THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

It sets out the resolutions to be proposed at a General Meeting of Velocys plc to be held on 1 June 2017. If you are in any doubt about the contents of this document or the action you should take you should immediately consult an independent professional adviser authorised under the Financial Services and Markets Act 2000 (as amended) who specialises in advising on the acquisition of shares and other securities before taking any action. The whole of this document should be read.

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

The Company's Ordinary Shares are currently admitted to trading on AIM. Applications will be made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM. It is expected that Admission will become effective, and dealings for normal settlement in the Placing Shares will commence, at 8.00 a.m. on 2 June 2017. The Placing Shares will not be admitted to trading on, any other investment exchange. The Convertible Loan Notes will not be admitted to trading on AIM or any other investment exchange.

VELOCYS PLC

(Incorporated and registered in England and Wales with registered no. 5712187)

VELOCYS

Issue of 18 million Convertible Loan Notes at £0.50 per loan note

Placing of up to 2,577,777 new Ordinary Shares at a price of £0.45 per share

and

Notice of General Meeting

Nominated adviser and joint broker	*Joint broker*
Numis Securities Limited	**Canaccord Genuity Limited**

This document should be read in conjunction with the accompanying Form of Proxy and the Notice of General Meeting set out at the end of this document. You are recommended to read the whole of this document but your attention is drawn to the letter from the Chairman of the Company to Shareholders which is set out on pages 8 to 17 of this document. This letter explains the background to, and reasons for, the Placing and the issue of the Convertible Loan Notes and contains a recommendation that you vote in favour of the Resolutions to be proposed at the General Meeting.

Subject to the Resolutions being passed at the General Meeting of the Company, application will be made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM. The Placing Shares are expected to be admitted to AIM and to commence trading at 8.00 a.m. on 2 June 2017.

The notice of a General Meeting to be held at 11.00 a.m. on 1 June 2017 at the offices of Mayer Brown International LLP, 201 Bishopsgate, London EC2M 3AF is set out on pages 23 to 24 of this document. The accompanying Form of Proxy for use in connection with the General Meeting should be completed by Shareholders and returned as soon as possible but, in any event, so as to be received by the Company's registrars, Capita Asset Services, PXS1 34 Beckenham Road, Beckenham, Kent BR3 4ZF no later than 48 hours before the time appointed for the General Meeting or adjourned meeting or, in the case of a poll taken otherwise than at or on the same day as the General Meeting or adjourned meeting, not later than 48 hours before the time appointed for the taking of the poll at the meeting at which it is to be used. **Whether or not you intend to be present at the General Meeting you are required to complete and return the Form of Proxy as instructed above. Completion and return of a Form of Proxy will not preclude Shareholders from attending and voting at the General Meeting should they so wish.**

This document is being sent to all Shareholders for information purposes only to enable them to exercise their rights as shareholders vis-à-vis the General Meeting to be held.

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

Numis Securities Limited, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as nominated adviser and joint broker to the Company for the purposes of the AIM Rules. Numis is acting exclusively for the Company and will not be responsible to any other person for providing the protections afforded to its customers nor for providing advice in relation to the contents of this document or any other matter referred to herein.

Canaccord Genuity Limited, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority and is a member of the London Stock Exchange, is acting as joint broker to the Company. Canaccord is acting exclusively for the Company and will not be responsible to any other person for providing the protections afforded to its customers nor for providing advice in relation to the contents of this document or any other matter referred to herein.

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

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

FORWARD-LOOKING STATEMENTS

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

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication and posting of Circular and Form of Proxy	16 May 2017
Last time and date for receipt of complete Forms of Proxy to be valid at the General Meeting	11.00 a.m. on 30 May 2017
General Meeting	11.00 a.m. on 1 June 2017
Announcement of results of General Meeting	1 June 2017
Issue of Convertible Loan Notes	1 June 2017
Admission and dealings in the Placing Shares to commence on AIM	2 June 2017
CREST accounts credited with Placing Shares	2 June 2017
Definitive share certificates for the Placing Shares to be dispatched (if required)	12 June 2017

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

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

SHARE CAPITAL AND STATISTICS

Number of Existing Ordinary Shares	143,994,558
Number of Placing Shares to be issued under the Placing	2,577,777
Placing Price of Placing Shares	£0.45 per Placing Share
Number of Convertible Loan Notes to be issued	18 million
Issue price of the Convertible Loan Notes	£0.50 per loan note
Maximum number of Ordinary Shares that may be issued on conversion of the Convertible Loan Notes*	20,156,000
Number of Ordinary Shares in issue immediately following Admission	146,572,335
Placing Shares as a percentage of the Enlarged Share Capital	1.8%
Estimated gross proceeds of the Convertible Loan Notes and the Placing	£10.16 million
ISIN of the Ordinary Shares (and Placing Shares)	GB00B11SZ269

Save as indicated otherwise, the Information given in relation to the ordinary share capital of the Company and the proceeds of the Placing immediately following Admission have been calculated on the basis that the Placing comprises 2,577,777 Placing Shares at a price of £0.45 per share, raising £1.16 million (before expenses), and that no options are exercised and that none of the Convertible Loan Notes are converted to Ordinary Shares. Information given in relation to the proceeds of the issue of the Convertible Loan Notes have been calculated on the basis that 18 million Convertible Loan Notes are issued at a price of £0.50 per loan note, raising £9 million (before expenses).

