,000	-	-	3,550,786
Exercise of share options and warrants	17	7,310	110,003	-	-	117,313
Share-based payments	16	-	-	-	255,830	255,830
Balance at December 31, 2016		**2,728,199**	**57,348,694**	**(544,378)**	**(1,014,162)**	**58,518,353**
Loss for the year		-	-	-	(8,266,961)	(8,266,961)
Total comprehensive loss for the year		-	-	-	(8,266,961)	(8,266,961)
Issue of share capital	17	846,667	24,569,634	-	-	25,416,301
Cost of issuance		-	(1,734,562)	-	-	(1,734,562)
Exercise of share options and warrants	17	14,335	689,072	-	-	703,407
Share-based payments	16	-	-	-	1,708,075	1,708,075
Balance at December 31, 2017		**3,589,201**	**80,872,838**	**(544,378)**	**(7,573,048)**	**76,344,613**

The notes are an integral part of these consolidated financial statements

Motif Bio plc
Consolidated statements of cash flows
For the years ended December 31, 2017

	Note	Year ended December 31, 2017 US $	Year ended December 31, 2016 US $	Year ended December 31, 2015 US $
Operating activities				
Operating loss for the year		(38,016,689)	(39,623,645)	(8,253,093)
Adjustments to reconcile net loss to net cash used in activities:				
Share-based payments	16	1,708,075	513,541	325,908
Warrant issued for services performed	14	109,431	-	-
Gain on settlement of contract disputes	4	-	(83,320)	(5,027)
Interest receivable	4	133,612	69,754	15,028
Taxation payable		-	(287)	(774)
Changes in operating assets and liabilities:				
Prepaid expenses and accounts receivable		60,405	(233,407)	(155,578)
Accounts payable and other accrued liabilities		(1,429,563)	11,415,353	75,852
Net cash used in operating activities		(37,434,729)	(27,942,011)	(7,997,684)
Financing activities				
Proceeds from issuance of promissory notes		-	-	704,210
Proceeds from issuance of term loan	13	15,000,000	-	-
Costs of issuance of term loan	13	(575,970)	-	-
Proceeds from issue of share capital	17	25,416,301	24,995,980	38,660,106
Costs of issuance of share capital	17	(1,734,562)	(3,370,155)	(2,559,477)
Proceeds from exercise of warrants and options	17	419,004	117,313	62,739
Interest paid	4	(70,833)	(314,916)	(268,216)
Net cash provided by financing activities		38,453,940	21,428,222	36,599,362
Net change in cash		1,019,211	(6,513,789)	28,601,678
Cash, beginning of the year		21,829,632	28,594,347	3,281
Effect of foreign exchange rate changes		(197,368)	(250,926)	(10,612)
Cash, end of the year		22,651,475	21,829,632	28,594,347
Non-cash investment activity				
Acquisition of intangible asset with equity issuances		-	-	6,195,748
Non-cash financing activity				
Conversion of notes payable to ordinary shares		-	3,550,786	-
Fair value of warrants issued in conjunction with issuance of share capital		-	5,662,119	-
Fair value of warrants issued in conjunction with issuance of term loan		419,573	-	-

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

Motif Bio plc
Company statement of cash flows
For the year ended December 31, 2017

	Note	Year ended December 31, 2017 US $	Year ended December 31, 2016 US $
Operating activities			
Operating loss for the year		(1,827,148)	(1,903,861)
Adjustments to reconcile net loss to net cash used in activities:			
Share-based payments		140,331	255,830
Interest receivable	4	133,609	69,718
Warrants issued for services performed		109,431	-
Changes in operating assets and liabilities:			
Prepaid expenses and other receivables		100,216	(2,883,360)
Accounts payable and other accrued liabilities		62,659	39,428
Net cash used in operating activities		(1,280,902)	(4,422,246)
Investing activities			
Capital contributions to subsidiary, after acquisition		-	(23,472,036)
Due from Motif Bio Inc.		(43,810,709)	(322,758)
Net cash used in investing activities		(43,810,709)	(23,794,794)
Financing activities			
Proceeds from issue of share capital	17	25,416,301	24,995,980
Costs of issuance of share capital	17	(1,734,562)	(3,370,155)
Proceeds from exercise of warrants and options	17	419,004	117,313
Net cash provided by financing activities		24,100,743	21,743,138
Net change in cash		(20,990,868)	(6,473,902)
Cash, beginning of the period		21,817,489	28,543,181
Effect of foreign exchange rate changes		(197,364)	(251,790)
Cash, end of the year		629,257	21,817,489

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

Notes to the consolidated financial statements of Motif Bio plc
For the year ended December 31, 2017

1. General information

Motif Bio plc is a clinical stage biopharmaceutical company which specializes in developing and commercializing novel antibiotics designed to be effective against serious and life-threatening infections caused by multi-drug resistant bacteria.

Motif Bio Limited ("the Company") was incorporated in England and Wales on November 20, 2014 with company registration number 09320890. The Company's registered office is at: 201 Temple Chambers, 3-7 Temple Avenue, London EC4Y 0DT, U.K. On April 1, 2015, the Company was re-registered as a public company limited by shares and changed its name to Motif Bio plc. Motif BioSciences Inc. was incorporated in the US State of Delaware on December 2, 2003 and has its registered office at 251 Little Falls Drive, Wilmington, Delaware, 19808. On April 1, 2015, Motif BioSciences Inc. became a wholly owned subsidiary of the Company by way of a group reorganization by plan of merger. The principal place of business is 125 Park Avenue, 25th Floor, New York, NY, 10017, USA. The Company's country of domicile is the U.K.

The consolidated financial statements include the accounts of Motif Bio plc and its wholly owned subsidiary, Motif BioSciences Inc. ("the Group").

The financial statements were approved by the Board of Directors on April 9, 2018.

Going concern

As of December 31, 2017, the Group had $22.7 million in cash. Net cash used in operating activities was $37.4 million for the year ended December 31, 2017. Net loss for the year ended December 31, 2017 was $44.8 million. The Company had US $0.6 million in cash as of December 31, 2017. The Group and Company expect to incur losses for the next several years as it expands its research, development and clinical trials of iclaprim and prepare for commercialization upon regulatory approval of iclaprim. The Group and Company are unable to predict the extent of any future losses or when the Group and Company will become profitable, if at all.

The Group and Company will be required to raise additional capital within the next year to continue the development and commercialization of current product candidate and to continue to fund operations at the current cash expenditure levels. The Group and Company cannot be certain that additional funding will be available on acceptable terms, or at all. To the extent that the Group and Company raise additional funds by issuing equity securities, its stockholders may experience significant dilution. Any debt financing, if available, may involve restrictive covenants that impact the Group's and Company's ability to conduct business. If the Group and Company are unable to raise additional capital when required or on acceptable terms, it may have to (i) significantly delay, scale back or discontinue the development and/or commercialization of one or more product candidates; (ii) seek collaborators for product candidates at an earlier stage than otherwise would be desirable and on terms that are less favorable than might otherwise be available; or (iii) relinquish or otherwise dispose of rights to technologies, product candidates or products that the Group and Company would otherwise seek to develop or commercialize itself on unfavorable terms.

These financial statements have been prepared under the assumption that the Group and Company will continue as a going concern. Due to the Group's and Company's recurring and expected continuing losses from operations, as well as significant amounts of outstanding payables and accrued expenses, the Group and Company have concluded there is a material uncertainty which may cast significant doubt in the Group's and Company's ability to continue as a going concern within one year of the issuance of these financial statements without additional capital becoming available. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Significant events

On November 15, 2017, the Group entered into a credit agreement (the "Hercules Loan Agreement") with Hercules Capital, Inc. ("Hercules"). Pursuant to the credit agreement, Hercules agreed to loan the Group $20.0 million in two tranches. The first tranche of $15.0 million was drawn down at closing, with the remaining $5.0 million available upon the achievement of certain milestones anticipated in 2018, or at Hercules' discretion. The terms include an initial interest-only period of 15 months, extendable to 21 months on the achievement of certain milestones; a 30-month capital and interest repayment period thereafter; an interest rate of 10% tied to the U.S. prime rate and customary security over all assets of the Group, except for intellectual property where there is a negative pledge. Under the Hercules Loan Agreement, the Group issued Hercules warrants to purchase up to 73,452 of its American Depositary Shares (ADSs) at an exercise price of $9.53 per ADS, representing 3.5% warrant coverage of the total loan facility. Hercules also has the right, in its discretion, to participate in any subsequent financing, such as an equity offering, in an amount up to $1 million.

On June 23, 2017, the Group placed 66,666,667 new ordinary shares at 30 pence per share and received $23,681,739 of net proceeds.

