

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

It sets out the resolutions to be proposed at a General Meeting of Velocys plc to be held on 14 July 2020. If you are in any doubt about the contents of this document or the action you should take you should immediately consult an independent adviser authorised under the Financial Services and Markets Act 2000 (as amended) who specialises in advising on the acquisition of shares and other securities before taking any action. The whole of this document and any accompanying documents should be read.

If you have sold or otherwise transferred all of your Ordinary Shares before the Ex-Entitlement Date, please send this document, together with the accompanying documents, as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. If you have sold only part of your holding of Ordinary Shares, please contact your stockbroker, bank or other agent through whom the sale or transfer was effected immediately.

The total consideration under the Retail Offer and the Open Offer shall be less than €8 million (or an equivalent amount) in aggregate. Accordingly, none of the Placing, the Retail Offer or the Open Offer constitute an offer to the public requiring an approved prospectus under section 85 of FSMA. This document does not comprise a prospectus in accordance with the Prospectus Regulation Rules and has not been drawn up in accordance with the Prospectus Regulation Rules. This document has not been approved by the FCA or by any other authority in any jurisdiction.

The Company's Ordinary Shares are currently admitted to trading on AIM. Applications will be made to the London Stock Exchange for the VCT Shares, the General Placing Shares, the Retail Shares and the Open Offer Shares to be admitted to trading on AIM. Subject to the passing of the Resolutions, it is expected that Admission of the VCT Shares will become effective and dealings for normal settlement in the VCT Shares will commence at 8.00 a.m. on 15 July 2020 and Admission of the General Placing Shares, the Retail Shares and the Open Offer Shares will become effective and dealings for normal settlement in the General Placing Shares, the Retail Shares and the Open Offer Shares will commence at 8.00 a.m. on 16 July 2020. The New Ordinary Shares will not be admitted to trading on any other investment exchange.

VELOCYS PLC

(Incorporated and registered in England and Wales with registered no. 05712187)



Placing of 377,386,000 New Ordinary Shares at a price of 5 pence per share
Retail Offer of 22,614,000 New Ordinary Shares at a price of 5 pence per share
Open Offer of up to 19,999,957 New Ordinary Shares at a price of 5 pence per share

Notice of General Meeting

Nominated adviser and joint broker

Numis Securities Limited

Joint broker

Canaccord Genuity Limited

This document should be read in conjunction with the accompanying Form of Proxy, the Notice of General Meeting set out at the end of this document and, if you are an Eligible non-CREST Shareholder, the accompanying Application Form. You are recommended to read the whole of this document but your attention is drawn to the letter from the Chairman of the Company to Shareholders which is set out on pages 13 to 25 of this document. This letter explains the background to, and reasons for, the Placing, the Retail Offer and the Open Offer and contains a recommendation that you vote in favour of the Resolutions to be proposed at the General Meeting.

The notice of a General Meeting to be held at 10.30 a.m. on 14 July 2020 at Magdalen Centre, Robert Robinson Avenue, The Oxford Science Park, Oxford OX4 4GA is set out on pages 47 to 49 of this document. The accompanying Form of Proxy for use in connection with the General Meeting should be completed by Shareholders and returned as soon as possible but, in any event, so as to be received by the Company's registrars, Link Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 48 hours before the time appointed for the General Meeting or adjourned meeting or, in the case of a poll taken otherwise than at or on the same day as the General Meeting or adjourned meeting, not later than 48 hours before the time appointed for the taking of the poll at the meeting at which it is to be used.

In light of public health advice in response to the COVID-19 outbreak, including to limit travel and public gatherings, the Company strongly encourages all Shareholders to submit their Form of Proxy, appointing the Chairman of the General Meeting as proxy. If the Stay Alert Guidance continues to apply on the date of the General Meeting, Shareholders will not be allowed to attend the General Meeting in person and anyone who attempts to do so will be refused entry. The situation regarding COVID-19 is constantly evolving, and the UK Government may change current restrictions or implement further measures relating to the holding of general meetings during the affected period. Any changes to the General Meeting (including any change to the location of the General Meeting) will be communicated to Shareholders before the meeting through our website at www.velocys.com and, where appropriate, by announcement made by the Company to a Regulatory Information Service.

The Open Offer closes at 11:00 a.m. on 13 July 2020. 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 III (*Terms and Conditions of the Open Offer*) of this document and, if you are an Eligible Non-CREST Shareholder, complete and return the accompanying Application Form. Eligible CREST Shareholders (who will not receive an Application Form) will receive instead a credit to their appropriate stock accounts in CREST in respect of their Open Offer Entitlements which will be enabled for settlement on 29 June 2020. 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 Existing Ordinary Shares prior to the Ex-Entitlement Date.

The New Ordinary Shares will, following allotment, 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 is being sent to all Shareholders for information purposes only to enable them to exercise their rights as shareholders vis-à-vis the General Meeting to be held.

This document does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy, shares to any person in any jurisdiction to whom or in which such offer or solicitation is unlawful. The Existing Ordinary Shares and the New Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended, or under the securities legislation of any state of the United States. The relevant clearances have not been, and will not be, obtained from the Securities Commission of any province or territory of Canada; no document in relation to the Placing, the Retail Offer or the Open Offer has been, or will be, lodged with, or registered by, the Australian Securities and Investments Commission; and no registration statement has been, or will be, filed with the Japanese Ministry of Finance in relation to the Placing, the Retail Offer or the Open Offer. The New Ordinary Shares may not, directly or indirectly, be offered or sold within any territory other than the United Kingdom or offered or sold to a person within any territory other than the United Kingdom. Any failure to comply with these restrictions may constitute a violation of the securities law of any jurisdiction.

Numis Securities Limited, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as nominated adviser and joint broker to the Company for the purposes of the AIM Rules. Numis is not acting for the Company in relation to the Retail Offer. Numis is acting exclusively for the Company and no one else in connection with the contents of this document and will not be responsible to any other person for providing the protections afforded to its customers nor for providing advice in relation to the contents of this document or any other matter referred to herein.

Canaccord Genuity Limited, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority and is a member of the London Stock Exchange, is acting as joint broker to the Company for the purposes of the AIM Rules. Canaccord is not acting for the Company in relation to the Retail Offer. Canaccord is acting exclusively for the Company and no one else in connection with the contents of the document and will not be responsible to any other person for providing the protections afforded to its customers nor for providing advice in relation to the contents of this document or any other matter referred to herein.

Neither Numis nor Canaccord has authorised the contents of this document for any purpose and, without limiting the statutory rights of any person to whom this document is issued, no representation or warranty, express or implied, is made by Numis or Canaccord as to any of the contents or the completeness of this document.

In accordance with the AIM Rules, this document will be available to Shareholders on the Company's website (www.velocys.com) from the date of this document, free of charge.

FORWARD-LOOKING STATEMENTS

This document includes "forward-looking statements", which includes all statements other than statements of historical fact, including, without limitation, those regarding Velocys' and the Velocys business' financial position, business strategy, plans and objectives of management for future operations, or any statements preceded by, followed by or that include the words "targets", "believes", "expects", "aims", "intends", "will", "may", "anticipates", "would", "could" or similar expressions or negatives thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond Velocys' control that could cause the actual results, performance or achievements of Velocys or the Velocys business to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding Velocys' present and future business strategies and the environment in which Velocys and the Velocys business will operate in the future. These forward-looking statements speak only as at the date of this document. Velocys expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in Velocys' expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based unless required to do so by applicable law or the AIM Rules.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS PLACING, RETAIL OFFER AND OPEN OFFER

Record Date for the Open Offer	5.00 p.m on 23 June 2020
Announcement of the Placing and Open Offer	24 June 2020
Announcement of the Retail Offer	24 June 2020
Announcement of results of the Placing, the Retail Offer and the size of the Open Offer	25 June 2020
Dispatch of this document and Application Form	26 June 2020
Ex-Entitlement Date	8.00 a.m. 26 June 2020
Basic Entitlements and Excess Entitlements credited to stock accounts in CREST for Eligible CREST Shareholders	on or as soon as possible after 8.00 a.m. on 29 June 2020
Latest recommended time and date for requested withdrawal of Basic Entitlements and Excess Entitlements from CREST	4.30 p.m. on 7 July 2020
Latest time and date for depositing Basic Entitlements and Excess Entitlements into CREST	3.00 p.m. on 8 July 2020
Latest time for splitting Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00 p.m. on 9 July 2020
Last time and date for receipt of Form of Proxy	10.30 a.m. on 10 July 2020
Latest time and date for receipt of Application Form and payment in full under the Open Offer or settlement of relevant CREST instructions (as appropriate)	11.00 a.m. on 13 July 2020
General Meeting	10.30 a.m. on 14 July 2020
Announcement of results of the General Meeting and Open Offer	14 July 2020
Admission and dealings in the VCT Shares to commence on AIM	8.00 a.m. on 15 July 2020
CREST accounts credited with the VCT Shares	15 July 2020
Admission and dealings in the General Placing Shares, the Retail Shares and the Open Offer Shares to commence on AIM	8.00 a.m. on 16 July 2020
CREST accounts credited with the General Placing Shares, the Retail Shares and the Open Offer Shares	16 July 2020
Definitive share certificates for the New Ordinary Shares to be dispatched (if required)	w/c 20 July 2020

If any of the details contained in the timetable above should change, the revised time and dates will be notified to Shareholders by means of a Regulatory Information Service (as defined in the AIM Rules). All events listed in the above timetable following the General Meeting are conditional on the passing of the Resolutions at the General Meeting and assume that the General Meeting is not adjourned.

In this document, all references to times and dates are to those observed in London, United Kingdom.

SHARE CAPITAL AND PLACING, RETAIL OFFER AND OPEN OFFER STATISTICS

Number of Existing Ordinary Shares	643,756,100
Number of VCT Shares issued under the Placing	22,950,000
Number of General Placing Shares issued under the Placing	354,436,000
Number of Placing Shares issued under the Placing	377,386,000
Number of Retail Shares issued under the Retail Offer	22,614,000
Number of Open Offer Shares available under the Open Offer	19,999,957
Number of New Ordinary Shares issued under the Placing, the Retail Offer and the Open Offer*	419,999,957
Placing Price of Placing Shares, Retail Shares and Open Offer Shares	5 pence
Market capitalisation of the Company on General Admission at the Placing Price*	£53,187,802.85
Approximate percentage of the Enlarged Share Capital represented by the New Ordinary Shares*	39.48 per cent.
Number of Ordinary Shares in issue immediately following General Admission*	1,063,756,057
Estimated gross proceeds of the Placing*	up to £18.87 million
Estimated gross proceeds of the Retail Offer*	up to £1.13 million
Estimated gross proceeds of the Open Offer*	up to £1 million
ISIN of the Ordinary Shares	GB00B11SZ269
ISIN of the Basic Entitlement Shares	GB00BMVS7949
ISIN of the Excess Entitlement Shares	GB00BMVS7B67

** Information given in relation to the ordinary share capital of the Company and the proceeds of the Placing, the Retail Offer and the Open Offer immediately following General Admission have been calculated on the basis that the Placing is fully subscribed and comprises 377,386,000 Placing Shares at a price of 5 pence per share, raising £18.87 million (before expenses), that the Retail Offer is fully subscribed and comprises 22,614,000 Retail Shares at a price of 5 pence per share, raising £1.13 million (before expenses), that all Open Offer Shares are subscribed for by Eligible Shareholders and comprises 19,999,957 Open Offer Shares at a price of 5 pence per share, raising approximately £1 million (before expenses), that VCT Admission occurs and that no options or warrants are exercised.*

DIRECTORS, SECRETARY AND ADVISERS

Directors	Philip Holland, <i>Chairman</i> Henrik Wareborn, <i>Chief Executive Officer</i> Andrew Morris, <i>Chief Financial Officer</i> Sandy Shaw, <i>Senior Independent Director</i> Darran Messem, <i>Non-executive Director</i>
Registered and Head Office	Magdalen Centre Robert Robinson Avenue The Oxford Science Park Oxford England OX4 4GA
Company Secretary	Jeremy Gorman
Nominated Adviser and Joint Broker to the Company	Numis Securities Limited The LSE Building 10 Paternoster Square London EC4M 7LT
Joint Broker to the Company	Canaccord Genuity Limited 88 Wood Street London EC2V 7QR
Auditors	PricewaterhouseCoopers LLP 3 Forbury Place 23 Forbury Road Reading RG1 3JH
Solicitors to the Company	Mayer Brown International LLP 201 Bishopsgate London EC2M 3AF
Solicitors to the Nominated Adviser and Joint Brokers	Dorsey & Whitney (Europe) LLP 199 Bishopsgate London EC2M 3UT
Registrar	Link Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Receiving Agent	Link Asset Services Corporate Actions The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

DEFINITIONS

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

“Act”	the UK Companies Act 2006, as amended
“Admission”	VCT Admission in the context of the VCT Shares and General Admission in the context of the General Placing Shares, the Retail Shares and the Open Offer Shares
“AIM”	the market of that name operated by the London Stock Exchange
“AIM Rules”	the AIM Rules for Companies, which set out the rules and responsibilities for companies listed on AIM, as amended from time to time
“Application Form”	the non-CREST application form relating to the Open Offer and enclosed with this document for use by Eligible Non-CREST Shareholders
“Articles”	the articles of association of the Company (as amended from time to time)
“Basic Entitlement”	Entitlement to subscribe for Open Offer Shares, allocated to an Eligible Shareholder pursuant to the Open Offer on the Record Date as described in Part III (<i>Terms and Conditions of the Open Offer</i>) of this document
“Board” or “Directors”	the board of directors of the Company, whose names are listed on page 6 of this document
“British Airways”	British Airways plc
“Canaccord”	Canaccord Genuity Limited, a company incorporated in England and Wales, with registered number 01774003, whose registered office is at 88 Wood Street, London EC2V 7QR
“Company”	Velocys plc, a public limited company incorporated in England & Wales under registered number 05712187 and having its registered office at Magdalen Centre, Robert Robinson Avenue, The Oxford Science Park, Oxford, England, OX4 4GA.
“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 UK & Ireland Limited is the Operator (as defined in the Regulations)
“Disclosure Guidance and Transparency Rules”	the Disclosure Guidance and Transparency Rules issued by the FCA
“Eligible CREST Shareholders”	Eligible Shareholders whose Existing Ordinary Shares are held in uncertificated form in a CREST account
“Eligible Non-CREST Shareholders”	Eligible Shareholders whose Existing Ordinary Shares are held in certificated form
“Eligible Shareholders”	Shareholders on the Ex-Entitlement Date that are not resident in a Restricted Jurisdiction