* *Assuming all Convertible Loan Notes are converted to Ordinary Shares with accrued interest at the Final Maturity Date.*

DIRECTORS, SECRETARY AND ADVISERS

Directors	Dr Pierre Jungels, CBE, *Chairman* David Pummell, *Chief Executive Officer* Susan Robertson, *Chief Financial Officer* Dr Paul Schubert, *Chief Operating Officer* Julian West, *Senior Independent Director* Sandy Shaw, *Non-executive Director* Ross Allonby, *Non-executive Director*
Registered and Head Office	115e Olympic Avenue Milton Park Abingdon Oxfordshire OX14 4SA
Company Secretary	Jeremy Gorman
Nominated Adviser and Joint Broker to the Company	Numis Securities Limited The LSE Building 10 Paternoster Square London EC4M 7LT
Joint Broker to the Company	Canaccord Genuity Limited 88 Wood Street London EC2V 7QR
Auditors	PricewaterhouseCoopers LLP One Reading Central 23 Forbury Road Reading RG1 3JH
Solicitors to the Company	Mayer Brown International LLP 201 Bishopsgate London EC2M 3AF
Solicitors to the Joint Brokers	Dorsey & Whitney (Europe) LLP 199 Bishopsgate London EC2M 3UT
AIM Registrar	Capita Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

DEFINITIONS AND GLOSSARY

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

"**Act**"	the United Kingdom Companies Act 2006, as amended
"**Admission**"	admission of the Placing Shares to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules
"**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 4 of this document
"**BTL**"	biomass-to-liquids
"**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
"**Capita Asset Services**"	a trading name of Capita Registrars Limited
"**Company**" or "**Velocys**"	Velocys plc, a public limited company incorporated in England & Wales under registered number 5712187 and having its registered office at 115e Olympic Avenue, Milton Park, Abingdon, Oxfordshire OX14 4SA
"**Convertible Loan Notes**"	the 18 million convertible loan notes to be issued at a price of £0.50 per loan note to Ervington and Lansdowne pursuant to the Convertible Loan Note Instrument
"**Convertible Loan Note Instrument**"	the convertible loan note instrument constituted by the Company on 15 May 2017 which created up to £15,000,000 of convertible loan notes at £0.50 per loan note, further details of which can be found in paragraph 5 on pages 13 to 14 of this document
"**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 United Kingdom & Ireland Limited is the Operator (as defined in the Regulations)
"**Enlarged Share Capital**"	the issued Ordinary Share capital of the Company immediately following Admission comprising the Existing Ordinary Shares and the Placing Shares (and assuming the Placing is fully subscribed)
"**ENVIA**"	ENVIA Energy, LLC, a joint venture between Waste Management, Inc, NRG Energy, Inc, Ventech Engineers and the Company
"**ENVIA Plant**"	ENVIA's first GTL plant located in Oklahoma City
"**Ervington**"	Ervington Investments Limited

“**Existing Ordinary Shares**”	the 143,994,558 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
“**FEL**”	Front-end loading
“**FID**”	Final Investment Decision
“**Final Maturity Date**”	the final maturity date of the Convertible Loan Notes, being 18 months following the issue of the relevant Convertible Loan Notes, as further described on page 14
“**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)
“**Fully Diluted Share Capital**”	the fully diluted share capital of the Company from Admission, being the Enlarged Share Capital plus any Ordinary Shares that may be issued by the Company assuming that all options currently in issue are exercised in full and all Convertible Loan Notes are converted to Ordinary Shares with accrued interest at the Final Maturity Date
“**General Meeting**”	the general meeting of the Company to be held at 11.00 a.m. on 1 June 2017 notice of which is set out at the end of this document
“**GTL**”	gas-to-liquids
“**Joint Brokers**”	Numis and Canaccord
“**Lansdowne**”	Lansdowne Partners
“**London Stock Exchange**”	London Stock Exchange plc
“**Morimatsu**”	Morimatsu Industry Co., Ltd
“**MoU**”	memorandum of understanding
“**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 proposed conditional, non-pre-emptive placing by Numis and Canaccord of the Placing Shares pursuant to the Placing Agreement
“**Placing Agreement**”	the conditional agreement dated 15 May 2017 relating to the Placing, between the Company, Canaccord and Numis
“**Placing Price**”	£0.45 per Placing Share
“**Placing Shares**”	up to 2,577,777 new Ordinary Shares to be issued pursuant to the Placing
“**Registrar**”	Capita Asset Services

"**Regulations**"	the United Kingdom 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"
"**TRI**"	ThermoChem Recovery International, Inc.
"**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 Colombia
"**USDA**"	US Department of Agriculture
"**£**"	the lawful currency of the United Kingdom
"**$**"	the lawful currency of the US

PART I

LETTER FROM THE CHAIRMAN OF VELOCYS PLC

VELOCYS

Velocys plc
115e Olympic Avenue
Milton Park
Abingdon
Oxfordshire
OX14 4SA

Directors: *Company number: 5712187*

Dr Pierre Jungels, CBE, *Chairman*
David Pummell, *Chief Executive Officer*
Susan Robertson, *Chief Financial Officer*
Dr Paul Schubert, *Chief Operating Officer*
Julian West, *Senior Independent Director*
Sandy Shaw, *Non-executive Director*
Ross Allonby, *Non-executive Director*

16 May 2017

Dear Shareholders

Issue of 18 million Convertible Loan Notes at £0.50 per loan note
Placing of up to 2,577,777 new Ordinary Shares at a price of £0.45 per share

and

Notice of General Meeting

1. Introduction

The Board announced on 15 May 2017 that it has proposed to raise, subject to certain conditions, (i) approximately £9 million (before expenses) by the issue of Convertible Loan Notes at a price of £0.50 per loan note to the Company's two largest Shareholders, Ervington and Lansdowne; and (ii) approximately £1.16 million (before expenses) by way of a conditional placing of 2,577,777 new Ordinary Shares at a placing price of £0.45 per share to certain institutional and other investors.

The Company intends to use the proceeds raised by the issue of the Convertible Loan Notes and the Placing to fund its working capital requirements in support of the implementation of its strategy, including funding an initial engineering study for its proposed biomass to liquids plant, project development and the continuing development of its strategic partnerships.

