

**Motif Bio plc**  
**Condensed consolidated statement of comprehensive income**  
**For the six months ended 30 June 2015**

	Notes	Unaudited Six months ended 30 June 2015 US \$	Pro-forma Audited Six months ended 30 June 2014 US \$	Pro-forma Audited Year ended 31 December 2014 US \$
<b>Continuing operations</b>				
Revenue		-	-	-
Cost of revenue		-	-	-
Gross margin		-	-	-
General and administrative expenses		(1,083,085)	(325,025)	(1,096,116)
Research and development expenses		(639,101)	-	-
Operating loss		(1,722,186)	(325,025)	(1,096,116)
Interest income		260	-	78
Interest expense, net		(141,177)	(221,092)	(449,036)
Other income		5,995	-	360,060
Loss before income taxes		(1,857,108)	(546,117)	(1,185,014)
Income tax		-	-	(876)
<b>Net loss for the period</b>		<b>(1,857,108)</b>	<b>(546,117)</b>	<b>(1,185,890)</b>
<b>Total comprehensive loss for the period</b>		<b>(1,857,108)</b>	<b>(546,117)</b>	<b>(1,185,890)</b>

**Loss per share**

Basic and diluted *	4	US \$	(0.05)	US \$	(0.05)	US \$	(0.10)
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\* In accordance with IAS33 "Earnings per share", where the entity has reported a loss for the period, the shares are not diluted.

**Motif Bio plc**  
**Condensed consolidated statement of financial position**  
**At 30 June 2015**

	Notes	Unaudited 30 June 2015 US \$	Pro-forma Audited 30 June 2014 US \$	Pro-forma Audited 31 December 2014 US \$
<b>Non-current assets</b>				
Intangible assets	9	6,195,748	-	-
		<u>6,195,748</u>	<u>-</u>	<u>-</u>
<b>Current assets</b>				
Notes receivable		12,000	-	12,000
Prepaid expenses and other receivables		47,300	-	210,661
Cash		2,783,034	99	3,281
		<u>2,842,334</u>	<u>99</u>	<u>225,942</u>
<b>Total assets</b>		<u><u>9,038,082</u></u>	<u><u>99</u></u>	<u><u>225,942</u></u>
<b>Current liabilities</b>				
Trade and other payables		1,827,982	3,872,628	4,162,946
Other interest-bearing loans and borrowings	5	-	6,892,064	6,981,454
		<u>1,827,982</u>	<u>10,764,692</u>	<u>11,144,400</u>
<b>Non-current liabilities</b>				
Other interest-bearing loans and borrowings	5	3,550,786	-	-
		<u>3,550,786</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>		<u><u>5,378,768</u></u>	<u><u>10,764,692</u></u>	<u><u>11,144,400</u></u>
<b>Net assets</b>		<u><u>3,659,314</u></u>	<u><u>(10,764,593)</u></u>	<u><u>(10,918,458)</u></u>
<b>Equity</b>				
Share capital	7	953,575	844	1,110
Share premium		6,769,256	3,692,207	3,964,455
Group reorganization reserve	7	9,938,362	-	-
Retained deficit		<u>(14,001,879)</u>	<u>(14,457,644)</u>	<u>(14,884,023)</u>
<b>Total stockholders' equity/(deficit)</b>		<u><u>3,659,314</u></u>	<u><u>(10,764,593)</u></u>	<u><u>(10,918,458)</u></u>

**Motif Bio plc**  
**Condensed consolidated statement of changes in equity**  
**For the six months ended 30 June 2015**

