

NOT FOR DISTRIBUTION IN THE UNITED STATES OF AMERICA

THIS DOCUMENT AND THE ENCLOSED FORM OF PROXY AND (FOR QUALIFYING SHAREHOLDERS ONLY) APPLICATION FORM 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 15 December 2021. 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. Such documents should not, however, be forwarded or transmitted in or into any jurisdiction in which such act would constitute a violation of the relevant laws in such jurisdiction. 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 Open Offer shall be less than €8 million (or an equivalent amount in pounds sterling) in aggregate. Accordingly, neither of the Placing nor 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 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 16 December 2021 and Admission of the General Placing Shares and the Open Offer Shares will become effective and dealings for normal settlement in the General Placing Shares and the Open Offer Shares will commence at 8.00 a.m. on 17 December 2021. 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 312,500,000 New Ordinary Shares at a price of 8 pence per share
Open Offer of up to 25,076,613 New Ordinary Shares at a price of 8 pence per share**

Notice of General Meeting

Nominated adviser and joint broker

Panmure Gordon (UK) Limited

Joint broker

Shore Capital Stockbrokers 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 12 to 26 of this document. This letter explains the background to, and reasons for, the Placing 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 15 December 2021 at Magdalen Centre, Robert Robinson Avenue, The Oxford Science Park, Oxford OX4 4GA is set out on pages 48 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 Group, PXS 1, Central Square, 29 Wellington Street, Leeds LS1 4DL 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.

The Open Offer closes at 11.00 a.m. on 14 December 2021. 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 30 November 2021. 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, other than Shareholders in the United States, 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 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 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.

Panmure Gordon (UK) 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 nominated adviser and joint broker to the Company for the purposes of the AIM Rules. Panmure Gordon 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. Panmure Gordon's responsibilities as the Company's nominated adviser under the AIM Rules for Nominated Advisers are owed to the London Stock Exchange and not to any other person in respect of their decision to acquire New Ordinary Shares in reliance on any part of this document. Panmure Gordon (UK) Limited expressly disclaims all and any responsibility or liability whether arising in tort, contract or otherwise which it might otherwise have in respect of this document.

Shore Capital Stockbrokers 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. Shore Capital Stockbrokers Limited 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 Panmure Gordon nor Shore Capital 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 Panmure Gordon or Shore Capital as to any of the contents or the completeness of this document and both Panmure Gordon and Shore Capital expressly disclaim all and any responsibility or liability whether arising in tort, contract or otherwise which they, or either of them, might otherwise have in respect 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 AND OPEN OFFER

Record Date for the Open Offer	5.00 p.m. on 25 November 2021
Announcement of the Placing and Open Offer	25 November 2021
Announcement of the results of the Placing	26 November 2021
Dispatch of this document, Application Form and Proxy Form	29 November 2021
Ex-Entitlement Date	8.00 a.m. on 29 November 2021
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 30 November 2021
Latest recommended time and date for requested withdrawal of Basic Entitlements and Excess Entitlements from CREST	4.30 p.m. on 8 December 2021
Latest time and date for depositing Basic Entitlements and Excess Entitlements into CREST	3.00 p.m. on 9 December 2021
Latest time for splitting Application Forms (to satisfy bona fide market claims only)	3.00 p.m. on 10 December 2021
Last time and date for receipt of Form of Proxy	10.30 a.m. on 13 December 2021
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 14 December 2021
General Meeting	10.30 a.m. on 15 December 2021
Announcement of results of the General Meeting and Open Offer	15 December 2021
Admission and dealings in the VCT Shares to commence on AIM	8.00 a.m. on 16 December 2021
CREST accounts credited with the VCT Shares	16 December 2021
Admission and dealings in the General Placing Shares and the Open Offer Shares to commence on AIM	8.00 a.m. on 17 December 2021
CREST accounts credited with the General Placing Shares and the Open Offer Shares	17 December 2021
Definitive share certificates for the New Ordinary Shares to be dispatched (if required)	w/c 27 December 2021

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 AND OPEN OFFER STATISTICS

Number of Existing Ordinary Shares	1,065,756,057
Number of VCT Shares issued under the Placing	56,796,020
Number of General Placing Shares issued under the Placing	255,703,980
Number of Placing Shares issued under the Placing	312,500,000
Number of Open Offer Shares available under the Open Offer	25,076,613
Number of New Ordinary Shares issued under the Placing and the Open Offer*	337,576,613
Placing Price of Placing Shares and Open Offer Shares	8 pence
Market capitalisation of the Company on General Admission at the Placing Price*	£112.3 million
Approximate percentage of the Enlarged Share Capital represented by the New Ordinary Shares*	24.1%
Number of Ordinary Shares in issue immediately following General Admission*	1,403,332,670
Estimated gross proceeds of the Placing*	up to £25 million
Estimated gross proceeds of the Open Offer*	up to £2 million
ISIN of the Ordinary Shares	GB00B11SZ269
ISIN of the Basic Entitlement Shares	GB00BP50D005
ISIN of the Excess Entitlement Shares	GB00BP50D112

* Information given in relation to the ordinary share capital of the Company and the proceeds of the Placing and the Open Offer immediately following General Admission have been calculated on the basis that the Placing is fully subscribed and comprises 312,500,000 Placing Shares at a price of 8 pence per share, raising £25 million (before expenses), that all Open Offer Shares are subscribed for by Eligible Shareholders and comprises 25,076,613 Open Offer Shares at a price of 8 pence per share, raising approximately £2 million (before expenses), that VCT Admission occurs and that no options or warrants are exercised.

DIRECTORS, SECRETARY AND ADVISERS

Directors	Philip Holland, <i>Non-executive Chairman</i> Henrik Wareborn, <i>Chief Executive Officer</i> Andrew Morris, <i>Chief Financial Officer</i> Darran Messem, <i>Non-executive Director</i> Ann Markey, <i>Non-executive Director</i> Thomas Quigley, <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	Panmure Gordon (UK) Limited One New Change London EC4M 9AF
Joint Broker to the Company	Shore Capital Stockbrokers Limited 57 St James's Street St. James's London SW1A 1LD
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	Gowling WLG (UK) LLP 4 More London Riverside London SE1 2AU
Registrar	Link Group 10th floor Central Square 29 Wellington Street Leeds LS1 4DL
Receiving Agent	Link Group Corporate Actions 10th floor Central Square 29 Wellington Street Leeds LS1 4DL