The issue of the Convertible Loan Notes and 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 and issue the Convertible Loan Notes. A General Meeting is therefore being convened for the purpose of considering the Resolutions at 11.00 a.m. on 1 June 2017 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, Canaccord and Numis becoming unconditional and not being terminated in accordance with its terms.

The Company has agreed that its three largest Shareholders, which include Ervington and Lansdowne, have the right, for so long as one of the Shareholders (together with any affiliate or person acting in concert with it) holds a minimum of 14 per cent. of the issued share capital of the Company, to jointly nominate an individual (who will not be an employee or consultant of those Shareholders) to be appointed to the Board as a non-executive director, subject to approval of the identity of that individual by the Company and the Company's nominated advisor. The nominated individual shall be entitled to fees or remuneration from the Company in the same manner as other non-executive directors of the Company. This appointment right is conditional on the issue of the Convertible Loan Notes.

These Shareholders have indicated that they intend to nominate Andrew Morris in this role. Mr Morris has extensive experience as Chairman, CEO, CFO and Group Finance Director and significant involvement in financing and business development for AIM companies, SMEs and private equity backed organisations. He has considerable experience in the power and renewable energy, energy from waste and biofuels sectors. A further announcement will be made once an appointment has been made.

The purpose of this document is to provide you with details of, and the reasons for, the issue of the Convertible Loan Notes and the Placing and why the Directors believe it to be in the best interests of the Company and its Shareholders and 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 620,663 Ordinary Shares representing approximately 0.43 per cent. of the Ordinary Shares in issue as at the date of this document.

2. Velocys recent Corporate Developments

(a) ***ENVIA – the Company's first commercial reference plant***

In September 2016, construction of ENVIA's first GTL plant in Oklahoma City was completed. This was a landmark event for the Company since it will, once at steady state operations, act as the Company's first commercial reference plant. ENVIA subsequently delivered a start up of the commercial scale Fischer-Tropsch modules and upstream units at the ENVIA Plant, culminating in the first Fischer-Tropsch product being successfully produced in February 2017. The performance data that is available from the ENVIA Plant to date aligns closely to the Velocys pilot plant and system modelling data.

At the date of this document, the operations team has completed debugging activities on several non-Fischer-Tropsch units of the ENVIA Plant (which are routine at this stage of starting up a plant of the complexity of the ENVIA Plant), and is continuing to implement the pre-planned procedure of ramping up production to target operational capacity over the coming months. As a result of the time taken by these debugging activities, ENVIA requires additional working capital to support operations through to being cash flow positive. At the date of this document ENVIA has drawn down $8.2 million of the $9.3 million loan provided by Velocys in January 2016 as part of the stakeholder capital contribution, which is secured on the undertakings, assets and property of ENVIA. $3.4 million of the proceeds of the fundraise will be used to extend the loan arrangement Velocys made available to ENVIA in January 2016 from $9.3 million to $12.7 million. All other terms of the loan, which has a 10 per cent. coupon, remain unchanged. As such, Velocys will help to support the ENVIA Plant achieving steady state operations over the coming months.

(b) ***Morimatsu***

In January 2017, the Company signed an MoU with Morimatsu (Jiangsu) Heavy Industry Co., Ltd., a subsidiary of Morimatsu Industry Co., Ltd. Under the MoU, Morimatsu will be the Company's preferred and strategic supplier of module engineering and fabrication services for the plants. The MoU was followed up with the signing of a definitive agreement between the Company and Morimatsu in March 2017.

Morimatsu is a Japanese fabrication and engineering firm with nearly 70 years' experience and expertise in the design, engineering and fabrication of modular processing facilities for oil and gas, petrochemical, fine chemical, pharmaceutical, power and metallurgical industries. Its clients include world-leading players in these industries. Its fabrication facilities include three plants in China with over 800,000 m^2 of floor space and 3,500 staff. Its revenues totalled $700 million in 2016.

(c) ***TRI***

In January 2017, the Company signed an MoU with ThermoChem Recovery International, Inc. TRI will be the Company's preferred and strategic supplier of gasification systems for its BTL plants.

TRI is a leading provider of steam reforming gasification systems. TRI's multi-feedstock demonstration plant in Durham, North Carolina has run for over 10,000 hours, and has successfully shown that the syngas it produces is well-suited to the Fischer-Tropsch process. Moreover, its systems have been selected for and deployed on various commercial North American projects including to Norampac, a division of Cascades Paper, at its Trenton facility in Ontario. The Directors anticipate that the terms of the MoU will be reflected in legally binding documentation within the coming months.

(d) ***Strategy review***

In December 2016, the Company announced the results of its strategy review, which it has continued to focus and refine. Further details of the strategy can be found at paragraph 3 below.

3. Current Trading and Strategy

Current Trading

The Company's financial position and performance reflects its stage of development as activities become focused on commercial rollout and the implementation of its strategy. Revenues for the year ended 31 December 2016 reflected the Company's transition to commercial operations.

On 15 May 2017, the Company published its preliminary financial results for the year ended 31 December 2016. Total revenues for the year were £1.4 million (2015: £2.0 million). Loss for the year was £12.4 million before exceptional items (£12.7 million after exceptionals) (2015: £20.6 million/£20.1 million). Cash* at 2016 year end stood at £18.7 million (2015: £37.7 million). Cash outflow in 2016 (excluding share issues) was £19.0 million (2015: £22.0 million). Cash outflow was £13.6 million and £5.4 million in H1 and H2 respectively.

The Directors anticipate that the cost reductions carried out in 2016 will continue into 2017 and the Company is further reviewing its cost base and resources in order to adjust to its future needs as a commercial company where research and development activities are expected to take a less significant role. The Directors consider that these cost reductions seek to create a leaner business while preserving the value of the Company's strategic IP, knowledge, capability and ability to leverage these resources to scale up rapidly as commercial activities expand. Partially offsetting the reduced underlying cost base, the Company expects to increase spend on specific project development costs as set out in the use of proceeds section of this document. Additionally, it is expected that the existing $9.3 million loan to ENVIA will be fully drawn down in the first half of 2017 as the plant progresses towards steady state operations and agreement has been reached in relation to further ENVIA funding as described above.

