

Velocys plc

15 July 2019

Fundraise of £7M. Project co-funding by BA & Shell of £2.8M

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1. Introduction

The Board announced on 15 July 2019 that it proposes to raise, subject to certain conditions approximately £7 million (before expenses) by way of a conditional placing of 233,333,335 Placing Shares at a placing price of 3 pence per share to certain institutional and other investors. The Placing complements commitments received by the Company from the Altalto Immingham Project's strategic partners, British Airways and Shell, of £2.8 million in total towards the final pre-FEED stage, planning permission and completion of commercial arrangements for the Altalto Immingham Project, further details of which are set out in paragraph 2(a) below.

The Directors intend to use the net proceeds raised by the Placing of approximately £6.5 million as follows: (i) £0.4 million to complete the development capital fund raising and preparation of the FEED for the Mississippi Biorefinery Project; (ii) £0.5 million to be used to strengthen and extend

the Company's intellectual property portfolio; (iii) £5.2 million to be used for working capital and central costs; and (iv) £0.4 million on analysing and testing catalyst and Fischer-Tropsch reactors from the recently completed full scale demonstration run in Oklahoma. The contribution from British Airways and Shell of £2.8 million in total covers the final stage of the pre-FEED, planning permission and commercial pre-contracting of the Altalto Immingham Project, means no further net contribution will be required to be made by the Company until the first quarter of 2020 for the full FEED work. Further funding will be required at that stage to execute the full FEED work, being the next stage on both the Mississippi Biorefinery Project and the Altalto Immingham Project. However, it is expected that the large majority of this further funding will be provided by further commitments from strategic partners.

The Placing is conditional (amongst other things) upon the passing of certain resolutions in order to ensure that the Directors have the necessary authorities and powers to allot the Placing Shares for cash on a non-pre-emptive basis. A General Meeting is therefore being convened for the purpose of considering the Resolutions at 10.30 a.m. on 31 July 2019 at the offices of Mayer Brown International LLP, 201 Bishopsgate, London, EC2M 3AF. The Notice of General Meeting is set out at the end of this document. The Placing is also conditional on the Placing Agreement between the Company, Numis and Canaccord becoming unconditional and not being terminated in accordance with its terms. The Placing is not underwritten.

The purpose of this document is to provide you with details of, and the reasons for, the Placing and why the Directors believe it 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 1,640,789 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 6 of this document.

2. Information on the Company's projects

(a) UK waste-to-sustainable fuels project: Altalto Immingham Ltd. (Altalto)

Overview

In September 2017, the Company entered into a joint development agreement with various parties to execute a feasibility study for a commercial scale waste-to-sustainable fuels plant in the United Kingdom. The plant will take household and commercial and industrial waste, which after recyclates have been removed would be destined for landfill or incineration, and instead convert the waste into clean-burning, sustainable aviation fuel and naphtha. The Directors believe that the changes to the Renewable Transport Fuels Obligation which came into force on 15 April 2018 can provide the required policy support for this opportunity as sustainable aviation fuel now qualifies for credits under the Renewable Transport Fuels Obligation. Velocys, Shell and British Airways are the commercial partners in the project.

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 have now agreed to commit £1.4 million each for a total of £2.8 million of funding to cover the remaining pre-FEED work for the Altalto Immingham Project. This includes completion of pre-FEED engineering work currently in final stages, planning and permitting, utilities supplies and FEED preparation. Velocys continues to execute all the work to progress the Altalto Immingham Project to FEED in line with the JDA. The Directors believe that British Airways' and Shell's willingness to commit significant amounts to this project supports Velocys' strategy and proprietary technology and validates its commercial offering. As part of the

funding package, a grant of £0.4 million was secured from the UK Department for Transport under the Future Fuels for Flight and Freight Competition.

On 18 December 2018, a site was secured for the project. The site of approximately 80 acres, near Immingham, North East Lincolnshire, is in an enterprise zone and earmarked for industrial development within the local plan. Development is subject to planning consent and the formal planning application process began in February 2019, with the application due in July 2019. 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, but not the obligation, to acquire the entire issued share capital of Rula Developments (Immingham) Limited, the company which owns the site, from its current shareholders, for up to three years.

The final pre-FEED phase will be completed during the second half of 2019 and the FEED is expected to commence in the first quarter of 2020. The second quarter of 2021 is the targeted date for financial close, with construction of the plant expected to commence by 30 September 2021 following financial close. Construction is currently targeted to be completed by 31 January 2024, following which commercial operation is expected to commence by 31 December 2024.

The decision as to whether to proceed with the acquisition of the Immingham site will be made as part of the final investment decision, currently scheduled for 30 June 2021. In the event that the Company, in consultation with its partners, decides not to proceed with the acquisition of the site, the liabilities that may be incurred by the Company as a result of not taking up the option to acquire the site are not expected to be material to Velocys.

The Directors believe that Velocys has a rare solution for one of the most challenging sectors to decarbonise. Velocys’ solution enables low carbon air travel from its ability to unlock the trapped energy of abundant waste feedstocks.

Sustainable aviation fuels represent a significant global opportunity, with the value of decarbonisation far exceeding the value of the fuel. There is no equivalent of ethanol or biodiesel for the aviation industry – all approved sustainable aviation fuels are hydrocarbon based. Five synthetic routes have been certified under the ASTM D7566 standard and, of these, only hydrogenated esters and fatty acids (HEFA) are in production today, and qualifying feedstock is limited. The Fischer-Tropsch route allows the use of large-volume sustainable feedstocks (woody biomass and municipal solid waste) and generates a clean burning fuel. There are estimated to be over 15 million tonnes per year of available waste generated in the UK that the Directors believe is suitable for use as feedstock for this project. UK jet fuel demand is currently estimated to be 4 billion gallons per year, which is predicted to grow by a 1 per cent. compound annual growth rate to 4.6 billion gallons per year in 2040. The Renewable Transport Fuel Obligation development fuel target for 2022 is 100 million gallons (which is the total volume of qualifying fuels produced in the UK for which double Renewable Transport Fuel Certificates are payable). Further, as of 11 January 2018, 73 countries representing 87.7 per cent. of international aviation activity have voluntarily signed up to the Carbon Offsetting and Reduction Scheme for International Aviation which will become compulsory as of 2026.

Indicative project revenue

The Directors believe that the plant for the Altalto Immingham Project will produce an output of 20 million gallons per year once it is fully operational, and the Company will receive certain of the associated royalties. It is expected that revenue will be distributed as follows: 13 per cent. from fuels, 51 per cent. from environmental credits and 36 per cent. from waste gate fee revenue. The yield adjusted revenue per gallon is expected to be distributed as follows: \$1.20 from jet, \$0.48 from naphtha, \$4.67 from gate fees, \$0.04 from carbon credits

and \$6.68 from development fuel Renewable Transport Fuel credits and, of that, \$3.07 is expected to be attributable to cost of goods sold, \$2.47 is expected to be attributable to operating expenditure, and \$7.52 is expected to be gross margin. Specifically, the Company is targeting unlevered returns for the project of 12 per cent., with levered IRRs in the mid-teens or higher. All values are indicative, based on Velocys internal/proprietary information, which has not been verified by any independent source, unless specifically noted. Where project specific numbers are used, these are indicative and will be refined as engineering studies are completed and will be communicated in due course. The key assumptions are the core capex costs as set out in the FEL 2 engineering work completed by AECOM along with the assumptions around the revenue, cost of goods sold and the operational costs which are supported where possible with third party quotes or estimates.

(b) Mississippi Biorefinery Project

Overview

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

The Company began the process of selecting strategic partners for its Mississippi Biorefinery Project in early 2017 and has reached the contract stage with a select number of the important suppliers into the project. Site environmental permitting is ongoing and the environmental assessment required under the National Environmental Policy Act has been completed and the “finding of no significant impact” has been awarded to the project. The Company is now focusing on securing the state-level permits that will be required to construct and operate the biorefinery. Pre-FEED has been completed.

Velocys and ThermoChem Recovery International Inc. have undertaken an integrated gasification/Fischer-Tropsch technology demonstration in Durham, North Carolina, which demonstrated 950 hours of runtime. A final product upgrade pilot run has also been completed over 12 weeks at Haldor Topsøe A/S in Denmark, generating final product samples of diesel, jet fuel and naphtha for further fuel blending studies. Technical review of the project by an independent engineer has also been completed.

The Company has commenced a structured, competitive process to secure the necessary development capital investment by one or more strategic partners and has seen interest from multiple parties. Detailed due diligence by potential strategic partners continues. The Company has continued to optimise its project plans including in respect of plant sizing and plant design, consequently reducing the capital requirements and improving expected returns of the plant. Project plans have evolved during discussions with potential strategic partners, with the result of the addition of a solar energy plant to provide power to the plant instead of a biomass boiler and the contracting with a large oil company to sequester the CO₂ generated by the plant. The effect of these changes on the carbon intensity score of the plant’s product output is to make it negative, which is desirable for buyers of the products and improves decarbonisation revenues further.

Equity letters of intent in relation to the Mississippi Biorefinery Project may be entered into during the second half of 2019, with FEED preparation expected to be completed during the first half of 2020. Signature of the final commercial agreements for the project, FID and financial close is expected by 30 October 2021, following which plant construction is expected to commence by 1 February 2022. Construction is targeted to be completed by 31 March 2024, plant commissioning is expected to begin during 2024, with operations targeted to commence by 31 January 2025.

The Fischer Tropsch technology enables an economic conversion of a wide range of

low cost, abundant feedstocks such as woody biomass (and municipal waste) into high value fuels. These fuels qualify for high value credits in the United States under the Renewable Fuels Standard and the United Kingdom under the Renewable Transport Fuels Obligation. The fuels meet demands for particulate and greenhouse gas reduction with up to 90 per cent. and 70 per cent. reduction respectively. The fuels are entirely “drop in” into conventional fossil fuels, fully leveraging existing engines and logistics infrastructure. In addition, there are no blend limitations for naphtha and diesel (50 per cent. for jet fuel). No client adoption is therefore required.

