

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice from your stockbroker or other independent adviser authorised under the Financial Services and Markets Act 2000.

If you have recently sold or transferred all of your shares in Velocys plc, please forward this document, together with the accompanying documents, as soon as possible either to the purchaser or transferee or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

Velocys plc

(Incorporated and registered in England & Wales with registered number: 05712187)

Notice of 2016 Annual General Meeting

Notice of the AGM of the Company, to be held at the Milton Park Innovation Centre, 99 Park Drive, Milton Park, Oxfordshire, OX14 4RY on Tuesday 14 June 2016 at 10.45 am, is set out at the end of this document. The accompanying Form of Proxy for use in connection with the AGM should be completed and returned as soon as possible and, in any event, so as to reach the Company's registrars at Capita Registrars, PXS 1, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4ZF no later than 10.45 am on Friday 10 June 2016. Completion and return of a Form of Proxy will not preclude shareholders from attending and voting at the AGM should they so wish.

Letter from the Chairman of the Company

(Incorporated and registered in England & Wales with registered number: 05712187)

Directors:

Pierre Jungels (Chairman)
David Pummell (Chief Executive Officer)
Susan Robertson (Chief Financial Officer)
Paul Schubert (Chief Operating Officer)
Julian West (Senior Independent Director)
Jan Verloop (Non-executive Director)
Sandy Shaw (Non-executive Director)
Mark Chatterji (Non-executive Director)
Ross Allonby (Non-executive Director)

Registered Office:

115e Olympic Avenue
Milton Park
Abingdon OX14 4SA

19 May 2016

To the holders of Ordinary Shares.

Dear Shareholder,

2016 Annual General Meeting

I am writing to give you details of the resolutions to be proposed at the Company's 2016 AGM to be held at the Milton Park Innovation Centre, 99 Park Drive, Milton Park, Oxfordshire, OX14 4RY on Tuesday 14 June 2016 at 10.45 am, and which are set out in the notice of AGM at the end of this document (the 'Notice').

Shareholders should read the contents of this document in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2015, together with the reports of the Directors and auditors thereon (the 'Accounts'), copies of which are being mailed to shareholders together with this notice.

The Board of Directors

The Company's Articles of Association provide that Directors are subject to election by shareholders at the first opportunity after their appointment. In addition, one third of Directors are subject to retirement by rotation at each Annual General Meeting. The Board has agreed that, in line with best corporate governance practice, all Directors should stand for re-appointment at the 2016 Annual General Meeting.

Biographical details of each of the Directors proposed for reappointment are set out on the company's web site at www.velocys.com.

Annual General Meeting

The following resolutions will be proposed at the AGM:

Ordinary resolutions

Resolutions nos. 1 to 13 and 16 are to be proposed at the Meeting as ordinary resolutions (each requiring more than 50 per cent. of the votes cast to be in favour of the resolution in order for it to be passed), as follows:

Resolution no. 1 – Report and Accounts

To receive, consider and adopt the annual accounts of the Company as at 31 December 2015 and the Directors' and auditors' reports thereon (resolution no. 1);

To re-elect the following Directors who retire in accordance with Article 85 of the Company's Articles of Association and, being eligible, offer themselves for election:

Resolution no. 2 – Re-election of Director

To re-elect Susan Robertson, who retires as a Director and, being eligible, offers herself for re-election as a Director at the Annual General Meeting (resolution no. 2);

Resolution no. 3 – Re-election of Director

To re-elect Sandy Shaw, who retires as a Director and, being eligible, offers herself for re-election as a Director at the Annual General Meeting (resolution no. 3);

To elect the following Directors who, having been appointed since the last AGM, retire pursuant to Article 80.1 of the Company's Articles of Association and, being eligible, offer themselves for election:

Resolution no. 4 – Election of Director

To elect David Pummell, who retires as a Director and, being eligible, offers himself for election as a Director at the Annual General Meeting (resolution no. 4);

Resolution no. 5 – Election of Director

To elect Mark Chatterji, who retires as a Director and, being eligible, offers himself for election as a Director at the Annual General Meeting (resolution no. 5);

Resolution no. 6 – Election of Director

To elect Ross Allonby, who retires as a Director and being eligible, offers himself for election as a Director at the Annual General Meeting (resolution no. 6);

To re-elect the following Directors who retire in accordance with the provisions of the UK Corporate Governance Code and, being eligible, offer themselves for election. The Board has noted that Pierre Jungels and Jan Verloop have served more than 3 consecutive three year terms of office and consider that they continue to make a significant contribution to the Company:

Resolution no. 7 – Re-election of Director

To re-elect Pierre Jungels, who retires as a Director and being eligible, offers himself for re-election as a Director at the Annual General Meeting (resolution no. 7);

Resolution no. 8 – Re-election of Director

To re-elect Jan Verloop, who retires as a Director and being eligible, offers himself for re-election as a Director at the Annual General Meeting (resolution no. 8);

Resolution no. 9 – Re-election of Director

To re-elect Julian West, who retires as a Director and being eligible, offers himself for re-election as a Director at the Annual General Meeting (resolution no. 9);

Resolution no. 10 – Re-election of Director

To re-elect Paul Schubert, who retires as a Director and being eligible, offers himself for re-election as a Director at the Annual General Meeting (resolution no. 10);

Resolution no. 11 – Re-appointment of auditors

To re-appoint PricewaterhouseCoopers LLP as auditors of the Company (resolution no. 11);

Resolution no. 12 – Determination of auditors' remuneration

To authorise the Directors to fix the auditors' remuneration (resolution no. 12); and

Resolution no. 13– Authority of Directors to allot shares

Resolution no. 13 will be proposed as an ordinary resolution to authorise the Directors to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to a maximum aggregate nominal amount of £477,508.79 (representing approximately 33% of the total ordinary share capital of the Company presently in issue). This authority replaces the authority granted on 23 June 2015 and will expire on 31 July 2017 or at the conclusion of the next AGM, whichever is the earlier. The Directors have no present intention of exercising this authority.

Special resolutions

Resolution nos. 14, 15 and 17 are to be proposed at the Meeting as special resolutions (each requiring at least 75 per cent. of the votes cast to be in favour of the resolution in order for it to be passed), as follows:

Resolution no. 14 – Renewal of authority of Directors to allot shares for cash disapplying statutory pre-emption rights

Resolution no. 14 will be proposed as a special resolution to empower the Directors to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company on a non pre-emptive basis up to a maximum aggregate nominal value of £143,252.64 (representing approximately 10 per cent. of the total ordinary share capital of the Company presently in issue). The Directors have no present intention of exercising this authority but it will enable the Directors, at their discretion, to allot a limited number of equity securities (as defined in the Companies Act 2006) (or treasury shares) for cash and also provide the Directors with greater flexibility to take advantage of business opportunities as they arise.

Resolution no. 15 – Authority to purchase own shares

Resolution no.15 will be proposed as a special resolution to authorise the Company to purchase up to 14,325,264 of its own Ordinary Shares in the market, representing 10 per cent. of the current issued ordinary share capital of the Company, at a price of not less than the nominal value of the Ordinary Shares and not more than the amount equal to 5 per cent. above the average of the middle market quotations of the Ordinary Shares as derived from the London Stock Exchange for the five business days immediately preceding the day on which the Ordinary Share is contracted to be purchased. If approved, this authority will expire at the conclusion of next year's AGM.

The Directors have no present intention of making such purchases, but it is considered to be prudent to have this authority so as to be able to act at short notice if circumstances change. The authority would, however, only be exercised if the Directors believe that to do so would result in an increase in earnings per share and would be in the best interests of shareholders generally.

Options over an aggregate of 15,450,768 Ordinary Shares in the Company were outstanding as at 18 May 2016 representing 10.79 per cent. of the Company's issued ordinary share capital at that date and which would represent 9.03 per cent of the Company's issued ordinary share capital if the authority proposed at the AGM to buy back 14,325,264 Ordinary Shares was exercised in full (and all of the repurchased shares were cancelled).

The resolution will also permit the Company to purchase its own shares to hold as treasury shares rather than cancelling them. The treasury shares can be subsequently cancelled, sold for cash or used to satisfy share awards granted under employee share award schemes and would therefore provide the Company with additional flexibility in the management of its capital base. As at 18 May 2016, the Company did not hold any of its Ordinary Shares as treasury shares.

The Directors would consider holding as treasury shares any shares which the Company purchases pursuant to the authority proposed to be granted by resolution no. 15. In relation to any repurchased shares held in treasury however, unless such shares are subsequently cancelled, earnings per share will only be increased on a temporary basis until such time as the shares are subsequently sold out of treasury.

Ordinary resolution

Resolution no. 16 – Ratification of payments in excess of the amount specified in Article 92 of the Company's Articles of Association

During the two financial years ended 31 December 2015, fees have been paid to the Chairman and other Non-executive Directors in excess of the aggregate limit of £250,000 specified in Article 92 of the Company's existing Articles of Association adopted on 22 June 2011 (the 'Articles'). The aggregate amount of the fees paid to the Chairman and other Non-executive Directors, as set out in the Company's annual reports for the years ended 31 December 2014 and 2015, is as follows.