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 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
"Altalto Immingham Project"	a waste to sustainable fuels biorefinery project, located in Immingham, North East Lincolnshire, in development by the Group in conjunction with commercial partners
"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"	the 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
"Bayou Fuels Project"	the Company's reference biorefinery project in Natchez Mississippi, US
"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
"Company" or "Velocys"	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 and the Open Offer Shares assuming full subscription under the Placing and the Open Offer and assuming no exercise of any warrants or options
"ENVIA"	ENVIA Energy, LLC, a former joint venture between Waste Management, Inc., NRG, Ventech Projects Investments, LLC and the Group which was liquidated in 2020
"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 29 November 2021
"Existing Ordinary Shares"	the 1,065,756,057 Ordinary Shares in issue as at the date of this document being the entire issued share capital of the Company prior to the Placing 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 and Open Offer
"General Admission"	admission of the General Placing 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 15 December 2021 (or any adjournment thereof), 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 312,500,000 new Ordinary Shares to be issued, conditional on General Admission, in connection with the General Placing
"Group"	Velocys plc and its subsidiaries
"IAG"	International Airlines Group
"JDA"	the joint development agreement (as amended) between Velocys, British Airways and Shell relating to the Altalto Immingham Project
"Joint Brokers"	Panmure Gordon and Shore Capital
"Link Group"	a trading name of Link Market Services Limited, a company incorporated in England and Wales, with registered number 02605568, whose registered office is at Central Square, 10th Floor, 29 Wellington Street, Leeds, England, LS1 4DL

"London Stock Exchange"	London Stock Exchange plc
"New Ordinary Shares"	the Placing 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
"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 25,076,613 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
"Panmure Gordon"	Panmure Gordon (UK) Limited, a private limited company incorporated in England & Wales under registered number 04915201 and having its registered office at One New Change, London EC4M 9AF acting as Nominated Advisor, Joint Bookrunner and Joint Broker
"Placing"	the VCT Placing and the General Placing
"Placing Agreement"	the conditional agreement dated 25 November 2021 relating to the Placing and Open Offer, between the Company, Panmure Gordon and Shore Capital
"Placing Price"	8 pence per New Ordinary Share
"Placing Shares"	the VCT Shares and the General Placing Shares
"Prospectus Regulation Rules"	the Prospectus Regulation Rules made in accordance with the Prospectus Regulation Rules Instrument 2019 (FCA: 2019/80)
"Receiving Agent"	Link Group
"Record Date"	5.00 p.m. on 25 November 2021, being the record date for the Open Offer
"Reference Projects"	the Bayou Fuels Project and the Altalto Immingham Project, the purpose of which are to accelerate adoption of the Group's technology and to provide a source of income to the Group
"Registrar"	Link Group
"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

"Shareholders"	the holders of Ordinary Shares from time to time, each individually being a "Shareholder"
"Shell"	Shell International Petroleum Company Limited
"Shore Capital"	Shore Capital Stockbrokers Limited acting as Joint Bookrunner and Joint Broker
"Southwest Airlines"	Southwest Airlines Co.
"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 56,796,020 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.

"drop-in"	fuel which can be placed into existing engines and infrastructure without the need for modification to them to use the fuel.
"EPC"	engineering, procurement and construction
"feedstock"	raw material processed ingested in the fuel-generation process
"FID"	final investment decision
"FTI"	the Fischer-Tropsch (FT) section of a plant, the design of which is licensed by Velocys to its customers, comprising multiple FT reactors and ancillary equipment
"ITP"	integrated technology package
"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
"SAF"	sustainable aviation fuel

PART I

LETTER FROM THE CHAIRMAN OF VELOCYS PLC

Directors:

Philip Holland, *Non-executive Chairman*
Henrik Wareborn, *Chief Executive Officer*
Andrew Morris, *Chief Financial Officer*
Darran Messeem, *Non-executive Director*
Ann Markey, *Non-executive Director*
Thomas Quigley, *Non-executive Director*

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

Company number: 05712187

29 November 2021

Dear Shareholders

Placing of 312,500,000 Placing Shares at a price of 8 pence per share
Open Offer of up to 25,076,613 Open Offer Shares at a price of 8 pence per share
Notice of General Meeting

1. Introduction

The Board announced on 25 November 2021 and 26 November 2021 that it proposes to raise, subject to certain conditions: (i) £25 million (before expenses) in aggregate by way of a conditional placing of 312,500,000 Placing Shares at a placing price of 8 pence per share to certain institutional and other investors; and (ii) up to £2 million (before expenses) by way of an Open Offer made to Eligible Shareholders of up to 25,076,613 Open Offer Shares at a price of 8 pence per share. The Placing Price represents a discount of 8.6 per cent. to the closing mid-market price of the Ordinary Shares as at 24 November 2021 of 8.75 pence per Ordinary Share.

The Directors intend to use the net proceeds raised by the Placing and Open Offer to accelerate the delivery of the Group's technology, including through *inter alia* strengthening the Group's business development activities, scale up of the Group's reactor manufacturing capabilities and advancing the Group's technology Reference Projects (the Bayou Fuels Project in Mississippi, US and the Altalto Immingham Project in the UK) through to third party financing. Importantly the Directors believe the net proceeds raised by the Placing and Open Offer provide a line of sight to Velocys achieving net positive cash flow during 2024. Further details on the use of proceeds are set out below. The Fundraise follows the Group's recent announcements that it has secured its first Sustainable Aviation Fuel ("SAF") offtake agreement with Southwest Airlines together with an MOU for an offtake with IAG for 100 per cent. of the SAF and the environmental credits to be produced and generated from the Bayou Fuels Project. Third party financing for the final engineering phase of the Bayou Fuels Project is targeted to occur in the first half of 2022 which is expected to lead to a significant dilution of the Group's stake in the project.

The Placing 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 15 December 2021 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 and the Open Offer are also conditional on the Placing Agreement between the Company, Panmure Gordon and Shore Capital becoming unconditional and not being terminated in accordance with its terms. The Placing and the Open Offer are not underwritten.

The Directors have subscribed for 625,000 Placing Shares in aggregate at the Placing Price, representing approximately 0.2 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 will have a legal and/or beneficial interest in 5,627,713 Ordinary Shares, representing 0.4 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 Fundraise, 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 5,002,713 Ordinary Shares representing approximately 0.4 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 5 (*Principal terms of the Placing*) 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 7 (*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 an international sustainable fuels technology company, providing clients with one of the most sustainable routes to the economic production of drop-in SAF from a variety of waste materials. Velocys operates a capital light and scaleable licencing model offering a technology solution for the development of synthetic sustainable fuels manufacturing via its proprietary patented micro-channel Fischer-Tropsch reactors and comprehensive biorefinery integrated technology package.

Velocys has a number of third party clients to whom it supplies its technology to; in addition Velocys is developing two full-scale biorefinery Reference Projects, the Bayou Fuels Project in Mississippi, US and the Altolto Immingham Project in the UK. The Reference Projects are being developed to accelerate adoption of the Group's technology and, following the completion of third party construction capital project financing and commencement of the detailed engineering stage of these projects, the Reference Projects are expected to generate significant technology licensing revenue for the Group.

The Group has recently signed a 15 year fixed price offtake agreement with Southwest Airlines and an MOU for a 10 year fixed price offtake with IAG for in aggregate 100 per cent. of the SAF produced and environmental credits generated from the Bayou Fuels Project. The Directors believe that these offtake agreements further validate the demand for the Group's technology and will significantly de-risk the Bayou Fuels Project which should enable construction capital financing of the project. Through the combination of biogenic feedstock, planned renewable power supply and carbon capture and storage (both currently in the feasibility phase), Velocys' micro-channel Fischer-Tropsch reactors and comprehensive biorefinery integrated technology package will enable the commercial-scale production of SAF at the Bayou Fuels Project with a strongly negative carbon intensity of down to -144g CO₂e/MJ, which is expected to achieve a total of 8.7 million tonnes of avoided CO₂ over the term of the contracts.