“Enlarged Share Capital”	the issued Ordinary Share capital of the Company immediately following General Admission comprising the Existing Ordinary Shares, the Placing Shares, the Retail Shares and the Open Offer Shares assuming full subscription under the Placing, the Retail Offer and the Open Offer and assuming no exercise of any warrants or options
“ENVIA”	ENVIA Energy, LLC, a joint venture between Waste Management, Inc., Ventech Projects Investments, LLC and the Company
“Excess Entitlement”	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 III (<i>Terms and Conditions of the Open Offer</i>) of this document
“Ex-Entitlement Date”	the date on which the Ordinary Shares are marked ‘ex’ for entitlement by the London Stock Exchange under the Open Offer, being 26 June 2020
“Existing Ordinary Shares”	the 643,756,100 Ordinary Shares in issue as at the date of this document being the entire issued share capital of the Company prior to the Placing, the Retail Offer and the Open Offer
“FCA”	Financial Conduct Authority
“Form of Proxy”	the accompanying form of proxy for use by Shareholders in relation to the General Meeting
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“Fundraise”	the Placing, the Retail Offer and Open Offer
“General Admission”	admission of the General Placing Shares, the Retail Shares and Open Offer Shares to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules
“General Meeting”	the general meeting of the Company to be held at 10.30 a.m. on 14 July 2020, notice of which is set out at the end of this document
“General Placing”	the conditional placing of the General Placing Shares to placees
“General Placing Shares”	the 354,436,000 new Ordinary Shares to be issued, conditional on General Admission, in connection with the General Placing
“JDA”	The joint development agreement (as amended) between Velocys, British Airways and Shell relating to the Altolto Immingham Project
“Joint Brokers”	Numis and Canaccord
“Link Asset Services”	a trading name of Link Market Services Limited, a company incorporated in England and Wales, with registered number 02605568, whose registered office is at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU
“London Stock Exchange”	London Stock Exchange plc
“New Ordinary Shares”	the Placing Shares, the Retail Shares and the Open Offer Shares to the extent subscribed for under the Open Offer
“Notice of General Meeting”	the notice of General Meeting set out at the end of this document

“Numis”	Numis Securities Limited, a private limited company incorporated in England & Wales under registered number 02285918 and having its registered office at 10 Paternoster Square, London EC4M 7LT
“Open Offer”	the offer to Eligible Shareholders, constituting an invitation to apply for the Open Offer Shares at the Placing Price on the terms and subject to the conditions set out in this document and, in the case of Eligible Non-CREST Shareholders, in the Application Form
“Open Offer Entitlements”	entitlements to subscribe for Open Offer Shares pursuant to the Basic Entitlement and Excess Entitlement
“Open Offer Shares”	up to 19,999,957 new Ordinary Shares to be issued to Eligible Shareholders pursuant to the Open Offer
“Ordinary Shares”	ordinary shares of £0.01 each in the capital of the Company
“Overseas Shareholders”	holders of Ordinary Shares who are resident in, or citizens of, countries outside of the UK
“Placing”	the VCT Placing and the General Placing
“Placing Agreement”	the conditional agreement dated 24 June 2020 relating to the Placing and Open Offer, between the Company, Numis and Canaccord
“Placing Price”	5 pence per New Ordinary Share
“Placing Shares”	the VCT Shares and the General Placing Shares
“PrimaryBid”	PrimaryBid Limited, which is authorised and regulated by the FCA
“Prospectus Regulation Rules”	the Prospectus Regulation Rules made in accordance with the Prospectus Regulation Rules Instrument 2019 (FCA: 2019/80)
“Receiving Agent”	Link Asset Services
“Record Date”	5.00 p.m. on 23 June 2020, being the record date for the Open Offer
“Registrar”	Link Asset Services
“Regulations”	the UK Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended
“Resolutions”	the resolutions to be proposed at the General Meeting as set out in the Notice of General Meeting
“Restricted Jurisdiction”	any jurisdiction except the UK. Jurisdictions outside the UK include, but are not limited, to the United States, Canada, Australia, New Zealand, the Republic of South Africa and Japan.
“Retail Offer”	the offer of Retail Shares made to private and other investors on the PrimaryBid platform
“Retail Shares”	the 22,614,000 new Ordinary Shares to be issued, conditional on General Admission, in connection with the Retail Offer
“Shareholders”	the holders of Ordinary Shares from time to time, each individually being a “Shareholder”
“Shell”	Shell International Petroleum Company Limited

“Stay Alert Guidance”	the measures announced by the UK Government on 11 May 2020 aimed at controlling the spread of COVID-19
“Toyo”	Toyo Engineering Corporation
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“US” or “United States”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
“VCT”	a venture capital trust under part 6 of the Income Tax Act 2007
“VCT Admission”	admission of the VCT Shares to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules
“VCT Placing”	the conditional placing of the VCT Shares to placees
“VCT Shares”	the 22,950,000 new Ordinary Shares to be issued, conditional on VCT Admission, in connection with the VCT Placing
“€”	the single currency of the participating member states of the European Union
“\$”	the lawful currency of the United States
“£”	the lawful currency of the United Kingdom

GLOSSARY

The terms set out below have the following meanings throughout this document, unless the context requires otherwise.

“Altalto Immingham Project”	the Company’s waste to sustainable fuels project, the plant for which will be located in Immingham, UK
“EPC”	engineering, procurement and construction
“feedstock”	raw material processed ingested in the fuel-generation process
“FEED”	front end engineering design
“FID”	final investment decision
“ITP”	integrated technology package
“LCFS”	the Californian Low Carbon Fuel Standard programme
“Mississippi Bio-refinery Project”	the Company’s bio-refinery project, the plant for which will be located in Natchez, Mississippi
“naphtha”	a flammable liquid distillate of petroleum
“recyclates”	materials capable of being recycled
“Renewable Fuel Standard”	the US renewable fuel standard program created under the Energy Policy Act 2005 and amended by the Energy Independence and Security Act 2007
“Renewable Identification Number” or “RIN”	a renewable identification number assigned to a batch of biofuel to track its production use and trading as required by the Renewable Fuel Standard
“Renewable Transport Fuel Certificates”	certificates awarded under the Renewable Transport Fuels Obligation
“Renewable Transport Fuels Obligation”	the UK Renewable Transport Fuel Obligation Order published 5 November 2012

PART I

LETTER FROM THE CHAIRMAN OF VELOCYS PLC

Magdalen Centre
Robert Robinson Avenue
The Oxford Science Park
Oxford
England
OX4 4GA

Directors:

Philip Holland, *Chairman*
Henrik Wareborn, *Chief Executive Officer*
Andrew Morris, *Chief Financial Officer*
Sandy Shaw, *Senior Independent Director*
Darran Messem, *Non-executive Director*

Company number: 05712187

26 June 2020

Dear Shareholders

Placing of 377,386,000 Placing Shares at a price of 5 pence per share
Retail Offer of 22,614,000 Retail Shares at a price of 5 pence per share
Open Offer of up to 19,999,957 Open Offer Shares at a price of 5 pence per share

Notice of General Meeting

1. Introduction

The Board announced on 24 June 2020 and 25 June 2020 that it proposes to raise, subject to certain conditions: (i) approximately £20 million (before expenses) in aggregate by way of a conditional placing of 377,386,000 Placing Shares at a placing price of 5 pence per share to certain institutional and other investors and by way of a subscription for 22,614,000 Retail Shares at a price of 5 pence per share by certain private and other investors; and (ii) up to £1 million (before expenses) by way of an Open Offer made to Eligible Shareholders of up to 19,999,957 Open Offer Shares at a price of 5 pence per share. The Placing Price represents a discount to the closing mid-market price of the Ordinary Shares as at 24 June 2020 of 10.55 pence per Ordinary Share.

The Directors intend to use the net proceeds raised by the Fundraising of up to £10 million to complement the funding commitments already made by British Airways and Shell as follows: (i) £6 million to further strengthen its intellectual property and trade secrets protection, working capital and central costs for up to one year; (ii) £1.4 million to complete the process engineering phase of FEED for the Altalto Immingham Project until the first quarter of 2021; (iii) £0.6 million to complete the fund raising for the Mississippi Bio-refinery Project and launch the associated FEED; (iv) £0.5 million to evaluate and design a de-bottlenecking of the reactor core manufacturing line in the United States to reach a production capacity of more than 12 Fischer-Tropsch reactors per year (twice the current capacity) and (v) £0.4 million to implement learnings from a post-operative analysis from the demonstration reactors for the benefit of its clients via updated operating manuals and training.

The Directors intend to use the net proceeds raised by the Fundraising in excess of £10 million to extend the Company's cashflow runway, maintain a reasonable balance sheet as well as to accelerate the upgrading of the reactor manufacturing capability, including to implement lean manufacturing, full automation of certain welding steps and potentially the three dimensional printing of certain sub-components.

The Directors expect that the net proceeds of the Fundraise will be supplemented by other anticipated sources of funds in 2020, including completion payments from Red Rock Biofuels of £0.7 million for

reactors and catalyst delivered by the Company, a UK R&D tax credit of £0.5 million and additional license fees and pre-FEED engineering fees from the new client project pipeline.

Taking into account the expected contribution from new investors into the project itself, the Directors believe that the Mississippi Bio-refinery Project is not likely to require any further net capital contributions from Velocys in relation to the FEED work. The Directors believe, however, that further funding will be required to achieve Velocys' objectives for the next stage of both the Mississippi Bio-refinery Project and the Altolto Immingham Project, as described in further detail in paragraph 2 (*Information on the Company*) of Part I (*Letter from the Chairman of Velocys plc*) of this document.

The Placing, the Retail Offer and the Open Offer are conditional upon (amongst other things) the passing of certain resolutions in order to ensure that the Directors have the necessary authorities and powers to allot the New Ordinary Shares. A General Meeting is therefore being convened for the purpose of considering the Resolutions at 10.30 a.m. on 14 July 2020 at Magdalen Centre, Robert Robinson Avenue, The Oxford Science Park, Oxford OX4 4GA. The Notice of General Meeting is set out at the end of this document. The Placing, the Retail Offer and the Open Offer are also conditional on the Placing Agreement between the Company, Numis and Canaccord becoming unconditional and not being terminated in accordance with its terms. The Placing, the Retail Offer and the Open Offer are not underwritten.

The Directors have subscribed for 1,200,000 Placing Shares in aggregate at the Placing Price, representing approximately 0.32 per cent. of the Placing Shares. Immediately following General Admission (and assuming no other issuance of new Ordinary Shares prior to General Admission and full subscription by Eligible Shareholders under the Open Offer), the Directors of the Company will have a legal and/or beneficial interest in 5,057,317 Ordinary Shares, representing 0.48 per cent. of the Ordinary Shares expected to be in issue as at General Admission.

The purpose of this document is to provide you with details of, and the reasons for, the Fundraising, why the Directors believe them to be in the best interests of the Company and its Shareholders and, further, why they recommend that you vote in favour of the Resolutions. The Directors intend to vote in favour of the Resolutions in respect of their legal and/or beneficial shareholdings amounting, in aggregate, to 3,857,317 Ordinary Shares representing approximately 0.6 per cent. of the Ordinary Shares in issue as at the date of this document.

Further details of the Placing are set out in paragraph 6 (*Principal terms of the Placing*) of Part I (*Letter from the Chairman of Velocys plc*) of this document, further details of the Retail Offer are set out in paragraph 8 (*Principal terms of the Retail Offer*) of Part I (*Letter from the Chairman of Velocys plc*) of this document, and further details of the Open Offer are set out in paragraph 9 (*Principal terms of the Open Offer*) of Part I (*Letter from the Chairman of Velocys plc*) of this document

2. Information on the Company

(a) Overview of the Company

The Company is a sustainable fuel technology company, at the forefront of the development of low carbon sustainable fuels. Velocys offers a scalable solution for the development of sustainable fuels manufacturing via its own patented micro-channel Fischer-Tropsch reactors and overall bio-refinery technology integration developed for the Altolto Immingham Project and the Mississippi Bio-refinery Project. The Company's stated mission is to help reduce the environmental footprint of the aviation and heavy transportation industries by enabling a proven and reliable supply of advanced biofuels.

(b) Technology overview

The Fischer-Tropsch technology enables an economic conversion of a wide range of low or negative cost, abundant sustainable feedstocks such as woody biomass residue or municipal solid waste into high value sustainable fuels such as sustainable aviation fuel. These fuels qualify for decarbonisation credits in the United States under the Renewable Fuels Standard and in the United Kingdom under the Renewable Transport Fuels Obligations. These fuels provide for particulates and greenhouse gas emissions reductions by up to 90 per cent. and 70 per cent. respectively. The fuels are designed to

“drop-in” to conventional fossil fuels, fully leveraging existing engines and logistics infrastructure. No client adoption is therefore required.

The Fischer-Tropsch technology comprises a microchannel Fischer-Tropsch reactor core, which contains a highly active Fischer-Tropsch catalyst that uses organic matrix combustion. The technology is developed in-house by Velocys and is protected by a wide range of patents globally. The reactor cores and catalysts are manufactured at commercial scale by sub-contractors in the US, but using manufacturing equipment designed by and owned by Velocys and under strict Velocys supervision.

(c) ***Overview of the Company’s two reference projects and revenue generating clients***

Velocys’ strategy is to initially develop two full scale bio-refinery reference projects (the Altalto Immingham Project and Mississippi Bio-refinery Project) with strategic partners and license its Fischer-Tropsch technology to these reference projects. The Company also licenses its Fischer-Tropsch technology to third party developers and site owners, such as Red Rock Biofuels LLC (“RRB”) in the State of Oregon and Toyo in Japan. As technology licensor, Velocys will also offer its clients a range of engineering services in support of commissioning and start-up as well as catalyst loading, regeneration and discharge.

Details of each of Velocys’ completed and ongoing projects are set out in remainder of this paragraph 2. Velocys expects to commence the start of feasibility and FEL 2 for at least one new project in 2020 from the current pipeline of pre-feasibility studies for third party clients.

(d) ***Completed demonstration project in Oklahoma: ENVIA joint venture***

In September 2016, construction of the first demonstration plant incorporating the Company’s Fischer-Tropsch technology was completed and commercial scale catalyst loading was proven. In February 2017, the first Fischer-Tropsch product was successfully produced and, in June 2017, the first finished products (being renewable waxes, diesel and naphtha) were produced. In September 2017, the plant generated revenue for the first time. In October 2017, the plant achieved an operational capacity of 200 barrels per day and, in early 2018, Q-RIN qualification under the Renewable Fuels Standard was achieved, validating the pathway. The ENVIA plant completed the demonstration of the Velocys Fischer-Tropsch technology and was the culmination of 17 years of development and testing, with over 5,000 hours of cumulative runtime achieved across the two full-scale Velocys Fischer-Tropsch reactors, stress testing the plant’s equipment and technology under various conditions. In total, 1.6 million litres of finished fuel and wax were delivered by the plant.

