THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to what action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser duly authorised for the purposes of the Financial Services and Markets Act 2000 (as amended) if you are in the United Kingdom or, if not, another appropriately authorised independent financial adviser.

If you have sold or transferred all of your Existing Ordinary Shares prior to the date that the Ordinary Shares are marked ex-entitlement to the Open Offer by the London Stock Exchange plc, please send this document to the purchaser or transferee or to the stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. If you have sold or transferred part of your holding, please consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

This document should be read as a whole. Your attention is drawn in particular to the letter from the Chairman of the Company which is set out in Part I of this document and, in particular, to paragraph 19 which contains the unanimous recommendation from the Directors that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting referred to below.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been so authorised. Neither the delivery of this document nor any investment made pursuant to it will, under any circumstances, create any implication that there has been any change in the affairs of the Company since the date of this document or that the information in it is correct at any time subsequent to its date.

Neither the Subscription nor the Placing will constitute an offer to the public requiring an approved prospectus under section 85 of the Financial Services and markets Act 2000 as amended. The total consideration under the Open Offer will be less than €8 million (or an equivalent amount in sterling) in aggregate. Therefore, in accordance with Section 85 and Schedule 11A of FSMA, this document is not, and is not required to be, a prospectus for the purposes of the Prospectus Rules and has not been prepared in accordance with the Prospectus Rules. Accordingly, this document has not been, and will not be, reviewed or approved by the Financial Conduct Authority of the United Kingdom, pursuant to sections 85 and 87 of FSMA, the London Stock Exchange, any securities commission or any other authority or regulatory body. In addition, this document does not constitute an admission document drawn up in accordance with the AIM Rules for Companies.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The London Stock Exchange has not itself examined or approved the contents of this document. The AIM Rules are less demanding than the listing rules of the UK Listing Authority. No application is being made for admission of the Enlarged Share Capital to the Official List of the UK Listing Authority nor any other recognised investment exchange.

This document comprises a circular and notice of general meeting of the Company. The Existing Ordinary Shares are admitted to trading on AIM and application will be made in accordance with the AIM Rules for the New Ordinary Shares to be admitted to trading on AIM upon completion of the Proposals referred to in this document. It is expected that Admission will become effective and that dealings in the New Ordinary Shares will commence at 8.00 a.m. on 26 February 2019. No application will be made for the Warrants to be admitted to trading on AIM.

The New Ordinary Shares and Warrants have not been registered and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or any state securities laws, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as such term is defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and such other applicable state securities laws.

MIDATECH PHARMA PLC

(Incorporated and registered in England and Wales with registered no. 09216368)

Subscription of 207,792,206 Units to raise £8.00 million

Placing of 120,966,718 Units to raise £4.66 million

Open Offer of 19,456,554 Units to Qualifying Shareholders to raise up to £0.75 million

Proposed waiver of obligations under Rule 9 of the Takeover Code

CMS Licence Agreement

and

Notice of General Meeting

Nominated Adviser and Broker

Panmure Gordon (UK) Limited

Joint Bookrunners

Panmure Gordon (UK) Limited and Stifel Nicolaus Europe Limited

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Panmure Gordon (UK) Limited ("Panmure Gordon"), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as nominated adviser, broker and joint bookrunner to the Company in connection with the Placing and the proposed admission of the New Ordinary Shares to trading on AIM. Stifel Nicolaus Europe Limited ("Stifel"), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as joint bookrunner to the Company in connection with the Placing and the proposed admission of the New Ordinary Shares to trading on AIM (Panmure Gordon and Stifel, collectively the "Joint Bookrunners"). Panmure Gordon's responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire shares in the Company in reliance on any part of this document. The Joint Bookrunners are not acting for anyone else and will not be responsible to anyone other than the Company for providing the protections afforded to their clients or for providing advice in relation to the contents of this document or the admission of the New Ordinary Shares to trading on AIM. No representation or warranty, express or implied, is made by the Joint Bookrunners as to the contents of this document, without limiting the statutory rights of any person to whom this document

is issued. The Joint Bookrunners will not be offering advice, nor will they otherwise be responsible for providing customer protections to recipients of this document or for advising them on the contents of this document or any other matter. The information contained in this document is not intended to inform or be relied upon by any subsequent purchasers of ordinary shares in the capital of the Company (whether on or off exchange) and accordingly no duty of care is accepted in relation to them.

This document does not constitute an offer to sell or an invitation to subscribe for, or the solicitation of an offer to buy or subscribe for, Ordinary Shares or New Ordinary Shares in any jurisdiction where such an offer or solicitation is unlawful or would impose any unfulfilled registration, publication or approval requirements on the Company. In particular, this document is not for distribution in or into the United States, Australia, New Zealand, Canada, Japan, or the Republic of South Africa and is not for distribution directly or indirectly to any US person. Any person into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The New Ordinary Shares and Warrants have not been and will not be registered under the US Securities Act of 1933, as amended (Securities Act), or under the securities laws or with any securities regulatory authority of any state or other jurisdiction of the United States or of Australia, New Zealand, Canada, Japan or the Republic of South Africa, or any province or territory thereof. Subject to certain exceptions, the New Ordinary Shares and Warrants may not be taken up, offered, sold, resold, transferred or distributed, directly or indirectly, and this document may not be distributed by any means including electronic transmission within, into, in or from the United States, Australia, New Zealand, Canada, Japan, or the Republic of South Africa or to or for the account or benefit of any U.S. person (as that term is defined in Regulation S under the Securities Act) or any person resident in Australia, New Zealand, Canada, Japan or the Republic of South Africa. Acquirers of New Ordinary Shares and Warrants may not offer to sell, pledge or otherwise transfer such securities in or into the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The New Ordinary Shares and Warrants will not be offered to the public in the United States. The distribution of this document in or into other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

None of the securities referred to in this document have been approved or disapproved by the US Securities and Exchange Commission (the "**SEC**"), any state securities commission in the United States or any other US regulatory authority, nor have such authorities passed upon or determined the merits of the Placing or Open Offer or adequacy or accuracy of this document. Any representation to the contrary is a criminal offence in the United States.

A notice convening a general meeting of the Company to be held at the offices of Panmure Gordon (UK) Limited, One New Change, London, EC4M 9AF at 9.00 a.m. on 25 February 2019 is set out at the end of this document. Shareholders who hold their shares in certificated form will find enclosed with this document a Form of Proxy. Whether or not they intend to be present at the General Meeting, such Shareholders are requested to complete the Form of Proxy in accordance with the instructions printed on it and return it as soon as possible and in any case so as to be received by Neville Registrars Limited (by post or by hand) as soon possible and, in any event, no later than 9.00 a.m. on 23 February 2019. The completion and return of a Form of Proxy will not prevent such Shareholders from attending the General Meeting and voting in person if they wish to do so.

Qualifying Non-CREST Shareholders will find an Application Form accompanying this document. Qualifying CREST Shareholders (none of whom will receive an Application Form) will receive a credit to their stock accounts in CREST in respect of the Open Offer Entitlements which will be enabled for settlement on 6 February 2019. Applications under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim arising out of a sale or transfer of Existing Ordinary Shares prior to the date on which the Existing Ordinary Shares were marked "ex-entitlement" by the London Stock Exchange plc. If the Open Offer Entitlements are for any reason not enabled by 6.00 p.m. or such later time as the Company may decide on 6 February 2019, an Application Form will be sent to each Qualifying CREST Shareholder in substitution for the Open Offer Entitlements credited to its stock account in CREST. Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Open Offer. Applications for Excess Shares pursuant to the Excess Application Facility may be made by the Qualifying Shareholder provided that their Open Offer Entitlement has been taken up in full and subject to being scaled back in accordance with the provisions of this document. Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Open Offer.

An electronic version of this document may also be downloaded from the Company's website at www.midatechpharma.com.

IMPORTANT INFORMATION

Forward looking statements

Certain information contained in this document, including any information about the Company's strategy, plans or future financial or operating performance, constitutes "forward looking statements" and is based on current expectations, estimates and projections about the potential returns of the Company and the industry and markets in which the Company operates as well as the beliefs and assumptions made by the Directors. Words such as "expects", "anticipates", "should", "intends", "plans", "believes", "seeks", "estimates", "projects", "pipeline" and variations of such words and similar expressions are intended to identify such forward looking statements and expectations. These forward-looking statements include all matters that are not historical fact. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of the Directors concerning, amongst other things, the Company's business, results of operations, financial condition, prospects, growth, strategies and the industry in which it operates. These statements are not guarantees of future performance or the ability to identify and consummate investments and involve certain risks, uncertainties, outcomes of negotiations and due diligence and assumptions that are difficult to predict, qualify or quantify. Therefore, actual outcomes and results may differ materially from what is expressed in such forward looking statements or expectations. Among the factors that could cause actual results to differ materially are: the general economic climate, competition, interest rate levels, loss of key personnel, the results of legal and commercial due diligence, the availability of financing on acceptable terms and changes in the legal or regulatory environment. The forward-looking statements contained in this document speak only as of the date of this document. The Company, the Directors and the Joint Bookrunners expressly disclaim any obligation or undertaking to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise, unless required to do so by applicable law, the AIM Rules or the rules and regulations of the SEC. All subsequent written and oral forward-looking statements attributable to the Company or individuals acting on behalf of it are expressly qualified in their entirety by this paragraph.

Prospective investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision. Statements made in this document are based on the laws and practices in force in England and Wales on the date of this document and are subject to change. This document does not constitute an offer to sell, or the solicitation of an offer to acquire, Ordinary Shares in the capital of the Company in any jurisdiction where such an offer or solicitation is unlawful and is not for distribution in any jurisdiction in which such distribution is unlawful. This document should be read in its entirety before making any investment in Ordinary Shares in the capital of the Company.

Rule 9 of the Takeover Code

In accordance with Rule 9 of the Takeover Code, this document is being sent to all Shareholders, both in the UK and overseas (irrespective of whether or not the Shareholders can participate in the Open Offer).

All Shareholders are requested to read this document, in particular paragraph 7 of Part I of this document which relates to the Panel Waiver and the Takeover Code, and to complete and return a Form of Proxy, by post or by hand (during normal business hours) to the Company's registrars, Neville Registrars Limited, Neville House, Steelpark Road, Halesowen B62 8HD, United Kingdom, as soon as possible but in any event so as to be received not later than 9.00 a.m. on 23 February 2019 (or, if the General Meeting is adjourned, 48 hours before the time fixed for the adjourned meeting). Shareholders who hold their Existing Ordinary Shares in uncertificated form in CREST may alternatively use the CREST Proxy Voting Service in accordance with the procedures set out in the CREST Manual as explained in the notes accompanying the Notice of General Meeting at the end of this document. Proxies submitted via CREST must be received by Neville Registrars Limited (ID 7RA11) by no later than 9.00 a.m. on 23 February 2019 (or, if the General Meeting is adjourned, 48 hours (excluding any part of a day that is not a working day) before the time fixed for the adjourned meeting). The appointment of a proxy will not preclude Shareholders from attending and voting in person at the General Meeting should they so wish.

Notice to overseas persons

The distribution of this document and/or any accompanying documents in certain jurisdictions may be restricted by law and therefore persons into whose possession these documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may

constitute a violation of the securities laws of any such jurisdiction. In addition, the transfer of Open Offer Entitlements or Excess Open Offer Entitlements through CREST, in jurisdictions other than the UK, including the Restricted Jurisdictions (as defined below), may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any of those restrictions. Any failure to comply with any of those restrictions may constitute a violation of the securities laws of any such jurisdiction.

The New Ordinary Shares, the Warrants and the Open Offer Entitlements and the Excess Open Offer Entitlements have not been, nor will they be, registered under the United States Securities Act of 1933, as amended, (the "Securities Act") and may not be offered, sold or delivered in, into or from the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Subject to certain exemptions, this document and the Application Form do not constitute an offer of Open Offer Units to any US person (as that term is defined in Regulation S under the Securities Act). There will be no public offer of Open Offer Units in the United States. The Open Offer Units are being offered only outside the United States in reliance upon Regulation S under the Securities Act. The New Ordinary Shares will not qualify for distribution under the relevant securities laws of Australia, New Zealand, Canada, the Republic of South Africa or Japan, nor has any prospectus in relation to the New Ordinary Shares been lodged with, or registered by, the Australian Securities and Investments Commission or the Japanese Ministry of Finance. Accordingly, subject to certain exemptions, the Open Offer Units may not be offered, sold, taken up, delivered or transferred in, into or from the United States, Australia, New Zealand, Canada, the Republic of South Africa, Japan or any other jurisdiction where to do so would constitute a breach of local securities laws or regulations (each a "Restricted Jurisdiction") or to or for the account or benefit of any national, resident or citizen of a Restricted Jurisdiction. This document does not constitute an offer to issue or sell, or the solicitation of an offer to subscribe for or purchase, any Open Offer Units to any person in a Restricted Jurisdiction and is not for distribution in, into or from a Restricted Jurisdiction.

In addition, Application Forms are not being posted to and no Open Offer Entitlements or Excess Open Offer Entitlements will be credited to a stock account of any person in the United States, New Zealand, Canada, Australia, Japan or the Republic of South Africa, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction. The attention of Overseas Shareholders and other recipients of this document who are residents or citizens of any country other than the United Kingdom is drawn to the section entitled "Overseas Shareholders" at paragraph 6 of Part 5 of this document.

No incorporation of website information

The contents of the Company's website or any hyperlinks accessible from the Company's website do not form part of this document and Shareholders should not rely on them.

Interpretation

Certain terms used in this document, the Form of Proxy and the Application Form are defined and certain technical and other terms used in this document are explained at the section of this document under the heading "Definitions". All times referred to in this document, the Form of Proxy and the Application Form are, unless otherwise stated, references to London time. All references to legislation in this document and the Form of Proxy are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation or regulation shall include any amendment, modification, re-enactment or extension thereof. Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

CONTENTS

EXPECTED TIMETABLE OF PRINCIPAL EVENTS*

Record Date for entitlement under the Open Offer	6.00 p.m. on 4 February 2019
Announcement of the Proposals	4 February 2019
Publication and posting of this document, the Application Form and Form of Proxy	on or around 5 February 2019
Ex-entitlement date for the Open Offer	8.00 a.m. on 5 February 2019
Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to stock accounts of Qualifying CREST Shareholders in CREST	8.00 a.m. on 6 February 2019
Latest recommended time and date for requesting withdrawal of Open Offer Entitlements and Excess CREST Open Offer Entitlements from CREST	4.30 p.m. on 18 February 2019
Latest time and date for depositing Open Offer Entitlements and Excess CREST Open Offer Entitlements in CREST	3.00 p.m. on 19 February 2019
Latest time and date for splitting Application Forms (to satisfy *bona fide* market claims only)	3.00 p.m. on 20 February 2019
Latest time and date for receipt of Forms of Proxy and CREST voting instructions to be valid at the General Meeting	9.00 a.m. on 23 February 2019
Latest date for receipt of completed Application Forms and payment in full under the Open Offer or settlement of relevant CREST instructions	11.00 a.m. on 22 February 2019
General Meeting	9.00 a.m. on 25 February 2019
Announcement of result of the General Meeting and Open Offer	25 February 2019
Admission effective and dealings expected to commence in the New Ordinary Shares on AIM	8.00 a.m. on 26 February 2019
New Ordinary Shares credited to CREST stock accounts	8.00 a.m. on 26 February 2019
Expected date by which certificates in respect of New Ordinary Shares are to be despatched to certificated Shareholders (as applicable)	On or prior to w/c 4 March 2019
Expected date by which certificates in respect of the Warrants are to be despatched to Shareholders	On or prior to w/c 4 March 2019

**Unless otherwise stated, all references to time in this document and in the expected timetable are to the time in London, United Kingdom. Unless stated otherwise, all future times and dates referred to in this document are subject to change at the discretion of the Company.*

ADMISSION STATISTICS

PLACING AND OPEN OFFER STATISTICS

Issue Price	3.85 pence
Number of Existing Ordinary Shares	61,184,135
Number of Subscription Shares	207,792,206
Number of Placing Shares	120,966,718
Open Offer Basic Entitlement	0.318 Open Offer Units for every 1 Existing Ordinary Share held on the Record Date
Number of Open Offer Shares[1]	19,456,554
Gross proceeds of the Subscription and the Placing	£12.66 million
Gross proceeds of the Open Offer[1]	£0.75 million
Estimated net proceeds of the Subscription, Placing and Open Offer[1]	£12.29 million
Enlarged Share Capital following Admission[1]	409,399,613
Percentage of the Enlarged Share Capital represented by the Subscription Shares, the Placing Shares and the Open Offer Shares	85.06%
Number of Warrants in issue upon Admission[1]	up to 313,846,440
Market capitalisation of the Company following Admission at the Issue Price[1]	£15.76 million
ISIN of the Ordinary Shares	GB00BRTL9B63
ISIN for Open Offer Entitlements	GB00BF559Q37
ISIN for Excess Open Offer Entitlements	GB00BF559R44
ISIN of the Warrants	GB00BF55CP34
LEI Number	549300GKR2G40H3QFY57
AIM Symbol	MTPH/MTP

[1] Assuming that the Open Offer is taken up in full.

DEFINITIONS

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

A&B (HK)	A&B (HK) Company Ltd, a company existing under the laws of Hong Kong, having its registered address at Unit 2016, 21/F Island Place Tower No. 510 King's Road, North Point, Hong Kong, which is ultimately wholly owned by Mr. Lam Kong and which is related to CMS by virtue of each of A&B (HK) Company Ltd and CMS having a common ultimate shareholder being Mr. Lam Kong.
A&B (HK) Subscription	the subscription by A&B (HK) for 103,896,103 Units at an aggregate cost of £4 million pursuant to the A&B (HK) Subscription Agreement.
A&B (HK) Subscription Agreement	the conditional subscription agreement entered into on 29 January 2019 between the Company and A&B (HK), further details of which are set out in paragraph 4.1 of Part 4 of this document.
Admission	admission of the New Ordinary Shares of the Company to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules.
AIM	the market of that name operated by the London Stock Exchange.
AIM Rules	the AIM Rules for Companies published by the London Stock Exchange from time to time.
Application Form	the application form on which Qualifying Non-CREST Shareholders may apply for Open Offer Units under the Open Offer.
Articles	the articles of association of the Company.
Basic Entitlement(s)	the entitlement to subscribe for Open Offer Units, allocated to a Qualifying Shareholder pursuant to the Open Offer, as described in Part 5 of this document.
Board	the board of directors of the Company from time to time.
Business Day	a day other than a Saturday, Sunday or public holiday on which banks are open for general business in the City of London.
Capital Raising	the Subscription, the Placing and the Open Offer taken together.
CA 2006	the Companies Act 2006 as amended.
CMS	China Medical System Holdings Limited, a company existing under the laws of the Cayman Islands and listed on the Hong Kong stock exchange (Code: 00867).
CMS Group	CMS and the CMS Affiliates.
CMS Affiliate	any company, partnership or other business entity which controls, is controlled by or is under common control with CMS.
CMS Bridging	CMS Bridging Limited, a company organised under the laws of Hong Kong, and whose registered address is Unit 2106, 21/F, Island Place Tower No. 510 Kings Road, North Point, Hong Kong, a wholly owned subsidiary of CMS.

CMS HK	CMS Medical Hong Kong Limited, a company organised under the laws of Hong Kong and whose registered address is Unit 2106, 21/F, Island Place Tower No. 510 Kings Road, North Point, Hong Kong, a wholly owned subsidiary of CMS.
CMS Licence Agreement	the license, collaboration and distribution agreement entered into by the Company, CMS Bridging, CMS HK and CMS on 29 January 2019, further details of which are set out in paragraph 4.6 of Part 4 of this document.
CMS Subscription	the subscription by CMS Venture for 103,896,103 Units at an aggregate cost of £4 million pursuant to the CMS Subscription Agreement.
CMS Subscription Agreement	the conditional subscription agreement for Units entered into on 29 January 2019 between the Company and CMS Venture further details of which are set out in paragraph 4.1 of Part 4 of this document.
CMS Territory	the Greater China Area and certain countries in south east Asia as applicable.
CMS Venture	CMS Medical Venture Investment (HK) Limited, a wholly owned subsidiary of CMS.
Concert Party	the Concert Party for the purposes of the Takeover Code, the members of which are the Subscribers being CMS Venture and A&B (HK) and each of their concert parties including, but not limited to, Mr. Lam Kong, details of which are set out in Part 3 of this document.
Concert Party Related Agreements	the A&B (HK) Agreement, the A&B (HK) Subscription Agreement, the CMS Subscription Agreement, the Relationship Agreement, the Lock-In Deed and the CMS Licence Agreement.
Company or **Midatech**	Midatech Pharma plc, incorporated and registered in England and Wales (with registration number 09216368), whose registered office is at 65 Innovation Drive, Milton Park, Milton, Abingdon, Oxfordshire OX14 4RQ.
Completion	completion of the Proposals.
CREST	the computerised settlement system (as defined in the CREST Regulations) operated by Euroclear which facilitates the holding and transfer of title to shares in uncertificated form.
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001 No. 2001/3755) and any modification thereof or any regulations in substitution thereof for the time being in force.
Directors	the directors of the Company as at the date of this document whose names are listed on page 15 of this document.
document	this document which comprises a circular to Shareholders prepared in accordance with the AIM Rules.
Enlarged Share Capital	the issued ordinary share capital of the Company immediately following Admission (comprising the Existing Ordinary Shares, the Subscription Shares, the Placing Shares and the Open Offer Shares).

	Where the context requires, this assumes full take-up of the Open Offer Shares.
Euroclear	Euroclear UK & Ireland Limited, a company incorporated in England and Wales and the operator of CREST.
Excess Application Facility	the facility by which Qualifying Shareholders may apply under the Open Offer for Open Offer Units in excess of their Open Offer Entitlements.
Excess CREST Open Offer Entitlements	in respect of each Qualifying CREST Shareholder, their entitlement (in addition to their Open Offer Entitlement) to apply for Open Offer Units pursuant to the Excess Application Facility, which is conditional on them taking up their Open Offer Entitlement in full.
Excess Open Offer Entitlements or **Excess Entitlement**	in respect of each Qualifying Shareholder, their entitlement (in addition to their Open Offer Entitlement) to apply for Open Offer Units pursuant to the Excess Application Facility, which is conditional on them taking up their Open Offer Entitlement in full.
Excess Units	Open Offer Shares (underlying the Units) in addition to the Open Offer Entitlement which are validly applied for by Qualifying Shareholders under the Excess Application Facility.
Existing Ordinary Shares	the 61,184,135 Ordinary Shares in issue at the date of this document.
Existing Shareholders	Shareholders who hold Existing Ordinary Shares as at the Record Date.
FCA	the Financial Conduct Authority of the United Kingdom.
Form of Proxy	the form of proxy accompanying this document for use by Shareholders in connection with the GM.
FSMA	the Financial Services and Markets Act 2000, as amended.
General Meeting or **GM**	the general meeting of the Company to be held at the offices of Panmure Gordon (UK) Limited, One New Change, London EC4M 9AF, at 9.00 a.m. on 25 February 2019, notice of which is set out at the end of this document.
Greater China Area	mainland China, Hong Kong, Macau and Taiwan.
Group	the Company and its subsidiaries and subsidiary undertakings.
Independent Shareholders	the Shareholders other than (i) the members of the Concert Party (to the extent they are Shareholders as at the Record Date) and (ii) any Existing Shareholders who participate in the Placing (to the extent they are Shareholders as at the Record Date).
Irrevocable Undertaking	the irrevocable undertakings and consents received by the Company from certain Shareholders to vote in favour of the Resolutions, details of which are set out in paragraph 10 of Part 1 of this document.
Issue Price	3.85 pence per Unit.
Lock-in Deeds	the deeds dated 29 January 2019 and entered into by each of the Subscribers together with the Company and Panmure Gordon, relating to the restrictions on disposals of their Ordinary Shares with

	effect from, and for a period following Admission and the terms of which are summarised in paragraph 4.4 of Part 4 of this document.
London Stock Exchange	London Stock Exchange plc.
MAR	the Market Abuse Regulation (EU) No 596/2014.
NDA	New Drug Application.
New Ordinary Shares	the ordinary shares of 0.005 pence each in the capital of the Company to be issued pursuant to the Subscription, the Placing and, as applicable, the Open Offer.
Novartis	Novartis Pharma AG, a Swiss multinational pharmaceutical company.
Official List	the official list of the United Kingdom Listing Authority.
Open Offer	the conditional invitation made to Qualifying Shareholders to apply to subscribe for Open Offer Units at the Issue Price on the terms and subject to the conditions set out in Part 5 of this document and, where relevant, in the Application Form.
Open Offer Entitlement or **Basic Entitlement**	the entitlement of Qualifying Shareholders to subscribe for Open Offer Units allocated to Qualifying Shareholders on the Record Date pursuant to the Open Offer calculated on the basis of 0.318 Open Offer Units for every 1 Existing Ordinary Share held by that Qualifying Shareholder on the Record Date.
Open Offer Shares	the 19,456,554 New Ordinary Shares being made available to Qualifying Shareholders pursuant to the Open Offer.
Open Offer Units	means the Units to be offered to Qualifying Shareholders under the Open Offer comprising one Open Offer Share and one Warrant.
Options	options over Ordinary Shares referred to in paragraph 13 of Part 1 and paragraph 3.2 of Part 4 of this document.
Ordinary Shares	ordinary shares of 0.005 pence each in the capital of the Company.
Overseas Shareholder	holders of Existing Ordinary Shares who are neither resident in, nor have a registered address in, the UK.
Panel	The Panel on Takeovers and Mergers.
Panel Waiver	the waiver granted by the Panel (subject to the passing of the Whitewash Resolution by the Independent Shareholders) in respect of an obligation of the Concert Party (individually and collectively) to make a mandatory general offer pursuant to Rule 9 as a result of (i) the issue of the Subscription Shares; and (ii) the issue and exercise of the Subscription Warrants, as more particularly described in paragraph 7 of Part 1 of this document.
Panmure Gordon	Panmure Gordon (UK) Limited, the Company's nominated advisor and Joint Bookrunner.
Placees	persons who have agreed to subscribe for Units in the Placing.
Placing	the placing of the Units by the Joint Bookrunners, at the Issue Price, pursuant to the Placing Agreement and carried out by an

	accelerated bookbuild process prior to the publication of this document.
Placing Agreement	the conditional agreement dated 4 February 2019 between (1) the Company and (2) Panmure Gordon and (3) Stifel relating to the Placing and Open Offer, further details of which are set out in paragraph 4.7 of Part 4 of this document.
Placing Shares	the 120,966,718 New Ordinary Shares to be allotted pursuant to the Placing.
Proposals	together, the Panel Waiver, the Subscription, the Placing, the Open Offer, the CMS Licence Agreement, Admission and the Resolutions, each as described in the letter from the Chairman in Part 1 of this document.
Prospectus Rules	the Prospectus Rules (in accordance with section 73A(3) of FSMA) of the FCA.
Qualifying CREST Shareholders	Qualifying Shareholders holding Existing Ordinary Shares in uncertificated form.
Qualifying Non-CREST Shareholders	Qualifying Shareholders holding Existing Ordinary Shares in certificated form.
Qualifying Shareholders	subject to any restrictions imposed on Overseas Shareholders, holders of Existing Ordinary Shares whose names appear on the register of members of the Company on the Record Date as holders of Existing Ordinary Shares and who are eligible to be offered Open Offer Units under the Open Offer in accordance with the terms and conditions set out in this document and the Application Form and for the avoidance of doubt the Offer is not being made to persons in Restricted Jurisdictions.
Record Date	6.00 p.m. on 4 February 2019, in respect of the entitlements of Qualifying Shareholders under the Open Offer.
Relationship Agreement	the relationship agreement entered into on 29 January 2019 between the Company, CMS, CMS Venture, Mr. Lam Kong, A&B (HK) and Panmure Gordon to regulate the Company's relationship with such parties as summarised in paragraph 4.3 of Part 4 of this document.
Registrar and **Receiving Agent**	Neville Registrars Limited.
Regulation S	Regulation S under the Securities Act.
Resolutions	the resolutions to be proposed at the GM as set out in the notice of GM at the end of this document.
Restricted Jurisdiction	each and any of the United States of America, Australia, Canada, Japan, New Zealand, Russia, and the Republic of South Africa and any other jurisdiction outside of the United Kingdom where a distribution may lead to a breach of any applicable legal or regulatory requirements.
Rule 9	Rule 9 of the Takeover Code.
SEC	United States Securities and Exchange Commission.