The Group's technology has been commercially demonstrated through several customer projects: in 2017 a first commercial demonstration plant (the ENVIA plant, located in Oklahoma, US) using two of the Group's full-scale Fischer-Tropsch reactors and catalyst was completed and subsequently produced a fuel output that qualified under the Renewable Fuels Standard and was sold to commercial clients. Subsequently, construction of the NEDO I biomass demonstration project in Japan was successfully completed in late 2020 using the Group's propriety Fischer-Tropsch technology. 3,000 litres of fuel from NEDO I were used in a Japan Airlines scheduled commercial flight in June 2021 becoming the first such flight using SAF derived from woodchips feedstock at any scale. Further details of these commercial demonstration plants are provided below.

The Group is focused on accelerating delivery of Velocys' technology and driving revenue opportunities.

(b) ***Technology overview***

The Group's technology uses the Fischer-Tropsch process to convert a pure carbon monoxide and hydrogen syngas via a catalytic chemical reaction into Fischer-Tropsch products which are subsequently upgraded into fuels. The technology enables an economic conversion of a wide range of low or negative-cost, abundant sustainable feedstocks (including, but not limited to, woody biomass residue or municipal solid waste that would otherwise go to landfill or incineration) into high value sustainable fuels such as SAF. These fuels qualify for decarbonisation credits in both the United States (under the Renewable Fuels Standard) and in the United Kingdom (under the Renewable Transport Fuels Obligations). These fuels provide for particulates reductions by up to 90 per cent. and greenhouse gas emissions reductions by up to 70 per cent. or over 150 per cent. when carbon capture and storage is incorporated within the biorefinery.

The fuels are designed to "drop-in" and to be blended with conventional fossil fuels, fully leveraging existing aircraft engines and logistics infrastructure and are American Society for Testing and Materials approved for blending with Jet A-1 at up to 50 per cent. No adaptation is therefore required to airport infrastructure or aeroplane engines.

Although Fischer-Tropsch has been used for decades, Velocys has developed a highly reactive catalyst and a bespoke reactor to be used in an innovative way to manufacture sustainable fuels. Velocys' proprietary Fischer-Tropsch technology comprises microchannel Fischer-Tropsch reactor cores, containing a highly active Fischer-Tropsch catalyst made by Velocys' proprietary organic matrix combustion which are contained within a pressure containment vessel/reactor. Velocys' technology provides the unique combination of microchannel reactors and nanocatalyst technology that allows an 8-10 fold increase in the speed of chemical reactions compared with conventional Fischer-Tropsch technology, and therefore much smaller reactors for any given volume of throughput.

The technology is developed in-house by Velocys and is protected by a wide range of patents and trademarks across multiple key jurisdictions. The catalysts are manufactured at commercial scale by sub-contractors in the US under strict Velocys supervision. The reactor cores have previously been manufactured by subcontractors in the US using manufacturing equipment designed and owned by Velocys, however the Company intends to use some of the proceeds from the Fundraise to improve the automation and the capacity of this manufacturing by bringing final assembly, testing and quality control in-house to a specially designed Company controlled facility in Ohio while using qualified external contractors for standard components and sub-assemblies.

(c) ***Market overview***

Commercial aviation is responsible for about 13 per cent. of transportation greenhouse gas ("**GHG**") emissions. The aviation industry seeks to reduce its GHG emissions significantly, decoupling airline growth from carbon growth. Purchasing fuel is the primary operating cost for airlines. SAF represents a significant global opportunity, with the value of decarbonisation far exceeding the value of the fuel where there is appropriate policy support for SAF. The International Air Transport Association ("**IATA**") has committed to net-zero carbon emissions by 2050, requiring 450 billion litres of SAF to meet these net-zero commitments. However, supply is extremely limited – current annual production is approximately 100 million litres. Electric and hydrogen are not considered current or short-to-medium term viable solutions for long haul flights. SAF is a "drop-in" fuel that requires no modifications to engines or infrastructure and can still meet international specifications (i.e., ASTM D7566), a provision under D7566 allows any fuel meeting the specifications to be reidentified as a conventional fuel. With this inclusion, any SAF can be seamlessly integrated into the fuel delivery infrastructure without the need for separate tracking or regulatory approval, so providing the most viable option to help achieve the net-zero commitments by 2050.

The Directors believe that the inevitable scale up in production of SAF and the growing number of government mandates will make the use of SAF widespread. The US has very competitive carbon incentives through its existing Federal Renewable Fuel Standard ("**RFS**") and the Low Carbon Fuels Standard ("**LCFS**") in California, together with the SAF Blenders Tax Credit which is currently in progress through the Senate as part of the Sustainable Skies Act and the Build Back Better legislation.

There is also \$4.3 billion funding for SAF projects aiming to increase production to 120 billion litres. In the UK, the Government's Net Zero Strategy includes developing a SAF mandate to enable delivery of 10 per cent. SAF by 2030 with a £180 million funding commitment to support development of SAF biorefineries. The Green Fuels Green Skies grant initiative (of which Velocys is a recipient) has made available £15 million in grant awards and has on-going support from the Department for Transport. IATA's net-zero carbon emissions commitment, aligns with the Paris Agreement for global warming to not exceed 1.5 °c. The EU have proposed to set SAF blending mandates via the ReFuelEU proposal published in July 2021. These Directors believe that these would likely be set at 2 per cent. by 2025, 5 per cent. by 2030 and 32 per cent. by 2040. The International Civil Aviation Organisation ("ICAO") has introduced Carbon Offsetting and Reduction Scheme for International Aviation ("CORSIA") as a global mandate for decarbonisation of aviation and the Japanese Government has backed ventures launched to progress commercial scale SAF production.

The Directors believe that there are a number of benefits of Velocys' conversion pathway. The Fischer-Tropsch Synthesised Paraffinic Kerosene ("SPK") route is the most established of the seven approved technical pathways under ASTM D7566, which allows the flexible use of large-volume, low-cost sustainable feedstocks (such as woody biomass residue and municipal solid waste) and generates clean burning, low carbon sustainable fuels. Velocys' standardised solution can ultimately also lead to a reduced cost of capital for clients when eligible for non-recourse project finance and can lead to sustainable local production and distribution of fuel, resulting in increased self-sufficiency and reduced reliance on fuel imports for the host country.

Expected demand for SAF in Europe and the US, based on the EU's latest proposals and current incentives in the United States is expected to reach 3.7 billion litres per year by 2025, equivalent to 2 per cent. of global jet fuel demand and the equivalent of the output from 28 reference plants. By 2030, demand for SAF is expected to rise to 10.3 billion litres per year, equivalent to 5 per cent. of global jet fuel supply and the equivalent of the output from 78 reference plants. By 2040, demand for SAF is expected to rise further to 77.6 billion litres per year, equivalent to 32 per cent. of global jet fuel supply and the equivalent of the output from 600 reference plants.

