

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to what action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (as amended) if you are a resident of the United Kingdom or, if not, another appropriately authorised independent professional adviser.

If you have sold or otherwise transferred all of your Ordinary Shares, please send this document and the accompanying Form of Proxy and Application Form as soon as possible to the purchaser or transferee, or to the stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. If you have sold or otherwise transferred some (but not all) of your Ordinary Shares, please retain these documents and consult the stockbroker or other agent through whom the sale or transfer was effected.

This document does not constitute a prospectus for the purposes of the Prospectus Rules of the Financial Conduct Authority nor does it comprise an admission document prepared in accordance with the AIM Rules. Accordingly, this document has not been approved by or filed with the Financial Conduct Authority, London Stock Exchange plc or any other regulatory authority. This document does not constitute or form part of any offer or invitation to sell or issue, or a solicitation of any offer to acquire, purchase or subscribe for, Ordinary Shares.

Application will be made to London Stock Exchange plc for the Placing Shares and the Open Offer Shares to be admitted to trading on AIM. It is expected that Admission will occur and dealings will commence in such shares on 31 October 2016. The Placing Shares and the Open Offer Shares will, when issued, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends or other distributions declared, made or paid on or after the date that they are issued.

NEITHER THE PLACING SHARES NOR THE OPEN OFFER SHARES HAVE BEEN REGISTERED AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "US SECURITIES ACT"), OR ANY STATE SECURITIES LAWS, AND MAY NOT BE OFFERED OR SOLD WITHIN THE US OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, US PERSONS EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT AND SUCH OTHER APPLICABLE STATE SECURITIES LAWS. ACCORDINGLY, THE PLACING SHARES AND OPEN OFFER SHARES MAY BE OFFERED AND SOLD ONLY (I) OUTSIDE OF THE UNITED STATES IN RELIANCE UPON REGULATION S UNDER THE US SECURITIES ACT ("REGULATION S") IN OFFSHORE TRANSACTIONS OR (II) TO "ACCREDITED INVESTORS" AS DEFINED IN RULE 501(A) OF REGULATION D OF THE US SECURITIES ACT, IN RELIANCE ON AN EXEMPTION FROM, OR A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT.

Midatech Pharma plc

(Registered in England and Wales with company number 09216368)

**Placing of 14,545,455 Placing Shares at 110 pence per share
Open Offer of up to 1,760,495 Open Offer Shares at 110 pence per share
and**

Notice of General Meeting

Nominated Adviser and Broker

PANMURE GORDON & CO

It is the responsibility of any person outside the UK wishing to subscribe for the Open Offer Shares to satisfy themselves as to the full observance of the laws of any relevant territory outside the UK in connection with such purchase, including obtaining any required governmental or other consents or observing any other applicable formalities. This document does not constitute an offer, or the solicitation of an offer to subscribe for any of the Open Offer Shares or any other shares, to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction. The Open Offer is not being made, directly or indirectly, in or into the United States of America, Canada, Australia, New Zealand, the Republic of Ireland, the Republic of South Africa or Japan or their respective territories and this document should not be distributed, forwarded or transmitted in or into such territories.

The Market Abuse Regulation ("MAR") became effective on 3 July 2016. Market soundings, as defined in MAR, were taken in respect of the Placing with the result that certain persons became aware of inside information, as permitted by MAR. That inside information was set out in the announcement of the Placing and Open Offer dated 11 October 2016 and in this circular and has been disclosed as soon as possible in accordance with paragraph 7 of article 17 of MAR. Therefore, those persons who received information in a market sounding are no longer in possession of inside information relating to the Company and its securities.

This document should be read in its entirety. In particular, your attention is drawn to the letter from the Chairman set out in Part I of this document, recommending that you vote in favour of the Resolutions to be proposed at the General Meeting.

Notice convening a General Meeting of the Company to be held at the offices of Panmure Gordon (UK) Limited, One New Change, London EC4M 9AF on 28 October 2016 at 10.00 a.m. is set out at the end of this document. Shareholders will also find enclosed with this document a Form of Proxy. To be valid, the Form of Proxy must be signed and returned in accordance with the instructions printed on it so as to be received by the Company's registrars, Neville Registrars Limited, at Neville House, 18 Laurel Lane, Halesowen B63 3DA as soon as possible but in any event no later than 10.00 a.m. on 26 October 2016. The completion and posting of a Form of Proxy will not preclude Shareholders from attending and voting in person at the General Meeting should they wish to do so.

Panmure Gordon (UK) Limited, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as nominated adviser and broker to the Company for the purposes of the AIM Rules for Companies in connection with the Placing and Open Offer and is not acting for, and will not be responsible to, any person other than the Company for providing the protections afforded to its customers or for advising any other person on the contents of this document or any transaction or arrangement referred to herein. The distribution of this document and the offer of the Placing Shares and the Open Offer Shares in certain jurisdictions may be restricted by law. Accordingly, this document must not be distributed or published in any jurisdiction except under circumstances that will result in full compliance with any applicable laws and regulations. Persons outside of the UK into whose possession this document comes should inform themselves about and observe any such restrictions.

Neither the Placing Shares nor the Open Offer Shares have been, nor will be, registered under the United States Securities Act of 1933, as amended (the "US Securities Act") or the securities laws of any state or jurisdiction of the United States, and may not be offered or sold within the United States to, or for the account or benefit of, US person (as that term is defined in Regulation S under the US Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and such other applicable state securities laws.

Accordingly, the Placing Shares and the Open Offer Shares are being offered hereby only (i) outside the United States in reliance upon Regulation S under the US Securities Act in offshore transactions or (ii) to "accredited investors" as defined in Rule 501(a) of Regulation D of the US Securities Act in reliance on an exemption from, or a transaction not subject to, the registration requirements of the US Securities Act, in each case to investors who will be required to make certain representations to the Company and others prior to the investment in the Placing Shares and Open Offer Shares.

Neither the Placing Shares nor the Open Offer Shares have been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other United States regulatory authority, nor have the foregoing authorities passed upon or endorsed the merits of the Placing or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

This document is being sent to all Eligible Shareholders. The Open Offer closes at 11.00 a.m. on 27 October 2016. If you are an Eligible Shareholder and wish to apply for Open Offer Shares under the Open Offer you should follow the procedure set out in Part II of this document and, if you are an Eligible Non-CREST Shareholder, then complete and return the accompanying Application Form together with your appropriate remittance. Eligible CREST Shareholders will not receive an Application Form, but will receive instead a credit to their appropriate stock accounts in CREST in respect of their Basic Entitlements which will be enabled for settlement on 27 October 2016. If you do not wish to participate in the Open Offer then you should not return your Application Form or send a USE instruction through CREST.

Applications under the Open Offer may only be made by the Eligible Shareholders originally entitled thereto, or by persons becoming so entitled by virtue of a bona fide market claim arising out of the sale or transfer of Ordinary Shares prior to the date on which the Ordinary Shares are marked 'ex' the entitlement by the London Stock Exchange. If the Basic Entitlements are for any reason not enabled by 6.00 p.m. (or such later time as the Company may decide on 13 October 2016), an Application Form will be sent to each Eligible CREST Shareholder in substitution for the Basic Entitlements credited to his stock account in CREST. Eligible CREST Shareholders who are CREST sponsored members should refer to their CREST Sponsors regarding the action to be taken in connection with this circular and the Open Offer. Applications for Excess Entitlements pursuant to the Excess Application Facility may be made by the Eligible Shareholder provided that their Basic Entitlement has been taken up in full and is subject to being scaled back in accordance with the terms and conditions of the Open Offer in Part II of this circular.

Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Open Offer. The Placing Shares and the Open Offer Shares will rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive all dividends and other distributions declared made or paid on the Ordinary Share capital of the Company.

This document includes forward looking statements (that is, statements other than statements of historical facts), including (without limitation) those regarding the Group's financial position, business strategy, plans and objectives of management for future operations, and any statement preceded or followed by, or including, words such as "target", "believe", "expect", "aim", "intend", "will", "may", "anticipate", "would" or "could", or negatives of such words. Such forward looking statements involve known and unknown risks, uncertainties and other factors beyond the Company's control that could cause the actual results, performance or achievements of the Group to be materially different to future results, performance or achievements expressed or implied by such statements. Such forward looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. They speak only as at the date of this document. The Company expressly disclaims any obligation to disseminate any update or revision to any forward looking statement in this document to reflect any change in the Company's expectations or any change in events, conditions or circumstances on which any such statement is based, unless required to do so by applicable law or the AIM Rules.

Copies of this document will be available free of charge from the Company's registered office during normal business hours on each day (excluding Saturday, Sunday and public holidays) from the date hereof until the date of the General Meeting. Copies will also be available from the Company's website at www.midatechpharma.com.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Record Date for entitlement under the Open Offer	6.00 p.m. on 10 October 2016
Announcement of the Placing and Open Offer	11 October 2016
Ex-entitlement date of the Open Offer	7.00 a.m. on 12 October 2016
Posting of this document, Form of Proxy and Application Form (where applicable)	12 October 2016
Basic Entitlements and Excess Entitlements credited to stock accounts in CREST for Eligible Shareholders	13 October 2016
Latest recommended time and date for requested withdrawal of Basic Entitlements and Excess Entitlements from CREST	4.30 p.m. on 21 October 2016
Latest time and date for depositing Basic Entitlements and Excess Entitlements in CREST	3.00 p.m. on 24 October 2016
Latest time and date for receipt of Forms of Proxy	10.00 a.m. on 26 October 2016
Latest time and date for receipt of Application Forms and payment in full under the Open Offer and settlement of relevant CREST instructions	11.00 a.m. on 27 October 2016
General Meeting	10.00 a.m. on 28 October 2016
Results of the General Meeting and the Open Offer announced	28 October 2016
Admission of Placing Shares and Open Offer Shares to trading on AIM and commencement of dealings	8.00 a.m. on 31 October 2016
CREST accounts to be credited for Placing Shares and Open Offer Shares to be held in uncertificated form	31 October 2016
Dispatch of definitive share certificates for Placing Shares and Open Offer Shares to be held in certificated form	by 14 November 2016

PLACING AND OPEN OFFER STATISTICS

Issue Price	110 pence
Number of Existing Ordinary Shares in issue at the date of this document	33,542,412
Number of Placing Shares	14,545,455
Open Offer Basic Entitlement	1 Open Offer Share for every 16 Existing Ordinary Shares
Number of Open Offer Shares (in aggregate)*	up to 1,760,495
Gross proceeds receivable by the Company pursuant to the Placing of the Placing Shares	approximately £16.0 million
Gross proceeds receivable by the Company pursuant to the Open Offer*	approximately £1.9 million
Estimated cash proceeds of the Placing and the Open Offer* receivable by the Company (net of expenses)	approximately £16.9 million
Number of Ordinary Shares in issue immediately following Admission*	49,848,362
Percentage of the Enlarged Share Capital represented by the Placing Shares and Open Offer Shares*	32.7 per cent.
Approximate market capitalisation of the Company at Admission at the Issue Price*	£54.8 million

* Assuming take-up in full of the Open Offer by Eligible Shareholders

Notes:

- (a) Unless otherwise specified, references in this document to time are to BST.
- (b) The times and dates set out on these pages are indicative only. If there is any change, revised times and dates will be notified to Shareholders by means of an announcement through a Regulatory Information Service.

DIRECTORS, SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	Rolf Stahel, <i>Chairman</i> Jim Phillips, <i>Chief Executive Officer</i> Nick Robbins-Cherry, <i>Chief Financial Officer</i> Michele Luzi, <i>Non-executive Director</i> John Johnston, <i>Non-executive Director</i> Pavlo Protopapa, <i>Non-executive Director</i> Simon Turton, <i>Non-executive Director</i> Sijmen de Vries, <i>Non-executive Director</i>
Company secretary	Nick Robbins-Cherry
Registered Office	65 Innovation Drive Milton Park Milton Abingdon Oxfordshire OX14 4RQ
Company website	http://www.midatechpharma.com
Nominated Adviser and Broker	Panmure Gordon (UK) Limited One New Change London EC4M 9AF
Legal advisers to the Company	Brown Rudnick LLP 8 Clifford Street London W1S 2LQ
Legal advisers to the Nominated Adviser	Fieldfisher LLP Riverbank House 2 Swan House London EC4R 3TT
Registrars	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA

DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

“Accredited Investor”	as such term is defined under Rule 501(a) of Regulation D under the US Securities Act
“Admission”	the admission of the Placing Shares and the Open Offer Shares to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules
“AIM”	the market of that name operated by the London Stock Exchange
“AIM Rules”	the AIM Rules for Companies published by London Stock Exchange plc from time to time
“Announcement”	the announcement released by the Company on 11 October 2016, relating to the Placing and Open Offer and the publication of this document
“Applicant”	an Eligible Shareholder or a person entitled by virtue of a bona fide market claim who lodges an Application Form under the Open Offer
“Application Form”	the application form relating to the Open Offer and enclosed with this document for use by Eligible Non-CREST Shareholders
“Basic Entitlement(s)”	the entitlement to subscribe for Open Offer Shares, allocated to an Eligible Shareholder pursuant to the Open Offer as described in Part II of this document
“Board” or “Directors”	the directors of the Company whose names are set out on page 6 of this document
“Company” or “Midatech”	Midatech Pharma plc a company incorporated and registered in England and Wales with registered number 09216368 and whose registered office is at 65 Innovation Drive, Milton Park, Milton, Abingdon, Oxfordshire OX14 4RQ
“CREST”	the relevant system (as defined in the Regulations) which enables title to units of relevant securities (as defined in the Regulations) to be evidenced and transferred without a written instrument and in respect of which Euroclear is the Operator (as defined in the Regulations)
“CREST Sponsor”	a direct member of CREST under the Regulations
“Eligible CREST Shareholder(s)”	Eligible Shareholders whose Existing Ordinary Shares are held in uncertificated form
“Eligible Non-CREST Shareholder(s)”	Eligible Shareholders whose Existing Ordinary Shares are held in certificated form
“Eligible Shareholder(s)”	all holders of Ordinary Shares on the Record Date (whether or not such shares are held in uncertificated or certificated form) that are not Non-Eligible Shareholders
“Enlarged Share Capital”	the 49,848,362 Ordinary Shares in issue on Admission, including the Placing Shares and the Open Offer Shares (assuming take-up in full of the Open Offer by Eligible Shareholders)

“Euroclear”	Euroclear UK & Ireland Limited
“Excess Application Facility”	the arrangement pursuant to which Eligible Shareholders may apply for an amount of Open Offer Shares in excess of their Basic Entitlement subject to the conditions of the Open Offer set out in Part II of this document
“Excess Entitlement(s)”	an amount of Open Offer Shares in excess of the Basic Entitlement, but not in excess of the total number of Open Offer Shares, allocated to an Eligible Shareholder pursuant to the Open Offer as described in Part II of this document
“Existing Ordinary Shares”	the 33,542,412 Ordinary Shares in issue at the date of this document
“FCA”	the Financial Conduct Authority
“Form of Proxy”	the form of proxy enclosed with this document for use by Shareholders in connection with the General Meeting
“FPO”	the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended
“FSMA”	the Financial Services and Markets Act 2000, as amended
“General Meeting”	the general meeting of the Company to be held at the offices of Panmure Gordon on 28 October 2016 at 10.00 a.m., notice of which is set out at the end of this document
“Group”	the Company and its subsidiary undertakings
“Issue Price”	110 pence per Open Offer Share or Placing Share (as the case may be)
“Non Eligible Shareholders”	Shareholders who are resident or located in a Restricted Jurisdiction
“Notice of General Meeting”	the notice convening the General Meeting set out at the end of this document
“Open Offer”	the invitation to Eligible Shareholders to apply to subscribe for Open Offer Shares at the Issue Price on the terms and subject to the conditions set out in Part II of this circular and (where relevant) on the Application Form
“Open Offer Shares”	up to 1,760,495 new Ordinary Shares to be issued pursuant to the Open Offer
“Ordinary Shares”	ordinary shares of 0.005 pence each in the capital of the Company
“Overseas Shareholders”	all Shareholders resident outside of the United Kingdom including those in a Restricted Jurisdiction
“Panmure Gordon” or “Nominated Adviser”	Panmure Gordon (UK) Limited, the Company’s nominated adviser and broker, which is authorised and regulated in the United Kingdom by the FCA
“Placee”	any person (including individuals, funds or otherwise) by whom or on whose behalf a commitment to subscribe for Placing Shares has been given
“Placing”	the proposed conditional placing of the Placing Shares at the Issue Price by Panmure Gordon pursuant to the Placing Agreement

“Placing Agreement”	the conditional agreement dated 11 October 2016 between the Company and Panmure Gordon relating to the Placing
“Placing Shares”	means the 14,545,455 new Ordinary Shares to be issued to certain existing and new institutional Shareholders in connection with the Placing
“Placing Terms and Conditions”	means the terms and conditions of the Placing, which are appended to the Announcement
“Prospectus Directive”	means EU Directive 2003/71/EC, as amended
“Receiving Agent” and “Registrars”	means Neville Registrars Limited of Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA
“Record Date”	6.00 p.m. GMT on 10 October 2016
“Regulations”	the UK Uncertificated Securities Regulations 2001 (SI 2001/3755), as amended
“Regulatory Information Service”	means any of the services set out in the list maintained by London Stock Exchange plc as set out in the AIM Rules
“Resolutions”	means the shareholder resolutions to be proposed at the General Meeting as set out in the Notice of General Meeting
“Restricted Jurisdiction”	means Australia, Canada, Japan, New Zealand, the Republic of South Africa and the United States and any other jurisdiction where the extension or availability of the Open Offer would breach any applicable law or regulations
“Shareholders”	the holders of Ordinary Shares from time to time, each individually a “Shareholder”
“United States”	the United States of America, its territories and possessions, any state within the United States, including the District of Columbia, together with other areas that are subject to the jurisdiction of the United States
“USE”	an Unmatched Stock Event
“US Person”	as that term is defined in Rule 902 of Regulation S under the US Securities Act
“US Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereby

PART I

LETTER FROM THE CHAIRMAN

Midatech Pharma plc

(Registered in England and Wales with company number 09216368)

Directors:

Rolf Stahel
Jim Phillips
Pavlo Protopapa
Sijmen de Vries
Nick Robbins-Cherry
John Johnston
Simon Turton
Michele Luzi

Registered Office:

65 Innovation Drive
Milton Park
Milton
Abingdon
Oxfordshire
OX14 4RQ

12 October 2016

Dear Shareholder,

Placing of 14,545,455 Placing Shares, Open Offer of up to 1,760,495 Open Offer Shares and Notice of General Meeting

Introduction

It was announced on 11 October 2016 that the Company has raised £16.0 million before fees and expenses by a Placing of 14,545,455 Placing Shares with existing and new institutional investors at the Issue Price of 110 pence per share. The Issue Price represents a 14.5 per cent. discount to the mean closing middle market price per Ordinary Share of 128.7p over the ten trading days up to and including 10 October 2016, being the latest practicable date prior to publication of this document.