In May 2018, a gas-leak was detected at the ENVIA plant and the plant was safely temporarily put in recycling mode. Subsequent investigations found that the ancillary coolant system was the root cause of the leak. The ancillary coolant system was designed by a third party and had no relation to any Velocys technology deployed at the plant. The damaged equipment and loss of commercial revenue was covered under ENVIA’s commercial insurance policies. On 10 September 2018, operations at the ENVIA demonstration plant were suspended and the decision was taken by Velocys that it had accumulated a sufficient number of operating hours on the two licensed commercial scale Fischer-Tropsch reactors for the demonstration to be considered completed. Following the winding down of the ENVIA joint venture, the Company has been conducting an extensive and valuable post-operative analysis of the reactors and catalyst. This post-operative analysis is under way, and the results generated will be incorporated by Velocys in even more comprehensive instructions to its clients regarding the operation of its catalyst and reactors under a wide range of conditions, showing the benefits from the knowledge accumulated from the demonstration plant in Oklahoma.

(e) ***Altalto Immingham Project: reference bio-refinery project in the UK***

Overview

In September 2017, the Company entered into a joint development agreement with various parties to execute a feasibility study for a commercial scale waste-to-sustainable fuels plant in the United

Kingdom. The plant will take household and commercial waste which, after recyclates have been removed, would be destined for landfill or incineration, and instead convert that waste into clean-burning sustainable aviation fuel and naphtha. Velocys, Shell and British Airways are the commercial partners in the project.

Funding history and securing the site

The initial feasibility stage of the project was successfully completed in June 2018. At that time, £4.9 million of funding was secured from the partners, including Velocys, to deliver the next development phase of the project. British Airways and Shell committed a further £3.8 million of funding in aggregate to cover the remaining pre-FEED work. This included completion of pre-FEED engineering work, planning and permitting, utilities supplies and FEED preparation. Velocys continues to execute all the work to progress the project to FEED in line with the JDA. The Directors believe that British Airways' and Shell's willingness to commit significant amounts to this project highlights Velocys' leading position in the market and provides validation of Velocys' technology as core to the ability to produce low carbon synthetic aviation fuel at scale. As part of the funding package in June 2018, a grant of £0.4 million was secured from the UK Department for Transport under the Future Fuels for Flight and Freight Competition.

On 18 December 2018, a site was secured for the project. The site of approximately 80 acres, near Immingham, North East Lincolnshire, is in an enterprise zone and earmarked for industrial development within the local plan. Development is subject to planning consent, which was granted subject to conditions in May 2020. Access to the site is by way of an option agreement, entered into by Altalto Immingham Ltd ("**Altalto**"), a subsidiary of Velocys, on 18 December 2018. The agreement gives Altalto the right, for a three year period, to acquire Rula Developments (Immingham) Limited, the company which owns the site, from its current shareholders. The decision as to whether to proceed with the acquisition of the Immingham site will be made as part of the final investment decision, currently scheduled for 31 March 2022. In the event that the Company, in consultation with its partners, decides not to proceed with the acquisition of the site, the liabilities that may be incurred by the Company as a result are not expected to be material to Velocys. On 12 May 2020, Velocys announced that a further £1 million of funding was secured from British Airways and Shell, which has been received. In connection with the further funding, each of British Airways and Shell were granted an option to take a one-third share in the equity capital of Altalto Limited at a strike price of £1, as a pre-cursor to a full shareholders' agreement being entered into in relation to the shares in Altalto Limited in due course. An additional, immediately available, grant of £0.5 million from the UK Department for Transport under the Future Fuels for Flight and Freight Competition was announced on 12 June 2020 by the UK Secretary of State.

Future milestones

The final pre-FEED phase will be completed during the first half of 2020 and the preparatory FEED phase is due to commence during the third quarter of 2020. Velocys and its partners British Airways and Shell have contracted Worley, a leading global engineering firm, to execute the full FEED study for the project. The intention is for Worley to become the "Owners Engineer" for both the Altalto Immingham Project and the Mississippi Bio-refinery Project (as described in paragraph 2(f) below) after having tendered out the final procurement and construction work in a competitive tender.

The second quarter of 2021 is the targeted date for the commitment to be made to full FEED. Construction of the plant is targeted to commence in 2022 and is currently targeted to be completed by the end of 2024, following which commissioning and commercial operations are expected to commence during 2025.

Market opportunity

Sustainable aviation fuel represents a significant global opportunity, with the value of decarbonisation far exceeding the value of the fuel. However, supply is limited. There is no equivalent of ethanol or biodiesel for the aviation industry – all approved sustainable aviation fuels are hydrocarbon based. Five synthetic routes have been certified under the ASTM D7566 standard and, of these, only

hydrogenated esters and fatty acids (HEFA) are in production today. However, qualifying feedstock availability is limited globally. The Fischer-Tropsch route allows the use of large-volume, low cost sustainable feedstocks (woody biomass residue and municipal solid waste) and generates clean burning, low carbon sustainable fuels.

Demand for sustainable aviation fuels is growing rapidly. As of 16 June 2020, 85 countries representing 76.76 per cent. of international aviation activity have voluntarily signed up to the Carbon Offsetting and Reduction Scheme for International Aviation, which will become compulsory as of 2026. A number of airlines are also committing to sustainable aviation fuel, with an annual commitment of circa 1 million tonnes by 2025 combined, and with British Airways having committed to achieve net zero carbon emissions by 2050.

(f) ***Mississippi Bio-refinery Project: reference project***

Overview

In October 2017, the Company signed a site option agreement with Adams County in the State of Mississippi for a bio-refinery to be located in Natchez, Mississippi and secured total site incentives of approximately \$60 million.

The Company has commenced a structured, competitive process to secure the necessary development capital investment by one or more strategic partners and has seen interest from multiple parties. Detailed due diligence by potential strategic partners continues and a number of potential partners are in negotiation. In September 2019, Velocys Inc. entered into a non-binding agreement with Oxy Low Carbon Ventures to capture the biogenic CO₂ generated by the plant and securely store it underground permanently: so called CO₂ sequestration. This will make the carbon intensity of the plant's product output negative, which is desirable for buyers of the products and improves decarbonisation revenues further.

The state-level permits that are required at this stage for the bio-refinery have been secured. Pre-FEED has been completed. Equity letters of intent in relation to the Mississippi Bio-refinery Project may be entered into during the second half of 2020, with FEED preparation expected to be completed during the first half of 2021. Signature of the final commercial agreements for the project, FID and financial close is expected in the fourth quarter of 2022, following which plant construction is expected to commence during the first quarter of 2023. Construction is targeted to be completed during the first quarter of 2025, plant commissioning is expected to begin during 2025, with commercial operations targeted to commence in late 2025.

(g) ***Current revenue generating client: Red Rock Biofuels, Oregon, USA.***

In May 2018, Velocys received a "notice to proceed" to commence manufacturing of Fischer-Tropsch reactors and catalysts for the RRB bio-refinery that will be located in Lakeview, Oregon, USA. RRB has commenced construction of the bio-refinery, which will incorporate Velocys' technology, and produce low-carbon, renewable diesel and jet fuel from woody biomass. Velocys' role in this project is as a licensor for its Fischer-Tropsch technology to be used for the project as the central processing unit.

The expected output of the bio-refinery in Lakeview is approximately 15 million gallons per year of renewable transportation fuels including diesel and jet fuel. RRB has in place contracts from several airlines to purchase 100 percent of the jet fuel produced each year.

Velocys expects to deliver the four Fischer-Tropsch reactors to RRB by the end of June 2020, to assist with start-up and commissioning in the third quarter of 2020, with support of plant ramp-up and first catalyst regeneration targeted for early 2021.

(h) ***Current revenue generating client: Toyo, Nagoya, Japan***

On 18 September 2019, the Company and Toyo entered into agreements in relation to a pilot plant for generating sustainable aviation fuel using woody biomass feedstock, as part of a project funded by the

Japanese government (the NEDO project, in Nagoya, Japan). The project involves Toyo, Mitsubishi Hitachi Power Systems, Chubu Electric Power and the Japan Aerospace Exploration Agency. Under the agreements, Toyo has agreed to pay a total of \$4 million to the Company in two tranches – \$0.5 million which has already been received by the Company as a non-refundable deposit, with the remaining \$3.5 million paid into escrow.

Velocys has delivered a pilot scale Fischer-Tropsch reactor and catalyst to Toyo which is currently in operation and expects the demonstration run, and agreement of the commercial terms for developing a full scale commercial biomass to jet fuel plant, to be completed during the second half of 2020. The Directors believe that the relationship with Toyo provides recognition of Velocys' technology as one of the core elements to the ability to produce synthetic jet fuel which meets the Japanese quality standards.

(i) **Other business updates**

Claim by the bankruptcy trustee of Ventech

The bankruptcy trustee of Ventech Engineers International LLC (“**Ventech**”), a former commercial partner of the Company, which is now in bankruptcy in the US, has made certain claims against the Company alleging that amounts are owed to Ventech in respect of commercial agreements entered into with the Company in 2012. The bankruptcy trustee commenced formal legal proceedings against the Company in Texas in April 2020. No evidence has been provided by the bankruptcy trustee to support the Ventech claims and the directors have internally investigated them and concluded that they are without merit. The Company intends to defend these claims and remains an unsecured creditor of Ventech.

Velocys' response to COVID-19

In response to the COVID-19 outbreak, Velocys deployed remote working for all its employees and contractors at its three sites in Oxford, Ohio and Texas before it become mandatory to do so. All sub-contractors currently used by Velocys have been able to continue to perform their contracts to date during the COVID-19 outbreak, allowing reactor and catalyst deliveries to proceed and engineering services to be provided to RRB in the State of Oregon and Toyo in Japan in accordance with agreed schedules.

3. Business model and revenue streams

The Company has a hybrid, capital-light business model, focusing on delivering Fischer-Tropsch reactors and catalysts to clients under site-licence agreements and providing engineering services over the course of the minimum 20 year expected lifetime of the assets. Velocys offers its clients a full end-to-end solution for the conversion of solid sustainable feedstocks to sustainable aviation fuels via the so called “Integrated Technology Package”. The Company's two reference projects (the Altalto Immingham Project and the Mississippi Bio-refinery Project) are designed to accelerate the technology adoption further, even though the technology is already commercially referenced by the orders from RRB and Toyo and has been demonstrated at commercial scale by the ENVIA plant in Oklahoma during 2017 and 2018.

The expected net present value to Velocys per standard size contracted bio-refinery client with a nameplate capacity of 22.5 million gallons per year is \$50 – \$60 million, using a discount rate of 10 per cent.. This estimate comprises upfront and recurring revenues from the proprietary reactors and catalysts, fees from engineering and commissioning services, technology licence fees and decarbonisation royalties. By way of illustration, the potential profile of revenue streams of a typical integrated technology package (ITP) project are provided below.¹

Design phase (years 1-2)

- Year 1: FEED engineering fee (c.US\$0.25 – 0.75 million), ITP FEED (c.US\$1 – 2 million) and technology license (c.US\$1.5 – 2.5 million)
- Year 2: FEED engineering fee (c.US\$0.25 – 0.75 million)

¹ All values are indicative, based on Velocys internal/proprietary information, which has not been verified by any independent source, unless specifically noted. The values have been provided for illustrative purposes only, and are not an indication of future revenues.

Financial close and start of construction phase (years 3-4)

- Year 3: ITP FEED (c.US\$1 – 2 million), ITP start up (c.US\$0.25 – 0.75 million), technical support (c.US\$0.1 – 0.4 million), reactor sales (c.US\$5 – 7 million), catalyst sales (c.US\$4 – 5 million) and technology license (c.US\$1.5 – 2.5 million)
- Year 4: technical support (c.US\$0.25 – 0.75 million) and reactor sales (c.US\$5 – 7 million)

Completion of construction and then commercial operations (years 5-25)

- Year 5: technical support (c.US\$0.1 – 0.4 million), reactor sales (c.US\$5 – 7 million), catalyst sales (c.US\$4 – 5 million) and technology license (c.US\$0.3 – 0.6 million)
- Year 6-25: technical support (c.US\$0.1 – 0.4 million), catalyst sales (c.US\$4 – 5 million) and decarbonisation royalty (c.US\$4 – 6 million)

It should be noted that the profile of the technology license revenues of the Altalto Immingham Project and Mississippi Bio-refinery Project are expected to differ to the above during the first five years of their respective project lifecycles. These are shown below:²

Altalto Immingham Project – technology license revenues (years 1-5)

- Year 2: c.US\$1.5 – 2.5 million
- Year 3: c.US\$1.5 – 2.5 million
- Year 4: c.US\$0.3 – 0.6 million

Mississippi Bio-refinery Project – technology license revenues (years 1-5)

- Year 2: c.US\$3.5 – 4.5 million
- Year 4: c.US\$0.3 – 0.6 million

In addition to the above, the Company expects to earn development services revenues in year 1 (c.US\$0.2 – 0.6 million) and year 2 (c.US\$4.5 – 5.5 million) for the Altalto Immingham Project.

4. Current Trading

During March 2020 both the UK and the US Governments implemented a social distancing policy including “lock-down” and “stay at home” requirements for non-essential workers.

Due to the logistical difficulties involved in completing the audit while operating under lock-down restrictions, the Company believes that it will not be possible to complete the annual audit in time for an annual general meeting and presentation of the Company’s Annual Report and Accounts prior to 30 June 2020. The London Stock Exchange and the Registrar of Companies have approved a delay to the filing and publication of the Company’s audited annual accounts for the financial year ended 31 December 2019 and the holding of its 2020 AGM by three months in line with current broad industry practice due to the restrictions imposed by the COVID-19 pandemic.

Given this delay, on 19 June 2020, the Company provided an unaudited update on trading for the year ended 31 December 2019, which can be summarised as follows:

- The revenues for the period were £0.3 million (2018: £0.7 million).
- Operating loss for the period was £9.8 million before exceptional items, including a credit of £0.1 million related to impairments (2018: £18.6 million before exceptional items of £10.1 million).
- Administrative expenses before exceptional items reduced significantly to £10.0 million (£10.0 million after exceptional items) (2018: £19.1 million before exceptional items and £29.1 million after

² All values are indicative, based on Velocys internal/proprietary information, which has not been verified by any independent source, unless specifically noted. The values have been provided for illustrative purposes only, and are not an indication of future revenues.

exceptional items). This reduction of 47% in administrative expenses before exceptional items is principally due to aggressive cost cutting and efficient operations in corporate overhead, net headcount reductions, third party consulting costs eliminations and project development costs transferred to third parties.

- Cash at period end stood at £4.8 million (2018: £7.0 million).

5. Use of Proceeds

The Directors intend to use the net proceeds raised by the Fundraise of up to £10 million to complement the funding commitments already made by British Airways and Shell as follows: (i) £6 million to further strengthen its intellectual property and trade secrets protection, working capital and central costs for up to one year; (ii) £1.4 million to complete the process engineering phase of FEED for the Altalto Immingham Project until the first quarter of 2021; (iii) £0.6 million to complete the fund raising for the Mississippi Bio-refinery Project and launch the associated FEED; (iv) £0.5 million to evaluate and design a de-bottlenecking of the reactor core manufacturing line in the United States to reach a production capacity of more than 12 Fischer-Tropsch reactors per year (twice the current capacity) and (v) £0.4 million to implement learnings from a post-operative analysis from the demonstration reactors for the benefit of its clients via updated operating manuals and training.