The signature of the site option agreement completes one of the work packages required for the US Department of Agriculture loan guarantee application. The Company was invited to submit a Phase II application for the loan guarantee in June 2017, which could apply to up to \$200 million of debt as part of the total installed cost of the project. The Company has engaged Sumitomo Mitsui Banking Corporation (“**SMBC**”) as the lender of record and as its financial advisor. A preliminary credit committee hearing is expected to take place with SMBC in due course with the final Credit Committee hearing thereafter as the project nears completion.

Indicative project revenue

The Company will receive certain of the associated royalties from the plant once it is fully operational. There is significant value uplift from feedstock at equivalent US Dollars per gallon to final products at \$12.33 per gallon of which federal credits will comprise approximately 42 per cent., state credits approximately 43 per cent. and plant product revenues approximately 15 per cent. The design nameplate of the plant will be 24 million gallons per year.

Of the expected revenues, Federal renewable fuel credits will comprise approximately 42 per cent., LCFS state credits approximately 43 per cent. and product revenues approximately 15 per cent.. The yield adjusted revenue per gallon is expected to be distributed as follows: \$1.47 from diesel, \$0.34 from naphtha, \$5.17 from RIN credits and \$5.35 from LCFS credits and, of that, \$2.21 is expected to be attributable to cost of goods sold, \$3.53 is expected to be attributable to operating expenditure, and \$6.59 is expected to be gross margin.

Specifically, the Company is targeting unlevered returns for the project of 13.5 per cent., with levered IRRs in the mid-teens or higher.

The Company estimates total costs of the project as \$910 million, broken down as \$576 million of core capital expenditure, \$76 million of construction costs, \$148 million of other costs and \$110 million of financing costs. The Company does not expect to contribute to such project costs which are expected to be funded by strategic partners. The Company further estimates project EBITDA of \$133 million, broken down as \$249 million of product revenues, less \$45 million cost of goods sold and \$71 million of operating expenditure on an annual basis.

All values are indicative, based on Velocys internal/proprietary information, which has not been verified by any independent source, unless specifically noted. Where project specific numbers are used, these are indicative and will be refined as engineering studies are completed and will be communicated in due course. The key assumptions are the core capex costs as set out in the FEL 2 engineering work completed by AECOM along with the assumptions around the revenue, cost of goods sold and the operational costs which are supported where possible with third party quotes or estimates.

(c) Client service

Velocys’ strategy is to initially develop two full scale biorefinery projects with strategic partners and license its Fischer-Tropsch technology to these two projects and to third

party developers such as RedRock Biofuels, RRB. As licensor, Velocys will also offer its clients a range of engineering services in support of commissioning and start-up as well as catalyst loading, regeneration and discharge.

In May 2018, Velocys received a “notice to proceed” action to commence manufacturing of the Fischer-Tropsch reactors and catalyst for the Red Rock Biofuels LLC (“**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.

The biorefinery in Lakeview will convert forestry residue into approximately 15 million gallons per year of renewable transportation fuels including diesel and jet fuel. RRB has in place contracts from several airlines to purchase 100 percent of the jet fuel produced each year. RRB’s Lakeview project is expected to deliver around £9.2 million of revenue to Velocys during the construction and early operation stages of the plant, and an additional £23.5 million or more over the life of the biorefinery.

£4.5 million has already been invoiced by the Company and received from RRB.

Velocys is currently training and qualifying its supply chain so that the Velocys proprietary catalyst and reactors can be delivered to its clients.

(d) ENVIA: commercial scale Fisher-Tropsch reactor demonstration completed

In September 2016, construction of the first demonstration plant incorporating the Company’s Fisher- Tropsch technology was completed and commercial scale catalyst loading was proven. In February 2017, the first Fisher-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, with over 5,000 hours of cumulative runtime achieved across the two Fischer-Tropsch reactors, stress testing the plant’s equipment and technology. In total, 1.6 million litres of finished fuel and wax were delivered by the plant.

In May 2018, Velocys was informed by ENVIA that a leak had been detected at the ENVIA plant that was believed by ENVIA to have originated inside one of the plant’s two Fischer-Tropsch reactors. The reactor was removed from operation and the plant continued to operate using the second Velocys Fischer-Tropsch reactor. ENVIA’s investigation identified the ancillary coolant system as the root cause of the leak. This determination was subsequently independently verified by ENVIA’s appointed third-party insurance company, which found that the leak was not a result of any flaw in the core Velocys Fischer-Tropsch technology.

On 10 September 2018, operations at the ENVIA 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 Fisher-Tropsch reactors for the demonstration to be considered completed.

On 25 February 2019, ENVIA obtained a \$2.3 million insurance settlement in relation to the cooling system damage to the reactor and on 25 March 2019, the Company entered into an agreement with ENVIA, officially completing the return of ownership of the two Fischer-Tropsch reactors to the Company from ENVIA. Further, on 26 April 2019, the Company agreed with ENVIA and the other ENVIA joint venture partners to transfer rights of the site from ENVIA to another ENVIA joint venture partner in return for the payment of £3.3 million to the Company. As part of the agreements, ENVIA agreed to sell certain parts of the

site infrastructure and remove the remaining equipment from the site. The agreements also provided that the Company would release its liens on all equipment from the site in return for a recovery under its collateralised loan note to ENVIA. A total of £1.7 million has already been received by the Company and an additional £1.6 million is expected to be paid upon the completion of two time measured performance milestones related to the removal of equipment during 2019.

3. Information on the Company

History and development of the Company

The key highlights in the history and development of the Company are as follows:

- **2001:** Velocys Inc. was incorporated (by Battelle Memorial Institute)
- **2004:** Oxford Catalysts was formed (as a spin out from the University of Oxford)
- **2006:** Oxford Catalysts Group was admitted to trading on AIM
- **2008:** Oxford Catalysts acquired Velocys Inc.
- **2010:** The Company's microchannel Fischer-Tropsch technology was demonstrated at a field demonstration in Austria
- **2012:** A Fischer-Tropsch field demonstration was carried out at a Petrobras site in Brazil
- **2013:** Oxford Catalysts Group PLC changed its name to Velocys plc (Ticker: VLS.L)
- **2014:** The ENVIA joint venture was formed.
- **2015:** FID for the Oklahoma City landfill gas to liquids demonstration plant.
- **2017:** the Mississippi Biorefinery Project was announced, Mississippi site secured and planning permissions started.
- **2017:** Altalto Immingham Project was announced.
- **2017:** Altalto Immingham Project enters pre-FEED with Shell and BA
- **2018:** "notice to proceed" to commence manufacturing of the Velocys Fisher-Tropsch reactors and catalyst for the Red Rock Biofuels LLC biorefinery in Oregon.
- **2018:** new executive team of the Company and new directors appointed.

The Velocys team

The Executives of the Company are Henrik Wareborn (Chief Executive Officer) and Andrew Morris (Chief Financial Officer), both based in the UK and supported by an experienced team of VP's both in the UK and in the USA.

The Velocys team has experience in:

- renewables and gas-to-liquid (with members of the team having previous experience at Sasol, APP and Syntroleum, as well as in project development, financing, project management, plant design and commissioning and start-up operations);
- commercial and financing (with members of the team having previous experience at Goldman Sachs, Natixis and Refco, as well as in investment banking, commodities trading, private equity/venture capital funding and project financing); and
- oil and gas (with members of the team having previous experience at BP, Shell and ExxonMobil, as well as in refining and marketing business management, manufacturing, finance, supply and logistics).

Business drivers

The Company offers a scalable solution for the development of sustainable fuels manufacturing via its own patented micro channel Fischer-Tropsch reactors and overall biorefinery technology integration developed for the Altalto Immingham Project and the Mississippi Biorefinery Project. The Company's stated mission is to help reduce the environmental footprint of the aviation and heavy transportation industries by enabling a proven and reliable supply of advanced biofuels.

Technology overview

The Fischer-Tropsch technology comprises a microchannel Fischer-Tropsch reactor core, which contains a highly active Fischer-Tropsch catalyst which uses organic matrix combustion. The technology is developed in-house by Velocys and is protected by a wide range of intellectual property. The reactors and catalysts are manufactured at commercial scale by sub-contractors.

Revenue streams

The Company earns revenue from a series of services, products and intellectual property, including from:

- returns from technology sales (including Velocys reactor sales and catalyst sales);
- intellectual property fees as a result of licensing its technology;
- fees from project management services
- start-up and commissioning engineering services.
- development capital uplift converted into a carried interest or royalty in the completed producing plant.

By way of illustration, the Company typically expects to earn revenue from development services and technology licensing fees during the development of a plant. During the construction phase, the Company would expect to earn revenues from reactor and catalyst sales, technology licensing fees and completion fees. During the operations phase, the Company would expect to receive revenues from catalyst sales and decarbonisation royalties. While revenue from reactor and catalyst sales, technology licence fees, development services and completion fees are expected to be one-off revenues, the Company expects recurring revenues from catalyst replacement sales and possible royalty fees or carried interest. An illustrative profile of revenue streams to the Company for a 25 million gallon per year plant are provided below.

Development phase (years 1-2)

- Year 1: technology licence fees (circa £1.5 million) and development services (circa £4 million).
- Year 2: development services (circa £4 million).

Construction phase (years 3-5)

- Year 3: reactor sales (circa £3.5 million), catalyst sales (circa £3 million), technology licence fees (circa £2 million) and completion fees (circa £1.5 million).
- Year 4: reactor sales (circa £3.5 million).
- Year 5: reactor sales (circa £3.5 million) and catalyst sales (circa £3 million) and technology licence fees (circa £0.5 million).