1. General information, continued

On November 18, 2016, the Group announced the pricing of the underwritten U.S. offering and European placement, which were concurrently conducted, of 71,633,248 ordinary shares, comprised of 22,863,428 ordinary shares plus 2,438,491 ADSs (representing 48,769,820 ordinary shares at a 20 to 1 ratio). The Group offered 48,769,820 ordinary shares in a U.S. firm commitment offering in the form of 2,438,491 ADSs, together with warrants to purchase 1,219,246 ADS Warrants. Each ADS represents 20 of the Group's ordinary shares and was sold together with 0.5 of an ADS Warrant in a fixed combination. Each full ADS Warrant is exercisable for one ADS at an exercise price of $8.03 per ADS, exercisable from the date of issuance until five years thereafter. In Europe, the Group offered in a concurrent placement on a best efforts basis 22,863,428 ordinary shares, together with warrants to purchase 11,431,714 ordinary shares. Each ordinary share was sold together with 0.5 of an Ordinary Share Warrant in a fixed combination. Each full Ordinary Share Warrant is exercisable for one ordinary share at an exercise price of £0.32 ($0.40), exercisable from the date of issuance until five years thereafter. The offering price of the ADSs and ADS Warrants in the U.S. offering was $6.98 per ADS and ADS Warrant combination, and the offering price of the Group's ordinary shares and Ordinary Share Warrants in the European placement was £0.28 ($0.35) per ordinary share and Ordinary Share Warrant combination. Net proceeds to the Group following the offering, after deducting underwriting discounts and commissions and offering expenses of approximately $3.5 million, were approximately $21.5 million. None of the underwriting discounts and commissions or other offering expenses were paid to Directors or Officers of the Group or their associates or to persons owning 10 percent or more of any class of the Group's equity securities or to any affiliates of the Group. H.C. Wainwright & Co., LLC was the underwriter for the above described offering.

On September 7, 2016, the Group amended and restated the convertible notes with Amphion Innovations plc and Amphion Innovations US Inc. to provide that any outstanding principal under the notes as of the maturity date will be paid to the holders on the maturity date, at the Group's election, through the issuance of (i) a number of ordinary shares, based on the conversion price set forth in the notes, or (ii) a number of ADSs, which is equal to a number determined by dividing the number of ordinary shares the holder would otherwise be entitled to by the then applicable ADS to ordinary share ratio. The amended and restated convertible promissory notes also provide that except in the event of a default, no interest will accrue or be payable with respect to the amounts due under the notes. In consideration for its agreement to forego interest payments under its convertible promissory notes, the Group issued 409,000 ordinary shares to Amphion Innovations plc. The amended and restated notes also permit the Group or the holders to convert all or any portion of the outstanding principal under the notes into ordinary shares or ADSs (as determined by the Group) at any time prior to the maturity date.

In December 2016, the Group issued 14,510,770 new ordinary shares following the conversion of convertible promissory notes by Amphion Innovations plc and Amphion Innovations US Inc. The notes totaled US $3,550,786 and were converted in accordance with their terms at US $0.2447 per share.

Group reorganization and initial public offering

On February 18, 2015, the Company incorporated a Delaware subsidiary, Motif Acquisition Sub, Inc. On December 31, 2014 Motif BioSciences Inc., the Company, and Motif Acquisition Sub, Inc. entered into an agreement where, upon the Company's admission to AIM of the London Stock Exchange on April 2, 2015, Motif Acquisition Sub, Inc. merged with and into Motif BioSciences Inc. and Motif BioSciences Inc. continued as the surviving entity and became a wholly-owned subsidiary of the Company. Prior to the merger, Motif BioSciences Inc. completed a reverse stock split in order to increase the share price of Motif BioSciences Inc. so that the share price was closer to the Company's admission price. The former Motif BioSciences Inc. stockholders were issued 36,726,242 ordinary shares of the Company in a share-for-share exchange for their common stock in Motif BioSciences Inc. so that the former Motif BioSciences Inc. stockholders owned an equivalent number of ordinary shares in the Company as the number of shares of common stock that they had previously owned in Motif BioSciences Inc. All outstanding, unexercised, and vested stock options for shares of common stock in Motif BioSciences Inc. were converted into options for ordinary shares of the Company (Note 16).

This was a common control transaction and therefore outside the scope of IFRS 3—Business Combinations. The transaction has therefore been accounted for as a group reorganization and the Group is presented as if the Company has always owned Motif BioSciences Inc. The comparatives presented in these financial statements therefore represent the results and capital structure of the Company. The reserve on consolidation represents the difference between the nominal value of the shares of the Company issued to the former stockholders of Motif BioSciences Inc. and the share capital and share premium of Motif BioSciences Inc. at the date of the transaction. As stated, the nominal value of the Company shares was used in the calculation of the reorganization reserve.

On April 2, 2015, the Company was admitted to AIM and issued 14,186,140 ordinary shares at a price of £0.20 per share.

On July 22, 2015, the Company completed a subsequent placing of 44,000,000 ordinary shares at a price of £0.50 per share.

1. General information, continued

Acquisition of Nuprim Assets

On April 1, 2015, Motif BioSciences Inc. acquired the assets owned by Nuprim Inc. ("Nuprim"), a Maryland corporation, related to iclaprim (the "Nuprim Assets"). Motif BioSciences Inc. issued 1,513,040 (post-reverse stock split) shares of common stock to the shareholders of Nuprim that were held in escrow until the closing of the reorganization. These shares of common stock in Motif BioSciences Inc. were converted into ordinary shares of the Company upon the Company's admission to AIM on April 2, 2015. Upon admission, 9,805,400 ordinary shares of the Company and 9,432,033 warrants were issued to the former Nuprim shareholders (Note 9).

2. Significant accounting policies

a. Basis of preparation

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

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

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

The Company has taken advantage of the exemption in Section 408 of the Companies Act 2006 to not present its own Statement of Comprehensive Loss. The loss for the Company for the year was US $8.3 million (2016: US $2.2 million loss).

a. New and amended standards effective from January 1, 2017

Amendments to IAS 7, Disclosure Initiative, was adopted with an effective date of January 1, 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The Group believes that the disclosure contained herein adequately satisfy this requirement. The only balance sheet liability for which cash flows are classified as financing activities is the term loan with Hercules Capital, Inc. The cash inflow in the year in respect of the term loan was $14.4 million, net of issuance costs and non-cash movement of $0.4 million for the issuance of warrants. The net movement and resulting closing balance is further detailed in Note 13.

There are no other new standards and amendments that have been applied from January 1, 2017, which have had an impact on the Group's or Company's financial statements.

New standards and interpretations not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the reporting periods covered by these consolidated financial statements and have not been early adopted by the Group or Company.

The new standards potentially relevant to the Group or Company are discussed below.

IFRS 2, Share-based Payments (as amended) – Effective date – January 1, 2018. The Group currently plans to apply IRFS 2 initially on January 1, 2018. IFRS 2 related to the classification and measurement of share-based payment transactions. The amendments are intended to eliminate diversity in practice regarding (i) accounting for cash-settled share-based payment transactions that include a performance condition, (ii) share-based payments in which the manner of settlement is contingent on future events, (iii) share-based payments settled net of tax withholdings, and (iv) modification of share-based payment transactions from cash-settled to equity-settled. Based on the initial assessment, this standard is not expected to have a material impact on the Group.

2. Significant accounting policies, continued

IFRS 9, Financial Instruments (as revised in 2014) — Effective date — January 1, 2018, with early adoption permitted. The Group currently plans to apply IRFS 9 initially on January 1, 2018. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. Although the Group and Company are currently evaluating the potential implications of this standard, the Group and Company do not believe the adoption of this standard will have a material impact at this time, based on the current stage of the assessment.

IFRS 15, Revenue from Contracts with Customers — Effective date — January 1, 2018, with early adoption permitted. — IFRS 15 establishes a comprehensive guideline for determining when to recognize revenue and how much revenue to recognize. The Group currently has no revenues, therefore, the adoption of IFRS 15 is not expected to have a material impact on the Group, however, the Group will continue to reassess the potential impact of the adoption of this guidance.

IFRS 16, Leases — Effective date — January 1, 2019 — IFRS 16 will replace IAS 17. It will eliminate the distinction between classification of leases as finance or operating leases for lessees. The adoption of IFRS 16 is not expected to have a significant impact on the Group's net results or net assets, however, the Group will continue to reassess the potential impact of the adoption of this guidance as the effective date becomes closer.

Principles of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances, and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

b. Segment reporting

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

The chief operating decision-maker has determined that Motif has one operating segment-to support its strategy for the development and commercialization of pharmaceutical formulations. The Group maintains space and has some activities in the U.K.; however, the finance and most other management functions take place in the U.S.

c. Foreign currency translation

(a) Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in United States Dollars (US $), which is Motif Bio plc's functional and presentation currency.

(b) Transactions and balances

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

2. Significant accounting policies, continued

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

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

d. Research and development costs

Expenditure on drug development activities is capitalized only if all of the following conditions are met:

- it is probable that the asset will create future economic benefits;
- the development costs can be measured reliably;
- technical feasibility of completing the intangible asset can be demonstrated;
- there is the intention to complete the asset and use or sell it;
- there is the ability to use or sell the asset; and
- adequate technical, financial, and other resources to complete the development and to use or sell the asset are available.

These conditions are generally met when a filing is made for regulatory approval for commercial production. Otherwise, costs on research activities are recognized as an expense in the period in which they are incurred.

At this time, the Group does not meet all conditions and therefore development costs are recorded as expense in the period in which the cost is incurred.