**Unaudited**

	<u>Share capital</u>	<u>Share Premium</u>	<u>Group reorganization reserve</u>	<u>Retained deficit</u>	<u>Total</u>
	US \$	US \$	US \$	US \$	US \$
Balance at 1 January 2014	844	3,692,207	-	(13,969,350)	(10,276,299)
Loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>(546,117)</u>	<u>(546,117)</u>
Total comprehensive loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>(546,117)</u>	<u>(546,117)</u>
Stock based payments	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,823</u>	<u>57,823</u>
<b>Balance at 30 June 2014</b>	<b>844</b>	<b>3,692,207</b>	<b>-</b>	<b>(14,457,644)</b>	<b>(10,764,593)</b>
Loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>(639,773)</u>	<u>(639,773)</u>
Total comprehensive loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>(639,773)</u>	<u>(639,773)</u>
Issue of share capital	211	210,373			210,584
Exercise of share options	55	61,875	-	(28,930)	33,000
Stock based payments	<u>-</u>	<u>-</u>	<u>-</u>	<u>242,324</u>	<u>242,324</u>
<b>Balance at 31 December 2014</b>	<b><u>1,110</u></b>	<b><u>3,964,455</u></b>	<b><u>-</u></b>	<b><u>(14,884,023)</u></b>	<b><u>(10,918,458)</u></b>
Balance at 1 January 2015	1,110	3,964,455	-	(14,884,023)	(10,918,458)
Loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,857,108)</u>	<u>(1,857,108)</u>
Total comprehensive loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,857,108)</u>	<u>(1,857,108)</u>
Transfer	(1,110)	(3,964,455)	3,965,565	-	-
Issue of share capital	3,706	70,407	-	-	74,113
Group reorganisation	544,378	-	5,972,797	-	6,517,175
Issue of share capital net of issue costs	405,491	6,698,849		-	7,104,340
Issue of warrants issued to acquire assets	-	-	-	2,340,372	2,340,372
Share-based payments	<u>-</u>	<u>-</u>	<u>-</u>	<u>398,880</u>	<u>398,880</u>
<b>Balance at 30 June 2015</b>	<b><u>953,575</u></b>	<b><u>6,769,256</u></b>	<b><u>9,938,362</u></b>	<b><u>(14,001,879)</u></b>	<b><u>3,659,314</u></b>

**Motif Bio plc**  
**Condensed consolidated statement of cash flows**  
**For the six months ended 30 June 2015**

	<b>Unaudited Six months ended 30 June 2015</b>	<b>Pro-forma Audited Six months ended 30 June 2014</b>	<b>Pro-forma Audited Year ended 31 December 2014</b>
	<b>US \$</b>	<b>US \$</b>	<b>US \$</b>
<b>Operating activities</b>			
Operating loss for the period	(1,722,186)	(325,025)	(1,096,116)
Adjustments to reconcile net loss to net cash used in activities:			
Stock-based payments	398,880	57,823	300,147
Interest expense	(141,177)	(221,092)	(449,036)
Interest income	260	-	78
Other income	5,995	-	360,060
Changes in operating assets and liabilities:			
Prepaid expenses, notes receivable and accounts receivable	(47,222)	-	(222,661)
Accounts payable and other accrued liabilities	213,582	367,375	657,693
Net cash used in operating activities	<u>(1,291,868)</u>	<u>(120,919)</u>	<u>(449,835)</u>
<b>Taxation paid</b>	-	-	(876)
<b>Financing activities</b>			
Proceeds from issuance of promissory notes	704,210	120,974	210,364
Proceeds from issue of share capital, net	3,367,411	-	210,584
Proceeds from exercise of options	-	-	33,000
Net cash provided by financing activities	<u>4,071,621</u>	<u>120,974</u>	<u>453,948</u>
Net change in cash	2,779,753	55	3,237
Cash, beginning of the period	<u>3,281</u>	<u>44</u>	<u>44</u>
Cash, end of the period	<u><u>2,783,034</u></u>	<u><u>99</u></u>	<u><u>3,281</u></u>

## **Motif Bio plc**

### **Notes to the condensed consolidated financial statement (Unaudited)**

#### **For the six months ended 30 June 2015**

##### **1. General information**

Motif Bio Limited was incorporated in England and Wales on 20 November 2014 as a private company limited by shares. On 1 April 2015 the Company was re-registered as a public company limited by shares and changed its name to Motif Bio plc. On 1 April 2015 it became the holding company for Motif BioSciences, Inc. by way of a group reorganisation by plan of merger (see note 10).

The condensed consolidated interim financial statements for the six months ended 30 June 2015 are unaudited and do not constitute statutory accounts as defined in section 434 of the Companies Act 2006.

##### **2. Accounting policies**

###### **Basis of preparation**

The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards (IFRS), as adopted by the European Union.

The interim financial information has been drawn up using accounting policies and presentations expected to be adopted in the Group's full financial statements for the year ending 31 December 2015 and consistent with those set out in Part IV of the AIM admission document published by Motif Bio plc on 27 March 2015. The audited pro-forma comparative information for the year ended 31 December 2014 has been extracted from the audited non-statutory financial statements of Motif BioSciences, Inc. for the year then ended. The auditors' report on these financial statements was unqualified.

The interim financial information set out herein was approved and authorised for issue by the Board of Directors of Motif Bio plc on 26 August 2015. Copies of this financial information will be available on the Company's website.