** Defined as cash, cash equivalents and short term investments.*

Strategy

Following its strategy review at the end of 2016, the Company has continued to focus and refine its strategy aimed at increasing its control in the delivery of plants.

The new strategy is to build on progress at the ENVIA Plant and build on the Company's position of strength in the following areas:

- differentiated technology – recognised as a market leader;
- recurring revenues which would result from the successful implementation of its licensing model; and
- world class technology, engineering capability and operations team.

In addition, the Company is adopting a business model that aims to increase control over project delivery through a partnership approach.

(i) *Core themes*

There are four core themes underpinning the Company's new strategy:

- ***Strategic alliances***. Implement alliances with partners that have the required resources, scale and capabilities to access large, high value markets and drive growth.
- ***Business model***. With partners, the Company aims to become the clear market leader in small-scale GTL and BTL by taking increased control of multiple projects, reducing delivery risk and accelerating growth, whilst seeking to continue to reduce its overheads, construct consortia and secure funding at a project level to ensure that the Company remains capital light, with attractive revenues from technology licensing and sales of reactors and catalyst.
- ***The offer***. Jointly with partners, deliver a "one-stop-shop" offer to customers – the fully integrated and financed, cost effective and operations-ready plant solution.
- ***Leverage differentiated capabilities***. Leverage the Company's differentiated technology, engineering and operational capabilities, working seamlessly with partners to modularise and drive down costs of the complete offer.

(ii) *Attractive plant economics*

The Company's indicative modelling suggests that attractive plant economics exist for BTL plants incorporating the Company's technology producing renewable fuels. These indicative models show that the economics for a plant producing 1,400 barrels per day of renewable fuels from woody biomass are particularly favourable in the US. Based on current pricing and costs and the indicative modelling, the Directors believe that operational revenues approximating $265 per barrel could be achieved at such a plant, which is made up of around $75/barrel of fuel sales and around $190/barrel of US federal Renewable Fuel Standard credits (traded via Renewable Identification Numbers). The Directors believe that plants addressing the Californian market are expected to be eligible for around $33/barrel of Californian Low Carbon Fuel Standard credits, raising potential operational revenues on plants selling product into California to nearly $300 per barrel. Corresponding operational costs of just under $130/barrel are predicted by the Company, which includes: feedstock cost, capital expenditure, operating expenditure, plant shutdown and maintenance. The Company has commenced a FEL-2 engineering study to support and develop its economic assumptions as a key step to securing commercial partners for a first biomass to liquids plant.

The economics for gas-to-wax plants located on certain gas fields in North America are competitive with other gas monetisation options such as methanol or power production. To take an illustrative example of a 5,000 barrel per day wax plant in Western Canada, indicative values suggest that operational revenues from sale of high value waxes, diesel and naphtha would be around $120/barrel versus operation costs of just over $60/barrel.

(iii) *Medium term goals*

The Company's medium term goals are:

- to have the largest market share of any solution provider for premium renewable fuels in the US;
- to have the largest market share of any provider of premium Fischer-Tropsch waxes in North America; and
- to exploit lucrative opportunities in selected Asian markets.

(iv) *Focus areas*

The Directors intend the Company's key areas of focus will be:

- delivering the joint Company and TRI integrated pilot plant demonstration (see paragraph 3(v) below);
- qualifying for the USDA loan guarantee program;
- completing with partners, the FEL-2 engineering study for the US renewable fuels plant described in paragraph 3(ii) above;
- building strategic and commercial partnership consortia capable of delivering the FID on plants which utilise the Company's technology. The initial focus will be on building the consortium for the renewable fuels focus area and in particular securing commitments for the majority of the funding required for the FEL-3 engineering study of the US renewable fuels plant described in paragraph 3(ii) above; and
- conducting site selection and associated project development activities for renewable fuels plants.

The Directors believe that working with strategic partners will drive faster adoption and bring broader investment options to the Company.

(v) *Strategy: Roll-out*

As described in paragraph 2 above, the Company has signed MoUs with Morimatsu and TRI.

The Directors believe that the potential benefits of further modularisation of smaller scale GTL plants are significant in terms of reduced plant build schedule, reduced risk of delays, and lower capital expenditure and operating expenditure. With Morimatsu, the Company is scoping out a programme of work to maximise these benefits across all areas of both GTL and BTL plants. This ongoing collaboration builds on Morimatsu's successful delivery of targeted cost and footprint reductions in their design of the Fischer-Tropsch section of future plants.

The Company and TRI have begun the development of a joint engineering design for a BTL plant to produce renewable diesel and jet fuels from woody biomass. TRI will support the Company and its partners to further reduce plant capital expenditure and operating expenditure and to de-risk the financing of the first BTL plant, for example, through:

- an integrated technology demonstration at the TRI facility in Durham, North Carolina to which the Company intends to relocate its skid-mounted Fischer-Tropsch section of its pilot plant currently located at the Company's facility in Ohio. The joint demonstration was selected for support as part of a competitive award granted by the US Department of Energy; and
- accessing the USDA's loan guarantee scheme (for which the joint demonstration is integral).

Furthermore, the Company has commenced discussions with various other potential partners, including traders, refiners, airlines, feedstock suppliers and banks with which it seeks to assemble its integrated turnkey offer for customers, which includes the technical solution, financing route, feedstock and offtake.