Velocys' ambition is to capture 5-7 per cent. of the long term market share of the demand this will create for proven SAF technology. The Group has an active and growing pipeline of clients and projects. In 2025, the Directors expect that one of the Group's clients will be in commercial scale operation and three of the Group's clients will be at an advanced stage of construction. At this stage, the Group is aiming to have total design capacity of 230 million litres per year, equivalent to 6 per cent. of expected demand for SAF. By 2030, the Directors reasonably anticipate that 12 plants will have been completed by the Group's clients, delivering a capacity to meet 15 per cent. of the expected demand for SAF. By 2040, the Directors currently forecast that up to 45 plants will have been completed by the Group's clients with capacity to produce between 3.5 and 5 billion litres, equivalent to between 5 per cent. and 7 per cent. of the expected demand for SAF.

(d) ***Business model***

The Group has a hybrid, capital-light business model, focusing on delivering Fischer-Tropsch reactors and catalysts to global clients under site-licence agreements and providing engineering services over the course of the 25 year expected lifetime of the assets. Some of Velocys' clients require the Fischer-Tropsch Technology Island ("FTI", further details of which are provided in the table below) only such as Red Rock Biofuels LLC ("RRB") in Oregon, US and Toyo Engineering in Japan. Velocys also offers its clients a full end-to-end solution for the conversion of solid sustainable feedstocks to SAF via its so called "Integrated Technology Package" ("ITP"). The Group's two biorefinery Reference Projects (the Bayou Fuels Project and the Altolto Immingham Project) are designed to accelerate the end-to-end technology adoption as well as providing a source of future revenue to the Group. To date the Group's technology is already commercially referenced through its contracts with RRB in Oregon, US and a consortium including Toyo in Japan. The Group's Fischer-Tropsch Technology Island has been further demonstrated at commercial scale by the ENVIA plant in Oklahoma during 2017 and 2018.

The Group's revenue comprises a combination of upfront fees and recurring fees as follows:

	<i>Fischer-Tropsch Technology Island ("FTI")</i>	<i>Integrated Technology Package ("ITP")</i>
Upfront fees	<ul style="list-style-type: none"> • Technology licence fees • Reactor sales • Engineering fees 	<ul style="list-style-type: none"> • Technology licence fees • Reactor sales • Engineering fees • Commissioning and start up • Optimisation fees
Recurring fees	<ul style="list-style-type: none"> • Catalyst sales and replacement 	<ul style="list-style-type: none"> • Catalyst sales and replacement • Decarbonisation royalties

In 2021, Velocys recognised revenue of £8.2 million following the delivery of reactors and catalysts to RRB in Oregon and completion of its contractual obligations under the contract with RRB awarded in 2017.

The Group is building a growing pipeline of international clients that are developing biorefineries. This includes developing its existing relationships such as with Toyo in Japan, and pursuing new project opportunities. In 2021 Velocys signed a collaboration agreement with Toyo to start development of their commercial scale biomass-to-jet fuel project along with other renewable fuel opportunities. The Group is also undertaking a number of pre-feasibility studies with potential plant owners to ascertain the potential for projects to move into pre-detailed engineering and project development.

Further information on the Group's existing projects is provided below.

Revenue opportunity

For illustrative purposes to demonstrate the revenue opportunity for Velocys, the expected net present value to Velocys per a standard size contracted biorefinery client with 16 reactors producing a capacity of 115 million litres per year is \$89 million, using a discount rate of 8 per cent.. This estimate comprises upfront and recurring revenues from the proprietary reactors and catalysts, fees from engineering and commissioning services, technology licence fees, optimisation fees and decarbonisation royalties. By way of illustration, the potential profile of revenue streams of a typical ITP project are provided below. (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).

Pre-construction phase (years 1-2)

- Year 1: engineering fees (c.US\$1.5 million); and
- Year 2: technology licence fee (c. US\$3 million) and engineering fees (c.US\$2.5 million).

Financial close (year 3)

- Technology licence fee (c.US\$ 1.8 million), engineering fees (c.US\$1.5 million) and reactor and catalyst sales (c.US\$ 18 million).

Construction phase (years 3-4)

- Year 4: reactor and catalyst sales (c.US\$14.4 million); and
- Year 5: technology licence fee (c.US\$1.3 million), engineering fees (c.US\$1 million) and reactor and catalyst sales (c.US\$ 3.9 million).

Commercial operations phase (years 6-25)

- Catalyst regeneration service and catalyst sales (c.US\$6.3 million every year) and decarbonisation royalties (c.US\$6.7 million annually).

Growth strategy

Velocys' growth strategy is to:

- strengthen its business development function to grow its client pipeline;
- invest in the scale-up of its reactor manufacturing capacity;
- capitalise on strategic alliances with its technology partners to further enhance the Group's standardised integrated solution;
- accelerate its collaborations with technology partners and to outsource standardised activities to remain capital light;
- target geographical markets where the regulatory environment and/or pricing economies create the highest value opportunities for its clients; and
- expand engineering and technical resources to support its clients' needs from feasibility stage to detailed engineering.

The Directors reasonably believe the growth strategy will enable the Group to have 12 clients with completed plants by 2030 with capacity to reach up to 15 per cent. of expected SAF demand with potential additional significant growth projected beyond this the Directors currently forecast that up to 45 plants will have been completed by the Group's clients by 2040.

(e) ***Bayou Fuels Project in Mississippi, US: reference project***

Overview

In October 2017, the Group signed a site option agreement with Adams County in the State of Mississippi for a biorefinery facility to be located in Natchez, Mississippi and secured total site incentives of approximately \$60 million. The Bayou Fuels Project will produce SAF for airline transportation in the US from the paper and lumber industries including woody biomass forest residue that would otherwise rot on the forest floor.

On 19 November 2021 the US House of Representatives passed a bill that provides a SAF Blenders Tax Credit, which will be worth \$1.75/gallon for the SAF produced from the Bayou Fuels Project. The US administration has recently announced additional policy incentives to accelerate the production of SAF, with up to \$5 per gallon by way of federal producer tax credit available from 2027, which would replace the SAF Blenders Tax Credit.

The Group intends to commence a structured, competitive process to secure the necessary development capital investment by one or more strategic partners in the first half of 2022. The Group expects one or more clients to finance and own the construction of the Bayou Fuels Project with the terms of the financing determining Velocys' interests in the project post-financing. Potential scenarios include, *inter alia*, Velocys retaining a minority interest in the project or converting its interest into a "decarbonisation royalty" or receiving a development fee.

In September 2019, Velocys 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, in combination with the use of biogenic feedstock, planned renewable power supply and Velocys' carbon mitigation technology has the capacity to generate a carbon intensity score of -144g CO₂e/MJ for the plant's SAF output, which is highly desirable for purchasers of the products and significantly improves decarbonisation credit revenues further.

In June 2021, the Group announced the execution of a strategic framework agreement with Koch Project Solutions, a subsidiary of Koch Engineered Solutions, who have been engaged to provide a full cost and schedule guarantee for the project.

