

PFIC Annual Information Statement
Mereo BioPharma Group plc

IMPORTANT TAX NOTICE TO SHAREHOLDERS WHO ARE UNITED STATES PERSONS

Mereo BioPharma Group plc (the "Company") believes that the Company meets the definition of "Passive Foreign Investment Corporation" ("PFIC") for the taxable period beginning January 1, 2018 and ending on December 31, 2018.

The attached PFIC Annual Information Statement is being provided for shareholders who are United States persons pursuant to the requirements of Treasury Regulation Section 1.1295-1(g)(1). The PFIC Annual Information Statement contains information to enable you, should you so choose based on the advice of your tax advisors in light of your tax circumstances, to elect to treat the Company as a Qualified Electing Fund ("QEF").

A United States person who makes a QEF election generally is required to annually include in his or her income his or her pro rata share of the ordinary earnings and net capital gains of the Company for years in which the Company is a PFIC, whether or not the Company distributes any amounts to its shareholders. If you do not elect to treat the Company as a QEF, then if the Company is a PFIC for any year during your holding period, adverse tax consequences could result.

The shareholder's QEF election is generally made on Form 8621 ("Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund") attached to the shareholder's federal income tax return that is filed on or before the due date of the return, including extensions.

THIS INFORMATION IS PROVIDED IN ORDER TO ASSIST SHAREHOLDERS IN MAKING CALCULATIONS AND DOES NOT CONSTITUTE TAX ADVICE. SHAREHOLDERS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS CONCERNING THE OVERALL TAX CONSEQUENCES OF THE OWNERSHIP OF COMMON SHARES ARISING IN THEIR OWN PARTICULAR SITUATIONS UNDER UNITED STATES FEDERAL, STATE, LOCAL OR FOREIGN LAW.

**PFIC Annual Information Statement
Mereo BioPharma Group plc**

1. This Information Statement applies to the taxable period of Mereo BioPharma Group plc (the "Company") beginning on January 1, 2018 and ending on December 31, 2018.

2. Each shareholder of the Company has the following pro-rata per share of the ordinary earnings and net capital gain of the Company for the taxable period specified in paragraph 1:

Ordinary earnings: \$nil per share

Net capital gain: \$nil per share

3. The amount of cash and fair market value of other property distributed or deemed distributed by the Company to each shareholder of the Company during the taxable period specified in paragraph 1 is as follows:

Cash: \$nil per share

Fair market value of property: \$nil per share

4. The Company will permit its shareholders to inspect and copy the Company's permanent books of account, records, and such other documents as may be maintained by the Company that are necessary to establish that PFIC ordinary earnings and net capital gain, as provided in section 1293(e) of the Internal Revenue Code, are computed in accordance with U.S. income tax principles.

Mereo BioPharma Group plc

Date (MM-DD-YYYY): 07-16-2019

By: _____

Chief Financial Officer