	2015	2014
	£	£
Aggregate fees paid to Chairman and Non-executive Directors	271,853	258,705

Resolution no. 16 is proposed as an ordinary resolution to ratify these payments out of the funds of the Company by way of fees for the services of the Chairman and the Non-executive Directors in excess of the amount specified in Article 92, the breaches of which were inadvertent.

None of the Directors, nor any persons connected to them, will vote on Resolutions no. 16.

Special resolution

Resolution no. 17 – Amendment to Article 92 of the Articles

Resolution no. 17 is proposed as a special resolution to amend Article 92 so as to increase the aggregate limit set out therein from £250,000 to £350,000.

Action to be taken

Shareholders will find enclosed with this document a Form of Proxy for use at the AGM. Whether or not you propose to attend the AGM in person, you are requested to complete the Form of Proxy and to return it to the Company's registrars, Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, United Kingdom so as to arrive not later than Friday 10 June 2016 at 10.45 am. Unless the Form of Proxy is received by this date and time, the Form of Proxy will be invalid. The completion and return of a Form of Proxy will not preclude you from attending the AGM and voting in person if you so wish.

Recommendation

The Directors consider the resolutions to be proposed at the AGM are in the best interests of the Company and the shareholders as a whole. Consequently, the Directors unanimously recommend that you vote in favour of the Resolutions to be proposed at the AGM as they intend to do in respect of their own beneficial holdings which in aggregate amount to 771,500 Ordinary Shares in the Company, representing 0.54 per cent. of the Company's current issued ordinary share capital and of the votes that could be cast at the AGM.

Yours faithfully,

Pierre Jungels

Chairman
19 May 2016

Registered Office:

115e Olympic Avenue
Milton Park
Abingdon
OX14 4SA

Velocys plc

(Incorporated and registered in England & Wales with registered number: 05712187)

NOTICE IS HEREBY GIVEN THAT the ANNUAL GENERAL MEETING of the Company will be held at Milton Park Innovation Centre, 99 Park Drive, Milton Park, Oxfordshire, OX14 4RY on **Tuesday 14 June 2016** at 10.45 am to consider and, if thought fit, pass the following resolutions. Resolutions nos. 1 to 13 and no. 17 will be proposed as ordinary resolutions and resolutions nos. 14 to 16 will be proposed as special resolutions.

As ORDINARY BUSINESS

Ordinary resolutions

1. To receive, consider and adopt the annual accounts of the Company as at 31 December 2015 and the Directors' and auditors' reports thereon.
2. To re-elect Susan Robertson (Executive Director and Chief Financial Officer) as a Director of the Company.
3. To re-elect Sandy Shaw (Non-executive Director, Chair of the Remuneration Committee and a member of the Nominations Committee) as a Director of the Company.
4. To elect David Pummell (Executive Director and Chief Executive Officer) as a Director of the Company.
5. To elect Mark Chatterji (Non-executive Director, Chairman of the Audit and Risk Committee and a member of the Nominations Committee) as a Director of the Company.
6. To elect Ross Allonby (Non-executive Director and a member of the Audit and Risk, Remuneration and Nominations Committees) as a Director of the Company.
7. To re-elect Pierre Jungels (Chairman of the Board, Chairman of the Nominations Committee and a member of the Remuneration Committee) as a Director of the Company.
8. To re-elect Jan Verloop (Non-executive Director and a member of the Nominations Committee) as a Director of the Company.
9. To re-elect Julian West (Senior Independent Director and a member of the Audit and Risk, Remuneration and Nominations Committees) as a Director of the Company.
10. To re-elect Paul Schubert (Executive Director and Chief Operating Officer) as a Director of the Company.
11. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company to hold office from the conclusion of the Annual General Meeting until the conclusion of the next general meeting of the Company at which accounts are laid.
12. To authorise the Directors of the Company to fix the remuneration of the auditors.

As SPECIAL BUSINESS

Ordinary resolution

13. That
 - (a) the Directors of the Company be and are hereby generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 (the "**Act**") to allot shares in

the Company or to grant rights to subscribe for or to convert any security into shares in the Company ("**Rights**") up to an aggregate nominal amount of £477,508.79 (representing approximately 33 per cent. of the Company's issued ordinary share capital at the date of posting of this notice) such authority to expire, unless sooner revoked or altered by the Company in general meeting, on 31 July 2017 or at the conclusion of the next Annual General Meeting of the Company in 2017 (whichever is the earlier) and provided further that the Company may before the expiry of this authority make an offer or agreement which would or might require shares to be allotted or Rights to be granted after the expiry of this authority and the Directors may allot shares or grant Rights in pursuance of any such offer or agreement as if the authority conferred hereby had not expired; and

- (b) all other authorities conferred on the Directors prior to the date of passing of this resolution to allot equity securities are hereby revoked save to the extent that such authorities have been utilised or agreed to be utilised.

