

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

It sets out the Resolution to be proposed at a General Meeting of Velocys plc to be held on 23 February 2015. If you are in any doubt about the contents of this document or the action you should take you should immediately consult an independent adviser authorised under the Financial Services and Markets Act 2000, as amended.

If you have sold or otherwise transferred all of your Ordinary Shares, please send this document, together with the accompanying Form of Proxy, 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. However, such documents should not be forwarded to, or transmitted in or into, any jurisdiction where to do so might violate the relevant laws and regulations in that jurisdiction. If you have sold or otherwise transferred only some of your Ordinary Shares, you should retain this document and the Form of Proxy and consult with the stockbroker, bank or other agent through whom the sale or transfer was effected.

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 in this document and which recommends you vote in favour of the Resolution to be proposed at the General Meeting.

VELOCYS PLC

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



Proposed Amendment to the Velocys plc Share Option Scheme

Notice of General Meeting

The notice of a General Meeting to be held at 11:00 a.m. on 23 February 2015 at the offices of Wilmer Cutler Pickering Hale and Dorr LLP, Alder Castle, 10 Noble Street, London EC2V 7QJ is set out at the end 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 96 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 96 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.

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.

DEFINITIONS

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

“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 from companies quoted on AIM, as amended from time to time
“Annual Reports”	means the annual reports published by the Company pursuant to the AIM Rules
“Board” or “Directors”	the board of directors of the Company, whose names are listed on page 4 of this document
“CEO”	means the chief executive officer of the Company
“Company”	Velocys plc, a public limited company incorporated in England and Wales under registered number 5712187 and having its registered office at 115e Olympic Avenue, Milton Park, Abingdon, Oxfordshire OX14 4SA
“Form of Proxy”	the accompanying form of proxy for use by Shareholders in relation to the General Meeting
“General Meeting”	the general meeting of the Company to be held at 11:00 a.m. on 23 February 2015, notice of which is set out in this document
“GTL”	a refinery process to convert natural gas or other gaseous hydrocarbons into longer chain hydrocarbons such as diesel or jet fuel
“Management”	means employees of the Company in positions of seniority and responsibility
“Notice of General Meeting”	the notice of General Meeting, set out at the end of this document
“Ordinary Shares”	ordinary shares of £0.01 each in the capital of the Company
“Resolution”	the resolution to be proposed at the General Meeting as set out in the Notice of General Meeting
“Rules”	means the rules governing the Share Option Scheme
“Shareholders”	the holders of the Ordinary Shares from time to time, each individually being a “Shareholder”
“Share Option Scheme”	means the Velocys Group 2012 Share Option Scheme
“Shiloh Industries”	means Shiloh Industries, Inc
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“US” or “United States”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia

LETTER FROM THE CHAIRMAN OF VELOCYS PLC

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

Company Number: 5712187

Directors:

Dr Pierre Jungels, CBE, *Chairman*
Roy Lipski, *Chief Executive Officer*
Susan Robertson, *Chief Financial Officer*
Dr Paul Schubert, *Chief Operating Officer*
Andrew Jamieson, OBE, *Non-executive Director*
Sandy Shaw, *Non-executive Director*
Dr Jan Verloop, *Non-executive Director*
Julian West, *Non-executive Director*

5 February 2015

To Shareholders

Proposed Amendment to the Velocys Plc Share Option Scheme Notice of General Meeting

Dear Shareholder,

1. Introduction

The Board is recommending an amendment to the Velocys Group 2012 Share Option Scheme to increase the maximum number of Shares available for the grant of options from 15% of the Company's issued Share capital to 25%.

A General Meeting is therefore being convened for the purpose of considering the Resolution at 11:00 a.m. on 23 February 2015 at the offices of Wilmer Cutler Pickering Hale and Dorr LLP, Alder Castle, 10 Noble Street, London EC2V 7QJ. The Notice of General Meeting is set out at the end of this document.

2. Background

As you will know, since the acquisition of Velocys, Inc. at the end of 2008 and more recently as a result of the shale gas revolution, our business has become increasingly concentrated on North America. Our joint venture with Shiloh Industries, announced last March, our acquisition of Pinto Energy, announced last June, and the decision to proceed with construction of our first commercial GTL plant near Oklahoma City, announced last July, are all examples of this focus bearing fruits.

As a result, over 80% of the Company's employees are now based in the US, including several members of the senior Management team. Your Board has therefore been concerned for some time that to attract and retain the talent necessary to deliver value to Shareholders, we must be able to offer, amongst other factors, remuneration that is competitive in the US market.

The US is a different market from the UK and the norms of compensation are different from those in the UK, and in particular are different from those recommended by the Association of British Insurers for listed companies. As we have stressed in our Annual Reports the Board strives to adopt the governance principles applicable to listed companies, to the extent relevant to a company of the size, stage and business of Velocys, even though they do not apply to companies admitted to AIM.

Following an extensive review with a leading remuneration agency, the Board has concluded that it needs to increase the headroom in order for the Company to remain competitive. This conclusion has been discussed with our largest Institutional Shareholders who are supportive of our proposal.

We are therefore seeking approval to increase the maximum percentage of the Company's issued capital that is potentially allocated to share options from 15% to 25%, bringing the Company more in line with our US competitors. Option grants will largely be subject to challenging performance targets in order to be exercisable in full, with the express intention of aligning the interests of Management and Staff with those of our Shareholders.

3. Resolution

The Resolution is an ordinary resolution to authorize the Directors to amend the Rules of the Share Option Scheme to increase the maximum dilution effect of incentives granted thereunder from 15 per cent of the ordinary share capital to 25 per cent.

The Notice of General Meeting is contained at the end of this document and sets out the Resolution in full. The General Meeting is to be held at 11:00 a.m. on 23 February 2015 at the offices of Wilmer Cutler Pickering Hale and Dorr LLP, Alder Castle, 10 Noble Street, London EC2V 7QJ.

4. Action to be taken

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 19 February 2015. 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.

5. Recommendation

The Directors consider that the Resolution is in the best interests of the Company and its Shareholders as a whole and accordingly recommend that Shareholders vote in favour of the Resolution, as they intend to do in respect of their own legal and/or beneficial shareholdings, amounting, in aggregate to 3,213,598 Ordinary Shares (representing approximately 2.26 per cent. of the Ordinary Shares in issue as at the date of this document).

Yours faithfully,

Dr. Pierre Jungels, CBE

Chairman

NOTICE OF GENERAL MEETING

VELOCYS plc

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

Notice is hereby given that a General Meeting of Velocys plc (the “Company”) will be held at the offices of Wilmer Cutler Pickering Hale and Dorr LLP, Alder Castle, 10 Noble Street, London EC2V 7QJ at 11:00 a.m. on 23 February 2015 for the following purposes:

ORDINARY RESOLUTION

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

THAT, the Directors be and are hereby authorised to amend the rules of The Velocys Group 2012 Share Option Scheme to increase the maximum dilution effect of incentives granted thereunder from 15 per cent to 25 per cent of the ordinary share capital of the Company from time to time and to do all acts and things as may be necessary to carry the same into effect.

By Order of the Board

Susan Robertson
Company Secretary

Registered Office:

115e Olympic Avenue
Milton Park
Abingdon
Oxfordshire OX14 4SA

5 February 2015

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 6:00 p.m. on 19 February 2015 (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 96 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 4 February 2015 (being the last working day prior to the publication of this notice), the Company’s issued share capital consisted of 141,907,326 Ordinary Shares, carrying one vote each. So, the total voting rights in the Company as at that date are 141,907,326.
- d) 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.
- e) 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.