Operational phase (year 6 onwards)

- Year 6 (and recurring every two years over plant life): decarbonisation royalty (circa £2 million, growing with inflation in subsequent years).
- Year 7 (and recurring every two years over plant life): catalyst sales (circa £6 million) and decarbonisation royalty (circa £2 million growing with inflation in subsequent years).

Capital structure

As at 12 July 2019, a total of 410,422,765 Ordinary Shares have been issued and allotted with options and warrants in respect of an additional 5,257,840 Ordinary Shares. The total number of shares, fully diluted, as at 12 July 2019, is therefore 415,680,605. As at the close of trading on 12 July 2019, the share price of the Company was 3.26 pence, giving the Company a market capitalisation of £13,359,261 as at 12 July 2019.

4. Current Trading

The Company's financial position and funding requirements reflect the taking forward of its strategy and delivery of its projects.

The financial statements for the year ended 31 December 2018 can be summarised as follows. The revenues for the period were £0.7 million (2017: £0.8 million). Operating loss for the period was £18.6 million before and £28.7 million after exceptional items (2017: £21.4 million before and £51.2 million after exceptional costs). Cash (including short term investments) at period end stood at £7.0 million (31 December 2017: £2.1 million), while net cash inflow was £4.3 million (2017: £(16.6) million cash outflow). Cash inflow comprised net cash generated from financing activities of £23 million; net cash used in investing activities of £(6.3) million; and net cash used in operating activities of £(12.4) million.

5. Use of Proceeds

The Company intends to raise gross proceeds of approximately £7 million pursuant to the Placing (before expenses), equivalent to approximately £6.5 million net of expenses. The Directors intend to use the net proceeds raised by the Placing as follows: (i) £0.4 million to complete the development capital fund raising and preparation of the FEED for the Mississippi Biorefinery Project; (ii) £0.5 million to be used to strengthen and extend the Company's intellectual property portfolio; (iii) £5.2 million to be used for working capital and central costs; and (iv) £0.4 million on analysing and testing catalyst and Fischer-Tropsch reactors from the recently completed full scale demonstration run in Oklahoma. The contribution from British Airways and Shell of £2.8 million in total towards the final pre-FEED stage, planning permission and completion of commercial arrangements for the Altalto Immingham Project, means no further net contribution will be required to be made by the Company for the project until the first quarter of 2020. Further funding will be required at that stage to execute the full FEED work, being the next stage on both the Mississippi Biorefinery Project and the Altalto Immingham Project. However, it is expected that the large majority of this further funding will be provided by further commitments from strategic partners.

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

combination of a larger capital raising or the realisation of its assets, such as granting additional intellectual property licenses or selling non-core intellectual property.

6. Principal terms of the Placing

The Company proposes raising approximately £7 million, before expenses, by way of a conditional, non- pre-emptive placing of up to 233,333,335 new Ordinary Shares at the Placing Price. The Placing Shares (other than those Placing Shares which placees have subscribed for directly through the Company) will be placed by Numis and Canaccord as agents for the Company and pursuant to the Placing Agreement, with institutional and other professional investors.

The Placing Price represents a discount to the closing mid-market price of the Ordinary Shares as at 12 July 2019 of 3.26 pence per Ordinary Share. The Placing Shares will represent approximately 8 per cent. of the Enlarged Share Capital (provided the Placing is fully subscribed and provided that no options or warrants have been exercised) and will, when issued, rank *pari passu* in all respects with the other Ordinary Shares then in issue, including all rights to all dividends and other distributions declared, made or paid following Admission.

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

- (a) the execution of an addendum to the JDA, such addendum between Velocys Technologies Ltd, British Airways and Shell in relation to the funding by British Airways and Shell respectively to Velocys Technologies Ltd of £1.4 million each in connection with the Alalto Immingham Project prior to the date of the General Meeting (or such later date as Numis and Canaccord may agree in their discretion);
- (b) the passing of the Resolutions at the General Meeting;
- (c) the Placing Agreement not having been terminated in accordance with its terms; and
- (d) VCT/EIS Admission occurring on or before 1 August 2019 (or such later date as Numis, Canaccord and the Company may agree, not being later than 90 days after the date of this document).

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

- (a) the execution of an addendum to the JDA, such addendum between Velocys Technologies Ltd, British Airways and Shell in relation to the funding by British Airways and Shell respectively to Velocys Technologies Ltd of £1.4 million each in connection with the Alalto Immingham Project prior to the date of the General Meeting (or such later date as Numis and Canaccord may agree in their discretion);
- (b) the passing of the Resolutions at the General Meeting;
- (c) the Placing Agreement becoming unconditional and the Placing Agreement not having been terminated in accordance with its terms; and
- (d) General Admission occurring on or before 2 August 2019 (or such later date as Numis, Canaccord and the Company may agree, not being later than 90 days after the date of this document).

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

The Placing Agreement contains warranties from the Company in favour of Numis and Canaccord in relation to, (amongst other things), the Company and its business. In addition, the Company has agreed to indemnify Numis and Canaccord in relation to certain liabilities it may incur in

undertaking the Placing. Numis and Canaccord have the right to terminate the Placing Agreement in certain circumstances prior to 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*.

The Company is intending to apply for assurance from HMRC that the Potential VCT/EIS Shares will rank as a qualifying investment for the purposes of the EIS and for the purposes of investment by VCTs. The Company has not yet made the application for assurance and it is not known whether HMRC will give the assurance sought. Neither the Directors nor the Company give any warranty or undertaking that EIS relief or VCT qualifying status will be granted or that, if EIS relief or VCT qualifying status is granted, it 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 under EIS or 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 EIS and 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 Potential VCT/EIS Shares and the General Placing Shares to be admitted to trading on AIM, subject to the Placing Agreement not having been terminated. It is expected that trading in the Potential VCT/EIS Shares will commence at 8.00 a.m. on 1 August 2019 and that trading in the General Placing Shares will commence at 8.00 a.m. on 2 August 2019.

The Directors have subscribed for 2,499,998 Placing Shares in aggregate at the Placing Price, representing approximately 1.1 per cent. of the Placing Shares. Immediately following General Admission (and assuming no other issuance of new Ordinary Shares prior to General Admission), the Directors of the Company will have a legal and/or beneficial interest in 4,140,787 Ordinary Shares, representing 0.64 per cent. of the Ordinary Shares expected to be in issue as at General Admission.

7. Related party transactions

The participation of each of Ervington Investments Limited and Lansdowne Partners in the Placing constitutes a related party transaction under the AIM Rules as each is a substantial shareholder (within the meaning of the AIM Rules). Ervington Investments Limited is subscribing for 46,666,666 Placing Shares at the Placing Price, and Lansdowne Partners is subscribing for 49,373,800 Placing Shares at the Placing Price. The Directors consider, having consulted with Numis, the Company's nominated advisor, that the terms of the related party transaction are fair and reasonable in so far as its Shareholders are concerned.

8. Resolutions

The Company currently does not have sufficient authority to allot shares under the Act to effect the Placing. 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.

- (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 £2,333,334 pursuant to the Placing, such authority expiring at the earlier of the Company's next annual general meeting and 31 October 2020.

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 £2,333,334 (being the maximum required for the purposes of issuing the Placing 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 £2,333,334 on a non-pre-emptive basis pursuant to the Placing, such authority expiring at the earlier of the Company's next annual general meeting and 31 October 2020.

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.

These authorities are required to enable the Directors to effect the Placing and are in addition to the general authorities that were granted by Shareholders at the Company's annual general meeting on 12 June 2019, which gave the Directors authority to allot relevant securities up to a maximum aggregate nominal amount of £1,354,395.12 under s551 of the Act and to allot Ordinary Shares up to a maximum aggregate nominal amount of £615,634.15 on a non-pre-emptive basis under s570 of the Act (such authorities expire at the next annual general meeting of the Company or 31 July 2020, whichever is earlier).

Resolution 1 is an ordinary resolution and requires a majority of more than 50 per cent. of the Shareholders voting to be passed. Resolution 2 is a special resolution and requires the approval of more 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 the offices of Mayer Brown International LLP, 201 Bishopsgate, London, EC2M 3AF at 10.30 a.m. on 31 July 2019.

9. Action to be Taken by Shareholders

Enclosed with this document is a Form of Proxy for use at the General Meeting. Whether or not you intend to be present at the General Meeting, you are requested to complete, sign and return the Form of Proxy to the Company's registrars, Link Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received as soon as possible and, in any event, not later than 10.30 a.m. on 29 July 2019. If you complete and return the Form of Proxy, you may still attend and vote at the General Meeting should you wish to do so. Shareholders who hold their ordinary Shares through a nominee should instruct their nominees to submit a Form of Proxy on their behalf.

10. Recommendation

The Directors consider that the Placing 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 Placing to meet its ongoing liquidity requirements and to continue to implement its strategy. If the Resolutions are not passed by Shareholders, the Placing 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 1,640,789 Ordinary Shares (representing approximately 0.4 per cent. of the Ordinary Shares in the issue as at the date of this document).