Special resolution

14. That pursuant and subject to the authority conferred by resolution no. 13 being passed, the Directors be and they are empowered pursuant to section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act) wholly for cash pursuant to the authority conferred by the previous resolution as if sub-section (1) of Section 561 of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

- (a) in connection with an offer of such securities by way of rights to holders of Ordinary Shares of 1p each in the capital of the Company ("**Ordinary Shares**") in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and
- (b) otherwise than pursuant to sub-paragraph (a) above up to an aggregate nominal amount of £143,252.64 (representing 10% of the Company's issued ordinary share capital at the date of posting this notice),

and shall expire on 31 July 2017 or at the conclusion of the next Annual General Meeting of the Company in 2017 (whichever is the earlier), and provided further that the Company may before the expiry of this authority make an offer or agreement which would or might require relevant securities to be allotted after the expiry of this authority and the Directors may allot equity securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired.

This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 560 (3) of the Act as if in the first paragraph of this resolution the words "pursuant to the authority conferred by resolution numbered 13 being passed" were omitted.

Special resolution

15. That the Company be and is generally and unconditionally authorised for the purposes of section 701 of the Act to make one or more market purchases (within the meaning of section 693(4) of the Act) on the London Stock Exchange's Alternative Investment Market ("**AIM**") of its Ordinary Shares provided that:

- (a) the maximum aggregate number of Ordinary Shares authorised to be purchased is 14,325,264 (representing 10% of the Company's issued ordinary share capital at the date of posting of this notice);

- (b) the minimum price (excluding expenses) which may be paid for such shares is 1p per Ordinary Share;
- (c) the maximum price (excluding expenses) which may be paid for an Ordinary Share shall not be more, at the time of purchase, than the amount equal to 105 per cent. of the average of the middle market quotations for an Ordinary Share as derived from the London Stock Exchange for the five business days immediately preceding the date on which the Ordinary Share is purchased;
- (d) unless previously renewed, varied or revoked, the authority conferred shall expire at the conclusion of the next Annual General Meeting of the Company in 2017; and
- (e) the Company may make a contract or contracts to purchase Ordinary Shares under the authority conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts, as if such authority had not expired.

Ordinary resolution

- 16. That any payments made to the Directors out of the funds of the Company pursuant to Article 92 of the Company's existing Articles of Association (the "**Articles**") in excess of the aggregate limit specified in Article 92 of the Articles, and any other inadvertent breach by the Directors of the duties imposed by Article 92 of the Articles be ratified.

Special resolution

- 17. That Article 92 of the Articles be amended by deleting the figure '£250,000' and replacing it with the figure '£350,000'.

By order of the Board

Jeremy Gorman FCA
Secretary
19 May 2016

Registered Office:

115e Olympic Avenue
Milton Park
Abingdon
OX14 4SA

Notes:

1. A member of the Company entitled to attend, speak and vote at a general meeting of the Company is entitled to appoint a proxy to attend, speak and vote instead of him or her. A proxy need not be a member of the Company. A member may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to different shares. To appoint more than one proxy you should complete the form of proxy and attach a schedule to your proxy form setting out your proxy appointments. A Form of Proxy is enclosed. To be effective, it must be returned to Capita Asset Services, PSX 1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF so as to be **received not later than 96 hours before the time of the meeting**. Completion of the Form of Proxy does not preclude a member from subsequently attending and voting at the meeting in person if he or she so wishes.
2. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered in the register of members of the Company as at close of business on Friday 10 June 2016 (or, in the case of an adjournment, as at close of business on the day two days prior to the day of the adjourned meeting) shall be entitled to attend and/or vote at the meeting in respect of the number of Ordinary Shares registered in their name at that time. Changes to entries on the register of members after close of business on Friday 10 June 2016 (or, in the case of an adjournment, at the close of business on the day two days prior to the day of the adjourned meeting) shall be disregarded in determining the rights of any person to attend or vote at the meeting.
3. As at 18 May 2016 (being the last business day prior to the date of this notice) the Company's issued share capital consisted of 143,252,638 Ordinary Shares each carrying one vote per share. Accordingly the total voting rights in the Company as at 18 May 2016 were 143,252,638.
4. Copies of the Directors' service contracts and terms and conditions of appointment will be available for inspection at the registered office of the Company during normal business hours and at the place of the meeting from 15 minutes prior to the meeting until its conclusion.
5. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