The Company's preclinical studies and clinical trials have been performed utilizing third-party contract research organizations ("CROs") and other vendors. For preclinical studies, the significant factors used in estimating accruals include the percentage of work completed to date and contract milestones achieved. For clinical trial expenses, the significant factors used in estimating accruals include the number of patients enrolled, duration of enrollment, percentage of work completed to date and contract milestones achieved. The Company monitors patient enrollment levels and related activities to the extent possible through internal reviews, correspondence and status meetings and review of contractual terms. Estimates are dependent on the timeliness and accuracy of data provided by the CROs and other vendors. In this event, the Company could record adjustments to research and development expenses in future periods when the actual activity levels become known.

e. Intangible assets

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

f. Impairment of non-financial assets

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

2. Significant accounting policies, continued

g. Financial instruments—initial recognition and subsequent measurement

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

a) Financial assets, initial recognition and measurement

All financial assets, such as receivables and deposits, are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred "loss event"), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

b) Financial liabilities, initial recognition and measurement

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

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

c) Subsequent measurement

The measurement of financial liabilities depends on their classification. Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method if the time value of money is significant.

h. Financial assets and liabilities

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

Non-derivative financial instruments

Cash and cash equivalents

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

Financial liabilities and equity

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

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

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

2. Significant accounting policies, continued

Trade payables

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

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

Equity instruments

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

Derivative financial instruments

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

The Group has entered into various financing arrangements with its investors, including convertible loans. These convertible loans each include embedded financial derivative elements (being the right to acquire equity in the Group at a future date for a pre-determined price). Therefore, while the Group does not engage in speculative trading of derivative financial instruments, it may hold such instruments from time to time as part of its financing arrangements. The Group has also entered into financing arrangements that include the issuance of warrants. These warrants may be considered derivative financial instruments based on the terms of the agreements.

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

Impairment of financial assets

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

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated income statement.

i. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency, or bankruptcy of the Group or the counterparty.

2. Significant accounting policies, continued

j. Share-based payment transactions

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

k. Financial income and expenses

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

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

l. Taxation

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

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

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

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

m. Earnings per share

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

n. Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

o. Equity

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

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

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

2. Significant accounting policies, continued

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

Ordinary Shares

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

p. Critical accounting estimates and judgments

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

Acquisition and valuation of the iclaprim assets (Judgement and Estimate)

The Directors, on assessing if the acquisition of the Nuprim iclaprim assets was of a business or of a group of assets, considered:

- the identified elements of the acquired group;
- the capability of the acquired group to produce outputs; and
- the impact that any missing elements have on a market participant's ability to produce outputs with the acquired group.

As the acquired group was not accompanied by any associated processes and because the acquired assets do not have planned principal activities, or a plan to produce outputs, the Directors considered the acquisition to be of a group of assets, not a business.

The Directors use their judgment to identify the separate intangible assets and then determine a fair value for each based upon the consideration paid, the nature of the asset, industry statistics, future potential, and other relevant factors. Asset acquisitions are measured based on their cost to the acquiring entity, which generally includes transaction costs. An asset's acquisition cost or the consideration transferred by the acquiring entity is assumed to be equal to the fair value of the net assets acquired, unless contrary evidence exists. These fair values are tested for impairment annually, the assessment of which includes quantitative and qualitative factors, including projected future cash flow estimate. The projected future cash flows are also used to support the carrying value of the investment and intercompany receivable balances recognised on the Company's Statement of Financial Position.

Research and development expenditures (Judgement)

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

Although the Group does not expect the estimates to be materially different from amounts actually incurred, the understanding of the status and timing of services performed relative to the actual status and timing of services performed may vary and could result in reporting amounts that are too high or too low in any particular period.

Share based payments and fair value of warrants (Estimate)

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

3. Financial risk management

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

a. Credit risk

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

The credit risk on liquid funds is limited because cash balances are held with bank and financial institutions with credit-ratings assigned by international credit-rating agencies. All deposits are held with banks with S&P ratings of A-2 and AA- for short term deposits.

At December 31, 2017, no current asset receivables were aged over three months. No receivables were impaired.

b. Liquidity risk

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

The Group has financed its operations to date using cash raised through the issuance of debt and equity. The Directors acknowledge that uncertainty remains over the ability of the Group to have the resources to fully support advancing iclaprim through regulatory approval and commercialization in the United States and Europe. Subject to the availability of funding, the Group also plans to commence additional phase 3 clinical trials of iclaprim in patients with hospital-acquired bacterial pneumonia, including those with ventilator-associated bacterial pneumonia. To fund the additional clinical trial and the commercialization of iclaprim, the Group will need additional funding through public markets, private financing, and/or partnering opportunities.

The Group is heavily dependent on the public markets both in the United States and United Kingdom. A downturn in the public markets, especially in biotech, may make it difficult for the Group to obtain sufficient funds on acceptable terms. A delay obtaining additional funding could lead to a decrease in the Group's prospects for the commercialization of iclaprim.

In the event that the Group does not have adequate capital to maintain or develop its business, additional capital may not be available to the Group on a timely basis, on favorable terms, or at all, which could have a material and negative impact on the Group's business and results of operations.

Contractual maturities of financial liabilities:

At December 31, 2017	< 1 year US $	Between 1 and 2 years US $	Between 2 and 5 years US $	Over 5 years US $	Total US $
Trade and other payables	10,889,554	—	—	—	10, 889,554
Payable on completion of clinical trial	500,000	—	—	—	500,000
Derivative liabilities	—	—	12,626,299	—	12,626,299
Term Loan and other non-current (Note 13)	—	4,699,701	10,730,299	—	15,430,000
	11,389,554	4,699,701	23,356,598	—	39,445,853

At December 31, 2016	< 1 year US $	Between 1 and 2 years US $	Between 2 and 5 years US $	Over 5 years US $	Total US $
Trade and other payables	12,319,117	—	—	—	12,319,117
Payable on completion of clinical trial	500,000	—	—	—	500,000
Derivative liabilities	—	—	5,798,058	—	5,798,058
	12,819,117	—	5,798,058	—	18,617,175

3. Financial risk management, continued

c. Market risk

Foreign currency risk

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

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

	December 31, 2017 US $	December 31, 2016 US $
Sterling - Cash.....	461,857	17,795

At December 31, 2017, a change in foreign currency exchange rates is not expected to have a significant impact on the profit or losses of the Group.

Interest rate risk

The Group's exposure to interest rate risk is limited to interest earned on the cash and cash equivalent balance of $22.7 million and its financing exposures on the Hercules loan, which has an initial interest rate of 10% tied to the U.S. prime rate. A change in interest rates is not expected to have a significant impact on the profit or losses of the Group.

d. Capital risk management

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

4. Other income and expense items

This note provides a breakdown of the items included in other income, finance income, and costs and an analysis of expenses by nature for the years ended December 31, 2017, 2016 and 2015.

a. Other income

	Year ended Dec 31, 2017 US $	Year ended Dec 31, 2016 US $	Year ended Dec 31, 2015 US $
Gains on settlement of contract disputes	—	83,320	5,027

The gain on settlement of contract disputes for the year ended December 31, 2016 relates to a write off of a payable due to a consultant as a result of a settlement with him. The gain on settlement of contract disputes for the year ended December 31, 2015 primarily relates to payables to a Director for amounts owed to him for his services as Chief Executive Officer. These amounts were written off in a settlement agreement.

4. Other income and expense items, continued

b. Breakdown of expenses by nature

	Year ended Dec 31, 2017 US $	Year ended Dec 31, 2016 US $	Year ended Dec 31, 2015 US $
General and administrative expenses			
Employee benefits expenses, including share-based payments	2,778,854	1,445,110	1,146,566
Directors' fees	728,798	423,051	380,969
Legal and professional fees	2,762,334	2,073,317	1,444,507
Investor and public relations advisory fees	1,283,012	647,919	292,949
Other expenses	988,398	322,753	312,189
	8,541,396	4,912,150	3,577,180
Research and development costs			
Employee benefits expenses, including share-based payments	1,468,719	677,412	—
Contract research organization expenses	22,066,179	30,445,967	3,055,421
Chemistry and manufacturing development and other non-clinical development	2,933,475	2,145,641	949,466
Other research and development costs	3,006,920	1,525,795	676,053
	29,475,293	34,794,815	4,680,940

Auditors' Remuneration	2017 US $	2016 US $	2015 US $
Fees paid/payable to the company's auditors and its associates for the audit of the parent company and consolidated financial statements	60,630	40,000	73,730
- Audit of the Group's overseas filings	257,500	210,000	
- Audit related assurance services	208,040	20,092	—
Advisory services in relation to F-1/A1 filings	—	601,431	—
	526,170	871,523	73,730

c. Finance income and costs

	Year ended Dec 31, 2017 US $	Year ended Dec 31, 2016 US $	Year ended Dec 31, 2015 US $
Finance income			
Interest from financial assets	133,612	69,754	15,028
	133,612	69,754	15,028
Finance costs			
Interest expense	(200,000)	(383,259)	(268,216)
Accretion of end of term payment	(22,758)	—	—
Amortisation of deferred financing costs	(52,691)	—	—
	(275,449)	(383,259)	(268,216)
Net finance costs	(141,837)	(313,505)	(253,188)

5. Employee numbers and costs

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

	Year ended Dec 31, 2017	Year ended Dec 31, 2016	Year ended Dec 31, 2015
Executive Directors	1	2	2
Key management personnel	7	4	2
Total	8	6	4

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

5. Employee numbers and costs, continued

	Year ended Dec 31, 2017 US $	Year ended Dec 31, 2016 US $	Year ended Dec 31, 2015 US $
Short-term benefits:			
Wages and salaries	2,287,458	1,527,776	935,081
Social security and other employer costs	252,040	67,410	60,604
Share-based payments[1]	1,120,374	119,845	150,881
	3,659,872	1,715,031	1,146,566

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

6. Directors' remuneration

	Salaries and fees US $	Bonuses US $	Social Security US $	2017 Total US $ [2]	2016 Total US $	2015 Total US $
Executive						
Graham Lumsden[1][2]	425,000	127,500	15,499	567,999	488,510	557,180
Non-executive						
Robert Bertoldi[2]	125,000	—	9,563	134,563	137,783	135,126
Richard Morgan	113,500	—	—	113,500	177,725	217,072
Charlotta Ginman[3]	67,279	—	—	67,279	57,475	32,042
Jonathan Gold	194,004	—	—	194,004	114,094	25,881
Zaki Hosny	63,000	—	—	63,000	57,475	28,756
Mary Lake Polan	60,000	—	—	60,000	54,094	25,881
John Stakes[4]	—	—	—	—	30,869	28,756
Bruce Williams	64,000	—	—	64,000	54,094	25,881
Craig T. Albanese	38,333	—	—	38,333	—	—
Total	1,150,116	127,500	25,062	1,302,678	1,172,119	1,076,575

[1] On February 2, 2018, Dr. Lumsden was awarded a cash bonus of $127,500 for services provided in 2017. A portion, or $42,500, of the cash bonus is contingent on meeting certain operational milestones in 2018.