4. Use of Proceeds

The Directors intend that the net proceeds of the issue of the Convertible Loan Notes and the Placing will be used by the Company to progress the key focus areas in paragraph 3(iv) above, particularly:

(a) working capital including certain upfront costs resulting from its ongoing reduction of overheads not required to progress the Company's key focus areas;

(b) specific activities to drive the strategy programme including:

(i) initial engineering for US BTL plants;

(ii) integrated technology demonstration for BTL;

(iii) building the consortium for the renewable fuels focus area and in particular securing commitments for the majority of the funding required for the FEL-3 engineering study of the US renewable fuels plant described in paragraph 3(ii) above; and

(iv) project development activities (for example site selection and permitting); and

(c) engaging consultants to support financing and other related activities.

$3.4 million of the proceeds of the fundraise will also be used to extend the loan arrangement Velocys made available to ENVIA in January 2016 from $9.3 million to $12.7 million. All other terms of the loan, which has a 10 per cent. coupon, remain unchanged. As such, Velocys will help to support the ENVIA Plant achieving steady state operations over the coming months.

The Company is reliant on the net proceeds of the issue of the Convertible Loan Notes and the Placing to provide working capital to progress the initial stages of its strategy. It follows that if the Resolutions are not passed by Shareholders, the Placing and the issue of the Convertible Loan Notes will not proceed. In these circumstances the Directors would need to reconsider its strategy.

The Directors expect that the Company will require further funding by the second quarter of 2018 to progress the next stages of its strategy.

The Company's preliminary financial results for the year ended 31 December 2016 (which were published on 15 May 2017 and are available to Shareholders on the Company's website (www.velocys.com)) have been prepared on a going concern basis which assumes that the Company will have sufficient funds available to enable it to continue to trade for the foreseeable future. The financial forecasts include certain assumptions in relation to which there are uncertainties, including the costs and timing of the ENVIA Plant achieving steady state operations, the costs of ongoing development projects, the ability to reduce certain overheads and funds generated from partnership funding, and the ability to raise additional funding. Adverse variations in these assumptions would mean that the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

5. Principal terms of the Convertible Loan Notes

The Company proposes raising approximately £9 million, before expenses, by way of the conditional, non-pre-emptive issue of up to 18 million Convertible Loan Notes at the issue price of £0.50 per loan note. The issue of the Convertible Loan Notes is governed by the terms of the Convertible Loan Note Instrument which was constituted by the Company on 15 May 2017 (as further described below).

The issue of the Convertible Loan Notes is conditional upon the passing of the Resolutions at the General Meeting or by 16 June 2017 (or such later date as may be agreed by the Company and the subscribers).

If this condition is not satisfied, the Convertible Loan Notes will not be issued and all monies received from subscribers will be returned (at the subscriber's risk and without interest) as soon as possible thereafter.

The Convertible Loan Note Instrument creates a total of 30 million £0.50 unsecured convertible loan notes which will be issued to subscribers at a price of £0.50 per loan note. Accordingly, the Company may issue a total of 30 million convertible loan notes pursuant to the Convertible Loan Note Instrument, amounting to approximately £15 million. The Company currently proposes to issue 18 million £0.50 Convertible Loan Notes to subscribers, amounting to approximately £9 million. The Company does not currently intend to issue any further Convertible Loan Notes pursuant to the Convertible Loan Note Instrument in the near term; however the Company retains its discretion to do so should the Board consider it appropriate. The

Resolutions summarised in paragraph 8 permit the issue of the maximum number of Ordinary Shares under the Convertible Loan Notes, including interest payments, up to the Final Maturity Date.

The key terms of the Convertible Loan Note Instrument are:

- unless already converted to Ordinary Shares, the Convertible Loan Notes shall be redeemed on the date that falls 18 months following their issue (the "**Final Maturity Date**") or, if any Convertible Loan Notes remain outstanding (in the circumstances described below), at any time from the Final Maturity Date;
- the subscriber may at any time provide notice to the Company to convert all or part of its Convertible Loan Notes to Ordinary Shares provided that such subscriber may elect to not convert all of its Convertible Loan Notes if, as a result of such conversion, it would hold more than 29.99 per cent. of the voting rights of the Company and such Convertible Loan Notes shall remain outstanding until converted by such subscriber or by the Company in accordance with the below;
- the Company may at any time from the month before the Final Maturity Date provide notice to a subscriber to convert all or part of their Convertible Loan Notes to Ordinary Shares provided that the Company may not convert any Convertible Loan Notes that would cause a subscriber to hold more than 29.99 per cent. of the voting rights of the Company;
- for so long as any Convertible Loan Notes remain outstanding, interest shall accrue on the principal amount of the Convertible Loan Notes at a rate of 8 per cent. per annum and, on the date of conversion or redemption (as applicable), the Company or a subscriber can elect to repay or receive (as the case may be) the interest through the issue of additional Ordinary Shares at a price of £0.50 per share;
- for so long as any Convertible Loan Notes remain outstanding, the Company shall not:
    - create any security interest to secure any indebtedness save in respect of certain ordinary course indebtedness ("**Relevant Indebtedness**") unless the Company shall ensure that all amounts payable under any outstanding Convertible Loan Notes are secured by a security interest which is not less beneficial than the security interest created pursuant to the Relevant Indebtedness;
    - incur indebtedness in excess of £50,000 save in respect of certain ordinary course indebtedness; and
    - create any security over its intellectual property rights;
- on conversion of the Convertible Loan Notes to Ordinary Shares, such number of Ordinary Shares shall be issued to the subscriber that equals the outstanding principal amount of the notes plus any applicable interest at a price of £0.50 per Ordinary Share;
- the Convertible Loan Notes shall be automatically converted to Ordinary Shares in certain circumstances, for example in the event of a takeover offer or a fundamental change of business in respect of the Company;
- the Convertible Loan Notes shall be redeemed in the event that the Company suffers an insolvency event;
- save in respect of affiliates of a subscriber, the Convertible Loan Notes are not transferable; and
- no covenants are given as to the status or affairs of the Company.

