

**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 2017 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 Thursday 22 June 2017 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 Asset Services, PXS 1, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4ZF no later than 10.45 am on Tuesday 20 June 2017. 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:

Dr Pierre Jungels (Chairman)  
David Pummell (Chief Executive Officer)  
Susan Robertson (Chief Financial Officer)  
Dr Paul F. Schubert (Chief Operating Officer)  
Julian West (Senior Independent Director)  
Sandy Shaw (Non-Executive Director)  
Ross Allonby (Non-Executive Director)

## Registered Office:

115e Olympic Avenue  
Milton Park  
Abingdon OX14 4SA

25 May 2017

To the holders of Ordinary Shares and for information purposes only, to holders of options under the Company's share option schemes.

Dear Shareholder,

## 2017 Annual General Meeting

I am writing to give you details of the resolutions to be proposed at the Company's 2017 AGM to be held at the Milton Park Innovation Centre, 99 Park Drive, Milton Park, Oxfordshire, OX14 4RY on Thursday 22 June 2017 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 2016, together with the reports of the Directors and auditors thereon (the 'Accounts'), copies of which are being mailed to Shareholders together with this notice.

Shareholders will be aware that, as set out in the circular to shareholders dated 16 May 2017, the Company has agreed that its three largest Shareholders, which include Ervington Investments Limited and Lansdowne Partners, 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, which are the subject of proposals which shareholders have been asked to approve at the General Meeting convened for 11:00 a.m. on 1 June 2017.

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.

The Board anticipates that the appointment of Mr Morris will be confirmed following the conclusion of the General Meeting, and that a further announcement will be made at that time. The Board is therefore proposing a resolution for Mr Morris' reappointment at the 2017 Annual General Meeting.

## 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 2017 Annual General Meeting.

Biographical details of each of the directors (other than Mr Morris) proposed for reappointment are set out on the company's website at [www.velocys.com](http://www.velocys.com).

## **Annual General Meeting**

The following resolutions will be proposed at the AGM:

### **Ordinary Resolutions**

Resolutions nos. 1 to 12, and 15 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 2016 and the Directors' and auditors' reports thereon (resolution no. 1);

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 Dr Pierre Jungels has served more than three consecutive three year terms of office and considers that he continues to make a significant contribution to the Company:

#### **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);

#### **Resolution no. 4 – Re-election of Director**

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

#### **Resolution no. 5 – Re-election of Director**

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

#### **Resolution no. 6 – 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. 6);

#### **Resolution no. 7 – 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. 7);

#### **Resolution no. 8 – 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. 8);

#### **Resolution no. 9 – Election of Director**

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

#### **Resolution no. 10 – Re-appointment of auditors**

To re-appoint PricewaterhouseCoopers LLP as auditors of the Company (resolution no. 10);

#### **Resolution no. 11 – Determination of auditors' remuneration**

To authorise the Directors to fix the auditors' remuneration (resolution no. 11); and

#### **Resolution no. 12 – Authority of Directors to allot shares**

Resolution no. 12 will be proposed as an ordinary resolution to authorise the Directors to allot Equity Securities (as defined in the Articles) up to a maximum aggregate nominal amount of £480,052.39 (representing approximately 33% of the total ordinary share capital of the Company presently in issue). This authority replaces the authority granted on 14 June 2016 and will expire on 31 July 2018 or at the conclusion of the next AGM, whichever is the earlier. The Directors have no present intention of exercising this authority.

# Letter from the Chairman of the Company (continued)

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

## Special Resolutions

Resolution nos. 13 and 14 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. 13 – Renewal of authority of Directors to allot shares for cash disapplying statutory pre-emption rights

Resolution no. 13 will be proposed as a special resolution to empower the Directors to issue Equity Securities on a non pre-emptive basis up to a maximum aggregate nominal value of £144,015.72 (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 (or treasury shares) for cash and also provide the Directors with greater flexibility to take advantage of business opportunities as they arise.

### Resolution no. 14 – Authority to purchase own shares

Resolution no.14 will be proposed as a special resolution to authorise the Company to purchase up to 14,401,572 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 11,264,994 Ordinary Shares in the Company were outstanding as at 22 May 2017 representing 7.82 per cent. of the Company's issued ordinary share capital at that date and which would represent 8.69 per cent of the Company's issued ordinary share capital if the authority proposed at the AGM to buy back 14,401,572 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 22 May 2017, 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. 14. 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. 15 – Ratification of payments in excess of the amount specified in Article 92 of the Company's Articles of Association

During the three financial years ended 31 December 2016, fees were paid to the Chairman and other Non-Executive Directors in excess of the aggregate limit of £250,000 specified in Article 92 of the Articles adopted on 22 June 2011. This amount was set at the formation of the Company in 2006 and although the Articles allow this amount to be amended by ordinary resolution, and despite the growth of the Company since this point, no subsequent amendment has been made.