[2] Total remuneration for Dr. Lumsden and Mr. Bertoldi exclude employer 401k pension contributions of $7,950 and $6,075, respectively, during 2017.

[3] Ms. Ginman's remuneration for 2017 was £52,195 or US $67,279 based on an average exchange rate of 1.289 for the period.

[4] Mr. Stakes resigned from the Board of Directors effective July 1, 2016.

The Directors' remuneration included in the table above represents the amount paid and/or awarded to each director during the years ending December 31, 2017 and 2016. The highest paid director's aggregate emolument was $567,999 for the year ending December 31, 2017. No director exercised share options during the year ending December 31, 2017.

6. Directors' remuneration, continued

Directors of the Company have been awarded rights to subscribe for shares in the Group as set out below.

	1 January 2017	Granted	31 December 2017	Exercise price US $	Grant date	Expiry date
Richard Morgan	73,215	—	73,215	$ 0.70	Jan 1, 2010	Jan 1, 2020
	6,179	—	6,179	$ 0.70	Jan 1, 2011	Jan 1, 2021
	502,950	—	502,950	$ 0.14	Dec 4, 2014	Dec 4, 2024
	582,344	—	582,344			
Craig T. Albanese	—	100,000	100,000	$ 0.44	May 4, 2017	May 4, 2027
	—	100,000	100,000			
Robert Bertoldi	53,887	—	53,887	$ 0.70	Jan 1, 2010	Jan 1, 2020
	251,475	—	251,475	$ 0.14	Dec 4, 2014	Dec 4, 2024
	305,362	—	305,362			
Charlotta Ginman	251,475	—	251,475	$ 0.14	Dec 4, 2014	Dec 4, 2024
	251,475	—	251,475			
Jonathan Gold	73,502	—	73,502	$ 0.70	Jan 1, 2010	Jan 1, 2020
	5,964	—	5,964	$ 0.70	Jan 1, 2011	Jan 1, 2021
	251,475	—	251,475	$ 0.14	Dec 4, 2014	Dec 4, 2024
	330,941	—	330,941			
Zaki Hosny	53,888	—	53,888	$ 0.70	Jun 18, 2009	Jun 18, 2019
	14,370	—	14,370	$ 0.70	Jan 1, 2010	Jan 1, 2020
	2,587	—	2,587	$ 0.70	Jan 1, 2011	Jan 1, 2021
	107,774	—	107,774	$ 0.14	Jan 30, 2013	Jan 30, 2023
	251,475	—	251,475	$ 0.14	Dec 4, 2014	Dec 4, 2024
	430,094	—	430,094			
Graham Lumsden	574,800	—	574,800	$ 0.14	May 25, 2013	May 25, 2023
	2,874,000	—	2,874,000	$ 0.14	Dec 4, 2014	Dec 4, 2024
	—	1,000,000	1,000,000	$ 0.33	Feb 7, 2017	Feb 7, 2027
	—	700,000	700,000	$ 0.33	Feb 7, 2017	Feb 7, 2027
	3,448,800	1,700,000	5,148,800			
Mary Lake Polan	67,036	—	67,036	$ 0.70	Jan 1, 2010	Jan 1, 2020
	5,461	—	5,461	$ 0.70	Jan 1, 2011	Jan 1, 2021
	251,474	—	251,474	$ 0.14	Dec 4, 2014	Dec 4, 2024
	323,971	—	323,971			
Bruce Williams	67,252	—	67,252	$ 0.70	Jan 1, 2010	Jan 1, 2020
	28,740	—	28,740	$ 0.70	Jan 16, 2010	Jan 16, 2020
	71,850	—	71,850	$ 0.70	Nov 15, 2010	Jan 16, 2020
	2,802	—	2,802	$ 0.70	Jan 1, 2011	Jan 1, 2021
	251,474	—	251,474	$ 0.14	Dec 4, 2014	Dec 4, 2024
	422,118	—	422,118			

7. Income tax expense

Recognized in the income statement:

Current tax expense	**Year ended Dec 31, 2017 US $**	**Year ended Dec 31, 2016 US $**	**Year ended Dec 31, 2015 US $**
U.K. corporation taxes	—	—	—
Overseas taxes	22,000	287	774
	22,000	287	774

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

The tax expense recognized for the years ended December 31, 2017, 2016 and 2015 is higher than the standard rate of corporation tax in the U.K. of 19%. The differences are reconciled below:

Reconciliation of effective tax rate:	**2017 US $**	**2016 US $**	**2015 US $**
Loss on ordinary activities before taxation	(44,788,366)	(40,324,015)	(8,515,925)
U.K. Corporation tax 19%	(1,570,723)	(449,929)	(355,889)
Overseas tax at higher rate	(7,669,495)	(12,954,729)	(2,297,873)
Effects of:			
Unrecognized losses	(9, 240,218)	(13,404,371)	(2,652,988)
Other adjustments-overseas taxes	22,000	287	774
Total tax charge	22,000	287	774

There is an unrecognized cumulative deferred tax asset of US $1,783,102, relating to deferred tax on losses generated of US $10,488,833 the U.K. during the years ended December 31, 2017 and 2016.

8. Loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Group by the weighted average number of shares in issue during the year. In accordance with IAS 33, where the Group has reported a loss for the year, the shares are anti-dilutive.

	Year ended Dec 31, 2017 US $	**Year ended Dec 31, 2016 US $**	**Year ended Dec 31, 2015 US $**
Loss after taxation	(44,810,366)	(40,324,302)	(8,516,699)
Basic and diluted weighted average shares in issue	231,530,091	116,558,191	61,225,922
Basic and diluted loss per share	**(0.19)**	**(0.35)**	**(0.14)**

The following potentially dilutive securities outstanding at December 31, 2017, 2016 and 2015 have been excluded from the computation of diluted weighted average shares outstanding, as they would be antidilutive.

	2017	**2016**	**2015**
Convertible promissory notes	—	—	14,510,770
Warrants	49,399,947	5,726,364	6,925,962
Share options	17,065,534	6,810,357	7,182,674
	66,465,481	12,536,721	28,619,406

9. Intangible assets (Group)

As of December 31, 2015	
Cost	6,195,748
Accumulated amortization and impairment	—
Net book amount at December 31, 2015	6,195,748
Additions	—
Amortization charge	—
Net book amount at December 31, 2016	6,195,748
As of December 31, 2016	
Cost	6,195,748
Accumulated amortization and impairment	—
Net book amount at December 31, 2016	6,195,748
Additions	—
Amortization charge	—
Net book amount at December 31, 2017	6,195,748

The Directors do not believe that the merger between Motif BioSciences Inc. and Nuprim Inc. meets the definition of an acquisition of a business as set out in IFRS 3 and is therefore accounted for as an acquisition of an asset.

The fair value of the assets acquired under the merger arrangement represent the aggregate estimated value of:

- 11,318,439 ordinary shares in Motif Bio plc at the placing price of 20 pence per share;
- 9,432,033 warrants at the placing price of 20 pence per ordinary share; and
- a milestone payment of US $500,000 to be paid by Motif BioSciences Inc. to Acino Pharma AG upon completion of the first Phase III trial.

The value of the warrants has been estimated using the Black Scholes option pricing model with appropriate factors for volatility and risk-free interest rate. The Directors considered the separable value of the active pharmaceutical ingredients and determined it did not constitute a material component of the fair value of the assets acquired. No discount has been applied to the expected milestone payment of US $500,000 given management's expectation that the liability will be settled in early 2018.

Details of the purchase consideration and amounts attributed to net assets acquired are as follows:

	US $
Purchase consideration:	
Ordinary shares in Motif Bio plc	3,355,375
Warrants to subscribe for ordinary shares in Motif Bio plc	2,340,373
Total purchase consideration	5,695,748
Iclaprim assets	6,195,748
Milestone payment	(500,000)
Net assets acquired	5,695,748

As the IPR&D asset is not yet available for commercial use, no amortization has been charged to date.

The Group performs an impairment test over the asset on an annual basis or when a triggering event has occurred. Based on the results of the test, no impairment was recorded in the years ended December 31, 2017 or 2016.