The condensed consolidated interim financial statements include the accounts of Motif Bio plc and its one wholly owned subsidiary, Motif BioSciences Inc. (the "Group"). On 1 April 2015 Motif BioSciences Inc. became a wholly owned subsidiary of Motif Bio plc by way of a group reorganisation effected by a plan of merger between Motif BioSciences Inc. and Motif Acquisition Sub, Inc., a special purpose merger subsidiary of Motif Bio plc. The comparative financial information for the six months ended 30 June 2014 and 31 December 2014 is that of Motif BioSciences Inc. only and is therefore pro-forma.

###### **Research and development expenditure**

Capitalisation of expenditure on drug development commences from the point at which technical feasibility and commercial viability of the product can be demonstrated and the Group is satisfied that it is probable that future economic benefits will result from the product once completed. No such costs have been capitalised to date.

Expenditure on research and development activities that do not meet the above criteria is charged to the Statement of Comprehensive income as incurred.

###### **Intangible assets**

Intangible assets are stated at cost, net of any amortisation and any provision for impairment. Where a finite useful life of the acquired intangible asset cannot be determined, the asset is not subject to amortisation but is tested for impairment annually or more frequently whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. No amortisation or impairment has been charged to date as the assets are not yet available for commercial use.

### 3. 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.

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

### 4. Loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders by the weighted average number of shares in issue during the period. For comparative purposes, the weighted average number of shares in issue in the six months ended 30 June 2014 and the year ended 31 December 2014 have been adjusted to reflect the reverse stock split in the capital of Motif BioSciences, Inc. on 13 March 2015.

In accordance with IAS 33, where the Group has reported a loss for the period, the shares are not diluted.

	Six months ended 30 June 2015 US\$	Six months ended 30 June 2014 US\$	Year ended 31 Dec 2014 US\$
Loss after taxation	(1,857,108)	(546,117)	(1,185,890)
Basic weighted average shares in issue	40,809,623	11,751,343	12,453,312
<b>Basic and diluted loss per share</b>	<b>(0.05)</b>	<b>(0.05)</b>	<b>(0.10)</b>

### 5. Other interest bearing loans and borrowings

#### Other interest bearing loans and borrowings

	Six months ended 30 June 2015 US\$	Six months ended 30 June 2014 US\$	Year ended 31 December 2014 US\$
<b>Amounts due within one year</b>			
Convertible promissory notes	-	200,000	200,000
Notes payable to affiliates	-	6,692,064	6,781,454
	-	6,892,064	6,981,454
<b>Amounts due longer than one year</b>			
Notes payable to affiliates	3,550,786	-	-
	3,550,786	-	-

On 20 January 2015, the convertible promissory noteholders exercised the option, conditional upon Motif Bio plc's admission on AIM, to convert the \$200,000 of convertible promissory notes and accrued interest of \$78,787 into shares of Motif BioSciences Inc.

On 1 April 2015, Amphion Innovations plc converted US \$6,000,000 of notes and accrued interest into shares of Motif BioSciences Inc. Convertible promissory notes were issued for Amphion Innovations plc's remaining balance of \$1,471,700 and Amphion Innovations US Inc.'s balance of US \$2,079,086 that include unpaid accrued interest and advisory and consultancy fees. The new notes which accrue interest at the rate of 7% per annum, mature on 31 December 2016 and can be converted into ordinary shares of Motif Bio plc at the rate of US \$0.1758 per share.

In January 2015, Motif BioSciences Inc. entered into four convertible promissory notes totaling US \$704,210 as part of a pre-Admission fundraising. Upon admission, the notes were converted into 2,612,766 shares of Motif Bio plc. Motif Bio plc issued 499,570 warrants to the noteholders with an exercise price of 20 pence per share. The expiration date for 176,246 of the warrants is 31 December 2015 and 31 December 2016 for 323,324 of the warrants.

## 6. Stock based payments

As part of the merger between Motif Acquisition Sub, Inc. and Motif BioSciences, Inc., described at note 10, 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.

Motif Bio plc adopted a Share Option Plan on 1 April 2015 that is limited to employees of the Group. In 2015, 100,000 options were issued under the Plan with an exercise price of £0.4775 per share, expire in ten years and vest over three years.

Motif Bio plc issued 642,384 warrants to its nominated advisor, 642,384 warrants to its broker, and 82,321 warrants to a fundraising advisor in part consideration for their participation in the admission. The warrants have an exercise price of 20 pence per share and expire on the fifth anniversary of admission.