It was further announced today that the Company has decided to offer all Eligible Shareholders the opportunity to participate in a further issue of new equity in the Company by way of the Open Offer of up to 1,760,495 new Ordinary Shares to Eligible Shareholders at the Issue Price. Eligible Shareholders may subscribe for Open Offer Shares on the basis of 1 Open Offer Share for every 16 Existing Ordinary Shares held on the Record Date. Shareholders subscribing for their full entitlement under the Open Offer may also request additional Open Offer Shares through the Excess Application Facility. Assuming a full take-up by Eligible Shareholders under the Open Offer, the issue of the Open Offer Shares will raise further gross proceeds of up to c. £1.9 million for the Company.

The Placing and the Open Offer are each conditional, among other things, upon the passing of the relevant Resolution by the Shareholders at the General Meeting for the purposes of authorising the Directors to allot the Placing Shares and/or the Open Offer Shares (as the case may be) and to dis-apply statutory pre-emption rights in relation thereto. The Open Offer is conditional upon the Placing. The formal Notice of Meeting is set out at the end of this document.

This document provides you with information about the Placing and Open Offer and explains why the Board considers it to be in the best interests of the Company and its Shareholders, and why the Directors recommend that you vote in favour of the Resolutions at the General Meeting of the Company, which has been convened for 10.00 a.m. on 28 October 2016 at the offices of Panmure Gordon.

Background to the Placing and Open Offer

Overview

Midatech is an international specialty pharmaceutical company focussed on the development and commercialisation of multiple, high-value, targeted therapies for diseases with major unmet medical need.

Midatech's strategy is to invest in products and technology, develop its pre-clinical and clinical product pipeline (for both in-house in rare cancers and with others for other indications) and accelerate the growth of its business through strategic acquisitions of complementary products and technology.

Midatech is commercialising oncology treatment and supportive care products through its US commercial organisation, Midatech Pharma US, Inc. ("MTPUS"). In Europe, Midatech is advancing a pipeline of novel clinical and pre-clinical product candidates based on its two proprietary drug delivery platforms, its gold nanoparticle ("GNP") platform technology and its sustained release ("SR") delivery platform technology, through its fully integrated research and development capabilities, with a clear focus on its primary therapeutic area of rare cancers.

The Group's two platform technologies are designed to enable targeted delivery and sustained release of existing therapeutic drugs to the "right place" at the "right time". Midatech's core technology platform is based on a patented form of GNPs, which are developed with the aim of repurposing and improving key parameters of existing and new drugs. This may optimise their distribution, and enable targeting of individual cell types with specific targeting agents to safely deliver a therapeutic payload into the cell. Midatech believes that GNP technology represents the latest generation of nanomedicine and is a fast growing sector within the nanomedicine market with demonstrated safety profile in the clinic to date.

Midatech's secondary platform of patented SR technology involves the consistent and precise encapsulation of active drug compounds within polymer microspheres. The microspheres are designed to release the active drug compound into the body in a highly controlled manner over a prolonged period of time. Midatech believes that sustained release technology can provide the required capacity to sustain the optimal range of drug concentrations, which has wide medical applicability with diverse pharmaceutically active molecules.

The Group has developed a strong intellectual property base and has a wide IP portfolio of 150 granted patents, 92 applications in process and 34 patent families covering a range of diverse technologies. Midatech operates an in-house current Good Manufacturing Practice ("cGMP", a US Food and Drug Administration ("FDA") quality control regulation) nanoparticle manufacturing facility in Bilbao, Spain, which aids in the rapid execution of projects and the retention of control over manufacturing quality, reducing any possible reliance on external manufacturing partners. The site currently has sufficient capacity for manufacturing materials for volumes required in clinical trials, and is undergoing investment to scale-up its production capability for the Company's lead development product, Q-Octreotide, and the products coming from the Group's collaboration with Ophthotech.

Marketed products

On 4 December 2015, Midatech completed the acquisition of DARA BioSciences, Inc., now MTPUS, a specialty pharmaceutical company primarily focussed on the commercialisation of oncology supportive care products. The strategic acquisition of MTPUS provided the Group with a commercial arm in the US. This comprises a field sales organisation, including 25 representatives, in the prescribing oncology markets and a revenue generating portfolio of three marketed and two co-promoted products in Midatech's targeted therapeutic area of oncology.

On 24 December 2015, shortly following the acquisition of MTPUS, Midatech acquired certain assets related to Zuplenz® (ondansetron) Oral Soluble Film from Galena Biopharma, Inc. ("Galena"), adding an attractive and complementary approved product to its commercial platform. The total potential consideration payable to Galena includes a \$3.75 million upfront payment that was paid upon closing, which the Board considered to be an appealing price for a product that could accelerate the Group's revenue growth by leveraging the existing commercial infrastructure. In addition, there are potential future sales milestone payments to Galena of up to an aggregate of \$26 million, consisting of four one-time payments based on quarterly sales achieved in calendar years 2016 and 2017 and annual sales from 2018 to 2022 exceeding specified target sales.

The Directors acted quickly to execute these transactions, which provide an established, specialised oncology-focussed sales channel for the Company's oncology products currently under development. Following the transactions, the Group has, in total, four marketed and two co-promoted products in oncology supportive care which the Directors expect to deliver multiple revenue growth in the current financial year, as follows:

Zuplenz®

An FDA-approved, marketed anti-emetic oral soluble film used in adult patients for the prevention of highly and moderately emetogenic post-operative, chemotherapy and radiation-induced nausea and vomiting, and for use in paediatric patients for moderately emetogenic chemotherapy induced nausea and vomiting. Currently, 20 million prescriptions are given per annum (p.a.) for this condition, which the Directors estimate as a \$10 billion p.a. market. Zuplenz® was fully launched by the Group in April 2016, and is under coverage by 11 of 13 major commercial insurers. The product is competitively priced and the Group offers patients a zero co-pay programme. Zuplenz® was launched in April 2016, with encouraging early uptake helping drive increasing revenues.

MonoSol RX, LLC will exclusively manufacture Zuplenz® for marketing by MTPUS in the US through its expanded commercial organisation.

Gelclair®

An FDA-cleared oral rinse gel indicated for the management and relief of pain arising from oral lesions of various etiologies. This includes oral mucositis/stomatitis (caused by chemotherapy or radiation therapy) irritation due to oral surgery, traumatic ulcers caused by braces or ill-fitting dentures, disease and diffuse aphthous ulcers. Gelclair® was launched in 2013 by MTPUS, with gross sales of \$2.1 million and \$4.5 million in financial years 2014 and 2015 respectively, and is under coverage by 11 of 13 major commercial insurers. Gelclair® continues to consolidate its brand and market leadership in the US for oral mucositis. MTPUS has exclusive US licensed rights to Gelclair® from the Helsinn Group in Switzerland.

Oravig®

Oravig® (miconazole) is an FDA-approved prescription drug. Oravig® is the first and only orally-dissolving buccal tablet approved for oral thrush (oropharyngeal candidiasis) in adults, which is associated with radiotherapy, chemotherapy and HIV patients. Over 4 million prescriptions are written annually for localised treatment of oral thrush, which the Directors estimate as a £300 million p.a. market. Oravig® is under coverage by 11 of 13 major commercial insurers, and the Group offers patients a zero co-pay programme. MTPUS has exclusive US licensed rights to Oravig® from Onxeo S.A. in France.

Soltamox®

An FDA-approved oral solution, Soltamox® is the only liquid form of tamoxifen available for sale in the US. Soltamox® is used primarily for the chronic treatment of breast cancer or for the prevention of cancer in certain susceptible breast cancer groups. MTPUS has exclusive US licensed rights to Soltamox® from UK-based Rosemont Pharmaceuticals.

Aquoral®

An artificial saliva spray that is intended to provide relief from chemotherapy/radiation therapy-induced dry mouth. This product is co-promoted with Mission Pharmacal Company of San Antonio, Texas, USA.

Ferralet® 90

A prescription iron supplement indicated for the treatment of all anaemias that are responsive to oral iron therapy. This product is also co-promoted with Mission Pharmacal.

MTPUS and Zuplenz are now fully integrated with the Group, completed quickly and according to plan, with sales performance to date in-line with management expectations. The market share for these products currently remains modest, therefore the Directors believe there is significant opportunity for expansion.

Research and development

Midatech is advancing a high value pipeline of multiple product candidates in discovery, pre-clinical and clinical development for diseases for which there are currently limited or no treatment options available. The Group's pipeline consists of both internally developed products and products which are partnered or in collaboration.

The Group's drug delivery platform technologies have enabled the Group to focus on the use of GNP conjugates and SR formulations for improved delivery of existing medications, which the Directors consider will drive a strong, lower risk development pipeline. The Group's proprietary GNP nanotechnology, leveraging key attributes of multivalency and ultra-small size, is being developed to produce cancer therapies which may optimise and repurpose existing and/or new therapeutics to allow the use of highly toxic drugs to specifically target cell surface receptors unique to tumours. The Directors believe this will both enhance efficacy and reduce off-target dose limiting toxicity and side effects that otherwise damage healthy tissue. Each of the Group's GNP cancer therapies in research and development is for significant medical disorders with few or no existing clinical therapeutic options. As such, the Directors believe that the Group's GNP therapies, the most advanced of which are for brain and liver cancers, have the potential to be transformative for patients and their families while potentially generating significant revenue for the Group for each respective product.

The Group's proprietary SR microsphere technology is a high precision encapsulation platform enabling tuneable sustained drug release for chronic diseases treatments. Emulsion-free and monodispersed synthesis of the microspheres with active loaded product provides precise control over particle size, morphology, and release kinetics. The Directors believe these attributes provide superior drug loading and release control which are essential for the development of safe and effective therapies, and which may hold significant clinical promise for patients and commercial potential for the Group.

The current products in internal development by the Group include:

Q-Octreotide (MTD201)

Octreotide is an existing controlled-release injectable product used to treat the incapacitating symptoms of metastatic carcinoid tumours. It suppresses or inhibits the debilitating diarrhoea and flushing episodes associated with the disease. Also, beyond oncology it is used to normalise the over-production of growth hormone in people suffering from acromegaly who have had inadequate response to other therapies. The Group is currently developing a sustained release version of this product, called Q-Octreotide, to compete with the market leader Sandostatin LAR Depot (marketed by Novartis) compared to which the Directors believe Q-Octreotide may have several potential competitive advantages in respect of patient experience, clinical use and economics. Clinical data generated by the Group exhibits favourable release profile data compared to Sandostatin LAR Depot. Midatech plans to begin human bio-equivalence or therapeutic equivalence studies by late 2016 or early 2017, with a potential US launch in 2018 or 2019 (depending on clinical trial outcomes). The market each year for chronic treatment of metastatic carcinoid syndrome and acromegaly is estimated by the Directors to amount to approximately \$2 billion p.a. The Company announced its first regional supply agreement in December 2015 for Q-Octreotide with Centurion Pharma, a Turkish company focussed on the development and commercialisation of specialty products for the Turkish market.

Diffuse Intrinsic Pontine Glioma (DIPG) (MTX110/MTX111)

DIPG is an ultra-rare brain tumour disease suffered by children, with up to 300 recorded cases per year in the US and up to 1,000 globally, an orphan indication. There is an expected survival of only 6-8 months from diagnosis, and it is universally fatal. The Group has used its expertise in drug development and nanotechnology to rapidly develop the MTX110 programme in approximately six

months, with the first patient dosed February 2016. MTX110 repurposes and solubilises a known histone deacetylase inhibitor (HDACi) chemotherapeutic (the license holder of which the Group is in discussions to secure development rights) to enable local delivery directly to the tumour through an advanced convection enhanced delivery (CED) system (in cooperation with the manufacturer of the CED system). To date, three patients have been dosed with MTX110: two in the UK and one in the US. This treatment is made available on a named patient or compassionate-use basis through leading neuro-surgery and paediatric neuro-oncology centres. The Group is taking steps to prepare for possible expansion of the compassionate use programmes, as well as potential formal clinical development, with a high level of support shown by regulatory agencies. In addition to, and based on the Groups experience and success with MTX110, research on next generation DIPG therapies, MTX111 using the GNP platform, is also underway.

GNP Immunotherapy (MTX102)

Midatech's primary platform GNPs can be chemically linked to molecules of self-peptide or small antigen, so called antigen specific immunotherapy (ASI), that are important in auto immune diseases such as diabetes. The MTX102 vaccine, when administered subcutaneously, has been shown to preferentially target specific immune cells and distribute rapidly to lymphoid tissues around the body resulting in a tolerogenic (rather than immunogenic) response that may dampen unwanted immune response to normal healthy insulin producing beta cells of the pancreas, thus preserving their function. This programme entered its first in-human Phase I study for Type 1 diabetes in September 2016, with the trial results expected in 2017. The trial, conducted at two centres (Cardiff, UK and Linköping, Sweden, is the culmination of a four year European Commission supported consortium programme, EE-ASI, to research beta cell preservation delivering ASI via GNP technology. The nano-vaccine approach also has potential applicability into oncology, where further research has commenced.

OpsiSporin (MTD202)

Midatech is applying its SR microsphere technology to develop OpsiSporin, a sustained-release formulation of cyclosporin treatment for non-infective uveitis, an inflammatory disease which severely affects structures of the eye resulting in visual disturbances and blindness. Current treatment options are limited and toxic, and the Directors believe that OpsiSporin may provide a unique long acting intravitreal immunosuppressant treatment alternative. This programme is currently in pre-clinical development, and is anticipated to reach clinical stage in Q4 2017 or Q1 2018.

Glioblastoma (GBM) (MTR103)

Midatech has a programme underway, in collaboration with the Dana Farber Cancer Institute (an affiliate of Harvard Medical School) and other collaborators, to develop GNP conjugates which are targeted to bind to tumour specific receptors on brain cancer GBM cells, with key chemotherapeutic agents released intracellularly. The Directors estimate that each year there are approximately 240,000 cases of brain and nervous system tumours globally, GBM being the most common and most lethal of these with typical survival of one-to-two years despite maximum treatment of surgery, radiotherapy and chemotherapy. Treatment options are poor due to several factors including tumour cell resistance to therapy, toxicity of current therapies and many drugs being unable to cross the blood-brain barrier. Midatech is focussed on attempting to address these limitations of current therapies. Recognition sequences and therapeutics have been identified, and candidate development is on-going with several constructs, from which selection is planned for the fourth quarter of 2016, following which an IND-enabling programme is to start in late 2016 or early 2017. Assuming that this is successful, this will then allow a Phase I study to commence in approximately late 2017 or early 2018 following IND approval. The Group intends to seek orphan designation for the product.

Hepatocellular Carcinoma (HCC) (MTR104)

Liver cancer is the sixth most frequent cancer globally and the second leading cause of cancer death. HCC is formed by hepatocytes that become malignant. Surgical resection is the major treatment option for HCC, but only 10-20% of HCC can be removed completely using surgery. Midatech

research is focussed on researching therapies that may help those patients with unresectable or metastatic carcinoma where treatment options are dismal and the typical survival is six months. Several GNP nano-conjugates are being developed that are loaded with combined targeted and cytotoxic moieties. Candidate selection is planned for the fourth quarter of 2016, following which a formal IND-enabling programme is to commence early 2017. If successful, Phase I study would commence in approximately late 2017 or early 2018 following IND approval. As with GBM, this is an orphan indication for which the Group intends to seek orphan designation for the product.