10. Prepaid expenses and other receivables

	Group		**Company**	
Amounts due within one year	**12 months ended Dec 31, 2017 US $**	**12 months ended Dec 31, 2016 US $**	**12 months ended Dec 31, 2017 US $**	**12 months ended Dec 31, 2016 US $**
Other receivables and prepayments	317,584	401,064	249,152	349,368
	317,584	**401,064**	**249,152**	**349,368**

10. Prepaid expenses and other receivables, continued

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

11. Cash and cash equivalents

	Group		Company	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
	US $	US $	US $	US $
Cash at bank……..	22,651,475	21,829,632	629,257	21,817,489
	22,651,475	21,829,632	629,257	21,817,489

12. Trade and other payables

	Group		Company	
Amounts due within one year	**12 months ended Dec 31, 2017 US $**	**12 months ended Dec 31, 2016 US $**	**12 months Ended Dec 31, 2017 US $**	**12 months ended Dec 31, 2016 US $**
Trade payables[(1)]……..	6,464,038	734,405	-	68,940
Accrued expenses — Contract research organization…	1,293,379	10,854,531	-	-
Accrued expenses other ……	3,007,893	727,947	35,331	27,976
Amounts due to affiliates……	—	78	-	-
Other payable……	124,244	2,156	124,244	-
	10,889,554	**12,319,117**	**159,575**	**96,916**

(1) Trade payables include US $5,704,052 owed to the Group's contract research organization.

The Directors estimate that the carrying value of trade and other payables approximated their fair value. The amounts due to the Group's contract research organization are due in 2018.

13. Interest bearing loans and borrowings (Group)

Non-current liabilities	Dec 31, 2017 US $	Dec 31, 2016 US $
Term Loan	15,000,000	—
Deferred financing costs	(942,853)	—
Net non-current liabilities	14,057,147	—

On November 15, 2017, the Group entered into a credit agreement (the "Hercules Loan Agreement") for up to US $20 million in debt financing with Hercules Capital, Inc. ("Hercules"). Pursuant to the credit agreement, Hercules agreed to loan the Group $20.0 million in two tranches. The first tranche of US $15.0 million was drawn down at closing, with the remaining $5.0 million available upon the achievement of certain milestones anticipated in 2018, or at Hercules's discretion.

These milestones include (i) (x) the FDA has accepted Borrower's New Drug Application for marketing approval with respect to Borrower's "iclaprim" product for the treatment of patients with acute bacterial skin and skin structure infection ("ABSSSI"), and (y) Borrower has enrolled its first patient in its Phase 3 clinical study of Borrower's "iclaprim" product for the treatment of hospital-acquired bacterial pneumonia ("HABP"), (ii) Borrower has obtained market approval from the FDA with respect to Borrower's "iclaprim" product for the treatment of patients with ABSSSI, or (iii) at the discretion of Hercules.

The terms include an initial interest-only period of 15 months, extendable to 21 months on the achievement of certain milestones; a 30-month capital and interest repayment period thereafter; an interest rate of 10% tied to the US prime rate and customary security over all assets of the Group, except for intellectual property where there is a negative pledge. In addition, there is a payment of $0.4 million due at the end of the term of the loan. Under the credit agreement, the Group issued Hercules a warrant to purchase up to 73,452 of its ADS (each representing 20 ordinary shares) at an exercise price of US $9.53 per ADS, representing 3.5% warrant coverage of the total loan facility. Hercules also has the right, in its discretion, to participate in any subsequent financing, such as an equity offering, in an amount up to $1 million. In connection with the Hercules Loan Agreement closing, the Group incurred US $0.5 million

13. Interest bearing loans and borrowings (Group), continued

in fees and issued warrants with a fair value of approximately $0.4 million. Both items are classified as a direct reduction from the Hercules Loan Agreement balance and will be amortized over the life of the Loan using the effective interest rate method. The Group is also subject to an end of term charge equal to 2.15% of the total loan capacity. The end of term charge is payable upon loan maturity or the date that the Group prepays the outstanding loan balance. For the year ended December 31, 2017, the Group recognized total interest expense of US $275,449, comprised of interest expense of $200,000, accretion expense related to the end of term payment of US $22,758 and amortization expense related to the deferred financing costs of $52,691. Under the Hercules Loan Agreement, the Group was required to provide Hercules Capital, Inc. certain informational reports by December 30, 2017. The Group did not provide such information in a timely manner. The Group believes and represents that it has since provided all required informational reports and is in compliance with covenant requirements as of December 31, 2017 and as of the date that these financial statements are issued, as we believe that the untimely provision of information did not result in an Event of Default under the terms of the loan agreement.

14. Warrants (Group and Company)

Warrant activity

The Group has issued warrants for services performed and in conjunction with various equity financings. The Group's warrants represent the right to purchase ordinary shares or ADS's and have either a Pounds Sterling or US Dollar exercise price. The ADS warrants are exercisable to purchase ADS's, which each represent 20 ordinary shares. Depending on the terms of the warrant agreements, the ordinary share or ADS warrants are classified as either equity or a liability. Liability classified warrants are remeasured each reporting period, with changes in fair value recorded in the statements of comprehensive loss. The following is a summary of the Group's warrant activity during the year ended December 31, 2017:

	Number of Warrants		Weighted Average Exercise Price	
	Ordinary shares	ADS	Ordinary shares	ADS
Outstanding as of January 1, 2017	23,729,865	1,219,246	£ 0.278	$ 8.03
Expired [1]	(416,645)	—	$ 0.56	—
Granted	—	133,452	—	$ 8.51
Exercised	(640,353)	(16,344)	£ 0.322	$ 8.03
Outstanding as of December 31, 2017	22,672,867	1,336,354	£ 0.272	$ 8.08

[1] The ordinary warrants that expired in December 2017 had an exercise price denominated in US dollars. All other ordinary warrants have Pounds Sterling exercise prices.

The Group's warrants outstanding and exercisable as of December 31, 2017 were as follows:

Type of Warrant Outstanding	Number Outstanding and Exercisable	Exercise Price		Expiration Date
Ordinary shares [1]	1,367,089	GBP £	0.20	April 2, 2020
Ordinary shares [1]	1,082,384	GBP £	0.50	July 21, 2020
Ordinary shares [2]	10,791,361	GBP £	0.322	November 23, 2021
ADS [2]	1,202,902	US $	8.03	November 23, 2021
Ordinary shares [1]	9,432,033	GBP £	0.20	April 2, 2025
ADS [2]	60,000	US $	7.26	July 31, 2022
ADS [2]	73,452	US $	9.53	November 14, 2022

[1] Warrants totalling 11,881,506 of ordinary shares are equity classified.
[2] Warrants totalling 10,791,361 of ordinary shares and 1,336,354 of ADS are liability classified.

Liability classified warrants

ADS warrants
On November 23, 2016, the Group closed an initial U.S. offering of 2,438,491 ADSs and 1,219,246 ADS warrants at a price of US $6.98 per ADS/Warrant combination. Each ADS represents 20 ordinary shares. The warrants have an exercise price of US $8.03 per ADS and expire on November 23, 2021. In the event the Group fails to maintain the effectiveness of its Registration Statement and a Restrictive Legend Event has occurred, the warrant shall only be exercisable on a cashless basis. This would result in variability in the number of shares issued and therefore, the warrants were designated as a financial liability carried at fair value through profit and loss. On issuance of the ADS warrants, the Group recorded a derivative liability of US $3,849,160 using the Black-Scholes model.

14. Warrants (Company), continued

The Group develops its own assumptions for use in the Black-Scholes option pricing model that do not have observable inputs or available market data to support the fair value. This method of valuation involves using inputs such as the fair value of the Group's common stock, stock price volatility of comparable companies, the contractual term of the warrants, risk free interest rates and dividend yields. The Group has a limited trading history in its common stock, therefore, expected volatility is based on that of reasonably similar publicly traded companies. Due to the nature of these inputs, the valuation of the warrants is considered Level 1 and 2 measurements.

On August 1, 2017, the Group issued to a third party a warrant to purchase up to 60,000 ADSs at an exercise price of $7.26 per ADS. The warrant vests 5,000 ADS at issuance, with the remaining 55,000 ADS vesting upon satisfaction of various performance conditions related to the Group's stock price and trading volumes. Once vested, the warrant may be exercised on a cashless basis, and expires on July 31, 2022. Exercising on a cashless basis would result in variability in the number of shares issued and therefore, the warrants were designated as a financial liability carried at fair value through profit and loss. On issuance of the ADS warrants, the Group recorded a derivative liability of US $109,431 using the Black-Scholes model.

At issuance, the following assumptions were used in the Black-Scholes model.

	August 1, 2017
Share price (US $)	7.26
Exercise price (US $)	7.26
Expected volatility	70%
Number of periods to exercise	5.0
Risk-free rate	1.80%
Expected dividends	—

On November 14, 2017, in conjunction with the Hercules Loan Agreement, the Group issued Hercules a warrant to purchase up to 73,452 ADS's at an exercise price of $9.53 per ADS, representing 3.5% warrant coverage of the total loan facility. The warrant may be exercised on a cashless basis, and is immediately exercisable through November 14, 2022. Exercising on a cashless basis would result in variability in the number of shares issued and therefore, the warrants were designated as a financial liability carried at fair value through profit and loss. On issuance of the ADS warrants, the Group recorded a derivative liability of US $419,573 using the Black-Scholes model.

At issuance, the following assumptions were used in the Black-Scholes model.

	November 14, 2017
Share price (US $)	9.53
Exercise price (US $)	9.53
Expected volatility	72%
Number of periods to exercise	5.0
Risk-free rate	2.06%
Expected dividends	—

At December 31, 2017 and 2016, the liability classified ADS warrants had a fair value of US $8,927,252 and $3,967,189 using the following weighted-average assumptions in the Black-Scholes model:

	December 31, 2017	December 31, 2016
Share price (US $)	10.81	6.19
Exercise price (US $)	7.91	8.03
Expected volatility	74%	70%
Number of periods to exercise	3.82	4.92
Risk-free rate	1.93%	1.91%
Expected dividends	—	—

14. Warrants (Company), continued

Ordinary warrants

On November 23, 2016 the Group placed 22,863,428 ordinary shares together with 11,431,714 warrants over ordinary shares at a price of £0.28 per share/warrant combination. The warrants have an exercise price of £0.322 per warrant and expire on November 23, 2021. In the event that the Group fails to maintain the effectiveness of the Registration Statement, the warrant shall only be exercisable on a cashless basis. This would result in variability in the number of shares issued and therefore, the warrants were designated as a financial liability carried at fair value through profit and loss. On issuance of the warrants, the Group recorded a derivative liability of US $1,812,959 using the Black-Scholes model.