DEFINITIONS

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

“Act”	the UK Companies Act 2006, as amended
“Admission”	VCT/EIS Admission in the context of the Potential VCT/EIS Shares and General Admission in the context of the General Placing Shares
“AIM”	the market of that name operated by London Stock Exchange plc
“AIM Rules”	the AIM Rules for Companies, which sets out the rules and responsibilities for companies listed on AIM, as amended from time to time
“Articles”	the articles of association of the Company (as amended from time to time)
“Board” or “Directors”	the board of directors of the Company, whose names are listed on page 6 of this document
“British Airways”	British Airways plc
“Canaccord”	Canaccord Genuity Limited, a company incorporated in England and Wales, with registered number 01774003, whose registered office is at 88 Wood Street, London EC2V 7QR
“Company”	Velocys plc, a public limited company incorporated in England & Wales under registered number 5712187 and having its registered office at Harwell Innovation Centre, 173 Curie Avenue, Harwell, Oxfordshire, England, OX11 0QG
“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
“Disclosure Guidance and Transparency Rules”	the Disclosure Guidance and Transparency Rules issued by the FCA
“EIS”	enterprise investment scheme
“Enlarged Share Capital”	the issued Ordinary Share capital of the Company immediately following Admission comprising the Existing Ordinary Shares and the Placing Shares assuming full subscription under the Placing and assuming no exercise of any warrants or options
“ENVIA”	ENVIA Energy, LLC, a joint venture between

	Waste Management, Inc., Ventech Projects Investments, LLC and the Company
“Existing Ordinary Shares”	the 410,422,765 Ordinary Shares in issue as at the date of this document being the entire issued share capital of the Company prior to the Placing
“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)
“General Admission”	admission of the General Placing 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 31 July 2019 notice of which is set out at the end of this document
“General Placing”	the conditional placing of the General Placing Shares to places pursuant to the Placing Agreement
“General Placing Shares”	the 136,166,669 new Ordinary Shares to be issued, conditional on General Admission, in connection with the General Placing
“JDA”	the joint development agreement dated 15 June 2018 between Velocys Technologies, Shell and British Airways relating to the Altalto Immingham Project
“JDA Condition”	the execution of an addendum to the JDA, as described in paragraph 6 of this document
“Joint Brokers”	Numis and Canaccord
“Link Asset Services”	a trading name of Link Market Services Limited, a company incorporated in England and Wales, with registered number 02605568, whose registered office is at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU
“London Stock Exchange”	London Stock Exchange plc
“Notice of General Meeting”	the notice of General Meeting, set out at the end of this document
“Numis”	Numis Securities Limited, a private limited company incorporated in England & Wales under registered number 2285918 and having its registered office at 10 Paternoster Square, London EC4M 7LT
“Ordinary Shares”	ordinary shares of £0.01 each in the capital of the Company

“Placing”	the VCT/EIS Placing and the General Placing
“Placing Agreement”	the conditional agreement dated 15 July 2019 relating to the Placing, between the Company, Numis and Canaccord
“Placing Price”	3 pence per New Ordinary Share
“Placing Shares”	the Potential VCT/EIS Shares and the General Placing Shares
“Potential VCT/EIS Shares”	the 97,166,666 new Ordinary Shares to be issued, conditional on VCT/EIS Admission, in connection with the VCT/EIS Placing
“Registrar”	Link Asset Services
“Regulations”	the UK Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended
“Resolutions”	the resolutions to be proposed at the General Meeting as set out in the Notice of General Meeting
“Shareholders”	the holders of Ordinary Shares from time to time, each individually being a “Shareholder”
“Shell”	Shell International Petroleum Company Limited
“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/EIS Admission”	admission of the Potential VCT/EIS Shares to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules
“VCT/EIS Placing”	the conditional placing of the Potential VCT/EIS Shares to places pursuant to the Placing Agreement
“€”	the single currency of the participating member states of the European Union
“\$”	the lawful currency of the United States
“£”	the lawful currency of the United Kingdom

GLOSSARY

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

“Altalto Immingham Project”	the Company’s waste to sustainable fuels project, the plant for which will be located in Immingham, UK
“EPC”	engineer, procurement and construction
“FEED”	front end engineering design
“FID”	final investment decision
“LCFS”	the Californian Low Carbon Fuel Standard programme”
“Mississippi Biorefinery Project”	the Company’s biorefinery project, the plant for which will be located in Natchez, Mississippi
“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 Renewable Transport Fuel Obligation Order published 5 November 2012

APPENDIX I TERMS AND CONDITIONS OF THE PLACING

IMPORTANT INFORMATION ON THE PLACING FOR INVITED PLACEES ONLY

THIS ANNOUNCEMENT INCLUDES STATEMENTS, ESTIMATES, OPINIONS AND PROJECTIONS WITH RESPECT TO ANTICIPATED FUTURE PERFORMANCE OF THE GROUP (“FORWARD-LOOKING STATEMENTS”) WHICH REFLECT VARIOUS ASSUMPTIONS CONCERNING ANTICIPATED RESULTS TAKEN FROM THE GROUP’S CURRENT BUSINESS PLAN OR FROM PUBLIC SOURCES WHICH MAY OR MAY NOT PROVE TO BE CORRECT. THESE FORWARD LOOKING STATEMENTS CAN BE IDENTIFIED BY THE USE OF FORWARD LOOKING TERMINOLOGY, INCLUDING THE TERMS “ANTICIPATES”, “TARGET”, “BELIEVES”, “ESTIMATES”, “EXPECTS”, “INTENDS”, “MAY”, “PLANS”, “PROJECTS”, “SHOULD” OR “WILL”, OR, IN EACH

CASE, THEIR NEGATIVE OR OTHER VARIATIONS OR COMPARABLE TERMINOLOGY OR BY DISCUSSIONS OF STRATEGY, PLANS, OBJECTIVES, GOALS, FUTURE EVENTS OR INTENTIONS. SUCH FORWARD-LOOKING STATEMENTS REFLECT CURRENT EXPECTATIONS BASED ON THE CURRENT BUSINESS PLAN AND VARIOUS OTHER ASSUMPTIONS AND INVOLVE SIGNIFICANT RISKS AND UNCERTAINTIES AND SHOULD NOT BE READ AS GUARANTEES OF FUTURE PERFORMANCE OR RESULTS AND WILL NOT NECESSARILY BE ACCURATE INDICATIONS OF WHETHER OR NOT SUCH RESULTS WILL BE ACHIEVED. AS A RESULT, PROSPECTIVE INVESTORS SHOULD NOT RELY ON SUCH FORWARD-LOOKING STATEMENTS DUE TO THE INHERENT UNCERTAINTY THEREIN. NO REPRESENTATION OR WARRANTY IS GIVEN AS TO THE COMPLETENESS OR ACCURACY OF THE FORWARD-LOOKING STATEMENTS CONTAINED IN THIS ANNOUNCEMENT. FORWARD-LOOKING STATEMENTS SPEAK ONLY AS OF THE DATE OF SUCH STATEMENTS AND, EXCEPT AS REQUIRED BY THE FCA, THE LONDON STOCK EXCHANGE, THE AIM RULES OR APPLICABLE LAW, THE COMPANY UNDERTAKES NO OBLIGATION TO UPDATE OR REVISE PUBLICLY ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE. NO STATEMENT IN THIS ANNOUNCEMENT IS INTENDED TO BE A PROFIT FORECAST AND NO STATEMENT IN THIS ANNOUNCEMENT SHOULD BE INTERPRETED TO MEAN THAT EARNINGS PER SHARE OF THE COMPANY FOR THE CURRENT OR FUTURE FINANCIAL YEARS WOULD NECESSARILY MATCH OR EXCEED THE HISTORICAL PUBLISHED EARNINGS PER SHARE OF THE COMPANY.

THIS ANNOUNCEMENT, INCLUDING THE APPENDIX (TOGETHER THE "ANNOUNCEMENT") AND THE INFORMATION IN IT IS RESTRICTED AND IS NOT FOR PUBLICATION, RELEASE OR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN WHOLE OR IN PART, IN OR INTO THE UNITED STATES, AUSTRALIA, NEW ZEALAND, CANADA, JAPAN OR SOUTH AFRICA OR ANY OTHER JURISDICTION IN WHICH SUCH PUBLICATION, RELEASE OR DISTRIBUTION WOULD BE UNLAWFUL.

MEMBERS OF THE PUBLIC ARE NOT ELIGIBLE TO TAKE PART IN THE PLACING. THIS ANNOUNCEMENT AND THE INFORMATION CONTAINED HEREIN ARE FOR INFORMATION PURPOSES ONLY AND ARE DIRECTED ONLY AT: (A) PERSONS IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA WHO ARE QUALIFIED INVESTORS AS DEFINED IN SECTION 2(7) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000, AS AMENDED, ("QUALIFIED INVESTORS") BEING PERSONS FALLING WITHIN THE MEANING OF ARTICLE 2(1)(E) OF THE EU PROSPECTUS DIRECTIVE (WHICH MEANS DIRECTIVE 2003/71/EC AND INCLUDES ANY RELEVANT IMPLEMENTING DIRECTIVE MEASURE IN ANY MEMBER STATE) (THE "PROSPECTUS DIRECTIVE"); AND (B) IN THE UNITED KINGDOM, TO QUALIFIED INVESTORS WHO ARE PERSONS WHO (I) HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS FALLING WITHIN ARTICLE 19(1) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE "ORDER"); (II) ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) ("HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS, ETC") OF THE ORDER; OR (III) ARE PERSONS TO WHOM IT MAY OTHERWISE BE LAWFULLY COMMUNICATED (ALL SUCH PERSONS IN (A) OR (B) TOGETHER BEING REFERRED TO AS "RELEVANT PERSONS").

THIS ANNOUNCEMENT DOES NOT ITSELF CONSTITUTE AN OFFER FOR SALE OR SUBSCRIPTION OF ANY SECURITIES IN THE COMPANY. THIS ANNOUNCEMENT MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS ANNOUNCEMENT RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. EACH PLACEE SHOULD CONSULT WITH ITS OWN ADVISERS AS TO LEGAL, TAX, BUSINESS AND RELATED ASPECTS OF AN INVESTMENT IN PLACING SHARES.

In this Appendix, unless the context requires, "**Placee**" means a Relevant Person (including individuals, funds or others) who has been invited to, and who chooses to, participate in the Placing and by whom or on whose behalf a commitment to subscribe for Placing Shares has been given.