Securities Act	the US Securities Act of 1933, as amended.
Shareholders or **member**	holders of Existing Ordinary Shares and/or New Ordinary Shares as the context requires.
Spanish Government Loan	the proposed loan finance applied for under the Spanish Ministry of Industry Reindustrialisation programme ("Reindus") to cover up to 75 per cent. of the estimated scale-up costs for MTD201, which are currently estimated to be €14.8 million.
Stifel	Stifel Nicolaus Europe Limited, the Company's Joint Bookrunner.
subsidiary and **subsidiary undertaking**	have the meaning given to them in the CA 2006.
Subscribers	A&B (HK) and CMS Venture who have each agreed to subscribe for Units at the Issue Price pursuant to the Subscription Agreements.
Subscriber Warrants	the 207,792,206 Warrants to be granted to the Subscribers pursuant to the Subscription.
Subscription	the proposed subscription by the Subscribers of 207,792,206 Units at the Issue Price pursuant to the Subscription Agreements.
Subscription Agreements	the A&B Subscription Agreement and the CMS Subscription Agreement.
Subscription Shares	the 207,792,206 New Ordinary Shares which the Company is proposing to issue pursuant to the Subscription.
Takeover Code	the City Code on Takeovers and Mergers.
UK or **United Kingdom**	the United Kingdom of Great Britain and Northern Ireland.
Uncertified or **in uncertificated form**	recorded on the relevant register of the share or security concerned as being held in uncertified form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST.
Unit	a unit comprising one New Ordinary Share and one Warrant.
United Kingdom Listing Authority	the FCA, acting in its capacity as the competent authority for the purposes of Part VI of FSMA.
US or **United States**	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia and all other areas subject to its jurisdiction.
US person	a US person for purposes of Regulation S under the Securities Act.
Warrants	the unlisted up to 313,846,440 warrants over Ordinary Shares to be issued to the Subscribers, the Placees and the Qualifying Shareholders (to the extent that Qualifying Shareholders subscribe for Open Offer Units pursuant to the Open Offer) pursuant to the terms of the Warrant Instrument (as further described in paragraph 4.2 and paragraph 9 of Part 4 of this document), conditional upon the passing of the Whitewash Resolution and completion of the Capital Raising, exercisable at a price of 50 pence per Warrant. The Warrants will not be admitted to trading on AIM.

Warrant Instrument	the deed poll instrument of the Company dated 29 January 2019 pursuant to which the Warrants will be issued to the Subscribers, the Placees and the Qualifying Shareholders (to the extent that Qualifying Shareholders subscribe for Open Offer Units pursuant to the Open Offer) upon completion of the Capital Raising.
Whitewash Resolution	the ordinary resolution of the Independent Shareholders to approve the Panel Waiver to be proposed and held on a poll at the General Meeting and is set out in the Notice of General Meeting at Resolution 3.

Unless otherwise indicated, all references in the is document to "**GBP**" "**£**", "**pounds sterling**", "**sterling**", "**pence**" or "**p**" are to the lawful currency of the United Kingdom and all references to "**$**", "**US$**", "**USD**" or "**US dollars**" are to the lawful currency of the United States.

DIRECTORS, SECRETARY AND ADVISERS

Directors	Rolf Stahel, *Non-executive Chairman* Craig Cook, *Chief Executive Officer* Nick Robbins-Cherry, *Chief Financial Officer* Michele Luzi, *Non-executive Director* John Johnston, *Non-executive Director* Pavlo Protopapa, *Non-executive Director* Simon Turton, *Non-executive Director* Sijmen de Vries, *Non-executive Director*
Company secretary	Nick Robbins-Cherry
Registered Office	65 Innovation Drive Milton Park Abingdon Oxfordshire OX14 4RQ
Company website	http://www.midatechpharma.com
Nominated Adviser and Joint Bookrunner	Panmure Gordon (UK) Limited One New Change London EC4M 9AF
Joint Bookrunner	Stifel Nicolaus Europe Limited 150 Cheapside London EC2V 6ET
Legal advisers to the Company	Brown Rudnick LLP 8 Clifford Street London W1S 2LQ
Legal advisers to the Nominated Adviser and Joint Bookrunners	Fieldfisher LLP Riverbank House 2 Swan Lane London EC4R 3TT
Auditors	BDO LLP 55 Baker Street London W1V 7EU
Registrars	Neville Registrars Limited Neville House Steelpark Road Halesowen West Midlands B62 8HD
Public Relations	Consilium Strategic Communications 41 Lothbury London EC2R 7HG

PART 1

LETTER FROM THE CHAIRMAN

MIDATECH PHARMA PLC

(Registered in England and Wales with company number 09216368)

Directors:

Rolf Stahel
Craig Cook
Nick Robbins-Cherry
Pavlo Protopapa
Sijmen de Vries
John Johnston
Simon Turton
Michele Luzi

65 Innovation Drive
Milton Park
Milton
Abingdon
Oxfordshire
OX14 4RQ

5 February 2019

Dear Shareholder,

Subscription of 207,792,206 Units to raise £8.00 million
Placing of 120,966,718 Units to raise £4.66 million
Open Offer to Shareholders of up to 19,456,554 Units to raise up to £0.75 million
Proposed waiver of obligations under Rule 9 of the Takeover Code
CMS Licence Agreement
and
Notice of General Meeting

1. Introduction

Your Board is pleased to confirm that as announced on 4 February 2019, the Company has conditionally raised £12.66 million (before expenses) at the Issue Price via (i) a subscription of 207,792,206 Units with the Subscribers (being CMS Venture and A&B (HK)); and (ii) a placing of 120,966,718 Units with new and existing institutional investors, subject to in each case, *inter alia*, Shareholder approval at the General Meeting. Each Unit comprises one New Ordinary Share and one Warrant.

The Company is also pleased to offer Qualifying Shareholders the opportunity to participate in the Open Offer to subscribe for up to 19,456,554 Open Offer Units (comprising one Open Offer Share and one Warrant) at the Issue Price, to raise further funds of up to £0.75 million (before expenses) for the Company. Each Warrant granted to Qualifying Shareholders for every Open Offer Share subscribed will grant Qualifying Shareholders the right to subscribe for 1 new Ordinary Share at 50 pence exercisable during the period from the date commencing six months after Admission and to the third anniversary of Admission. The Warrants will not be admitted to trading on AIM and are expected to be issued in certificated form for Qualifying Non-CREST Shareholders and uncertificated form for Qualifying CREST Shareholders. Further information on the Open Offer is included in paragraph 6 of Part 1 and Part 5 of this document.

The funds raised from the Capital Raising are intended to be used to invest in the growth of Midatech, principally to support development and potential commercialisation of the Company's drug delivery platform technologies and key pipeline programmes in oncology and related therapeutic areas in pre-clinical studies and clinical trials and toward milestone and licensing opportunities. Midatech's lead programmes include:

- MTD201 (Q-Octreotide), which uses the Company's sustained release platform Q-Sphera™ to formulate a long-acting delivery of Octreotide for the treatment of acromegaly and neuroendocrine tumours; and
- MTX110, a direct delivery treatment for diffuse intrinsic pontine glioma (DIPG), an ultra-rare cancer suffered by children, based on the MidaSolve™ technology for direct delivery.

Further details on the use of proceeds from the Capital Raising are set out in paragraph 2 of this Part 1.

Conditional on completion of the Subscription and Admission, the Company has entered into a comprehensive licence deal with CMS, CMS Bridging and CMS HK in respect of development and commercialisation of a number of the Group's products (in the case of MTX110, subject to Novartis' consent) in the Greater China Area and, at the election of CMS Bridging on a product by product basis, such election to be made once relevant regulatory approvals have been achieved in any one of the US, the EU, the UK, France, Germany, Switzerland or in certain countries in south east Asia. CMS Bridging and CMS HK are wholly owned subsidiaries of CMS. CMS is a well-established, innovation-driven specialty pharma with a focus on sales and marketing in China. CMS is committed to offering competitive products and services to meet China's unmet medical needs with a strong and professional sales and marketing network as well as a promotion platform covering the whole Chinese market. CMS is listed on the Hong Kong Stock Exchange (HK:867) with a market capitalisation of approximately HK$20.17 billion (c. £1.964 billion) as at 31 January 2019. The CMS Group had revenues of RMB 5,348.8 million (c. £600.2 million) in 2017 and approximately 2,800 promotional staff.

In addition to the Group's lead products noted above, the CMS Licence Agreement extends to any other products or line extensions of the Company which the Company has decided will enter pre-clinical studies or clinical trials within three years from the date of the CMS Licence Agreement (individually, a "Product" and collectively "Products").

Subject to successful development and commercialisation of the Products, pursuant to the terms of the CMS Licence Agreement the Group will receive:

- milestone payments upon the earliest grant of regulatory approval of a Product in the US, or the EU, the UK, France, Germany, Switzerland and China;
- sales based royalties (low double digit percentage of net sales in the CMS Territories save for MTX110 which is eligible for single digit royalty); and
- one-off sales based milestones calculated on cumulative sales for a Product in the CMS Territories.

Further details on the CMS Licence Agreement are included in paragraph 4 of this Part 1 and paragraph 4.6 of Part 4 of this document.

The Directors currently have existing authorities to allot shares and disapply pre-emption rights under section 551 and section 570 of the Act which were obtained at the Company's Annual General Meeting held on 27 June 2018. However, these would be insufficient to enable the Company to allot and issue the maximum amount of the New Ordinary Shares and the Warrants (to the extent that the Warrants are exercised) pursuant to the Proposals. Accordingly, the Proposals are conditional upon, amongst other things, the Directors obtaining appropriate Shareholder authorities at the General Meeting to allot the New Ordinary Shares and the Warrant Shares and to disapply statutory pre-emption rights which would otherwise apply to such allotment as well as seek approval for the Panel Waiver.

The terms of the Proposals give rise to certain considerations under the Takeover Code as a result of the proposed issue of Subscription Shares and Subscriber Warrants to the Subscribers. The Concert Party comprises CMS, (including its subsidiary CMS Venture), A&B HK and Mr. Lam Kong. Mr. Lam Kong is the Chairman, Chief Executive and President of the CMS Group and has a 43.96 per cent. beneficial interest in the ordinary issued share capital of CMS. Mr. Lam Kong is also the ultimate controlling shareholder and sole director of A&B HK. As at 4 February 2019 (being the latest practicable date prior to publication of this document), no member of the Concert Party had any interest in the Company's existing issued ordinary share capital.

The Concert Party will have an aggregate shareholding in the Company of approximately 53.29 per cent. of the Enlarged Share Capital (assuming that no Open Offer Shares are subscribed for and prior to the exercise of the Subscriber Warrants). The issue of the Subscriber Warrants to the Subscribers would mean that, if exercised (and assuming no other new Ordinary Shares are issued prior to any such exercise and excluding the Open Offer Shares), the Concert Party's aggregate shareholding would increase to up to 415,584,412 Ordinary Shares, representing up to 69.53 per cent. of the then further enlarged share capital of the Company. Accordingly, the Board is also seeking the approval of the Independent Shareholders of the Panel Waiver which the Panel has agreed with the Company to grant, subject to the passing of the Whitewash Resolution

by the Independent Shareholders at the General Meeting, of any obligation of the Concert Party (or any of its members) to make a mandatory general offer to Shareholders under Rule 9 upon issue of the Subscription Shares and upon exercise of the Subscriber Warrants, as more fully set out in paragraph 6 of this Part 1.

Shareholders should be aware that, if the Resolutions are not approved at the General Meeting, the Proposals will not occur and none of the net proceeds of the Capital Raising will be received by the Company. If this were to happen, the Group would only have sufficient working capital to trade through to approximately mid-March 2019.

If the Capital Raising does not proceed, the Directors believe it is unlikely that the Company will be able to continue as a going concern and it is highly likely that the Directors would need (in order to fulfil their duties to the Company's creditors (and to other applicable stakeholders) to place the Company into administration forthwith (or as soon as is practicable) following the General Meeting.

Subject to the Resolutions being passed at the General Meeting and any other relevant conditions being satisfied (or, if applicable, waived), it is expected that the New Ordinary Shares will be admitted to trading on AIM at 8.00 a.m. on 26 February 2019. Further details regarding the Proposals are set out at paragraph 6 of this Part 1.

The Directors, having been so advised by Panmure Gordon as to the financial terms of the Proposals, consider the terms of the Proposals are fair and reasonable and in the best interests of the Shareholders and the Company as a whole.

The purpose of this document is to provide Shareholders with information on the Proposals and the Panel Waiver and to explain why the Directors consider the Proposals and the Panel Waiver to be in the best interests of the Company and Shareholders as a whole and to recommend that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting.

Shareholders are encouraged to read the whole of this document included the Risk Factors included in Part 2.

2. Background to and reasons for the Capital Raising

As previously announced, the Board has been considering a number of strategic options for the Group to monetise the Group's existing assets which have included potential acquisitions, disposals, investments, licensing opportunities and capital raisings. Midatech recently disposed of Midatech Pharma US ("MTP US") which has allowed the Group to refocus on its research and development activities and generated non-dilutive funding for the Group which allowed repayment of the Group's existing loan from Midcap Financial. However, further funding is required to further develop the Group's assets; to optimise licensing opportunities and to provide working capital.

The Board believes the Capital Raising will transform the Group for the following reasons:

(i) based on current expectations on trial design, clinical trial approvals and associated costs, the Directors believe that this funding would allow the Company to deliver top line data readout on a pivotal MTD201 clinical trial and potentially interim efficacy data on MTX110's open label study; and

(ii) provide working capital to approximately through Q1 2020.

In parallel to the use of proceeds of the Capital Raising above, the Company has submitted a loan application to the Spanish Government to cover up to approximately 75 per cent. of the qualifying capital costs of the manufacturing facility scale-up for MTD201 (the "Spanish Government Loan"). The capital costs are currently estimated to be approximately €14.8 million. Completion of production of commercial product batches, and manufacturing data therefrom, is required prior to filing for marketing approval of MTD201 in the US or EU. The outcome of the loan application is expected around the end of H1 2019.

MTD201 is a treatment for acromegaly and neuroendocrine (NET) tumours such as carcinoid cancer, and is based on the Company's polymer microsphere technology, Q-Sphera™ for sustained release delivery. The leading product currently in this $2 billion market is Novartis' Sandostatin® LAR® ("SLAR"), and pursuant to the recent Phase I exploratory study comparing bioequivalence in healthy human volunteers

which completed in August 2018, the Directors believe that MTD201 produces a safe and effective sustained delivery profile of Octreotide, with further advantageous characteristics which the Directors believe supports the continued development of a long-acting octreotide product alternative to SLAR for treatment of these diseases.

The results from the pilot Phase I study in healthy subjects demonstrated that a single intramuscular injection of MTD201 delivered sustained therapeutic drug levels with a once monthly treatment interval, supporting the Company's objective to develop and commercialise an alternative to SLAR. Surrogate efficacy measurements performed during the study also indicated the similarity of the two products. The recent FDA advice (based on a summary of the pilot study results) has clarified the Company's options for a follow-on registration study, with a requirement for a primary or co-primary pharmacokinetic endpoint (rather than single pharmacodynamic endpoint) or efficacy and safety data in the intended patient population. With the enhanced product performance characteristics of the Q-Sphera technology, this advice now provides options for the Company to pursue clinical development strategies to support either an interchangeable or differentiated commercial octreotide SR product. The Company has, together with its advisory board, been preparing for different clinical study design scenarios both in healthy subject and patient populations over the past six months. The FDA advice now allows selection of the most appropriate design and approach which the Company will finalise with input from key opinion leaders and partners.

Taking into account this regulatory feedback on study design, the pivotal trial for MTD201 is now expected to be either a multi dose study in healthy volunteers or a study in patients to either establish interchangeability of MTD201 versus SLAR or, the development of a stand-alone or differentiated product with a distinct clinical profile. For the equivalent multi dose approach/option in healthy volunteers, the Company has previously performed multi dose modelling studies to evaluate the long term profile of MTD201; no in vivo multi dose studies have been performed. For the stand-alone differentiated product route versus placebo, the completed exploratory Phase I study established the fact that MTD201 works and is efficacious similar to SLAR.

Based on independent external quotes received by the Company, the Directors believe costs for these types of studies could be in the region of approximately £5 million to £7 million (excluding the cost of MTD201 production) with regulatory marketing authorisation submissions currently planned for 2021 subject to regulatory acceptance of proposed trial design, successful outcome of trial and successful scale-up of manufacturing. The Company is seeking further funding in the form of loans or grants to support the manufacturing scale-up costs of MTD201. The costs are currently expected to be approximately €14.8 million in aggregate.

The Company is focused on seeking the quickest, most efficient and potentially valuable route to market for MTD201. In view of this, in addition to continuing discussions with the FDA, the Company is seeking feedback on MTD201 trial design from the European regulatory agencies. The future trial design will be subject to the customary regulatory approvals and further announcements will be made in due course.

As part of its business development activities, the Company is engaging key opinion leaders and industry experts who, subject to appointment, the Directors believe could assist the Company with discussions with potential licencees.

Whilst the Company is still targeting commencement of a pivotal trial for MTD201 in mid 2019, this remains subject to regulatory approvals.

Funds raised are furthermore expected to provide sufficient funding for completion of the dose escalation phase of the first in-human study of MTX110, in the US and commencement of and potentially delivering interim data of the Phase II open label efficacy phase of the study. MTX110 is being developed for the treatment of DIPG – an ultra-rare, fatal childhood brain cancer, with overall median survival of approximately nine months, despite decades of clinical trial research. The active compound is panobinostat (which is licensed from Novartis), which is reformulated using Midatech's MidaSolve™ technology to allow direct administration into the tumour in liquid form. This method of delivery is expected to improve the safety and efficacy of the treatment. A first in-human combined Phase I / II study commenced in May 2018, at specialist centres at the University of California, San Francisco and the Memorial Sloan Kettering Cancer Center in New York, and is progressing on track, with patients tolerating therapy well so far. If successful, pending data, the Company may be able to seek expedited approval from regulators given the orphan nature of the disease. The Company has applied for a Gliokids grant to fund a second study in the EU and is awaiting the outcome.

The studies described above represent transformative milestones for the Company's product assets, and also provide compelling validation for the respective, underlying technology platforms Q-Sphera™ and MidaSolve™. Funds raised will, in part, be used for focused but comprehensive business development activities to develop product and technology partnerships with leading healthcare, biotech and pharmaceutical companies.

The Company has a strong intellectual property portfolio, which it continually strives to develop and maintain, as it seeks to advance its programmes and technologies, establish competitive advantage, and protect its inventions. The Company currently has 106 granted patents, 83 applications in process, and 35 patent families.

3. Information on the Company

The Company is focused on the research and development of medicines for rare cancers, via both in-house programmes as well as partnered programmes. The Company takes existing therapies and 'makes them better', using its proprietary platform drug delivery technologies to improve the biodelivery and biodistribution of drugs.

– Q-Sphera™ platform: our disruptive polymer microsphere technology is used for sustained delivery at the microscale to prolong and control the release of therapeutics over an extended period of time from weeks to months.

– MidaSolve™ platform: our innovative nanosaccharide technology is used to dissolve drugs at the nanoscale so that they can be administered in liquid form directly and locally into tumours.

– MidaCore™ platform: our leading-edge gold nanoparticle technology is used for targeting sites of disease at the nanoscale i.e. (i) chemotherapy – improved and targeted delivery of existing chemotherapeutic agents to tumour sites, as well as (ii) immunotherapy – enhanced uptake of new immuno-moieties by immune cells that can then mount an immune attack against cancer cells.

Following the recent sale of MTP US, the Company has now fully focussed its resources and activities on using its technologies to establish its fast-to-market oncology and rare disease product pipeline programmes which are currently in various stages of pre-clinical and clinical development and which include:

Clinical:

- MTD201 (Q-Octreotide): uses the Company's sustained release platform Q-Sphera™ to formulate a long acting dose of Octreotide for the treatment of acromegaly and neuroendocrine tumours; and

- MTX110: a direct delivery treatment for DIPG, an ultra-rare brain cancer suffered by children; based on the MidaSolve™ technology for direct delivery.

In addition to these two priority programmes, a further programme in the clinic is MTX102, an EU funded programme seeking to develop a vaccine for Type I Diabetes, based on the MidaCore™ technology for targeted delivery.

Pre-Clinical:

The Company has earlier, in-house as well as partnered pre-clinical programmes, using its three delivery platforms, in the following indications:

- MTR103: for treatment of glioblastoma multiforme (GBM) brain cancer, using MidaSolve™ technology to deliver drugs directly into the tumour.
- MTD119: a targeted therapy treatment using the Company's MidaCore™ technology for treatment of hepatocellular carcinoma.

The Company's research and development is focussed on therapeutic areas to which its three drug delivery technology platforms are being applied.

The sale of MTP US by the Company ("**Sale**"), completion of which was effective as of 1 November 2018, resulted in initial net proceeds of approximately US$4.2 million being received by the Company after transaction fees and repayment of the Company's outstanding loan to MidCap Financial of $7.7 million. In

the circular to Shareholders dated 28 September 2018, seeking approval of the Sale, the attention of Shareholders was drawn to the fact that even with the addition of the net proceeds from the Sale, the cash resources of the Company were limited and that whilst the Board would continue its efforts to secure additional non-dilutive funding, the Company was also exploring access to further equity financing in the near term, including from the UK, US or Europe, in order to support the continued development of the business and the rapid advancement of key pipeline products MTD201 and MTX110, which the Company is striving to bring to market as expeditiously as possible.

The Group's platform drug delivery technologies are used to generate our own proprietary pharmaceutical assets that can then be licensed as they progress through various development phases. At certain value inflection points the products can be licensed outright to a pharmaceutical partner that would in turn complete the development of the product and seek regulatory approval prior to marketing the approved product. The CMS Licence Agreement for the CMS Territory, whereby CMS Bridging and CMS HK will be responsible for developing and commercialising certain of the Group's key pipeline products in the Greater China Area and potentially certain countries in south east Asia, is a strong example of this partnering capability. Similarly, the Group could opt to retain, develop and commercialise assets in-house, rather than partner them.

From a technology perspective, the nature of the Company's technology platforms – Q-Sphera™, MidaSolve™, and MidaCore™ – are such that they can be used to license the platforms and provide related services to a pharmaceutical partner that would in-turn create, develop and commercialise its own pharmaceutical products.

From a market size perspective, where target markets are large and well-established, such as for MTD201, the Company intends to create the assets for out-license to a pharmaceutical partner for commercialisation. In the case of MTX110 and other products where the target market may be accessed with a smaller focussed sales operation, the Company intends to sell the product directly, potentially with partners in some territories. In this way the Company seeks to maximise value for shareholders without requiring a full-scale commercial operation and infrastructure.

4. Concert Party Related Agreements

On 29 January 2019, the Company entered into the Subscription Agreements with CMS Venture and A&B (HK) to raise approximately £8 million (before costs) in aggregate by way of subscription for 207,792,206 New Ordinary Shares at the Issue Price. The Subscription Agreements are conditional upon, amongst other things, obtaining appropriate Shareholder authorities at the General Meeting and Admission.

On 29 January 2019, the Company also entered into the CMS Licence Agreement with CMS Bridging and CMS HK (both wholly owned subsidiaries of CMS and together the "Licensees") and CMS, whereby the Company has agreed to license to the Licensees the exclusive right to use its technology and its intellectual property rights and information and data related to the Company's clinical and pre-clinical assets, (including MTD201, MTX110 (subject to receipt of consent from Novartis), MTX102, MTR103, MTD119 and other products and line extensions of the Company which the Company has decided will enter pre-clinical studies or clinical trials within three years of the date of the CMS Licence Agreement (individually, a "Product," and collectively, the "Products")) in mainland China, Hong Kong, Macau and Taiwan (together "the Greater China Area"). Subject to confirmation by CMS Bridging and CMS HK once a regulatory approval is granted by the FDA, the EMA or by one of the regulatory authorities in one of the UK, France, Germany or Switzerland, the territories covered by the CMS Licence Agreement may be extended to certain countries in south east Asia selected by CMS (this territory, if applicable, along with the Greater China Area, the "CMS Territory").

Pursuant to the CMS Licence Agreement, the Group intends to manufacture and supply the Products to the Licensees who will be responsible for developing and commercialising these assets in the CMS Territory with a right to manufacture them if the Company cannot or does not wish to supply the products to the Licensees.

The Company will earn a manufacturing margin in the low double-digit percentage range in respect of the Products it supplies to the Licensees. In addition, the Company will be eligible to receive regulatory milestone payments for each Product (six to seven figure US Dollar amounts upon the earliest grant of applicable marketing authorisations in the EU, or the US, or the UK, France, Germany or Switzerland and China) and cumulative sales based milestone payments (in seven and potentially eight figure amounts). A low double digit royalty rate has been agreed for the Products with the exception of MTX110 which will attract a net

single digit royalty to the Group to reflect that an additional royalty will be payable to Novartis for use of panobinostat, the active compound in MTX110. Milestone and royalty payments are not expected before 2021/2022.

The Board believes that this partnership with the Licensees has the potential to accelerate the development of the Company's assets in the CMS Territory with a high quality, expert partner with demonstrable development and significant sales expertise, whilst permitting the Company to retain its focus on its main target markets in the US and the EU.

The CMS Licence Agreement will come in effect on Admission and accordingly the CMS Licence Agreement is conditional upon, *inter alia*, the Resolutions being approved by Shareholders including but not limited to the approval by Independent Shareholders of the Whitewash Resolution.

Pursuant to the Subscription, A&B (HK) is entitled to nominate a non-executive director to the Board of Midatech and a Board observer for so long as A&B (HK) shall hold in excess of 10 per cent. of the issued share capital of the Company. It is intended that Dr. Huaizheng Peng (a director of CMS Venture and the Chief Executive Officer of A&B (HK)) will be appointed as a non-executive director of Midatech following completion of the Capital Raising. Dr. Peng is General Manager of International Operations at CMS and director of CMS Venture. Dr. Peng joined CMS in 2011 as a General Manager of International Operations. His current responsibilities at CMS include pharmaceutical asset acquisition, product licensing, international business development, outbound investment and asset management. Prior to 2011, Dr. Peng previously served as a non-executive director of CMS for three years. Prior to joining CMS, Dr. Peng worked in London as a partner of Northland Bancorp, a private equity firm, and before that, as the head of life sciences and a director of corporate finance at Seymour Pierce, an investment bank and stockbroker. He also served as a non-executive director to China Medstar, a medical device company, while it was listed on AIM. Earlier in his career, Dr. Peng was a senior portfolio manager, specialising in global life science and Asian technology investment at Reabourne Technology Investment Management Limited.

Dr. Peng received his Bachelor's degree in medicine from Hunan Medical College (now Central South University Xiangya School of Medicine) in Changsha, Hunan Province, China and he subsequently obtained a Master's degree in medicine from Hunan Medical College. Dr. Peng was awarded his PhD in molecular pathology from University College London (UCL) Medical School, London UK, where he subsequently practiced as a clinical lecturer in the Department of Histopathology.

5. Current trading and prospects for the Company

In the event that Shareholder approval for the Resolutions described above is not forthcoming at the General Meeting, neither the Subscription, the CMS Licence Agreement, the Placing or the Open Offer will proceed and the Directors believe it is unlikely that the Company will be able to continue as a going concern. The Company currently only has sufficient working capital until approximately mid-March 2019.