At December 31, 2017 and 2016, the liability classified ordinary warrants had a fair value of US $3,699,047 and $1,830,869 using the Black-Scholes model and the following assumptions:

	December 31, 2017	December 31, 2016
Share price (GBP)	0.41	0.25
Exercise price (GBP)	0.322	0.322
Expected volatility	76%	70%
Number of periods to exercise	3.90	4.92
Risk-free rate	2.09%	1.91%
Expected dividends	—	—

The following is a summary of the Group's liability classified warrant activity, including both ADS and Ordinary warrants, during the years ended December 31, 2017 and 2016:

Liability classified warrants	Fair value US $
January 1, 2016	—
Issued during the year	$ 5,662,119
Loss from revaluation of derivative liabilities	135,939
Balance at December 31, 2016	5,798,058
Issued during the year	529,004
Exercised during the year	(284,402)
Impact of foreign exchange	192,088
Loss from revaluation of derivative liabilities	6,391,551
Balance at December 31, 2017	$ 12,626,299

15. Contingent liabilities

On February 28, 2018, the Group's Board of Directors awarded Dr. Lumsden a cash bonus of $127,500 for his performance and contributions during 2017. A portion, or $42,500, of the cash bonus is contingent upon achieving certain operational milestones in 2018. Dr. Lumsden received a separate supplemental bonus of $50,000 that is also contingent upon operational milestones in the first half of 2018. Dr. Huang was awarded a cash bonus of $142,000 for his performance and contributions in 2017. A portion, or $42,000, of the cash bonus is contingent upon achieving certain operational milestones in 2018.

16. Share based payments

Motif BioSciences Inc. issued options and warrants to employees, Directors, consultants, and note holders. As part of the merger between Motif Acquisition Sub, Inc. and Motif BioSciences Inc., described in Note 1, each outstanding share option granted by Motif BioSciences Inc. was assumed and converted by Motif Bio plc into options to subscribe for ordinary shares in Motif Bio plc. The number of share options and the exercise prices have been adjusted to reflect the reverse stock split in the capital of Motif BioSciences Inc. on March 13, 2015.

16. Share based payments, continued

On December 4, 2014, Motif BioSciences Inc. adopted a Share Option Plan (the "Plan") under which options can be granted to employees, consultants, and Directors. The share price used for the Plan prior to being traded on AIM was based on management's assessment of the valuation of the Group given the net assets and future potential of the Group at the time of granting.

Motif Bio plc adopted a Share Option Plan (the "New Plan") on April 1, 2015. The New Plan replaces Motif BioSciences Inc.'s previous share plan. There were no changes to the fair value of share options granted under the Plan with the only change being to grant the holders shares in Motif Bio plc rather than Motif BioSciences Inc. upon exercising options. The exercise price for each option will be established at the discretion of the Board provided that the exercise price for each option shall not be less than the nominal value of the relevant shares if the options are to be satisfied by a new issue of shares by the Group and provided that the exercise price per share for an option shall not be less than the fair market value of a share on the effective date of grant of the option. Options will be exercisable at such times or upon such events and subject to such terms, conditions and restrictions as determined by the Board on grant date. However, no option shall be exercisable after the expiration of ten years after the effective date of grant of the option.

	Number of share options	Weighted average exercise price US $
Outstanding at January 1, 2016	13,427,495	0.33
Granted during the year	3,261,577	0.58
Forfeited during the year	—	—
Exercised during the year	(263,690)	0.14
Expired during the year	(862,200)	0.70
Outstanding at December 31, 2016	15,563,182	0.37
Granted during the year	5,800,000	0.33
Forfeited during the year	(4,153,948)	0.53
Exercised during the year	(143,700)	0.14
Expired during the year	—	—
Outstanding at December 31, 2017	17,065,534	0.32
Exercisable at December 31, 2017	11,334,173	0.29

The range of exercise prices of the options at December 31, 2017 was US $0.14 - $0.91. The weighted average contractual term of options outstanding at December 31, 2017 and 2016 was 7.0 years and 7.3 years, respectively. The weighted average remaining contractual term of options exercisable at December 31, 2017 was 6.1 years.

The fair value of options granted have been valued using the Black-Scholes option pricing model. The weighted-average fair value of options granted during the year ended December 31, 2017 was $0.26. Volatility is based on reported data from selected reasonably similar publicly traded companies for which the historical information is available. The Group does not have sufficient history to estimate the volatility of its share price. The weighted-average assumptions for option grants were as follows:

	Year ended Dec 31, 2017
Share price (US $)	0.34
Exercise price (US $)	0.34
Expected volatility	70.86%
Term	10 years
Risk-free rate	2.11%
Expected dividends	—

16. Share based payments, continued

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

	Year ended Dec 31, 2017 US $	Year ended Dec 31, 2016 US $	Year ended Dec 31, 2015 US $
General and administrative expense	1,143,496	513,541	325,908
Research and development expense	564,579	—	—
Total share-based payment expense	1,708,075	513,541	325,908

During the preparation of the interim financial statements for the six months ended June 30, 2017, the Group identified and corrected a prior period error whereby stock-based compensation expense was understated primarily due to recognizing expense only when an award vested, not over the required service period using a graded vesting approach as required under IFRS 2. The Group assessed the materiality of the out-of-period adjustments on all impacted periods and determined that they were not material to any of the periods and that a restatement of previously issued financial statements was not required. The Group concluded that the cumulative adjustment to correct the error should be recorded in the year ended December 31, 2017.

The expense in fiscal years 2016 and 2015 and 2014 was understated by $802,282, $291,696 and $31,799, respectively. The out-of-period correction increased General and Administrative expense by $762,836 and Research and Development expense by $362,941 for the year ended December 31, 2017. None of these adjustments had an impact on the cash resources of the Group.

17. Share capital (Company)

Allotted, called up and fully paid:	**Number**	**US $**
In issue at December 31, 2015	108,601,496	1,645,291
Issued:		
Ordinary shares of 1p each	409,000	5,405
Ordinary shares of 1p each	48,769,820	607,574
Ordinary shares of 1p each	22,863,428	284,833
Ordinary shares of 1p each	119,990	1,509
Ordinary shares of 1p each	467,024	5,801
Ordinary shares of 1p each	14,510,770	177,786
In issue at December 31, 2016	195,741,528	2,728,199
Issued:		
Ordinary shares of 1p each	143,700	1,748
Ordinary shares of 1p each	326,880	4,262
Ordinary shares of 1p each	66,666,667	846,667
Ordinary shares of 1p each	250,000	3,185
Ordinary shares of 1p each	390,353	5,140
In issue at December 31, 2017	263,519,128	3,589,201

On September 9, 2016, Motif Bio plc issued 409,000 ordinary shares to Amphion Innovations plc as part of the terms of the renegotiated convertible promissory notes.

On November 23, 2016, Motif Bio plc issued 2,438,491 ADSs upon the closing of an initial U.S. offering and 1,219,246 warrants over ADS at a price of US $6.98 per ADS/Warrant combination. Each ADS represents 20 ordinary shares.

On November 23, 2016, Motif Bio plc issued 22,863,428 ordinary shares together with 11,431,714 warrants over ordinary shares at a price of 28 pence per share/warrant combination.

On November 29, 2016, 119,990 ordinary shares were issued upon the exercise of options.

In December 2016, 467,024 ordinary shares were issued upon the exercise of options and warrants.

17. Share capital (Company), continued

In December 2016, Motif Bio plc issued 14,510,770 new ordinary shares following the conversion of convertible promissory notes by Amphion Innovations plc and Amphion Innovations US Inc. The notes which totaled US $3,550,786 were converted in accordance with their terms at US $0.2447 per share.

In January 2017, 143,700 ordinary shares were issued upon the exercise of options.

In May 2017, 326,880 ordinary shares were issued upon the exercise of warrants.

In June 2017, Motif Bio plc issued 66,666,667 ordinary shares at a price of 30 pence per share. The Company raised $24,569,634 in gross proceeds and incurred $1,734,562 of issuance costs in connection with this offering. These issuance costs, which include placement fees, are recorded as a reduction in equity.

In July 2017, 250,000 ordinary shares were issued upon the exercise of warrants.

In November 2017, a total of 390,353 ordinary shares were issued upon the exercise of warrants.

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

Retained deficit represents accumulated losses.

The group re-organization reserve arose when Motif Bio plc became the parent of the Group. The transaction, falling as it does outside the scope of IFRS 3, has been accounted for as a group re-organization and not a business combination. The re-organization reserve can be derived by calculating the difference between the nominal value of the shares in Motif Bio plc issued to the former shareholders in Motif BioSciences Inc. and the share capital and share premium of Motif BioSciences Inc. at the date of the merger.