The maximum number of Ordinary Shares that may be issued on conversion of the Convertible Loan Notes is therefore 20,156,000 Ordinary Shares (assuming the Convertible Loan Notes are converted on the Final Maturity Date together with all accrued interest). The Ordinary Shares issued on a conversion of the Convertible Loan Notes 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 thereafter.

The Convertible Loan Notes will not be admitted to trading on AIM or any other investment exchange.

6. Principal terms of the Placing

The Company proposes raising approximately £1.16 million, before expenses, by way of a conditional, non-pre-emptive placing of up to 2,577,777 new Ordinary Shares at the Placing Price. The Placing Shares will be placed by Numis and Canaccord as agents for the Company and pursuant to the Placing Agreement with institutional and other investors.

The Placing Price represents a discount of approximately 10 per cent. to the closing mid-market price of the Ordinary Shares as at 12 May 2017 of £0.5125 per Ordinary Share. The Placing Shares will represent approximately 1.8 per cent. of the Ordinary Share capital as enlarged by the Placing provided that no options have been exercised and provided that the Convertible Loan Notes have not been converted into Ordinary Shares) 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 Placing is conditional upon (amongst other things):

(a) the passing of the Resolutions at the General Meeting;

(b) the Placing Agreement becoming unconditional and the Placing Agreement not having been terminated in accordance with its terms;

(c) the issue of the Convertible Loan Notes; and

(d) Admission occurring on or before 2 June 2017 (or such later date as Numis, Canaccord and the Company may agree, not being later than 14 days following that date).

If any of the conditions are not satisfied, the Placing Shares will not be issued and all monies received from placees will be returned (at the placees risk and without interest) as soon as possible thereafter.

The Placing is not being underwritten.

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 and issuing the Convertible Loan Notes. 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*.

Application will be made for the Placing Shares to be admitted to trading on AIM, subject to the Placing Agreement not having been terminated, and it is expected that trading in the Placing Shares will commence at 8.00 a.m. on 2 June 2017.

7. Related party transaction

The issue of the Convertible Loan Notes constitutes a related party transaction under the AIM Rules as two "substantial shareholders" (within the meaning of the AIM Rules), Ervington and Lansdowne (in each case via an affiliate), are subscribing for Convertible Loan Notes. The Directors consider, having consulted with Numis, the Company's nominated adviser, that the terms of the transaction are fair and reasonable insofar as its Shareholders are concerned.

8. Resolutions

The Company currently does not have sufficient authority to issue the Convertible Loan Notes or effect the Placing. Accordingly, the Resolutions, summarised below, are being proposed at the General Meeting to ensure that the Directors have sufficient authority to issue the Convertible Loan Notes and 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 £227,337.77 pursuant to the

Placing and the issue of the Convertible Loan Notes, such authority expiring at the earlier of the Company's next annual general meeting and 31 August 2018.

If Resolution 1 is passed, the Directors will have the authority, under the Act, to allot Ordinary Shares or grant rights to subscribe for or to convert any security into Ordinary Shares up to the maximum aggregate nominal amount of £227,337.77 (being the maximum required for the purpose of issuing the Placing Shares and the Convertible Loan Notes (including any Ordinary Shares required to be issued under the Convertible Loan Notes plus any accrued interest up to the Final Maturity Date); and

(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 and Convertible Loan Notes which are convertible into Ordinary Shares up to a maximum aggregate nominal amount of £227,337.77 on a non-pre-emptive basis pursuant to the Placing and the issue of the Convertible Loan Notes, such authority expiring at the earlier of the Company's next annual general meeting and 31 August 2018.

If Resolution 2 is passed, the Directors will have the power, under the Act, to allot the Placing Shares and issue the Convertible Loan Notes (including any Ordinary Shares required to be issued under the Convertible Loan Notes plus any accrued interest up to the Final Maturity Date), in each case without offering those shares to existing Shareholders.

These authorities are required to enable the Directors to effect the Placing and the issue of the Convertible Loan Notes and are in addition to the general authorities that were granted by Shareholders at the Company's annual general meeting on 14 June 2016, which gave the Directors authority to allot relevant securities up to a maximum aggregate nominal amount of £477,508.79 under s551 of the Act and to allot Ordinary Shares up to a maximum aggregate nominal amount of £143,252.64 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 2017, 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 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 11.00 a.m. on 1 June 2017.

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, Capita Asset Services, PXS1 34 Beckenham Road, Beckenham, Kent BR3 4ZF so as to be received as soon as possible and, in any event, not later than 11.00 a.m. on 30 May 2017. 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 issue of Convertible Loan Notes, 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 issue of the Convertible Loan Notes and the Placing to provide working capital to progress the initial stages of its strategy. It follows that if the Resolutions are not passed by Shareholders, the Placing and the issue of the Convertible Loan Notes will not proceed. In these circumstances the Directors will need to reconsider its strategy. 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 620,663

Ordinary Shares (representing approximately 0.43 per cent. of the Ordinary Shares in the issue as at the date of this document).

Yours faithfully

Dr. Pierre Jungels, CBE
Chairman

PART II

RISK FACTORS

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

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

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

1. RISKS RELATING TO THE COMPANY AND ITS BUSINESS

The ENVIA Plant

The ENVIA Plant will act as the Company's first commercial reference plant and will provide commercial-scale performance data for stakeholders to analyse and a physical, tangible site where they can see the Company's technology in action. The ENVIA Plant is therefore a necessary enabler for the financing of future plants incorporating the Company technology and successful implementation of the Company's strategy, in particular by demonstrating credibility with potential partners. The commercial scale Fischer-Tropsch modules and upstream units have been started up at the ENVIA Plant and the first Fischer-Tropsch product has been successfully produced. However, the ENVIA Plant is not in steady state operations and although the operations team has recently completed debugging activities on several (non-Fischer-Tropsch) units of the ENVIA Plant, it is possible that further such activities will be necessary. Since continuation of the ENVIA Plant to successful commercial operation relies on the agreement of the members of ENVIA, of which the Company is a minority partner, the Company relies on the continued support and cooperation of its partners to ensure ENVIA continues through commercial operation. The costs to progress the ENVIA Plant to commercial operation could exceed the Company's estimates, in which case there can be no guarantee that sufficient funding will be available to complete the project. Accordingly, this could adversely affect the Company's business, financial condition, results or future operations. Furthermore, ENVIA is bound by a number of commercial agreements both with its member parties and third parties. This means that ENVIA completion and commercial operation may be impacted by commercial disputes which the Company is not in overall position to control.