Since announcement of the Company's results for the year ended 31 December 2017 on 23 April 2018, Midatech has been working to identify sources of non-dilutive financing to enable the Group to progress its programmes and to meet working capital needs to take the Group through to the next phase of value creation for its key clinical R&D pipeline programmes.

The Company announced its 2018 interim results for the six months ended 30 June 2018 on 27 September 2018. The attention of Shareholders is drawn to the announcement made by the Company through the Regulatory Information Service and made available on Midatech's website at: www.midatechpharma.com.

Effective as of 1 November 2018, the Company sold MTP US (the "Sale"), in order to streamline and refocus the Group on the lead programmes in clinical development and to realise non-dilutive cash. Pursuant to the terms of the Stock Purchase Agreement dated 26 September 2018 between the Company, MTP US and an affiliate of Barings LLC, the Company sold all of its outstanding equity interest in MTP US for initial cash consideration of $13.0 million ("Initial Consideration"), and up to $6.0 million available by way of further consideration payable subject to the achievement of 2018 and 2019 net sales performance targets with respect to certain MTP US products, both individually and in the aggregate (the "Earn-Out"). The initial net proceeds were approximately US$4.2 million after repayment of the Group's outstanding loan to Midcap Financial and other expenses in connection with the Sale. No element of the Earn-Out has been assumed

when evaluating the Company's working capital needs or available cash runway. The financial impact of the sale on the Group was described in a further announcement by the Company on 27 September 2018 which is also available on the Company's website.

As announced on the 27 September 2018 and in the circular to Shareholders dated 28 September 2018 seeking approval of the Sale, the attention of Shareholders was drawn to the fact that even with the addition of the net proceeds from the Sale, the cash resources of the Company were limited and that whilst the Board would continue its efforts to secure additional non-dilutive funding, the Company was also exploring access to further equity financing in the near term, including from the UK, US or Europe, in order to support the continued development of the business and the rapid advancement of its key pipeline products MTD201 and MTX110 (for the treatment of diffuse intrinsic pontine glioma), which the Company is striving to bring to market as expeditiously as possible.

Midatech's lead development product, MTD201 (Q-Octreotide), a treatment for carcinoid cancer and acromegaly based on the Company's sustained release microsphere technology Q-Sphera™, completed a first in-human study in August 2018. The results suggested favourable performance of MTD201 versus SLAR and potentially a better product based on improved clinical profile and attributes including a smaller needle size, simpler and more reliable reconstitution and injection.

The Company is focused on seeking the quickest, most efficient and potentially valuable route to market for MTD201. In view of this, in addition to continuing discussions with the FDA, the Company is seeking feedback on MTD201 trial design from the European regulatory agencies. The future trial design will be subject to the customary regulatory approvals and further announcements will be made in due course.

The Company entered into the Subscription Agreements and CMS Licence Agreement on 29 January 2019 to raise gross proceeds of £8 million, conditional on, *inter alia*, Shareholder approval and Admission. Further details are included in paragraph 4 of Part 4 of this document.

Subject to completion of the Capital Raising, the Directors believe that the next 18 months will be key to unlocking the potential of Midatech's technology platforms and product programmes. Clinical data is expected on three programmes: for carcinoid cancer and acromegaly, brain cancer, and the Group's autoimmune diabetes vaccine. Key expected news flow is as follows:

- MTD201 for neuroendocrine tumours and acromegaly, based on the Company's Q-Sphera™ technology:
    - Following completion of the first in-human Phase I study and receipt of FDA feedback, the Company is now in the position to select and finalise the follow-on study design which is planned to commence around mid 2019. Subject to regulatory acceptance of proposed trial design, successful outcome of the trial and successful scale-up of manufacturing, the intention is to file an NDA in 2021;
    - Further to confirmation in January 2019 of a regional Basque government Gauzatu loan of €1.5 million (subject to matched funding), the Company has applied to the Spanish Government for a loan to further support the Group's manufacturing scale-up capabilities. If successful, it is expected that the loan will cover up to 75 per cent. of the manufacturing scale-up cost of approximately €14.8 million. The outcome of the loan application is expected to be known around end of H1 2019. The Directors believe that by investing in the Group's own manufacturing and scale-up, the Company will be able to maintain a low cost of goods, at scale and a high gross margin on scale.
- MTX110 for childhood brain cancer (DIPG) based on the Company's MidaSolve™ technology:
    - Interim data and readout of the Phase I safety component of study is expected around Q3 2019. This will also establish the recommended dose (RP2D) to be used in the follow-on Phase II efficacy component of the study programme, with the objective of assessing overall survival after 12 months. The full cost of the Phase II component of the study is not expected to be covered by the net proceeds of the Capital Raising. However, the Capital Raising will potentially fund delivery of interim efficacy data.

MTD201 and MTX110 are expected to be the priority focus of the Company for the next two years.

The focus of the Company is on the clinical programmes as outlined above. Pending further funding, the Company may progress a reduced pre-clinical research programme in its other pipeline programmes.

Consolidation of gold nanoparticle ("GNP") research activities and cost controls

With the Group's focus firmly on the key MTD201 and MTX110 programmes, and in order to reduce costs, the Group recently decided to consolidate its GNP research and development operations and closed its Abingdon research facility with the activities incorporated into the Bilbao and Cardiff sites. This resulted in a reduction in headcount of 12 people and the closure of the Abingdon office. After one off redundancy costs of approximately £0.27 million, this is expected to result in significant annual cost savings in excess of £1 million in future periods. Ongoing GNP programmes will continue with GNP activities picked up in the Cardiff and Bilbao offices, however, no new GNP research will be started until substantial progress has been made with MTD201.

The Company is committed to continued cost reduction across the business and as such will reduce the existing Board by three Non-Executive Directors effective on Admission. In addition the Company will be conducting a full review of all members of the Board, and where appropriate considering new members, in consultation with its Nomad and significant shareholders; taking into account such shareholders input. It is expected that the review be completed within two months from Admission.

The Directors estimate that the trial cost for MTD201 will be approximately £5 million to £7 million; on Admission the Directors have agreed such funds will be segregated into an account to be held specifically to fund the trial.

6. Subscription, Placing and Open Offer

Details of the Subscription

The conditional Subscription entered into on 29 January 2019 comprises subscriptions of Units by A&B (HK) and CMS Venture at the Issue Price for in aggregate £8 million (£4 million each) through the issue of 207,792,206 Subscription Shares in aggregate and Subscriber Warrants over a further 207,792,206 new Ordinary Shares. The Subscription Shares will represent approximately 340 per cent. of the Existing Ordinary Shares and 53.29 per cent. of the Enlarged Share Capital (excluding and Open Offer or exercise of the Warrants).

Completion of the Subscription is conditional on, *inter alia*, passing of the Resolutions and Admission.

The Subscription is not conditional on completion of the Placing and/or Open Offer. When issued, the Subscription Shares will be fully paid and will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after the date of issue.

Each Subscriber Warrant grants the right to subscribe for one new Ordinary Share at 50 pence exercisable during the period from the date commencing six months after Admission and to the third anniversary of Admission. The Subscriber Warrants will not be admitted to trading on AIM.

Lock-in arrangements and relationship agreement

CMS Venture and A&B (HK) have each entered into lock-in and orderly market agreements with the Company and Panmure Gordon, pursuant to which the Subscribers have undertaken to the Company and Panmure Gordon (subject to certain limited exceptions including disposals by way of acceptance of a recommended takeover offer for the entire issued share capital of the Company), not to dispose of the Subscription Shares held by them following Admission or any other securities in exchange for or convertible into, or substantially similar to, new Ordinary Shares (or any interest in them or in respect of them) at any time prior to the twelve month anniversary of Admission.

Furthermore, the Subscribers have also undertaken to the Company and Panmure Gordon not to dispose of their Subscription Shares for a further twelve months following the expiry of such period otherwise than through the Company's broker (on a best execution only basis) with a view to maintaining an orderly market.

The Subscribers have entered into a relationship agreement with the Company to take effect on or around the date of Admission, pursuant to which all transactions and arrangements between the Company and the Concert Party members will be at arm's length and on normal commercial terms. Further information on of the relationship agreement is detailed in paragraph 4.3 of Part 4.

Proposed non-executive Director

Pursuant to the Subscription, A&B (HK) is entitled to nominate a non-executive director to the Board of the Company and a Board observer for so long as A&B (HK) shall hold in excess of 10 per cent. of the issued share capital of the Company. It is intended that Dr. Huaizheng Peng (a director of CMS Venture and the Chief Executive Officer of A&B (HK)) will be appointed as a non-executive director of the Company following completion of the Subscription.

Details of the Placing

The Joint Bookrunners have conditionally raised a total of approximately £4.66 million (before expenses) for the Company pursuant to the Placing (by way of an accelerated bookbuild) of 120,966,718 Units at the Issue Price with institutional shareholders.

The Placing is conditional upon, *inter alia*, approval by Shareholders at the General Meeting of the Resolutions and Admission. It is expected that the Placing Shares will be admitted to trading at the same time as the Subscription Shares and the Open Offer Shares, that is, at 8.00 a.m. on 26 February 2019.

The Company and the Joint Bookrunners have entered into the Placing Agreement, pursuant to which the Joint Bookrunners agreed to use their reasonable endeavours to procure Placees pursuant to the Placing. The Company has agreed to pay all costs and expenses relating to the application for Admission. The Placing Agreement is conditional upon, amongst other things, Admission having occurred on or before 26 February 2019.

The Placing Agreement contains certain warranties and indemnities by the Company in favour of the Joint Bookrunners. It also contains provisions entitling the Joint Bookrunners to terminate the Placing Agreement prior to Admission if, among other things, a breach of any of the warranties occurs or on the occurrence of an event fundamentally and adversely affecting the position of the Company.

Details of the Open Offer

The Board recognises and is grateful for the continued support received from Shareholders and considers it important that Qualifying Shareholders have an opportunity to participate in the Capital Raising on the same terms as investors in the Subscription and the Placing. Subject to certain conditions, the Company invites Qualifying Shareholders to subscribe for, in aggregate, up to 19,456,554 Open Offer Units at the Issue Price to raise up to £0.75 million.

Qualifying Shareholders may apply for Open Offer Units under the Open Offer at the Issue Price on the following basis:

0.318 Open Offer Units (comprising one Open Offer Share and one Warrant) for every 1 Existing Ordinary Share held by the Qualifying Shareholder on the Record Date

Any entitlements to Open Offer Units not subscribed for by Qualifying Shareholders will be available to Qualifying Shareholders under the Excess Application Facility.

Once subscriptions by Qualifying Shareholders under their respective Basic Entitlements have been satisfied, the Company shall, in its absolute discretion, determine whether to meet any excess applications in full or in part and no assurance can be given that applications by Qualifying Shareholders under the Excess Application Facility will be met in full, in part or at all.

In the event of valid applications being received under the Open Offer for more than the maximum number of Open Offer Units available under the Open Offer, the Directors may use their absolute discretion (with the agreement of the Joint Bookrunners) to scale back applications under the Open Offer as they see fit.

The Issue Price of 3.85 pence represents a discount of approximately 6.1 per cent. to the closing mid-market price of 4.10 pence per Ordinary Share on 1 February 2019, the latest practicable date prior to the announcement of the opening of the Placing.

In order to apply for Units, Qualifying Shareholders should complete the Application Form in accordance with the instructions set out in Part 5 of this document and in the Application Form itself and return the Application Form together with a cheque or bankers draft, by post, or by hand (during normal business

hours only) to Neville Registrars Limited, at Neville House, Steelpark Road, Halesowen, West Midlands B62 8HD, using the enclosed business reply envelope, in each case, with payment in full, so as to be received by not later than 11.00 a.m. on 22 February 2019. Alternatively, application has been made for the Open Offer Entitlements and Excess CREST Open Offer Entitlements to be admitted to CREST allowing applications through the CREST system. It is expected that such Open Offer Entitlements and Excess CREST Open Offer Entitlements will be credited to CREST on 26 February 2019. The Open Offer Entitlements and Excess CREST Open Offer Entitlements will be enabled for settlement in CREST until 11.00 a.m. on 22 February 2019. Applications through the CREST system may only be made by the Qualifying CREST Shareholder originally entitled or by a person entitled by virtue of *bona fide* market claims. The Open Offer Shares must be paid in full on application. The Open Offer is not being made to certain Overseas Shareholders, as set out in paragraph 6 of Part 5 of this document.

Qualifying Shareholders should note that the Open Offer is not a rights issue and therefore the Open Offer Units which are not applied for by Qualifying Shareholders will not be sold in the market for the benefit of the Qualifying Shareholders who do not apply under the Open Offer. The Application Form is not a document of title and cannot be traded or otherwise transferred.

It is intended that certain Directors will participate in the Open Offer. An announcement will be made following the Open Offer period to confirm the Directors' holdings where applicable.

The Open Offer is conditional upon, *inter alia*, approval by Shareholders at the General Meeting of the Resolutions and Admission. Further details of the Open Offer and the terms and conditions on which it is being made, including the procedure for application and payment, are contained in Part 5 of this document and on the accompanying Application Form.

Application will be made to the London Stock Exchange for the admission of the total number of Open Offer Shares in respect of which valid applications are received to trading on AIM. It is expected that Admission will occur and that dealings will commence at 8.00 a.m. on 26 February 2019 at which time it is also expected that the Open Offer Shares will be enabled for settlement in CREST.

Details of the Warrants

Each Warrant will be exercisable into one new Ordinary Share. The exercise price per Warrant is 50 pence (being a 1,199 per cent. premium to the Issue Price) and each Warrant shall become exercisable only in cash during the period following the six-month anniversary of Admission and until the third anniversary of Admission. No application will be made for the Warrants to be admitted to trading on AIM.

Further information on the Warrants is detailed in paragraph 4.2 of Part 4.

Conditions and other information relating to the Capital Raising

The Subscription, the Placing and the Open Offer are conditional, *inter alia*, upon:

(a) the passing of the Resolutions;

(b) the Placing Agreement becoming unconditional in all respects (save for Admission occurring) and not having been terminated in accordance with its terms; and

(c) Admission becoming effective by no later than 8.00 a.m. on 26 February 2019 (or such later time and/or date as the Company and the Joint Bookrunners may agree (being not later than 8.00 a.m. on 15 March 2019).

Accordingly, if such conditions are not satisfied or, if applicable, waived, none of the Proposals will proceed. In the event that the Open Offer does not proceed, any funds paid by Qualifying Shareholders for Open Offer Units will be returned.

The Capital Raising is not underwritten by the Joint Bookrunners or any other person.

The Capital Raising will result in the issue of 348,215,478 New Ordinary Shares, assuming the Open Offer is subscribed in full (representing, in aggregate, approximately 85.06 per cent. of the Enlarged Share Capital and excluding the issue of any new Ordinary Shares arising from the exercise of the Warrants). The New Ordinary Shares issued pursuant to the Capital Raising, when issued and fully paid, will rank *pari passu* in

all respects with the Existing Ordinary Shares after Admission and therefore rank equally for all dividends or other distributions declared, made or paid after Admission. No temporary documents of title will be issued.

7. The City Code on Takeovers and Mergers and the Panel Waiver

General

The Takeover Code is issued and administered by the Panel. The Takeover Code and the Panel operate to ensure fair and equal treatment of shareholders in relation to takeovers, and also provide an orderly framework within which takeovers are conducted. The Takeover Code applies to the Company and as such Shareholders are entitled to the protections afforded by the Takeover Code.

Under Rule 9 of the Takeover Code, any person who acquires an interest in shares (as defined in the Takeover Code) which, taken together with shares in which he is already interested and in which persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights of a company which is subject to the Takeover Code, is normally required to make a general offer to all the remaining shareholders to acquire their shares.

Similarly, when any person, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of such company but does not hold shares carrying more than 50 per cent. of such voting rights, a general offer will normally be required if any further interest in shares is acquired by such person or any person acting in concert with him, which increases the percentage of shares carrying voting rights in which he is interested.

An offer under Rule 9 must be in cash (or with a full cash alternative) at not less than the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares acquired during the 12 months prior to the announcement of the offer.

Rule 9 of the Takeover Code further provides, amongst other things, that where any person who, together with persons acting in concert with him, holds over 50 per cent. of the voting rights of a company and acquires an interest in shares which carry additional voting rights, then they will not normally be required to make a general offer to the other shareholders to acquire their shares. However, the Panel may deem an obligation to make an offer to have arisen on the acquisition by a single member of a concert party of an interest in shares sufficient to increase his individual holding to 30 per cent. or more of a company's voting rights or, if he already holds more than 30 per cent. but less than 50 per cent. an acquisition which increases his shareholdings in that company.

Under the Takeover Code, persons acting in concert comprise persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control of a company or to frustrate the successful outcome of an offer for a company. Control means an interest or interests in shares carrying 30 per cent. or more of the voting rights of the company, irrespective of whether the holding or holdings give de facto control.

The acquisition of the Subscription Shares and the Subscriber Warrants by the Subscribers pursuant to the Subscription gives rise to the following consequences under the Takeover Code:

- CMS (including its subsidiary CMS Venture), A&B (HK) and Mr Lam Kong are presumed to be acting in concert (together the **Concert Party**):
  - CMS is presumed to be acting in concert with CMS Venture (a Subscriber) because CMS Venture is a wholly owned subsidiary of CMS.
  - Mr. Lam Kong is the chairman, chief executive and president of CMS and holds 43.96 per cent. of the beneficial interest in the share capital of CMS indirectly through Treasure Sea Limited which Mr. Lam Kong wholly owns.
  - A&B (HK) (a Subscriber) is presumed to be acting in concert with CMS (including CMS Venture) because Mr. Lam Kong is the ultimate controlling Shareholder of A&B (HK) which he wholly owns.

Potential voting rights of the Concert Party

Upon completion of the Capital Raising, the potential voting rights attributable to the interests of the Concert Party will be as follows:

	Number of Existing Ordinary Shares at the Date of this Document	*Percentage Voting Rights in the Existing Ordinary Shares*	*Number of Ordinary Shares immediately following the Capital Raising*	*Percentage Voting Rights of the Enlarged Share Capital [1]*	*Percentage Voting Rights in the Company immediately following the Capital Raising in the event that no Open Offer Shares are issued[2]*	*Number of Warrants to be issued in respect of the Capital Raising*	*Maximum percentage Voting Rights in the Company (assuming all Warrants held by CMS and A&B (HK) are exercised)[3]*
CMS Venture	–	–	103,896,103	25.38%	26.64%	103,896,103	34.76%
A&B (HK)[4]	–	–	103,896,103	25.38%	26.64%	103,896,103	34.76%
Total	–	–	207,792,206	50.76%	53.29%	207,792,206	69.53%

1 Assumes that neither CMS Venture nor A&B (HK) nor any other warrantholder exercises any Warrants and assumes that the Open Offer Shares are subscribed for in full.

2 Assumes that neither CMS Venture nor A&B (HK) nor any other warrantholder exercises any Warrants and assumes that no Open Offer Shares are issued.

3 Assumes full exercise of Warrants by the Concert Party but no other warrantholder, nor any person exercises any option or right to subscribe for Ordinary Shares and assumes that no Open Offer Shares are issued.

4 Mr. Lam Kong is the ultimate beneficial owner of the Subscription Shares subscribed by A&B (HK).

Save as set out above, no other member of the Concert Party holds any Ordinary Shares, Warrants or other interests in the Company.

The Panel Waiver

The interest of the Concert Party in the Enlarged Share Capital of the Company following completion of the Capital Raising (assuming full take up of the Open Offer Entitlements and that no other person has exercised any option or any other right to subscribe for shares in the Company following the date of this document) will be 207,792,206 New Ordinary Shares representing 50.76 per cent. of the issued share capital of the Company.

The maximum interest of the Concert Party in the Enlarged Share Capital of the Company following completion of the Capital Raising in the event of no take up of the Open Offer Entitlements and assuming that no other person has exercised any option or any other right to subscribe for shares in the Company following the date of this document, will be 207,792,206 New Ordinary Shares representing 53.29 per cent. of the issued share capital of the Company and, following the exercise of the Subscriber Warrants by the Subscribers, would be 415,584,412 Ordinary Shares representing 69.53 per cent. of the so enlarged issued share capital assuming no other warrantholder exercises any Warrants and no other person has exercised any option or any other right to subscribe for shares in the Company following the date of this document).

As a result, the Concert Party would normally be obliged to make a general offer, pursuant to Rule 9 of the Takeover Code, to all other Shareholders to acquire their Ordinary Shares. However, the Panel has agreed to waive the obligation of the members of the Concert Party to make a general offer that would otherwise arise as a result of the Subscription and/or exercise of the Subscriber Warrants, subject to the approval of Independent Shareholders. Accordingly, the Whitewash Resolution (Resolution 5) is being proposed at the General Meeting and will be taken on a poll. The members of the Concert Party and those Existing Shareholders who participate in the Placing, will not be entitled to vote on the Whitewash Resolution.

In the event the Whitewash Resolution is approved, the Concert Party will not be restricted from making a general offer for the Company.

On Admission, the Concert Party will hold more than 50 per cent. of the Company's voting share capital. In these circumstances, for so long as the members of the Concert Party continue to be treated as acting in concert, the Concert Party may increase its aggregate interest in the Ordinary Shares without incurring any obligation under Rule 9 of the Takeover Code to make a general offer, although individual members of the Concert Party will not be able to increase their percentage interests in Ordinary Shares through or between a relevant Rule 9 threshold without the consent of the Takeover Panel.

In addition, as the CMS Licence Agreement is conditional upon completion of the Subscription and Admission, such agreement is an offer-related arrangement with the Company under Rule 21.2(b) of the Takeover Code and consequently the CMS Licence Agreement is also conditional upon the approval by the Independent Shareholders of the Whitewash Resolution.

The Takeover Code requires the independent directors of a company to receive competent independent advice as to whether the financial terms of the Proposals are fair and reasonable. Accordingly, Panmure Gordon, as adviser to the Company, has provided advice to the Independent Directors regarding the Proposals. Panmure Gordon confirms that it is independent of the Concert Party and has no personal, financial or commercial relationship, arrangement or undertaking with the Concert Party.

The Panel Waiver will be invalidated if any purchases of Existing Ordinary Shares are made by any member of the Concert Party in the period between the date of this document and the General Meeting.

As stated above, the Capital Raising and the CMS Licence Agreement are conditional upon, *inter alia*, the Shareholders approving the Whitewash Resolution.

Further details concerning the Concert Party are set out in Part 3 of this document.

8. Use of proceeds

The Capital Raising will raise up to £13.41 million (assuming the Open Offer is subscribed for in full) before expenses. The net proceeds of the Placing and Subscription of approximately £12.29 million (after expenses) are expected to be used as follows:

(i) based on current expectations on trial design, clinical trial approvals and associated costs, the Directors believe that this funding would allow the Company to deliver top line data readout on a pivotal MTD201 clinical trial and potentially interim data on MTX110's open label study; and

(ii) provide working capital to approximately through Q1 2020.

The proceeds of the Open Offer, to the extent subscribed for, will provide further working capital.

Further detail on the assumptions behind the use of proceeds is included in paragraph 2 of this Part I.

9. Lock-In and Orderly Market Agreement

Lock-in and orderly market agreements dated 29 January 2019 have been entered into between (1) the Company (2) A&B (HK) (3) CMS Venture and (4) Panmure Gordon, pursuant to which the Subscribers have undertaken to the Company and Panmure Gordon (subject to certain limited exceptions including disposals by way of acceptance of a recommended takeover offer for the entire issued share capital of the Company), not to dispose of the Subscription Shares held by them following Admission or any other securities in exchange for or convertible into, or substantially similar to, new Ordinary Shares (or any interest in them or in respect of them) at any time prior to the twelve month anniversary of Admission.

Furthermore, the Subscribers have also undertaken to the Company and Panmure Gordon not to dispose of their Subscription Shares for a further twelve months following the expiry of such period otherwise than through the Company's broker (on a best execution only basis) with a view to maintaining an orderly market.

10. Irrevocable Undertakings/Letters of Intent

Certain of the Directors have given irrevocable undertakings to the Company to vote in favour of the Resolutions (and to procure that such action is taken by the relevant registered holders) in respect of their beneficial holdings totalling 1,160,982 Ordinary Shares, representing approximately 1.9 per cent. of the Ordinary Shares in issue.

11. Risk Factors and additional Information

The attention of Shareholders is drawn to the risk factors set out in Part 2 of this Document and the information contained in Parts 3 and 4 of this Document, which provide additional information on respectively the Concert Party and the Company as required by the Takeover Code. Shareholders are advised to read the whole of this document and not rely solely on the summary information presented in this letter.

12. Settlement and dealings

The New Ordinary Shares will be in registered form and will be capable of being held in either certificated or uncertificated form (i.e. in CREST). Application will be made for the admission of the New Ordinary Shares to CREST and their admission to trading on AIM. Accordingly, following Admission, settlement of transactions in the Ordinary Shares may take place within the CREST system if a Shareholder so wishes. In respect of Shareholders who will receive New Ordinary Shares in uncertificated form, New Ordinary Shares will be credited to their CREST stock accounts on 26 February 2019. Shareholders who wish to receive and retain share certificates are able to do so and share certificates representing the New Ordinary Shares to be issued pursuant to the Capital Raising are expected to be despatched by post to such Shareholders by no later than the week commencing 4 March 2019.

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument in accordance with the CREST Regulations. The Articles permit the holding of New Ordinary Shares in CREST.

The Warrants are expected to be issued in certificated from for Qualifying non-CREST shareholders and are expected to be despatched by post to such Shareholders by no later than the week commencing 4 March 2019 and issued in uncertificated form for Qualifying CREST Shareholders. The Warrants will not be admitted to trading on AIM or any other stock exchange.

13. Share Options

The Company has in place an employee share option scheme known as the "Midatech Pharma PLC Enterprise Management Incentive Scheme" as adopted in December 2014 and a sub plan known as the "Midatech Pharma PLC 2016 U.S. Option Plan". There are currently 505,000 options over Existing Ordinary Shares outstanding under this scheme. Options held by Directors are detailed at paragraph 3.2 of Part 4.

In addition, at the time of completion of the merger with DARA BioSciences, Inc. ("**DARA**") in December 2015, there were a number of outstanding and unexercised options and warrants over common stock in DARA. Under the terms of the DARA merger agreement, these options and warrants became exercisable into Ordinary Shares (represented by American Depository Shares). All other terms, notably including expiration dates, remained materially the same.

There are as at the date of publication of this document, DARA options outstanding over 123,790 Ordinary Shares with a weighted average exercise price of $6.35 per share, within a range of $2.54 to $126.47, and a weighted average remaining contractual life of 5.6 years.

Also, there are at the date of publication of this document DARA warrants outstanding over 2,240,884 Ordinary Shares with a weighted average exercise price of $7.05 per share, within a range of $3.05 to $24.08, and a weighted average remaining contractual life of 0.4 years. None of the DARA options or warrants are held by a Director of the Company.

14. General Meeting

The Board is seeking the approval of Shareholders at the General Meeting to, *inter alia*, approve the Panel Waiver, the issue and allotment of the New Ordinary Shares and the Warrants and to dis-apply pre-emption rights.