No representation or warranty, express or implied, is made or given by or on behalf of the Company or Canaccord Genuity Limited ("**Canaccord**") or Numis Securities Ltd ("**Numis**"), the Company's nominated adviser, or any of their respective affiliates (within the meaning of Rule 405 under the US Securities Act of 1933, as amended (the "**Securities Act**") or any of such persons' directors, officers or employees or any other person as to the accuracy, completeness or fairness of the information or opinions contained in this Announcement and no liability whatsoever is accepted by the Company, Numis, Canaccord or any of such persons' Affiliates, directors, officers or employees or any other person for any loss howsoever arising, directly or indirectly, from any use of such information or opinions or otherwise arising in connection therewith.

This Announcement does not constitute an offer to sell or issue or the solicitation of an offer to buy or subscribe for Placing Shares in any jurisdiction in which such offer or solicitation is or may be unlawful. In particular the Placing Shares referred to in this Announcement have not been and will not be registered under the Securities Act or with

any securities regulatory authority of any state or other jurisdiction of the United States and will be offered or sold only outside of the United States in accordance with Regulation S under the Securities Act.

The relevant clearances have not been, nor will they be, obtained from the securities commission of any province or territory of Canada; no prospectus has been lodged with or registered by, the Australian Securities and Investments Commission or the Japanese Ministry of Finance; and the Placing Shares have not been, nor will they be, registered under or offered in compliance with the securities laws of any state, province or territory of United States, Australia, New Zealand, Canada, Japan or South Africa. Accordingly, the Placing Shares may not (unless an exemption under the relevant securities laws is applicable) be offered, sold, resold or delivered, directly or indirectly, in or into the United States, Australia, New Zealand, Canada, Japan or South Africa or any other jurisdiction outside the United Kingdom.

Persons distributing any part of this Announcement must satisfy themselves that it is lawful to do so. Persons (including, without limitation, nominees and trustees) who have a contractual or other legal obligation to forward a copy of this Announcement should seek appropriate advice before taking any action. Persons into whose possession this Announcement comes are required by the Company, Canaccord and Numis to inform themselves about, and observe, any such restrictions.

This Announcement does not constitute a recommendation concerning any investors' options with respect to the Placing. Investors and prospective investors should conduct their own investigation, analysis and evaluation of the business and data described in this Announcement. The price and value of securities can go down as well as up. Past performance is not a guide to future performance. The contents of this Announcement are not to be construed as legal, business, financial or tax advice. Each investor or prospective investor should consult his, her or its own legal adviser, business adviser, financial adviser or tax adviser for legal, financial, business or tax advice.

Placees will be deemed: (i) to have read and understood this Announcement, including this Appendix, in its entirety; and (ii) to be participating and making an offer for Placing Shares on the terms and conditions and to be providing the representations, warranties, acknowledgements and undertakings, contained in this Appendix.

This Announcement does not identify or suggest, or purport to identify or suggest, the risks (direct or indirect) that may be associated with an investment in the Placing Shares. Any investment decision to buy Placing Shares in the Placing must be made solely on the basis of publicly available information, which has not been independently verified by Numis and Canaccord.

The Placing Shares to be issued pursuant to the Placing will not be admitted to trading on any stock exchange other than the AIM market of the London Stock Exchange plc.

1. DETAILS OF THE PLACING

- 1.1 Numis and Canaccord today entered into an agreement with the Company (the "**Placing Agreement**"). Under the Placing Agreement, subject to certain conditions, Numis and Canaccord, as agents for and on behalf of the Company, have agreed to use their respective reasonable endeavours to procure Placees for the Placing Shares at the Placing Price. The Placing is not being underwritten by Numis or Canaccord.
- 1.2 The Placing Shares will, when issued, be credited as fully paid and will rank pari passu in all respects with the existing Ordinary Shares, including the right to receive dividends and other distributions declared or made after the date of issue of the Placing Shares.

2. APPLICATIONS FOR ADMISSION TO TRADING

- 2.1 Application will be made to the London Stock Exchange for admission to trading of the Placing Shares on its AIM market ("**Application**").
- 2.2 It is expected that VCT/EIS Admission will become effective at 8.00 a.m. on 1 August 2019 and that dealings in the VCT/EIS Placing Shares will commence at that time.
- 2.3 It is expected that General Admission will become effective at 8.00 a.m. on 2 August 2019 and that dealings in the General Placing Shares will commence at that time.

3. PARTICIPATION IN, AND PRINCIPAL TERMS OF THE PLACING

- 3.1 Numis and Canaccord are acting as joint brokers and as agents for the Company in connection with the Placing, Application and Admission. Numis and Canaccord are each authorised and regulated in the United Kingdom by the FCA, and are each acting exclusively for the Company and no one else in connection with the matters referred to in this Announcement and will not be responsible to anyone other than the Company for providing the protections afforded to the customers of Numis and Canaccord or for providing advice in relation to the matters described in this Announcement.
- 3.2 Participation in the Placing is only available to persons who may lawfully be, and are invited to participate in it by Numis, Canaccord, Peat & Co and TPI. Numis, Canaccord, Peat & Co, TPI and their respective Affiliates are each entitled to participate in the Placing as principals.
- 3.3 The placing price will be a fixed price of 3 pence per Placing Share (the "**Placing Price**"). No commissions will be paid to Placees or by the Placees in respect of any Placing Shares.
- 3.4 Each prospective Placee's allocation of Placing Shares will be confirmed to prospective Placees orally by Numis, Canaccord, Peat & Co, TPI or one of their respective Affiliates, and a contract note will be dispatched as soon as practicable thereafter as evidence of such Placee's allocation and commitment. The terms and conditions of this Appendix will be deemed incorporated into the contract note. That oral confirmation will constitute an irrevocable legally binding commitment upon that person (who at that point will become a Placee) in favour of the Company and Numis, Canaccord, Peat & Co or TPI (as applicable) to subscribe for the number of Placing Shares allocated to it at the Placing Price on the terms and conditions set out in this Appendix and in accordance with the Company's articles of association and each Placee will be deemed to have read and understood the announcement in its entirety. An offer to acquire Placing Shares, which has been communicated by a prospective Placee to Numis, Canaccord, Peat & Co or TPI (as applicable) which has not been withdrawn or revoked prior to publication of this Announcement shall not be capable of withdrawal or revocation immediately following the publication of this Announcement without the consent of Numis, Canaccord, Peat & Co or TPI (as applicable).
- 3.5 Each Placee will also have an immediate, separate, irrevocable and binding obligation, owed to Numis, Canaccord, Peat & Co or TPI, as applicable (as agents of the Company), to pay the relevant entity (or as it may direct) in cleared funds immediately on settlement an amount equal to the product of the Placing Price and the number of Placing Shares such Placee has agreed to subscribe for and the Company has agreed to allot and issue to that Placee. Each Placee's obligation will be owed to the Company and to Numis, Canaccord, Peat & Co or TPI, as applicable.
- 3.6 Irrespective of the time at which a Placee's allocation pursuant to the Placing is confirmed, settlement for all Placing Shares to be subscribed for pursuant to the Placing will be required to be made at the same time, on the basis explained below under "Registration and Settlement".
- 3.7 All obligations under the Placing will be subject to fulfilment of the conditions referred to below under "Conditions of the Placing" and to the Placing not being terminated on the basis referred to below under "Termination of the Placing Agreement".
- 3.8 By participating in the Placing, each Placee will agree that its rights and obligations in respect of the Placing will terminate only in the circumstances described below and will not be capable of rescission or termination by the Placee.
- 3.9 To the fullest extent permitted by law and applicable FCA rules, neither (i) Numis, (ii) any of its directors, officers, employees or consultants, or (iii) to the extent not contained with (i) or (ii), any person connected with Numis as defined in FSMA ((i), (ii) and (iii) being together "**Affiliates**" and individually an "**Affiliate**"), shall have any liability (including to the extent permissible by law, any fiduciary duties) to Placees or to any person other than the Company in respect of the Placing.
- 3.10 To the fullest extent permitted by law and applicable FCA rules, neither (i) Canaccord, (ii) any of its directors, officers, employees or consultants, or (iii) to the extent not contained with (i) or (ii), any Affiliate of Canaccord, shall have any liability (including to the extent permissible by law, any fiduciary duties) to Placees or to any person other than the Company in respect of the Placing.
- 3.1 No commissions will be paid to Placees or by the Placees in respect of any Placing Shares.