18. Financial assets and financial liabilities

The Group and Company hold the following financial instruments:

	Group	Company
Financial assets	**Financial assets at amortized cost US $**	**Financial assets at amortized cost US $**
2017		
Prepaid expenses and other receivables	317,584	249,152
Due from affiliates	-	47,733,088
Cash and cash equivalents	22,651,475	629,257
	22,969,059	48,611,497
2016		
Prepaid expenses and other receivables	401,064	349,368
Due from affiliates	-	3,294,823
Cash and cash equivalents	21,829,632	21,817,489
	22,230,696	25,461,680

	Group	Company
Financial liabilities	**Financial liabilities at amortized cost US $**	**Financial liabilities at amortized cost US $**
2017		
Trade and other payables	10,889,554	159,575
Payable on completion of clinical trial	500,000	-
Derivative liabilities	12,626,299	12,626,299
	24,015,853	12,786,274
2016		
Trade and other payables	12,319,117	96,916
Payable on completion of clinical trial	500,000	-
Derivative liabilities	5,798,058	5,798,058
	18,617,175	5,894,974

18. Financial assets and financial liabilities, continued

Fair value disclosures

The Group's cash, prepaid expenses and other current assets and trade and other payables are stated at their respective historical carrying amounts, which approximates fair value due to their short-term nature. These are measured at fair value using Level 1 inputs. The Group's derivative liabilities are measured at fair value using Level 1 or 2 inputs. See discussion in Note 14 on the inputs utilized in the Black-Scholes option pricing model and for a rollforward of the derivative liability from December 31, 2016 to December 31, 2017. The Group determined that the book value of the Hercules Loan Agreement (Note 13) approximates its fair value as of December 31, 2107 due the proximity of the transaction date with December 31, 2017 and the interest being tied to the U.S. Prime Rate. There were no transfers between fair value levels during the years ended December 31, 2017 or 2016.

There were no non-recurring fair value measurements for the years ended December 31, 2017 or 2016.
When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

19. Subsidiaries

Company name	Country of incorporation	Percentage shareholding	Percentage voting power	Method used to account for investment
Motif BioSciences Inc.	Delaware, USA	100%	100%	Consolidation

The principal activity of Motif BioSciences, Inc. is proprietary drug discovery research and development. Motif BioSciences Inc. was incorporated in the US State of Delaware on December 2, 2003 and has its registered office at 251 Little Falls Drive, Wilmington, Delaware, 19808.

The Company's increase in its investment in Motif BioSciences, Inc. of $1,567,743 related to the Company's share options that were granted to BioSciences, Inc. employees during the fiscal 2017 year.

20. Related party transactions

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

At December 31, 2017, Amphion Innovations plc and its wholly owned subsidiary, Amphion Innovations US, Inc., or collectively, the Amphion Group, owned 14.48% of the issued ordinary shares in Motif Bio plc. In addition, the Amphion Group previously provided funding for the activities of Motif BioSciences Inc. through the issue of convertible interest bearing loan notes, which were converted to shares in December 2016. Total interest expense recorded for the year ended December 31, 2016 related to these notes was $390,485. Richard Morgan and Robert Bertoldi were Directors of both the Company and Amphion Innovations plc in the period. Transactions between the Group and the Amphion Group are disclosed below:

Advisory and Consultancy Agreement with Amphion Innovations US, Inc.

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

Consultancy Agreement with Amphion Innovations plc

On April 1, 2015, the Group entered into a Consultancy Agreement with Amphion Innovations plc for the services of Robert Bertoldi, an employee of Amphion Innovations plc. The consideration for his services was US $5,000 per month. On November 1, 2015, the consideration was increased to US $180,000 per annum. On July 1, 2016, the consideration decreased to US $75,000 per annum. The agreement was for an initial period of 12 months and would automatically renew each year on the anniversary date unless either party notifies the other by giving 90-days written notice prior to expiration. The agreement was amended in December 2016 so that

20. Related party transactions, continued

either party may terminate the agreement at any time, for any reason, upon giving the other party ninety-days advance written notice. In July 2017, the Group amended the consulting agreement with Amphion Innovations plc to increase the annual consideration to $125,000 to better reflect Robert Bertoldi's time commitment to the Group with and effective date of 1 January 2017. The Group paid Robert Bertoldi US $125,000 and US $127,500 during the years ended December 31, 2017 and 2016 in accordance with the terms of the agreement.

Consultancy Agreement with Amphion Innovations US, Inc.

On September 1, 2016, the Group entered into a Consultancy Agreement with Amphion Innovations US, Inc., pursuant to which Amphion Innovations US, Inc. will provide consultancy services in relation to the Group's obligations as a NASDAQ listed company. The consideration for the services was US $15,500 per month. The agreement was for an initial period of 12 months, after which the agreement will terminate automatically unless renewed by the parties by mutual agreement. The agreement was not extended past the initial term. The Group paid US $170,500 and US $19,633 during the years ended December 31, 2017 and 2016 in accordance with the terms of the agreement.

Consultancy Agreement with Jonathan Gold

On April 13, 2016, we entered into a consultancy agreement with Jonathan Gold, a member of the Board of Directors. Under the terms of this agreement, Mr. Gold received a fixed fee of US $10,000 per month for strategic financial expert advice and guidance. The term of this agreement was six months, commencing January 1, 2016. The term of the agreement would automatically renew each month following the initial term, provided that each party provided its mutual agreement to renew in a signed writing, no later than 30 days prior to the expiration of the term. This agreement was not extended beyond the initial term.

On April 7, 2017, the Group entered into a new consultancy agreement with Mr. Gold. Under the terms of this agreement, Mr. Gold received a fixed fee of US $16,167 per month for strategic financial expert advice and guidance. The term of this agreement was twelve months, commencing January 1, 2017. The term of the agreement would automatically renew each month following the initial term, as long as either party did not provide notice to the other party of its election not to continue to renew the agreement with at least 30-days advance notice. This agreement was suspended as of December 31, 2017.

Intercompany Receivable (Company)

The Company had a net due from Motif BioSciences, Inc. of $47,733,088 and $3,294,823 at December 31, 2017 and 2016, respectively. The receivable is payable on demand and does not bear interest.

21. Subsequent events

On January 19, 2018, the Group announced that it filed a "universal" shelf registration statement on Form F-3 with the SEC, which was declared effective by the SEC on January 31, 2018. The filing of a shelf registration statement, a common practice by NASDAQ-listed companies, is intended to provide the Group with more timely and efficient access to the U.S. capital markets. The shelf registration, which can remain effective for up to three years, will enable the Company to offer, issue and sell, in one or more offerings at any time (as long as the shelf registration statement remains effective), up to an aggregate of $80 million of ordinary shares, including ADSs, where each ADS represents 20 ordinary shares), preference shares, warrants, subscription rights, debt securities and a combination of such securities, separately or as units. The Group currently has no specific plans to issue securities under this shelf registration. The specifics of any future offering, including the prices and terms of any securities offered by the Group, would be determined at the time of any such offering and would be described in detail in a prospectus supplement filed in connection with such offering.

Effective February 2, 2018, Jonathan Gold assumed the executive role of Chief Financial Officer upon the resignation of Robert Dickey IV, the Group's former Chief Financial Officer.

On April 3, 2018, the Group announced the initiation of a rolling submission of a New Drug Application (NDA) to the U.S. Food & Drug Administration (FDA) for iclaprim. The Group commenced the submission before the end of the first quarter of 2018 and is expecting to complete the submission of the full NDA during the second quarter of 2018. The Group also announced that it received correspondence from the FDA that a small business waiver has been granted for the NDA application fee which is typically due upon submission of an NDA under the Prescription Drug User Fee Act (PDUFA). As a result, the Group did not have to pay a $2.4 million application fee for this NDA submission.

Notice of Annual General Meeting

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to what action you should take, you are recommended to seek financial advice from your stockbroker or other independent adviser authorized under the Financial Services and Market Act 2000.

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

Notice is hereby given that the Annual General Meeting ("**AGM**") of Motif Bio plc (the "**Company**"), will be held at 1 PM BST on 19 June 2018 at the offices of DLA Piper UK LLP at 3 Noble St, London, EC2V 7EE, United Kingdom for the transaction of the following business.

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

Resolution No. 1 To receive the Company's annual accounts and the strategic, directors' and auditors' reports for the year ended 31 December 2017.

Resolution No. 2 To approve the directors' remuneration report (other than the part containing the directors' remuneration policy) for the year ended 31 December 2017.

Resolution No. 3 To reappoint Zaki Hosny as a director, who is retiring by rotation under the provisions of article 78 of the Company's Articles of Association at the AGM of the Company and who, being eligible, offers himself for re-election as permitted by article 84.

Resolution No. 4 To reappoint Mary Lake Polan as a director, who is retiring by rotation under the provisions of article 78 of the Company's Articles of Association at the AGM of the Company and who, being eligible, offers herself for re-election as permitted by article 84.

Resolution No. 5 To reappoint Bruce A. Williams as a director, who is retiring by rotation under the provisions of article 78 of the Company's Articles of Association at the AGM of the Company and who, being eligible, offers himself for re-election as permitted by article 84.

Resolution No. 6 To reappoint PricewaterhouseCoopers LLP UK as UK reporting and statutory auditors to the Company under International Auditing Standards (UK).

Resolution No. 7 To reappoint PricewaterhouseCoopers LLP US as US GAAS auditors to the Company for PCAOB and other US reporting requirements.

Resolution No. 8 To authorise the directors to determine the remuneration of the auditors.

Resolution No. 9 That the maximum number of ordinary shares that may be issued pursuant to the Company's 2015 Share Option Plan be set at 10% of the issued share capital of the Company, at any point in time.