Squamous Cell Carcinoma (MTR105)

The Group has additional GNP cancer therapies in discovery phases for squamous cell carcinoma which is currently in feasibility testing in laboratory-based studies to evaluate skin permeation of GNPs. The Company now intends to complete the feasibility testing to study the optimal GNP-drug construct, before potentially advancing to animal models. Product candidate testing and selection for human evaluation could occur thereafter during 2017.

Immuno-oncology (MTR116/MTR117)

Based on the potential in the field of immunotherapy for autoimmune disease, additional applications are being pursued in the burgeoning field of immunotherapy for oncology. Following detailed analysis of the main immuno-oncology approaches of most relevance for Midatech's GNP delivery and targeting technology, immediate opportunities identified for exploration and feasibility studies have been selected, including:

- developing a gold nanoparticle to target tumour-associated macrophages, primarily for re-polarisation to M1, and
- developing a next-generation therapeutic cancer vaccine using GNP technology for delivery of cancer antigens to dendritic cells.

Collaborations

The Group's platform technologies have continued to deliver interest in new product partnerships and collaborations. Midatech has various current and historic collaborations with a number of specialty and major pharmaceutical companies and universities to develop the Group's platform technologies into a broad number of products in order to achieve a range of potential revenue opportunities within priority therapeutic areas. This includes products currently in development with Ophthotech Corporation (Nasdaq: OPHT), an ocular specialty biopharmaceutical company. The objective of this collaboration is to explore the feasibility of using Midatech's sustained release formulations with certain Ophthotech products.

Strategy

Midatech's business and commercialisation strategy is based on maturing its technology platforms with a clear focus on rare cancers (and with partners in other indications), along with strategic late stage product-focussed acquisitions. The Directors expect this strategy to drive a commercial pipeline of products with improved essential parameters, over and above the currently marketed source compound, including safety, tolerability, efficacy and compliance profiles.

Midatech's commercialisation strategy intends to build a sustainably profitable and commercially focussed enterprise with revenues generated as follows:

- *Research and Development Collaboration.* In the near term, revenues are anticipated to be driven by collaborations such as those that currently exist and with new potential customers using Midatech's technologies to address their pharmaceutical challenges.
- *Commercial Operations.* The Directors expect that the main growth driver in the period from 2016 to 2018 will be the MTPUS business, with sales coming from its existing commercial product portfolio.

- *Partner Licensing and Royalty Deals.* In the period from 2016 to 2018, revenue growth is anticipated to be supported by licensing transactions from existing partnerships, as well as new potential partnerships, with possible product royalties realised from 2018 to 2019.
- *In-House Products Commercialisation.* In the third stage of Midatech's evolution, expected to be from 2018 to 2019, Midatech's own products are anticipated to reach market in the specialised orphan sector, with Midatech's commercial sales organisation to be deployed initially in the US and then potentially in Europe, to drive sales and revenue growth from Midatech's own product launches.
- *Acquisitional.* In support of and in addition to the above, Midatech may from time to time seek value accretive and synergistic target companies, such as DARA BioSciences, and portfolios, such as Zuplenz[®], that would accelerate its own product recurring revenues and profitability via products in market.

Midatech also aims to expand its vertical integration by leveraging its integrated manufacturing capabilities.

Reasons for the Placing and Open Offer and use of proceeds

The Group has the opportunity to execute on its strategy by investing in, expanding and advancing its development pipeline in addition to investing in its manufacturing and commercial platform.

The Group is currently advancing a number of its clinical programmes, with recent progress in the Group's Q-Octreotide and OpsiSporin programmes adding further credibility and validation to Midatech's clinical platform. Additionally, the Group has also identified new candidates, namely MTX110 and/or MTX111 for DIPG, which now require investment to advance these programmes into the clinic. The Directors believe these products expand the diversity of the pipeline opportunities for value creation and, if approved, could further effectively leverage its US commercial platform to potentially generate additional growing and significant revenues.

The Group also wishes to invest in expanding its vertical integration by scaling-up its internal manufacturing capabilities for its sustained release products. This investment will enable the Group to manufacture most of its own products to commercial scale in-house in the future. This work is on-going and is expected to be completed in late 2016. The Group also intends to invest in expanding its product sales and marketing team in order to accelerate organic revenue growth from its existing US marketed products. Lastly, the Company requires further working capital to support the Company's growth strategy and its commercial operations.

In conclusion, the Company intends to apply the net proceeds of the Placing as follows, which it believes will allow the Company to meet its strategic goals and maximise shareholder value:

- investment in the Group's research and development pipeline, including for Q-Octreotide (MTD201) and its MTX110/MTX111 treatments for DIPG;
- investment in manufacturing scale-up in its Bilbao facility ahead of production for its Q-Octreotide product and to enable the production of collaboration products;
- scale-up product sales and marketing; and
- provide additional working capital for the Group's commercial operations and continued growth.

The Company intends to utilise the net proceeds of the Open Offer as further working capital for the Group in addition to that provided by the net proceeds of the Placing.

The Board is also evaluating other near-term funding options in addition to the Placing and Open Offer, including debt finance, with the Group currently in advanced negotiation with a provider, which the Directors reasonably believe will be agreed by the end of 2016.

Shareholders are reminded that the Placing and Open Offer are conditional, amongst other things, on the passing of the relevant Resolutions to be proposed at the General Meeting. Should the relevant Resolutions not be passed and the proceeds of the Placing and/or the Open Offer not be received by the Company, and should additional funding including, but not limited to, debt finance not be secured in the short term, the

Company would be required to pursue alternative immediate funding solutions which may or may not be forthcoming and, if available, may be on less favourable terms to, or more onerous on, the Company, and could risk leading to substantial dilution to Shareholders. The Open Offer is conditional on the Placing, which means that should the Placing not go ahead, neither shall the Open Offer.

Current trading and outlook

Midatech announced its 2016 interim results for the six months to 30 June 2016 on 2 September 2016. Please refer to the Group's announcement as notified through the Regulatory Information Service and made available on Midatech's website at: www.midatechpharma.com.

Financial highlights for the period included:

- total revenue grew from £0.32 million in H1 2015 to £3.80 million, an increase of 1,088 per cent.;
- research and development costs of £2.05 million, a 13 per cent. increase from £1.82 million in H1 2015;
- administrative expenses increased from £3.77 million in H1 2015 to £6.82 million (up 81 per cent.), primarily due to the Company's enlarged commercial infrastructure from the acquisition of MTPUS;
- loss from operations before amortisation of intangible assets and exceptional items of £7.49 million, an increase from £4.59 million in H1 2015;
- loss per share increased by 39 per cent. to 25p (H1 2015: 18p);
- net cash outflow used in operations (after changes in working capital) was £8.25 million, an increase of 55 per cent. from £5.31 million in H1 2015; and
- cash balance at 30 June 2016 was £7.23 million (H2 2016: £16.18 million).

The Directors believe that the commercial business is well placed to build on the good performance in the first half of 2016 with continued revenue growth in the second half of 2016. Furthermore, a number of the Group's R&D programmes have reached exciting stages of development and the Directors anticipate positive progress over the remainder of 2016 and the first quarter of 2017. The Group continues to carefully invest in its platform technologies and candidate pipeline.

The Directors continue to look at opportunities to build value for Shareholders going forward despite the difficult market conditions.

The Placing

The Company has conditionally raised approximately £16.0 million (before expenses) by way of a placing by Panmure Gordon, as agent of the Company, of 14,545,455 Placing Shares at a price of 110 pence per share. The Issue Price represents a discount of approximately 14.5 per cent. to the mean closing mid-market price per share over the previous ten trading days up to and including 10 October 2016, being the latest practicable date prior to the announcement of the Placing.

In order to broaden the Company's institutional shareholder base and to minimise the time and transaction costs of the Placing, the Placing Shares are being placed by Panmure Gordon with only a limited number of existing and new institutional shareholders. The Placing Shares are not being made available to the public.

The number of Placing Shares that will be issued by the Company pursuant to the Placing is 14,545,455, representing approximately 29.2 per cent. of the Company's Enlarged Share Capital on Admission.

The Placing Agreement

On 11 October 2016, the Company and Panmure Gordon entered into the Placing Agreement, pursuant to which the Company appointed Panmure Gordon as the Company's agent to use its reasonable endeavours to procure subscribers for the Placing Shares at the Issue Price. The Placing is not being underwritten by Panmure Gordon. The Company has agreed to pay Panmure Gordon certain commissions and fees in connection with its appointment.

The Placing is conditional, amongst other things, on:

- the passing of Resolution 1 to be proposed at the General Meeting; and
- Admission of the Placing Shares occurring on or before 8.00 a.m. on 31 October 2016 (or such later time and/or date as Panmure Gordon and the Company may agree, being not later than 8.00 a.m. on 7 November 2016).

The Placing Agreement contains certain customary warranties given by the Company concerning the accuracy of information given in this document and the announcement made by the Company in respect of the Placing as well as other matters relating to the Group and its business. The Placing Agreement is terminable by Panmure Gordon in certain circumstances prior to Admission, including for *force majeure* or in the event of a material adverse change to the business of the Company or the Group. The Company has also agreed to indemnify Panmure Gordon against all losses, costs, charges and expenses which it may suffer or incur as a result of, occasioned by or attributable to the carrying out of its duties under the Placing Agreement in respect of the Placing Shares.

The Placing Shares will be allotted and credited as fully paid and will rank *pari passu* in all respects with the existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid on or after the date on which they are issued.

The Open Offer

The Board recognises and is grateful for the continued support received from Shareholders and has therefore decided to provide an opportunity for all existing Eligible Shareholders to participate in a further issue of new Ordinary Shares also at the Issue Price by way of the Open Offer.

The Open Offer is being made so as to enable all Eligible Shareholders to subscribe for new Ordinary Shares at the Issue Price on a *pro rata* basis to their current holdings and with the option for increasing their allocation pursuant to an Excess Application Facility.

The Open Offer has been structured so that it is not available to Non-Eligible Shareholders, being Shareholders resident or located in any Restricted Jurisdiction. The Open Offer is conditional on the Placing being approved.

Details of the Open Offer

Structure

The Directors have considered the best way to structure the Open Offer, having regard to, *inter alia*, the importance of pre-emption rights to all Shareholders, the extent to which there are Overseas Shareholders, the regulatory requirements applicable to companies listed on AIM, cost implications and market risks. After considering these factors, the Directors have concluded that the most suitable structure for the Open Offer, for both the Company and its Shareholders as a whole, is that the Open Offer be made only to Eligible Shareholders who are not resident or located in any Restricted Jurisdiction.

The Open Offer provides an opportunity for all Eligible Shareholders to acquire Open Offer Shares *pro rata* to their current holdings of Existing Ordinary Shares as at the Record Date with the option for subscribing for more shares pursuant to the Excess Application Facility. The Issue Price for the Open Offer is the same as the Issue Price in the Placing. Once subscriptions by Eligible Shareholders under their respective Basic Entitlements have been satisfied, the Company shall, in its absolute discretion, determine whether to meet any excess applications in full or in part and no assurance can be given that applications by Eligible Shareholders under the Excess Application Facility will be met in full, in part or at all.

Principal Terms of the Open Offer

The Open Offer is conditional on:

- the passing of Resolutions 1 and 2 to be proposed at the General Meeting; and

- Admission of the Open Offer Shares having occurred not later than 8.00 a.m. on 31 October 2016 (or such later time and/or date as Panmure and the Company may agree, being not later than 8.00 a.m. on 7 November 2016)

Accordingly, if any of such conditions are not satisfied, the Open Offer will not proceed. It is a condition of the Open Offer that the Placing also proceeds.

Further terms of the Open Offer are set out in Part II of this Circular and in the Application Form.

Subject to the fulfilment of the conditions referred to above and set out below and also set out in Part II of this circular, Eligible Shareholders are being given the opportunity to subscribe for the Open Offer Shares at the Issue Price per Open Offer Share, *pro rata* to their holdings of Existing Ordinary Shares on the Record Date on the basis of:

1 Open Offer Share for every 16 Existing Ordinary Shares

Eligible Shareholders are also being given the opportunity, provided that they take up their Basic Entitlement in full, to apply for Excess Entitlements through the Excess Application Facility.

Assuming full take-up under the Open Offer, the issue of the Open Offer Shares will raise gross proceeds of approximately £1.9 million for the Company. The Open Offer is not underwritten. The Open Offer Shares will, upon issue, rank *pari passu* with the Existing Ordinary Shares.

Fractions of Open Offer Shares will not be allotted. The terms of the Open Offer provide that each Eligible Shareholder's entitlement under the Open Offer will be rounded down to the nearest whole number. By way of the authority conferred by the passing of Resolution 2 at the General Meeting, the Directors will take steps for all fractional entitlements to be aggregated and sold in the market, with the proceeds being retained for the benefit of the Company. Eligible Shareholders with holdings of Existing Ordinary Shares in both certificated and uncertificated form will be treated as having separate holdings for the purpose of calculating the Basic Entitlements.

To enable the Company to benefit from applicable exemptions to the requirement under the Prospectus Rules to prepare a prospectus in connection with the Open Offer, a maximum of 1,760,495 Open Offer Shares, representing a total consideration of c. £1.9 million will be made available to Eligible Shareholders under the Open Offer.

It should be noted that the Open Offer is not a rights issue. Accordingly, the Application Form is not a document of title and cannot be traded.

Excess Application Facility

The Excess Application Facility will enable Eligible Shareholders, provided that they take up their Basic Entitlement in full, to apply for Excess Entitlements. Eligible Non-CREST Shareholders who wish to apply to acquire more than their Basic Entitlement should complete the relevant sections on the Application Form. Eligible CREST Shareholders will have Excess Entitlements credited to their stock account in CREST and should refer to paragraph 4(ii)(j) of Part II of this circular for information on how to apply for Excess Entitlement pursuant to the Excess Application Facility.

Applications for Excess Entitlements will be satisfied only and to the extent that corresponding applications by other Eligible Shareholders are not made or are made for less than their Basic Entitlements. Once subscriptions by Eligible Shareholders under their respective Basic Entitlements have been satisfied, the Company shall, in its absolute discretion, determine whether to meet any excess applications in full or in part and no assurance can be given that applications by Eligible Shareholders under the Excess Application Facility will be met in full, in part or at all. Application will be made for the Basic Entitlements and Excess Entitlements in respect of Eligible CREST Shareholders to be admitted to CREST. It is expected that such Basic Entitlements and Excess Entitlements will be admitted to CREST by 6.00 p.m. on 13 October 2016. Applications through the means of the CREST system may only be made by the Eligible Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim.

Eligible Non-CREST Shareholders will receive an Application Form with this circular which sets out their entitlement to Open Offer Shares as shown by the number of Basic Entitlements allocated to them.

Eligible CREST Shareholders will receive a credit to their appropriate stock accounts in CREST in respect of their Basic Entitlements by 13 October 2016. Eligible CREST Shareholders should note that although the Basic Entitlements and Excess Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of entitlements under the Open Offer may only be made by the Eligible Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim. If applications are made for less than all of the Open Offer Shares available, then the lower number of Open Offer Shares will be issued and any outstanding Basic Entitlements will immediately lapse.

Further information on the Open Offer and the terms and conditions on which it is made, including the procedure for application and payment, are set out in Part II of this circular and on the Application Form.

For Eligible Non-CREST Shareholders, completed Application Forms, accompanied by full payment, should be returned by post or by hand (during normal business hours only) to Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA so as to arrive as soon as possible and in any event so as to be received no later than 11.00 a.m. on 27 October 2016. For Eligible CREST Shareholders the relevant CREST instructions must have been settled as explained in this circular by no later than 11.00 a.m. on 27 October 2016.

Other information relating to the Open Offer

The Open Offer will result in the issue of in aggregate 1,760,495 Open Offer Shares, assuming full take up under the Open Offer (representing, in aggregate, approximately 3.5 per cent. of the Enlarged Ordinary Share Capital, assuming full take up under the Open Offer). The Open Offer Shares, when issued and fully paid, will rank *pari passu* in all respects with the Existing Ordinary Shares and therefore rank equally for all dividends or other distributions declared, made or paid after the date of issue of the Open Offer Shares. No temporary documents of title will be issued. Following the issue of the Open Offer Shares pursuant to the Open Offer (and assuming that the Open Offer is taken up in full), Eligible Shareholders who do not subscribe for any of their Open Offer Entitlements will suffer a dilution of approximately 32.7 per cent. to their interests in the Company.

Action to be taken in respect of the Open Offer

Eligible Non-CREST Shareholders

If you are an Eligible Non-CREST Shareholder you will have received an Application Form which gives details of your maximum entitlement under the Open Offer (as shown by the number of Basic Entitlements allocated to you). If you wish to apply for Open Offer Shares under the Open Offer (whether in respect of your Basic Entitlement or both your Basic Entitlement and any Excess Entitlements), you should complete the accompanying Application Form in accordance with the procedure for application set out in section 4(i) of Part II of this circular and on the Application Form itself.