The Notice of General Meeting, which is to be held at the offices of Panmure Gordon (UK) Limited, One New Change, London EC4M 9AF at 9.00 a.m. on 25 February 2019, is set out at the end of this document. At the General Meeting, the following Resolutions will be proposed:

Resolution 1, which is conditional upon the passing of Resolutions 2 and 3 and is proposed as an ordinary resolution, to authorise the Directors to allot shares and to grant rights up to an aggregate nominal amount of £17,410.78 in respect of the Subscription Shares, Placing Shares and Open Offer Shares and to grant Warrants to subscribe for new Ordinary Shares up to an aggregate nominal amount of £15,692.33, being equal to 313,846,440 new Ordinary Shares (i.e. the maximum number of new Ordinary Shares that could be allotted pursuant to the exercise of all the Warrants);

Resolution 2, which is conditional upon the passing of Resolution 1 and 3 and is proposed as a special resolution, to authorise the Directors to issue and allot 348,215,478 New Ordinary Shares and to issue the Warrants to subscribe for new Ordinary Shares, pursuant to the Capital Raising on a non-pre-emptive basis;

The authorities to be granted pursuant to the Resolutions 1 to 2 inclusive shall expire on the third anniversary of the date of the passing of the Resolutions (unless renewed, varied or revoked by the Company prior to or on that date) and shall be in addition to any existing authorities granted at the Company's last annual general meeting held on 27 June 2018.

Resolution 3, which is conditional upon the passing of Resolutions 1 and 2 and is proposed as an ordinary resolution, to approve the Panel Waiver of Rule 9 of the Takeover Code. This Resolution will be taken on a poll of the Independent Shareholders only, and must be approved on a poll by the Independent Shareholders who together represent a simple majority of issued Ordinary Shares held by the Independent Shareholders being voted (whether in person or by proxy) at the General Meeting.

15. Action to be taken

In respect of the General Meeting

Shareholders listed on the Company's share register at 6.00 p.m. on 23 February 2019 shall be entitled to participate at the General Meeting and vote in person or by proxy. A Form of Proxy is enclosed for use by Shareholders 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 in accordance with the instructions printed thereon, as applicable, to the Company's registrars, Neville Registrars Limited, of Neville House, Steelpark Road, Halesowen, West Midlands B62 8HD as soon as possible and in any event so as to be received not later than 9.00 a.m. on 23 February 2019 (or, in the case of an adjournment of the General Meeting, not later than 48 hours before the time fixed for the holding of the adjourned meeting (excluding any part of a day that is not a working day)). Appointing a proxy in accordance with the instructions set out above will enable your vote to be counted at the General Meeting in the event of your absence. The completion and return of a Form of Proxy will not preclude you from attending the General Meeting, or any adjournment thereof, and voting in person should you wish to do so.

The Proposals can only be completed if the Resolutions are approved by the requisite majority at the General Meeting. It is therefore important that you vote either in person or by proxy at the General Meeting.

In respect of the Open Offer

Qualifying Non-CREST Shareholders wishing to apply for Open Offer Units or the Excess Units must complete the accompanying Application Form in accordance with the instructions set out in paragraph 4.1 of Part 5 of this document and on the accompanying Application Form and return it, together with the appropriate payment in the envelope provided to the Receiving Agent, to Neville Registrars Limited, Neville House, 18 Steelpark Road, Halesowen, West Midlands B62 8HD, United Kingdom so as to arrive no later than 11.00 a.m. on 22 February 2019. If you do not wish to apply for any Open Offer Units under the Open Offer, you should not complete or return the Application Form. Shareholders are nevertheless requested to complete and return the Form of Proxy. If you are a Qualifying CREST Shareholder, no Application Form will

be sent to you. Qualifying CREST Shareholders will have Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to their stock accounts in CREST. You should refer to the procedure for application set out in paragraph 3 of Part 5 of this document. The relevant CREST instructions must have settled in accordance with the instructions in paragraph 5 of Part 5 of this document by no later than 11.00 a.m. on 22 February 2019. Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Open Offer.

16. Overseas Shareholders

Information for Overseas Shareholders who have registered addresses outside the United Kingdom or who are citizens or residents of countries other than the United Kingdom appears in paragraph 6 of Part 5 of this document, which sets out the restrictions applicable to such persons. If you are an Overseas Shareholder, it is important that you pay particular attention to that paragraph of this document.

17. Taxation

Information regarding UK taxation is set out in paragraph 10 of Part 4 of this document. These details are intended only as a general guide to the current tax position in the UK.

If an investor is in any doubt as to his or her tax position or is subject to tax in a jurisdiction other than the UK, he or she should consult his or her own independent financial adviser immediately.

18. Further information

Your attention is drawn to the further information set out in:

(a) Part 2 of this document relating to risk factors;

(b) Part 3 of this document summarising the information on the Concert Party required by the Takeover Code;

(c) Part 4 of this document summarising the information on the Company required by the Takeover code and information on taxation;

(d) Part 5 of this document containing details of the Open Offer; and

(e) the notice of GM at the end of this document.

19. Importance of the Vote and Recommendation

Shareholders should be aware that, if the Resolutions are not approved at the General Meeting, the Proposals will not occur and none of the net proceeds of the Capital Raising will be received by the Company. If this were to happen, the Group would only have sufficient working capital to trade through to approximately mid-March 2019.

If the Capital Raising does not proceed, the Directors believe it is unlikely that the Company will be able to continue as a going concern and it is highly likely that the Directors would need (in order to fulfil their duties to the Company's creditors (and to other applicable stakeholders) to place the Company into administration forthwith (or as soon as is practicable) following the General Meeting.

The Directors, having been so advised by Panmure Gordon as to the financial terms of the Proposals, consider the terms of the Proposals are fair and reasonable and in the best interests of the Shareholders and the Company as a whole. Accordingly, with respect to the Resolutions to effect the Capital Raising and the CMS Licence Agreement to be proposed at the General Meeting, the Directors unanimously recommend that you vote in favour.

The Directors, having been so advised by Panmure Gordon, consider the terms of the Panel Waiver to be fair and reasonable and in the best interests of the Independent Shareholders and the Company as a whole. Accordingly, the Directors unanimously recommend that the Independent Shareholders vote in favour of the Whitewash Resolution to be proposed at the General Meeting.

In providing advice to the Directors, Panmure Gordon has taken into account the Directors' commercial assessments, including in relation to the position and prospects of the Company in the event that the Proposals are not completed and the merits of the CMS Licence Agreement.

The Directors who hold shares in the Company have irrevocably undertaken to vote in favour of all Resolutions in respect of their own shareholdings amounting to 1,160,982 Existing Ordinary Shares (representing 1.9 per cent. of the Existing Ordinary Shares in issue).

Yours faithfully,

Rolf Stahel
Chairman

PART 2

RISK FACTORS

THE CAPITAL RAISING IS CONDITIONAL UPON, AMONG OTHER THINGS, THE APPROVAL OF THE WHITEWASH RESOLUTION BY THE INDEPENDENT SHAREHOLDERS, THE APPROVAL OF THE RESOLUTIONS BY THE SHAREHOLDERS AND ADMISSION. IN THE EVENT THAT ANY CONDITION TO WHICH THE CAPITAL RAISING IS SUBJECT IS NOT SATISFIED OR, IF CAPABLE OF WAIVER, WAIVED, ADMISSION OF THE NEW ORDINARY SHARES WILL NOT OCCUR AND THE CAPITAL RAISING WILL NOT COMPLETE. THE OPEN OFFER IS CONDITIONAL UPON THE COMPLETION OF THE PLACING AND SUBSCRIPTION, APPROVAL OF THE RESOLUTIONS BY THE SHAREHOLDERS AND ADMISSION. IN THE EVENT THAT ANY CONDITION TO WHICH THE OPEN OFFER IS SUBJECT IS NOT SATISFIED OR, IF CAPABLE OF WAIVER, WAIVED, ADMISSION OF THE OPEN OFFER SHARES WILL NOT OCCUR AND THE OPEN OFFER WILL NOT COMPLETE.

IF THE CAPITAL RAISING DOES NOT COMPLETE, THE COMPANY WILL HAVE VERY LIMITED WORKING CAPITAL AND IT IS UNLIKELY THAT IT WILL BE ABLE TO CONTINUE TO TRADE AS A GOING CONCERN AND IT IS HIGHLY LIKELY THAT THE DIRECTORS WOULD NEED (IN ORDER TO FULFIL THEIR DUTIES TO THE COMPANY'S CREDITORS (AND TO OTHER APPLICABLE STAKEHOLDERS) TO PLACE THE COMPANY INTO ADMINISTRATION FORTHWITH (OR AS SOON AS IS PRACTICABLE) FOLLOWING THE GENERAL MEETING. IT IS NOT ANTICIPATED THAT THERE WOULD BE ANY RETURN TO SHAREHOLDERS FROM SUCH AN ADMINISTRATION.

An investment in the New Ordinary Shares is subject to a number of risks. The investment offered in this document may not be suitable for all of its recipients. An investment in the Group is only suitable for investors who are capable of evaluating, or who have been advised of the risks and merits of, such investments and who have sufficient resources to bear any loss which might result from such investment. No assurance can be given that Shareholders will realise a profit or avoid a loss on their investment. The risks described below do not purport to be exhaustive and are not set out in any order of priority. Additional risks and uncertainties which are not presently known to or are currently deemed immaterial by the Directors may also have an adverse effect on the Group's business, financial condition or results of operations and prospects could suffer, in which case investors could lose all or part of their investment.

Potential investors should review this document carefully, and in its entirety, and are recommended to obtain independent financial advice from an adviser authorised under FSMA (or another appropriately authorised independent professional adviser) who specialises in advising upon investments before making any investment in the Group. The Company's performance may be materiality and adversely affected by legal regulatory requirements, the timing, cost and results of clinical trials and changes in market and changes in market and economic conditions. If any of the following risks occur, the Group's business, financial position and/or operating results could be materially and adversely affected.

In addition to the other relevant information set out in this document, the Directors consider that the following specific risk factors, which are not set out in any particular order of priority, should be considered when evaluating whether to make an investment in the Company:

1. Risks relating to the Company's business

Clinical development of MTD201 (Q-Octreotide)

The Company has carried out an initial pilot Phase I human study on MTD201 which concluded in August 2018, and which sought to compare the performance of MTD201 and Novartis' Sandostatin LAR (SLAR). The data suggested that MTD201 may be either equivalent to, or distinct or potentially better than, SLAR. In view of the distinct profile of MTD201 compared to SLAR, the Company recently sought guidance from the FDA on the study design and regulatory route for MTD201 with regards to a follow on pivotal trial. Considering the regulatory feedback on study design and commercial considerations, the pivotal trial for MTD201 is expected to be either a multi dose study in healthy volunteers or a study in patients. Whilst the Company has independent third party cost estimates for both potential trial designs, and the

Company anticipates commencement of a clinical trial around mid 2019, the final trial design has yet to be determined and remains subject to regulatory approval. The actual costs of the trial could vary significantly from the current cost estimates as could the time taken to achieve necessary regulatory approvals. The Company may have to modify certain parameters including the trial protocol, objectives (interchangeable versus differentiated product) and study population (patients versus healthy volunteers). Any requirement to use patients or significantly increase the population size of the study, could have a material impact on the timing of commencement of clinical trials and the period of time to complete the clinical trials and could be significantly more costly than the current cost estimates of £5 million to £7 million, which could result in the Company not having sufficient funds to reach a data read-out from the trial and could prevent the Company or licensees from conducting a further trials if required, obtaining regulatory approvals, or bringing the product to market on a timely basis (or at all) and generating meaningful revenues or achieving profitability.

In the event that the Company pursues a multi-dose study in healthy volunteers to determine clinical equivalence against Novartis' SLAR, there is no guarantee that the trial will be successful in demonstrating equivalence. A separate trial may be required by regulators, or favoured by the company, in patients which would have a significant adverse cost and time impact on the Company and its funding requirements.

Subject to completion of the Capital Raising, the Company has agreed to segregate the estimated costs for the anticipated MTD201 trial. This segregation of funds could be insufficient and could also limit the general working capital available for the business. In the event that the Company does not have sufficient working capital, the Company may not be able to progress the clinical trial as expected or in the anticipated timeframe.

Manufacturing and Spanish Government Loan

Certain of the Group's products under development have historically only been manufactured in small quantities. Later stage development and commercial supply of such products will require the Group to scale up the manufacture of its products. There can be no assurance that the Company's proposed products will be capable of being manufactured in sufficient quantities and standards for clinical trials or in commercial quantities, in compliance with regulatory requirements and at an acceptable cost or within an acceptable timeframe.

The Company sources the raw materials and active ingredients required in connection with the R&D and commercialisation of its proposed products and, as such, is and will continue to be dependent upon third parties for the provision of adequate facilities, material supplies and performance. In addition, where the Company is dependent upon third parties for manufacture, its ability to procure the new materials required for the manufacture of its products in a manner which complies with regulatory requirements may be constrained, and its ability to develop and deliver such products on a timely and competitive basis may be adversely affected.

The Company has applied for the Spanish Government Loan to support process optimisation and scale-up in respect of the production of Q-Octreotide. There is no assurance that the loan will be approved or received in whole or at all or on a timely basis. If the loan application were to be rejected or only partially satisfied or delayed, the Company would be required to fund the scale-up of manufacturing from alternative sources of funding. There is no guarantee that such funding will be available to the Company at all or on terms that would be acceptable. The Company would be unable to file an NDA for Q-Octreotide until the Group has successful optimised and scaled-up production of Q-Octreotide. In any event the Spanish Government Loan would only cover up to 75 per cent. of the estimated scale-up costs and additional funding is likely to be required for the balance of the funds.

Stage of development

Midatech is an early-stage biopharmaceutical development company focused on developing and commercialising products in oncology and other therapeutic areas. There are a number of operational, strategic and financial risks associated with pre-revenue drug development companies. Although the Group has recorded positive results from initial pre-clinical and/or clinical trials for its products and/or its technologies, continued research and development will be required. There can be no assurance that any of the Group's targeted developments will be successful.

There can be no certainty that the Company will achieve or sustain material revenues, profitability or positive cash flow from its operating activities. The Company faces risks frequently encountered by similar stage pharmaceutical companies looking to bring new products to the market. In particular, its future growth and prospects will depend on its ability to successfully develop products which are approved by the regulatory authorities, have broad commercial appeal, to secure commercialisation partnerships on appropriate terms, to manage growth and to continue to expand and improve operational, financial and management information, quality control systems and its commercialisation function on a timely basis, whilst at the same time maintaining effective cost controls. Any failure to expand and improve operational, financial and management information and quality control systems in line with the Company's growth could have a material adverse effect on the Company's business, financial condition and results of operations. There can be no assurance that the Company's portfolio of pre-clinical and clinical development programmes will succeed in developing additional products which it will be able to commercialise successfully.

Unproven technology

The Company's technology is at an early stage of development. As a result, the safety and effectiveness of the Company's technologies for the treatment of human disease has not yet been fully established and its R&D activities may not result in commercially viable products, whether for many years or at all. This may be for a number of reasons, including that:

- Despite encouraging data to date, the technologies may not prove to be safe and effective in further pre-clinical or clinical trials;
- relevant regulatory approvals may not be granted or maintained in a timely fashion or at all;
- the Company may not be able to secure and maintain sufficient intellectual property protection for the technologies and challenges may be made against the Company's relevant intellectual property;
- competitors may develop more attractive alternative products;
- clinical trials may take significantly longer than expected and costs of such clinical trials may be greater than expected;
- the products may not receive healthcare coverage and adequate reimbursement;
- the Company may not be able to launch commercial sales of the products and maintain a continued acceptable safety profile of the products following approval; or
- the Company may not have sufficient funding to achieve commercialisation of any of its assets in a timely manner or at all.

Regulatory approval and product testing

The pre-clinical and clinical testing, manufacture and marketing of the Company's proposed products and its ongoing R&D are subject to regulation by government and regulatory agencies in countries where the Company or any of its potential licensees or collaborators intend to test, manufacture or market products. There can be no assurance that any of the Company's proposed products will successfully complete these processes or that regulatory approvals to manufacture and market the proposed products will ultimately be obtained.

If regulatory approval is obtained, the products and their manufacture are subject to continual review and there can be no assurance that such approval will not be withdrawn or restricted. Changes in the application of legislation or regulatory policies or the discovery of unexpected side effects and other problems with the products or their manufacture may result in the imposition of restrictions on the products or their manufacture, withdrawals of the drug from the market, voluntary or mandatory drug recalls, government investigations and the imposition of penalties.

The extent of pre-clinical studies and clinical trials that will be required to test the safety and efficacy of the Company's products will vary depending on the product, the treatment being evaluated, the trial results and regulations applicable to the particular product. The results of pre-clinical studies and clinical trials to date of the Company's proposed products do not necessarily predict the results of later-stage clinical trials. Proposed products in the later stages of clinical trials may fail to show the desired safety, efficacy and equivalence (where relevant) despite having progressed through initial clinical trials. There can be no assurance that the data collected from the pre-clinical studies and clinical trials of the Company's proposed products will be sufficient to support regulatory approvals.

The Directors cannot accurately predict when the planned clinical trials will be completed, if at all. The Company's proposed products may produce unexpected side effects or serious adverse events which could interrupt, delay or halt clinical trials of the products and could result in regulatory authorities denying approval of its products for any or all targeted treatments. An independent safety monitoring board, a regulatory authority or the Company itself may suspend or terminate trials at any time. There can be no assurances that any of the Company's proposed products will ultimately prove to be safe for human use. The Company's clinical trials could also be delayed or terminated in the event that the product being tested is in the same class of drug as a marketed product that is revealed to cause side effects.

Reliance on third parties

The business model for the Company anticipates it will continue to use third party providers and strategic partners (such as CMS, CMS Bridging and CMS HK) as necessary to conduct certain aspects of the research, development, registration, manufacture, marketing and sales of its proposed products. In addition, development and commercialisation of the products MTX110 and MTX102 by third party licensees (such as CMS Bridging and CMS HK) requires the prior consent of third parties which, whilst it cannot be unreasonably withheld, obtaining such consent cannot be guaranteed.

Certain of the Company's programmes such as MTX110 use implanted medical device systems to deliver the MTX110 directly into the brain tumour. The commercial success of the Company's products will depend upon the performance of these third parties. The Company cannot guarantee that the third parties will or will be able to carry out their obligations under the relevant arrangements. Disagreements between the Company and any of these third parties could lead to delays in the Company's R&D programme and/or commercialisation plans. If any of those third parties were to terminate its relationship with the Company, the Company would be required to find development and/or commercialisation relationships with other parties or develop these functions internally. The process of entering into such relationships or developing these functions internally could require significant expenditure and, whilst the Directors believe that the Company would be able to enter into arrangements with other companies within a reasonable period of time, upon commercially reasonable terms, and in compliance with applicable regulatory requirements, no assurance can be given that it would be able to do so.

In order to access worldwide markets in the marketing and sales of its products, the Company intends to enter into third party out-licensing arrangements with pharmaceutical companies and other suitable industry players. The Company cannot guarantee that it will be able to enter into suitable arrangements, that any such arrangement or agreement will be on favourable terms or that any such arrangement or agreement will be performed satisfactorily or prove successful.

The Company is also dependent on in-licensing the active pharmaceutical ingredient for MTX110 from Novartis. The terms of the licence with Novartis include substantial sales based royalty payments which will impact the Company's net income from MTX110 if it were to be successfully commercialised through the CMS Licence Agreement or otherwise. The Company also requires Novartis' consent to enter into license agreements in respect of the active pharmaceutical ingredient for MTX110. Whilst the Directors believe that Novartis should not ordinarily withhold its consent, there is no guarantee that it will provide it at all or in a timely manner.

Financial risk

The Company has a history of operating losses. These losses have arisen mainly from the costs incurred in research and development of its products and general administrative costs. In order to support the research and development of the Company's product candidates, the Company is likely to continue to incur operating losses until such time as it generates sufficient revenue. The Company may not be successful in developing products which generate revenues.

The lack of a current revenue stream and the significant resources needed for ongoing investment in its R&D pipeline requires the Company to gain access to additional funding from licensing, capital markets or elsewhere. There can be no assurances that such funding will be available on favourable terms, if at all.

Additional funding over and above the Capital Raising will likely be required to allow the Company time to reach profitability. If the Company is unable to raise further funding, there may be insufficient finance for product development including future clinical or pre-clinical development or operations and consequent

delay, reduction or elimination of development or commercialisation of the Company's programmes could result, as well as the consideration of other strategic alternatives. There is no guarantee that the Warrants or other warrants or options over Ordinary Shares in issue will be exercised resulting in further funds being raised for the Company. The exercise of the Warrants and existing warrants and options is likely to be dependent on the share price performance of the Company.

The Company has a small portfolio of products, none of which has received regulatory approval required for marketing. After receipt of the necessary regulatory approvals, the Company's success will depend on acceptance of the Company's products by the market, including by its collaboration and strategic partners, physicians, patients and third-party payers. The Company's progress may be adversely affected if it is unable to achieve market acceptance of its products. This in turn may make it difficult for the Company to continue funding its development programme. The Company has not paid dividends in the past and does not expect that dividends will be paid in the foreseeable future. The declaration and payment of any dividends in the future and the amount of any future dividends will depend upon the results of operations, financial conditions, cash requirements, future prospects, profits available for distribution and other factors deemed by Directors to be relevant at the time.

Additional capital requirements to fund ongoing operations

The aggregate net proceeds of the Capital Raising are not expected to take the Company to profitability or to fully fund the development and commercialisation of the Company's product pipeline and accordingly the Company may need to raise additional capital from equity or debt sources in the future. Further equity financing may be further dilutive to existing Shareholders or result in the issuance of securities whose rights, preference and privileges are senior to those of the owners of Ordinary Shares. If any such future funding requirements are met through additional debt financing, the Company may be required to adhere to covenants restricting its future operational and financial activities. If the Company is unable to secure additional funds when needed or cannot do so on terms it finds acceptable, the Company may be unable to continue to trade, expand its operations, take full advantage of future commercial opportunities or respond adequately to competitive pressures, any of which may have an adverse effect on its business and results of operations.

Earn-Out from sale of MTP US may not be earned

The terms of the sale of MTP US included up to an additional US$6.0 million consideration payable subject to the achievement of 2018 and 2019 net sales performance targets with respect to certain MTP US products, both individually and in the aggregate. In estimating its working capital needs, the Company has assumed that no milestone consideration will be received, since there is no guarantee that sales of these products, which are outside of the control of Midatech, will reach the thresholds required to trigger any earn-out payments to the Company.

The expenditure required by the Company may be more than currently anticipated

There is a risk that the amounts the Company anticipates will be needed to fund the development and commercialisation of its pipeline of products and future growth will be insufficient, that the anticipated timing of such investment may prove incorrect, or that the Company may be unable to raise the amounts required (if at all). The Company may not be able to generate revenues at the times targeted. Costs may be greater than planned, or timings may vary from those targeted.

Intellectual property and proprietary technology

The commercial success of the Company will depend to a great extent on its ability to secure and maintain patent protection for its products, to preserve the confidentiality of its know-how and to operate without infringing the proprietary rights of third parties.

No assurance can be given that any pending patent applications or any future patent applications will result in granted patents, that the scope of any patent protection will exclude competitors or provide competitive advantages to the Company, that any of the Company's patents will be held valid if challenged or that third parties will not claim rights in or ownership of the patents and other proprietary rights held by the Company.

The Company may be subject to claims in relation to infringement of patents, trademarks or other proprietary rights. Adverse judgments against the Company may give rise to significant liability in monetary damages,

legal fees and an inability to manufacture, market or sell products either at all or in particular territories using existing trademarks and/or a particular technology. Where the Company has given assurances to customers that its products do not infringe proprietary rights of third parties, any such infringement might also expose the Company to liabilities to those customers. Even claims without merit could deter customers and have a detrimental effect on the Company's business as well as being costly and time consuming to defend, as well as diverting management's attention and Company resources.

Further, there can be no assurance that others have not developed or will not develop similar products, duplicate any of the Company's products or design around any patents held by the Company. Others may hold or receive patents which contain claims having a scope that covers products developed by the Company (whether or not patents are held by or issued to the Company).

The Company relies on patents to protect, among other rights, its products. These rights act only to prevent a competitor from copying but not from independently developing products that perform the same functions. No assurance can be given that others will not independently develop or otherwise acquire substantial equivalent techniques or otherwise gain access to the Company's unpatented proprietary technology or disclose such technology or that the Company can ultimately protect meaningful rights to such unpatented proprietary technology.

Competition and technological advances

The Group's drug nanoconjugate platform is among the latest generation of nanomedicine technologies. Liposomes followed by various polymeric Nanoparticles were the first nanotechnologies and now inorganic Nanoparticles like Midatech GNPs are a rapidly emerging technology within the nanomedicine market. Midatech's sustained release technology relies on a manufacturing process that, the Directors believe, is unique in the pharmaceutical industry. Competing sustained release technologies are well established in the market, however, this platform has the potential for improved drug delivery kinetics and manufacturing efficiency. The Group's Nano-Inclusion technology is employed for increasing the aqueous solubility of small molecule cancer therapeutics to enable parenteral administration. This platform relies on internal know-how that uniquely applies prevailing chemistry techniques to enhance the solubility of certain insoluble agents. Success of Midatech's product candidates depends in part on the market's acceptance of these products once commercialised as well as the successful operation of the Group's salesforce and marketing operations. There can be no guarantee that this acceptance will be forthcoming or that Midatech's technologies will succeed as an alternative to competing products. Furthermore, demand for Midatech's products may decrease if competitor products are introduced with perceived advantages over Midatech's products or product candidates. The speed and nature of technological change means that physical science is always evolving and new competition and alternatives are always a possibility, however, the Directors believe that Midatech has established competitive advantage over its peers.

Retention of key personnel risk

The Company's success is largely dependent on the personal efforts and abilities of the Company's existing senior management, key employees and advisers. The loss of any key individual for whatever reason may have an adverse effect on the future of the Company. Future success depends on its ability to attract and retain key management and employees and there can be no assurance that the Company will be able to attract and retain such persons.

The Company's success will continue to be highly dependent on collaborators

The Company's strategy will continue to be to seek collaboration partners for certain of its product candidates. Such collaborations provide important funding to the Company through signature and milestone payments and fees. The Company may be unable to establish additional collaborative arrangements on favourable terms, or at all, and any such arrangement or agreement may not prove successful.

The Company's success is partially dependent on its collaborators (including CMS, CMS Bridging and CMS HK) and contractors and the ability of the Company to attract new collaborators and contractors in the future. The Company's collaborators have, and in the future are likely to have, substantial responsibility for some of the development and commercialisation of the Company's drug candidates. Certain of the Company's collaborators and strategic partners also have, and in the future are likely to have, significant discretion over the resources they devote to these efforts. The Company's success, therefore, will depend on the ability and efforts of these outside parties in performing their responsibilities. The development of

certain of the Company's product portfolio will rely significantly on its success in reaching agreements with new strategic partners and on the performance of such strategic partners. If the relationship with any one of these partners (or their co-partners) is adversely affected, the results of the Company's operations may be adversely impacted.

The Company cannot guarantee that:

(a) existing collaborative arrangements or licence agreements or agreements with third party contractors will be able to be enforced or maintained and may not be on favourable terms. For example, the CMS Licence Agreement contains limited rights for the Company to terminate it if CMS Bridging or CMS HK fails to perform its obligations under the agreement. The Company's rights to terminate are limited to breach of certain non-compete restrictions, failure to pay milestones or royalties, insolvency, a failure to develop products after the grant of an FDA or EMA regulatory approval or to commercialise the products in a country by failing to make a commercial sale within 12 months of the grant of a marketing approval;

(b) any new collaborative arrangements or licence agreements or agreements with third party contractors will be on favourable terms; or

(c) any collaborative arrangements or licence agreements or agreements with third party contractors will prove successful.

If the Company is unable to continue with any of the existing collaborations and, following negotiations with the relevant partners, terminates a collaboration, no assurance can be given that this will not have a negative impact on the reputation of the Company or its ability to secure additional collaborations in the future. The termination of any agreements with third party collaborators or contractors or failure of third party collaborators or contractors to perform their obligations under such agreements could adversely impact on the Company's business and results of operations.