Offtake agreements

Multi-year offtake contracts have been agreed, covering 100 per cent. of the SAF expected to be produced by the biorefinery plant.

(i) *Offtake agreement with Southwest Airlines*

On 10 November 2021, Velocys Renewables LLC entered into its first offtake agreement for the SAF to be produced by the project with Southwest Airlines, America's largest domestic airline. The agreement covers the purchase by Southwest Airlines of an expected 219 million gallons of SAF at a fixed price and floor price for greenhouse gas credits, over a fifteen-year term from 2026, when the biorefinery is scheduled to begin commercial delivery of fuel. After blending, this is expected to produce approximately 575 million gallons of net zero SAF.

This offtake agreement covers two thirds of the project facility's planned production and de-risks up to \$2 billion revenues over the life of the contract. Each gallon of SAF generated by the project is expected to generate tradable greenhouse gas credits for which Southwest Airlines guarantees a minimum price payable to the project (included in the fuel fixed price), de-risking a significant proportion of the revenue stream to the project. The project may additionally benefit from the value of greenhouse gas credits if sold above the minimum price underwritten by Southwest Airlines.

Southwest Airlines and Velocys have also, as part of the offtake agreement, agreed to a long-term strategic alliance for future US-based biorefineries in which Velocys may be involved with the right for Southwest Airlines to purchase significant volumes of SAF from such facilities.

The offtake agreement is subject to certain customary conditions precedent including completion of satisfactory financing for the project's front-end engineering and design phase and certain construction milestones, eligibility for greenhouse gas credits as well as the enactment of the proposed SAFs tax credit legislation.

(ii) *Offtake memorandum of understanding with IAG*

On 10 November 2021, Velocys Renewables LLC entered into a non-binding memorandum of understanding for the offtake of SAF to be produced at the project with International Consolidated Airlines Group S.A. ("IAG").

This covers the purchase by IAG's constituent airlines, which includes British Airways, Aer Lingus and Iberia amongst others, of an expected 73 million gallons of SAF, in aggregate, at a fixed price. After blending, this is expected to produce the equivalent of approximately 192 million gallons of net zero SAF during the term of the agreement, which will last for ten years from the expected commencement date of operation of the project in 2026. This represents one third of the facility's planned annual output and complements the binding offtake agreement for the remaining two thirds annual output entered into on the same date with Southwest Airlines as described above.

The intention of the parties is to convert the memorandum of understanding, which includes all material terms for the offtake, into a binding agreement as soon as possible within the next six months. The memorandum of understanding also includes an option for IAG to invest in the project development phases.

The fixed price fuel purchase agreement includes a price support mechanism by IAG for the greenhouse gas credits associated with the SAF production. As a result, the agreement is expected to generate revenues of over \$800 million to the project and achieve an estimated total of 2.2 million tonnes of avoided CO₂ over the term of the offtake.

Future milestones

Initial engineering for the project has commenced, with detailed engineering expected to commence in 2022. Signature of the final commercial agreements for the project, FID and financial close is expected in 2023, following which plant construction is expected to commence in 2024. Construction is targeted to be completed early in 2026 followed by plant commissioning and start up, with full scale commercial operations targeted to commence in 2027.

(f) ***Altalto Immingham Project in Immingham, UK: reference project***

Overview

In September 2017, the Group entered into a joint development agreement with various parties as detailed below 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 SAF and naphtha. The commercial co-sponsor of the project is British Airways.

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 subsequently committed a further £3.8 million of funding in aggregate to cover the remaining development work. This included completion of initial engineering work, planning and permitting, utilities supplies and detailed engineering preparation. Velocys continues to execute all the work to progress the project in line with the joint development agreement. In January 2021 Shell withdrew from the project, formally relinquishing all interests in the project. 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, and a further grant of £0.5 million was made in June 2020.

On 18 December 2018, a site was secured for the project. The site of approximately 80 acres, near Immingham, North East Lincolnshire, is within an enterprise zone and earmarked for industrial development within the local development plan. Planning consent for the Development 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 ("**Rula**"), the company which owns the site, from its current shareholders. The option period ends in December 2021 and Velocys has concluded in principle a transaction with the owners of Rula, which would lead to a £2.5 million part-payment (by the parties to the joint development agreement) of the consideration for the site to secure control of it. Concurrently Velocys is discussing the purchase of Rula by a third party who would become the landlord for Altalto. The decision as to whether to proceed with the acquisition of the Immingham site will be made as part of the project's final investment decision, which is dependent on progress of UK government policy. In the event that the Group, in consultation with its co-commercial sponsor, British Airways, decides not to proceed with the acquisition of the site, the residual liabilities that may be incurred by the Group as a result are not expected to be material to Velocys.

On 1 September 2021, it was announced that the Company would be the recipient of a grant up to the value of £2.4 million for the Altalto Immingham Project. The Grant is issued by the UK Department for Transport under the Green Fuels, Green Skies Competition and is to be deployed in progressing project development work. All funds are expected to be received by the end of June 2022 for all work that is incurred and paid for by the end of March 2022. Any work not completed by the end of March 2022 will not receive any grant funding under this competition so will either be stopped or have to be paid for by the Altalto shareholders.

Future milestones

The first geotechnical work is ongoing, and detailed engineering is expected to commence in 2023. Financial close is expected in 2024, with construction of the plant being targeted to commence in 2024 and to be completed by mid-2026, following which commissioning and startup will commence in 2027 with full scale commercial operation expected in 2027.

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

On 18 September 2019, the Group and Toyo entered into agreements in relation to a pilot plant for generating SAF using woody biomass feedstock, as part of a project funded by the Japanese government (the NEDO I 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 paid a total of \$4 million to the Group in two tranches: \$0.5 million which has already been received by the Group as a non-refundable deposit, with the remaining \$3.5 million paid into escrow.

In December 2019, Velocys delivered a pilot scale Fischer-Tropsch reactor and catalyst to Toyo which was used in the NEDO I demonstration project during 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. Following the successful completion of the NEDO I demonstration, on 8 February 2021, Velocys entered a collaboration agreement with Toyo to begin the development of a commercial project to produce SAF and other renewable fuels in Japan – the NEDO II biomass to sustainable aviation fuels plant. Initial engineering of the NEDO II plant has commenced, with detailed engineering expected in 2022. Financial close is expected in 2023, with construction in 2024 and 2025, commissioning and start up in 2026, and full-scale commercial operations expected at the end of 2026. The NEDO II project is expected to be similar in scale to the RRB biorefinery, details of which are set out below.

On 25 August 2021, it was announced that the Group's Fischer-Tropsch technology has been selected for an e-fuels project by Toyo Engineering Corporation and its consortium of six leading Japanese companies, including Toshiba Energy Systems & Solutions Corporation, Toshiba Corporation, Idemitsu Kosan Co., Ltd., Japan CCS Co., Ltd., and All Nippon Airways Co., Ltd. These six companies are being commissioned by the Ministry of the Environment, Government of Japan jointly to commence a demonstration project to convert carbon gasses and hydrogen directly into SAF.