At the Company's 2016 AGM held on 14 June 2016, shareholders approved an Ordinary Resolution to approve and ratify any payments during the two years ended 31 December 2015 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 breach of which was inadvertent.

At the Board meeting in September 2016, in light of the breach of Article 92, the Non-Executive Directors voluntarily agreed that they would each accept a cut in fees to reduce the annual cost of fees to within the limit of £250,000.

The aggregate amount of these fees, as set out in the Company's annual reports, for the years ended 31 December 2016 and 2015 is as follows.

	2016 £	2015 £
Aggregate fees paid to Chairman and Non-Executive Directors	268,500	271,853

Resolution no. 15 is proposed as an Ordinary Resolution to approve and ratify any payments to the Chairman and the Non-Executive Directors during the year ended 31 December 2016 out of the funds of the Company by way of fees for their services in excess of the amount specified in Article 92.

None of the directors concerned, nor any persons connected to them, will vote on Resolution no. 15.

**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 Asset Services, PXS 1, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4ZF, United Kingdom so as to arrive not later than Tuesday 20 June 2017 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 620,663 Ordinary Shares in the Company, representing 0.43 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  
25 May 2017

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 Thursday 22 June 2017 at 10.45 am to consider and, if thought fit, pass the following resolutions. Resolutions nos. 1 to 12 and no. 15 will be proposed as ordinary resolutions and resolutions nos. 13 and 14 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 2016 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 Nomination Committee) as a Director of the Company.
4. To re-elect David Pummell (Executive Director and Chief Executive Officer) as a Director of the Company.
5. To re-elect Ross Allonby (Non-Executive Director and a member of the Audit and Risk, Remuneration and Nomination Committees) as a Director of the Company.
6. To re-elect Pierre Jungels (Chairman of the Board and Chairman of the Nomination Committee) as a Director of the Company.
7. To re-elect Julian West (Non-Executive Director and a member of the Audit and Risk, Remuneration and Nomination Committees) as a Director of the Company.
8. To re-elect Paul Schubert (Executive Director and Chief Operating Officer) as a Director of the Company.
9. To elect Andrew Morris (Non-Executive Director) as a Director of the Company.
10. 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.
11. To authorise the Directors of the Company to fix the remuneration of the auditors.

## As SPECIAL BUSINESS

### Ordinary resolution

12. 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 £480,052.39 (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 2018 or at the conclusion of the next annual general meeting of the Company in 2018 (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

13. That pursuant to the authority conferred by resolution numbered 12 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 £144,015.72 (representing 10% of the Company's issued ordinary share capital at the date of posting this notice),

and shall expire on 31 July 2018 or at the conclusion of the next annual general meeting of the Company in 2018 (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 12 being passed” were omitted.

**Special resolution**

14. 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 AIM market of the London Stock Exchange of its ordinary shares provided that:
- (a) the maximum aggregate number of ordinary shares authorised to be purchased is 14,401,572 (representing 10% of the Company's issued ordinary share capital at the date of posting of this notice);
  - (b) the minimum price which may be paid for such shares is 1p per ordinary share;
  - (c) the maximum price 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 2018; 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**

15. That any payments to the Chairman and other Non-Executive Directors out of the funds of the Company by way of fees for their services in excess of the amount specified in Article 92 of the Company's Articles of Association be approved and ratified as though the directors had been authorised pursuant to Article 92 of the Articles to make payments of such amounts.

**BY ORDER OF THE BOARD**



**Jeremy Gorman FCA**  
Secretary  
25 May 2017

**Registered Office:**  
115e Olympic Avenue  
Milton Park  
Abingdon, OX14 4SA

# Velocys plc

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

## 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, PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF so as to be **received not later than 48 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 Tuesday 20 June 2017 (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 Tuesday 20 June 2017 (or, in the case of an adjournment, after 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 22 May 2017 (being the latest practicable date prior to the date of this notice) the Company's issued share capital consisted of 144,015,718 ordinary shares each carrying one vote per share. Accordingly the total voting rights in the Company as at 22 May 2017 were 144,015,718.
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. A copy of this Notice, and other information required by section 311A of the UK Companies Act 2006, can be found on the Company's website ([www.velocys.com](http://www.velocys.com)).