Eligible CREST Shareholders

If you are an Eligible CREST Shareholder and do not hold any Ordinary Shares in certificated form, no Application Form accompanies this circular and you will instead receive a credit to your appropriate stock account in CREST in respect of the Basic Entitlements representing your maximum entitlement under the Open Offer except (subject to certain exceptions) if you are a Non-Eligible Shareholder or an Overseas Shareholder who has a registered address in, or is a resident in or a citizen of a Restricted Jurisdiction. Applications by Eligible CREST Shareholders for Excess Entitlements in excess of their Basic Entitlements should be made in accordance with the procedures set out in section 4(ii) of Part II of this circular.

The latest time for applications under the Open Offer to be received is 11.00 a.m. on 27 October 2016. The procedure for application and payment depends on whether, at the time at which application and payment is made, you have an Application Form in respect of your entitlement under the Open Offer or have Basic Entitlements credited to your stock account in CREST in respect of such entitlement.

The procedures for application and payment are set out in Part II of this circular. Eligible CREST Shareholders who are CREST sponsored members should refer to their CREST Sponsors regarding the action to be taken in connection with this circular and the Open Offer.

Notice to Overseas Shareholders

Information for Overseas Shareholders who have registered addresses outside the United Kingdom or who are citizens or residents of countries other than the United Kingdom appears in section 7 of Part II of this circular, which sets out the restrictions applicable to such persons. **If you are an Overseas Shareholder, it is important that you pay particular attention to section 7 of Part II of this circular.**

Neither the Placing Shares nor the Open Offer Shares have been, nor will be, registered under the US Securities Act or the securities laws of any state or jurisdiction of the United States, and may not be offered or sold within the United States to, or for the account or benefit of, a US person (as that term is defined in Regulation S under the US Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and such other applicable state securities laws.

Accordingly, the Placing Shares and the Open Offer Shares are being offered hereby only (i) outside the United States in reliance upon Regulation S under the US Securities Act in offshore transactions or (ii) to Accredited Investors in reliance on an exemption from, or a transaction not subject to, the registration requirements of the US Securities Act, in each case to investors who will be required to make certain representations to the Company and others prior to the investment in the Placing Shares and Open Offer Shares.

Neither the Placing Shares nor the Open Offer Shares have been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other United States regulatory authority, nor have the foregoing authorities passed upon or endorsed the merits of the Placing or the Open Offer or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

Admission and dealings

Application will be made to the London Stock Exchange for the Placing Shares and the Open Offer Shares to be admitted to trading on AIM. It is expected that, subject to the passing of the Resolutions at the General Meeting, Admission will occur and dealings will commence in such shares on 31 October 2016 at 8.00 a.m. (or such later date as Panmure Gordon and the Company may agree, being not later than 8.00 a.m. on 7 November 2016).

Directors' shareholdings and substantial shareholders

Certain PDMRs and an existing substantial Shareholder in the Company have each subscribed for Placing Shares. The number of Placing Shares subscribed for by each Director and the existing substantial Shareholder, pursuant to the Placing, and their resulting shareholdings on Admission (assuming take-up in full of the Open Offer by Eligible Shareholders), are set out below:

<i>Name</i>	<i>Number of Existing Ordinary Shares</i>	<i>Percentage of existing issued share capital</i>	<i>Number of Placing Shares subscribed for</i>	<i>Number of Ordinary Shares held on Admission</i>	<i>Percentage of Enlarged Share Capital on Admission*</i>
Woodford Investment Management	6,791,689	20.25%	3,075,940	9,867,629	19.80%
Rolf Stahel	527,215	1.57%	22,727	549,942	1.10%
Jim Phillips	36,871	0.11%	4,545	41,416	0.08%
Rob Rainey	–	–	18,181	18,181	0.04%

*Assuming take-up in full of the Open Offer by Eligible Shareholders

Related party transaction

Where a company enters into a related party transaction, under the AIM Rules the independent directors of the company are required, after consulting with the company's nominated adviser, to state whether, in their opinion, the transaction is fair and reasonable in so far as its shareholders are concerned.

By virtue of Woodford Investment Management's current interests in the Company, as detailed above, it is considered to be a "related party" as defined under the AIM Rules, and accordingly, the subscription by Woodford Investment Management in the Placing is considered to be "related party transaction" for the purposes of Rule 13 of the AIM Rules. The Directors independent of Woodford Investment Management, being the Board as a whole, consider, having consulted with Panmure Gordon, the Company's nominated adviser for the purposes of the AIM Rules, that the terms of the related party transaction are fair and reasonable insofar as the shareholders of the Company are concerned.

General Meeting

The Directors require the authority of Shareholders in order to allot the Placing Shares and the Open Offer Shares free of statutory pre-emption rights.

You will therefore find at the end of this document a notice convening a general meeting to be held at the offices of Panmure Gordon on 28 October 2016 at 10.00 a.m. to consider and, if thought appropriate, pass the following resolutions:

Resolution 1 – Authority to allot the Placing Shares free of pre-emption rights

Resolution 1 as set out in the Notice of General Meeting authorises the Directors for the purposes of section 551 of the Companies Act 2006 to allot the Placing Shares.

In addition, section 561 of the Companies Act 2006 requires that, on an allotment of "equity securities" for cash, such equity securities must first be offered to existing Shareholders in proportion to the number of Ordinary Shares they each hold at that time. The Placing Shares are "equity securities" allotted for cash and, accordingly, cannot be offered on a non-pre-emptive basis unless Shareholders have first waived their pre-emption rights. Resolution 1, if passed, also provides such a waiver.

Accordingly, Resolution 1 as set out in the Notice of General Meeting authorises the Directors to allot equity securities or grant rights to subscribe for or convert any securities into equity securities for cash free of the statutory pre-emption rights, limited to an aggregate nominal amount of (a) £727.28 in connection with the Placing of the Placing Shares and (b) £36.36, (representing 5.0 per cent. of the aggregate nominal value of the Placing Shares, thereby topping-up the Company's existing share authorities granted at the Annual General Meeting of the Company held on 11 May 2016.

Resolution 1 will be proposed as a special resolution and will therefore require not less than 75 per cent. of the votes cast, whether in person or by proxy, to be in favour. This authority, if granted, will be in addition to any existing authorities to allot new Ordinary Shares free of pre-emption rights granted to the Directors prior to the date of this document. This authority will expire on the date falling six months from the passing of the Resolution.

Resolution 2 – Authority to allot the Open Offer Shares

Conditional upon the passing of Resolution 1, Resolution 2 as set out in the Notice of General Meeting authorises the Directors for the purposes of section 551 of the Companies Act 2006 to allot the Open Offer Shares.

As described above, section 561 of the Companies Act 2006 requires that, on an allotment of "equity securities" for cash, such equity securities must first be offered to existing Shareholders in proportion to the number of Ordinary Shares they each hold at that time. The Open Offer Shares are "equity securities" allotted for cash and, accordingly, cannot be offered on a non-pre-emptive basis unless Shareholders have first waived their pre-emption rights. Resolution 2, if passed, also provides such a waiver.

Accordingly, subject also to the passing of Resolution 1, Resolution 2 as set out in the Notice of General Meeting authorises the Directors to allot equity securities or grant rights to subscribe for or convert any securities into equity securities for cash free of the statutory pre-emption rights, limited to an aggregate

nominal amount of £88.03 in connection with the issue of the Open Offer Shares. Resolution 2 also permits the Directors to deal with fractional entitlements to Ordinary Shares as described in Part II of this Circular.

Resolution 2 will be proposed as a special resolution and will therefore require not less than 75 per cent. of the votes cast, whether in person or by proxy, to be in favour. This authority, if granted, will be in addition to any existing authorities to allot new Ordinary Shares free of pre-emption rights granted to the Directors prior to the date of this document. This authority will expire on the date falling six months from the passing of the Resolution.

Action to be taken in respect of the General Meeting

You can vote in respect of your shareholding by attending the General Meeting or by appointing one or more proxies to attend the meeting and vote on your behalf.

You will find enclosed with this document a Form of Proxy for use at the General Meeting. Whether or not you propose to attend the General Meeting in person, it is important that you complete and sign the enclosed Form of Proxy in accordance with the instructions printed thereon and return it to the Company's registrars, Neville Registrars Limited of Neville House, 18 Laurel Lane, Halesowen B63 3DA, as soon as possible, to arrive by 10.00 a.m. on 26 October 2016 at the latest. Completing and returning the Form of Proxy will not preclude you from attending the General Meeting and voting in person should you wish to do so.

The Market Abuse Regulation ("MAR") became effective on 3 July 2016. Market soundings, as defined in MAR, were taken in respect of the Placing with the result that certain persons became aware of inside information, as permitted by MAR. That inside information was set out in the announcement of the Placing and Open Offer dated 11 October 2016 and in this circular and has been disclosed as soon as possible in accordance with paragraph 7 of article 17 of MAR. Therefore, those persons who received information in a market sounding are no longer in possession of inside information relating to the Company and its securities.

Recommendation

The Directors believe that the Placing and the Open Offer will promote the success of the Company for the benefit of its Shareholders as a whole. Accordingly, they unanimously recommend that you vote in favour of the Resolutions to be proposed at the General Meeting, as they intend to do in respect of their own beneficial holdings, amounting to (in aggregate) 2,687,821 Ordinary Shares, representing 8.01 per cent. of the share capital of the Company at the date of this document.

Shareholders are reminded that the Placing and Open Offer are conditional, amongst other things, on the passing of the relevant Resolutions to be proposed at the General Meeting. Accordingly, the Open Offer is conditional upon the Placing occurring. Should the relevant Resolutions not be passed, the proceeds of the Placing and/or the Open Offer will not be received by the Company, and the Company would be required to pursue alternative immediate funding solutions which may or may not be forthcoming and, if available, may be on less favourable terms to, or more onerous on, the Company, and could risk leading to substantial dilution for Shareholders.

Yours sincerely,

Rolf Stahel
Chairman

PART II

TERMS AND CONDITIONS OF THE OPEN OFFER

1. Introduction

As explained in the letter from the Chairman set out in Part I of this circular, the Company is proposing to issue up to 1,760,495 Open Offer Shares pursuant to the Open Offer in order to raise up to £1.9 million, assuming a full take-up. Upon completion of the Open Offer, (assuming a full take-up), the Open Offer Shares will represent approximately 3.5 per cent. of the Enlarged Ordinary Share Capital.

Eligible Shareholders are being offered the opportunity under the Open Offer to acquire Open Offer Shares at the Issue Price. The Issue Price of the Open Offer Shares represents a discount of 14.5 per cent. to the mean closing price of 128.7 pence per Existing Ordinary Share over the previous ten trading days up to and including 10 October 2016 (being the last practicable day prior to the date of this document).

A summary of the arrangements relating to the Open Offer is set out below. This Part II of the circular and, where relevant, the Application Form contain the formal terms and conditions of the Open Offer.

The latest time for applications under the Open Offer to be received is 11.00 a.m. on 27 October 2016.

The procedure for application and payment depends on whether, at the time at which application and payment is made, you have an Application Form in respect of your entitlement under the Open Offer or have Basic Entitlements credited to your stock account in CREST in respect of such entitlement. The procedures for application and payment are further set out below in this Part II.

2. The Open Offer

Subject to the fulfilment of the terms and conditions referred to in this Part II below and, where relevant, set out in the Application Form, Eligible Shareholders are hereby invited to apply for Open Offer Shares at the Issue Price, payable in full in cash on application, free of all expenses, on the basis of:

- (a) 1 Open Offer Share for every 16 existing Ordinary Shares held by Eligible Shareholders at the Record Date and so in proportion for any other number of Ordinary Shares then held; and
- (b) further Open Offer Shares in excess of their Basic Entitlement through the Excess Application Facility (although such Open Offer Shares will only be allotted to the extent that not all Eligible Shareholders apply for their Basic Entitlement in full).

Holdings of Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Open Offer. Fractions of Open Offer Shares will not be allotted and each Eligible Shareholder's entitlement shall be rounded down to the nearest whole number. The fractional entitlements may be aggregated and sold for the benefit of the Company.

Eligible Shareholders may apply for any whole number of Open Offer Shares up to their maximum entitlement which, in the case of Eligible Non-CREST Shareholders, is equal to the number of Basic Entitlements as shown on their Application Form or, in the case of Eligible CREST Shareholders, is equal to the number of Basic Entitlements standing to the credit of their stock account in CREST. If they so wish, Eligible Shareholders may apply for Open Offer Shares in excess of their Basic Entitlement provided that they take up their Basic Entitlement in full. To apply for any Excess Entitlements, Eligible Non-CREST Shareholders who wish to apply to subscribe for more than their Basic Entitlement should complete the relevant sections on the Application Form. Eligible CREST Shareholders will have Excess Entitlements credited to their stock account in CREST and should refer to paragraph 4(ii)(j) of Part II of this circular for information on how to apply for Excess Shares pursuant to the Excess Application Facility.

Applications for Excess Entitlements will be satisfied only to the extent that corresponding applications by other Eligible Shareholders are not made or are made for less than their Basic Entitlements. Once subscriptions by Eligible Shareholders under their respective Basic Entitlements have been satisfied, the

Company shall, in its absolute discretion, determine whether to meet any excess applications in full or in part and no assurance can be given that applications by Eligible Shareholders under the Excess Application Facility will be met in full, in part or at all.

Any monies paid for applications in excess of their Basic Entitlements which are not so satisfied will be returned to the Applicant (at the Applicant's risk) without interest within 14 days by way of cheque or CREST payment, as appropriate. The action to be taken in relation to the Open Offer depends on whether, at the time at which application and payment is made, an Applicant has an Application Form in respect of an entitlement under the Open Offer or have Basic Entitlements credited to a stock account in CREST in respect of such entitlement.

Not all Shareholders will be Eligible Shareholders. Overseas Shareholders who are located in, or who are citizens or residents of, or have a registered address in certain overseas jurisdictions (including, without limitation, any Restricted Jurisdiction) and Non Eligible Shareholders will not qualify to participate in the Open Offer. The attention of Overseas Shareholders or any person (including without limitation a custodian, nominee or trustee) who has a contractual or other legal obligation to forward this circular into a jurisdiction other than the United Kingdom is drawn to section 7 of this Part II.

If you have received an Application Form with this circular, please refer to section 4 (i) and sections 5 to 8 of this Part II.

If you hold your Ordinary Shares in CREST and have received a credit of Basic Entitlements to your CREST stock account, please refer to section 4(ii) and sections 5 to 8 of this Part II and also to the CREST Manual for further information on the CREST procedures referred to below.

The Existing Ordinary Shares are admitted to trading on AIM. Application will be made to the London Stock Exchange for the Open Offer Shares to be admitted to trading on AIM. It is expected that Admission of the Open Offer Shares will become effective and that dealings for normal settlement in the Open Offer Shares on AIM will commence at 8.00 a.m. on 31 October 2016.

The Existing Ordinary Shares are already admitted to CREST. No further application for admission to CREST is accordingly required for the Open Offer Shares; all of such shares, when issued and fully paid, may be held and transferred by means of CREST.

Eligible Non-CREST Shareholders will have received an Application Form with this circular which sets out their entitlement to Open Offer Shares as shown by the number of Basic Entitlements allocated to them. Eligible CREST Shareholders will receive a credit to their appropriate stock accounts in CREST in respect of their Basic Entitlements on 31 October 2016.

The Open Offer Shares will be issued fully paid and will be identical to, and rank *pari passu* in all respects with, the Existing Ordinary Shares and will rank for all dividends or other distributions declared, made or paid after the date of issue of the Open Offer Shares. No temporary documents of title will be issued.

The Open Offer is not a rights issue. Eligible Shareholders should be aware that in the Open Offer, unlike in a rights issue, entitlements to subscribe for Open Offer Shares at the Issue Price will neither be tradeable nor sold in the market and in the event that any Open Offer Shares not applied for are sold or placed in the market, this will be for the benefit of the Company and not the Eligible Shareholders who do not apply under the Open Offer. Eligible Non-CREST Shareholders should note that the Application Form is not a negotiable document and cannot be traded.

Eligible CREST Shareholders should note that although the Basic Entitlements and Excess Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of entitlements under the Open Offer may only be made by the Eligible Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim raised by Euroclear's Claims Processing Unit.

Before making any decision to acquire Open Offer Shares, you are asked to read and carefully consider all of the information in this circular, including in particular the important information set out in the letter from the Chairman in Part I of this circular, as well as the terms and conditions set out in this Part II of this circular. The Open Offer is not underwritten.

3. Conditions and further terms of the Open Offer

The Open Offer is conditional, upon (a) the passing of Resolutions 1 and 2 at the General Meeting; and (b) Admission of the Open Offer Shares having occurred by not later than 8.00 a.m. on 31 October 2016 (or such later time and/or date as Panmure and the Company may agree, not being later than 7 November 2016).