(h) ***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 biorefinery that will be located in Lakeview, Oregon, USA. RRB has commenced construction of the biorefinery, 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 biorefinery 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 per cent. of the jet fuel produced each year.

Velocys delivered four Fischer-Tropsch reactors to RRB in the first half of 2020 and completed the loading of catalyst into the reactors in December 2020. In the first half of 2021 Velocys was able to demonstrate that it had completed all contractual obligations to RRB and thereby recognised £8.2m of revenue resulting in £3.3m gross profit.

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

In September 2016, construction of the first demonstration plant incorporating the Group'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 Group 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 benefit from the knowledge accumulated from the demonstration plant in Oklahoma.

3. Current Trading

On 23 September 2021 Velocys announced its interim results for the six months to 30 June 2021, demonstrating that the Group has achieved an important milestone, recognising £8.2m of revenue and £3.3m gross profit for the first half of 2021 from our first major commercial customer contract with RRB. The downwards trend in the Group's operating loss continued, declining to £2.0m in HY2021 from £2.6m in HY2020 (£5.2m in HY2019 and £11.0m in 2018). This has shown the determination by the Group to control its spending whilst also delivering to our customers and progressing the two Reference Projects.

Financial highlights

- Revenue of £8.2m (HY2020: £0.2m), mainly from licensing fees and sales of reactors and catalyst for customer contract awarded in 2017.
- Gross profit of £3.3m (HY2020: £0.1m).
- Operating loss of £2.0m (HY2020: £2.6m).
- Cash at period end of £8.3m (31 December 2020: £13.1m).
- Cash outflow of £4.8m (HY2020: cash outflow £3.2m).

4. Use of Proceeds

The Directors intend to use the net proceeds from the Fundraise as follows:

- At least £5 million to be used as capital investment in manufacturing capability to enable output of at least 12 reactors per year and in addition the build-up of reactor parts inventory to expedite commissioning of that equipment;
- £5 million to be used as funding to advance the Bayou Fuels Project and the Altalto Immingham Project to the point of securing external investment into the detailed engineering stage;
- £4 million to back process guarantees and equipment warranties to the Group's clients and

- the balance of the net proceeds of the Fundraise will be used for business development and for general working capital needs and Group running costs over the next two years, with a potential part-payment to secure control of the site for the Altalto Immingham Project.

5. Principal terms of the Placing

The Company is conducting a conditional, non-pre-emptive placing of £25 million at the Placing Price. The Placing Shares will be placed by Panmure Gordon and Shore Capital as agents for the Company and pursuant to the Placing Agreement, with institutional and other professional investors.

The Placing Price represents a discount of 8.6 per cent. to the closing mid-market price of the Ordinary Shares as at 24 November 2021 of 8.75 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):

- the passing of the Resolutions at the General Meeting;
- the Placing Agreement becoming unconditional and the Placing Agreement not having been terminated in accordance with its terms; and
- VCT Admission occurring on or before 16 December 2021 (or such later date as Panmure Gordon, Shore Capital and the Company may agree, not being later than 31 December 2021).

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

- the passing of the Resolutions at the General Meeting;
- the Placing Agreement becoming unconditional and the Placing Agreement not having been terminated in accordance with its terms; and
- General Admission occurring on or before 17 December 2021 (or such later date as Panmure Gordon, Shore Capital and the Company may agree, not being later than 31 December 2021).

Shareholders should note that it is possible that VCT Admission occurs but General Admission does not occur. General Admission is conditional on VCT Admission occurring. If VCT Admission and General Admission do not occur then the Company will not receive the relevant net proceeds in respect of VCT Admission and General 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 Panmure Gordon and Shore Capital in relation to (amongst other things) the Company and its business. In addition, the Company has agreed to indemnify Panmure Gordon and Shore Capital in relation to certain liabilities it may incur in undertaking the Placing. Panmure Gordon and Shore Capital 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 16 December 2021 and that trading in the General Placing Shares will commence at 8.00 a.m. on 17 December 2021.

The Directors have subscribed for 625,000 Placing Shares in aggregate at the Placing Price, representing approximately 0.2 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 5,627,713 Ordinary Shares, representing 0.4 per cent. of the Ordinary Shares expected to be in issue as at General Admission.

6. Related party transactions

As part of the Placing, Lansdowne Partners (UK) LLP (“**Lansdowne**”), a substantial shareholder of the Company and therefore a Related Party as defined by the AIM Rules (“**Related Party**”), has subscribed for a total of 71,405,393 Placing Shares at the Placing Price under the Placing. Following completion of the Fundraise (assuming subscription for the Open Offer Shares in full), Lansdowne will have an aggregate interest in 255,156,632 Ordinary Shares, representing approximately 18.2 per cent. of the enlarged share capital of the Company.

Certain Directors of the Company, being Andrew Morris, Philip Holland, Darran Messem, Ann Markey and Thomas Quigley, all of which are deemed to be a Related Party pursuant to the AIM Rules, have subscribed for an aggregate of 625,000 Placing Shares at the Placing Price. Following completion of the Fundraise (assuming subscription for the Open Offer Shares in full), the above Directors will hold an interest in 5,627,713 Ordinary Shares, representing 0.4 per cent. of the enlarged share capital of the Company.

The Director who is independent of the Fundraise, having consulted with the Company's nominated adviser, considers that the terms of the participation in the Fundraise by Lansdowne and certain of the Directors are fair and reasonable insofar as its shareholders are concerned.

7. 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 approximately £2 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 Open Offer will not exceed the sterling equivalent of €8 million. The limit of approximately £2 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 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 Fundraise 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 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 2 Open Offer Shares for every 85 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 they have 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 17 December 2021 (or such later date as Panmure Gordon, Shore Capital and the Company may agree, not being later than 31 December 2021).

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.

8. Resolutions

The Company currently does not have sufficient authority to allot shares under the Act to effect the Placing 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 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 £3,375,766.13 pursuant to the Placing and the Open Offer, such authority expiring at the earlier of the Company's next annual general meeting and 15 March 2023.

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 £3,375,766.13 (being the maximum required for the purposes of issuing the Placing 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 £3,375,766.13 on a non-pre-emptive basis pursuant to the Placing and the Open Offer, such authority expiring at the earlier of the Company's next annual general meeting and 15 March 2023.

If Resolution 2 is passed, the Directors will have the power, under the Act, to allot the Placing 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 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 Wednesday 23 June 2021, which gave the Directors authority to allot relevant securities up to a maximum aggregate nominal amount of £3,513,694.99 under s551 of the Act and to allot Ordinary Shares

up to a maximum aggregate nominal amount of £1,597,134.09 on a non-pre-emptive basis under s570 of the Act (such authorities expire at the next annual general meeting of the Company or 30 September 2022, 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 15 December 2021.

9. Risk Factors

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

10. 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 Group, PXS1, Central Square, 29 Wellington Street, Leeds LS1 4DL so as to be received as soon as possible and, in any event, not later than 10.30 a.m. on 13 December 2021. Shareholders who hold their ordinary Shares through a nominee should instruct their nominees to submit a Form of Proxy on their behalf.