The Directors intend to use the net proceeds raised by the Fundraise in excess of £10 million to extend the Company's cashflow runway, maintain a reasonable balance sheet as well as to accelerate the upgrading of the reactor manufacturing capability, including to implement lean manufacturing, full automation of certain welding steps and potentially the three dimensional printing of certain sub-components. Capital expenditure requirements for the manufacturing capability are expected to be c.£4.8 million, c.£1.2 million and c.£7 million in 2021, 2022 and 2025 respectively.

The Directors expect that the net proceeds of the Fundraise will be supplemented by other anticipated sources of funds in 2020, including completion payments from Red Rock Biofuels of £0.7 million for reactors and catalyst delivered by the Company, a UK R&D tax credit of £0.5 million and additional license fees and pre-FEED engineering fees from the new client project pipeline.

Taking into account the expected contribution from new investors into the project itself, the Directors believe that the Mississippi Bio-refinery Project is not likely to require any further net capital contributions from Velocys in relation to the FEED work. The Directors believe, however, that further funding will be required to achieve Velocys' objectives for the next stage of both the Mississippi Bio-refinery Project and the Altalto Immingham Project, as described in further detail in paragraph 2 (*Information on the Company*) of Part I (*Letter from the Chairman of Velocys plc*) of this document.

The commencement and completion of the next stage of either of the Altalto Immingham Project or Mississippi Bio-refinery Project will be dependent on the Company's ability to secure the requisite equity funding from strategic partners or otherwise, as well as key project procurement, supply and offtake contracts. As such, the timing of reaching and completing the next stage for either project is not wholly within the Company's control and the costs of reaching and completing the next stage will be higher if the projects do not begin and progress through the next stage in the timeframes currently anticipated. Should the Company not secure strategic investment, it will need to seek further funding in due course in order to be able to cover development costs and its working capital requirements, which may be from one or a combination of a larger capital raising or the realisation of its assets, such as granting additional intellectual property licenses or selling non-core intellectual property.

6. Principal terms of the Placing

The Company is conducting a conditional, non-pre-emptive placing of 377,386,000 new Ordinary Shares at the Placing Price. The Placing Shares will be placed by Numis and Canaccord (and other introducers) as agents for the Company and pursuant to the Placing Agreement, with institutional and other professional investors.

The Placing Price represents a discount to the closing mid-market price of the Ordinary Shares as at 24 June 2020 of 10.55 pence per Ordinary Share. The Placing Shares will, when issued, be credited as fully paid and will rank *pari passu* in all respects with the other Ordinary Shares then in issue, including all rights to all dividends and other distributions declared, made or paid following the relevant Admission.

The VCT Placing is conditional upon (amongst other things):

- (a) the passing of the Resolutions at the General Meeting;
- (b) the Placing Agreement becoming unconditional and the Placing Agreement not having been terminated in accordance with its terms; and
- (c) VCT Admission occurring on or before 15 July 2020 (or such later date as Numis, Canaccord and the Company may agree, not being later than 30 July 2020).

The General Placing is conditional upon (amongst other things):

- (a) the passing of the Resolutions at the General Meeting;
- (b) the Placing Agreement becoming unconditional and the Placing Agreement not having been terminated in accordance with its terms; and
- (c) General Admission occurring on or before 16 July 2020 (or such later date as Numis, Canaccord and the Company may agree, not being later than 30 July 2020).

Shareholders should note that it is possible that VCT Admission occurs but General Admission does not occur. If the relevant Admission does not occur then the Company will not receive the relevant net proceeds in respect of such Admission and the Company may not be able to finance the activities referred to in this document.

The Placing Agreement contains warranties from the Company in favour of Numis and Canaccord in relation to (amongst other things) the Company and its business. In addition, the Company has agreed to indemnify Numis and Canaccord in relation to certain liabilities it may incur in undertaking the Placing. Numis and Canaccord have the right to terminate the Placing Agreement in certain circumstances prior to General Admission, in particular, it may terminate in the event that there has been a material breach of any of the warranties or for *force majeure* (and other introducers and placing agents also have the right to terminate their agreements in certain circumstances).

The Company believes that the VCT Shares will rank as a qualifying holding for the purposes of investment by VCTs. However, no assurance has been obtained from HMRC or any other person that a subscription for VCT Shares is a qualifying holding for the purpose of investment by VCTs.

None of the Directors or the Company give any warranty or undertaking that any VCT investment in the Company is a qualifying holding, or that VCT qualifying status will not be withdrawn, nor do they warrant or undertake that the Company will conduct its activities in a way that qualifies for or preserves its status or the status of any investment in Ordinary Shares. Investors considering taking advantage of any of the reliefs available to VCTs should seek their own professional advice in order that they may fully understand how the rules apply in their individual circumstances and what they are required to do in order to claim any reliefs (if available). As the rules governing VCT reliefs are complex and interrelated with other legislation, if any potential investors are in any doubt as to their tax position, require more detailed information than the general outline above, or are subject to tax in a jurisdiction other than the UK, they should consult their professional advisers.

Application will be made for the VCT Shares and the General Placing Shares to be admitted to trading on AIM. It is expected that trading in the VCT Shares will commence at 8.00 a.m. on 15 July 2020 and that trading in the General Placing Shares will commence at 8.00 a.m. on 16 July 2020.

The Directors have subscribed for 1,200,000 Placing Shares in aggregate at the Placing Price, representing approximately 0.32 per cent. of the Placing Shares. Immediately following General Admission (and assuming no other issuance of new Ordinary Shares prior to General Admission and full subscription by Eligible Shareholders under the Open Offer), the Directors of the Company will have a legal and/or

beneficial interest in 5,057,317 Ordinary Shares, representing 0.48 per cent. of the Ordinary Shares expected to be in issue as at General Admission.

7. Related party transactions

The participation of Lansdowne Partners in the Placing constitutes a related party transaction under the AIM Rules as it is a substantial shareholder (within the meaning of the AIM Rules). Lansdowne Partners is subscribing for 60,000,000 Placing Shares at the Placing Price. The Directors consider, having consulted with Numis, the Company's nominated adviser, that the terms of the related party transaction are fair and reasonable in so far as its Shareholders are concerned.

Immediately following General Admission (and assuming no other issuance of new Ordinary Shares prior to General Admission and full subscription by Eligible Shareholders under the Open Offer), Lansdowne Partners will have a holding of 196,220,153 Ordinary Shares, representing approximately 18.45 per cent. of the Ordinary Shares expected to be in issue as at General Admission.

8. Principal terms of the Retail Offer

On 24 June 2020, the Company announced that it was proposing to conduct the Retail Offer. The Retail Offer, which took place between approximately 5.00 p.m. and 9.00 p.m. on 24 June 2020, was made in accordance with an available exemption against the requirement to produce an FCA approved prospectus.

The Retail Offer, which is not underwritten, was open to private and other investors subscribing via PrimaryBid.com. It was announced on 25 June 2020 that 22,614,000 Retail Shares were subscribed for via PrimaryBid.com by private and other investors.

Completion of the Retail Offer is conditional on the Placing being or becoming wholly unconditional. This document does not constitute an offer in respect of the Retail Offer (which closed on 24 June 2020 at 9.00 p.m.).

The Retail Shares will, when issued, be credited as fully paid and rank *pari passu* in all respects with the other Ordinary Shares then in issue, including all rights to all dividends and other distributions declared, made or paid following Admission.

Application will be made for the Retail Shares to be admitted to trading on AIM. It is expected that trading in the Retail Shares will commence at 8.00 a.m. on 16 July 2020.

9. Principal terms of the Open Offer

The Company considers it important that, where reasonably practicable, Shareholders have an opportunity to participate in its equity fundraisings. Accordingly, the Company intends to raise up to £1 million (before expenses) by way of the Open Offer.

The Open Offer has been structured such that the maximum amount that can be raised by the Company under the Retail Offer and the Open Offer will not exceed the sterling equivalent of €8 million. The limit of £1 million for the Open Offer has been set to allow existing Shareholders to participate in the fundraise, taking into account the dilution of Shareholders not able to participate in respect of the Placing and the capital needs of the Company. The maximum aggregate limit of the Retail Offer and the Open Offer also ensures that the Company is not required to produce an approved prospectus pursuant to section 85 of FSMA. The issue of a prospectus would considerably increase the costs of the fundraising and it would take much longer to complete, as any such prospectus would require the prior approval of the FCA.

On, and subject to the terms and conditions of the Open Offer, the Company invites Eligible Shareholders, being only Shareholders who are resident in the United Kingdom only on the Ex-Entitlement Date, to apply for their Basic Entitlement of Open Offer Shares at the Placing Price. Each Eligible Shareholder's Basic Entitlement has been calculated on the basis of 3.10676 Open Offer Shares for every 100 Existing Ordinary Shares held at the Record Date.

Eligible Shareholders are also invited to apply for additional Open Offer Shares in accordance with the Excess Entitlement. Any Open Offer Shares not issued to an Eligible Shareholder pursuant to their Basic Entitlement will be apportioned between those Eligible Shareholders who have applied for the Excess Entitlement at the sole discretion of the Board, provided that no Eligible Shareholder shall be required to subscribe for more Open Offer Shares than he or she has specified on the Application Form or through CREST.

The Open Offer is conditional upon (amongst other things):

- (a) the passing of the Resolutions at the General Meeting;
- (b) the Placing Agreement becoming unconditional and the Placing Agreement not having been terminated in accordance with its terms; and
- (c) General Admission occurring on or before 16 July 2020 (or such later date as Numis, Canaccord and the Company may agree, not being later than 30 July 2020).

The Open Offer Shares have not been and are not intended to be registered or qualified for sale in any jurisdiction other than the United Kingdom. Accordingly, unless otherwise determined by the Company and effected by the Company in a lawful manner, the Application Form will not be sent to existing Shareholders with registered addresses in any jurisdiction other than the United Kingdom since to do so would require compliance with the relevant securities laws of that jurisdiction. Applications from any such person will be deemed to be invalid. If an Application Form is received by any Shareholder whose registered address is elsewhere but who is in fact a resident or domiciled in a territory other than the United Kingdom, he/she should not seek to take up his/her allocation.

Part III (*Terms and Conditions of the Open Offer*) of this document, together with the accompanying Application Form, contains the terms and conditions of the Open Offer.

If an Eligible Shareholder does not wish to apply for Open Offer Shares he should not complete or return the Application Form or send a USE message through CREST.

10. Resolutions

The Company currently does not have sufficient authority to allot shares under the Act to effect the Placing, the Retail Offer and the Open Offer. Accordingly the Resolutions, summarised below, are being proposed at the General Meeting to ensure that the Directors have sufficient authority to allot and issue the Placing Shares and the Retail Shares on a non-pre-emptive basis and to allot and issue the Open Offer Shares.

- (a) Resolution 1 is an ordinary resolution to grant authority to the Directors under s551 of the Act to allot relevant securities, up to a maximum aggregate nominal amount of £4,199,999.57 pursuant to the Placing, the Retail Offer and the Open Offer, such authority expiring at the earlier of the Company's next annual general meeting and 30 September 2021.

If Resolution 1 is passed, the Directors will have the authority, under the Act, to allot Ordinary Shares up to the maximum aggregate nominal amount of £4,199,999.57 (being the maximum required for the purposes of issuing the Placing Shares, the Retail Shares and the Open Offer Shares).

- (b) Resolution 2 is a special resolution, conditional upon the passing of Resolution 1, to empower the Directors, pursuant to s570 of the Act, to allot Ordinary Shares up to a maximum aggregate nominal amount of £4,199,999.57 on a non-pre-emptive basis pursuant to the Placing, the Retail Offer and the Open Offer, such authority expiring at the earlier of the Company's next annual general meeting and 30 September 2021.

If Resolution 2 is passed, the Directors will have the power, under the Act, to allot the Placing Shares and the Retail Shares without offering those shares to existing Shareholders and to allot the Open Offer Shares without offering the Open Offer Shares to Shareholders resident in a Restricted Jurisdiction and to avoid the need to issue fractional entitlements to Ordinary Shares.

These authorities are required to enable the Directors to effect the Placing, the Retail Offer and the Open Offer and are in addition to the general authorities that were granted by Shareholders at the Company's annual general meeting on 12 June 2019, which gave the Directors authority to allot relevant securities up

to a maximum aggregate nominal amount of £1,354,395.12 under s551 of the Act and to allot Ordinary Shares up to a maximum aggregate nominal amount of £615,634.15 on a non-pre-emptive basis under s570 of the Act (such authorities expire at the next annual general meeting of the Company or 31 July 2020, whichever is earlier).

Resolution 1 is an ordinary resolution and requires a majority of more than 50 per cent. of the Shareholders voting to be passed. Resolution 2 is a special resolution and requires the approval of not less than 75 per cent. of the Shareholders voting to be passed.

The Notice of General Meeting is contained at the end of this document and sets out the Resolutions in full. The General Meeting is to be held at Magdalen Centre, Robert Robinson Avenue, The Oxford Science Park, Oxford OX4 4GA at 10.30 a.m. on 14 July 2020.

11. Risk Factors

The attention of Shareholders is drawn to the risk factors set out in Part II (Risk Factors) of this document.

12. Action to be Taken by Shareholders

(a) *In respect of the General Meeting*

Enclosed with this document is a Form of Proxy for use in connection with the General Meeting. You are requested to complete, sign and return the Form of Proxy to the Company's registrars, Link Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received as soon as possible and, in any event, not later than 10.30 a.m. on 10 July 2020. Shareholders who hold their ordinary Shares through a nominee should instruct their nominees to submit a Form of Proxy on their behalf.

On 11 May 2020, the UK Government announced the Stay Alert Guidance. The Stay Alert Guidance prohibits, among other things, certain public gatherings. The General Meeting has been arranged on the assumption that the Stay Alert Guidance continues to apply at the date of the General Meeting. As a result, the General Meeting is expected to be held in a format different to that of previous meetings, while still allowing for Shareholders to exercise their voting rights.

It is currently intended that the General Meeting will be held with only the minimum number of Shareholders or proxies present as required to form a quorum under the Company's articles of association, and who are essential for the business of the General Meeting to be conducted. The attendance of any additional Shareholder, proxy or corporate representative is not permitted under the Stay Alert Guidance. In light of the Stay Alert Guidance, which is expected to remain in force at the time of the General Meeting, no Shareholder, proxy or corporate representative should attend the General Meeting in person, as doing so would be in breach of the Stay Alert Guidance and potentially unsafe for them or the limited number of other persons in attendance. If the Stay Alert Guidance continues to apply at the date of the General Meeting, the Chairman of the General Meeting will exercise his powers to exclude any person who attempts to attend the General Meeting, and they will not be permitted entry to the location of the General Meeting.

The situation regarding COVID-19 is constantly evolving, and the UK Government may change current restrictions or implement further measures relating to the holding of general meetings during the affected period. Any changes to the General Meeting (including any change to the location of the General Meeting) will be communicated to Shareholders before the meeting through our website at www.velocys.com and, where appropriate, by announcement made by the Company to a Regulatory Information Service.