Accordingly, if any of such conditions are not satisfied, or, if applicable, waived, the Open Offer will not proceed. It is a condition of the Open Offer that the Placing proceeds.

Further terms of the Open Offer are set out in this Part II and in the Application Form.

4. Procedure for application and payment

Save as provided in section 7 of this Part II in relation to Overseas Shareholders, the action to be taken by you in respect of the Open Offer depends on whether at the relevant time you have an Application Form in respect of your entitlement under the Open Offer, including the Excess Application Facility, or you have Basic Entitlements and Excess Entitlements credited to your CREST stock account in respect of such entitlement.

Eligible Shareholders who hold part of their Existing Ordinary Shares in uncertificated form on the Record Date and who take up Open Offer Shares under their entitlement will be allotted Open Offer Shares in uncertificated form to the extent that their entitlement to Open Offer Shares arises as a result of holding Existing Ordinary Shares in uncertificated form. Further information on deposit into CREST is set out in paragraph 4(ii)(f) of this Part II.

CREST sponsored members should refer to their CREST Sponsor, as only their CREST Sponsor will be able to take the necessary action specified below to apply under the Open Offer in respect of the Basic Entitlements and Excess Entitlements of such members held in CREST. CREST members who wish to apply under the Open Offer in respect of their Basic Entitlements and Excess Entitlements in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below.

If for any reason it becomes necessary to adjust the expected timetable as set out in this circular the Company will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates.

Eligible Shareholders who do not wish to partake in the Open Offer should not complete or return the Application Form or submit a USE instruction through CREST. Eligible Shareholders who hold their Ordinary Shares through a nominee and who wish to partake in the Open Offer must contact their nominee who will be able to apply for Open Offer Shares directly using an Application Form or submitting a USE instruction through CREST.

(i) *If you have an Application Form in respect of your entitlement under the Open Offer*

(a) *General*

Each Eligible Non-CREST Shareholder will have received an Application Form accompanying this circular. The Application Form shows the number of Existing Ordinary Shares registered in the relevant Eligible Non-CREST Shareholder's name at the close of business on the Record Date.

It also shows the number of Open Offer Shares for which such relevant Eligible Non-CREST Shareholder is entitled to apply for under the Open Offer, calculated at the Issue Price and on the basis set out in section 2 of this Part II, above. Eligible Non-CREST Shareholders may also apply for less than their maximum Basic Entitlements.

The instructions and other terms set out in the Application Form constitute part of the terms of the Open Offer.

The Excess Application Facility enables Eligible Shareholders, who have taken up their Basic Entitlement in full, to apply for Open Offer Shares in excess of their Basic Entitlement. Applications in excess of the Basic Entitlement will only be satisfied to the extent that applications made by other Eligible Shareholders are less than their full Basic Entitlements and may therefore be scaled down at the Company's sole discretion. Fractions (if any) of Open Offer Shares may be aggregated and sold for the benefit of the Company.

(b) *Market Claims*

Applications for Open Offer Shares (including under the Excess Application Facility) may only be made on the Application Form and may only be made by the Eligible Shareholder named in it or by a person entitled by virtue of a bona fide market claim in relation to a purchase of existing Ordinary Shares through the market prior to the date upon which the existing Ordinary Shares were marked "ex" the entitlement to the Open Offer by AIM, being 8.00 a.m. on 12 October 2016. Application Forms may be split up to 3.00 p.m. on 25 October 2016.

Eligible Non-CREST Shareholders may also apply for Excess Entitlements in excess of their pro rata entitlement to Open Offer Shares by completing Boxes 7, 8 and 9 of the Application Form for the total number of Open Offer Shares for which they wish to make application (including their pro rata entitlement) and submitting the amount payable on such application. Further details on the Excess Application Facility are set out in section 4(ii)(j) of this Part II.

The Application Form is not a negotiable document and cannot be separately traded. An Eligible Non-CREST Shareholder who has sold or transferred all or part of his holding of existing Ordinary Shares prior to 8.00 a.m. on 12 October 2016, being the date upon which the existing Ordinary Shares were marked "ex" the entitlement to the Open Offer by AIM, should consult his broker or other professional adviser as soon as possible, as the invitation to acquire Open Offer Shares under the Open Offer (including under the Excess Application Facility) may be a benefit which may be claimed by the transferee from his counterparty pursuant to the rules of the London Stock Exchange. Eligible Shareholders who have sold all or part of their registered holdings should, if the market claim is to be settled outside CREST, complete Box 10 on the Application Form and immediately send it to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. The Application Form should not, however, subject to certain exceptions, be forwarded to or transmitted in or into any of the Restricted Jurisdictions, to US Persons or to Non-Eligible Shareholders.

If the market claim is to be settled outside CREST, the beneficiary of the claim should follow the procedures set out in the accompanying Application Form. If the market claim is to be settled in CREST, the beneficiary of the claim should follow the procedures set out in paragraph 4(ii)(b) below.

An Eligible Non-CREST Shareholder who does not wish to apply for any of the Open Offer Shares to which he or she is entitled should not return a completed Application Form to the Receiving Agents. However, he or she is strongly encouraged to still complete and return the Form of Proxy to the Registrars for the purposes of exercising votes at the General Meeting.

(c) *Application Procedures*

Applications for Open Offer Shares (including under the Excess Application Facility) by Eligible Non-CREST Shareholders may only be made on the Application Form, which is personal to the Eligible Non-CREST Shareholder(s) named on it and is not capable of being split, assigned or transferred except in the circumstances described below.

Eligible Non-CREST Shareholders may also apply for Excess Shares in excess of their pro rata entitlement to Open Offer Shares by completing Boxes 7, 8 and 9 of the Application Form for the total number of Open Offer Shares for which they wish to make application (including their pro rata entitlement) and submitting the amount payable on such application. Further details on the Excess Application Facility are set out in paragraph 4(i)(f) of this Part II.

An Eligible Non-CREST Shareholder who does not wish to apply for any of the Open Offer Shares to which he or she is entitled should not return a completed Application Form to the Receiving Agent.

If you are a Eligible Non-CREST Shareholder and wish to apply for all or some of your entitlement to Open Offer Shares under the Open Offer (including any application for any Excess Entitlements under the Excess Application Facility) you should complete and sign the Application Form in accordance with the instructions on it and send it, together with the appropriate remittance, by post or by hand (during normal business hours only) to the Company's UK registrars, Neville Registrars Limited at Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA so as to arrive no later than 11:00 a.m. on 27 October 2016. A reply paid envelope is enclosed for use by Eligible Non-CREST Shareholders in connection with the Open Offer. Your Application Form will not be valid unless you sign it.

The Application Form represents a right personal to the Eligible Non-CREST Shareholders to apply to subscribe for Open Offer Shares (including under the Excess Application Facility at the Issue Price). The Application Form is not a document of title and it cannot be traded. It is assignable or transferable only to satisfy bona fide market claims in relation to purchases in the market pursuant to the rules and regulations of the London Stock Exchange.

Application Forms may be split up to 3.00 p.m. on 25 October 2016 but only to satisfy such bona fide market claims. Eligible Non-CREST Shareholders who have before the 'ex' date sold or transferred all or part of their shareholdings are advised to consult their stockbroker, bank or agent through whom the sale or transfer was effected or another professional adviser authorised under the FSMA as soon as possible. The invitation to apply for Open Offer Shares (including under the Excess Application Facility) may represent a benefit which can be claimed from them by the purchaser(s) or transferee(s) under the rules of the London Stock Exchange.

Eligible Non-CREST Shareholders who submit a valid application using the Application Form and accompanying payment will (subject to the terms and conditions set out in this Part II, in the letter from the Chairman of the Company in Part I and in the Application Form) be allocated the Open Offer Shares applied for in full at the Issue Price (subject to the Company's discretion to accept, reject or scale back any application for any Open Offer Shares).

Applications will be irrevocable and, once submitted, may not be withdrawn and their receipt will not be acknowledged. The Company reserves the right to treat any application not strictly complying with the terms and conditions of application as nevertheless valid.

Multiple applications will not be accepted. All documents and remittances sent by post by or to an Applicant (or as the Applicant may direct) will be sent at the Applicant's own risk.

If Open Offer Shares have already been allotted to an Eligible Non-CREST Shareholder and such Eligible Non-CREST Shareholder's cheque or a duly endorsed banker's draft is not honoured upon first presentation or such Eligible Non-CREST Shareholder's application is subsequently otherwise deemed to be invalid, the Company shall arrange (in its absolute discretion as to manner, timing and terms) to make arrangements for the sale of such Eligible Non-CREST Shareholder's Open Offer Shares and for the proceeds of sale (which for these purposes shall be deemed to be payments in respect of successful applications) to be paid to and retained by the Company. None of the Receiving Agent, the Company or any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by such Eligible Non-CREST Shareholders.

Please note that the Company's UK Registrars cannot provide financial advice on the merits of the Open Offer or as to whether or not you should take up your entitlement to Open Offer Shares under the Open Offer. If any Application Form is sent by first class post within the United Kingdom, Eligible Non-CREST Shareholders are recommended to allow at least four Business Days for delivery. The Company may in its absolute discretion elect to accept Application Forms and remittances after 11.00 a.m. on 27 October 2016. The Company may also (in its sole discretion) elect to treat an Application Form as valid and binding on the person(s) by whom or on whose behalf it is lodged, even if it is not completed in accordance with the relevant instructions, or if it does not strictly comply with the terms and conditions of application. Applications will not be acknowledged.

The Company also reserves the right (but shall not be obliged) to accept applications in respect of which remittances are received prior to 11.00 a.m. on 27 October 2016 from an authorised person (as defined in FSMA) specifying the number of Open Offer Shares concerned, and undertaking to lodge the relevant Application Form in due course.

(d) *Payments*

All payments must be in pounds sterling and cheques or duly endorsed banker's drafts should be made payable to "Neville Registrars Limited re Clients Account" and crossed "A/C payee only". Cheques must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right hand corner. Third party cheques will not be accepted with the exception of Building Society cheques or bankers' drafts where the Building Society or bank has confirmed the name of the account holder by stamping and endorsing the Building Society cheque or bankers' draft on the reverse to such effect.

Payments will be presented for payment upon receipt. The Company reserves the right to instruct the Receiving Agent to seek special clearance of cheques and banker's drafts to allow the Company to obtain value for remittances at the earliest opportunity. No interest will be allowed on payments made before they are due and any interest earned on such payments will accrue for the benefit of the Company. It is a term of the Open Offer that cheques shall be honoured on first presentation, and the Company may elect in its absolute discretion to treat as invalid Acceptances Forms in respect of which cheques are not so honoured. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted.

Application monies will be paid into a separate bank account pending the Open Offer becoming unconditional. In the event that it does not become unconditional by 8.00 a.m. on 31 October 2016 or such later time and date as the Company shall agree (being no later than 7 November 2016), the Open Offer will lapse and application monies will be returned by post to Applicants within 14 days, at the Applicants' risk and without interest, to the address set out on the Application Form.

The Company shall as soon as practicable refund any payment received with respect to an application for a number of Open Offer Shares in respect of a Basic Entitlement which has been rejected in whole or in part by the Company.

(e) *Effect of Application*

All documents and remittances sent by post by or to an Applicant (or as the Applicant may direct) will be sent at the Applicant's own risk. By completing and delivering an Application Form, you (as the Applicant(s)):

- (i) agree that all applications, and contracts resulting therefrom, under the Open Offer shall be governed by, and construed in accordance with, the laws of England and Wales;
- (ii) confirm to the Company that in making the application you are not relying on any information or representation other than that contained in this circular, and you accordingly agree that no person responsible solely or jointly for this circular or any part thereof shall have any liability for any such information or representation not so contained and that having had the opportunity to read this circular you will be deemed to have notice of all the information concerning the Group and the Ordinary Shares contained within this circular;
- (iii) represent and warrant to the Company that to the extent that you have received some or all of your Basic Entitlements from a person other than the Company, you are entitled to apply under the Open Offer in relation to such Basic Entitlements by virtue of a bona fide market claim;
- (iv) represent and warrant to the Company that you are not (i) a Non-Eligible Shareholder; or (ii) a citizen or resident of a Restricted Jurisdiction or any other jurisdiction in which the application for Open Offer Shares is prevented by law and are not applying on behalf of, or with a view to the re-offer, re-sale or delivery of Open Offer Shares directly or indirectly in, into or within a Restricted Jurisdiction or to a resident of a Restricted Jurisdiction or to any person you believe is purchasing or subscribing for the purpose of such re-offer, re-sale or delivery;
- (v) represent and warrant to the Company that you are not otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of such person(s) on a non-discretionary basis;
- (vi) represent and warrant to the Company as follows: (i) you have not received the Application Form or any other document relating to the Open Offer in a Restricted Jurisdiction, nor have you mailed, transmitted or otherwise distributed or forwarded any such document in or into a Restricted Jurisdiction; (ii) you are not and were not located in a Restricted Jurisdiction at the time you accepted the Application Form or at the time you returned the Application Form; and (iii) if you are acting in a fiduciary, agency or other capacity as an intermediary, then either (A) you have full investment discretion with respect to the Open Offer Shares covered by the Application Form or (B) the person on whose behalf you are acting was located outside a Restricted Jurisdiction at the time he or she instructed you to submit the Application Form;
- (vii) request that the Open Offer Shares to which you will become entitled be issued to you on the terms set out in this circular and the Application Form, subject to the Articles of Association of the Company;
- (viii) confirm that in submitting an Application Form you are not relying on and have not relied on the Company or Panmure or any person affiliated with the Company or Panmure in connection with any investigation of the accuracy of any information contained in this circular or in relation to your investment decision;
- (ix) represent and warrant to the Company that you are not and nor are you applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in Section 93 (depository receipts) or Section 96 (clearance services) of the Finance Act 1986;

- (x) represent and warrant to the Company that you have the right, power and authority, and have taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise your rights, and perform your obligations under any contracts resulting therefrom and that you are not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- (xi) acknowledge that the Existing Ordinary Shares are admitted to trading on AIM and the Company is therefore required to publish certain business and financial information in accordance with the rules of AIM (the “Exchange Information”), and that you are able to obtain or access the Exchange Information without undue difficulty. None of the Company, Panmure nor any person acting on their behalf nor any of their respective affiliates nor any of their respective directors, officers, employees, agents, partners or professional advisers has or shall have any liability for any direct, indirect or consequential loss or damage suffered by any person as a result of relying on any statement contained in the Exchange Information, any other information made available by or on behalf of the Company or made publicly available by the Company on its website, by press release, by public filing or otherwise or any other information, provided that nothing in this paragraph excludes the liability of any person for fraud made by that person; and
- (xii) represent and warrant to the Company that the purchase by you of Open Offer Shares does not trigger in the jurisdiction in which you are resident: (a) any obligation to prepare or file a prospectus or similar document or any other report with respect to such purchase; or (b) any disclosure reporting obligation of the Company; or (c) any registration or other obligation on the part of the Company; or (d) the requirement for the Company to take any other action.

If you are unable to provide such representations and warranties you will be deemed not to have validly submitted an Application Form for Open Offer Shares, save only in the discretion of the Company and then subject to certain conditions.

You should note that Application Forms once submitted will be irrevocable. The Company reserves the right (but shall not be obliged) to treat any Application Form not strictly complying in all respects with the terms and conditions of application as nevertheless valid.

If you do not wish to apply for any of the Open Offer Shares to which you are entitled under the Open Offer, you should not complete and return the Application Form.

If you are in doubt whether or not you should apply for any of the Open Offer Shares under the Open Offer, you should consult your independent financial adviser immediately. For all enquiries in relation to the procedure for application for Eligible Non-CREST Shareholders under the Open Offer please contact Neville Registrars on 0121 585 1131 from within the UK or on +44 121 585 1131 if calling from outside the UK. Calls from landline providers should be charged at your provider’s standard rate, but may cost more from mobile networks. Calls from outside the UK are chargeable at applicable international rates. Calls may be recorded and randomly monitored for security and training purposes. Lines are open from 9.00 a.m. until 5.00 p.m. (London time) Monday to Friday (excluding UK public holidays).

Please note that the Shareholder Helpline cannot provide comments on the merits of the Open Offer, or legal, financial or taxation advice.

(f) *The Excess Application Facility*

The Excess Application Facility enables Eligible Shareholders who have taken up in full their Basic Entitlement to apply for additional Open Offer Shares.

Eligible Non-CREST Shareholders who wish to apply for Open Offer Shares in excess of their Basic Entitlement must complete the Application Form in accordance with the instructions set out on the Application Form.

Should the Open Offer become unconditional and applications for Open Offer Shares exceed the 1,760,495 Open Offer Shares being made available to Eligible Shareholders as a result of applications made in respect of the Excess Application Facility, resulting in a scaling back of applications, each Eligible Non-CREST Shareholder who has made a valid application for Open Offer Shares under the Excess Application Facility and from whom payment in full for such Open Offer Shares has been received in cleared funds will receive a pounds sterling amount equal to the number of Open Offer Shares applied and paid for under the Excess Application Facility but not allocated to the relevant Eligible Non-CREST Shareholder multiplied by the Issue Price. Monies will be returned as soon as reasonably practicable, without payment of interest and at the Applicant's sole risk.