(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 Group, Corporate Actions, 10th Floor, Central Square 29 Wellington Street, Leeds, England, LS1 4DL by no later than 11.00 a.m. on 14 December 2021 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.

11. 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 5,002,713 Ordinary Shares (representing approximately 0.4 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 Group'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 Group'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 Group 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 Group.

An investment in the Group 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 GROUP AND ITS BUSINESS

Pace of commercial technology adoption

The adoption of a new technology, particularly one with high capital requirements (inherent to biorefinery owners and operators), is inherently difficult to predict and there is a risk that commercial roll-out may be slower than anticipated by the Group. 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 Group's control. Factors that could affect third party project financing may include, *inter alia* availability of debt and government bonds, government legislation and policy related to the sector; competing technology, changes in interest rates and the general market sentiment and economic condition.

Any material delays or unbudgeted expenditures incurred on such projects could postpone or halt the widespread adoption of the Group's technology, which could adversely affect the Group's business, financial condition, results or future operations.

Risks relating to the Reference Projects

The Group's strategy includes building two Reference Projects that will lead to a number of customer developed projects that will earn the Group annually recurring revenues and which ultimately will lead the Group to being profitable with positive long-term cashflows. The Reference Projects require significant external investment to reach their construction phase and there is no guarantee that this funding will be achieved on a timely basis on acceptable terms or at all.

There remains uncertainty in the licensing costs and schedule for delivery of licensor packages for the biorefinery Reference Projects and this uncertainty will not be resolved until receipt of third party financing and completion of the respective projects' detailed engineering study. Any change in the licensing costs, delay in the Group'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 Group's business, financial condition, results or future operations. Financeability of the projects may also be influenced by a range of other factors such as government policy support to

secure a significant explicit or implicit revenue for avoided CO₂ emissions and the availability of government backed funding.

The design, construction, commissioning and operation of these first of a kind biorefineries has inherent execution risk with no guarantees that all aspects will be completed as planned.

Specific risks relating to the Bayou Fuels Project

The Group is targeting securing strategic project investment into the Bayou Fuels project in H1 2022 to progress the project through the detailed engineering phase to FID. If the Group is not able to secure, or there is a delay in securing, sufficient strategic project investment, revenue earned by Velocys from the project will be delayed and moreover the achievement of FID may be delayed, which could adversely affect the Group's business, financial condition, results or future operations.

There is no guarantee as to the terms of the project finance which will be obtained, if at all or the quantum or value of Velocys' financial interest in its Reference Projects once third party project financing has been secured.

The Group has entered into offtake agreements (including an MOU to enter into a full offtake agreement) covering 100 per cent. of the fuel expected to be produced from the Bayou Fuels. The offtake agreements are subject to a number of conditions precedent including financing and construction of the Bayou Fuels Project. The value of the offtake agreements to Velocys will depend, *inter alia*, on the value of carbon credits at the time of fuel production from the plant and the financial interest that Velocys retains in the project following third party project financing. In the event that the project is materially delayed or suffers from material issues during construction, there is no guarantee that the offtake agreements will not be terminated in accordance with their terms.

Specific risks relating to the Altalto Immingham Project

There is no guarantee that the Altalto Immingham Project will proceed through into its detailed engineering 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 and on government mandates for SAF and credit support for production revenues;
- 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;
- the unsuccessful resolution of the site acquisition option leading to its expiration;
- British Airways may not be willing to fund its share of the detailed engineering development stage prior to FID and new investors may not be forthcoming; and
- capital expenditure or operating expenditure estimates derived during engineering studies may make the project unfinanceable and are currently uncertain.

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

Risks relating to the Group's existing clients

There is no guarantee that the Group's existing clients, for example RRB LLC and Toyo will 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 Group's business, financial condition, results or future operations. Whilst the Group has delivered a number of reactors to RRB, as the plant has not yet been fully financed or constructed any future revenues from the projects, such as recurring revenues from future catalyst supplies, cannot be guaranteed.

Political risk, tax and regulatory/legislative changes (including Decarbonisation policy)

The Group'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 ability of the Group to secure financing for its Reference Projects, and the Group's business, financial condition, results or future operations.

Further, the economics of the Reference Projects are dependent on the provision of tax credits for qualifying facilities including the receipt of Renewable Fuel Standard Renewable Identification Number credits, State of California Low Carbon Fuels Standard 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 which may change.

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

The Group 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 Group could adversely affect the Group's business, financial condition, results or future operations.

There can be no assurances that the Group 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 Group to carry on its business, the Group could face delays or prohibitions on the use of its products, which could adversely affect the Group'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 Group. The Group and its partners have invested significant resources in plant and technology 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 Group with a competitive advantage beyond its core Fischer-Tropsch technology pathway capability. In addition, the Group believes that the growing global SAF market is large enough to support multiple suppliers and that demand will outstrip supply for a significant period of time due to the predicted demand and the lack of biofuel refineries to meet such demand. 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 Group, this could adversely affect the Group's business, financial condition, results or future operations.

Intellectual property

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

Technology performance, scale-up and integration risk

The Group's technology has been operated at scale in a commercial setting, however the biomass to fuels plants incorporate technology supplied by other licensors, which may not function or integrate as envisaged with Velocys' technology and may lead to lower than expected 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 Group'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 Group 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 Group's business, financial condition, results or future operations.

Supply chain

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

If a number of the key suppliers to the Group were unable to fulfil their order requirements for whatever reason, the Group 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 Group's business, financial condition, results or future operations.

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

Engineering, procurement and construction contracting risk

Failure to contract an engineering, procurement and construction partner at a competitive price and able to provide a process and performance wrap for each completed project and manage its supply chain could lead to delays in reaching financial close and commercial operation for the relevant project, which in turn could adversely affect the Group's business, financial condition, results or future operations.

Cash flow generation and access to capital

The Group is expected to remain cash flow negative for a period of time and is currently reliant on external capital for its ongoing operations, investment program in scaling up manufacturing capability as well as Reference Project development which is being addressed through this Fundraise. The Directors recognise that, for the short term, cash flows are not consistent as payments in the pre-construction, financial close and construction phase vary and are dependent on the number of clients, financing of such third party projects and timeframes around project development. Cash flow from fees becomes more consistent once a plant is operational and recurring revenues are generated from the delivery of catalyst sales and regeneration services. The Group's strategy is to build up a number of client developed projects, in addition to the Reference Projects, that earn the Group annually recurring revenues, which will lead the Group generating positive cash flows. The Board expect the proceeds of the Fundraise to provide a line of sight to positive cash flow in 2024. However in the event that it takes longer than expect to generate expected levels of revenue, the Group may require additional external capital before becoming cash flow positive.

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 Group has no control. Any decrease

in oil prices could reduce the market's perception of the benefits of the Group's offering, the investment appetite of partners or the availability of capital to fund projects, which could adversely affect the Group's business, financial condition, results or future operations.