The Concert Party will indirectly control 50.76 per cent. of the voting rights in the Company and it may conflict with the interest of investors

Following Admission, the Concert Party will control approximately 50.76 per cent. of the votes cast at a general meeting of the Company. This level of voting power means that the Concert Party will exercise substantial control over the Company and have the power to influence resolutions passed by the Company. The Subscribers have entered into the Relationship Agreement with the Company to take effect on or around the date of Admission, pursuant to which all transactions and arrangements between the Company and the Concert Party members will be at arm's length and on normal commercial terms.

Although the Relationship Agreement is entered to prevent the Concert Party from abusing their control of the Company, the interest of the Concert Party may not be the same as the interests of minority shareholders or investors in the Company and may make decisions which may have an adverse effect on investments in Ordinary Shares and/or on the business operations of the Group. Minority shareholders may have a limited ability to block or challenge such decisions through the constitutional documents of the Company and the Relationship Agreement.

2. Risks specific to the industry in which the Company operates

Pharmaceutical pricing environment

In common with other companies researching and developing new pharmaceutical products, the ability of the Company and its partners to market its products successfully depends in part on the extent to which reimbursement for the cost of such products and related treatment will be available from government health administration authorities, private health coverage insurers and other organisations. There is uncertainty as to the reimbursement status of newly approved healthcare products, and there is no assurance that adequate health administration or third party coverage will be available for the Company or its licensees to obtain satisfactory price levels to realise an appropriate return on its investment. In addition, there is increasing pressure by certain governments to contain healthcare costs by limiting both coverage and the level of reimbursement for new therapeutic products, and by refusing in some cases to provide coverage for uses of products for disease conditions for which the relevant regulatory agency has not granted marketing approval.

Competition and market acceptance

The Company expects competition for those of its products and technologies which are currently under development. Competition may come from companies which have greater research, development, marketing, financial and personnel resources than the Company. Competitors may precede the Company in development of competing products and receiving regulatory approval or may succeed in developing products that are more effective or economically viable than products developed by the Company. Such activities could render the Company's technology or products obsolete and/or otherwise uncompetitive. The success of the Company will also depend on the market acceptance of its products and there can be no guarantee that this acceptance will be forthcoming. Notwithstanding the technical merits of a product developed by the Company, there can be no assurance that medical practitioners will adopt such products as a standard means of medical practice or that the medical procedures at which the Company's products are targeted will maintain market acceptance. Even if the Company's products achieve market acceptance, the market may not be large enough to allow it to generate significant revenues. The failure of the Company's products to achieve market acceptance would prevent it from ever generating meaningful product revenues.

Government actions

All governments reserve the right to amend their policies in relation to drug development and life sciences. These policies are subject to change at any time, in any country and changes can have a profound impact upon the life sciences industry as a whole or in part.

3. General risks relating to the Group and its business

Liability and insurance

The nature of the Company's business means that the Company may be exposed to potentially substantial liability for damages that are inherent in the research, development, manufacturing, marketing and use of pharmaceutical products. There can be no assurance that necessary insurance cover will be available to the Company at an acceptable cost, if at all, nor that, in the event of any claim, the level of insurance carried by the Company now or in the future will be adequate. Any claims against the Company, regardless of their merit, could be difficult and costly to defend and could materially adversely affect the market for the Company's product candidates or any prospects for commercialisation of the product candidates.

The Company's operations are also subject to environmental and safety laws and regulations, including those governing the use of hazardous materials, such as biological materials. The cost of compliance with these and similar future regulations could be substantial and the risk of accidental contamination or injury from the biological and other hazardous materials with which it works cannot be eliminated. If an accident or contamination occurred, the Company could incur significant costs associated with civil damages, penalties and criminal fines for failure to comply with applicable environmental, health and safety laws and regulations or an interruption in operations. The Company's insurance may not be adequate to cover the damages, penalties and fines that could result from an accident or contamination and the Company may not be able to obtain adequate insurance at an acceptable cost or at all.

Currency risk

The Company expects to present its financial information in Sterling although part or all of its business may be conducted in other currencies. As a result, it will be subject to foreign currency exchange risk due to exchange rate movements which will affect the Company's transaction costs and the translation of its results.

Economic, political, judicial, administrative, taxation or other regulatory factors

The Company may be adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors, in the areas in which the Company will operate.

Economic conditions

Since the UK's vote to leave the EU in June 2016, both companies and consumers in the UK and Europe have faced increased uncertainty. From a regulatory perspective, the United Kingdom's withdrawal could bear significant complexity and risks. A basic requirement related to the grant of a marketing authorisation for a medicinal product in the European Union is that the applicant is established in the European Economic Area. Following the withdrawal of the United Kingdom from the European Union, marketing authorisations

previously granted to applicants established in the United Kingdom may no longer be valid. Moreover, depending upon the exact terms of the United Kingdom's withdrawal, the scope of a marketing authorisation for a medicinal product granted by the European Commission pursuant to the centralised procedure might not, in the future, include the United Kingdom. In these circumstances, an authorisation granted by competent United Kingdom authorities would be required to place medicinal products on the United Kingdom market. In addition, the laws and regulations that will apply after the United Kingdom withdraws from the European Union would affect the manufacturing sites that hold a certification issued by the United Kingdom competent authorities, and vice versa. Our capability to rely on these manufacturing sites for products intended for the European Union market would also depend upon the exact terms of the United Kingdom's withdrawal from the European Union. A significant portion of our manufacturing infrastructure is located in Spain, which is a member of the European Union. When the United Kingdom ceases to be a member of the European Union, our ability to integrate our United Kingdom and Spanish operations could be adversely affected. For example, depending on the terms of the United Kingdom's withdrawal, we could become subject to export tariffs and regulatory restrictions that could increase the costs and time related to doing business in Spain.

The referendum has also given rise to calls for the governments of other European Union Member States to consider withdrawal from the European Union. These developments, or the perception that any of them could occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Any of these factors could significantly increase the complexity of our activities in the European Union and in the United Kingdom, could depress our economic activity and restrict our access to capital, which could have a material adverse effect on our business, financial condition and results of operations and reduce the price of our Ordinary Shares.

Force majeure

The Group's operations may be adversely affected by risks outside of its control including acts of terrorism, labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosion or other catastrophes, epidemics or quarantine restrictions.

Taxation

The attention of potential investors is drawn to paragraph 3 of Part 3 of this document headed "United Kingdom Taxation". The tax rules and their interpretation relating to an investment in the Company may change during its life. Any change in the Company's tax status or in taxation legislation or its interpretation could affect the value of the investments held in the Company or the Company's ability to provide returns to Shareholders or alter the post-tax returns to Shareholders. Representations in this document concerning the taxation of the Company and its investors are based upon current tax law and practice which is, in principle, subject to change. Current and potential investors are strongly recommended to consult an independent financial adviser authorised under FSMA who specialises in investments of this nature before making any investment decision in respect of New Ordinary Shares.

Restrictions under US Securities Laws

The Company has not and will not register the Units, Warrants, nor the New Ordinary Shares under the Securities Act nor will they be qualified under applicable US state securities laws. The securities may not be offered, sold or delivered in the United States or to, or for the account or benefit of, any US Person, absent registration or an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the securities that are being offered and sold outside the United States are being offered and sold in a transaction that is exempt from the registration requirements of the Securities Act in reliance upon Regulation S under the Securities Act. Subscribers for or purchasers of the securities offered hereby may not offer, sell or transfer the Units unless outside the United States in compliance with Rules 903 or 904 under the Securities Act, absent registration or an applicable exemption from registration under the Securities Act. The Company can give no assurances that an exemption from registration or qualification will be available for resales or transfers of its Ordinary Shares.

4. Risks relating to AIM and the New Ordinary Shares

Conditionality of the Placing, Subscription and Open Offer

The Capital Raising is conditional upon, among other things, the passing of the Resolutions. If any such condition is not satisfied, and, other than in the case of the Resolutions, not waived, the Capital Raising will not proceed. In the event that the Company is not successful in raising all the monies in the Capital Raising, the Company may not have sufficient working capital to operate its business and/or to invest in research and development of its products unless alternative funding is obtained. Insufficient finance for product development or operations could result in, among other things, delay, reduction or elimination of development programmes and redundancy of the Group's staff.

Liquidity and possible price volatility

The share prices of publicly traded companies in the life sciences sector may be highly volatile and subject to wide fluctuations in price in response to a variety of factors which can also cause a reduction in trading liquidity.

These factors include: technological innovations, changes in government policies, complex regulatory requirements, the success of clinical trials by the Company and other pharma companies, changes in legislation and economic conditions, the provision of new products by the Company or its competitors, fluctuations in the Company's operating results, changes in economic performance or market valuations of similar businesses, announcements by the Company or its competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments, additions or departures of key personnel, litigation and press, newspaper and other media reports. In addition, the Ordinary Shares may not be traded in sufficient volumes to give share liquidity to Shareholders. Stock markets have also from time to time experienced extreme price and volume fluctuations, which have affected the market prices of securities and which have often been unrelated to the operating performance of the companies affected. These broad market fluctuations, as well as general economic and political conditions, could adversely affect the market price for the Ordinary Shares.

Higher risk for shares traded on AIM than on the Official list

Application has been made for the New Ordinary Shares to be admitted to trading on AIM, a market designated primarily for emerging or smaller companies. The AIM Rules for Companies are less onerous than those of the Official List and an investment in shares that are traded on AIM is likely to carry a higher risk than an investment in shares listed on the Official List.

Suitability of the New Ordinary Shares

Investment in the New Ordinary Shares may not be suitable for all readers of this document. Readers are accordingly advised to consult a person duly authorised under FSMA who specialises in investments of this nature before making any investment decisions.

Future performance of the Company cannot be guaranteed

There is no certainty and no representation or warranty is given by any person that the Company will be able to achieve any returns referred to in this document. The financial operations of the Company may be adversely affected by general economic conditions or by the particular financial condition of other parties doing business with the Company.

Dilution of shareholders' interest as a result of additional equity fundraising

The Company may decide to issue additional new Ordinary Shares in the future in subsequent public offerings or private placements to fund further clinical and commercial development. If existing Shareholders are not offered the right or opportunity to participate as disapplication of pre-emption rights applies, or existing Shareholders do not subscribe for additional new Ordinary Shares on a *pro rata* basis in accordance with their existing shareholdings, this will dilute their existing interests in the Group. Furthermore, the issue of additional new Ordinary Shares may be on more favourable terms than under the Capital Raising. The issue of additional new Ordinary Shares by the Company, or the possibility of such issue, may cause the market price of the Ordinary Shares to decline and may make it more difficult for Shareholders to sell Ordinary Shares at a desirable time or price. There is no guarantee that market conditions prevailing at the relevant

time will allow for such a fundraising or that new investors will be prepared to subscribe for new Ordinary Shares at a price which is equal to or in excess of the Issue Price.

Upon the exercise of the Warrants for cash, Warrant Shares will be issued which will dilute the existing share capital of the Company.

Dividends

The Company's ability to pay dividends (including any special dividends) in the future is affected by a number of factors, principally the generation of distributable profits within the Company. Under English law, a company can only pay cash dividends to the extent that it has distributable reserves and cash available for this purpose. In addition, the Company may not pay dividends if the Directors believe this would cause the Company to be inadequately capitalised or if, for any other reason, the Directors conclude it would not be in the best interests of the Company. Any change in the tax treatment of dividends or interest received by the Company may reduce the amounts available for dividend distribution. Any of the foregoing could limit the payment of dividends to Shareholders or, if the Company does pay dividends, the amount of such dividends. In addition, the Company's ability to pay dividends will depend on the level of distributions, if any, received from its operating subsidiaries. The Company's subsidiaries may, from time to time, be subject to restrictions on their ability to make distributions including foreign exchange limitations, and regulatory, fiscal and other restrictions.

We are incurring increased costs as a result of operating as a public company, and management will be required to devote substantial time to new compliance initiatives

As a public company in the United Kingdom and United States, we are incurring significant legal, accounting and other expenses that we did not incur as a private company, and these expenses may increase even more after we are no longer an "emerging growth company." We will be subject to the reporting requirements of the AIM Rules, the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Protection Act, as well as rules adopted, and to be adopted, by the SEC and the NASDAQ Stock Market. Our management and other personnel will need to devote a substantial amount of time to these compliance initiatives. Moreover, we expect these rules and regulations to substantially increase our legal and financial compliance costs and to make some activities more time-consuming and costly. For example, we expect these rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance and we may be required to incur substantial costs to maintain the sufficient coverage. We cannot predict or estimate the amount or timing of additional costs we may incur to respond to these requirements. The impact of these requirements could also make it more difficult for us to attract and retain qualified persons to serve on our Board, our board committees or as executive officers.

If the Company cannot meet NASDAQ's continued listing requirements, NASDAQ may delist the Company's American Depositary Shares which could have an adverse impact on the liquidity and market price of the Company's American Depositary Shares

The Company has American depositary shares, each of which represent two Ordinary Shares ("American Depositary Shares"), and which are currently listed on The NASDAQ Capital Market. The Company is required to meet certain qualitative and financial tests to maintain the listing of our American Depositary Shares on The NASDAQ Capital Market.

On 1 May 2018, the Company received a letter from the NASDAQ Stock Market LLC ("NASDAQ"), stating that it was not in compliance with the minimum bid price requirement set forth in NASDAQ's rules for continued listing on The NASDAQ Capital Market. NASDAQ Listing Rule 5550(a)(2) requires listed securities to maintain a minimum bid price of $1.00 per share, and Listing Rule 5810(c)(3)(A) provides that a failure to meet the minimum bid price requirement exists if the deficiency continues for a period of 30 consecutive business days. Based on the closing bid price of the Company's American Depositary Shares for the 30 consecutive business days beginning 19 March 2018, the Company no longer meets the minimum bid price requirement. NASDAQ stated in its letter that in accordance with the NASDAQ Listing Rules, the Company was provided 180 calendar days, or until 29 October 2018, to regain compliance with the minimum bid price requirement.

On 30 October 2018, the Company was notified by NASDAQ that the American Depositary Shares had not regained the minimum $1.00 bid price per share requirement within the 180 calendar day period following receipt of the initial notification letter from NASDAQ. However, NASDAQ determined that the Company was

eligible for an additional 180 calendar day period, pursuant to NASDAQ Listing Rule 5810(c)(3)(A), or until 29 April 2019, to regain the minimum $1.00 bid price per share requirement. If at any time before 29 April 2019 the bid price of our American Depositary Shares closes at $1.00 per share or more for a minimum of ten consecutive business days, the NASDAQ staff will provide the Company with written notification that it has achieved compliance with the minimum bid requirement.

However, if it appears to NASDAQ that the Company will not be able to cure the deficiency, or if the Company is not otherwise eligible for additional time, the NASDAQ staff will provide the Company with written notification that its American Depositary Shares will be delisting from The NASDAQ Capital Market. This decision may be appealed. If the Company is unable to regain compliance with the minimum bid price requirement or if it otherwise fails to evidence and sustain compliance with all applicable requirements for continued listing on NASDAQ, its American Depositary Shares may be subject to delisting by NASDAQ. This could inhibit the ability of the Company's holders of American Depositary Shares to trade their shares in the open market, thereby severely limiting the liquidity of such shares. Although stockholders may be able to trade their shares of American Depositary Shares on the over-the-counter market, there can be no assurance that this would occur. Further, the over-the-counter market provides significantly less liquidity than NASDAQ and other national securities exchanges, is thinly traded and highly volatile, has fewer market makers and is not followed by analysts. As a result, such holders ability to trade or obtain quotations for these securities may be more limited than if they were quoted on NASDAQ or other national securities exchanges.

PART 3

ADDITIONAL INFORMATION ON THE CONCERT PARTY

1. Responsibility

For the purposes of Rule 19.2 of the Takeover Code Mr Lam Kong, Mr Chen Hongbing, Ms Chen Yangling, Mr Cheung Kam Shing, Mr Wu Chi Keung and Mr Leung Chong Shun in their capacity as directors of CMS in respect of CMS and CMS Venture and additionally Dr. Huaizheng Peng in his capacity as director of CMS Venture (together "**CMS Directors**"), and Mr. Lam Kong in his capacity as sole director of A&B (HK), accept responsibility for the information contained in this document (including any expressions of opinion) relating to the Concert Party and their immediate families, related trusts and their connected persons and the intentions of the Concert Party in paragraph 4 of this Part 3. To the best of the knowledge and belief of the CMS Directors and Mr. Lam Kong (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Composition of and information on the Concert Party

The members of the Concert Party comprise the following:

(a) China Medical System Holdings Limited ("**CMS**"). CMS is a well-established, innovation-driven specialty pharma with a focus on sales & marketing in China. CMS builds up its product portfolio for its target markets by asset acquisition, equity investment, licensing-in and distribution partnership on the global basis as well as in-house R&D. It is listed on the Hong Kong stock exchange with a market capitalisation of approximately HK$20.17 billion (c. £1.964 billion) as at 31 January 2019.

CMS is a limited company incorporated in the Cayman Islands with registered office at Maples Corporate Services Limited of PO Box 309 Ugland House Grand Cayman, KY1-1104 Cayman Islands. CMS is subject to the Companies Law of the Cayman Islands.

CMS was incorporated in 2006 to become the holding company of a group of pharmaceutical companies operating under the control of Mr. Lam Kong. CMS listed on the AIM market of the London Stock Exchange in 2007 before delisting in 2010 at the time of the Company's listing on the Hong Kong Stock Exchange.

CMS current trading and prospects

On 27 August 2018, CMS announced its unaudited interim results for the six months ended 30 June 2018. During that period turnover was RMB 2,655.0 million (c. £302 million) and profit for the period was RMB 955.1 million (c £108.7 million). As at 30 June 2018, the Group's cash and bank deposits amounted to RMB 1,097.8 million (c. £124.9 million) while readily realisable bank acceptance bills amounted to RMB 245.5 million (c. £27.9 million).

CMS is a well-established, innovation-driven specialty pharma with a focus on sales and marketing in China. The CMS Group has established the diversified product introduction strategies to constantly provide competitive products and services to fulfil the unmet medical needs of the China market as well as to sustain the momentum for future development.

(b) Mr. Lam Kong is the Chairman, Chief Executive and President of CMS. He indirectly holds a 43.96 per cent. beneficial interest in the share capital of CMS through Treasure Sea Limited, (a limited liability company incorporated in Trident Chambers, P.O. Box 146, Road Town, Tortola, British Virgin Islands) which is wholly owned by Mr. Lam Kong. Mr. Lam Kong is also the ultimate controlling shareholder and sole director of A&B (HK).

Mr. Lam Kong was appointed as an executive director of CMS on 18 December 2006. Mr. Lam Kong is responsible for the creation, implementation and management of the CMS Group's development and growth strategy.

Mr Lam Kong has significant experience in marketing, promotion, sales and other value-added services for pharmaceutical products in China. He received his bachelor's degree in medicine from Zhanjiang Medical College in 1986, which was renamed to Guangdong Medical University and he acquired Kangzhe Shenzhen Pharmaceutical in 1995 which became the principal operating subsidiary of the

CMS Group. Mr Lam is the sole director of A&B (HK) and of Treasure Sea Limited, the controlling shareholder of CMS.

(c) CMS Medical Venture Investment (HK) Limited. CMS Venture is wholly owned by CMS and a party to the CMS Subscription;

(d) A&B (HK) is a private limited liability company which is ultimately wholly-owned by Mr. Lam Kong.

A&B (HK) is incorporated in Hong Kong with registered office at Unit 2016,21/F Island Place Tower No.510 King's Rd North Point, Hong Kong.

A&B (HK) is an investing company with a focus on (but not limited to) investing in relatively early stage bio-technology and pharmaceutical companies. Dr. Huaizheng Peng is the Chief Executive Officer of A&B (HK). A&B (HK)'s investments include, but are not limited to, investments in a number of other AIM companies including Faron Pharmaceuticals Oy and Destiny Pharma.

CMS, CMS Venture and A&B (HK)'s directors and other corporate details are listed in the table below:

Name:	China Medical System Holdings Limited
Directors:	Mr Lam Kong, Mr Chen Hongbing, Ms Chen Yangling, Mr Cheung Kam Shing, Mr Wu Chi Keung, Mr Leung Chong Shun
Registered Office:	Maples Corporate Services Limited PO Box 309 Ugland House Grand Cayman, KY1-1104 Cayman Islands
Website:	http://en.cms.net.cn/CmsNewWebEn/index.aspx
Place of incorporation:	Cayman Island
Name:	CMS Medical Venture Investment (HK) Limited
Directors:	Mr. Lam Kong and Dr. Huaizheng Peng
Registered Office:	Unit 2106, 21st Floor, Island Place Tower, 510 King's Road, North Point, Hong Kong
Place of incorporation:	Hong Kong
Name:	A&B (HK) Company Limited
Directors:	Mr. Lam Kong
Registered Office:	Unit A, 11/F, Chung Pont Commercial Building, 300 Hennessy Road, Wanchai, Hong Kong
Place of incorporation:	Hong Kong

In addition to the Concert Party composition and information included above, it is intended that Dr. Huaizheng Peng will be appointed to the board of Midatech as a non-executive director following completion of the Capital Raising. Dr. Huaizheng Peng is General Manager of International Operations at CMS, CEO of A&B (HK) and director of CMS Venture. Further details about Dr. Peng are provided in paragraph 4 of Part 1 of this document.

3. Disclosure of Interests and dealings

3.1 For the purposes of this paragraph and paragraph 3.5 of Part 4, references to:

(A) "acting in concert" has the meaning attributed to it in the Takeover Code;

(B) "arrangement" includes any indemnity or option arrangements, and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or refrain from dealing;

(C) "associate" of any company means:

(i) its parent (if any), subsidiaries, fellow subsidiaries, associated companies, and companies of which any such parent, subsidiaries, fellow subsidiaries or associated companies are associated companies (for this purpose, ownership or control of 20 per cent. or more of

the equity share capital of a company is regarded as the test of "associated company" status);

(ii) its connected advisers and persons controlling, controlled by or under the same control as such connected advisers;

(iii) its directors and the directors of any company covered in (i) above (together, in each case, with their close relatives and related trusts);

(iv) its pension funds or the pension funds of any company covered in (i) above;

(v) employee benefit trust or the employee benefit trust of any company covered in (i) above; and

(vi) a company having a material trading agreement with any company covered in (i) above;

(D) "connected adviser" has the meaning attributed to it in the Takeover Code;

(E) "control" means a holding, or aggregate holdings, of shares carrying 30 per cent. or more of the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting, irrespective of whether the holding or aggregate holding gives de facto control;

(F) "connected persons" means in relation to a director, those persons whose interests in Ordinary Shares the Director would be required to disclose pursuant to Part 22 of the Companies Act 2006 and related regulations and includes any spouse, civil partner, infants (including step children), relevant trusts and any company in which a Director holds at least 20 per cent. of its voting capital;

(G) "dealing" or "dealt" includes the following:

(1) acquiring or disposing of relevant securities, of the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to relevant securities, or of general control of relevant securities;

(2) taking, granting, acquiring, disposing of, entering into, closing out, terminating, exercising (by either party) or varying an option (including a traded option contract) in respect of any relevant securities;

(3) subscribing or agreeing to subscribe for relevant securities;

(4) exercising or converting, whether in respect of new or existing relevant securities, any relevant securities carrying conversion or subscription rights;

(5) acquiring, disposing of, entering into, closing out, exercising (by either party) of any rights under, or varying, a derivative referenced, directly or indirectly, to relevant securities;

(6) entering into, terminating or varying the terms of any agreement to purchase or sell relevant securities; and

(7) any other action resulting, or which may result, in an increase or decrease in the number of relevant securities in which a person is interested or in respect of which he has sought a position;

(H) "derivative" includes any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of an underlying security;

(I) "equity securities" has the meaning given in section 560 of the Act;

(J) "exempt principal trader" or "exempt fund manager" each has the meaning attributed to it in the Takeover Code;

(K) a person having an "interest" in relevant securities includes where a person:

(1) owns securities;

(2) has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to securities or has general control of them;

(3) by virtue of any agreement to purchase, option or derivative, has the right or option to acquire securities or call for their delivery or is under an obligation to take delivery of them, whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise; or

(4) is party to any derivative whose value is determined by reference to the prices of securities and which results, or may result, in his having a long position in them;

(5) has long economic exposure, whether absolute or conditional, to changes in the price of those securities (but a person who only has a short position in securities is not treated as interested in those securities);

(L) "relevant securities" means Ordinary Shares, or any securities convertible into, or exchangeable for, rights to subscribe for and options (including traded options) in respect of, and derivatives referenced to, any Ordinary Shares; and

(M) "short position" means any short position (whether conditional or absolute and whether in the money or otherwise) including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery.

3.2 As at 4 February 2019 (being the latest practicable date prior to the publication of this document), no member of the Concert Party, nor their directors, connected persons nor any persons acting in concert with a member of the Concert Party has any interest in any Existing Ordinary Shares or any other relevant securities of the Company.

3.3 No dealings in relevant securities of the Company have taken place during the 12 month period ended on 4 February 2019 (being the latest practicable date before the posting of this document) by any member of the Concert Party, their directors, connected persons nor any person acting or deemed to be acting in concert with them.

3.4 No member of the Concert Party, nor their directors, connected persons nor any persons acting in concert with a member of the Concert Party owns or controls or (in the case of their directors or connected persons) is interested directly or indirectly in, or has borrowed or lent (including for these purposes any financial collateral arrangements of the kind referred to in Note 4 to Rule 4.6 of the Code), has rights to subscribe for, or has any short position in, any relevant securities of the Company, nor has any such person dealt therein during the 12 month period ended on 4 February 2019 (being before the latest practicable date before the posting of this document).

4. Intentions of the Concert Party following the Subscription

4.1 The Concert Party are committing funds to invest in the Company under the proposed Subscription and potentially pursuant to the exercise of the Subscriber Warrants which will enable the Company to progress with its strategy, as described in this document. Conditional on completion of the Proposals and Admission, CMS Bridging and CMS HK will be granted a licence to develop and commercialise certain of the Company's products in CMS Territory.

4.2 The members of the Concert Party support the strategic plans for the Group following completion of the Proposals as are set out in paragraph 4 of Part 1. The Concert Party believes that there will be mutual benefit in the successful implementation of that strategy and by the joint development of opportunities to grow shareholder value. The Concert Party currently does not intend to be involved in the day to day management or operation of the Company's business. In addition to entering into a Relationship Agreement with the Company, further details of which are contained in paragraph 4.3 Part 4, the Concert Party has confirmed to the Company that, save for the appointment of A&B (HK's) representative Dr. Huaizheng Peng to the Board as a non-executive director and A&B (HK)'s right to have an observer present at Board meetings (in each case conditional upon Admission) and the activities under the CMS Licence Agreement it is not proposing to seek any other change in the composition of the Board or to the general nature or to any other aspect of the Company's business, and that the business of the Group should continue to be run in substantially the same manner as at present and in line with the Company's strategy.

4.3 Each member of the Concert Party has confirmed to the Company that as result of and following completion of the Subscription, no member of the Concert Party intends to change the Group's business strategy. In addition, each member of the Concert Party has confirmed to the Company that it does not have any intentions regarding its own business as a result of the proposal that would effect:

(i) the research and development functions of any member of the Concert Party;

(ii) the employment of employees, including the continued employment of, or the conditions of employment of, any member of the Concert Party (or their respective group of companies) employees and management; or

(iii) the strategic plans of any member of the Concert Party; or

(iv) the locations of any member of the Concert Party's business or operating subsidiaries.

4.4 The Concert Party has no intention to change the Company's business that would affect:

(i) the research and development functions of the Group;

(ii) the employment of employees, including the continued employment of, or the conditions of employment of, any of the Group's employees and management, or the balance of the skills and functions of the employees and management; or

(iii) the strategic plans of the Company or the locations of the Group's business or operating subsidiaries, including their headquarter and headquarter functions; or

(iv) contributions into the Group's pension schemes, the accrual of benefits for existing members or the admission of new members; or

(v) any redeployment of the fixed assets of the Group; or

(vi) the continuation of the Ordinary Shares being admitted to trading on AIM.