Fractions of Open Offer Shares will not be issued under the Excess Application Facility and fractions of Open Offer Shares will be rounded down to the nearest whole number.

(ii) ***If you have Basic Entitlements and Excess Entitlement credited to your stock account in CREST in respect of your entitlement under the Open Offer***

(a) *General*

Subject as provided in section 7 of this Part II in relation to certain Overseas Shareholders, each Eligible CREST Shareholder will receive a credit to his stock account in CREST of his Basic Entitlements equal to the maximum number of Open Offer Shares for which he is entitled to apply under the Open Offer. Eligible CREST Shareholders may also apply for Open Offer Shares in excess of their Basic Entitlement under the Excess Application Facility. Further details of Excess can be found in paragraph 4(ii)(j) of this Part II.

The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Existing Ordinary Shares held on the Record Date by the Eligible CREST Shareholder in respect of which the Basic Entitlements and Excess Entitlements have been allocated.

If for any reason the Basic Entitlements cannot be admitted to CREST by, or the stock accounts of Eligible CREST Shareholders cannot be credited by 3.00 p.m. on 24 October 2016 or such later time as the Company may decide, an Application Form will be sent out to each Eligible CREST Shareholder in substitution for the Basic Entitlements and Excess Entitlements credited to his stock account in CREST. In these circumstances the expected timetable as set out in this circular will be adjusted as appropriate and the provisions of this circular applicable to Eligible Non-CREST Shareholders with Application Forms will apply to Eligible CREST Shareholders who receive Application Forms.

Eligible CREST Shareholders who wish to apply for some or all of their entitlements to Open Offer Shares (including any applications for Excess Entitlements) should refer to the CREST Manual for further information on the CREST procedures referred to below. If you are in doubt whether or not you should apply for any of the Open Offer Shares under the Open Offer, you should consult your independent financial adviser immediately. For all enquiries in relation to the procedure for application for Eligible Non-CREST Shareholders under the Open Offer please contact Neville Registrars on 0121 585 1131 from within the UK or on +44 121 585 1131 if calling from outside the UK. Calls from landline providers should be charged at your provider's standard rate, but may cost more from mobile networks. Calls from outside the UK are chargeable at applicable international rates. Calls may be recorded and randomly monitored for security and training purposes. Lines are open from 9.00 a.m. until 5.00 p.m. (London time) Monday to Friday (excluding UK public holidays).

Please note that the Shareholder Helpline cannot provide comments on the merits of the Open Offer, or legal, financial or taxation advice.

If you are a CREST sponsored member you should consult your CREST Sponsor if you wish to apply for Open Offer Shares (including any applications for Excess Entitlements) as only your CREST Sponsor will be able to take the necessary action to make this application in CREST.

(b) *Market claims*

The Basic Entitlements and Excess Entitlements will have separate ISIN/SEDOL numbers and will constitute separate securities for the purposes of CREST. Although Basic Entitlements and Excess Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Basic Entitlements and Excess Entitlements may only be made by the Eligible Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim transaction.

Transactions identified by the CREST Claims Processing Unit as “cum” the Basic Entitlement will generate an appropriate market claim transaction and the relevant Basic Entitlement(s) and Excess Entitlement(s) will thereafter be transferred accordingly.

(c) *USE Instructions*

Eligible CREST Shareholders who wish to apply for Open Offer Shares in respect of all or some of their Basic Entitlements and Excess Entitlements in CREST must send (or, if they are CREST sponsored members, procure that their CREST Sponsor sends) an USE instruction to Euroclear which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of Neville Registrars under the participant ID and member account ID specified below, with a number of Basic Entitlements or Excess Entitlements corresponding to the number of Open Offer Shares or Excess Entitlements applied for; and
- (ii) the creation of a CREST payment, in accordance with the CREST payment arrangements, in favour of the payment bank of Neville Registrars in respect of the amount specified in the USE instruction which must be the full amount payable on application for the number of Open Offer Shares or Excess Entitlements referred to in (i) above.

(d) *Content of USE instructions in respect of Basic Entitlements*

The USE instruction must be properly authenticated in accordance with Euroclear’s specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Open Offer Shares for which application is being made (and hence the number of the Basic Entitlement(s) being delivered to Neville Registrars);
- (ii) the ISIN of the Basic Entitlement. This is GB00BYYHDN88;
- (iii) the participant ID of the accepting CREST member;
- (iv) the member account ID of the accepting CREST member from which the Basic Entitlements are to be debited;
- (v) the participant ID of Neville Registrars, in its capacity as a CREST receiving agent. This is 7RA11;
- (vi) the member account ID of Neville Registrars, in its capacity as CREST receiving agent. This is MIDATECH;

- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in (i) above;
- (viii) the intended settlement date. This must be on or before 11:00am on 27 October 2016; and
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11:00 a.m. on 27 October 2016.

In order to assist prompt settlement of the USE instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE instruction:

- (i) a contact name and telephone number (in the free format shared note field); and
- (ii) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST Sponsors, should note that the last time at which a USE instruction may settle on 27 October 2016 in order to be valid is 11:00 a.m. on that day.

(e) *Content of USE instructions in respect of Excess Entitlements*

The USE Instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Open Offer Shares for which application is being made (and hence the number of Excess Entitlement(s) being delivered to Neville Registrars);
- (ii) the ISIN of the Excess Entitlement. This is GB00BYYHDP03;
- (iii) the CREST participant ID of the accepting CREST member;
- (iv) the CREST member account ID of the accepting CREST member from which the Excess Entitlements are to be debited;
- (v) the Participant ID of Neville Registrars in its capacity as a CREST receiving agent, which is 7RA11;
- (vi) the member account ID of Neville Registrars in its capacity as CREST receiving agent, which is MDATECH;
- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction which must be the full amount payable on application for the number of Open Offer Shares referred to in (i) above;
- (viii) the intended settlement date, which must be before 11:00am on 27 October 2016; and
- (ix) the Corporate Action Number for the Open Offer, which will be available by viewing the relevant corporate action details in CREST.

In order for an application in respect of an Excess Entitlement under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11:00 a.m. on 27 October 2016.

In order to assist prompt settlement of the USE instruction, CREST members (or their sponsors, where applicable) should add the following non-mandatory fields to their USE instruction:

- (i) a contact name and telephone number (in the free format shared note field); and
- (ii) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST Sponsors, should note that the last time at which a USE instruction may settle in order to be valid is 11:00 a.m. on 27 October 2016. Please note that automated CREST generated claims and buyer protection will not be offered on the Excess Entitlement security.

In the event that the Open Offer does not become unconditional by 8.00 a.m. on 31 October 2016 or such later time and date as the Company shall agree (being no later than 7 November 2016), the Open Offer will lapse, the Basic Entitlements and Excess Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by an Eligible CREST Shareholder by way of a CREST payment, without interest, within 14 days thereafter. The Open Offer cannot be revoked once all conditions have been satisfied.

(f) *Deposit of Basic Entitlements into, and withdrawal from, CREST*

An Eligible Non-CREST Shareholder's entitlement under the Open Offer as shown by the number of Basic Entitlements set out in his Application Form may be deposited into CREST (either into the account of the Eligible Shareholder named in the Application Form or into the name of a person entitled by virtue of a bona fide market claim). Similarly, Basic Entitlements and Excess Entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer is reflected in an Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, subject (in the case of a deposit into CREST) as set out in the Application Form.

A holder of an Application Form who is proposing so to deposit the entitlement set out in such form is recommended to ensure that the deposit procedures are implemented in sufficient time to enable the person holding or acquiring the Basic Entitlements and Excess Entitlements following their deposit into CREST to take all necessary steps in connection with taking up the entitlement prior to 11:00 a.m. on 27 October 2016.

In particular, having regard to normal processing times in CREST and on the part of the Receiving Agent, the recommended latest time for depositing an Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the entitlement under the Open Offer set out in such Application Form as Basic Entitlements in CREST, is 3.00 p.m. on 24 October 2016, and the recommended latest time for receipt by Euroclear of a dematerialized instruction requesting withdrawal of Basic Entitlements and Excess Entitlements from CREST is 4.30 p.m. on 21 October 2016, in either case so as to enable the person acquiring or (as appropriate) holding the Basic Entitlements and Excess Entitlements following the deposit or withdrawal (whether as shown in an Application Form or held in CREST) to take all necessary steps in connection with applying in respect of the Basic Entitlements and Excess Entitlements prior to 11.00 a.m. on 27 October 2016.

Delivery of an Application Form with the CREST Deposit Form duly completed whether in respect of a deposit into the account of the Eligible Shareholder named in the Application Form or into the name of another person, shall constitute a representation and warranty to the Company by the relevant CREST member(s) that it/they is/are not in breach of the provisions of the notes on page 4 of the Application Form, and a declaration to the Company from the relevant CREST member(s) that it/they is/are not citizen(s) or resident(s) of any of the Restricted Jurisdictions and, where such deposit is made by a beneficiary of a market claim, a representation and warranty that the relevant CREST member(s) is/are entitled to apply under the Open Offer by virtue of a bona fide market claim.

(g) *Validity of Application*

A USE instruction complying with the requirements as to authentication and contents set out above which settles by no later than 11:00 a.m. on 27 October 2016 will constitute a valid application under the Open Offer.

(h) *CREST Procedures and Timings*

CREST members and (where applicable) their CREST Sponsors should note that Euroclear does not make available special procedures, in CREST, for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE instruction and its settlement in connection with the Open Offer. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST Sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above by 11:00 a.m. on 27 October 2016. In this connection CREST members and (where applicable) their CREST Sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(i) *Incorrect or Incomplete Applications*

If a USE instruction includes a CREST payment for an incorrect sum, the Company through the Receiving Agent reserves the right:

- (i) to reject the application in full and refund the payment to the CREST member in question;
- (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Open Offer Shares and/or Excess Entitlements as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the CREST member in question;
- (iii) in the case that an excess sum is paid, to treat the application as a valid application for all the Open Offer Shares referred to in the USE instruction refunding any unutilised sum to the CREST member in question (without interest).

(j) *The Excess Application Facility*

Provided that an Eligible CREST Shareholder chooses to take up their Basic Entitlement in full, the Excess Application Facility enables Eligible CREST Shareholders to apply for Open Offer Shares in excess of their Basic Entitlements. Any such applications will be granted at the absolute discretion of the Company.

Applications for Excess Entitlements will be satisfied only and to the extent that corresponding applications by other Eligible Shareholders are not made or are made for less than their Basic Entitlements. Once subscriptions by Eligible Shareholders under their respective Basic Entitlements have been satisfied, the Company shall, in its absolute discretion, determine whether to meet any excess applications in full or in part and no assurance can be given that applications by Eligible Shareholders under the Excess Application Facility will be met in full, in part or at all.

An Excess Entitlement may not be sold or otherwise transferred. Subject as provided in section 7 of this Part II in relation to certain Overseas Shareholders, the CREST accounts of Eligible CREST Shareholders will be credited with an Excess Entitlement in order for any applications for Excess Entitlements to be settled through CREST. The credit of such Excess Entitlement does not in any way give Eligible CREST Shareholders a right to the Open Offer Shares attributable to the Excess Entitlement as an Excess Entitlement is subject to scaling back in accordance with the terms of this circular.

To apply for Excess Entitlements pursuant to the Open Offer, Eligible CREST Shareholders should follow the instructions above and must not return a paper form and cheque. Should a

transaction be identified by the CREST Claims Processing Unit as “cum” the Basic Entitlement and the relevant Basic Entitlement(s) be transferred, the Excess Entitlements will not transfer with the Basic Entitlement(s) claim, but will be transferred as a separate claim.

Should an Eligible CREST Shareholder cease to hold all of his Existing Ordinary Shares as a result of one or more bona fide market claims, the Excess Entitlement credited to CREST, and allocated to the relevant Eligible Shareholder, will be transferred to the purchaser. Please note that an additional USE instruction must be sent in respect of any application under the Excess Entitlement.

Should the Open Offer become unconditional and applications for Open Offer Shares by Eligible Shareholders under the Open Offer exceed the number of Open Offer Shares being made available, resulting in a scale back of applications under the Excess Application Facility, each Eligible CREST Shareholder who has made a valid application for Excess Shares under the Excess Application Facility, and from whom payment in full for the Excess Entitlement has been received, will receive a pounds sterling amount equal to the number of Open Offer Shares validly applied and paid for but which are not allocated to the relevant Eligible CREST Shareholder multiplied by the Issue Price. Monies will be returned as soon as reasonably practicable, without payment of interest, and at the Applicant’s sole risk.

Fractions of Open Offer Shares will not be issued under the Excess Application Facility and fractions of Open Offer Shares will be rounded down to the nearest whole number, aggregated and may be sold and the proceeds in respect thereof held for the benefit of the Company.

(k) *Effect of Valid Application*

A CREST member who makes or is treated as making a valid application in accordance with the above procedures will thereby:

- (i) pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to Neville Registrars’ payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST member to pay to the Company the amount payable on application);
- (ii) confirm to the Company that in making the application you are not relying on any information or representation other than that contained in this circular, and you accordingly agree that no person responsible solely or jointly for this circular or any part thereof shall have any liability for any such information or representation not so contained and that having had the opportunity to read this circular you will be deemed to have notice of all the information concerning the Group contained within this circular;
- (iii) request that the Open Offer Shares to which he will become entitled be issued to him on the terms set out in this circular and subject to the Articles of Association of the Company;
- (iv) agree that all applications and contracts resulting therefrom under the Open Offer shall be governed by, and construed in accordance with, the laws of England and Wales;
- (v) represent and warrant to the Company that he is not applying on behalf of any Shareholder who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any Restricted Jurisdiction and he is not applying with a view to reoffering, reselling, transferring or delivering any of the Open Offer Shares which are the subject of this application to, or for the benefit of, a Shareholder who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any Restricted Jurisdiction except where proof satisfactory to the Company has been provided to the Company and that he is able to accept the invitation by the Company of any requirement which it (in its

absolute discretion) regards as unduly burdensome, nor acting on behalf of any such person on a non-discretionary basis nor (a) person(s) otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer;

- (vi) represent and warrant to the Company that he is not and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in Section 93 (depository receipts) or Section 96 (clearance services) of the Finance Act 1986;
- (vii) confirm that in making such application he is not relying on any information in relation to the Company other than that contained in publicly available information and agrees that no person responsible solely or jointly for this circular or any part thereof or involved in the preparation thereof, shall have any liability for any such other information and further agrees that he will be deemed to have had notice of all the information concerning the Group contained within this circular; and
- (viii) represent and warrant to the Company that he is the Eligible Shareholder originally entitled to the Basic Entitlements or that he has received such Basic Entitlements and Excess Entitlements by virtue of a bona fide market claim;
- (ix) represent and warrant to the Company that you have the right, power and authority, and have taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise your rights, and perform your obligations under any contracts resulting therefrom and that you are not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- (x) confirm that in making the application you are not relying on and have not relied on the Company, Panmure or any person affiliated with the Company or Panmure in connection with any investigation of the accuracy of any information contained in this circular or your investment decision;
- (xi) acknowledge that the Existing Ordinary Shares are admitted to trading on AIM and the Company is therefore required to publish certain business and financial information in accordance with the rules of AIM (the "Exchange Information"), and that you are able to obtain or access the Exchange Information without undue difficulty. None of the Company, Panmure nor any person acting on their behalf nor any of their respective affiliates nor any of their respective directors, officers, employees, agents, partners or professional advisers has or shall have any liability for any direct, indirect or consequential loss or damage suffered by any person as a result of relying on any statement contained in the Exchange Information, any other information made available by or on behalf of the Company or made publicly available by the Company on its website, by press release, by public filing or otherwise or any other information, provided that nothing in this paragraph excludes the liability of any person for fraud made by that person; and
- (xii) warrant and represent to the Company that the purchase by you of Open Offer Shares does not trigger in the jurisdiction in which you are resident: (a) any obligation to prepare or file a prospectus or similar document or any other report with respect to such purchase; or (b) any disclosure reporting obligation of the Company; or (c) any registration or other obligation on the part of the Company; or (d) the requirement for the Company to take any other action.

(l) *Company's discretion as to Rejection and Validity of Applications*

The Company may in its sole discretion:

- (i) treat as valid (and binding on the CREST member concerned) an application which does not comply in all respects with the requirements as to validity set out or referred to in this Part II;
- (ii) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST Sponsor as constituting a valid application in substitution for or in addition to a USE instruction and subject to such further terms and conditions as the Company may determine;
- (iii) treat a properly authenticated dematerialised instruction (in this sub-paragraph the "first instruction") as not constituting a valid application if, at the time at which Neville Registrars receives a properly authenticated dematerialised instruction giving details of the first instruction or thereafter, either the Company or Neville Registrars have received actual notice from CRESTCo of any of the matters specified in Regulation 35(5)(a) in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- (iv) accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST Sponsor, or extend the time for settlement of a USE instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST Sponsor, the CREST member or CREST sponsored member is unable validly to apply for Open Offer Shares by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by Registrar in connection with CREST.