Company's working capital requirements

The Company is reliant on the net proceeds of the issue of the Convertible Loan Notes and the proceeds of the Placing to implement its strategy, as described in paragraph 4 of part I of this document. The Placing and the issue of the Convertible Loan Notes are conditional on, amongst others, the passing of the Resolutions at the General Meeting. If one of these conditions is not fulfilled, the Company may fail to raise any proceeds as a result of the Placing and the issue of the Convertible Loan Notes. In this case, the Company will not have the working capital it requires to implement its strategy and the Company will need to reconsider its options, including a review of its strategy. If the Placing and issue of Convertible Loan Notes does not complete it could adversely affect the Company's business, financial condition, results or future operations.

Financial markets and global economic outlook

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

Energy, oil and chemical price volatility

Crude oil and natural gas prices are volatile, depending on shifts in local, regional and world supply and demand, as well as the policies of the Organization of Petroleum Exporting Countries, the prices of other hydrocarbon products and the general economic and political climate. Any decrease in oil prices could reduce the market's perception of the benefits of the Company's offering, the investment appetite of partners or the availability of capital to fund projects, which could adversely affect the Company's business, financial condition, results or future operations.

Technology performance and operations

There are risks inherent in bringing any new technology into commercial operation. A new process technology is typically not considered proven until it has been in commercial operation for at least a few months and preferably 2 to 3 years. In the event that any of its new technology is not proven and does not therefore come into commercial operation, the Company's business, financial condition, results or future operations could be adversely affected.

Pace of commercial adoption

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

Ability to form integrated turnkey offer

The Company may not be able to create or scale its integrated turnkey offer, for example due to the inability to secure key commercial partnerships. Failure to agree legally-binding agreements with appropriate partners may result in a slower pace of commercial roll out than anticipated, which could adversely affect the Company's business, financial condition, results or future operations.

Furthermore, the Company may not be able to scale the organisation to deliver the integrated offer. If the Company is unable to scale the organization to deliver the integrated offer, it could adversely affect the Company's business, financial condition, results or future operations.

Cost reductions

Having completed the technical development for the current generation of technology, management believe that they can reduce the overhead cost base of the Company primarily in areas relating to research and development activities and can do so in a way that retains the core capability and value in the Company. There is a risk that cost reductions may not be as great as envisaged or that the cost reductions limit the

Company's abilities to develop its strategic aims. Accordingly, this could adversely affect the Company's business, financial condition, results or future operations.

Future of renewable fuels credits

The economics of the Company's renewable fuels plants are dependent on the receipt of US federal renewable fuel standard, Renewable Identification Number credits in order to maintain revenues above operational costs. There can be no guarantee that the pricing and market for these credits will remain supportive of BTL plant economics in the longer term. If the price of credits were to drop substantially it could significantly reduce the viability of smaller scale BTL plants and materially adversely affect the Company's business, financial condition, results or future operations.

Personnel – skills and retention

The Company's success depends upon its ability to attract and recruit, retain and incentivise highly skilled employees across all areas of the business. Of particular importance is the ability of the Company to utilise the experience, capability and know-how of its process engineers and other specialists who provide client support and technical assistance through the design, construction, start up and initial operation of plants. If the Company is unable to retain or successfully attract and recruit key employees across all and any areas of the business, it could delay or prevent the implementation of its strategy, which could adversely affect the Company's business, financial condition, results or future operations.

Market competition

Current competing technologies that are economically-competitive with Company technology in specific niche applications could be commercialised and new technologies could be developed that compete with Company technology. Failure to maintain market competitiveness could adversely affect the Company's business, financial condition, results or future operations.

Supply chain for reactors and catalyst

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

Intellectual property disputes

The Company's ability to compete depends in part, upon the successful protection of its intellectual property, in particular its patents. Third parties may infringe upon the Company's patents and other intellectual property, release confidential information about the Company's intellectual property or claim technology which is registered to the Company.

In the event that litigation is necessary in the future in order to enforce the Company's intellectual property rights, this could adversely affect the Company's business, financial condition, results or future operations.

Disclosure of proprietary information

In addition to the Company's intellectual property portfolio, certain members of the Company's technical and operations teams possess significant amounts of proprietary know-how, and the Company relies on trade secret protection to protect its interests in proprietary know-how and in processes for which patents are difficult to obtain or enforce. The Company may not be able to protect its trade secrets adequately and the Company cannot provide assurance that any of its employees, consultants, contract personnel or third party partners, either accidentally or through wilful misconduct, will not cause serious damage to its programmes and/or its strategy, by, for example, disclosing confidential information to its competitors.

Future patents

The Company has patents that have been granted and patents that are still pending in certain jurisdictions, including in the US. There can be no assurance that patents pending or future patent applications will be issued, nor that the lack of any such patents will not have a material adverse effect on the Company's business, results of operations or financial condition. In the event that any of the Company's pending patents are not granted, or future patent applications are not granted, it could materially adversely affect the Company's business, future condition, results, or future operations.