4. **CONDITIONS OF THE PLACING**

- 4.1 Numis' and Canaccord's obligations under the Placing Agreement in respect of the VCT/EIS Placing Shares are conditional on, amongst other things:
- (a) none of the warranties in the Placing Agreement (i) being untrue and inaccurate or misleading on and as of the date of the Placing Agreement to an extent which, in any such case, would be material and (ii) becoming untrue, inaccurate or misleading at VCT/EIS Admission to an extent which, in any such case, would be material by reference to the facts and circumstances then subsisting;
 - (b) the Resolutions being validly passed at the General Meeting without amendment and remaining in full force and effect
 - (c) the Company allotting, subject only to VCT/EIS Admission, the VCT/EIS Placing Shares in accordance with the Placing Agreement;
 - (d) certain publication of announcement obligations (including with respect to this Announcement);
 - (e) the execution of an addendum to the JDA, such addendum between Velocys Technologies, Shell and British Airways Plc in relation to the funding by British Airways plc and Shell to Velocys Technologies of £2.8m million in aggregate in connection with the UK Waste-To-Sustainable Fuels Project prior to the date of the General Meeting;
 - (f) the compliance by the Company with all its obligations which are required to be performed or satisfied on or prior to VCT/EIS Admission;
 - (g) the respective obligations of Numis and Canaccord under the Placing Agreement not having been terminated prior to VCT/EIS Admission; and
 - (h) VCT/EIS Admission occurring by 8:00am on 1 August 2019 (or such later time and date as Numis and Canaccord (acting together) may agree in unity with the Company not being later than 8:00 a.m. on 13 October 2019).
- 4.2 Numis' and Canaccord's obligations under the Placing Agreement in respect of the General Placing Shares are conditional on, amongst other things:
- (a) the VCT/EIS Placing Shares being unconditionally allotted and issued to the relevant Placees on VCT/EIS Admission and VCT/EIS Admission having occurred;
 - (b) none of the warranties in the Placing Agreement (i) being untrue and inaccurate or misleading on and as of the date of the Placing Agreement to an extent which, in any such case, would be material and (ii) becoming untrue, inaccurate or misleading at General Admission to an extent which, in any such case, would be material by reference to the facts and circumstances then subsisting;
 - (c) the Company allotting, subject only to General Admission, the General Placing Shares in accordance with the Placing Agreement;
 - (d) No event having occurred before General Admission which had it occurred before VCT/EIS Admission would have entitled Numis and Canaccord to terminate the Placing Agreement; and
 - (e) General Admission occurring by 8:00am on 2 August 2019 (or such later time and date as Numis and Canaccord (acting together) may agree in unity with the Company not being later than 8:00 a.m. on 13 October 2019).
- 4.2 If (i) any condition contained in the Placing Agreement in relation to the Placing Shares is not fulfilled or waived by Numis and Canaccord (acting together) by the respective time or date where specified (or such later time or date as Numis and Canaccord may agree in writing with the Company), (ii) any such condition becomes incapable of being fulfilled or (iii) the Placing Agreement is terminated in accordance with its terms, the Placing will not proceed and the Placee's rights and obligations hereunder in relation to the Placing Shares shall cease and terminate at such time and each Placee agrees that no claim can be made by the Placee in respect thereof.
- 4.3 Numis and Canaccord may, acting together and in their sole discretion and upon such terms as they think fit, waive compliance by the Company with the whole or any part of any of the Company's obligations in

relation to the conditions in the Placing Agreement, save that conditions 4.1(c), 4.1(h), 4.2(a), 4.2(c) and 4.2(e) above relating to Admission may not be waived. Any such extension or waiver will not affect the Placees' commitments as set out in this Announcement.

- 4.4 Neither Numis nor Canaccord nor the Company shall have any liability to any Placee (or to any other person whether acting on behalf of a Placee or otherwise) in respect of any decision they may make as to whether or not to waive or to extend the time and/or the date for the satisfaction of any condition to the Placing nor for any decision they may make as to the satisfaction of any condition or in respect of the Placing generally, and by participating in the Placing each Placee agrees that any such decision is within the absolute discretion of Numis and Canaccord (acting together).

5. **TERMINATION OF THE PLACING AGREEMENT**

- 5.1 Numis and Canaccord (acting together) are entitled, at any time prior to Admission, to terminate the Placing Agreement in respect of the Placing Shares in accordance with the terms of the Placing Agreement by giving written notice to the Company in certain circumstances, including but not limited to any of the warranties given to Numis and Canaccord in the Placing Agreement being untrue, inaccurate or misleading in any material respect, the failure of the Company to comply with its material obligations under the Placing Agreement or the occurrence of a force majeure event which prevents any party not seeking to terminate from performing its obligations under the Placing Agreement.
- 5.2 By participating in the Placing, Placees agree that the exercise by Numis and Canaccord of any right of termination or other discretion under the Placing Agreement shall be within the absolute discretion of Numis and Canaccord (acting together), that it need not make any reference to Placees and that none of Numis, Canaccord nor the Company (or any of their respective directors, officers or employees) shall have any liability to Placees whatsoever in connection with any such exercise.
- 5.3 Following VCT/EIS Admission, the Placing Agreement is not capable of termination to the extent that it relates to the Placing of VCT/EIS Placing Shares. Following General Admission, the Placing Agreement is not capable of termination to the extent it relates to the Placing of any of the General Placing Shares. For the avoidance of doubt, VCT/EIS Admission is not conditional on General Admission taking place.

6. **NO ADMISSION DOCUMENT OR PROSPECTUS**

- 6.1 No offering document, admission document or prospectus has been or will be submitted to be approved by the FCA or submitted to the London Stock Exchange in relation to the Placing or the Placing Shares and Placees' commitments will be made solely on the basis of the information contained in this Announcement (including this Appendix) and the Exchange Information (as defined below).
- 6.2 Each Placee, by accepting a participation in the Placing, agrees that the content of this Announcement is exclusively the responsibility of the Company and confirms that it has neither received nor relied on any other information (other than the Exchange Information), representation, warranty, or statement made by or on behalf of the Company or Numis or Canaccord or any other person and neither Numis nor Canaccord nor the Company nor any other person will be liable for any Placee's decision to participate in the Placing based on any other information, representation, warranty or statement which the Placees may have obtained or received. Each Placee acknowledges and agrees that it has relied on its own investigation of the business, financial or other position of the Company in accepting a participation in the Placing. Nothing in this paragraph shall exclude the liability of any person for fraudulent misrepresentation.

7. **REGISTRATION AND SETTLEMENT**

- 7.1 Settlement of transactions in the Placing Shares (ISIN: GB00B11SZ269) following Admission will take place within the system administered by Euroclear UK & Ireland Limited ("**CREST**"), subject to certain exceptions. Numis and Canaccord reserve the right to require settlement for, and delivery of, the Placing Shares (or a portion thereof) to Placees in certificated form if, in their opinion, delivery or settlement is not possible or practicable within the CREST system within the timetable set out in this Announcement or would not be consistent with the regulatory requirements in any Placee's jurisdiction.
- 7.2 Each Placee allocated Placing Shares in the Placing will be sent a contract note in accordance with the standing arrangements in place with Numis or Canaccord (as applicable), stating the number of Placing Shares allocated to it at the Placing Price, the aggregate amount owed by such Placee to Numis or Canaccord (as applicable) and settlement instructions. Each Placee agrees that it will do all things

necessary to ensure that delivery and payment is completed in accordance with either the standing CREST or certificated settlement instructions that it has in place with Numis or Canaccord (as applicable).

- 7.3 The Company will (via its registrar) deliver the Placing Shares to a CREST account operated by Numis or Canaccord (as applicable) as agent for the Company and Numis or Canaccord (as applicable) will enter its delivery (DEL) instruction into the CREST system. Numis or Canaccord (as applicable) will hold any Placing Shares delivered to this account as nominee for the Placees. The input to CREST by a Placee of a matching or acceptance instruction will then allow delivery of the relevant Placing Shares to that Placee against payment.
- 7.4 It is expected that settlement in respect of the VCT/EIS Placing Shares will take place on 1 August 2019 and that settlement in respect of the General Placing Shares will take place on 2 August 2019, in accordance with the instructions set out in the contract note.
- 7.5 Interest is chargeable daily on payments not received from Placees on the due date in accordance with the arrangements set out above at the rate of two percentage points above the base rate of Barclays Bank plc from time to time.
- 7.6 Each Placee agrees that, if it does not comply with these obligations, Numis or Canaccord (as applicable) may sell any or all of the Placing Shares allocated to that Placee on such Placee's behalf and retain from the proceeds, for Numis' or Canaccord's account and benefit (as applicable), an amount equal to the aggregate amount owed by the Placee plus any interest due. The relevant Placee will, however, remain liable for any shortfall below the aggregate amount owed by it and may be required to bear any stamp duty or stamp duty reserve tax (together with any interest or penalties) which may arise upon the sale of such Placing Shares on such Placee's behalf.
- 7.7 If Placing Shares are to be delivered to a custodian or settlement agent, Placees should ensure that the contract note is copied and delivered immediately to the relevant person within that organisation.
- 7.8 Insofar as Placing Shares are registered in a Placee's name or that of its nominee or in the name of any person for whom a Placee is contracting as agent or that of a nominee for such person, such Placing Shares should, subject as provided below, be so registered free from any liability to UK stamp duty or stamp duty reserve tax.
- 7.9 Placees will not be entitled to receive any fee or commission in connection with the Placing.

8. REPRESENTATIONS AND WARRANTIES

- 8.1 By participating in the Placing, each Placee (and any person acting on such Placee's behalf) irrevocably acknowledges, undertakes, represents, warrants and agrees (as the case may be) that:
- (a) it has read and understood this Announcement (including the Appendix) in its entirety and its subscription for the Placing Shares is subject to and based on the terms and conditions of the Placing as referred to and included in this Announcement and undertakes not to redistribute or duplicate this Announcement;
 - (b) no offering document, admission document or prospectus has been prepared in connection with the Placing and that it has not received and will not receive a prospectus, admission document or other offering document in connection with the Placing;
 - (c) the Ordinary Shares are admitted to trading on AIM, and the Company is therefore required to publish certain business and financial information in accordance with the AIM Rules and the other applicable rules and practices of the London Stock Exchange and/or the FCA (collectively "**Exchange Information**"), which includes the Company's most recent balance sheet and profit and loss account and that it is able to obtain or access such information or comparable information concerning any other publicly traded company without undue difficulty;
 - (d) (i) it has made its own assessment of the Company, the Placing Shares and the terms and conditions of the Placing and has relied on its own investigation of the business, financial or other position of the Company in accepting a participation in the Placing and has satisfied itself that the information is still current; (ii) none of Numis, Canaccord, the Company, any of their respective Affiliates or any person acting on behalf of any of them has provided, or will provide it, with any

material regarding the Placing Shares in addition to this Announcement; and (iii) it has not requested Numis, Canaccord, the Company or any of their respective Affiliates or any person acting on behalf of any of them to provide it with any such information;