(m) *Issue of Open Offer Shares in CREST*

Basic Entitlements and Excess Entitlements held in CREST are expected to be disabled in all respects after 11.00 a.m. on 27 October 2016. If the conditions to the Open Offer described above are satisfied, Open Offer Shares will be issued in uncertificated form to those persons who submitted a valid application for Open Offer Shares by utilising the CREST application procedures and whose applications have been accepted by the Company on the day on which such conditions are satisfied. On this day, the Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of such persons with such persons' Basic Entitlements with effect from the next Business Day. The stock accounts to be credited will be accounts under the same Participant IDs and Member Account IDs in respect of which the USE instruction was given.

5. Money Laundering Regulations

(i) *Holders of Application Forms*

It is a term of the Open Offer that, in order to ensure compliance with the Money Laundering Regulations 2007 (as amended) (the "Regulations"), the Registrar may require verification of the identity of the person by whom or on whose behalf an Application Form is lodged with payment (which requirements are referred to below as the "verification of identity").

The verification of identity requirements pursuant to the Regulations will apply to applications with a value of EUR15,000 (or its Pound Sterling equivalent) or greater, or to one of a series of linked applications whose aggregate value exceeds that amount, and in the case of such applications verification of the identity of Applicant(s) for Open Offer Shares may be required.

If within a reasonable period of time following a request for verification of identity, but in any event by 11.00 a.m. on 27 October 2016, the Receiving Agent has not received evidence satisfactory to it, the Company may, in its absolute discretion, elect not to treat as valid the relevant application, in which event the money payable or paid in respect of the application will be returned (without interest and at the Applicant's risk) to the account of the drawee bank or building society from which sums were originally debited (but in each case without prejudice to any rights the Company may have to take proceedings in respect of loss or damage suffered or incurred by it as a result of the failure to produce satisfactory evidence as aforesaid).

In order to avoid this, payment should be made by means of a cheque drawn by and in the name of the Applicant named on the accompanying Application Form or (where an Application Form has been transferred and/or split to satisfy bona fide market claims in relation to transfers of Existing Ordinary Shares through the market prior to 3.00 p.m. on 25 October 2016), by the person(s) named in Box 1 on the Application Form. If this is not practicable and the Applicant uses a cheque drawn on a building society or a banker's draft, the Applicant should:

- (i) ask the building society or bank to endorse on the cheque or draft the name and account number of the person whose building society or bank account is being debited which must be the same name as that printed on the Application Form, such endorsement being validated by a stamp and authorised signature by the building society or bank on the reverse of the cheque or banker's draft;
- (ii) if the Applicant is making the application as agent for one or more persons, indicate on the Application Form whether it is a United Kingdom or European Union regulated person or institution (e.g. a bank or broker), and specify its status. If you are in doubt whether or not you should apply for any of the Open Offer Shares under the Open Offer, you should consult your independent financial adviser immediately. For all enquiries in relation to the procedure for application for Eligible Non-CREST Shareholders under the Open Offer please contact Neville Registrars on 0121 585 1131 from within the UK or on +44 121 585 1131 if calling from outside the UK. Calls from landline providers should be charged at your provider's standard rate, but may cost more from mobile networks. Calls from outside the UK are chargeable at applicable international rates. Calls may be recorded and randomly monitored for security and training purposes. Lines are open from 9.00 a.m. until 5.00 p.m. (London time) Monday to Friday (excluding UK public holidays). Please note that the Shareholder Helpline cannot provide comments on the merits of the Open Offer, or legal, financial or taxation advice;
- (iii) if the Applicant delivers the Application Form by hand, bring with them the appropriate photographic evidence of identity, such as a passport or driving licence; and
- (iv) third party cheques will not be accepted unless covered by (i) above.

In any event, if it appears to the Receiving Agent that an Applicant is acting on behalf of some other person, further verification of the identity of any person on whose behalf the Applicant appears to be acting will be required.

Neither the Receiving Agent nor the Company will be liable to any person for any loss suffered or incurred as a result of the exercise of any discretion to require verification. By lodging an Application Form, each Eligible Shareholder undertakes to provide evidence of his identity at the time of lodging the Application Form, or, at the absolute discretion of the Company, at such specified time thereafter as may be required to ensure compliance with the Regulations.

(ii) ***Basic Entitlements and Excess Entitlements in CREST***

If you hold your Basic Entitlements or Excess Entitlements in CREST and apply for Open Offer Shares in respect of all or some of your Basic Entitlements (and Excess Entitlements) as agent for one or more persons and you are not a United Kingdom or European Union regulated person or institution (e.g. a United Kingdom financial institution), then, irrespective of the value of the application, the Receiving Agent is obliged to take reasonable measures to establish the identity of the person or

persons on whose behalf you are making the application. You must therefore contact the Receiving Agent before sending any USE or other instruction so that appropriate measures may be taken.

Submission of a USE instruction which on its settlement constitutes a valid application as described above constitutes a warranty and undertaking by the Applicant to provide promptly to the Receiving Agent such information as may be specified by the Receiving Agent as being required for the purposes of the Regulations. Pending the provision of evidence satisfactory to the Receiving Agent as to identity, the Receiving Agent may in its absolute discretion take, or omit to take, such action as it may determine to prevent or delay issue of the Open Offer Shares concerned. If satisfactory evidence of identity has not been provided within a reasonable time, then the application for the Open Offer Shares represented by the USE instruction will not be valid. This is without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of any failure to provide satisfactory evidence.

6. Taxation

The following paragraphs are intended as a general guide only and are based on current UK legislation and HM Revenue and Customs practice (which is subject to change and possibly with retrospective effect) and are not exhaustive. They summarise advice received by the Directors of the Company as to the position of Shareholders who (unless the position of non-resident Shareholders is expressly referred to) are resident (and domiciled) in the United Kingdom (“UK”) for tax purposes, who are the absolute beneficial owners of their Ordinary Shares and who hold their Ordinary Shares as an investment. The discussion does not address all possible tax consequences relating to an investment in shares. Certain Shareholders, such as dealers in securities, employees and officers, Shareholders that are exempt from taxation, insurance companies and collective investment vehicles, may be taxed differently and are not considered.

Shareholders who are in any doubt as to their tax position, or who are subject to tax in any other jurisdiction, should consult their independent professional adviser immediately.

Taxation of Chargeable Gains

For the purposes of UK taxation of chargeable gains, Open Offer Shares allotted to Eligible Shareholders in respect of their Basic Entitlements under the Open Offer should be added to the Eligible Shareholder’s existing holding of Ordinary Shares and treated as acquired at the time the existing holding was acquired. The subscription monies for the Open Offer Shares should be added to the base cost of the existing holding. A subsequent disposal of Open Offer Shares by an Eligible Shareholder may, subject to the Eligible Shareholder’s circumstances and any available exemption or relief, give rise to a taxable gain (or allowable loss) for the purposes of UK taxation of chargeable gains.

In the case of individual Shareholders, there are two main rates of UK capital gains tax; the applicable rate will be dictated by the individual Shareholders’ amount of taxable income. Those individual Shareholders who are higher rate taxpayers or additional rate taxpayers will pay capital gains tax at 28% and those individuals who are basic rate taxpayers will pay capital gains tax at 18%.

For Shareholders within the charge to UK corporation tax on chargeable gains, the subscription price of the Open Offer Units will be increased by indexation allowance from the time at which the Shareholder paid for or became liable to pay for the Open Offer Units until the Open Offer Shares are disposed of. Indexation allowance is not available to create or increase any loss.

Open Offer Units subscribed for under the Open Offer in excess of a Shareholder’s pro rata entitlement will be treated as a separate acquisition from his existing holding of Ordinary Shares for the purposes of UK taxation of chargeable gains.

A Shareholder who is not UK resident will not be subject to UK tax on a gain arising on a subsequent disposal of Open Offer Units unless either (i) the Shareholder carries on a trade, profession or vocation in the UK through a branch, permanent establishment or agency and, broadly, holds the Open Offer Units for the purposes of the trade, profession, vocation, branch, permanent establishment or agency or (ii) the Shareholder falls within the anti-avoidance rules applying to temporary non-residents.

Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)

No UK stamp duty or UK SDRT should be payable on the allotment or issue of Open Offer Shares.

The transfer on sale of Open Offer Shares will usually be subject to UK stamp duty, normally at the rate of 0.5% (rounded up to the nearest multiple of £5) of the amount or value of the consideration paid. In the UK stamp duty is normally paid by the purchaser. A charge to UK SDRT at the rate of 0.5% of the amount or value of the consideration paid will arise in relation to an unconditional agreement to transfer Open Offer Shares. UK SDRT is a liability of the purchaser. However, if within six years of the date of the agreement (or, if the agreement was conditional, the date on which the agreement became unconditional) a share transfer is executed pursuant to the agreement and is duly stamped, the stamping of the transfer will normally cancel the UK SDRT liability. Any SDRT already paid will be refunded.

There will be no UK stamp duty or UK SDRT on a transfer of Open Offer Shares into CREST where such a transfer is made for no consideration. A transfer of Open Offer Shares effected on a paperless basis through CREST will generally be subject to UK SDRT at the rate of 0.5% of the amount or value of the consideration paid. Euroclear will collect UK SDRT on relevant transactions settled through and CREST will account for the SDRT to HM Revenue and Customs.

There is no UK stamp duty and/or SDRT on transfers of securities that are admitted to trading on a “recognised growth market”, including AIM (and not “listed” on a recognised stock exchange).

Taxation of Dividends

No UK tax will be withheld by the Company when it pays a dividend.

Provisions in the Finance Act 2016 have reformed the taxation of dividends with effect from 6 April 2016, including the abolition of tax credits attaching to dividends.

A UK resident individual Shareholder who receives a dividend from the Company will be entitled to an effective exemption (called the “dividend nil rate”) for the first £5,000 of all dividends received (including dividends received from any other share investments in the same tax year) by that Shareholder (although such income still counts towards the basic, higher and additional rate thresholds for that Shareholder). For dividends received in aggregate above £5,000, the income tax rate will be 7.5 per cent., 32.5 per cent. or 38.1 per cent. for basic rate, higher rate or additional rate tax payers respectively. UK resident Shareholders with sources of income other than shares should therefore seek tax advice to determine the rates of income tax applicable to the dividends received from the Company.

Most UK resident corporate Shareholders should be able to receive dividends on a tax free basis, regardless of the source of the dividends, providing certain conditions are met and subject to certain anti-avoidance rules.

A non-UK resident Shareholder may be subject to foreign taxation on dividend income.

7. Overseas Shareholders

(a) General

The distribution of this circular and the Application Form and the making or acceptance of the Open Offer to persons who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, or which are corporations, partnerships or other entities created or organised under the laws of countries other than the United Kingdom or to persons who are nominees of or custodians, trustees or guardians for citizens, residents in or nationals of, countries other than the United Kingdom may be affected by the laws or regulatory requirements of the relevant jurisdictions. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any applicable legal requirement or other formalities to enable them to apply for Open Offer Shares under the Open Offer. The comments set out in this section 7 are intended as a general guide only and any Overseas Shareholders who are in any doubt as to their position should consult their professional advisers without delay.

No action has been or will be taken by the Company or any other person, to permit a public offering or distribution of this circular (or any other offering or publicity materials or Application Form(s)) in any jurisdiction where action for that purpose may be required, other than in the United Kingdom.

Application Forms will not be sent to and Basic Entitlements and Excess Entitlements will not be credited to a stock account in CREST of Non-Eligible Shareholders or persons with registered addresses or located in a Restricted Jurisdiction or their agent or intermediary, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

No person receiving a copy of this circular and/or an Application Form and/or a credit of Basic Entitlements and/or a credit of Excess Entitlements to a stock account in CREST in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him or her nor should he or she in any event use any such Application Form and/or credit of Basic Entitlements and/or credit of Excess Entitlements to a stock account in CREST unless, in the relevant territory, such an invitation or offer could lawfully be made to him or her and such Application Form and/or credit of Basic Entitlements and/or credit of Excess Basic Entitlements to a stock account in CREST could lawfully be used, and any transaction resulting from such use could be effected, without contravention of any registration or other legal or regulatory requirements. In circumstances where an invitation or offer would contravene any registration or other legal or regulatory requirements, this circular and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

It is the responsibility of any person (including, without limitation, custodians, agents, nominees and trustees) outside the United Kingdom wishing to apply for Open Offer Shares under the Open Offer to satisfy himself or herself as to the full observance of the laws of any relevant territory in connection therewith, including obtaining any governmental or other consents that may be required, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes due in such territory. Neither the Company nor any of its respective representatives, is making any representation to any offeree or purchaser of the Open Offer Shares regarding the legality of an investment in the Open Offer Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser.

Persons (including, without limitation, custodians, agents, nominees and trustees) receiving a copy of this circular and/or an Application Form and/or a credit of Basic Entitlements and/or a credit of Excess Entitlements to a stock account in CREST in connection with the Open Offer or otherwise, should not distribute or send either of those documents nor transfer Basic Entitlements or Excess Entitlements in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If a copy of this circular and/or an Application Form and/or a credit of Basic Entitlements and/or a credit of Excess Entitlements to a stock account in CREST is received by any person in any such territory, or by his or her custodian, agent, nominee or trustee, he or she must not seek to apply for Open Offer Shares in respect of the Open Offer unless the Company determines that such action would not violate applicable legal or regulatory requirements.

Any person (including, without limitation, custodians, agents, nominees and trustees) who does forward a copy of this circular and/or an Application Form and/or transfers Basic Entitlements and/or Excess Entitlements into any such territory, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this Part II and specifically the contents of this section 7.

The Company reserves the right, but shall not be obliged, to treat as invalid any application or purported application for Open Offer Shares that appears to the Company or its agents to have been executed, effected or dispatched from a Restricted Jurisdiction or in a manner that may involve a breach of the laws or regulations of any jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements or if it provides an address for delivery of the share certificates of Open Offer Shares or, in the case of a credit of a Basic Entitlement and/or an Excess Entitlement to a stock account in CREST, to a member whose registered address would be

in a Restricted Jurisdiction or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates or make such a credit.

The attention of Overseas Shareholders is drawn to sections 7(b) to 7(e) below.

Notwithstanding any other provision of this circular or the Application Form, the Company reserves the right to permit any person to apply for Open Offer Shares in respect of the Open Offer if the Company, in its sole and absolute discretion, is satisfied that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

Overseas Shareholders who wish, and are permitted, to apply for Open Offer Shares should note that payment must be made in sterling denominated cheques or banker's drafts. The Open Offer Shares have not been and will not be registered under the relevant laws of any Restricted Jurisdiction or any state, province or territory thereof and may not be offered, sold, resold, transferred, delivered or distributed, directly or indirectly, in or into any Restricted Jurisdiction or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of, any Restricted Jurisdiction except pursuant to an applicable exemption.

No public offer of Open Offer Shares is being made by virtue of this circular or the Application Form into any Restricted Jurisdiction or to any Non-Eligible Shareholders. Receipt of this circular and/or an Application Form and/or a credit of an Basic Entitlement and/or a credit of Excess Entitlements to a stock account in CREST will not constitute an invitation or offer of securities for subscription, sale or purchase in those jurisdictions in which it would be illegal to make such an invitation or offer and, in those circumstances, this circular and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

(b) ***United States***

Neither the Placing Shares nor the Open Offer Shares have been, nor will be, registered under the US Securities Act or the securities laws of any state or jurisdiction of the United States, and may not be offered or sold within the United States to, or for the account or benefit of, a US person except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and such other applicable state securities laws.

Accordingly, the Placing Shares and the Open Offer Shares are being offered hereby only (i) outside the United States in reliance upon Regulation S under the US Securities Act in offshore transactions or (ii) to Accredited Investors in reliance on an exemption from, or a transaction not subject to, the registration requirements of the US Securities Act, in each case to investors who will be required to make certain representations to the Company and others prior to the investment in the Placing Shares and Open Offer Shares.

Neither the Placing Shares nor the Open Offer Shares have been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other United States regulatory authority, nor have the foregoing authorities passed upon or endorsed the merits of the Placing or the Open Offer or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

Because of these restrictions and those described herein, potential investors are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of Placing Shares or Open Offer Shares.

Purchasers in the US or who are US Persons will be required to execute and deliver a subscription agreement to the Company.

Neither this circular nor an Application Form will (unless an address within the United Kingdom for services of notices has been notified to the Company) be sent to, and no Basic Entitlements or Excess Entitlements will be credited to, a stock account in CREST of any Eligible Shareholder with a registered address in the United States. Subject to certain exceptions, Application Forms sent from, or

post-marked in, the United States will be deemed to be invalid and all persons subscribing for Open Offer Shares and wishing to hold such Open Offer Shares in registered form must provide an address for registration of the Open Offer Shares outside the United States.

(c) ***Other Restricted Jurisdictions***

Due to restrictions under the securities laws of the other Restricted Jurisdictions and subject to certain exemptions, Eligible Shareholders who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, a Restricted Jurisdiction will not qualify to participate in the Open Offer and will not be sent an Application Form, nor will their stock accounts in CREST be credited with Basic Entitlements or Excess Entitlements.