4.5 The Concert Party's investment will be funded from cash reserves.

4.6 The Proposals are not expected to have a material effect on the Concert Party's earnings, assets or liabilities.

4.7 The Concert Party confirms that no disqualifying transactions, as defined in Section 3 to Appendix 1 of the Takeover Code, have been undertaken by any member of the Concert Party in the 12 months preceding the date of this document.

5. Other arrangements, agreements or understandings

5.1 Save as disclosed in this document, there is no agreement, arrangement, or understanding (including any compensation arrangement) between any member of the Concert Party nor any persons acting in concert with them and any of the Directors, recent directors, Shareholders or recent shareholders or any person interested or recently interested in Existing Ordinary Shares which are connected with or dependent upon the outcome of the Proposals.

5.2 No member of the Concert Party has entered into any agreement, arrangement or understanding to transfer any interest acquired in the Company, pursuant to their Subscription (being both in the New Ordinary Shares and/or Warrants to any person).

6. Material contracts entered into by any member of the Concert Party

6.1 Other than as set out in paragraph 6.2 below, there are no material contracts (other than contracts entered into in the ordinary course of business) entered into by any member of the Concert Party within the two years immediately preceding the date of this document.

6.2 On 20 June 2017, Sky United Trading Limited, a wholly-owned subsidiary of CMS (as borrower) and CMS (as guarantor) entered into a facility agreement with Standard Chartered Bank (Hong Kong) Limited (as original lender, mandated lead arranger and bookrunner and agent) in respect of a US$300,000,000 term loan facility with a term of 36 months from the first utilisation date.

7. Incorporation of relevant financial information on the Concert Party by reference

The documents referred to below are incorporated into this document by reference pursuant to Rule 24.15 of the Takeover Code:

7.1 In respect of members of the Concert Party, the following documents have been incorporated by reference in this document:

(i) the consolidated audited annual reports and accounts of CMS for the years ended 31 December 2016 and 31 December 2017;

(ii) the unaudited consolidated interim accounts of CMS for the six months ended 30 June 2018;

(iii) A&B (HK) is not required to publish audited accounts.

7.2 The information of CMS incorporated by reference may be accessed if you are reading this Document in hard copy, by entering the below web address in your web browser to be brought to the relevant document.

If you are reading this Document in soft copy please click on the web address below to be brought to the relevant document:

http://en.cms.net.cn/CmsNewWebEn/investor/report.aspx

The Company will provide within two Business Days, without charge, to each person to whom a copy of this Document has been delivered, upon their written or verbal request, a copy of any documents incorporated by reference in this Document. Copies of any documents incorporated by reference in this Document will not be provided unless such a request is made. Requests for copies of any such document should be directed to Nick Robbins-Cherry at 65 Innovation Drive, Milton Park, Abingdon, Oxfordshire, 0X14 4RQ or by telephone to +44 (0) 1235 888300.

8. Ratings and outlooks for the Concert Party

As at the date of this document no member of the Concert Party has been given any ratings or outlooks publicly accorded to them by ratings agencies.

PART 4

ADDITIONAL INFORMATION ON THE COMPANY

1. Responsibility

The Directors, whose names are set out on page 15 of this document, accept responsibility both individually and collectively for the information contained in this document (including any expressions of opinion and the recommendation that Independent Shareholders vote in favour of the Whitewash Resolution) with the exception of any information relating to the members of the Concert Party. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Share capital

2.1 The following table shows the issued share capital of the Company as at the date of this document and as it is expected to be immediately following Admission (assuming the Open Offer is taken up in full):

Number of Existing Ordinary Shares as at the date of this document	*Aggregate nominal value of Existing Ordinary Shares as at the date of this document (£)*	*Number of Ordinary Shares comprising the Enlarged Share Capital immediately following Admission*	*Aggregate nominal value of the Enlarged Share Capital immediately following Admission (£)*
61,184,135	3,059.2	409,399,613	20,469.98

2.2 The New Ordinary Shares to be issued pursuant to the Capital Raising will on issue rank *pari passu* for all dividends and other distributions (if any) declared or made or paid in all respects with the Existing Ordinary Shares and no Shareholders enjoy different or enhanced voting rights.

2.3 The holders of Existing Ordinary Shares will be diluted by the issue of the New Ordinary Shares under the Capital Raising. The effective dilution rate, assuming none of the holders of the Existing Ordinary Shares participates in the Placing or Open Offer, is 85.06 per cent. The effective dilution rate if a holder of Existing Ordinary Shares takes up his basic entitlement under the Open Offer in full but does not participate in the Placing is 80.80 per cent. (assuming the Open Offer is taken up in full).

3. Disclosure of interests

For the purposes of this paragraph 3, the definitions contained in paragraph 3 of Part 3 of this document apply.

3.1 ***Directors' shareholding and other interests in the Company***

As at the date of this document and following the Capital Raising, and Admission, the interests of the Directors, their immediate families, related trusts and connected persons, all of which are beneficial unless otherwise stated, in the relevant securities of the Company (with the exception of options in respect of Ordinary Shares which are set out in paragraph 3.2 below, and assuming that they do not participate in the Capital Raising and that the Open Offer is taken up in full), are as follows:

	As at the date of this document		On Admission	
Name of Director	*Number of Existing Ordinary Shares*	*Percentage of Existing Ordinary Shares*	*Number of Ordinary Shares*	*Percentage of Enlarged Share Capital*
Rolf Stahel	599,942	0.98%	599,942	0.15%
Craig Cook	6,000	0.01%	6,000	0.00%
Nick Robbins-Cherry,	500	0.00%	500	0.00%
Michele Luzi	131,344	0.21%	131,344	0.03%
John Johnston	54,981	0.09%	54,981	0.01%
Pavlo Protopapa	60,000	0.1%	60,000	0.01%
Simon Turton	269,413	0.44%	269,413	0.07%
Sijmen de Vries	38,802	0.06%	38,802	0.01%

3.2 ***Interests of Directors in Options over Ordinary Shares***

The following outstanding options over Ordinary Shares have been granted to the following Directors as at the date of this document:

Name of Director	*Number of Ordinary Shares under option*	*Date of grant*	*Exercise period*	*Exercise price (pence)*
Rolf Stahel	–	–	–	–
Craig Cook	360,000[1]	01/07/2014	10 years	7.5
	150,000[2][3]	31/10/2016	10 years	268
	210,000[2]	19/12/2016	10 years	121
	241,000[4]	15/12/2017	10 years	46
Nick Robbins-Cherry	60,000[1]	30/06/2014	10 years	7.5
	125,000[2][3]	31/10/2016	10 years	268
	168,000[2]	19/12/2016	10 years	121
	202,000[4]	15/12/2017	10 years	46
Michele Luzi	18,796	20/04/2012	10 years	419
John Johnston	–	–	–	–
Pavlo Protopapa	–	–	–	–
Simon Turton	–	–	–	–
Sijmen de Vries	3,000	31/12/2008	10 years	142.5
	4,000	20/04/2012	10 years	419
	10,000	30/06/2014	10 years	7.5

Notes

(1) 50 per cent. of these options vest when the share price reaches £5.31 per share, a further 25 per cent. vest when the share price reaches £13.72 and the remaining 25 per cent. when the share price reaches £18.86.

(2) 25 per cent. of the options vest 12 months after the grant date, followed by vesting of 12 equal quarterly tranches, over a subsequent three-year period.

(3) Share option award relates to 2015 but the acquisition of DARA BioSciences and other activities during that year meant that there was insufficient time during open periods to make the awards until 2016.

(4) 25 per cent. of the options become eligible to vest 12 months after the grant date, followed by 12 equal quarterly tranches becoming eligible to vest, over a subsequent three-year period. All vesting subject to the 20-VWAP share price reaching £1 at any time during the life of the option.

3.3 Save as disclosed in paragraph 3.1 of this Part 4, neither the Directors nor any member of their immediate families or related trusts or connected persons, nor any person acting in concert with the Directors is interested (directly or indirectly) in, or has borrowed or lent, nor has rights to subscribe for, or has any short position in, any relevant securities of the Company, nor has any such person dealt therein during the 12 months ended 4 February 2019 (being the latest practicable date prior to the posting of this document).

3.4 As at 4 February 2019 (being the latest practicable date prior to the posting of this document), neither the Company, nor any of the Directors nor any member of their immediate families or related trusts, owns or controls or (in the case of the Directors and their families or related trusts) is interested directly or indirectly in, or has rights to subscribe for, or has any short position in any member of the Concert Party or any interest or security which is convertible into, or exchangeable for, rights to subscribe for and options in respect of, and derivatives referenced to, any of the foregoing or has dealt in any such interests or securities in the 12 months ended 4 February 2019 (being the latest practicable date prior to the posting of this document).

3.5 Save as disclosed in paragraph 3.1 of this Part 4 there were no arrangements of the kind referred to in Note 11 of the definition of acting in concert in the Takeover Code which existed between the Company nor any of the Directors (including any members of such Directors' respective immediate families, related trusts or connected persons) or any associate of the Company and any other person, nor have any dealings in relevant securities of the Company taken place between such parties during the 12 month period ended on 4 February 2019 (being the latest practicable date prior to the posting of this document).

3.6 There are no incentivisation arrangements proposed between members of the Company's management who are interested in Ordinary Shares and any member of the Concert Party following completion of the Capital Raising.

4. Material contracts entered into by the Group

The following are the material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by members of the Group within the two years immediately preceding the date of this document:

4.1 ***The Subscription Agreements***

The Company entered into a subscription agreement with each of A&B (HK) and CMS Venture on 29 January 2019 to subscribe for Units. Pursuant to the agreements, the Company has agreed to issue New Ordinary Shares and Subscriber Warrants to the Subscribers, for an aggregate subscription price of £8 million (£4 million each) and concurrently with it, the CMS Licence Agreement, as described below, becoming effective on Admission. A&B (HK) has irrevocably agreed to subscribe for 103,896,103 Units (comprising 103,896,103 New Ordinary Shares and 103,896,103 Subscriber Warrants) at the Issue Price per Unit. CMS Venture has irrevocably agreed to subscribe for 103,896,103 Units (comprising 103,896,103 New Ordinary Shares and 103,896,103 Subscriber Warrants) at the Issue Price per Unit. In total, A&B (HK) and CMS Venture shall subscribe for 50.76 per cent. of the Enlarged Share Capital. Under the terms of the agreement, A&B (HK) shall have the right to appoint, remove and replace a non-executive director to the Board of the Company as well as an observer and shall continue to have such rights for so long as it holds more than 10 per cent. of the issued share capital of the Company. The first such director shall be Dr. Huaizheng Peng who will be appointed with effect from Admission to the Board of Directors.

The Subscription is conditional upon, *inter alia*, the passing of the Resolutions (including the Whitewash Resolution) and Admission.

4.2 ***Warrant Instrument***

The Warrant Instrument was entered into by way of deed poll by the Company dated 29 January 2019 under which the Company agrees to issue up to 348,215,478 Warrants in connection with the Capital Raising to the Subscribers, the Placees and subscribing Qualifying Shareholders who receive Open Offer Shares upon completion of the Proposals.

Each Warrant confers the right to subscribe for one New Ordinary Share. The Warrants shall be freely transferable.

Each Warrant is exercisable for cash at a price of 50 pence per Warrant (being a 1,199 per cent. premium to the Issue Price) (subject to the terms and conditions described in the Warrant Instrument) (the "**Warrant Exercise Price**") during the period commencing six months following Admission and until the third anniversary of Admission (the "**Subscription Period**").

Warrants issued in certificated form are exercised by the reverse of the certificate being completed and sent to Neville Registrars Limited along with the relevant cheque payment (payable to Neville Registrars Limited Re: clients account). Warrants held in uncertificated form are exercised by submission of the usual USE/AUSN message and delivery to Neville Registrars Limited CREST details (Participant ID 7RA11, Member Account ID WARRANTS).

Any Warrants remaining unexercised after the end of the Subscription Period shall automatically expire without compensation. Upon exercise of the Warrants, the underlying Ordinary Shares will be issued within three trading days.

The Warrant Instrument contains customary provisions for adjustments to the Warrant Exercise Price in certain circumstances, including if, prior to the end of the Subscription Period, there shall occur any reorganisation, recapitalisation, consolidation or subdivision, involving the Company.

4.3 ***Relationship Agreement***

The Company and Panmure Gordon have, conditional on Admission, entered into the Relationship Agreement to regulate the Company's relationships with CMS, CMS Venture and A&B (HK) and to limit their influence over the Group's corporate actions and activities and the outcome of general matters pertaining to the Group from Admission.

Pursuant to the Relationship Agreement, CMS, CMS Venture and A&B (HK) have each agreed to (amongst other things):

(a) conduct all transactions with the Group on arm's length terms and on a normal commercial basis, including in accordance with the related party rules set out in the AIM Rules and any other applicable laws, regulations and stock exchange rules, and only with the prior approval of a majority of independent directors;

(b) exercise their voting rights or other rights and powers so as to ensure that each member of their respective Groups is capable of carrying on its business and making decisions independently of each of CMS and A&B (HK) (and any of their group companies and associates); and

(c) abstain from voting in respect of any resolution concerning any contract, arrangement or transaction with a related party of each of CMS and A&B (HK) (or any of their associates).

The Company further agreed to conduct all transactions, agreements and relationships (whether contractual or otherwise) with each of CMS and A&B (HK) (and any of their group companies and associates) on arm's length terms and on a normal commercial basis and in accordance with the related party rules set out in the AIM Rules.

The Relationship Agreement provides that any respective dispute between the Company and each of CMS, CMS Venture and A&B (HK) and/or any of their respective associates relating to any existing or proposed transaction, arrangement or agreement between each of CMS and A&B (HK) (or any of their associates) and the Company shall be resolved by a decision of the majority of independent directors.

The obligations of the parties under the Relationship Agreement shall automatically terminate upon:

(a) CMS, CMS Venture and/or A&B (HK) (or any of their associates) ceasing to beneficially hold 10 per cent. in aggregate of the Company's issued Ordinary Shares; or

(b) the Ordinary Shares ceasing to be admitted to AIM.

Pursuant to the Relationship Agreement, the Company has further agreed, conditional on Admission, to appoint a representative designated by A&B (HK) to the Board of Directors as a non-executive director, and further the right to elect a board observer. A&B (HK)'s right to maintain a representative on the Board of Directors and the right to elect an observer at Board meetings shall continue for so long as A&B (HK) continues to beneficially hold not less than 10 per cent. of the Company's issued Ordinary Shares from time to time.

4.4 ***Lock-In Deeds***

Lock-in and orderly market agreements dated 29 January 2019 have been entered into between (1) the Company (2) A&B (HK) (3) CMS Venture and (4) Panmure Gordon, pursuant to which the Subscribers have undertaken to the Company and Panmure Gordon (subject to certain limited exceptions including by way of acceptance of a recommended takeover offer for the entire issued share capital of the Company), not to dispose of the Subscription Shares held by them following Admission or any other securities in exchange for or convertible into, or substantially similar to, new Ordinary Shares (or any interest in them or in respect of them) at any time prior to the twelve month anniversary of Admission.

Furthermore, the Subscribers have also undertaken to the Company and Panmure Gordon not to dispose of their Subscription Shares for a further twelve months following the expiry of such period otherwise than through the Company's broker with a view to maintaining an orderly market.

4.5 ***Midatech US Acquisition Agreement***

On 26 September 2018, the Company entered into a Stock Purchase Agreement ("**Purchase Agreement**") to sell its wholly owned subsidiary, Midatech Pharma US Inc., a Delaware corporation ("**MTP US**"), to Kanwa Holdings, LP, a Delaware limited partnership and an affiliate of Barings LLC ("**Purchaser**"). Pursuant to the terms and conditions of the Purchase Agreement, Purchaser acquired 100 per cent. of the outstanding equity interests of MTP US (the "**Sale**") for initial consideration of $13.0 million, and up to $6.0 million of additional consideration payable subject to the achievement of 2018 and 2019 net sales performance targets with respect to certain MTP US products, both individually and in the aggregate. The Sale was effective as of 1 November 2018.

The Purchase Agreement contains customary representations, warranties and covenants of the Company, MTP US and Purchaser, and customary indemnification provisions that are subject to specified limitations.

The approval of Shareholders was obtained in connection with the disposal. The parties also entered into a transition services agreement whereby the Company will provide certain transition services to MTP US for a period of up to 12 months following the closing of the Sale, subject to extension upon the mutual agreement of the parties.

4.6 ***CMS Licence Agreement***

The Company entered into a license, collaboration and distribution agreement with CMS Bridging and CMS HK, both of which are wholly owned subsidiaries of CMS, and CMS (the latter as guarantor of the financial obligations under the agreement), on 29 January 2019, (together in this section the "**Licensee**") which comes into effect upon Admission. Under the agreement, the Company has agreed to license to the Licensee the exclusive right to use its technology and its intellectual property rights and information and data related to the clinical and pre-clinical products named in section 3 of Part 1 (i.e. MTD201, MTX110, MTX102, MTR103 and MTD119) together with any other pipeline products or line extensions which are in or which enter pre-clinical or clinical development in the first three years after Admission (together the "**Products**") to develop and commercialise the Products in the Greater China Area (i.e. China, Taiwan, Hong Kong and Macau) with the same rights in those of the following countries in certain countries in south east Asia in respect of which the Licensee notifies the Company that it wants a licence after the grant of a regulatory approval by the FDA or the EMA or by the regulatory authorities in the UK, France, Germany and Switzerland , such activities to be conducted by the Licensee and CMS Affiliates and local partners as permitted sub-licensees. The Licensee has the exclusive right to import, obtain market approvals and register, market, distribute, promote and sell the Products in the CMS Territory at the Licensee's sole discretion with and will be granted the right to manufacture the Products itself in the event Midatech chooses not to do so or fails to meet the Licensee's binding orders for the Products under certain specified circumstances. The Licensee will be restricted from supplying any customers the Products outside the CMS Territory and the Company will be restricted from supplying the Products into the CMS Territory except through the Licensee.

In addition, the Company has agreed to assist the Licensee (and/or any CMS Affiliate) with its applications for marketing approvals for the Products in the CMS Territory, which approvals if granted, will be exercised by CMS Bridging of CMS HK unless it being transferred to the Company when the

Company is entitled to terminate the agreement under the specified circumstances of material breach by CMS Bridging or CMS HK. The Company will manufacture the Products for the Licensee and its sub-licensees which Products will be subject to exclusive purchase and supply arrangements with the Licensee for the CMS Territory.

Further, the Company has agreed to permit the Licensee to identify its own product and line extension targets in respect of which, if agreed by the Company, the Company will carry out initial development and then will, for a technology transfer fee the amount of which will be dependent on the circumstances, transfer the specific programme know-how and data to enable the Licensee to continue to develop using the Company's platform technologies and then to commercialise in the CMS Territory. The Company will receive a low single digit royalty on the Net Sales in the CMS Territory. The Licensee will own any intellectual property rights it creates and any data it collects during the development process and will license such rights and data to the Company for the purposes of manufacturing the products in question and also to commercialise the products outside the CMS Territory for which the Company will pay the Licensee a low double digit royalty.

The Licensee shall pay the Company lump sum payments on a product by product basis in US Dollars upon the achievement of certain regulatory approvals (in six or potentially seven figure amounts) and sales performance milestones (in seven or potentially eight figure amounts), as well as royalties upon net sales (as a low double digit percentage for the products other than MTX110 for which the royalty will be a single digit percentage) in the CMS Territory.

The Agreement remains in force and effect in perpetuity unless terminated by either party for specific material breaches or insolvency. In particular, the Company's rights to terminate are limited to breach of certain non-compete restrictions, failure to pay milestones or royalties, insolvency, a failure to develop and/or commercialise particular products in particular countries after the grant of an FDA or EMA regulatory approval. In addition, the Company shall have the right to terminate the agreement if the Licensee directly or indirectly infringes the Company's intellectual property rights or challenges their validity or, in relation to a particular Product and a particular territory at any time, because the licensee has decided, for whatever reason, that it no longer wishes to develop and/or commercialise the Product in that country in the CMS Territory. The agreement is governed by English law.

4.7 ***Placing Agreement***

Pursuant to the Placing Agreement entered into between the Company (1), Panmure Gordon (2) and Stifel (3) the Joint Bookrunners have agreed to use their reasonable endeavours to place the Units comprised in the Placing at the Issue Price with certain institutional and other investors.

The Placing Agreement provides, conditional upon Admission, for payment of a corporate finance advisory fee of £100,000 to Panmure Gordon and certain commissions payable by the Company to Panmure Gordon and Stifel against the gross proceeds of the Capital Raising.

The Company will bear all other expenses of and incidental to the Capital Raising including the fees of the London Stock Exchange, printing costs, registrar's and receiving banks fees and all legal and accounting fees of the Company and the Joint Bookrunners.

The Placing Agreement contains customary warranties and indemnities from the Company in favour of the Joint Bookrunners and is conditional, amongst other things, upon:

(a) the Resolutions having been passed;

(b) the Placing Agreement not having been terminated in accordance with its terms prior to Admission;

(c) the Subscription Agreements not having been terminated or materially varied or amended; and

(d) Admission.

The Joint Bookrunners may terminate the Placing Agreement in certain circumstances, if, amongst other things, the Company is in breach of any of the representations, warranties or covenants given by it or if there is a change in national or international financial, political economic or stock market conditions which in their opinion, acting in good faith, would be likely to materially prejudice the Capital Raising and Admission.

5. Director's service contracts

The executive Directors' services agreements and the Non-executive Directors' letters of appointment are summarised below and, other than as described, have not been amended in the six months preceding the publication of this document:

5.1 Dr. Craig Cook and Mr. Nick Robbins-Cherry previously entered into service agreements on 1 June 2018 and 2 December 2014, respectively (the "**Service Agreements**"). The Service Agreements provide for base salaries, incentive compensation benefits, and, in certain circumstances, severance benefits. The Service Agreements may be terminated, subject to certain exceptions, on six months' prior notice.

The Service Agreements with each of Dr. Cook and Mr. Robbins-Cherry provided for initial base salaries of £220,000 and £125,000, respectively. Both salaries were increased periodically between February 2014 to December 2016 such that Dr. Cook's base salary was £210,000 and Mr. Robbins-Cherry's was £176,000. In October, 2017, as part of a commitment by the Board of Midatech to reduce costs, the salary of Dr. Cook was decreased to £185,000 and Mr. Robbins-Cherry was decreased to £155,000. On his appointment as CEO on 1 June 2018, Dr. Cook's salary was increased to £220,000. Dr. Cook's base salary is subject to increase (i) each April 1 by the percentage increase, if any, in the "All Items Index of Retail Prices" published by the United Kingdom Office for National Statistics over the previous year and (ii) at such time as the AIM 30-day volume weighted average share price of the Company's ordinary shares reaches 100 pence, at which time his salary shall be increased to £253,000. Mr. Robbins-Cherry's base salary is also subject to increase at such time as the AIM 30-day volume weighted average share price of the Company's ordinary shares reaches 100 pence, at which time his salary shall be increased to £176,000. Further, the base salaries of each of Dr. Cook and Mr. Robbins-Cherry are reviewed annually to consider any increase in salary. The Service Agreements also include a bonus target for Dr. Cook and Mr. Robbins-Cherry of up to 40 per cent. and 33 per cent., respectively, of their annual base salary, which bonus is payable upon attainment of objectives as determined by the Remuneration Committee. In addition to base salary and bonus, the Service Agreements provide for additional benefits, such as a 10 per cent. pension contribution, life insurance, medical insurance, vacation benefits and any other additional benefits as determined by the Board from time to time.

Each of Dr. Cook and Mr. Robbins-Cherry have agreed that, for a period of six months following his termination, he will not directly or indirectly compete with the Company. The Service Agreements includes provisions related to the non-disclosure of information and assignment of inventions. Among other things, these provisions prohibit each such executive officer from disclosing any of our proprietary and confidential information received during the course of employment and obligate each executive officer to assign to us any inventions conceived or developed during the course of their employment. The Service Agreements also include customary confidentiality, non-solicitation, non-poaching and non-disparagement provisions. The Service Agreements also provide the executive officers with certain payments and/or benefits upon certain terminations of employment. The Company may terminate the Service Agreements without notice or payment in lieu thereof if the termination is for cause.

5.2 Pursuant to a term of appointment dated 15 April 2014, as amended on 2 December 2014 (the "**Stahel Appointment Agreement**"), Rolf Stahel was appointed Non-Executive Chairman. The initial term of appointment for Mr. Stahel expired on February 28, 2015 but Mr. Stahel was subsequently re-elected by the Board with the current term due to expire in April 2019. In addition, his appointment may be terminated (i) by either party giving at least three months prior written notice; (ii) by the Board reasonably determining that Mr. Stahel's acceptance of any other employment, engagement, appointment, interest or involvement with any business or person competes or conflicts with his appointment and would result in a serious conflict of interest or Mr. Stahel reasonably determines such interest would result in a serious conflict of interest, and Mr. Stahel accepts such employment, engagement, appointment, interest or involvement; or (iii) in accordance with the articles of association or applicable law.

Pursuant to the terms of the Stahel Appointment Agreement, Mr. Stahel is paid an annual fee of £40,000 and an additional fee of £40,000 under a consultancy agreement (each reduced from £50,000 with effect from 1 October 2017). Mr. Stahel is entitled to additional payments depending upon the amount of time he devotes to the Company under the Consultancy Agreement. The Company also reimburses Mr. Stahel for reasonable and documented expenses accrued in the course

of performing his duties. The Stahel Appointment Agreement includes provisions related to the non-disclosure of information and assignment of inventions. Among other things, these provisions obligate Mr. Stahel from disclosing any of our proprietary and confidential information received during the course of employment and to assign to Midatech any inventions conceived or developed during the course of their employment. In the event the Company terminates the Stahel Appointment Agreement other than for cause or in the event he is not re-elected by shareholders the Company may be obligated to pay to Mr. Stahel all fees which are due to him for the following 12 months.

Mr. Stahel may resign from his positions at any time if the Company (i) is guilty of any gross negligence which affects him or any dishonesty towards or concerning him or (ii) becomes insolvent, makes any composition or enters into any deed of arrangement with its creditors or the equivalent. If Mr. Stahel resigns due to these reasons, the Company is required to pay Mr. Stahel all fees which are due to him for the following 12 months. Mr. Stahel is also required to resign if the Board determines that his acceptance of any other employment, engagement, appointment, interest or involvement with any business or person competes or conflicts with his appointment and would result in a serious conflict of interest or Mr. Stahel reasonably determines such interest would result in a serious conflict of interest, and Mr. Stahel accepts such employment, engagement, appointment, interest or involvement, without any rights to damages or compensation. If Mr. Stahel resigns for any other reason, he must provide 12 months written notice.

5.3 Each of the Non-executive directors (other than Mr. Stahel) has been appointed to serve on our Board of Directors pursuant to a letter of appointment. The initial term of appointment for each director is three years, unless terminated earlier by either party upon one month's prior notice or in accordance with the terms of the letters of appointment. The appointment is subject to the articles of association, and is subject to confirmation at any annual general meeting of the Company.

Each such director (other than Mr. Stahel) is paid an annual fee of £30,400, which covers all duties, including committee service or service on the board of a Company subsidiary, with the exception of committee chairmanships and certain additional responsibilities, such as taking on the role of senior independent director. In addition, the company reimburses each such director for reasonable and properly documented expenses incurred in performing their duties. In addition, without the Company's prior written consent, for a period of six months following such a director's termination from service, such director will not, whether as a principal or agent and whether alone or jointly with, or as a director, manager, partner, shareholder, employee consultant of, any other person, carry on or be engaged, concerned or interested in any business which is similar to or which is (or intends to be) in competition with any business being carried on by the Company or any of its subsidiaries, as applicable.