- (e) the content of this Announcement is exclusively the responsibility of the Company and that none of Numis, Canaccord, their Affiliates or any person acting on their behalf has or shall have any liability for any information, representation or statement contained in this Announcement or any information previously or concurrently published by or on behalf of the Company and will not be liable for any Placee's decision to participate in the Placing based on any information, representation or statement contained in this Announcement or elsewhere;
- (f) the only information on which it has relied in committing itself to subscribe for the Placing Shares is contained in this Announcement and any Exchange Information and that it has not received or relied on any information given or any representations, warranties or statements, express or implied, made by Numis, Canaccord or the Company or any of their Affiliates or any person acting on behalf of any of them and none of Numis, Canaccord, the Company, any of their Affiliates or any person acting on behalf of any of them will be liable for its decision to accept an invitation to participate in the Placing based on any information, representation, warranty or statement other than that contained in this Announcement and any Exchange Information;
- (g) it has neither received nor relied on any "inside information" as defined in the EU Market Abuse Regulation 596/2014 concerning the Company in accepting this invitation to participate in the Placing and is not purchasing Placing Shares on the basis of "inside information";
- (h) it has the funds available to pay for the Placing Shares it has agreed to subscribe for and acknowledges, agrees and undertakes that it will pay the total subscription amount in accordance with the terms of this Announcement on the due time and date set out herein, failing which the relevant Placing Shares may be placed with other Placees or sold at such price as Numis or Canaccord (as applicable) determines;
- (i) it: (i) is entitled to subscribe for the Placing Shares under the laws of all relevant jurisdictions; (ii) has fully observed such laws; (iii) has the requisite capacity and authority and is entitled to enter into and to perform its obligations as a subscriber for Placing Shares and will honour such obligations; and (iv) has obtained all necessary consents and authorities (including, without limitation, in the case of any person on whose behalf it is acting, all necessary consents and authorities to agree to the terms set out or referred to in this Announcement) to enable it to enter into the transactions contemplated hereby and to perform its obligations in relation thereto and, in particular, if it is a pension fund or investment company it is aware of and acknowledges it is required to comply with all applicable laws and regulations with respect to its subscription for Placing Shares;
- (j) it is not, and any person who it is acting on behalf of is not, and at the time the Placing Shares are subscribed will not be, a resident of, or with an address in, the United States, Australia, New Zealand, Canada, Japan or South Africa, and it acknowledges and agrees that the Placing Shares have not been and will not be registered or otherwise qualified under the securities legislation of the United States, Australia, New Zealand, Canada, Japan or South Africa and may not be offered, sold, or acquired, directly or indirectly, within those jurisdictions
- (k) (i) the Placing Shares have not been and will not be registered under the Securities Act or with any state or other jurisdiction of the United States, nor approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other United States regulatory authority, (ii) it will not offer, sell or deliver, directly or indirectly, any Placing Shares in or into the United States other than pursuant to an effective registration under the Securities Act or in a transaction exempt from, or not subject to, the registration requirements thereunder and in compliance with any applicable securities laws of any state or other jurisdiction of the United States, and (iii) it is outside of the United States, not acting on a non-discretionary basis for the account or benefit of a person located within the United States at the time the undertaking to acquire the Placing Shares is given and is otherwise acquiring the Placing Shares in an "offshore transaction" meeting the requirements of Regulation S under the Securities Act;

- (l) it is a person of a kind described in (i) Article 19(5) (Investment Professionals) and/or 49(2) (high net worth companies etc.) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, and/or an authorised person as defined in section 31 of FSMA; and (ii) section 86(7) of FSMA ("**Qualified Investor**"), being a person falling within Article 2.1(e) of Directive 2003/71/EC as amended (the "**Prospectus Directive**"). For such purposes, it undertakes that it will acquire, hold, manage and (if applicable) dispose of any Placing Shares that are allocated to it for the purposes of its business only;
- (m) if a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, that the Placing Shares purchased by it in the Placing will not be acquired on a non-discretionary basis on behalf of, nor will they be acquired with a view to their offer or resale to, persons in a Member State of the European Economic Area which has implemented the Prospectus Directive other than Qualified Investors, or in circumstances in which the prior consent of Numis and Canaccord has been given to the offer or resale;
- (n) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) relating to the Placing Shares in circumstances in which section 21(1) of FSMA does not require approval of the communication by an authorised person and it acknowledges and agrees that this Announcement has not been approved by Numis or Canaccord in their capacity as an authorised person under section 21 of FSMA and it may not therefore be subject to the controls which would apply if it was made or approved as financial promotion by an authorised person;
- (o) it is aware of and acknowledges that it has complied with and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Placing Shares in, from or otherwise involving, the United Kingdom;
- (p) it will not make any offer to the public of the Placing Shares and has not offered or sold and will not offer or sell any Placing Shares to persons in the United Kingdom or elsewhere in the European Economic Area prior to Second Admission except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business or otherwise in circumstances which have not resulted in and which will not result in an offer to the public in the United Kingdom within the meaning of section 85(1) of FSMA or an offer to the public in any other member state of the European Economic Area within the meaning of the Prospectus Directive (which includes any relevant implementing measure in any Member State of the European Economic Area);
- (q) it has not been engaged to subscribe for the Placing Shares on behalf of any other person who is not a Qualified Investor unless the terms on which it is engaged enable it to make decisions concerning the acceptance of offers of transferable securities on the client's behalf without reference to the client as described in section 86(2) of FSMA;
- (r) it is aware of and acknowledges that it is required to comply, and does and will comply, with its obligations under the Criminal Justice Act 1993 and the EU Market Abuse Regulation 596/2014 in connection with money laundering and terrorist financing under the Proceeds of Crime Act 2002, the Terrorism Act 2000, the Terrorism Act 2006 and the Money Laundering Regulations 2017 and the Money Laundering Sourcebook of the FCA (the "**Regulations**") and, if making payment on behalf of a third party, that satisfactory evidence has been obtained and recorded by it to verify the identity of the third party as required by the Regulations;
- (s) it is aware of the obligations regarding insider dealing in the Criminal Justice Act 1993, with all applicable provisions of FSMA, the EU Market Abuse Regulation 596/2014 and the Proceeds of Crime Act 2002 and confirms that it has and will continue to comply with those obligations;
- (t) the allocation, allotment, issue and delivery to it, or the person specified by it for registration as a holder of Placing Shares, will not give rise to a stamp duty or stamp duty reserve tax liability under any of sections 67, 70, 93 or 96 of the Finance Act 1986 (depository receipts and clearance services) and that no instrument under which it subscribes for Placing Shares (whether as principal, agent or nominee) would be subject to stamp duty or the increased rates referred to in those sections and that it, or the person specified by it for registration as a holder of Placing Shares, is

not participating in the Placing as nominee or agent for any person or persons to whom the allocation, allotment, issue or delivery of Placing Shares would give rise to such a liability;

- (u) it, or the person specified by it for registration as a holder of the Placing Shares, will be liable for any stamp duty and all other stamp, issue, securities, transfer, registration, documentary or other duties or taxes (including any interest, fines or penalties relating thereto), if any, payable on acquisition of any of the Placing Shares or the agreement to subscribe for the Placing Shares and acknowledges and agrees that none of Numis, Canaccord, the Company, any of their respective Affiliates or any person acting on behalf of them will be responsible for any liability to stamp duty or stamp duty reserve tax resulting from a failure to observe this requirement. Each Placee and any person acting on behalf of such Placee agrees to participate in the Placing, and agrees to indemnify the Company, Canaccord and Numis on an after tax basis in respect of the same, on the basis that the Placing Shares will be allotted to the CREST stock account of Numis or Canaccord (as applicable) who will hold them as nominee on behalf of such Placee until settlement in accordance with its standing settlement instructions;
- (v) none of Numis, Canaccord, any of their Affiliates or any person acting on behalf of any of them has or shall have any liability for any information, representation or statement contained in this Announcement or for any information previously published by or on behalf of the Company or any other written or oral information made available to or publicly available or filed information or any representation, warranty or undertaking relating to the Company, and will not be liable for its decision to participate in the Placing based on any information, representation, warranty or statement contained in this Announcement or elsewhere, provided that nothing in this paragraph shall exclude any liability of any person for fraud;
- (w) none of Numis, Canaccord, any of their Affiliates or any person acting on behalf of any of them, is making any recommendations to it, advising it regarding the suitability of any transactions it may enter into in connection with the Placing and that its participation in the Placing is on the basis that it is not and will not be a client of Numis or Canaccord and that Numis and Canaccord have no duties or responsibilities to it for providing the protections afforded to its clients or customers under the rules of the FCA, for providing advice in relation to the Placing, in respect of any representations, warranties, undertakings or indemnities contained in the Placing Agreement or for the exercise or performance of any of its rights and obligations thereunder, including any rights to waive or vary any conditions or exercise any termination right;
- (x) in order to ensure compliance with the Money Laundering Regulations 2017, Numis and Canaccord (for themselves and as agents on behalf of the Company) or the Company's registrars may, in their absolute discretion, require verification of its identity. Pending the provision to Numis, Canaccord or the Company's registrars, as applicable, of evidence of identity, definitive certificates in respect of the Placing Shares may be retained at Numis' and Canaccord's absolute discretion or, where appropriate, delivery of the Placing Shares to it in uncertificated form, may be retained at Numis', Canaccord's or the Company's registrars', as the case may be, absolute discretion. If within a reasonable time after a request for verification of identity Numis or Canaccord (as applicable) (for itself and as agent on behalf of the Company) or the Company's registrars have not received evidence satisfactory to them, Numis, Canaccord and/or the Company may, at its absolute discretion, terminate its commitment in respect of the Placing, in which event the monies payable on acceptance of allotment will, if already paid, be returned without interest to the account of the drawee's bank from which they were originally debited;
- (y) Numis and Canaccord may, and their Affiliates acting as an investor for its or their own account(s) may, subscribe for and/or purchase Placing Shares and, in that capacity may retain, purchase, offer to sell or otherwise deal for its or their own account(s) in the Placing Shares, any other securities of the Company or other related investments in connection with the Placing or otherwise. Accordingly, references in this Announcement to the Placing Shares being offered, subscribed, acquired or otherwise dealt with should be read as including any offer to, or subscription, acquisition or dealing by, Numis, Canaccord and/or any of their respective Affiliates acting as an investor for its or their own account(s). Neither Numis, Canaccord nor the Company intend to disclose the extent of any such investment or transaction otherwise than in accordance with any legal or regulatory obligation to do so;