The Open Offer Shares have not been and will not be registered under the relevant laws of any Restricted Jurisdiction or any state, province or territory thereof and may not be offered, sold, resold, delivered or distributed, directly or indirectly, in or into any Restricted Jurisdiction or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of, any Restricted Jurisdiction except pursuant to an applicable exemption.

No offer of Open Offer Shares is being made by virtue of this circular or the Application Forms into any Restricted Jurisdiction.

(d) ***Other overseas jurisdictions***

Application Forms will be sent to Eligible Non-CREST Shareholders and a Basic Entitlement will be credited to the stock account in CREST of Eligible CREST Shareholders in other overseas jurisdictions. Eligible Shareholders in jurisdictions other than any Restricted Jurisdiction may, subject to the laws of their relevant jurisdiction, take up Open Offer Shares under the Open Offer in accordance with the instructions set out in this circular and, if relevant, the Application Form.

Eligible Shareholders who have registered addresses in or who are located or resident in, or who are citizens of, countries other than the United Kingdom should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to apply for Open Offer Shares in respect of the Open Offer.

(e) ***Representations and warranties relating to Overseas Shareholders***

(i) ***Eligible Non-CREST Shareholders***

Any person completing and returning an Application Form or requesting registration of the Open Offer Shares comprised therein represents and warrants to the Company and/or the Receiving Agent that, except where proof has been provided to the Company's satisfaction that such person's use of the Application Form will not result in the contravention of any applicable legal requirements in any jurisdiction:

- (i) such person is not requesting registration of the relevant Open Offer Shares from within a Restricted Jurisdiction;
- (ii) such person is not a US Person or a resident of, or located in, any Restricted Jurisdiction or in any territory in which it is unlawful to make or accept an offer to subscribe for Open Offer Shares in respect of the Open Offer or to use the Application Form in any manner in which such person has used or will use it;
- (iii) such person is not acting on a non-discretionary basis on behalf of, a person located within a Restricted Jurisdiction or any territory referred to in (ii) above at the time the instruction to accept was given; and
- (iv) such person is not subscribing for Open Offer Shares with a view to the offer, sale, re-sale, transfer, delivery or distribution, directly or indirectly, of any such Open Offer Shares into a Restricted Jurisdiction or any territory referred to in (ii) above.

The Company and/or the Receiving Agent may treat as invalid any acceptance or purported acceptance of the allotment of Open Offer Shares comprised in an Application Form if it:

- (i) appears to the Company or its agents to have been executed, effected or despatched from a Restricted Jurisdiction or in a manner that may involve a breach of the laws or regulations of any jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements;
 - (ii) provides an address in any Restricted Jurisdiction for delivery of the share certificates of Open Offer Shares (or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates); or
 - (iii) purports to exclude the warranty required by this paragraph 7(e)(i).
- (ii) *Eligible CREST Shareholders*

A CREST member who makes a valid application either on its own behalf or on behalf of one of its clients in accordance with the procedures set out in this Part II represents and warrants to the Company that, except where proof has been provided to the Company's satisfaction that such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction:

- (i) neither it nor its client is within a Restricted Jurisdiction;
- (ii) neither it nor its client is in any territory in which it is unlawful to make or accept an offer to subscribe for Open Offer Shares;
- (iii) it is not accepting on a non-discretionary basis on behalf of, or for the account or benefit of, a person located within a Restricted Jurisdiction or any territory referred to in (ii) above at the time the instruction to accept was given; and
- (iv) neither it nor its client is subscribing for any Open Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Open Offer Shares into a Restricted Jurisdiction, or any territory referred to in (ii) above.

The Company reserves the right to reject any USE instruction from a Restricted Jurisdiction or any territory referred to in (ii) above or by a CREST participant who is acting on a non-discretionary basis on behalf of a person located within a Restricted Jurisdiction or any territory referred to in (ii) above.

(f) ***Restrictions on Purchasers that are in the US or are US Persons***

Each purchaser of Placing Shares or Open Offer Shares within the US, by accepting delivery of this document, will be deemed to have represented and warranted to the Company that and will execute a subscription agreement ("US Subscription Agreement") stating that:

- (i) it is (a) an "accredited investor" as defined in Rule 501(a) of Regulation D of the US Securities Act (b) acquiring the Placing Shares or Open Offer Shares for its own account or for a discretionary account or accounts on behalf of one or more "accredited investors" as to which it has been instructed and has the authority to make the representations, warranties and covenants set forth herein, (c) acquiring the Placing Shares or Open Offer Shares for investment purposes, and not with a view to further distribution of such shares, and (d) aware, and each beneficial owner of the Placing Shares or Open Offer Shares has been advised, that the sale of the such shares to it is being in reliance on an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act;

- (ii) it acknowledges and understands that the Placing Shares and Open Offer Shares are being offered and sold in the US only in a transaction not involving any public offering within the meaning of the US Securities Act and that such shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the US;
- (iii) it understands that the Placing Shares and Open Offer Shares may not be offered, sold, pledged or otherwise transferred except (i) in an offshore transaction in accordance with Regulation S outside the US, by pre-arrangement or otherwise, or (ii) to the Company or a subsidiary thereof;
- (iv) it has knowledge and experience in financial and business matters such that it is capable of evaluating the merits and risks of the purchase of the Placing Shares or Open Offer Shares;
- (v) it has been furnished with all materials relating to the business, finances and operations of the Company and relating to the offer and sale of the Placing Shares or Open Offer Shares that have been requested and that it has sought such accounting, legal and tax advice as it has considered necessary to make an informed decision with respect to its purchase of the Placing Shares or Open Offer Shares;
- (vi) that the Company and counsel to the Company are relying upon the truth and accuracy of the representations, warranties, agreements, acknowledgements and understandings of the purchaser set forth in such US Subscription Agreement (a) in concluding that the offer and sale of the Placing Shares or Open Offer Shares is a “private offering” and, as such, is exempt from the registration requirements of the US Securities Act, and (b) to determine the applicability of such exemptions in evaluating the suitability of such purchaser to purchase the Placing Shares or Open Offer Shares;
- (vii) it further (i) understands that the Placing Shares and Open Offer Shares may not be deposited into any unrestricted depository receipt facility in respect of the Placing Shares and Open Offer Shares established or maintained by a depository bank, (ii) acknowledges that the Placing Shares and Open Offer Shares (whether in physical certificated form or in uncertificated form held in CREST) are “restricted securities” within the meaning of Rule 144(a)(3) under the US Securities Act and that no representation is made as to the availability of the exemption provided by Rule 144 for resales of the Placing Shares and Open Offer Shares, and (iii) understands that the Company may not recognise any offer, sale, resale, pledge or other transfer of the Placing Shares and Open Offer Shares made other than in compliance with the above-stated restrictions;
- (viii) it understands that the Placing Shares and Open Offer Shares (to the extent they are in certificated form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:

THE ORDINARY SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE ORDINARY SHARES REPRESENTED HEREBY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT (“REGULATION S”) OUTSIDE THE UNITED STATES TO A PERSON NOT KNOWN BY YOU TO BE A US PERSON (AS DEFINED IN REGULATION S), BY PRE-ARRANGEMENT OR OTHERWISE, (2) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, OR (4) TO THE COMPANY OR A SUBSIDIARY THEREOF. EACH HOLDER, BY ITS

ACCEPTANCE OF SHARES, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

THE COMPANY AND ITS AGENTS WILL NOT BE REQUIRED TO ACCEPT FOR REGISTRATION OF TRANSFER ANY SHARES MADE OTHER THAN IN COMPLIANCE WITH THESE RESTRICTIONS; and

- (ix) it represents that if, in the future, it offers, resells, pledges or otherwise transfers such Placing Shares or Open Offer Shares while they remain “restricted securities” within the meaning of Rule 144, it shall notify such subsequent transferee of the restrictions set out above.

The US Subscription Agreement contains additional written representations, agreements and acknowledgements relating to the transfer restrictions applicable to the Placing Shares and Open Offer Shares.

Until 40 days after Admission, an offer or sale of the Placing Shares or Open Offer Shares within the United States by any dealer (whether or not participating in the Offer) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than pursuant to an available exemption from registration under the US Securities Act.

8. Admission, Settlement and Dealings

Application will be made to the London Stock Exchange for the Open Offer Shares to be admitted to trading on AIM. Subject to the Open Offer becoming unconditional in all respects, it is expected that Admission of the Open Offer Shares will become effective and that dealings in the Open Offer Shares will commence at 8.00 a.m. on 31 October 2016.

Basic Entitlements and Excess Entitlements held in CREST are expected to be disabled in all respects after 11.00 a.m. on 27 October 2016 (the latest date for applications under the Open Offer). If the conditions to the Open Offer described above are satisfied, Open Offer Shares will be issued in uncertificated form to those persons who submitted a valid application for Open Offer Shares by utilising the CREST application procedures and whose applications have been accepted by the Company on the day on which such conditions are satisfied (expected to be 31 October 2016). On this day, Neville Registrars will instruct Euroclear to credit the appropriate stock accounts of such persons with such persons’ entitlements to Open Offer Shares with effect from Admission (expected to be 31 October 2016). The stock accounts to be credited will be accounts under the same participant IDs and member account IDs in respect of which the USE instruction was given.

Notwithstanding any other provision of this circular, the Company reserves the right to send you an Application Form instead of crediting the relevant stock account with Basic Entitlements and Excess Entitlements, and to allot and/or issue any Open Offer Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of the facilities and/or systems operated by the Registrar in connection with CREST.

For Eligible Non-CREST Shareholders who have applied by using an Application Form, share certificates in respect of the Open Offer Shares validly applied for are expected to be dispatched by post in the week commencing 7 November 2016. No temporary documents of title will be issued and, pending the issue of definitive certificates, transfers will be certified against the register. All documents or remittances sent by or to Applicants or as they may direct, will be sent through the post at their own risk. For more information as to the procedure for application, Eligible Non-CREST Shareholders are referred to the Application Form.

9. Governing law and jurisdiction

The terms and conditions of the Open Offer as set out in this circular shall be governed by, and construed in accordance with, the laws of England and Wales. The courts of England are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Open Offer including, without limitation, disputes relating to any non-contractual obligations arising out of or in connection with the Open Offer. By taking up Open Offer Shares under the Open Offer in accordance with the instructions set out in this circular, Eligible Shareholders irrevocably submit to the jurisdiction of the courts of England and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

10. Further information

The attention of Eligible Non-CREST Shareholders is drawn to the terms and conditions set out in the enclosed Application Form.

Dated: 12 October 2016

PART III

Midatech Pharma plc

(Registered in England and Wales with company number 09216368)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a General Meeting of Midatech Pharma plc (the “**Company**”) will be held on 28 October 2016 at 10.00 a.m. at the offices of Panmure Gordon (UK) Limited, One New Change, London EC4M 9AF. The business of the meeting will be to consider and, if thought appropriate, to pass the following resolutions, each of which will be proposed as a special resolution:

SPECIAL RESOLUTION

1. THAT, in addition to the authorities given at the Annual General Meeting of the Company held on 11 May 2016 (“**2016 AGM**”), the directors of the Company be and they are generally and unconditionally authorised as follows:

- (a) 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 and to grant rights to subscribe for or convert any security into, shares in the Company up to:
 - (i) an aggregate nominal amount of £727.28 in connection with the placing of the Company’s ordinary shares of 0.005 pence each (“**Ordinary Shares**”) by Panmure Gordon (UK) Limited as agent of the Company to certain institutional and other investors (the “**Placing**”); and
 - (ii) otherwise pursuant to (a) (i) above, up to an aggregate nominal amount of £36.36 (representing 5% of the nominal value of the shares to be allotted in the Placing);
- (b) for the purposes of section 570 of the Act, to allot equity securities (within the meaning of section 560 of the Act) wholly for cash as if section 561 of the Act did not apply to the allotment, provided that this power is limited to the allotment of equity securities:
 - (i) up to an aggregate nominal amount of £727.28 in connection with the Placing; and
 - (ii) otherwise than pursuant to (b)(i) above, up to an aggregate nominal value of £36.36,

and this power, unless previously revoked by resolution of the Company, shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2017, and that the Company may, at any time before the expiry of the power conferred by this resolution, make offers or enter into agreements which would or might require equity securities to be allotted after such expiry and the directors may allot shares or grant rights to subscribe for, or convert any security into, shares in pursuance of any such offer or agreement as if this power had not expired.

SPECIAL RESOLUTION

2. THAT, conditional upon the passing of the resolution numbered 1, set out above, in addition to the authorities given at the Annual General Meeting of the Company held on 11 May 2016, the directors of the Company be and they are generally and unconditionally authorised as follows:

- (a) 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 and to grant rights to subscribe for, or convert any security into, shares in the Company, up to an aggregate nominal amount of £88.03 in connection with the issue of new Ordinary Shares (the “**Open Offer Shares**”) pursuant to the open offer being carried out by the Company on the terms and conditions set out in the Circular of the Company dated 12 October 2016 (the “**Open Offer**”);

- (b) for the purposes of section 570 of the Act, to allot equity securities (within the meaning of section 560 of the Act) wholly for cash as if section 561 of the Act did not apply to the allotment, provided that this power is limited to the allotment of equity securities up to an aggregate nominal amount of £88.03 in connection with the issue of the Open Offer Shares pursuant to the Open Offer; and
- (c) pursuant to the Open Offer the directors may make such exclusions or other arrangements as they consider necessary or appropriate in relation to fractional entitlements (including aggregation and sale of such entitlements for the benefit of the Company), record dates, any shares represented by depositary receipts, legal or practical problems under the laws in any territory or the requirements of any relevant regulatory body or stock exchange or any other related matter,

and this power, unless previously revoked by resolution of the Company, shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2017, and that the Company may, at any time before the expiry of the power conferred by this resolution, make offers or enter into agreements which would or might require equity securities to be allotted after such expiry and the directors may allot shares or grant rights to subscribe for, or convert any security into, shares in pursuance of any such offer or agreement as if this power had not expired.

BY ORDER OF THE BOARD

Nick Robbins-Cherry

Company Secretary

Registered Office:

65 Innovation Drive

Milton Park

Milton

Abingdon

Oxfordshire

OX14 4RG

12 October 2016

Notes to the Notice of General Meeting:

Entitlement to attend and vote

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), the Company specifies that only Shareholders entered on the register of members of the Company at 6.00 p.m. on 26 October (or in the event that this meeting is adjourned, on the register of members at 6.00 p.m. on the day preceding the date fixed for the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares of the Company registered in their name at that time. Changes to the register after the relevant time shall be disregarded in determining the rights of any person to attend and vote at the meeting.

Appointment of proxies

2. A Shareholder is entitled to appoint one or more proxies to exercise all or any of his or her rights to attend and to speak and vote at the meeting. A proxy need not be a Shareholder of the Company. A Shareholder may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that Shareholder.
3. The appointment of a proxy will not preclude a Shareholder from attending in person at the meeting and voting if he or she wishes to do so.

Appointment of proxy using the accompanying proxy form

4. A proxy form is enclosed. To appoint more than one proxy, please photocopy the form. Please state each proxy's name and the number of shares in relation to which each proxy is appointed (which, in aggregate, should not exceed the number of shares held by you) in the boxes indicated on the form. Please also indicate if the proxy form is one of multiple forms being returned. All proxy forms must be signed and should be returned together in the same envelope. In the case of joint Shareholders, the signature of any one of them will suffice, but the names of all joint holders should be stated.
5. To be valid, a duly completed proxy form and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be delivered by hand or sent by post to the offices of the Company's registrars, Neville Registrars Limited of Neville House, 18 Laurel Lane, Halesowen B63 3DA so as to be received not less than 48 hours before the time fixed for the holding of the meeting or any adjournment of the meeting (as the case may be).

Changing proxy instructions

6. To change your proxy instructions, simply submit a new proxy form. Note that the cut-off time for receipt of proxy appointments also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. If the Company receives more than one appointment of a proxy in respect of any one share, the appointment received last revokes each earlier appointment and the Company's decision as to which appointment was received last is final.

Termination of proxy appointments

7. In order to revoke a proxy appointment you must notify the Company of the termination at least three hours before the commencement of the meeting.

Joint shareholders

8. In the case of joint Shareholders, the vote of the senior who tenders a vote, whether in person (including by corporate representative) or by proxy, shall be accepted to the exclusion of the votes of the other joint Shareholders. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members.

Corporate representatives

9. A corporation which is a Shareholder may, by resolution of its directors or other governing body, authorise one or more persons to act as its representative at the meeting. Corporate representatives should bring with them to the meeting: (i) an original or certified copy of the resolution authorising them; or (ii) an original letter on the Shareholder's letterhead, signed by an authorised signatory, confirming that they are so authorised.

Issued shares and total voting rights

10. As at the date of this Notice of General Meeting, the Company's issued ordinary share capital comprised of 33,542,412 ordinary shares of 0.005 pence each fully paid. The Company does not hold any shares in treasury. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at the date of this Notice of General Meeting is 33,542,412.