## 7. Share capital and reserves

<b>Allotted, called up and full paid:</b>	<b>Number</b>	<b>US \$</b>
In issue at 31 December 2014	100	-
Issued:		
Ordinary shares of 1p each	36,726,242	544,378
Ordinary shares of 1p each	9,805,400	145,342
Ordinary shares of 1p each	657,894	9,752
Ordinary shares of 1p each	2,612,766	38,728
Ordinary shares of 1p each	14,436,140	215,375
In issue at 30 June 2015	64,238,442	953,575

Motif Bio plc was incorporated on 20 November 2014 with 100 ordinary shares of 1 pence each, which was subscribed for unpaid. The shares were transferred upon capitalisation.

On 2 April 2015, Motif Bio plc issued 36,726,242 ordinary shares to the Motif BioSciences Inc. shareholders as consideration for the transfer of the entire issued common stock of Motif BioSciences Inc. to the Company.

On 2 April 2015, Motif Bio plc issued 9,805,400 ordinary shares to the former Nuprim shareholders as consideration for the merger of Motif BioSciences, Inc. and Nuprim.

On 2 April 2015, Motif Bio plc issued 657,894 ordinary shares to a creditor of Motif BioSciences Inc. in payment of the balance due.

On 2 April 2015, Motif Bio plc issued 2,612,766 shares to the pre-admission note holders upon conversion of the convertible promissory notes.

On 2 April 2015, Motif Bio plc issued 14,436,140 ordinary shares upon its admission on AIM at the price of 20 pence per share.

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-organisation reserve arose when Motif Bio plc became the parent of the Group. The plan of merger, falling as it does outside the scope of IFRS 3, has been accounted for as a group re-organisation and not a business combination on a merger or pooling of interest basis as if both entities have always been combined, using book values, with no fair value adjustments made nor good will recognised. The group re-organisation reserve represents the difference between the nominal value of the shares in Motif Bio plc issued to the former shareholders in Motif BioSciences, Inc. to effect the plan of merger and the share capital and share premium reserve of Motif BioSciences, Inc. at the date of the merger.

## **8. Issue costs**

Motif Bio plc incurred costs of US \$942,164 relating to the issue of shares in an IPO on the Alternative Investment Market. The costs were primarily for fundraising commissions and professional advisory fees in relation to the issue of shares. These equity transaction costs were deducted from equity in accordance with IAS 32, Financial Instruments Disclosure and Presentation.

## **9. Acquisition of asset**

Motif BioSciences Inc., as the result of the merger agreement with Nuprim, Inc. acquired the exclusive rights to Nuprim's iclaprim assets and the rights to acquire 600 kilograms of iclaprim API over a period ending 31 December 2017. As part of the transaction Motif BioSciences Inc. is responsible for costs and expenses related to or arising from the transfer prices of the iclaprim assets, including storage and delivery costs of the physical drug supply and inventory which are due and payable after 17 October 2014 and Motif BioSciences Inc. must assume and accept the terms and obligations arising under the Acino-LSMG agreement, including payment obligations. Motif BioSciences Inc. is also responsible for any third-party legal or administrative costs incurred by Nuprim in connection with the transaction and any obligations arising under a sale and purchase agreement between F. Hoffmann-La Roche Ltd, Hoffmann-La Roche Inc and Arpida Ltd., dated 1 June 2001. 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



reorganisation. These shares of common stock in Motif BioSciences Inc. were converted into ordinary shares in Motif Bio plc on admission.

On 31 December 2014, Motif BioSciences finalised the merger agreement. On admission, 9,805,400 ordinary shares of Motif Bio plc and 9,432,033 warrants were issued to the former Nuprim shareholders. The warrants have an exercise price of 20 pence and expire on the date ten years from the closing date of the transaction. In the event that Motif BioSciences Inc. fails to advance the development of iclaprim by commencing clinical development by 15 February 2017, the former Nuprim shareholders have the right to acquire the iclaprim assets for a purchase price of US \$10,000.

The directors believe that the merger between Motif BioSciences Inc. and Nuprim Inc. is unlikely to meet the definition of an acquisition of a business as set out in IFRS 3 and is therefore accounted for as the acquisition of an asset or a group of assets that does not constitute a business. IFRS 3 requires that in such cases the acquirer shall identify and recognise the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets in IAS 38, Intangible Assets) and to allocate the cost of the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to good will.

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 non-assignable warrants at the placing price of 20 pence per ordinary share; and
- a milestone payment of US \$500,000 expected to be paid by Motif BioSciences Inc. to Acino 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 consider the separable value of the active pharmaceutical ingredients is unlikely to 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.