Regulatory changes

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

2. RISKS RELATING TO THE ORDINARY SHARES

Value of Ordinary Shares and liquidity

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

(a) changes in securities analysts' recommendations or the failure to meet the expectations of securities analysts;

(b) changes in the performance of the Company's industry as a whole and of the Company's competitors;

(c) fluctuations in stock market prices and volumes, and general market volatility; and

(d) the introduction of new legislation affecting the Company's industry.

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

Future capital requirements

In addition to the Placing and the issue of the Convertible Loan Notes, the Company will need to raise further funds to carry out the implementation of its strategy. It is seeking to secure consortium funding at a project level to enable it to progress with the development of its projects although there can be no guarantee that such funding will be available on acceptable terms, or at all. Any additional equity financing may be dilutive to Shareholders, and further debt financing, if available, may involve restrictions in financing and operating activities. Moreover, the further issue of Ordinary Shares could have a negative impact on the trading price and increase the volatility of the market price of the Ordinary Shares. In addition, there can be no assurance that the Company will be able to raise additional funds when needed or that such funds will be available on terms favourable to it, which could adversely affect the Company's business, financial condition, results or future operations.

Investment on AIM

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

Dividends

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

3. RISKS RELATING TO THE CONVERTIBLE LOAN NOTES AND THE PLACING

Shareholders will experience dilution in their ownership of the Company

For those Shareholders not participating in the Placing or who are not subscribers of Convertible Loan Notes, the effect of the Placing, the issue of the Convertible Loan Notes and the conversion of the Convertible Loan Notes to Ordinary Shares will be a reduction of such Shareholder's proportionate ownership and voting interests in the Company.

Priority of Convertible Loan Notes in the event the Company suffers an insolvency event

As described in paragraph 5 of part I, the Convertible Loan Notes shall be redeemed in the event that the Company suffers an insolvency event and, as debt, shall rank in priority to the Ordinary Shares in issue.

VELOCYS PLC

(Incorporated and registered in England and Wales with registered no. 5712187)

NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of Velocys plc (the "Company") will be held at the offices of Mayer Brown International LLP, 201 Bishopsgate, London EC2M 3AF on 1 June 2017 at 11.00 a.m. for the following purposes:

ORDINARY RESOLUTION

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

1. THAT, the directors of the Company be generally and unconditionally authorised for the purposes of s551 of the Companies Act 2006 (the "**Act**") to allot ordinary shares for cash in the Company or to grant rights to subscribe for or to convert any security into Ordinary Shares in the Company ("**Rights**") up to a maximum aggregate nominal amount of £227,337.77 pursuant to a placing of ordinary shares in the capital of the Company and the issue of convertible loan notes which are convertible into ordinary shares in the capital of the Company, as further described in the circular of the Company dated 16 May 2017 ("**Circular**"), to such persons and at such times and upon such conditions as the directors may determine, such authority to expire at the earlier of the conclusion of the next annual general meeting of the Company after the passing of this resolution and 31 August 2018 save that the Company may before that expiry make an offer or agreement which would or might require shares to be allotted or Rights to be granted after that expiry and the directors of the Company may allot shares or grant Rights in pursuance of such an offer or agreement as if the authority conferred by this resolution had not expired.

   This authority is in addition to the authority conferred on the directors pursuant to s551 of the Act at the Company's annual general meeting held on 14 June 2016.

SPECIAL RESOLUTION

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

2. THAT, subject to the passing of Resolution 1 above, the directors of the Company be empowered pursuant to s570(1) of the Act to allot equity securities pursuant to the authority conferred by Resolution 1 above as if s561(1) of the Act did not apply to that allotment, provided that this power shall be limited to the allotment of equity securities for cash up to the maximum nominal amount of £227,337.77 to persons applying for ordinary shares in connection with the placing of ordinary shares in the capital of the Company and the issue of convertible loan notes which are convertible into ordinary shares in the capital of the Company (as described in the Circular) and such authority shall expire at the earlier of the conclusion of the next annual general meeting of the Company to be held after the date of the passing of this resolution and 31 August 2018 save that the Company may before that expiry make an offer or agreement which would or might require equity securities to be allotted after that expiry and the directors of the Company may allot equity securities in pursuance of that offer or agreement as if the power conferred by this resolution had not expired.

   This authority is in addition to the authority conferred on the directors pursuant to s570(1) of the Act at the Company's annual general meeting held on 14 June 2016.

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

By Order of the Board

Registered Office
115e Olympic Avenue
Milton Park
Abingdon
Oxfordshire
OX14 4SA

Jeremy Gorman
Company Secretary

16 May 2017

NOTES:

(a) Only those shareholders entered on the relevant register of members (the "**Register**") for certificated or uncertificated shares of the Company (as the case may be) at close of business on 30 May 2017 (the "**Specified Time**") will be entitled to attend or vote at the General Meeting in respect of the number of shares registered in their name at the time. Changes to entries on the Register after the Specified Time will be disregarded in determining the rights of any person to attend or vote at the meeting. Should the meeting be adjourned to a time not more than 48 hours after the Specified Time, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. Should the meeting be adjourned for a longer period, then to be so entitled, members must be entered on the Register at the time which is 48 hours before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in the notice.

(b) Any member may appoint a proxy to attend, speak and vote on his/her behalf. A member may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares of the member, but must attend the meeting in person. A proxy need not be a member. Forms of Proxy should be lodged with the Company's Registrar or submitted not later than 48 hours before the time for which the meeting is convened. Completion of the appropriate Form of Proxy does not prevent a member from attending and voting in person if he/she is entitled to do so and so wishes.

(c) As at 15 May 2017 (being the last working day prior to the publication of this notice), the Company's issued share capital consisted of 143,994,558 Ordinary Shares, carrying one vote each. So, the total voting rights in the Company as at that date are 143,994,558.

(e) 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.

(f) Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no answer needs to be given if to do so would interfere unduly with the business of the meeting or involve the disclosure of confidential information or if the answer has already been given on a website in the form of an answer to a question or, finally, if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.