In light of the Stay Alert Guidance, the Company strongly encourages all Shareholders to submit their Form of Proxy, appointing the Chairman of the General Meeting as proxy. Only the formal business of the Resolutions will be carried out at the General Meeting and no update will be provided. Should a Shareholder have a question that they would have raised at the General Meeting, the Company asks that it be sent to info@velocys.com.

(b) ***In respect of the Open Offer***

- (i) *Eligible Non-CREST Shareholders (i.e. holders of Ordinary Shares who hold their shares in certificated form).*

If you are an Eligible Non-CREST Shareholder and wish to participate in the Open Offer, you should carefully read the Application Form accompanying this document and send the Application Form along with the appropriate remittance to the Company's Receiving Agent, Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 11.00 a.m. on 13 July 2020 and in accordance with the procedure set out at paragraph 4(a) of Part III (*Terms and Conditions of the Open Offer*) of this document.

- (ii) *Eligible CREST Shareholders (i.e. holders of Ordinary Shares who hold their shares in uncertificated form through CREST).*

If you are an Eligible CREST Shareholder, no Application Form is enclosed. You will instead receive a credit to your account in CREST in respect of your Basic Entitlement and also in respect of your Excess Entitlement (equal in size to the maximum number of Open Offer Shares available under the Open Offer less an amount equal to the Eligible Shareholder's Basic Entitlement). You should refer to the procedure for application set out in paragraph 4(b) of Part III (*Terms and Conditions of the Open Offer*) of this document.

Eligible CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Open Offer.

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 their applications under the Open Offer. If you are not an Eligible Shareholder and a person who has a contractual or other legal obligation to forward this document or an Application Form into a jurisdiction outside the UK and who has a registered address in, or who is resident or ordinarily resident in, or a citizen of, or which is a corporation, partnership or another entity created or organised under the law of a country other than the UK, then your attention is drawn to the information in paragraph 7 of Part III (*Terms and Conditions of the Open Offer*) of this document.

Eligible CREST Shareholders should note that, although Open Offer 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 Claim Processing Unit. Eligible non-CREST Shareholders should note that their Application Form is not a negotiable entitlement and cannot be traded.

13. Recommendation

The Directors consider that the Fundraise and the Resolutions are in the best interests of the Company and its Shareholders as a whole. The Company is reliant on the net proceeds of the Fundraise to meet its ongoing liquidity requirements and to continue to implement its strategy. If the Resolutions are not passed by Shareholders, the Fundraise will not proceed. In these circumstances, the Directors will need to reconsider the Company's strategy and the Company may need to seek alternative funding, which may not be available on terms which are acceptable to the Company or at all. Accordingly, the Directors unanimously recommend that Shareholders vote in favour of the Resolutions, as they intend to do in respect of their own legal and/or beneficial shareholdings, amounting, in aggregate, to 3,857,317 Ordinary Shares (representing approximately 0.6 per cent. of the Ordinary Shares in the issue as at the date of this document).

Yours faithfully

Philip Holland
Chairman

PART II

RISK FACTORS

An investment in the New Ordinary Shares is highly speculative and involves a high degree of risk. Before making any investment decision, prospective investors should carefully consider all the information contained in this document including, in particular, the risk factors described below. In addition to the usual risks associated with an investment in a business such as the Company's, the Directors believe that, in particular and in no order of priority, the following risk factors should be considered. Other factors relate principally to an investment in the New Ordinary Shares. It should be noted that this list is not exhaustive and that other risk factors may apply. Additional risks and uncertainties not currently known to the Directors, or that the Directors currently deem immaterial, may also have an adverse effect on Velocys' group's business, financial condition and results of operations.

This document contains forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks faced by the Company which are described below and elsewhere in this document. Prospective investors should carefully consider the other information in this document. The risks listed below do not necessarily comprise all the risks associated with an investment in the Company.

An investment in the Company may not be suitable for all recipients of this document. Investors are accordingly advised to consult an independent financial adviser duly authorised under FSMA and who specialises in advising upon the acquisition of shares and other securities before making a decision to invest.

1. RISKS RELATING TO THE COMPANY AND ITS BUSINESS

1.1 Risk factors associated with Velocys' operations

Company's working capital requirements

The Company is reliant on the net proceeds of the Placing, the Retail Offer and the Open Offer to implement its strategy, as described in paragraph 5 of Part I (*Letter from the Chairman of Velocys plc*) of this document. The Placing, the Retail Offer and the Open Offer are conditional on, amongst other things, the passing of the Resolutions at the General Meeting. If one of the conditions is not fulfilled, the Company may fail to raise any proceeds as a result of the Placing, the Retail Offer and the Open Offer. In this case, the Company will not have the working capital it requires to implement its current strategy and the Company will need to reconsider its options, including a review of that strategy. If the Placing, the Retail Offer and the Open Offer do not complete for whatever reason, it could adversely affect the Company's business, financial condition, results or future operations.

Pace of commercial adoption

The adoption of a new technology, particularly one with high capital requirements, is inherently difficult to predict and there is a risk that commercial roll-out may be slower than anticipated by the Company. There are no assurances that projects using the technology will be developed on time, within budget, or operate immediately upon start-up. Furthermore, third parties involved in the financing of such projects may delay funding them for reasons outside the Company's control. Any material delays or unbudgeted expenditures incurred on such projects could postpone or halt the widespread adoption of the Company's technology, which could adversely affect the Company's business, financial condition, results or future operations.

Reactor and catalyst performance

Velocys' Fischer-Tropsch reactors may not perform as expected or at full conversion rate. In addition, Velocys' catalysts might not perform as expected or for as long as expected. Technology supplied by other licensors may not function as expected or may not integrate as expected with the Company's technology, which could cause the plants to operate sub-optimally, and could introduce additional

costs and delays to the project, including delays to receipt of revenue from the project. Other operational issues that have not been foreseen by the Company could also result in additional costs or delays to the project. In such circumstances, there can be no guarantee that sufficient funding will be available to complete the project through all successive development phases, which could materially adversely affect the Company's business, financial condition, results or future operations.

Financial markets and global economic outlook

The performance of the Company will be influenced by global economic conditions and, in particular the conditions prevailing in the United States and the United Kingdom. The Company may be exposed to increased counterparty risk as a result of business failures in the countries in which it operates and will continue to be exposed if counterparties fail or are unable to meet their obligations to the Company. The precise nature of all the risks and uncertainties that the Company faces as a result of the global economic outlook cannot be predicted and many of these risks are outside of the Company's control. If economic conditions become challenging, this could adversely affect the Company's business, financial condition, results or future operations.

Access to capital

The Company is expected to remain cash flow negative for a period of time and continues to be reliant on additional external capital for its ongoing operations, investment program in scaling up manufacturing capability as well as reference project development. The Directors recognise that the Company needs to raise additional capital from current and new shareholders on the back of achieved technology demonstration and project milestones. The Company's strategy is to build up a number of customer developed projects that earn the Company annually recurring revenues, which will lead the Company to being profitable with positive long-term cashflows.

The Company relies on strategic third-party project investment for development capital to progress both its reference projects to financial close, covering FEED as well as pre-FEED costs. The Company intends to seek to raise sufficient additional development capital for its current reference projects in the future, as the net proceeds of the Placing, the Retail Offer and the Open Offer are largely not intended to be used for development capital for the Company's reference projects. Any additional equity financing may be dilutive to Shareholders, and further debt financing, if available, may involve restrictions in financing and operating activities. Moreover, the further issue of Ordinary Shares could have a negative impact on the trading price and increase the volatility of the market price of the Ordinary Shares. In addition, there can be no assurance that the Company will be able to raise additional funds when needed or that such funds will be available on terms favourable to it, which could adversely affect the Company's ability to raise sufficient capital to construct and commission or progress its projects and the Company's business, financial condition, results or future operations.

Foreign exchange

The Company holds its cash and transacts in multiple currencies, which may expose it to foreign exchange related losses. The Company is generally funded in GBP, while more than half of its costs and most of its revenues as in USD. Any losses as a result of foreign exchange fluctuations could adversely affect the Company's business, financial condition, results or future operations.

Tax legislation

The Company is governed by the tax codes/legislation of the United States and the United Kingdom which may be amended in the future, introducing unfavourable tax risks related to ongoing transactions, project holdings and tax assets currently held in both countries. Any changes to relevant tax codes/legislation that are unfavourable to the Company could adversely affect the Company's business, financial condition, results or future operations.

Commodity price volatility

Refined oil products such as diesel, naphtha and aviation fuel prices are volatile, depending on shifts in local, regional and global supply and demand and the general economic and political climate. These

products are priced in liquid traded markets such as CME-NYMEX over which the Company has no control. Any decrease in oil prices could reduce the market's perception of the benefits of the Company's offering, the investment appetite of partners or the availability of capital to fund projects, which could adversely affect the Company's business, financial condition, results or future operations.

Furthermore, bio-refinery plants consume material amounts of natural gas and electricity and any increases in these energy costs may impact the competitiveness of the Company's technology and could adversely affect the Company's business, financial condition, results or future operations.

Additionally, commodity pricing, supply chain and availability in relation to construction materials are largely outside the Company's control and any adverse change in pricing, supply chain or availability could increase the costs of, or result in delays to, the Company's reference projects and third party client onboarding, which could adversely affect the Company's business, financial condition, results or future operations.

Intellectual property

While the Company's core technology is protected by patents and the Company enters into non-disclosure agreements with third parties, unauthorised third parties may receive or obtain confidential information about the Company's core technology, thereby exposing the Company to competitors obtaining this information and gaining a competitive advantage, which could adversely affect the Company's business, financial condition, results or future operations.

Competing technologies

There are other technologies either already in existence or in development that could take market share from the Company. The Company and its partners have invested significant resources in plant integration optimisation and modularisation, achieving reductions in capital expenditure and operating expenditure intensity on a per gallon basis. Such advances take a long time to develop and provide the Company with a competitive advantage beyond its core Fischer-Tropsch technology capability. In addition, the Company believes that the market is large enough to support multiple suppliers. In any event, due to the complexity of the processes to convert solid bio-feedstocks to drop-in fuels at commercial scale, the barriers to entry are significant. Notwithstanding this, if a competitor were to take significant market share from the Company, this could adversely affect the Company's business, financial condition, results or future operations.

Personnel – skills and retention

The Company's success depends upon its ability to attract and recruit, retain and incentivise highly skilled employees across all areas of the business. Of particular importance is the ability of the Company to utilise the experience, capability and know-how of its process engineers, commercial product marketing team, feed stock supply and other specialists who provide client support, financial and technical assistance through the design, construction, start up and commissioning of plants. If the Company is unable to retain or successfully attract and recruit key employees across all areas of the business, including at the Immingham, UK and Mississippi, USA bio-refineries, it could delay or prevent the implementation of its strategy, which could adversely affect the Company's business, financial condition, results or future operations.

Supply chain for reactors and catalyst

As a licensor of reactors and catalyst, the Company is reliant upon a number of manufacturers who have the expertise and capability to supply commercial-quantities of catalyst and commercial reactors under Velocys' manufacturing license. If a number of the key suppliers to the Company were unable to fulfil their order requirements for whatever reason, the Company would have to seek alternative suppliers, and there can be no guarantee that those alternative suppliers will be available at the required time, of sufficient quality, and at an acceptable price. If one or more of these conditions are not met, projects may be delayed until suitable suppliers are found, which could adversely affect the Company's business, financial condition, results or future operations.

Unplanned complications, whether operational or financial, with equipment suppliers in the Company's manufacturing supply chain could lead to delays in the Company's deliveries of reactors and catalysts to clients, potentially triggering liquidated damages provisions in the Company's supply contracts. Depending on the length of the delay and the quantum of liquidated damages, this could adversely affect the Company's business, financial condition, results or future operations.

Procurement and construction contracting risk

Failure to contract a comprehensive procurement and construction partner at a competitive price for each project could lead to delays in reaching financial close for the relevant project, which in turn could adversely affect the Company's business, financial condition, results or future operations.

Regulatory and legislative changes

The regulatory and/or legislative framework and policy support for bio-refineries could be subject to change. There can be no assurances that the Company will continue to hold all of the necessary consents, approvals and licences required to conduct its business, and where new permissions are required, these may be delayed or not forthcoming. If any new approvals or licences are required in order for the Company to carry on its business, the Company could face delays or prohibitions on the use of its products, which could adversely affect the Company's business, financial condition, results or future operations.

Insurance

The Company requires various forms of insurance for itself and its projects. Failure to procure adequate and comprehensive coverage or to do so at a reasonable cost could introduce financial risks which could adversely affect the Company's business, financial condition, results or future operations. Additionally, certain risks involved in the Company's business may be uninsurable.

Decarbonisation policy

The Company's clients rely on policy support to secure a significant explicit or implicit revenue for avoided CO₂ emissions. If political support for mitigation of climate change (such as decarbonisation of fuels) wanes, this could adversely affect the Company's business, financial condition, results or future operations.

Further, the economics of the Company's bio-refineries are dependent on the receipt of Renewable Fuel Standard Renewable Identification Number credits, State of California LCFS credits, and the UK development Renewable Transport Fuel Certificates in order to maintain revenues above operational costs. These mechanisms are mutually independent and governed by separate laws.

There can be no guarantee that the pricing and market for these credits or certificates will remain supportive of bio-refinery economics in the longer term, or that the Company's plants will meet the required carbon intensity threshold. If the price of credits were to drop substantially it could significantly reduce the viability of bio-refineries generally and materially adversely affect the Company's business, financial condition, results or future operations.

Impairment

Velocys holds intangible assets and property, plant and equipment, of which the valuation may change. The assets are valued at the lower of cost and net realisable value and reviewed on a continuous basis by management, supported by an annual impairment review. When considering the value in use, given the early stage of the Company's technology, there remains a significant amount of uncertainty in any commercial roll-out of the technology, and thus in management's forecasts. If any valuation or forecast is significantly lower than expected by management, this could adversely affect the Company's business, financial condition, results or future operations.

Health, safety and environmental risks

Health, safety and environmental risks occur in all businesses, such that incidents may take place resulting in injury or exposure to hazardous conditions for an employee, contractor or customer. The Company provides operational management services, incorporating rigorous health, safety and environmental advice, to support biorefineries developed by the Company or a third party. Nevertheless, any significant health, safety or environmental breach may adversely affect the Company's business, financial condition, results or future operations and could also result in reputational damage for the Company.

Claims, litigation or other proceedings

At any given time, the Company may be subject to claims, litigation or other proceedings. In particular, the bankruptcy trustee of Ventech has made certain claims against the Company, as described more fully in paragraph 2(i) (*Information on the Company*) of Part I (*Letter from the Chairman of Velocys plc*) of this document.