5.4 It is proposed that Dr. Huaizheng Peng a representative of Mr. Lam Kong and of A&B (HK) will enter into a non-executive director appointment letter with the Company upon completion of the Subscription conditional upon Admission. Dr. Huaizheng Peng's appointment may be terminated by either party upon one month's notice and is subject to the terms of the Articles and the Relationship Agreement. Dr. Peng will receive an annual fee of £30,400 upon appointment which covers his duties as a non-executive director of the Company.

5.5 Other than as disclosed in paragraphs 5.1- 5.4 (inclusive) above:

(a) there are no service contracts between any of the Directors and the Company or any of its subsidiaries;

(b) no Director is entitled to commission or profit sharing arrangements;

(c) no service contract or letter of appointment of any Director has been entered into or amended within the period of six months prior to the date of this document; and

(d) other than statutory compensation and payment in lieu of notice, no compensation is payable by the Company or any of its subsidiaries to any Director upon early termination of their appointment.

6. Significant change

Except for the sale of the MTP US as described in the Company's announcement of 27 September 2018 and the consideration monies received in respect of the disposal of MTP US detailed in paragraph 4.5 above, there has been no significant change in the financial or trading position of the Company since 30 June 2018, being the date up to which the interim accounts of the Company for the six months ended 30 June 2018 were produced. With the Group's focus firmly on the key MTD201 and MTX110 programmes, and in order to reduce costs, the Group recently decided to consolidate its GNP research and development operations and closed its Abingdon research facility with the activities incorporated into the Bilbao and Cardiff sites. This resulted in a reduction in headcount of 12 people and the closure of the Abingdon office.

As detailed in Part 1 of this document, in the event that the Resolutions are not passed and the Capital Raising does not occur, the Company only has working capital sufficient to run the business as a going concern until mid March 2019.

7. Ratings and Outlooks for the Company

As at the date of this document, the Company has not been given any ratings or outlooks publicly accorded to it by ratings agencies.

8. Market quotations

The table below sets out the closing middle market quotations for an Ordinary Share, as derived from the AIM Appendix of the London Stock Exchange Daily Official List, on (i) the first business day of each of the six months immediately prior to the date of this document; and (ii) on 4 February 2019, being the latest practicable business day prior to the posting of this document:

Date	*Price per Ordinary Share*
4 February 2019	4.1
1 February 2019	4.1
2 January 2019	6
3 December 2018	9.75
1 November 2018	13.5
1 October 2018	22.5
3 September 2018	33

9. Major Shareholders

Insofar as is known to the Company, the following shareholders (other than any Director) as at the date of this document and immediately following completion of the Capital Raising will be interested, directly or indirectly, in 3 per cent. or more of the voting rights in respect of the Company's issued share capital:

	As at the date of this document		*Immediately following completion of the Capital Raising*		
Name	*Number of Existing Ordinary Shares*	*Percentage of Existing Share Capital*	*Number of Ordinary Shares*	*Number of Warrants*	*Percentage of Enlarged Share Capital*[3]
CMS and affiliates[1]	–	–	207,792,206	207,792,206	50.76%
Woodford Investment Management	12,247,629	20.0	77,988,214	31,371,547[2]	20.0%
City Financial	2,125,000	3.47	2,125,000	–	0.52%

1 The interests of CMS, CMS Venture, Mr. Lam Kong and A&B (HK) are aggregated

2 Following the Placing, whilst Woodford Investment Management Limited (acting as agent for and on behalf of an investment fund client) ("Woodford") is entitled to be issued with 65,740,585 Warrants, it has agreed with the Company, that the Company shall only grant and issue to Woodford such number of Warrants, and up to a maximum of 31,371,547 Warrants (assuming full take up of the Open Offer), not exceeding 10 per cent. of the aggregate number of Warrants issued by the Company (the "Threshold Limit"), in order to comply with the Collective Investment Schemes sourcebook rules of the FCA handbook. Accordingly, the Company and Woodford agree that Woodford's entitlement to Warrants in excess of the Threshold Limit is irrevocably waived and disapplied.

3 Assumes that neither the Open Offer Shares are subscribed in full and that none of the Warrants in the capital of the Company following Admission are exercised

10. United Kingdom Taxation

10.1 *General*

10.1.1 The following paragraphs are intended as a general guide only and (save where expressly stated to apply to non-UK resident Shareholders) apply only to certain Shareholders who are resident (and, in the case of individuals, domiciled) solely in the UK. The statements relate only to certain limited aspects of the UK tax treatment of holding and disposing of New Ordinary Shares. The statements are not applicable to all categories of Shareholders, and in particular are not addressed to any of the following: (i) Shareholders who do not hold their New Ordinary Shares as capital assets or investments or who are not the absolute beneficial owners of those shares or dividends in respect of those shares, (ii) special classes of Shareholders such as dealers in securities, broker-dealers, insurance companies, trustees of certain trusts and investment companies, (iii) Shareholders who hold New Ordinary Shares as part of hedging or commercial transactions, (iv) Shareholders who hold New Ordinary Shares in connection with a trade, profession or vocation carried on in the UK (whether through a branch or agency or permanent establishment or otherwise), (v) Shareholders who hold New Ordinary Shares acquired by reason of their employment, (vi) Shareholders who hold New Ordinary Shares in an individual savings account or a self-invested personal pension, (vii) (save where expressly stated to apply to non-UK resident Shareholders) Shareholders who are subject to UK taxation on a remittance basis, or (viii) Shareholders who are not resident in the UK for tax purposes.

10.1.2 The following paragraphs are based on current UK tax law and HM Revenue & Customs published practice as at the date of this document, which is subject to change, possibly with retrospective effect.

10.1.3 The information in these paragraphs is intended as a general summary of the UK tax position. It does not purport to be a complete analysis or listing of all the potential tax consequences of acquiring, holding or disposing of New Ordinary Shares and it should not be construed as constituting tax advice.

10.1.4. Any person who is in any doubt about their tax position or who is subject to taxation in a jurisdiction other than the UK should consult their own professional adviser.

10.2 *Taxation of dividends*

Withholding tax

10.2.1 The Company is not required to withhold UK tax when paying a dividend. This applies regardless of whether the Shareholder is resident for tax purposes in the UK.

Individual Shareholders

10.2.2 For the tax year 6 April 2018 to 5 April 2019, UK resident individuals are entitled to a tax-free dividend allowance of £2,000. Dividends received from the Company (when aggregated with taxable dividends and other distributions received from any other source in the same tax year) up to the amount of the dividend allowance will not be subject to UK income tax for UK resident individual Shareholders. Dividends within the dividend allowance which would otherwise have fallen within the basic or higher rate bands will still use up those bands respectively and so will be taken into account in determining whether the threshold for higher rate or additional rate income tax is exceeded.

10.2.3 To the extent that dividends from the Company received in a tax year (taking account of taxable dividends and other distributions received from any other source in the same tax year) exceed the dividend allowance, they will be subject to UK income tax at the basic, higher or additional dividend income rates. For the tax year 6 April 2018 to 5 April 2019, those rates are 7.5 per cent., 32.5 per cent. and 38.1 per cent. respectively. When calculating a UK resident individual Shareholder's overall UK income tax liability, including when determining into which tax band any dividend income falls, dividends are treated as the top slice of the Shareholder's income.

Corporate Shareholders

10.2.4. Shareholders who are within the charge to UK corporation tax in respect of dividends received from the Company will be subject to UK corporation tax at 19 per cent. (falling to 17 per cent. from 1 April 2020) on the dividends received, unless the dividends fall within an exempt class or certain other conditions are met. Whether an exemption applies and whether the other conditions are met will depend on the circumstances of the particular Shareholder, although it is expected that dividends paid by the Company would normally be exempt.

10.3 ***Taxation of chargeable gains***

10.3.1 If a Shareholder disposes (or is treated for UK tax purposes as disposing) of all or some of their New Ordinary Shares, a liability to UK tax on chargeable gains may, depending on their circumstances and subject to any available exemptions or reliefs, arise. A chargeable gain or allowable loss is generally calculated by reference to the consideration received (or treated for UK tax purposes as having been received) for the disposal less the allowable cost to the Shareholder of acquiring the New Ordinary Shares.

Individual Shareholders

10.3.2 Subject to the availability of any exemptions, reliefs or allowable losses, a gain realised on a disposal of New Ordinary Shares by a UK resident individual Shareholder will generally be subject to UK capital gains tax at the current rates of 10 per cent. (for basic rate taxpayers) or 20 per cent. (for higher or additional rate taxpayers). Each individual has a UK capital gains tax annual exemption each tax year (£11,700 for the tax year 6 April 2018 to 5 April 2019): chargeable gains realised by a UK resident individual Shareholder up to that amount are not subject to UK capital gains tax.

10.3.3 An individual Shareholder who disposes of New Ordinary Shares whilst temporarily non-resident in the UK for UK tax purposes may be liable to UK capital gains tax on any chargeable gain realised on the disposal on their return to the UK.

Corporate Shareholders

10.4.4 Subject to the availability of any exemptions, reliefs or allowable losses, a gain realised on a disposal of New Ordinary Shares by a Shareholder within the charge to UK corporation tax in respect of its New Ordinary Shares will generally be subject to UK corporation tax at the current rate of 19 per cent. (falling to 17 per cent. from 1 April 2020).

10.4 ***Stamp Duty and Stamp Duty Reserve Tax***

10.4.1 The following paragraphs are intended only as a general and non-exhaustive guide to the UK stamp duty and stamp duty reserve tax ("**SDRT**") position in relation to New Ordinary Shares under current UK law. They apply in relation to New Ordinary Shares irrespective of the residence or domicile of the relevant Shareholder or prospective Shareholder. They do not apply in relation to any issue or transfer of New Ordinary Shares to, or to a nominee or agent for, a depositary receipt issuer or clearance service operator, or to persons such as market makers, brokers, dealers or intermediaries.

10.4.2 The issue of the New Ordinary Shares by the Company will not be subject to UK stamp duty or SDRT.

10.4.3 Transactions in shares such as the New Ordinary Shares are exempt from UK stamp duty and SDRT where those shares are admitted to trading on a Recognised Growth Market but they are not listed on a Recognised Stock Exchange. AIM is a Recognised Growth Market. As a result, it is expected that purchases of New Ordinary Shares should not be subject to either UK stamp duty or SDRT if and for so long as the shares are admitted to trading on AIM, but they are not listed on any Recognised Stock Exchange and AIM continues to be a Recognised Growth Market.

10.4.4 Should this growth market exemption not be available, the following would apply:

(a) Transfers on sale of New Ordinary Shares in certificated form will generally be subject to UK stamp duty at the rate of 0.5 per cent. of the amount or value of the consideration given for the transfer, rounded up if necessary to the nearest multiple of £5.00. The purchaser generally pays the UK stamp duty. An exemption from UK stamp duty will be available on an instrument transferring New Ordinary Shares where the amount or value of the consideration is £1,000 or less, and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000.

(b) An unconditional agreement to transfer New Ordinary Shares will normally give rise to a charge to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable for the transfer. However, if a duly stamped or exempt transfer in respect of the agreement is produced within six years of the date on which the agreement is made (or, if the agreement is conditional, the date on which the agreement becomes unconditional), any SDRT paid is repayable, generally with interest, and otherwise the SDRT charge is cancelled. SDRT is generally the liability of the purchaser.

(c) Agreements to transfer New Ordinary Shares within the CREST system will generally be liable to SDRT (rather than stamp duty) at the rate of 0.5 per cent. of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the CREST system. Deposits of New Ordinary Shares into CREST will not generally be subject to SDRT, unless the transfer into CREST is itself for consideration in money or money's worth.

11. Consent

11.1 Panmure Gordon has given, and has not withdrawn, its consent to the inclusion of its name and references to it in this document, in the form and context in which they appear.

11.2 Stifel has given, and has not withdrawn, its consent to the inclusion of its name and references to it in this document, in the form and context in which they appear.

12. Incorporation of relevant financial information on the Company by reference

12.1 In respect of the Company, the following documents, the contents of which have been previously announced through a Regulatory News Service, are incorporated by reference in this document in compliance with Rule 24.15 of the Takeover Code, and are available from the Company's website free of charge at http://www.midatechpharma.com/financial-reports-accounts.

Information incorporated by reference to this document	*Reference Document*	*Page number in Reference Document*
For the six-month period ended 30 June 2018	Interim Report 2018	9
For the year ended 31 December 2017		
Independent Auditors' report to the members	Annual Report 2017	50
Consolidated income statement for the year ended 31 December 2017	Annual Report 2017	56
Consolidated statement of changes in equity for the year ended 31 December 2017	Annual Report 2017	59
Consolidated statement of financial position at 31 December 2017	Annual Report 2017	57
Consolidated cash flow statement for the year ended 31 December 2017	Annual Report 2017	58
Notes to the consolidated financial statements	Annual Report 2017	60

Information incorporated by reference to this document	*Reference Document*	*Page number in Reference Document*
For the year ended 31 December 2016		
Independent Auditors' report to the members	Annual Report 2016	40
Consolidated income statement for the year ended 31 December 2016	Annual Report 2016	42
Consolidated statement of changes in equity for the year ended 31 December 2016	Annual Report 2016	45
Consolidated statement of financial position at 31 December 2016	Annual Report 2016	43
Consolidated cash flow statement for the year ended 31 December 2016	Annual Report 2016	44
Notes to the consolidated financial statements	Annual Report 2016	47

If you are reading this document in hard copy form, please enter one of the web addresses above in your web browser to be taken to the relevant document. If you are reading this document in electronic form, please click on the relevant web address above to be taken to the relevant document.

The above Annual Reports and Accounts are available in "read-only" format and can be printed from the Company's website. The Company will provide within two business days, without charge, to each person to whom a copy of this document has been sent, upon their written or verbal request, a hard copy of any information incorporated by reference in this document. Copies of any information incorporated by reference in this document will not be provided unless such a request is made.

Requests for copies of any such document should be directed to the Company at its registered office, 65 Innovation Drive, Milton Park, Abingdon, Oxfordshire, 0X14 4RQ or by telephone at +44 (0) 1235 888300 on Monday to Friday (other than UK public holidays).

13. Estimated Costs and Expenses

The estimated costs and expenses relating to the Proposals payable by the Company are estimated to amount to in aggregate approximately £1,041,175 (excluding VAT).

14. Documents available for inspection

14.1 Copies of the following documents are available for inspection on request by a Shareholder, person with information rights, or other person to whom this document is sent at the Company's registered office at 65 Innovation Drive, Milton Park, Abingdon, Oxfordshire, OX14 4RQ during normal business hours on any weekday (Saturdays, Sundays and public holidays in the UK excepted) from the date of this document until the conclusion of the General Meeting:

(i) the Articles;

(ii) the articles of association of each of CMS and A&B (HK);

(iii) the Material Agreements referred to in paragraph 4 of this Part 4;

(iv) the written consents described in paragraph 11;

(v) the Company's annual report and accounts for the two years to 31 December 2017;

(vi) the Company's interims for the 6-month period to 30 June 2018;

(vii) the annual reports and accounts of CMS for the two years ended 31 December 2017

(viii) the interim report of CMS for the period to 30 June 2018;

(ix) the irrevocable agreements referred to in paragraph 10 of Part I

(x) this document (including the Notice of General Meeting).

14.2 Copies of the documents set out above in paragraph 14.1 of this Part 4 are also available on the Company's website at the following address: http://www.midatechpharma.com/

PART 5

TERMS AND CONDITIONS OF THE OPEN OFFER

Introduction

As explained in the letter from the Chairman set out in Part I of this document, the Company is proposing to raise up to a maximum of £4 million (before expenses) from Qualifying Shareholders under the Open Offer through the offer of Open Offer Units (comprising one New Ordinary Share and one Warrant) at the Issue Price.

The purpose of this Part 5 is to set out the terms and conditions of the Open Offer. Up to 103,890,661 New Ordinary Shares will be issued through the Open Offer. Qualifying Shareholders are being offered the right to subscribe for Open Offer Shares in accordance with the terms of the Open Offer.

The Record Date for entitlements under the Open Offer for Qualifying CREST Shareholders and Qualifying Non-CREST Shareholders is 6.00 p.m. on 4 February 2019. Application Forms for Qualifying Non-CREST Shareholders are enclosed with this document and Open Offer Entitlements and Excess CREST Open Offer Entitlements are expected to be credited to stock accounts of Qualifying CREST Shareholders in CREST as soon as practical after 8.00 a.m. on 6 February 2019.

Subject to availability, the Excess Application Facility will enable Qualifying Shareholders to apply for Excess Units. For the avoidance of doubt, Shareholders with no Open Offer Entitlement are by virtue of their owning fewer than 1 Existing Ordinary Share). Further details in relation to the Excess Application Facility are set out in paragraph 3.1(f) and 3.2(j) of this Part 5 of this document and, for Qualifying Non-CREST Shareholders, the Application Form.

The latest time and date for receipt of a completed Application Form and payment in full under the Open Offer and settlement of relevant CREST instructions (as appropriate) is expected to be 11.00 a.m. on 22 February 2019 with Admission and commencement of dealings in Open Offer Shares expected to take place at 8.00 a.m. on 26 February 2019.

This document and, for Qualifying Non-CREST Shareholders only, the Application Form contain the formal terms and conditions of the Open Offer. Your attention is drawn to paragraph 3 of this Part 5 which gives details of the procedure for application and payment for the Open Offer Units and any Excess Units applied for pursuant to the Excess Application Facility.

The Open Offer Shares will, when issued and fully paid, rank equally in all respects with the New Ordinary Shares to be issued pursuant to the Subscription and Placing, including the right to receive all dividends or other distributions made, paid or declared, if any, after Admission.

The Open Offer is an opportunity for Qualifying Shareholders to apply for up to 19,456,554 Open Offer Units *pro rata* (excepting fractional entitlements) to their current holdings at the Issue Price in accordance with the terms of the Open Offer.

Any Qualifying Shareholder who has sold or transferred all or part of their registered holding(s) of Ordinary Shares prior to the Record Date is advised to consult their stockbroker, bank or other agent through or to whom the sale or transfer was effected as soon as possible since the invitation to apply for Open Offer Shares under the Open Offer may be a benefit which may be claimed from them by the purchasers under the rules of the London Stock Exchange.

For every Open Offer Unit subscribed by a Qualifying Shareholder, that Qualifying Shareholder will receive one Warrant (the terms of which are described in more detail in Part 1 of this document). The Warrants granted pursuant to the Open Offer will not be admitted to trading on AIM or any other stock exchange. The Warrants are expected to be issued in certificated form for Qualifying non-CREST Shareholders and uncertificated form for Qualifying CREST Shareholders.

1. The Open Offer

Subject to the terms and conditions set out below (and, in the case of Qualifying Non-CREST Shareholders, in the Application Form), Qualifying Shareholders are being given the opportunity under the Open Offer to subscribe for Open Offer Units at the Issue Price *pro rata* to their holdings of Existing Ordinary Shares, payable in full on application. The Issue Price represents a discount of 6.1 per cent. to the closing middle market price of 4.10 pence per Existing Ordinary Share on 1 February 2019 (being the last practicable business day before the announcement of the opening of the Placing).

Qualifying Shareholders have basic entitlements under the Open Offer Entitlement of:

0.318 Open Offer Units for every 1 Existing Ordinary Share

registered in their name on the Record Date. Entitlements under the Open Offer will be rounded down to the nearest whole number of Open Offer Shares, with fractional entitlements being aggregated and made available under the Excess Application Facility.

Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Open Offer, as will holdings under different designations and in different accounts.

If you are a Qualifying Non-CREST Shareholder, the Application Form shows the number of Existing Ordinary Shares registered in your name on the Record Date (in Box 3) and your Open Offer Entitlement (in Box 4).

If you are a Qualifying CREST Shareholder, application will be made for your Open Offer Entitlement and Excess CREST Open Offer Entitlement to be credited to your CREST account. Open Offer Entitlements and Excess CREST Open Offer Entitlements are expected to be credited to CREST accounts on 6 February 2019.

Application will be made for the Open Offer Shares to be admitted to CREST. All such shares, when issued and fully paid, are therefore expected to be able to be held and transferred by means of CREST as soon as practicable after Admission.

Subject to availability, the Excess Application Facility will enable Qualifying Shareholders, provided they have taken up their Open Offer Entitlement in full, to apply for further Open Offer Units in excess of their Open Offer Entitlement. Further details in relation to the Excess Application Facility are set out in paragraphs 3.1(f) and 3.2(j) of Part 5 of this document and, for Qualifying Non-CREST Shareholders, the Application Form. Qualifying CREST Shareholders will have their Open Offer Entitlement and Excess CREST Open Offer Entitlement credited to their stock accounts in CREST and should refer to paragraph 3 of this Part 5 for information on the relevant CREST procedures and further details on the Excess Application Facility. Qualifying CREST Shareholders can also refer to the CREST Manual for further information on the relevant CREST procedures.

If applications under the Excess Application Facility are received for more than the total number of Open Offer Units available following take up of Open Offer Entitlements, it is intended that Excess Shares will be scaled back *pro rata* to the number of Excess Units applied for by Qualifying Shareholders under the Excess Application Facility. However, the Directors reserve the right to allocate the Excess Shares in such manner as the Directors may determine in their absolute discretion and no assurance can be given that applications by Qualifying Shareholders under the Excess Application Facility will be met in full or in part or at all.

Please refer to paragraph 3 of this Part 5 for further details of the Excess Application Facility.

Qualifying Shareholders will receive a Warrant for every Open Offer Share subscribed with each Warrant granting the right to subscribe for 1 new Ordinary Share at 50 pence exercisable during the period commencing on the six-calendar month anniversary of Admission and until the third anniversary of Admission. The Warrants will not be admitted to trading on AIM. The Warrants are expected to be issued in certificated form for Qualifying non-CREST Shareholders and uncertificated form for Qualifying CREST Shareholders. The Warrants will be issued on Admission of the Open Offer Shares. Please refer to paragraph 4.2 of Part 4 of this document for a summary of the terms of the Warrants.

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. Qualifying Non-CREST Shareholders should also note that their respective Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements and Excess CREST Open Offer Entitlements will be credited through CREST and be enabled for settlement, applications in respect of entitlements under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim raised by Euroclear's Claims Processing Unit. Open Offer Shares not applied for under the Open Offer will not be sold in the market for the benefit of those Qualifying Shareholders who do not apply under the Open Offer. Any Open Offer Units which are not applied for by Qualifying Shareholders under the Open Offer will not be issued and allotted.

The attention of Overseas Shareholders is drawn to paragraph 6 of this Part 5.

The New Ordinary Shares issued under the Open Offer will, when issued and fully paid, rank in full for all dividends and other distributions declared, made or paid after the date of Admission and *pari passu* in all respects with the other New Ordinary Shares which will be in issue immediately following Admission. The Open Offer Shares are not being made available in whole or in part to the public except under the terms of the Open Offer.

2. Conditions and further terms of the Open Offer

The Open Offer is conditional on the Subscription and the Placing becoming or being declared unconditional in all respects and not being terminated before Admission. The principal conditions to the Subscription and the Placing are:

(1) the passing of the Resolutions;

(2) the Placing Agreement becoming unconditional in all respects (save for Admission occurring) and not having been terminated in accordance with its terms; and

(3) Admission becoming effective by no later than 8.00 a.m. on 26 February 2019 (or such later time and/or date as the Company and the Joint Bookrunners may agree (being not later than 8.00 a.m. on 15 March 2019)).

Accordingly, if these conditions are not satisfied or waived (where capable of waiver), the Open Offer will not proceed and any applications made by Qualifying Shareholders will be rejected. In such circumstances, application monies will be returned (at the applicant's sole risk), without payment of interest, as soon as practicable thereafter. Any Open Offer Entitlements admitted to CREST will thereafter be disabled.

No temporary documents of title will be issued in respect of Open Offer Shares held in uncertificated form. Definitive certificates in respect of Open Offer Shares taken up are expected to be posted to those Qualifying Shareholders who have validly elected to hold their Open Offer Shares in certificated form no later than week commencing 4 March 2019.

In respect of those Qualifying Shareholders who have validly elected to hold their Open Offer Shares in uncertificated form, New Ordinary Shares are expected to be credited to their stock accounts maintained in CREST by 26 February 2019.

Definitive certificates in respect of the Warrants taken up in the Open Offer are expected to be posted to Qualifying Shareholders who have taken up their Open Offer Entitlements and any Excess Open Offer Entitlements (as the case may be) no later than week commencing 4 March 2019. Warrants are expected to be credited to stock accounts maintained in CREST by as soon as possible after 8.00 a.m. on 26 February 2019 for Qualifying CREST Shareholders who have taken up their Open Offer Entitlements and any Excess Open Offer Entitlements (as the case may be).

Applications will be made for the Open Offer Shares to be admitted to trading on AIM. Admission is expected to occur on 26 February 2019, when dealings in the Open Offer are expected to begin.

If for any reason it becomes necessary to adjust the expected timetable as set out in this document, the Company will notify the London Stock Exchange and make an appropriate announcement to a Regulatory Information Service giving details of the revised dates.

3. Procedure for application and payment

The action to be taken by you in respect of the Open Offer depends on whether you are sent an Application Form in respect of your Open Offer Entitlement under the Open Offer or your Open Offer Entitlement and Excess CREST Open Offer Entitlement is credited to your CREST stock account.

Qualifying Shareholders who hold all or part of their Existing Ordinary Shares in certificated form will receive the Application Form, enclosed with this document. The Application Form shows the number of Existing Ordinary Shares held in certificated form at the Record Date. It will also show Qualifying Shareholders their Open Offer Entitlement that can be allotted in certificated form. Qualifying Shareholders who hold all their Existing Ordinary Shares in CREST will be allotted New Ordinary Shares in CREST.

Qualifying Shareholders who hold part of their Existing Ordinary Shares in uncertificated form will be allotted New Ordinary Shares in uncertificated form to the extent that their entitlement to Open Offer Shares arises as a result of holding Existing Ordinary Shares in uncertificated form. However, it will be possible for Qualifying Shareholders to deposit Open Offer Entitlements into, and withdraw them from, CREST. Further information on deposit into and withdrawal from CREST is set out in paragraph 3.2(f) of this Part 5.

CREST sponsored members should refer to their CREST sponsor, as only their CREST sponsor will be able to take the necessary action specified below to apply under the Open Offer in respect of the Open Offer Entitlements and Excess CREST Open Offer Entitlements of such members held in CREST. CREST members who wish to apply under the Open Offer in respect of their Open Offer Entitlements and Excess CREST Open Offer Entitlements in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below.

Qualifying Shareholders who do not want to apply for the Open Offer Shares under the Open Offer should take no action and should not complete or return the Application Form, or send a USE instruction through CREST.

3.1 ***If you have an Application Form in respect of your Open Offer Entitlement under the Open Offer***

(a) *General*

Subject to paragraph 6 of this Part 5 in relation to Overseas Shareholders, Qualifying Non-CREST Shareholders will receive an Application Form. The Application Form shows the number of Existing Ordinary Shares registered in their name on the Record Date in Box 3. It also shows the Open Offer Entitlement allocated to them set out in Box 4. Entitlements to Open Offer Shares are rounded down to the nearest whole number and any fractional entitlements to Open Offer Shares will be aggregated and made available under the Excess Application Facility. Box 5 shows how much they would need to pay if they wish to take up their Open Offer Entitlement in full. Qualifying Non-CREST Shareholders may apply for less than their entitlement should they wish to do so. Qualifying Non-CREST Shareholders may also hold such an Application Form by virtue of a *bona fide* market claim.

Under the Excess Application Facility, provided they have agreed to take up their Open Offer Entitlement in full, Qualifying Non-CREST Shareholders may apply for more than the amount of their Open Offer Entitlement should they wish to do so. The Excess Application Facility enables Qualifying Shareholders to apply for Excess Shares in excess of their Open Offer Entitlement at the Record Date. If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following the taking up of Open Offer Entitlements, it is intended that the Excess Shares will be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders. However, the Directors reserve the right to allocate Excess Shares in such manner as the Directors may determine in their absolute discretion and no assurance can be given that excess applications by Qualifying Shareholders will be met in full or in part or at all.