- (z) these terms and conditions and any agreements entered into by it pursuant to these terms and conditions, and all non-contractual or other obligations arising out of or in connection with them, shall be governed by and construed in accordance with the laws of England and Wales and it submits (on behalf of itself and on behalf of any person on whose behalf it is acting) to the exclusive jurisdiction of the English courts as regards any claim, dispute or matter arising out of any such contract, except that enforcement proceedings in respect of the obligation to make payment for the Placing Shares (together with any interest chargeable thereon) may be taken by the Company, Canaccord or Numis in any jurisdiction in which the relevant Placee is incorporated or in which any of its securities have a quotation on a recognised stock exchange;
 - (aa) the Company, Canaccord and Numis and their respective Affiliates and others will rely upon the truth and accuracy of the foregoing agreements, acknowledgements, representations, warranties and undertakings which are given to Numis and Canaccord on their own behalf and on behalf of the Company, and are irrevocable;
 - (bb) it irrevocably appoints any duly authorised officer of Numis or Canaccord as agent for the purpose of executing and delivering to the Company and/or its registrars any documents on its behalf necessary to enable it to be registered as the holder of any of the Placing Shares for which it agrees to subscribe or purchase upon the terms of this Announcement;
 - (cc) it will indemnify on an after tax basis and hold the Company, Numis, Canaccord and their respective Affiliates harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations, warranties, undertakings, agreements and acknowledgements in this Appendix and further agrees that the provisions of this Appendix shall survive after completion of the Placing;
 - (dd) it has knowledge and experience in financial, business and international investment matters and is required to evaluate the merits and risks of subscribing for the Placing Shares; (ii) it is experienced in investing in securities of this nature and is aware that it may be required to bear, and is able to bear, the economic risk of, and is able to sustain a complete loss in connection with the Placing; and (iii) it has relied upon its own examination and due diligence of the Company and its associates taken as a whole, and the terms of the Placing, including the merits and risks involved and has satisfied itself concerning the relevant tax, legal, currency and other economic consideration relevant to its subscription for Placing Shares;
 - (ee) none of the Company, Numis nor Canaccord are making any undertaking or warranty to any Placee regarding the legality of an investment in the Placing Shares by such Placee under any legal, investment or similar laws or regulations; and
 - (ff) its commitment to subscribe for Placing Shares on the terms set out herein and in the contract note will continue notwithstanding any amendment that may in future be made to the terms of the Placing and that Placees will have no right to be consulted or require that their consent be obtained with respect to the Company's conduct of the Placing.
- 8.2 The representations, warranties, acknowledgements and undertakings contained in this Appendix are given to the Company, and to Numis and Canaccord for themselves and on behalf of the Company and are irrevocable.
- 8.3 The agreement to settle a Placee's subscription (and/or the subscription of a person for whom such Placee is contracting as agent) free of stamp duty and stamp duty reserve tax depends on the settlement relating only to a subscription by it and/or such person direct from the Company for the Placing Shares in question. Such agreement assumes that the Placing Shares are not being subscribed for in connection with arrangements to issue depositary receipts or to transfer the Placing Shares into a clearance service. If there are any such arrangements, or the settlement relates to any other subsequent dealing in the Placing Shares, UK stamp duty or stamp duty reserve tax may be payable, for which neither the Company nor Numis nor Canaccord will be responsible, and the Placee to whom (or on behalf of whom, or in respect of the person for whom it is participating in the Placing as an agent or nominee) the allocation, allotment, issue or delivery of Placing Shares has given rise to such UK stamp duty or stamp duty reserve tax undertakes to pay such UK stamp duty or stamp duty reserve tax forthwith and to indemnify on an after-tax basis and to hold harmless the Company and Numis and Canaccord in the event that any of the Company and/or Numis

and/or Canaccord have incurred any such liability to UK stamp duty or stamp duty reserve tax. If this is the case, each Placee should seek its own advice and notify Numis or Canaccord accordingly.

- 8.4 In addition, Placees should note that they will be liable for any stamp duty and all other stamp, issue, securities, transfer, registration, documentary or other duties or taxes (including any interest, fines or penalties relating thereto) payable outside the United Kingdom by them or any other person on the subscription by them of any Placing Shares or the agreement by them to subscribe for any Placing Shares.
- 8.5 Each Placee, and any person acting on behalf of the Placee, acknowledges and agrees that neither Numis nor Canaccord owe any fiduciary or other duties to any Placee in respect of any representations, warranties, undertakings or indemnities in the Placing Agreement.
- 8.6 Each Placee and any person acting on behalf of each Placee, acknowledges and agrees that Numis, Canaccord or any of their Affiliates may, at their absolute discretion, agree to become a Placee in respect of some or all of the Placing Shares.
- 8.7 When a Placee or person acting on behalf of the Placee is dealing with Numis or Canaccord any money held in an account with Numis or Canaccord (as applicable) on behalf of the Placee and/or any person acting on behalf of the Placee will not be treated as client money within the meaning of the rules and regulations of the FCA made under FSMA. The Placee acknowledges and agrees that the money will not be subject to the protections conferred by the client money rules; as a consequence, this money will not be segregated from Numis' or Canaccord's money (as applicable) in accordance with the client money rules and will be used by Numis or Canaccord in the course of its own business; and the Placee will rank only as a general creditor of Numis or Canaccord (as applicable).
- 8.8 Past performance is no guide to future performance and persons needing advice should consult an independent financial adviser.
- 8.9 Neither the content of the Company's website nor any website accessible by hyperlinks on the Company's website is incorporated in, or forms part of, this Announcement.
- 8.10 All times and dates in this Announcement may be subject to amendment. Numis and Canaccord shall notify the Placees and any person acting on behalf of a Placee of any changes.

DEFINITIONS

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

"Admission" – means General Admission and/or VCT/EIS Admission, as the context requires;

"AIM " - the market of that name operated by the London Stock Exchange

"AIM Rules" - the AIM Rules for Companies published by the London Stock Exchange as they may be amended and replaced from time to time

"Announcement" - this announcement (including the Appendix to this announcement)

"Canaccord" – Canaccord Genuity Limited, a company incorporated in England and Wales, with registered number 01774003, whose registered office is at 88 Wood Street, London EC2V 7QR

"Company" – Velocys plc, a public limited company incorporated in England & Wales under registered number 05712187 and having its registered office at Harwell Innovation Centre, 173 Curie Avenue, Harwell, Oxfordshire, England, OX11 0QG

"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)

"FCA" - the Financial Conduct Authority

"FSMA" - the Financial Services and Markets Act of 2000 (as amended)

"General Admission" means the admission of the General Placing Shares to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules

"General Meeting" means the general meeting of the Company to be convened for the purpose of authorising the allotment and issue of shares pursuant to the Placing

"General Placing Shares" the Placing Shares (other than the VCT/EIS Placing Shares)

"Group" - the Company and its subsidiary undertakings

"JDA" – the joint development agreement dated 15 June 2018 between Velocys Technologies, Shell and British Airways Plc relating to the UK Waste-To-Sustainable Fuels Project

"London Stock Exchange" - London Stock Exchange plc

"Numis" - Numis Securities Limited, a private limited company incorporated in England & Wales under registered number 2285918 and having its registered office at 10 Paternoster Square, London EC4M 7LT

"Ordinary Shares" - ordinary shares of 1 penny each in the capital of the Company

"Peat & Co" - MC Peat & Co LLP of 118 Piccadilly, London W1J 7NW

"Placing" - the placing of the Placing Shares at the Placing Price by Numis and Canaccord as agents for and on behalf of the Company pursuant to the terms of the Placing Agreement

"Placing Agreement" - the conditional agreement dated 15 July 2019 relating to the Placing, between the Company, Numis and Canaccord

"Placing Price" – 3 pence per new Ordinary Share

"Placing Shares" – the new Ordinary Shares to be issued in connection with the Placing

"Prospectus Directive" - the Directive of the European Parliament and of the Council of the European Union 2003/71/EC, as amended

"Regulations" - the UK Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended

"Resolutions" – the resolutions set out in the notice convening the General Meeting in the agreed form

"Securities Act" - the United States Securities Act of 1933, as amended

"Shell" - Shell International Petroleum Company Limited, a limited company incorporated in England and Wales with registered number 00621148 and its registered office at Shell Centre, London, SE1 7NA

"TPI" – Turner Pope Investments (TPI) Ltd. of 550 Ley Street, Ilford, Essex, IG2 7DB

"UK" or "United Kingdom" - the United Kingdom of Great Britain and Northern Ireland

"UK Waste-To-Sustainable Fuels Project" means the Company's waste to sustainable fuels project, the plant for which will be located in Immingham, UK

"United States" or "US" - United States of America, its territories and possessions, any state of the United States of America and the District of Columbia and all other areas subject to its jurisdiction

"VCT/EIS Admission" means the admission of the VCT/EIS Placing Shares to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules

"VCT/EIS Placing Shares" means such number of Placing Shares as are to be allotted and issued pursuant to the Placing Agreement to certain venture capital trusts (as such term is used in Part 6 Income Tax Act 2007) and/or to certain persons seeking to invest in "eligible shares" for the purposes of the Enterprise Investment Scheme (as such terms are used in Part 5 Income Tax Act 2007)

“Velocys Technologies” – Velocys Technologies Limited, a limited company incorporated in England and Wales with registered number 05258554 and its registered office at Harwell Innovation Centre, 173 Curie Avenue, Harwell, Oxfordshire, OX11 0QG, United Kingdom