Generally, claims, litigation and proceedings are inherently uncertain and their results cannot be predicted with certainty. Regardless of the outcome, such proceedings can have an adverse impact because of legal costs, diversion of management resources, and other factors. It is possible that resolution of claims, litigation and proceedings which may arise could result in substantial fines, penalties and/or reputational damage that could adversely affect the Company's projects or any one of them or the Company's business, financial condition, results or future operations.

Fraud

Fraud can be perpetrated from both within the Company as well as from outside. The primary responsibility for the prevention and detection of fraud rests with those charged with governance of the Company and its management. The Board manages risk of fraud by the controls set in place to manage the transactions within the Company along with the policies and procedures commensurate with these transactions. These are reviewed on a regular basis. However, any significant incident in relation to fraud could adversely affect the Company's business, financial condition, results or future operations and could also result in reputational damage for the Company.

Political instability in the United Kingdom

Following the United Kingdom's exit from the European Union ("**Brexit**") on 31 January 2020 and entrance into the transition period, the likelihood of a "no deal" Brexit has increased, and the Company faces risks associated with the political and economic instability associated with this, as well as uncertainty relating to the regulatory environment in which it will operate in the future. The United Kingdom's exit may materially change the legal and regulatory framework applicable to the Company's business and operations and result in further political, regulatory and economic uncertainty which may adversely affect the market in which the Company operates but the extent of the impact will depend in part on the nature of the arrangements (if any) that are put in place between the United Kingdom and the European Union at the end of the transition period, as well as the terms of any trade deal between the United Kingdom and the United States and Japan respectively. The general speculation and concern regarding the arrangements that will be put in place at the end of the transition period has also caused uncertainty in the market which may damage investors' confidence. Any reduction in the competitiveness of the economy of the United Kingdom due to Brexit could adversely affect the Company via weakness in its funding currency (GBP). Any of these risks could adversely affect the Company's business, financial condition, results or future operations.

Pandemics

As has been seen recently in relation to the COVID-19 pandemic, the spread of an infectious disease can cause significant business interruption and a downturn in economic activity. As a direct result of the current or any future pandemic, there is a heightened risk of bankruptcy of suppliers and customers of the Company, with a consequential risk for the financial position of the Company. In addition, there is risk to the health and wellbeing of employees and others working alongside the

Company. Any of these risks could adversely affect the Company's business, financial condition, results or future operations.

1.2 Risks relating to the Altalto Immingham Project

There is no guarantee that the Altalto Immingham Project will proceed through into the final FEED phase. Risks specific to this project include the following, any of which could delay or halt the project before FID is reached, and/or reduce the attractiveness of the project to potential investors:

- there may continue to be a lack of clarity on future waste policy, including maintaining the UK Landfill Tax;
- the Renewable Transport Fuel Obligation is a support mechanism managed by the UK Government and may be altered such that the development Renewable Transport Fuel Certificates may no longer have value to the project or its customers;
- existing project partners may not be willing to fund the FEED development stage prior to FID; and
- capital expenditure or operating expenditure estimates derived during engineering studies may make the project unfinanceable and are currently uncertain.

There remains uncertainty in the licensing costs and timeline of licensor packages for the bio-refinery for the Altalto Immingham Project and this uncertainty will not be resolved until completion of the FEED study, which is now under way and expected to continue into 2021. Any change in the licensing costs, delay in the Company's anticipated timeline for agreeing licensor packages or reduction in the availability of licensor packages could negatively impact the plant economics and, consequently, financeability, which could adversely affect the Company's business, financial condition, results or future operations.

If the Altalto Immingham Project does not progress to FID, this could adversely affect the Company's business, financial condition, results or future operations.

1.3 Risk factors specific to the Mississippi Bio-refinery Project

The Company needs to secure strategic project investment for development capital to progress the Mississippi Bio-refinery Project to FID. If the Company is not able to secure, or there is a delay in securing, sufficient strategic project investment, the achievement of FID may be delayed, which could adversely affect the Company's business, financial condition, results or future operations.

1.4 Risk factors specific to the commercial license deals

Project continuation

Red Rock Biofuels LLC and Toyo may fail to deliver their projects or there may be significant delays or material changes to their projects, any of which could impact the timing and quantum of future revenues, which could adversely affect the Company's business, financial condition, results or future operations.

Supply chain

Delays or complications in the qualification process for reactor and catalyst manufacturing could impact costs and timeline of revenues. Raw material pricing movements could impact costs and erode margins. Either of these events could adversely affect the Company's business, financial condition, results or future operations.

2. RISKS RELATING TO THE ORDINARY SHARES

Value of Ordinary Shares and liquidity

It is likely that the Company's share price will fluctuate and may not always accurately reflect the underlying value of the Company's business and assets. The price of the Ordinary Shares may go down as well as up and investors may realise less than the original sum invested. The price that investors may realise for their holdings of Ordinary Shares, if and when they are able to do so, may be influenced by a large number of factors, some of which are specific to the Company and others of which are extraneous. Such factors may include the possibility that the market for the Ordinary Shares is less liquid than for other equity securities and that the price of the Ordinary Shares is relatively volatile. The market price of the Ordinary Shares may, in addition to being affected by the Company's actual or forecast operating results, fluctuate significantly as a result of factors beyond the Company's control, including amongst others:

- (a) changes in securities analysts' recommendations or the failure to meet the expectations of securities analysts;
- (b) changes in the performance of the Company's industry as a whole and of the Company's competitors;
- (c) fluctuations in stock market prices and volumes, and general market volatility; and
- (d) the introduction of new legislation affecting the Company's industry.

The Directors are unable to predict when and if substantial numbers of Ordinary Shares will be sold in the open market. Any such sales, or the perception that such sales might occur, could result in a material adverse effect on the market price of the Ordinary Shares.

Investment on AIM

Investment in securities traded on AIM is perceived to involve a higher degree of risk and be less liquid than investment in companies whose securities are listed on the Official List in the United Kingdom and traded on the London Stock Exchange's main market for listed securities. An investment in Ordinary Shares traded on AIM may be difficult to realise. AIM has been in existence since 1995 and is a market designed for small and growing companies but its future success and liquidity as a market for Ordinary Shares cannot be guaranteed. Prospective investors should be aware that the value of the Ordinary Shares may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Company. Investors may therefore realise less than, or lose all of, their investment.

Dividends

There can be no assurance as to the level of future dividends (if any). The declaration, payment and amount of any future dividends of the Company are subject to the discretion of the Shareholders or, in the case of interim dividends, to the discretion of the Directors, and will depend upon, among other things, the Company's earnings, financial position, cash requirements, availability of profits, as well as provisions for relevant laws or generally accepted accounting principles from time to time. For the time being the Company does not pay dividends and this is unlikely to change in the near future.

Suitability

Investment in the Ordinary Shares may not be suitable for all readers of this document. Readers are accordingly advised to consult an independent financial adviser authorised under FSMA who specialises in investments of this nature before making any investment decisions.

3. RISKS RELATING TO THE PLACING, THE RETAIL OFFER AND THE OPEN OFFER

Shareholders will experience dilution in their ownership of the Company

Regardless of whether an Eligible Shareholder takes up its Open Offer Entitlement, the effect of the Placing and the Retail Offer will be a reduction of that Shareholder's proportionate ownership and voting interests in the Company. Neither the Placing Shares nor the Retail Shares are being offered to Eligible Shareholders under the Open Offer. Shareholders will experience greater dilution in their ownership of, and voting interests in, the Company to the extent they do not subscribe in full for their Open Offer Entitlement. Shareholders who do not take up their Basic Entitlement at all will experience a dilution in their interests of approximately 39.5 per cent. following the Placing, the Retail Offer and the Open Offer (assuming full subscription under the Open Offer). Shareholders who take up their Basic Entitlements in full will experience a dilution to their interests of 37.6 per cent. on the same basis.

VCT status

The Company has not obtained any assurance from HMRC or any other person that a subscription for VCT Shares in the Company is a qualifying holding for the purposes of investment by VCTs. The status of the VCT Shares as a qualifying holding for VCT purposes is conditional, amongst other things, on the Company and its trade satisfying the requirements of VCT throughout the period the Ordinary Shares are held as a qualifying holding for VCT and on the investor that is seeking to avail itself of VCT qualifying status satisfying certain conditions.

Neither the Directors nor the Company give any warranty or undertaking that VCT qualifying status is or will be available or that the Company will conduct its activities in a way that qualifies for or preserves its status or the status of any investment in Ordinary Shares.

If the law regarding the reliefs available to investors in VCTs change, any qualifying status previously obtained (if any) may be lost or withdrawn.

Investors considering taking advantage of any of the reliefs available to VCTs should seek their own professional advice in order that they may fully understand how the rules apply in their individual circumstances and what they are required to do in order to claim any reliefs (if available). As the rules governing VCT reliefs are complex and interrelated with other legislation, if any potential investors are in any doubt as to their tax position, require more detailed information than the general outline above, or are subject to tax in a jurisdiction other than the UK, they should consult their professional advisers.

Overseas Shareholders are not eligible to participate in this Open Offer

Securities laws of certain jurisdictions restrict the Company's ability to allow participation by Overseas Shareholders in the Open Offer. In particular, holders of Ordinary Shares who are located in the United States are not be able to exercise their Open Offer Entitlements unless a registration statement under the Securities Act is effective with respect to such rights or an exemption from the registration requirements is available thereunder. The Placing, the Retail Offer and the Open Offer will not be registered under the Securities Act. Securities laws of certain other jurisdictions may restrict the Company's ability to allow participation by Shareholders in such jurisdictions in any future issue of shares carried out by the Company. Shareholders who have a registered address in or who are resident in, or who are citizens of, countries other than the UK are not entitled to participate in the Open Offer. However, the Company reserves the right, in its absolute discretion provided it is lawful to do so, to permit non-UK resident Shareholders to participate in the Open Offer on a case by case basis.

PART III

TERMS AND CONDITIONS OF THE OPEN OFFER

1. Introduction

As explained in the letter set out in Part I (*Letter from the Chairman of Velocys plc*) of this document, the Company hereby invites Eligible Shareholders to apply, on and subject to the terms and conditions set out in this document and in the Application Form, and subject to the Articles of the Company, for Open Offer Shares at the Placing Price, free from all expenses, payable in cash in full on application. Subject to certain minimum subscriptions set out below, Eligible Shareholders are being given the opportunity to subscribe for their Basic Entitlement at the Placing Price payable in full on application and free of all expenses, *pro rata* to their existing shareholdings.

In addition to their Basic Entitlement, but only where they have exercised their Basic Entitlement in full, Eligible Shareholders are invited to subscribe for such Excess Entitlement at the Placing Price, free from all expenses, payable in cash in full on application as they may choose.

Any Open Offer Shares not issued to an Eligible Shareholder pursuant to their Basic Entitlement will be apportioned between those Eligible Shareholders who have applied for Excess Entitlements at the sole discretion of the Board, provided that no Eligible Shareholder shall be required to subscribe for more Open Offer Shares than he or she has specified on the Application Form or through CREST.

Only Eligible Shareholders, which means only Shareholders who are resident in the UK, will be eligible to make an application for Open Offer Shares. Shareholders domiciled in any other territory, including any other EEA member state, will not be permitted to apply for any Open Offer Shares.

The Company intends to raise up to £1 million (before expenses) by way of the Open Offer.

The Open Offer has been structured such that the maximum amount that can be raised by the Company under the Retail Offer and the Open Offer will not exceed the sterling equivalent of €8 million. The limit of £1 million for the Open Offer has been set to allow existing Shareholders to participate in the fundraising, taking into account the dilution of Shareholders not able to participate in respect of the Placing and the capital needs of the Company. The maximum limit of the Retail Offer and the Open Offer also ensures that the Company is not required to produce an approved prospectus pursuant to section 85 of FSMA. The issue of a prospectus would considerably increase the costs of the fundraising and it would take much longer to complete, as any such prospectus would require the prior approval of the FCA.

The Placing Price represents a discount to the closing mid-market price of the Ordinary Shares as at 24 June 2020 of 10.55 pence per Ordinary Share.

The Open Offer Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, the Placing Shares and the Retail Shares, including the right to receive all dividends and other distributions declared, made or paid after the date of their issue. The allotment and issue of the Open Offer Shares will be made upon and be subject to the terms and conditions set out in this document and in the Application Form.

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 General Admission will become effective and that dealings in the Open Offer Shares will commence on AIM at 8.00 a.m. on 16 July 2020.

If an Eligible Shareholder does not wish to apply for Open Offer Shares he should not complete or return the Application Form.

A maximum number of 19,999,957 Open Offer Shares will be offered to Eligible Shareholders as part of the Open Offer. In no circumstances will more than this number of Ordinary Shares be issued pursuant to the Open Offer, even if the Open Offer is over subscribed.

2. Principal terms and conditions of the Open Offer

Eligible Shareholders are being given the opportunity to subscribe for their Basic Entitlement at the Placing Price payable in full on application and free of all expenses, *pro rata* to their existing shareholdings on the basis of:

3.10676 Open Offer Shares for every 100 Existing Ordinary Shares

held at the Record Date. Basic Entitlement will be rounded down to the nearest whole number of shares. Fractional entitlements which would have otherwise arisen will not be issued, but will be aggregated and made available under the excess application facility.

Eligible Shareholders are also invited to apply for additional Open Offer Shares in accordance with the Excess Entitlement. Any Open Offer Shares not issued to an Eligible Shareholder pursuant to their Basic Entitlement will be apportioned between those Eligible Shareholders who have applied for Excess Entitlements at the sole discretion of the Board, provided that no Eligible Shareholder shall be required to subscribe for more Open Offer Shares than he or she has specified on the Application Form or through CREST.

Eligible Shareholders may apply for, on and subject to the terms and conditions set out in this document and in the accompanying Application Form, any whole number of Open Offer Shares at the Placing Price.

Eligible Shareholders with fewer than 100 Existing Ordinary Shares will not be entitled to take up any Open Offer Shares, but can apply for additional Open Offer Shares in accordance with the Excess Entitlement.

Only Eligible Shareholders, which means only Shareholders who are resident in the UK, will be eligible to make an application for Open Offer Shares. Shareholders domiciled in any other territory, including any other EEA member state, will not be permitted to apply for any Open Offer Shares.

Eligible Shareholders should be aware that the Open Offer is not a rights issue and the Application Form is not a negotiable document and cannot be traded. Applications for Open Offer Shares 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. Open Offer Shares not applied for under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and Eligible Shareholders who do not apply to take up Open Offer Shares will have no rights under the Open Offer.

3. Conditions and further terms of the Open Offer

The Open Offer is conditional on:

- (a) the Resolutions being passed at the General Meeting; and
- (b) the Placing Agreement becoming unconditional in all respects, save for any condition relating to General Admission of the Open Offer Shares.

Accordingly, if these conditions are not satisfied or waived (where capable of waiver), the Open Offer will not proceed and any applications made by Eligible Shareholders will be rejected. In such circumstances, application monies will be returned (at the applicant's sole risk), without payment of interest, as soon as practicable thereafter.