Resolution No. 10 That the directors of the Company be and they are hereby generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for, or convert any security into, shares in the Company:

(i) up to an aggregate nominal amount of £1,000,000; and

(ii) comprising equity securities (as defined in section 560 of the Act) up to a further aggregate nominal amount of £1,000,000 in connection with an offer by way of a rights issue:

a. to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them; and
b. to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the directors otherwise consider necessary,

but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal

or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange,

provided that these authorities shall expire at the conclusion of the next AGM of the Company after the passing of this resolution or on 20 September 2019 (whichever is the earlier), save that the Company may make an offer or agreement before this authority expires which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after this authority expires and the directors may allot shares or grant such rights pursuant to any such offer or agreement as if this authority had not expired. This authority shall be in addition to all existing authorities under section 551 of the Act.

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

Resolution No. 11 That, subject to the passing of resolution 10, the directors of the Company be and they are hereby empowered pursuant to section 570 of the Act to allot equity securities (as defined in section 560 of the Act) of the Company for cash pursuant to the authorities conferred by resolution 10 as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

i. in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise):
   a. to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them; and
   b. to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the directors otherwise consider necessary, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and

ii. otherwise than pursuant to paragraph (a) of this resolution, up to an aggregate nominal amount of £450,000,

and this power shall expire at the conclusion of the next AGM of the Company after the passing of this resolution or on 20 September 2019 (whichever is the earlier), save that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted for cash after this power expires and the directors may allot equity securities for cash pursuant to any such offer or agreement as if this power had not expired.

This power is in addition to all existing powers under section 570 of the Act.

By order of the board
Liam O'Donoghue
Secretary

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

10 April 2018

Notes:

1. A member entitled to attend and vote at the AGM convened by this notice is entitled to appoint one or more proxies to attend, speak and vote in his or her stead. A proxy need not be a member of the Company.

2. To appoint a proxy you may use the form of proxy enclosed with this notice of AGM. Please carefully read the instructions on how to complete the form of proxy. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of the same, must reach the Company's Registrars, Share Registrars Limited, The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR, United Kingdom by post or by scan and email to proxies@shareregistrars.uk.com not less than 48 hours before the time of holding of the AGM (excluding any part of a day that is not a working day). The form of proxy should therefore be completed and deposited with the Company's Registrars by 1 pm on 15 June 2018 (or, if the meeting is adjourned, no later than 48 hours (excluding any part of a day that is not a working day) before the time of any adjourned meeting). The completion and return of a form of proxy will not preclude a member from attending the AGM and voting in person if he or she so wishes. If a member has appointed a proxy and attends the AGM in person, such proxy appointment will automatically be terminated.

3. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those holders of the Company's shares registered on the register of members of the Company as at 1 pm on 15 June 2018, or, in the event that the AGM is adjourned, 48 hours (excluding any part of a day that is not a working day) before the time of the adjourned meeting, shall be entitled to attend and vote at the AGM in respect of the number of such shares registered in their name at the relevant time. Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend and vote at the AGM.

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

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

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

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

8. As at the close of business on the date immediately preceding this notice the Company's issued share capital comprised 264,276,443 ordinary shares of one pence each. Each ordinary share carried the right to one vote at the AGM and, therefore, the total number of voting rights in the Company as at the close of business on the date immediately preceding this notice is 264,276,443.

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

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

11. CREST members who wish to appoint a proxy or proxies through the CREST Electronic Proxy Appointment Service may do so for the AGM and any adjournment(s) thereof by following the procedures described in the CREST manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously-appointed proxy, must, in order to be valid, be transmitted so as to be received by Share Registrars Limited (ID 7RA36) no later than 1 pm on 15 June 2018, or, if the meeting is adjourned, 48 hours before the time fixed for the adjourned meeting (excluding any part of a day that is not a working day). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Share Registrars Limited is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat a CREST Proxy Instruction as invalid in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.

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

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

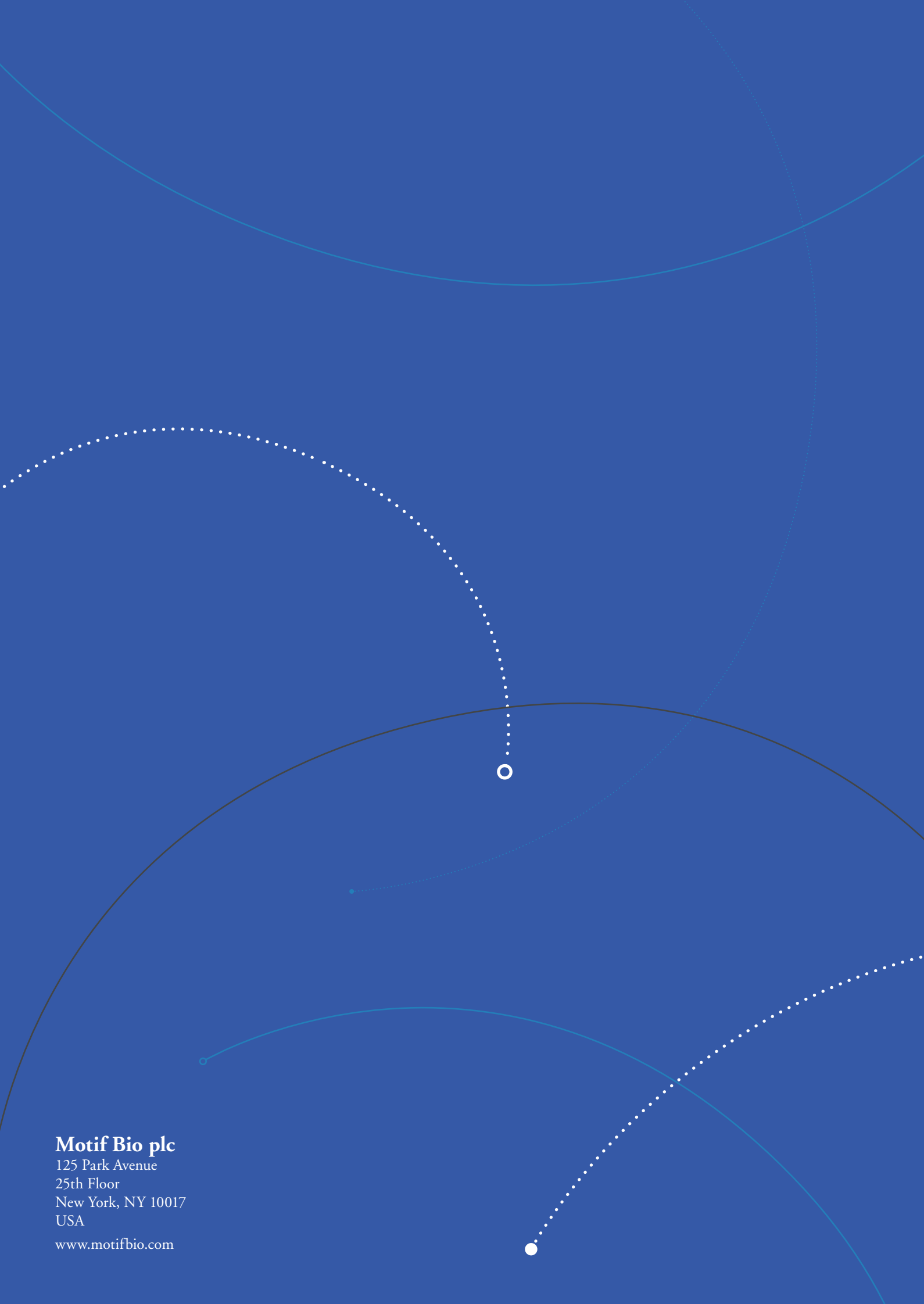
Directors, Secretary, and Advisors

Directors	**Richard C.E. Morgan**	*Non-executive Chairman*
	Graham Lumsden	*Executive Director*
	Craig Albanese	*Non-executive Director*
	Robert J. Bertoldi	*Non-executive Director*
	Charlotta Ginman	*Non-executive Director*
	Jonathan Gold	*Executive Director*
	Zaki Hosny	*Non-executive Director*
	Mary Lake Polan	*Non-executive Director*
	Bruce Williams	*Non-executive Director*

Nominated Advisor and Joint Broker	**Peel Hunt** 120 London Wall London EC2Y 5ET United Kingdom
Joint Broker	**Northland Capital Partners Limited** 60 Gresham Street 4th Floor London EC2V 7BB United Kingdom
Company Secretary	**Liam O'Donoghue**
Registered Office	201 Temple Chambers 3-7 Temple Avenue London EC4Y 0DT

Auditors to the Company	**UK: PricewaterhouseCoopers LLP** The Capitol 431 Union Street Aberdeen AB11 6DA Scotland	**US: PricewaterhouseCoopers LLP** 400 Campus Drive Florham Park, NJ 07932 USA
Solicitors to the Company	**UK: DLA Piper UK LLP** 3 Noble Street London, EC2V 7EE UK	**US: DLA Piper US LLP** 1650 Market Street, Suite 4900 Philadelphia, PA 19103
Public and Investor Relations	**UK: Walbrook PR Ltd.** 4 Lombard Street London EC3V 9HD United Kingdom	**US: Solebury Trout** 740 Broadway, 9th FL New York, NY 10003
	UK: MC Services AG Bavariaring 26 80336 Munich Germany	**US: Russo Partners, LLC** 12 West 27th Street, 4th FL New York, NY 10001

Registrars to the Company	**Share Registrars Limited** Suite E, First Floor 9 Lion and Lamb Yard Farnham Surrey GU9 7LL United Kingdom
Website	**www.motifbio.com**



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