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

	<u>US \$</u>
<b>Purchase consideration:</b>	
Ordinary shares in Motif Bio plc	3,355,374
Warrants to subscribe for ordinary shares in Motif Bio plc	<u>2,340,374</u>
<b>Total purchase consideration</b>	<u>5,695,748</u>
Iclaprim assets	6,195,748
Liabilities assumed	<u>(500,000)</u>
<b>Net assets acquired</b>	<u>5,695,748</u>

## 10. Group reorganisation by plan of merger

On 18 February 2015, Motif Bio plc incorporated a Delaware subsidiary, Motif Acquisition Sub, Inc. On 27 March 2015 Motif BioSciences Inc., Motif Bio plc, and Motif Acquisition Sub, Inc. entered into a plan of merger where,

upon admission, 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 Motif Bio plc.

The former Motif BioSciences Inc. shareholders were issued with 36,726,242 ordinary shares in Motif Bio plc in exchange for their common stock in Motif BioSciences Inc. so that immediately following the merger the former Motif BioSciences Inc. shareholders own an equivalent number of ordinary shares in Motif Bio plc as the number of shares of common stock that they had previously owned in Motif BioSciences Inc. All outstanding, unexercised, and vested stock options over shares of common stock in Motif BioSciences Inc. were converted into options over ordinary shares in Motif Bio plc.

The Directors consider the acquisition of the entire issued common stock of Motif BioSciences Inc. by Motif Bio plc in exchange for equivalent equity participation in Motif Bio plc to be a group re-organisation and not a business combination and to fall outside the scope of IFRS 3. Having considered the requirements of IAS 8 and the relevant UK and US guidance, the transaction is accounted for on a merger or pooling of interest basis as if both entities have always been combined, using book values, with no fair value adjustments made nor goodwill recognised.

## 11. Related party transactions

### *Transactions with Amphion Innovations plc and Amphion Innovations US Inc.*

At 30 June 2015, Amphion Innovations plc owned 44.09% of the issued ordinary shares in Motif Bio plc. In addition, Amphion Innovations plc and its wholly owned subsidiary undertaking, Amphion Innovations US Inc. (together the “Amphion Group”), have provided funding for the activities of Motif BioSciences Inc. through the issue of convertible interest bearing loan notes. Richard Morgan and Robert Bertoldi were directors of both Motif Bio plc and Amphion Innovations plc in the period. Transactions between the Group and the Amphion Group are disclosed below:

	<b>Six months ended</b>	<b>Year ended</b>
	<b>30 June 2015</b>	<b>31 December 2014</b>
	<b>US\$</b>	<b>US\$</b>
Amounts due to Amphion Innovations plc	-	116,777
Amounts due to Amphion Innovations US Inc.	37,499	12,952
Notes payable to Amphion Innovations plc	1,471,700	5,894,746
Notes payable to Amphion Innovations US Inc.	2,079,086	886,707
Interest on loan notes accrued and unpaid in period	62,139	435,036
Richard Morgan - deferred directors fees	7,077	-

On 1 April 2015, Motif Bio plc entered into an Advisory and Consultancy Agreement with Amphion Innovations US Inc. The consideration for the services is US \$120,000 per annum. In the event that Motif Bio plc raises a minimum of £5,000,000 in gross proceeds on AIM Admission or a secondary raise, a one-time payment of US \$300,000 will be paid to Amphion Innovations US Inc. The agreement is for an initial period of twelve months and will automatically renew each year on the anniversary date unless either party notifies the other by giving 90 days written notice prior to expiration.

On 1 April 2015, Motif Bio plc entered into a Consultancy Agreement with Amphion Innovations plc for Robert Bertoldi, an employee of Amphion Innovations plc, to provide services to the Group. The consideration for the services is US \$5,000 per month. The agreement is for an initial period of twelve months and will automatically

renew each year on the anniversary date unless either party notifies the other by giving 90 days written notice prior to expiration.

## **12. Post balance sheet events**

On 16 July 2015, 82,627 ordinary shares were issued in settlement of options exercised. The options were exercised at a price of US \$0.2088 per ordinary share for total consideration of US \$17,253.

On 23 July 2015, 25,147 ordinary shares were issued in settlement of options exercised. The options were exercised at a price of US \$0.20877 and US \$0.69589 per ordinary share for total consideration of US \$8,750.

In July 2015, Motif BioSciences Inc. received QIDP (Qualified Infectious Diseases Product) designation from the U.S. Food & Drug Administration for iclaprim for hospital acquired bacterial pneumonia (HABP) and acute bacterial skin and skin structure infections (ABSSSI). With QIDP designation, iclaprim is eligible for an additional extension of Hatch-Waxman market exclusivity, for a total of 10 years, starting from the date of NDA approval.

On 22 July 2015, Motif Bio plc placed 44,000,000 new ordinary shares at a placing price of 50p per ordinary share for total net proceeds of £20,737,583.