No temporary documents of title will be issued in respect of the Open Offer Shares held in uncertificated form. Definitive certificates in respect of Open Offer Shares taken up are expected to be posted to those Eligible Shareholders who have validly elected to hold their Open Offer Shares in certificated form during the week commencing 20 July 2020. In respect of those Eligible Shareholders who have validly elected to hold their Open Offer Shares in uncertificated form, the Open Offer Shares are expected to be credited to their stock accounts maintained in CREST by as soon as possible after 8.00 a.m. on 16 July 2020.

All monies received by the Receiving Agent in respect of Open Offer Shares will be credited to a non-interest bearing account by the Receiving Agent.

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

4. Procedure for Application and Payment

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 the Open Offer or you have Open Offer Entitlements credited to your CREST stock account.

Eligible Shareholders who hold all their Existing Ordinary Shares in certificated form will receive a personalised Application Form. The Application Form will show the number of Ordinary Shares held at the Record Date. It will also show Eligible Shareholders their Basic Entitlement and the total number of Open Offer Shares available under their Open Offer Entitlement that can be allotted in certificated form. Eligible Shareholders who hold all their Existing Ordinary Shares in CREST will be allotted Open Offer Shares in CREST. Eligible Shareholders who hold Existing Ordinary Shares partly in certificated and partly in uncertificated form 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. However, it will be possible for Eligible Shareholders to deposit Open Offer Entitlements into, and withdraw them from, CREST. Further information on deposit and withdrawal from CREST is set out in paragraph 4(b)(vi) of this Part III (*Terms and Conditions of the Open Offer*).

Eligible Shareholders who do not wish to apply for any Open Offer Shares under the Open Offer should not complete or return the Application Form or submit a USE message through CREST. Eligible Shareholders who hold their Ordinary Shares through a nominee and who wish to apply for Open Offer Shares must contact their nominee as such Eligible Shareholders will not be able to apply for Open Offer Shares directly using the Application Form.

(a) ***If you receive an Application Form in respect of your Open Offer Entitlements under the Open Offer***

(i) *General*

Subject as provided in paragraph 7 of this Part III (*Terms and Conditions of the Open Offer*) in relation to Overseas Shareholders, Eligible Non-CREST Shareholders will receive an Application Form. The Application Form shows the number of Existing Ordinary Shares registered in your name on the Open Offer Record Date. It also shows the number of Open Offer Shares for which you may apply pursuant to your Basic Entitlement (on an initial *pro rata* basis), as shown by the total number of Open Offer Shares allocated to you. You may apply for less than your initial *pro rata* entitlement should you wish to do so. You may also apply for additional Open Offer Shares by completing Box 3 on the Application Form relating to your Excess Entitlement.

Eligible Non-CREST Shareholders may also hold such an Application Form by virtue of a *bona fide* market claim. If the total number of Open Offer Shares applied for by all Eligible Shareholders exceeds 19,999,957, applications for Open Offer Shares will be scaled back at the discretion of the Directors. The instructions and other terms set out in the Application Form forms part of the terms of the Open Offer in relation to Eligible Non-CREST Shareholders.

(ii) *Bona fide market claims*

Applications to acquire Open Offer Shares may only be made on the Application Form and may only be made by the Eligible Non-CREST Shareholder named in it or by a person entitled by virtue of a *bona fide* market claim in relation to a purchase of Ordinary Shares through the market prior to the Ex-Entitlement Date. Application Forms may not be assigned, transferred or split, except to satisfy *bona fide* market claims up to 3.00 p.m. on 9 July 2020. The Application Form will not be a negotiable document and will not be separately tradeable.

An Eligible Non-CREST Shareholder who has sold or otherwise transferred all or part of his holding of Ordinary Shares prior to the Ex-Entitlement Date, should consult his broker or other professional adviser as soon as possible, as the invitation to acquire Open Offer Shares under the Open Offer may be a benefit which may be claimed by the transferee. Eligible Non-CREST 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 be forwarded to or transmitted to any territory outside the United Kingdom. If the market claim is to be settled outside CREST, the beneficiary of the claim should follow the procedures set out in the Application Form. If the market claim is to be settled in CREST, the beneficiary of the claim should follow the procedure set out in paragraph 4(b)(ii) of this Part III (*Terms and Conditions of the Open Offer*) below.

(iii) *Application procedures*

Eligible Non-CREST Shareholders wishing to apply to acquire Open Offer Shares should complete the Application Form in accordance with the instructions printed on it. If the total number of Open Offer Shares applied for by all Eligible Shareholders exceeds 19,999,957, applications will be scaled back at the Directors discretion.

Completed Application Forms should be posted in the pre-paid envelope accompanying the Application Form or returned by post or by hand (during normal business hours only) to the Receiving Agent, Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU (who will act as Receiving Agent in relation to the Open Offer) so as to be received by the Receiving Agent by no later than 11.00 a.m. on 13 July 2020, after which time Application Forms will not be valid. Eligible Non-CREST Shareholders should note that applications, once made, will be irrevocable and receipt thereof will not be acknowledged. Eligible Shareholders are recommended to allow at least four working days for delivery if posted by first class post. If you have any questions relating to this document, and the completion and return of the Application Form, please telephone Link Asset Services on +44 (0) 371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

All payments must be in pounds sterling and made by cheque or bankers' draft and should be made payable to "Link Market Services Ltd re: Velocys PLC Open Offer A/C" and crossed "A/C payee only". Cheques and bankers' drafts must be drawn in sterling on a bank or building society in the UK which is either a settlement member of the Cheques & Credit Clearing Company Limited or the CHAPS & Town Clearing Company Limited or a member of the Committee of Scottish or Belfast Clearing Houses or which has arranged for its cheques and bankers' drafts to be cleared through facilities provided for the members of either of those companies or committees and must bear the appropriate sorting code in the top right hand corner. **No application will be considered unless these requirements are fulfilled. Eurocheques, BACS and CHAPS payments will not be accepted.**

Cheques should be drawn on the personal account to which the Eligible Shareholder has sole or joint title to the funds. Third party cheques will not be accepted with the exception of bankers' drafts/building society cheques where the bank/building society has confirmed the name of the account holder on the back of the draft/cheque and has added their stamp. The account name must be the same as that of the Applicant.

Cheques and bankers' drafts will be presented for payment upon receipt and it is a term of the Open Offer that cheques will be honoured on first presentation. If cheques or bankers' drafts

are presented for payment before the conditions of the Open Offer are fulfilled, the application monies will be kept in a separate bank account pending fulfilment of such conditions. If all the conditions of the Open Offer have not been fulfilled or (where appropriate) waived by 16 July 2020 (or such later date as the Company and its advisers may agree but in any event not later than 30 July 2020), application monies will be returned, without interest, by crossed cheque in favour of the applicant(s) (at the applicant's risk) through the post within 14 days after that date.

The Company may in its sole discretion, but shall not be obliged to, treat an Application Form as valid and binding on the person by whom or on whose behalf it is lodged, even if not completed in accordance with the relevant instructions or not accompanied by a valid power of attorney where required, or if it otherwise does not strictly comply with the terms and conditions of the Open Offer. The Company further reserves the right (but shall not be obliged) to accept either:

- A. Application Forms received after 11.00 a.m. on 13 July 2020; or
- B. applications in respect of which remittances are received before 11.00 a.m. on 13 July 2020 from authorised persons (as defined in FSMA) specifying the Open Offer Shares applied for and undertaking to lodge the Application Form in due course but, in any event, within two business days.

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 banker's draft is not honoured upon first presentation or such Eligible Non-CREST Shareholder's application is subsequently otherwise deemed to be invalid, Link Asset Services shall be authorised (in its absolute discretion as to manner, timing and terms) to make arrangements, on behalf of the Company, 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 Link Asset Services, Joint Brokers, or the Company nor any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by such Eligible Non-CREST Shareholders.

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

All enquiries in connection with the procedure for application and completion of the Application Form should be addressed to the Receiving Agent, Link Asset Services, Corporate Actions, The Registry 34 Beckenham Road, Beckenham, Kent, BR3 4TU or you can contact the Receiving Agent Link Asset Services on +44 (0) 371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

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

(i) *General*

Each Eligible CREST Shareholder will receive a credit to his stock account in CREST in respect of his Basic Entitlement and also in respect of his Excess Entitlement (equal in size to the maximum number of Open Offer Shares available under the Open Offer less an amount equal to the Eligible Shareholder's Basic Entitlement). The CREST stock account to be

credited will be an account under the participant ID and member account ID that apply to the Ordinary Shares held on the Record Date by the Eligible CREST Shareholder in respect of whom the Open Offer Entitlements have been allocated. If for any reason the Open Offer Entitlements cannot be admitted to CREST by, or the stock accounts of Eligible CREST Shareholders cannot be credited by, 5.00 p.m. on 29 June 2020, or such later time and/or date as the Company and Joint Brokers may decide, an Application Form will be sent to each Eligible CREST Shareholder in substitution for the Open Offer Entitlements which should have been credited to his stock account in CREST. In these circumstances the expected timetable as set out in this document will be adjusted as appropriate and the provisions of this document applicable to Eligible Non-CREST Shareholders with Application Forms will apply to Eligible CREST Shareholders who receive such Application Forms.

CREST members who wish to apply to acquire some or all of their entitlements to Open Offer Shares should refer to the CREST Manual for further information on the CREST procedures referred to below. Should you need advice with regard to these procedures, please contact the Receiving Agent Link Asset Services on +44 (0)371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

Excess Entitlements will not be subject to Euroclear's market claims process. Eligible Shareholders holding all their Existing Ordinary Shares in CREST claiming Excess Entitlements by virtue of a *bona fide* market claim are advised to contact the Receiving Agent to request a credit of the appropriate number of entitlements to their CREST account. Please note that an additional USE instruction must be sent in respect of any application under the Excess Entitlement. If applications are received for more than the total number of Open Offer Shares available, such applications will be scaled back at the Company's absolute discretion. In this event, each Eligible Shareholder holding all their Existing Ordinary Shares in CREST who has made a valid application for Excess Entitlements, 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 Shareholder holding all their Existing Ordinary Shares in CREST multiplied by the Placing Price. Moneys will be returned as soon as reasonably practicable following completion of the scale back, without payment of interest and at the applicant's sole risk by way of cheque or CREST payment, as appropriate.

(ii) *Market claims*

Although Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Open Offer Entitlements may only be made by the Eligible Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim. Transactions identified by the CREST Claims Processing Unit as "cum" the Open Offer Entitlement will generate an appropriate market claim transaction and the relevant Open Offer Entitlement(s) will thereafter be transferred accordingly.

(iii) *Unmatched Stock Event ("USE") instructions*

Eligible CREST Shareholders who are CREST members and who want to apply for Open Offer Shares in respect of all or some of their Open Offer 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 the Receiving Agent under the participant ID and member account ID specified below, with a number of Open Offer Entitlements corresponding to the number of Open Offer Shares applied for; and (ii) the creation of a CREST payment, in accordance with the CREST payment arrangements in favour of the payment bank of the Receiving Agent 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 referred to in (i) above.

(iv) *Content of USE instruction 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:

- A. the number of Open Offer Shares for which application is being made and the number of Basic Entitlements being delivered to the Receiving Agent;
- B. the ISIN of the Basic Entitlement. This is GB00BMVS7949;
- C. the CREST participant ID of the accepting CREST member;
- D. the CREST member account ID of the accepting CREST member from which the Basic Entitlements are to be debited;
- E. the participant ID of the Receiving Agent in its capacity as a CREST receiving agent. This is 7RA33;
- F. the member account ID of the Receiving Agent in its capacity as a CREST receiving agent. This is 20759VEL;
- G. 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;
- H. the intended settlement date. This must be on or before 11.00 a.m. on 13 July 2020; and
- I. 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 13 July 2020. 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:

1. a contact name and telephone number (in the free format shared note field); and
2. 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 13 July 2020 in order to be valid is 11.00 a.m. on that day.

In the event that the General Placing, the Retail Offer and the Open Offer do not become unconditional by 8.00 a.m. on 16 July 2020 or such later time and date as the Company and Joint Brokers determine (being no later than 8.00 a.m. on 30 July 2020), the Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a Eligible CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter.

(v) *Content of USE instruction 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:

- A. the number of Excess Entitlements for which application is being made;
- B. the ISIN of the Excess Entitlements. This is GB00BMVS7B67;
- C. the CREST participant ID of the accepting CREST member;
- D. the CREST member account ID of the accepting CREST member from which the Excess Entitlements are to be debited;
- E. the participant ID of the Receiving Agent in its capacity as a CREST receiving agent. This is 7RA33;
- F. the member account ID of the Receiving Agent in its capacity as a CREST receiving agent. This is 20759VEL;
- G. 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 Excess Entitlements referred to in (i) above;
- H. the intended settlement date. This must be on or before 11.00 a.m. on 13 July 2020; and
- I. 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 13 July 2020. 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:

- 1. a contact name and telephone number (in the free format shared note field); and
- 2. 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 13 July 2020 in order to be valid is 11.00 a.m. on that day.

In the event that the General Placing, the Retail Offer and the Open Offer do not become unconditional by 8.00 a.m. on 16 July 2020 or such later time and date as the Company and Joint Brokers determine (being no later than 8.00 a.m. on 30 July 2020), the Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a Eligible CREST Shareholder by way of a CREST payment, without interest, within 14 days thereafter.

(vi) *Deposit of Open Offer Entitlements into, and withdrawal from, CREST*

An Eligible Non-CREST Shareholder's entitlements to apply for Open Offer Shares under the Open Offer 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), provided that such Eligible Non-CREST Shareholder is also a CREST member. Similarly, Open Offer Entitlements held in CREST may be withdrawn from CREST so that the entitlements under the Open Offer are 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) to the provisions of the Application Form. A holder of an Application Form who is proposing to deposit the entitlements set out in such form into CREST is recommended to ensure that the deposit procedures are implemented in sufficient time to enable a person holding or acquiring such Open Offer Entitlements following their deposit into CREST, to take all necessary steps in connection with taking up such entitlements prior to 3.00 p.m. on 8 July 2020. A holder of an

Application Form who deposits his Open Offer Entitlement into his CREST account, will receive a credit to such account for his Open Offer Entitlement which will be managed by the Registrars.

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 Open Offer Entitlements, is 3.00 p.m. on 8 July 2020 and the recommended latest time for receipt by Euroclear of a dematerialised instruction requesting withdrawal of Open Offer Entitlements from CREST is 4.30 p.m. on 7 July 2020 in either case so as to enable the person acquiring or (as appropriate) holding the Open Offer 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 Open Offer Entitlements prior to 11.00 a.m. on 13 July 2020. 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 and the Receiving Agent by the relevant CREST member(s) that it/they is/are not in breach of the provisions of the notes under the paragraph headed “Instructions for depositing entitlements under the Open Offer into CREST” on page 3 of the Application Form, and a declaration to the Company and the Receiving Agent from the relevant CREST member(s) that they are not a citizen or resident (of any territory other than the United Kingdom, 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.

(vii) *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 13 July 2020 will constitute a valid application under the Open Offer.