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

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

Personnel – skills and retention

The Group'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 Group 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 Group is unable to retain or successfully attract and recruit key employees across all areas of the business, including at the Alalto Immingham Project and the Bayou Fuels Project, it could delay or prevent the implementation of its strategy, which could adversely affect the Group's business, financial condition, results or future operations.

Insurance

The Group 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 Group's business, financial condition, results or future operations. Additionally, certain risks involved in the Group's business may be uninsurable.

Financial markets and global economic outlook

The performance of the Group will be influenced by global economic conditions and, in particular the conditions prevailing in the United States and the United Kingdom. The Group 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 Group. The precise nature of all the risks and uncertainties that the Group faces as a result of the global economic outlook cannot be predicted and many of these risks are outside of the Group's control. If economic conditions become challenging, this could adversely affect the Group's business, financial condition, results or future operations.

Foreign exchange

The Group holds its cash and transacts in multiple currencies, which may expose it to foreign exchange related losses. The Group is generally funded in GBP, while more than half of its costs and most of its recent revenues are in USD. Any losses as a result of foreign exchange fluctuations could adversely affect the Group'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 Group's technology adoption, 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 Group'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 Group provides operational management services, incorporating rigorous health, safety and environmental advice, to support biorefineries developed by the Group or a third party. Nevertheless, any significant health, safety or environmental breach may adversely affect the Group's business, financial condition, results or future operations and could also result in reputational damage for the Group.

Claims, litigation or other proceedings

At any given time, the Group may be subject to claims, litigation or other proceedings. 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 Group's projects or any one of them or the Group's business, financial condition, results or future operations.

Fraud

Fraud can be perpetrated from both within the Group as well as from outside. The primary responsibility for the prevention and detection of fraud rests with those charged with governance of the Group and its management. However, any significant incident in relation to fraud could adversely affect the Group's business, financial condition, results or future operations and could also result in reputational damage for the Group.

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 Group, with a consequential risk for the financial position of the Group. In addition, there is risk to the health and wellbeing of employees and others working alongside the Group. Any of these risks could adversely affect the Group'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 Group's share price will fluctuate and may not always accurately reflect the underlying value of the Group'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 Group 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 Group's actual or forecast operating results, fluctuate significantly as a result of factors beyond the Group's control, including amongst others:

- (i) changes in securities analysts' recommendations or the failure to meet the expectations of securities analysts;
- (ii) changes in the performance of the Group's industry as a whole and of the Group's competitors;
- (iii) fluctuations in stock market prices and volumes, and general market volatility; and
- (iv) the introduction of new legislation affecting the Group'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 Group. 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 Group 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 Group'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 Group 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 AND THE OPEN OFFER

Group's working capital requirements

The Group is reliant on the net proceeds of the Placing and the Open Offer to implement its strategy, as described in paragraph 4 of Part I (*Letter from the Chairman of Velocys plc*) of this document. The Placing 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 Group may fail to raise any proceeds as a result of the Placing and the Open Offer. In this case, the Group will not have the working capital it requires to implement its current strategy and the Group will need to reconsider its options, including a review of that strategy. If the Placing and the Open Offer do not complete for whatever reason, it would adversely affect the Group's business, financial condition, results or future operations.

Shareholders will experience dilution in their ownership of the Group

Regardless of whether an Eligible Shareholder takes up its Open Offer Entitlement, the effect of the Placing will be a reduction of that Shareholder's proportionate ownership and voting interests in the Group. The Placing Shares are not being offered to Eligible Shareholders under the Open Offer. Shareholders will experience greater dilution in their ownership of, and voting interests in, the Group 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 24.1 per cent. following the Placing 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 22.4 per cent. on the same basis.

VCT status

The Group has not obtained any assurance from HMRC or any other person that a subscription for VCT Shares in the Group 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 Group 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 Group give any warranty or undertaking that VCT qualifying status is or will be available or that the Group 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 Group'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 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 they have 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 £2 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 Open Offer will not exceed the sterling equivalent of €8 million. The limit of £2 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 limit of 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 Fundraise 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 November 2021 of 8.75 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 and the Placing 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 17 December 2021.

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 25,076,613 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:

2 Open Offer Shares for every 85 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 Entitlement 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 they have 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 85 Existing Ordinary Shares will not receive a Basic Entitlement of any Open Offer Shares, but can apply for shares under the Excess Entitlement facility.

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 27 December 2021. 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 17 December 2021.

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 25,076,613 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 10 December 2021. 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 25,076,613, 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 Group, Corporate Actions, 10th Floor Central Square, 29 Wellington Street, Leeds, England, LS1 4DL (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 14 December 2021, 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 Group 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 Group 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 2021 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 may 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 17 December 2021 (or such later date as the Company and its advisers may agree but in any event not later than 31 December 2021), 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 14 December 2021; or
- B. applications in respect of which remittances are received before 11.00 a.m. on 14 December 2021 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 Group 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 Group, 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 Group, Corporate Actions, 10th Floor, Central Square 29 Wellington Street, Leeds, England, LS1 4DL or you can contact the Receiving Agent Link Group 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 Group 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 30 November 2021, 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 Group 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 Group 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 GB00BP50D005;
- 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 21512VEL;
- 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 14 December 2021; 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 14 December 2021. 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 14 December 2021 in order to be valid is 11.00 a.m. on that day.

In the event that the General Placing and the Open Offer do not become unconditional by 8.00 a.m. on 17 December 2021 or such later time and date as the Company and Joint Brokers determine (being no later than 8.00 a.m. on 31 December 2021), 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 GB00BP50D112;

- 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 21512VE ;
- 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 14 December 2021; 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 14 December 2021. 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 14 December 2021 in order to be valid is 11.00 a.m. on that day.

In the event that the General Placing and the Open Offer do not become unconditional by 8.00 a.m. on 17 December 2021 or such later time and date as the Company and Joint Brokers determine (being no later than 8.00 a.m. on 31 December 2021), 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 9 December 2021. 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 9 December 2021 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 8 December 2021 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 14 December 2021. 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 14 December 2021 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 14 December 2021. 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 and the Open Offer do not become unconditional by 8.00 a.m. on 17 December 2021 or such later time and date as the Company, Panmure Gordon and Shore Capital may agree (being no later than 8.00 a.m. on 31 December 2021), the Placing 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 they have 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 they are 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 they are 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 they have 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 Open Offer 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 they are 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 they are 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 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 Group 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 Group 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 Group'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. 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.

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 15 December 2021 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 17 December 2021.

Application will be made for the Open Offer 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 15 December 2021 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 £3,375,766.13 pursuant to a placing and open offer of ordinary shares in the capital of the Company, as further described in the circular of the Company dated 29 November 2021 ("**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 15 March 2023 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 23 June 2021.

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 £3,375,766.13 to persons applying for ordinary shares in connection with the placing 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 15 March 2023 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 23 June 2021.

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

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 13 December 2021 (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.
- (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.
- (f) As at 26 November 2021 (being the last working day prior to the publication of this notice), the Company's issued share capital consisted of 1,065,756,057 Ordinary Shares, carrying one vote each. So, the total voting rights in the Company as at that date are 1,065,756,057.
- (g) 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.
- (h) 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.