(viii) *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 13 July 2020. 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.

(ix) *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:

- A. to reject the application in full and refund the payment to the CREST member in question (without interest);
- B. 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 as would be able to be applied for with that payment at the Placing Price, refunding any unutilised sum to the CREST member in question (without interest); and

- C. 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).
- (x) *Company's discretion as to the rejection and validity of applications*
 The Company may in its sole discretion:
- A. 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 III (*Terms and Conditions of the Open Offer*);
- B. 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;
- C. 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 the Registrar receives a properly authenticated dematerialised instruction giving details of the first instruction or thereafter, either the Company or the Receiving Agent has received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) of the CREST Regulations 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
- D. 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 the Receiving Agent in connection with CREST.
- (xi) *Lapse of the Open Offer*
 In the event that the General Placing, the Retail Offer and the Open Offer do not become unconditional by 8.00 a.m. on 16 July 2020 or such later time and date as the Company, Numis and Canaccord may agree (being no later than 30 July 2020), the Placing, the Retail Offer and the Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a Eligible CREST Shareholder by way of a CREST payment, without interest, within 14 days thereafter.

5. Warranties

An Eligible Shareholder who makes or is treated as making a valid application or Open Offer Shares:

- (a) represents and warrants that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his rights, and perform his obligations, under any contracts resulting therefrom and that he is not a person otherwise prohibited or restricted by legal or regulatory requirements from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- (b) agrees to pay the amount payable on application in accordance with the payment procedures described in this Part III (*Terms and Conditions of the Open Offer*);

- (c) agrees that all applications and contracts resulting therefrom under the Open Offer shall be governed by, and construed in accordance with, the laws of England;
- (d) confirms that in making the application he is not relying on any information or representation in relation to the Company other than that contained in this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this document, he will be deemed to have had notice of all the information in relation to the Company contained in this document;
- (e) represents and warrants that he is the Eligible Shareholder originally entitled to relevant Open Offer Entitlements or that he has received such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (f) represents and warrants that in relation to each and every Open Offer Entitlement that he has received from a person other than the Company, he is entitled to apply under the Open Offer in relation to such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (g) requests that the New Ordinary Shares to which he will become entitled shall be issued to him on the terms set out in this document, subject to the memorandum of association and articles of association of the Company;
- (h) represents and warrants that they are resident in the United Kingdom and not resident of any other territory and they will not offer to sell, directly or indirectly, any of the Open Offer Shares (or any rights in respect of such Open Offer Shares) in any such other territory or for the benefit of a resident of any other territory other than the United Kingdom. In addition, completion of an Application Form will constitute a representation and warranty that the person in whose name registration is applied for is a resident of the United Kingdom and not resident in any other territory and that they do not hold and have not acquired the Open Offer Shares comprised in the Application Form for the account or benefit of a resident of any such other territory or with a view to the offer, sale or delivery, directly or indirectly, of any Open Offer Shares or any rights in respect of such Open Offer Shares in any territory other than the United Kingdom or to a resident of any other territory;
- (i) represents and warrants 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 sections 67, 70, 93 or 96 (depository receipts and clearance services) of the Finance Act 1986;
- (j) confirms that in making the application he is not relying and has not relied on the Joint Brokers or any person affiliated with the Joint Brokers in connection with any investigation of the accuracy of any information contained in this document or his investment decision; and
- (k) represents and warrants that that acceptance by them of their application for subscription under the Open Offer will not result in them and/or persons acting in concert with them obtaining an interest in greater than 29.9 per cent. of the total number of Ordinary Shares in issue following the Open Offer.

6. Money Laundering Regulations

To ensure compliance with the Money Laundering Regulations 2017 (the “**Regulations**”), it is a term of the Open Offer that the Registrars may, at their absolute discretion, require verification of identity from any person completing an Application Form or sending a USE message through CREST (the “**Applicant**”) for more than a sterling equivalent of €15,000 and, without prejudice to the generality of the foregoing, in particular any person who either (i) tenders payment by way of a cheque or banker’s draft drawn on an account in the name of any person or persons other than the Applicant or (ii) appears to Link Asset Services to be acting on behalf of some other person.

This may involve verification of the identity of any person on whose behalf the Applicant appears to be acting.

Lodging of an Application Form and sending the USE message through CREST with the appropriate remittance constitutes a warranty by the Applicant that the Regulations will not be breached by the acceptance of the remittance and an undertaking to provide such evidence of identity at the time of lodging an Application Form or, in the absolute discretion of the Company, within a reasonable time thereafter (in each case to be determined at the absolute discretion of the Company and the Registrars) as may be required to ensure compliance with the Regulations.

If satisfactory evidence of identity has not been received by Link Asset Services Limited within a reasonable period of time, then the Application Form or USE message through CREST in question may be rejected, in which event the application will not proceed any further and the application monies (without interest) will be returned to the bank account on which the cheque was drawn at the Applicant's own risk.

Where possible Applicants should make payment by their own cheque. If a bankers' draft or building society cheque is used, the Applicant should:

- (a) write his/her name and address on the back of the draft or cheque and, in the case of an individual, record his/her date of birth against his/her name; and
- (b) ask the bank or building society to endorse on the reverse of the draft or cheque the full name and account number of the person whose account number is being debited and stamp such endorsement.

The above information is provided by way of guidance to reduce the likelihood of difficulties, delays and potential rejection of an Application Form (but without limiting Link Asset Services Limited's right to require verification of identity as indicated above).

7. Overseas Shareholders

Only Eligible Shareholders, which means only Shareholders that are resident and domiciled in the United Kingdom, will be eligible to make an application for Open Offer Shares, and in particular no person receiving a copy of this document or the Application Form in any other territory may treat the same as constituting an offer or invitation to him/her nor should he/she in any event complete the Application Form. Accordingly, persons receiving this document and Application Form should not send the same into any other territory, and any copy of this document or the Application Form which is received in any such jurisdiction is sent for information only, is confidential and should not be copied or distributed.

The Company reserves the right to treat as invalid any application or purported application to subscribe for new Ordinary Shares pursuant to the Open Offer which appears to the Company or its agent to have been executed, effected or dispatched in a manner which may involve a breach of the securities laws or regulations of any jurisdiction or which does not include the warranties set out in the Application Form.

The Open Offer Shares have not been and are not intended to be registered or qualified for sale under in any jurisdiction other than the United Kingdom. Accordingly, unless otherwise determined by the Company and effected by the Company in a lawful manner, the Application Form will not be sent to Shareholders with registered addresses in any other jurisdiction other than the United Kingdom since to do so would require compliance with the relevant securities laws of that jurisdiction. Applications from any such person will be deemed to be invalid. If an Application Form is received by any Shareholder whose registered address is elsewhere but who is in fact a resident or domiciled in a territory other than the United Kingdom, he/she should not seek to take up his/her allocation.

8. Admission, Settlement and Dealings

Application will be made for the admission of the New Ordinary Shares to trading on AIM. The result of the Open Offer is expected to be announced on or about 14 July 2020 and, subject to the Open Offer becoming unconditional in all respects, trading in the Open Offer Shares is anticipated to commence on AIM for normal settlement on 16 July 2020.

Application will be made for the New Ordinary Shares to be admitted to CREST with effect from General Admission and applicants for Open Offer Shares will be able to hold their Open Offer Shares in certificated or uncertificated form.

Notwithstanding any other provision of this document or of the Application Form, the Company reserves the right 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 any part of CREST), or on the part of the facilities and/or systems operated by the Company's registrars in connection with CREST. This right may also be exercised if the correct details in respect of *bona fide* market claims (such as the Member Account ID and Participation ID details) are not provided as requested on the Application Form.

For more information as to the procedure for application in each case, Eligible non-CREST Shareholders are referred to the Application Form.

VELOCYS PLC

(Incorporated and registered in England and Wales with registered no. 05712187)

NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of Velocys plc (the “Company”) will be held at Magdalen Centre, Robert Robinson Avenue, The Oxford Science Park, Oxford OX4 4GA on 14 July 2020 at 10.30 a.m. for the following purposes:

ORDINARY RESOLUTION

To consider, and if thought fit, pass Resolution 1 as an ordinary resolution:

1. THAT, the directors of the Company be generally and unconditionally authorised for the purposes of s551 of the Companies Act 2006 (the “**Act**”) to allot ordinary shares for cash in the Company up to a maximum aggregate nominal amount of £4,199,999.57 pursuant to a placing, retail offer and open offer of ordinary shares in the capital of the Company, as further described in the circular of the Company dated 26 June 2020 (“**Circular**”), to such persons and at such times and upon such conditions as the directors may determine, such authority to expire at the earlier of the conclusion of the next annual general meeting of the Company after the passing of this resolution and 30 September 2021 save that the Company may before that expiry make an offer or agreement which would or might require shares to be allotted after that expiry and the directors of the Company may allot shares in pursuance of such an offer or agreement as if the authority conferred by this resolution had not expired.

This authority is in addition to the authority conferred on the directors pursuant to s551 of the Act at the Company’s annual general meeting held on 12 June 2019.

SPECIAL RESOLUTION

To consider, and if thought fit, pass Resolution 2 as a special resolution:

2. THAT, subject to the passing of Resolution 1 above, the directors of the Company be empowered pursuant to s570(1) of the Act to allot equity securities pursuant to the authority conferred by Resolution 1 above as if s561(1) of the Act did not apply to that allotment, provided that this power shall be limited to the allotment of equity securities for cash up to the maximum nominal amount of £4,199,999.57 to persons applying for ordinary shares in connection with the placing, the retail offer and the open offer (as described in the Circular) and such authority shall expire at the earlier of the conclusion of the next annual general meeting of the Company to be held after the date of the passing of this resolution and 30 September 2021 save that the Company may before that expiry make an offer or agreement which would or might require equity securities to be allotted after that expiry and the directors of the Company may allot equity securities in pursuance of that offer or agreement as if the power conferred by this resolution had not expired.

This authority is in addition to the authority conferred on the directors pursuant to s570(1) of the Act at the Company’s annual general meeting held on 12 June 2019.

For the purposes of this resolution, the expression “**equity securities**” and references to “**allotment of equity securities**” respectively have the meanings given to them in s560 of the Act.

By Order of the Board

Jeremy Gorman
Company Secretary

Registered Office
Velocys plc
Magdalen Centre
Robert Robinson Avenue
The Oxford Science Park
Oxford
England
OX4 4GA

IMPORTANT NOTICE RE COVID-19

In light of the UK Government's health advice in response to the COVID-19 outbreak, including to limit travel and public gatherings wherever possible, the Company strongly encourages all Shareholders to submit their Form of Proxy, appointing the Chairman of the General Meeting as proxy. Only the formal business of the Resolutions will be carried out at the meeting and no update will be provided. The General Meeting has been arranged on the assumption that the Stay Alert Guidance will continue to apply at the date of the General Meeting. As a result, the General Meeting will be held as a closed meeting, while still allowing for Shareholders to exercise their voting rights. Unless notified otherwise after publication of the Notice of General Meeting, no Shareholder, proxy or corporate representative (other than those required for a quorum to exist) should attend the General Meeting in person, as doing so would be in breach of the Stay Alert Guidance and potentially unsafe for them or the limited number of other persons in attendance. The Chairman of the General Meeting will exercise his powers to exclude any person who attempts to attend the General Meeting, and they will not be permitted entry to the location of the General Meeting. The situation regarding COVID-19 is constantly evolving, and the UK Government may change current restrictions or implement further measures relating to the holding of general meetings during the affected period. Any changes to the General Meeting (including any change to the location of the General Meeting) will be communicated to Shareholders before the meeting through our website at www.velocys.com and, where appropriate, by announcement made by the Company to a Regulatory Information Service.

NOTES:

- (a) Only those shareholders entered on the relevant register of members (the "Register") for certificated or uncertificated shares of the Company (as the case may be) at close of business on 10 July 2020 (the "Specified Time") will be entitled to attend or vote at the General Meeting in respect of the number of shares registered in their name at the time. Changes to entries on the Register after the Specified Time will be disregarded in determining the rights of any person to attend or vote at the meeting. Should the meeting be adjourned to a time not more than 48 hours after the Specified Time, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. Should the meeting be adjourned for a longer period, then to be so entitled, members must be entered on the Register at the time which is 48 hours before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in the notice.
- (b) Forms of Proxy should be lodged with the Company's Registrar or submitted not later than 48 hours before the time for which the meeting is convened. Completion of the appropriate Form of Proxy in and of itself does not prevent a member from attending and voting in person if he/she is entitled to do so and so wishes. However, pursuant to the Stay Alert Guidance announced on 11 May 2020 by the UK Government, which are compulsory measures aimed at limiting the spread of COVID-19, certain public gatherings are prohibited. The General Meeting has been arranged on the assumption that the Stay Alert Guidance continues to apply at the date of the General Meeting. As a result, the General Meeting is expected to be held in a format different to that of previous meetings, while still allowing for Shareholders to exercise their voting rights. No Shareholder, proxy or corporate representative (other than those required for a quorum to exist) should attend the General Meeting in person, as doing so would be in breach of the Stay Alert Guidance and potentially unsafe for them or the limited number of other persons in attendance. If the Stay Alert Guidance continues to apply on the date of the General Meeting, the Chairman of the General Meeting will exercise his powers to exclude any person who attempts to attend the General Meeting, and they will not be permitted entry to the location of the General Meeting.
- (c) You may submit your proxy electronically using the Share Portal service at www.signalshares.com. If not already registered for the Share Portal, you will need your Investor Code which is stated on your share certificate. The proxy appointment and instructions should reach the Company's registrars by the latest time for receipt of proxy appointments specified in note 1. You are advised to read the terms and conditions of use carefully.
- (d) CREST members who wish to appoint a proxy or proxies through the CREST electronic platform may do so for the meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual (available via www.euroclear.com/CREST). The message must, in order to be valid, (regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy) be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time for receipt of proxy appointments specified in note 1. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to a proxy appointed through CREST should be communicated to him or her by other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any

particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

- (e) Any member may appoint a proxy to attend, speak and vote on his/her behalf. A member 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 of the member, but must attend the meeting in person. A proxy need not be a member. However, please note that persons other than the Chairman who are named as proxy will not currently be permitted to attend the General Meeting.
- (f) In light of the Stay Alert Guidance which is expected to remain in force at the time of the General Meeting, the Company strongly encourages all Shareholders to submit their Form of Proxy, appointing the Chairman of the General Meeting as proxy. Should a Shareholder have a question that they would have raised at the General Meeting, the Company asks that it be sent to info@velocys.com.
- (g) As at 25 June 2020 (being the last working day prior to the publication of this notice), the Company's issued share capital consisted of 643,756,100 Ordinary Shares, carrying one vote each. So, the total voting rights in the Company as at that date are 643,756,100.
- (h) Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
- (i) Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no answer needs to be given if to do so would interfere unduly with the business of the meeting or involve the disclosure of confidential information or if the answer has already been given on a website in the form of an answer to a question or, finally, if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