The instructions and other terms set out in the Application Form form part of the terms of the Open Offer in relation to Qualifying Non-CREST Shareholders.

(b) *Bona fide market claims*

Applications to acquire Open Offer Shares may only be made on the Application Form and may only be made by the Qualifying Non-CREST Shareholder named in it or by a person entitled by virtue of a *bona fide* market claim in relation to a purchase of Existing Ordinary Shares through the market prior to the date upon which the Existing Ordinary Shares were marked "ex" the entitlement to participate in the Open Offer. Application Forms may not be sold, assigned, transferred or split, except to satisfy *bona fide* market claims up to 3.00 p.m. on 20 February 2019. The Application Form is not a negotiable document and cannot be separately traded. A Qualifying Non-CREST Shareholder who has sold or otherwise transferred all or part of their holding of Existing Ordinary Shares prior to the date upon which the Existing Ordinary Shares were marked "ex" the entitlement to participate in the Open Offer, should contact their broker or other professional adviser authorised under FSMA through whom the sale or purchase was effected as soon as possible, as the invitation to acquire Open Offer Shares under the Open Offer may be a benefit which may be claimed by the purchaser(s) or transferee(s).

Qualifying Non-CREST Shareholders who have sold all or part of their registered holding should, if the market claim is to be settled outside CREST, complete Box 10 on the Application Form and immediately send it to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. The Application Form should not, however be forwarded to or transmitted in or into the United States, any Restricted Jurisdiction, nor in or into any other jurisdiction where the extension of the Open Offer would breach any applicable law or regulation. If the market claim is to be settled outside CREST, the beneficiary of the claim should follow the procedures set out in the accompanying Application Form. If the market claim is to be settled in CREST, the beneficiary of the claim should follow the procedure set out in paragraph 3.2(b) below.

(c) *Application procedures*

Qualifying Non-CREST Shareholders wishing to apply to acquire Open Offer Shares (whether in respect of all or part of their Open Offer Entitlement or in addition to their Open Offer Entitlement under the Excess Application Facility) should complete the Application Form in accordance with the instructions printed on it. Qualifying Non-CREST Shareholders may only apply for Excess Shares if they have agreed to take up their Open Offer Entitlements in full. It is intended that the Excess Shares will be allocated *pro rata* to the number of Existing Ordinary Shares held by Qualifying Shareholders who apply for Excess Shares. However, the Directors reserve the right to allocate the Excess Shares in such manner as the Directors may determine in their absolute discretion and no assurance can be given that excess applications by Qualifying Shareholders under the Excess Application Facility will be met in full or in part or at all.

Completed Application Forms should be posted to Neville Registrars Limited, of Neville House, Steelpark Road, Halesowen B62 8HD, or returned by hand (during normal business hours only) so as to be received by Neville Registrars Limited, by no later than 11.00 a.m. on 22 February 2019.

The Company reserves the right to treat any application not strictly complying with the terms and conditions of application as nevertheless valid. The Company further reserves the right (but shall not be obliged) to accept either Application Forms or remittances received after 11.00 a.m. on 22 February 2019. Qualifying Non-CREST Shareholders should note that applications, once made, will be irrevocable and receipt thereof will not be acknowledged. Multiple applications will not be accepted. If an Application Form is being sent by first-class post in the UK, Qualifying Shareholders are recommended to allow at least four Business Days for delivery.

The Company may in its sole discretion, but shall not be obliged to, treat an Application Form as valid and binding on the person by whom or on whose behalf it is lodged, even if not completed in accordance with the relevant instructions or not accompanied by a valid power of attorney where required, or if it otherwise does not strictly comply with the terms and conditions of the Open Offer. The Company further reserves the right (but shall not be obliged) to accept either:

(i) Application Forms received after 11.00 a.m. on 22 February 2019; or

(ii) Applications in respect of which remittances are received before 11.00 a.m. on 22 February 2019 from authorised persons (as defined in FSMA) specifying the Open Offer Shares applied for and undertaking to lodge the Application Form in due course but, in any event, within two Business Days.

All documents and remittances sent by post by, to, from or on behalf of an applicant (or as the applicant may direct) will be sent entirely at the applicant's own risk.

(d) *Payments*

All payments must be in pounds sterling and made by cheque or bankers' draft made payable to Neville Registrars Limited: Re: Clients Account and crossed "A/C Payee Only". Cheques must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or the British Isles which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques to be cleared through the facilities provided by any of those companies and must bear the appropriate sort code in the top right-hand corner and must be for the full amount payable on application. Third party cheques will not be accepted with the exception of building society cheques where the building society or bank has confirmed the name of the account holder by stamping or endorsing the back of the cheque to confirm that the relevant Qualifying Shareholder has title to the underlying funds. The account name should be the same as that shown on the application. Post-dated cheques will not be accepted.

Cheques will be presented for payment upon receipt. The Company reserves the right to instruct Neville Registrars Limited to seek special clearance of cheques to allow the Company to obtain value for remittances at the earliest opportunity (and withhold definitive share certificates (or crediting to the relevant member account, as applicable) pending clearance thereof). No interest will be paid on payments made before they are due. It is a term of the Open Offer that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. All documents or cheques sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted. If the Open Offer does not become unconditional, no Open Offer Shares or Warrants will be issued and all monies will be returned (at the applicant's sole risk), without payment of interest, to applicants as soon as practicable following the lapse of the Open Offer.

If Open Offer Shares have already been allotted to a Qualifying Non-CREST Shareholder and such Qualifying Non-CREST Shareholder's cheque is not honoured upon first presentation or such Qualifying Non-CREST Shareholder's application is subsequently otherwise deemed to be invalid, Neville Registrars Limited shall be authorised (in its absolute discretion as to manner, timing and terms) to make arrangements, on behalf of the Company, for the sale of such Qualifying Non- CREST Shareholder's Open Offer Shares and for the proceeds of sale (which for these purposes shall be deemed to be payments in respect of successful applications) to be paid to and retained by the Company and for all Warrants granted to such Qualifying Non-CREST Shareholders to be cancelled. None of Neville Registrars Limited, the Joint Bookrunners or the Company nor any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by such Qualifying Non-CREST Shareholders.

(e) *Incorrect sums*

If an Application Form encloses a payment for an incorrect sum, the Company through Neville Registrars Limited reserves the right:

(i) to reject the application in full and return the cheque or refund the payment to the Qualifying Non-CREST Shareholder in question; or

(ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Open Offer Units as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the Qualifying Non-CREST Shareholder in question (without interest), save that any sums of less than £1 will be retained for the benefit of the Company; or

(iii) in the case that an excess sum is paid, to treat the application as a valid application for all of the Open Offer Units referred to in the Application Form, refunding any unutilised sums to the Qualifying Non-CREST Shareholder in question (without interest), save that any sums of less than £1 will be retained for the benefit of the Company.

All monies received by Neville Registrars Limited in respect of Open Offer Units will be held in a separate non-interest-bearing account.

(f) *The Excess Application Facility*

Provided they choose to take up their Open Offer Entitlement in full, the Excess Application Facility enables a Qualifying Non-CREST Shareholder to apply for Excess Shares. Qualifying Non-CREST Shareholders wishing to apply for Excess Shares may do so by completing Boxes 7, 8 and 9 of the Application Form.

If applications under the Excess Application Facility are received for more than the total number of Open Offer Units available following take up of Open Offer Entitlements, it is intended that the Excess Shares will be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility. However, the Directors reserve the right to allocate Excess Shares in such manner as the Directors may determine in their absolute discretion and no assurance can be given that applications under the Excess Application Facility by Qualifying Shareholders will be met in full or in part or at all. Qualifying Non-CREST Shareholders who wish to apply for Excess Shares must complete the Application Form in accordance with the instructions set out on the Application Form.

Should the Open Offer become unconditional and applications under the Open Offer exceed 19,456,554 Open Offer Shares, resulting in a scale back of applications under the Excess Application Facility, each Qualifying Non-CREST Shareholder who has made a valid application for Excess Shares and from whom payment in full for the Excess Shares has been received, will receive a pounds sterling amount equal to the number of Excess Shares applied and paid for but not allocated to the relevant Qualifying Non-CREST Shareholder multiplied by the Issue Price. Monies will be returned as soon as reasonably practicable following the completion of the scale back, without payment of interest and at the applicant's sole risk.

(g) *Effect of application*

All documents and remittances sent by post by, to, from, or on behalf of or to an applicant (or as the applicant may direct) will be sent entirely at the applicant's own risk. By completing and delivering an Application Form the applicant:

(i) represents and warrants to the Company and the Joint Bookrunners they have the right, power and authority, and have taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise their rights, and perform their obligations, under any contracts resulting therefrom and that they are not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Units, Open Offer Shares or Excess Shares or acting on behalf of any such person on a non-discretionary basis;

(ii) agrees with the Company and the Joint Bookrunners that all applications under the Open Offer and contracts resulting therefrom, and any non-contractual obligations related thereto, shall be governed by, and construed in accordance with, the laws of England and Wales;

(iii) confirms to the Company and the Joint Bookrunners that in making the application they are not relying on any information or representation in relation to the Company other than that contained in this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this document, they will be deemed to have had notice of all information in relation to the Company contained in this document (including information incorporated by reference);

(iv) represents and warrants to the Company and the Joint Bookrunners that they are the Qualifying Shareholder originally entitled to the Open Offer Entitlement or that, if they have

received some or all of their Open Offer Entitlements from a person other than the Company, they are entitled to apply under the Open Offer in relation to such Open Offer Entitlements by virtue of a *bona fide* market claim;

(v) requests that the Open Offer Shares to which they will become entitled be issued to them on the terms set out in this document and the Application Form, subject to the articles of association of the Company from time to time;

(vi) represents and warrants to the Company and the Joint Bookrunners that they are not, nor are they applying on behalf of any person who is, in the United States or is a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws, of the United States, any Restricted Jurisdiction or any other jurisdiction in which the application for Open Offer Shares is prevented by law and they are not applying with a view to re-offering, re-selling, transferring or delivering any of the Open Offer Shares, Excess Shares or Warrants which are the subject of their application in the United States or to, or for the benefit of, a person who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of the United States, any Restricted Jurisdiction or any other jurisdiction in which the application for Open Offer Shares is prevented by law (except where proof satisfactory to the Company has been provided to the Company they are able to accept the invitation by the Company free of any requirement which the Company (in its absolute discretion) regards as unduly burdensome), nor acting on behalf of any such person on a non-discretionary basis nor (a) person(s) otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer;

(vii) represents and warrants to the Company and the Joint Bookrunners that they are not, and nor are they applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in sections 67, 70, 93 or 96 (depositary receipts and clearance services) of the Finance Act 1986; and

(viii) confirms that in making the application they are not relying and have not relied on the Company or the Joint Bookrunners or any person affiliated with the Company or the Joint Bookrunners in connection with any investigation of the accuracy of any information contained in this document or their investment decision.

(ix) its application for Open Offer Shares under the Open Offer will not result in it and/or persons acting in concert with it obtaining an interest in greater than 29.99 per cent. of the total number of Ordinary Shares in issue following the Open Offer.

(x) the purchase by it of Open Offer Shares or receipt of the Warrants does not trigger in the jurisdiction in which it is resident: (a) any obligation to prepare or file a prospectus or similar document or any other report with respect to such purchase; or (b) any disclosure 32 reporting obligation of the Company; or (c) any registration or other obligation on the part of the Company; or (d) the requirement for the Company to take any other action.

All enquiries in connection with the procedure for application and completion of the Application Form should be addressed to Neville Registrars Limited, Neville House, Steelpark Road, Halesowen B62 8HD, or you can contact them on 0121 585 1131. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00 a.m. – 5.00 p.m., Monday to Friday excluding public holidays in England and Wales. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Open Offer nor give any financial, legal or tax advice.

Qualifying Non-CREST Shareholders who do not want to take up or apply for the New Ordinary Shares and Warrants under the Open Offer should take no action and should not complete or return the Application Form.

A Qualifying Non-CREST Shareholder who is also a CREST member may elect to receive the Open Offer Shares to which they are entitled in uncertificated form in CREST. Please see paragraph 3.2 of this Part 5 for more information.

3.2 ***If you have an Open Offer Entitlement and an Excess CREST Open Offer Entitlement credited to your stock account in CREST in respect of your entitlement under the Open Offer***

(a) *General*

Subject to paragraph 6 of this Part 5 in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder will receive a credit to their stock account in CREST of their Open Offer Entitlement equal to the maximum number of Open Offer Shares for which they are entitled to apply under the Open Offer plus their Excess CREST Open Offer Entitlement equal to the maximum number of Open Offer Shares for which they are entitled to apply under the Excess Application Facility. Entitlements to Open Offer Shares will be rounded down to the nearest whole number and any Open Offer Entitlements have therefore also been rounded down. Any fractional entitlements to Open Offer Shares arising will be aggregated and made available under the Excess Application Facility. The CREST stock account to be credited will be an account under the participant ID and member account ID that applies to the Existing Ordinary Shares held on the Record Date by the relevant Qualifying CREST Shareholder in respect of which the Open Offer Entitlements and Excess CREST Open Offer Entitlements have been allocated. If for any reason Open Offer Entitlements and/or the Excess CREST Open Offer Entitlements cannot be admitted to CREST or the stock accounts of Qualifying CREST Shareholders cannot be credited, by 3.00 p.m. on 19 February 2019, or such later time and/or date as the Company may decide, an Application Form will be sent to each Qualifying CREST Shareholder in substitution for the Open Offer Entitlement and Excess CREST Open Offer Entitlement which should have been credited to their stock account in CREST. In these circumstances the expected timetable as set out in this document will be adjusted as appropriate and the provisions of this document applicable to Qualifying Non-CREST Shareholders with Application Forms will apply to Qualifying CREST Shareholders who receive an Application Form. CREST members who wish to apply to acquire some or all of their entitlements to Open Offer Shares and their Excess CREST Open Offer Entitlements should refer to the CREST Manual for further information on the CREST procedures referred to below. If you are a CREST sponsored member you should consult your CREST sponsor if you wish to apply for Open Offer Shares as only your CREST sponsor will be able to take the necessary action to make this application in CREST.

(b) *Bona fide market claims*

Each of the Open Offer Entitlements and Excess CREST Open Offer Entitlements will constitute a separate security for the purposes of CREST. Although Open Offer Entitlements and Excess CREST Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Open Offer Entitlements and Excess CREST Open Offer Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim transaction. Transactions identified by the CREST Claims Processing Unit as "cum" the Open Offer Entitlement and Excess CREST Open Offer Entitlements will generate an appropriate market claim transaction and the relevant Open Offer Entitlement(s) and Excess CREST Open Offer Entitlement(s) will thereafter be transferred accordingly.

(c) *Unmatched Stock Event (USE instructions)*

Qualifying CREST Shareholders who are CREST members and who want to apply for Open Offer Shares in respect of all or some of their Open Offer Entitlements and their Excess CREST Open Offer Entitlements in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) a USE instruction to Euroclear which, on its settlement, will have the following effect:

(i) the crediting of a stock account of Neville Registrars Limited under the participant ID and member account ID specified below, with a number of Open Offer Entitlements and Excess CREST Open Offer Entitlements corresponding to the number of Open Offer Shares applied for; and

(ii) the creation of a CREST payment, in accordance with the CREST payment arrangements in favour of the payment bank of Neville Registrars Limited in respect of the amount specified in the USE instruction which must be the full amount payable on application for the number of Open Offer Shares referred to in paragraph 3.2(c)(i) above.

(d) *Content of USE instruction in respect of Open Offer Entitlements*

The USE instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

(i) the number of Open Offer Shares for which application is being made (and hence the number of the Open Offer Entitlement(s) being delivered to Neville Registrars Limited);

(ii) the ISIN of the Open Offer Entitlement. This is GB00BF559Q37;

(iii) the CREST participant ID of the accepting CREST member;

(iv) the CREST member account ID of the accepting CREST member from which the Open Offer Entitlements are to be debited;

(v) the participant ID of Neville Registrars Limited in its capacity as a CREST receiving agent. This is 7RA11;

(vi) the member account ID of Neville Registrars Limited in its capacity as a CREST receiving agent. This is MIDBASIC;

(vii) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in paragraph 3.2(d)(i) above;

(viii) the intended settlement date. This must be on or before 11.00 a.m. on 22 February 2019; and

(ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 22 February 2019.

In order to assist prompt settlement of the USE instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE instruction:

(i) a contact name and telephone number (in the free format shared note field); and

(ii) a priority of at least 80

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE instruction may settle on 22 February 2019 in order to be valid is 11.00 a.m. on that day.

In the event that the Placing and the Open Offer do not become unconditional by 8.00 a.m. on 26 February 2019 (or such later time and date as the Company and the Joint Bookrunners agree being no later than 8.00 a.m. on 15 March 2019), the Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and Neville Registrars Limited will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter.

(e) *Content of USE instruction in respect of Excess CREST Open Offer Entitlements*

The USE instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

(i) the number of Excess Shares for which application is being made (and hence being delivered to Neville Registrars Limited);

(ii) the ISIN of the Excess CREST Open Offer Entitlement. This is GB00BF559R44;

(iii) the CREST participant ID of the accepting CREST member;

(iv) the CREST member account ID of the accepting CREST member from which the Excess CREST Open Offer Entitlements are to be debited;

(v) the participant ID of Neville Registrars Limited its capacity as a CREST receiving agent. This is 7RA11;

(vi) the member account ID of Neville Registrars Limited in its capacity as a CREST receiving agent. This is MIDXS;

(vii) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Excess Shares referred to in paragraph 3.2(e)(i) above;

(viii) the intended settlement date. This must be on or before 11.00 a.m. on 22 February 2019; and

(ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application in respect of an Excess CREST Open Offer Entitlement under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 22 February 2019.

In order to assist prompt settlement of the USE instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE instruction:

(i) a contract name and telephone number (in the free format shared note field); and

(ii) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE instruction may settle on 22 February 2019 in order to be valid is 11.00 a.m. on that day.

In the event that the Subscription, the Placing and the Open Offer do not become unconditional by 8.00 a.m. on 26 February 2019 (or such later time and date as the Company and the Joint Bookrunners determine being no later than 8.00 a.m. on 15 March 2019), the Open Offer will lapse, the Open Offer Entitlements and the Excess CREST Open Offer Entitlements admitted to CREST will be disabled and Neville Registrars Limited will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter.

(f) *Deposit of Open Offer Entitlements into, and withdrawal from, CREST*

A Qualifying Non-CREST Shareholder's entitlement under the Open Offer as shown by the number of Open Offer Entitlements set out in their Application Form may be deposited into CREST (either into the account of the Qualifying Shareholder named in the Application Form or into the name of a person entitled by virtue of a *bona fide* market claim), provided that such Qualifying Non-CREST Shareholder is also a CREST member. Similarly, Open Offer Entitlements and Excess CREST Open Offer Entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer and the entitlement to apply for Excess Shares under the Excess Application Facility is reflected in an Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, subject (in the case of a deposit into CREST) as set out in the Application Form.

A holder of an Application Form who is proposing to deposit the entitlement set out in such form into CREST is recommended to ensure that the deposit procedures are implemented in sufficient time to enable the person holding or acquiring the Open Offer Entitlements and the entitlement to apply for Excess Shares under the Excess Application Facility following their deposit into CREST to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 22 February 2019. After depositing their Open Offer Entitlement into their CREST account, CREST holders will shortly thereafter receive a credit for their Excess CREST Open Offer Entitlement, which will be managed by Neville Registrars Limited.

In particular, having regard to normal processing times in CREST and on the part of the Registrar and Receiving Agent, the recommended latest time for depositing an Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the entitlement

under the Open Offer set out in such Application Form as Open Offer Entitlements and Excess CREST Open Offer Entitlements in CREST, is 3.00 p.m. on 19 February 2019 and the recommended latest time for receipt by Euroclear of a dematerialised instruction requesting withdrawal of Open Offer Entitlements and Excess CREST Open Offer Entitlements from CREST is 4.30 p.m. on 18 February 2019 in either case so as to enable the person acquiring or (as appropriate) holding the Open Offer Entitlements and the entitlement to apply for Excess Shares under the Excess Application Facility following the deposit or withdrawal (whether as shown in an Application Form or held in CREST) to take all necessary steps in connection with applying in respect of the Open Offer Entitlements and the entitlement to apply for Excess Shares under the Excess Application Facility, as the case may be, prior to 11.00 p.m. on 22 February 2019.

Delivery of an Application Form with the CREST deposit form duly completed whether in respect of a deposit into the account of the Qualifying Shareholder named in the Application Form or into the name of another person, shall constitute a representation and warranty to the Company and Neville Registrars Limited by the relevant CREST member(s) that it/they is/are not in breach of the provisions of the notes under the paragraph headed "Instructions for depositing the Open Offer entitlements into CREST" on page 3 of the Application Form, and a declaration to the Company and Neville Registrars Limited from the relevant CREST member(s) that it/they is/are not in the United States or citizen(s) or resident(s) of any Restricted Jurisdiction or any other jurisdiction in which the application for Open Offer Shares is prevented by law and, where such deposit is made by a beneficiary of a market claim, a representation and warranty that the relevant CREST member(s) is/are entitled to apply under the Open Offer by virtue of a *bona fide* market claim.

(g) *Validity of application*

A USE instruction complying with the requirements as to authentication and contents set out above which settles by no later than 11.00 a.m. on 22 February 2019 will constitute a valid application under the Open Offer.

(h) *CREST procedures and timings*

CREST members and (where applicable) their CREST sponsors should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE instruction and its settlement in connection with the Open Offer. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that their CREST sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above by 11.00 a.m. on 22 February 2019. In this connection CREST members and (where applicable) their CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(i) *Incorrect or incomplete applications*

If a USE instruction includes a CREST payment for an incorrect sum, the Company, through the Receiving Agent, reserves the right:

(i) to reject the application in full and refund the payment to the CREST member in question (without interest);

(ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Open Offer Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the CREST member in question (without interest, save that any sums of less than £1 will be retained for the benefit of the Company); and

(iii) in the case that an excess sum is paid, to treat the application as a valid application for all the Open Offer Shares referred to in the USE instruction, refunding any unutilised sum to the CREST member in question (without interest).

(j) *The Excess Application Facility*

The Excess Application Facility enables Qualifying CREST Shareholders, who have taken up their Open Offer Entitlement in full, to apply for Excess Shares in excess of their Open Offer Entitlement

as at the Record Date. If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of Open Offer Entitlements, it is intended that the Excess Shares will be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility. However, the Directors reserve the right to allocate in such manner as the Directors may determine in their absolute discretion and no assurance can be given that excess applications by Qualifying Shareholders will be met in full or in part or at all. Excess CREST Open Offer Entitlements may not be sold or otherwise transferred. Subject as provided in paragraph 6 of this Part 5 in relation to Overseas Shareholders, the CREST accounts of Qualifying CREST Shareholders will be credited with Excess CREST Open Offer Entitlements to enable applications for Excess Shares to be settled through CREST. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements and the Excess CREST Open Offer Entitlements will be admitted to CREST, they will have limited settlement capabilities. Neither the Open Offer Entitlements nor the Excess CREST Open Offer Entitlements will be tradable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholders originally entitled or by a person entitled by virtue of a *bona fide* market claim.

To apply for Excess Shares pursuant to the Excess Application Facility, Qualifying CREST Shareholders should follow the instructions above and must not return a paper form or cheque.

Should a transaction be identified by the CREST Claims Processing Unit as "cum" the Open Offer Entitlement and the relevant Open Offer Entitlement(s) be transferred, the Excess CREST Open Offer Entitlements will not transfer with the Open Offer Entitlement(s) claim, but will be transferred as a separate claim. Should a Qualifying CREST Shareholder cease to hold all of their Existing Ordinary Shares as a result of one or more *bona fide* market claims, the Excess CREST Open Offer Entitlement credited to CREST and allocated to the relevant Qualifying Shareholder will be transferred to the purchaser. Please note that an additional USE instruction must be sent in respect of any application under the Excess CREST Open Offer Entitlement.

Should the Open Offer become unconditional and applications for Open Offer Units by Qualifying Shareholders under the Open Offer exceed 19,456,554 Open Offer Units/Open Offer Shares, resulting in a scale back of applications under the Excess Application Facility, each Qualifying CREST Shareholder who has made a valid application pursuant to their Excess CREST Open Offer Entitlement and from whom payment in full for the Excess Shares has been received, will receive a pounds sterling amount equal to the number of Open Offer Shares validly applied and paid for but which are not allocated to the relevant Qualifying CREST Shareholder multiplied by the Issue Price. Monies will be returned as soon as reasonably practicable following the completion of the scale back, without payment of interest and at the applicant's sole risk by way of CREST payment, as appropriate.

All enquiries in connection with the procedure for applications under the Excess Application Facility and your Excess CREST Open Offer Entitlement should be addressed to Neville Registrars Limited, of Neville House, Steelpark Road, Halesowen B62 8HD, or you can contact Neville Registrars Limited on 0121 585 1131. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00 a.m. – 5.00 p.m., Monday to Friday excluding public holidays in England and Wales. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Open Offer nor give any financial, legal or tax advice.

(k) *Effect of valid application*

A CREST member who makes or is treated as making a valid application for some or all of their *pro rata* entitlement to the Open Offer Shares in accordance with the above procedures hereby:

(i) represents and warrants to the Company and the Joint Bookrunners that they have the right, power and authority, and have taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise their rights, and perform their obligations, under any contracts resulting therefrom and that they are not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or Excess Shares or acting on behalf of any such person on a non-discretionary basis;

(ii) agrees to pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to Neville Registrars Limited's payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST member to pay to the Company the amount payable on application);

(iii) agrees with the Company and the Joint Bookrunners that all applications under the Open Offer and contracts resulting therefrom, and any non-contractual obligations related thereto, shall be governed by, and construed in accordance with, the laws of England and Wales;

(iv) confirms to the Company and the Joint Bookrunners that in making the application they are not relying on any information or representation in relation to the Company other than that contained in this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this document, they will be deemed to have had notice of all the information in relation to the Company contained in this document (including information incorporated by reference);

(v) represents and warrants to the Company and the Joint Bookrunners that they are the Qualifying Shareholder originally entitled to the Open Offer Entitlements or Excess CREST Open Offer Entitlements or that, if they have received some or all of their Open Offer Entitlements and Excess CREST Open Offer Entitlements from a person other than the Company, they are entitled to apply under the Open Offer in relation to such Open Offer Entitlement or Excess CREST Open Offer Entitlements (as the case may be) by virtue of a *bona fide* market claim;

(vi) requests that the Open Offer Shares to which they will become entitled be issued to them on the terms set out in this document, subject to the articles of association of the Company from time to time;

(vii) represents and warrants to the Company and the Joint Bookrunners that they are not, nor are they applying on behalf of any person who is, in the United States or is a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws, of the United States, any Restricted Jurisdiction or any other jurisdiction in which the application for Open Offer Shares is prevented by law and they are not applying with a view to re-offering, re-selling, transferring or delivering any of the Open Offer Shares which are the subject of the application to, or for the benefit of, a person who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of the United States, any Restricted Jurisdiction or any other jurisdiction in which the application for Open Offer Shares is prevented by law (except where proof satisfactory to the Company has been provided to the Company that they are able to accept the invitation by the Company free of any requirement which the Company (in its absolute discretion) regards as unduly burdensome), nor acting on behalf of any such person on a non- discretionary basis nor person(s) otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or Excess Shares under the Open Offer;

(viii) represents and warrants to the Company and the Joint Bookrunners that they are not, and nor are they applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in sections 67, 70, 93 or 96 (depositary receipts and clearance services) of the Finance Act 1986;

(ix) in agreeing to acquire the Open Offer Shares, it is relying on the information contained in this document and it is not relying on any other information given or representation, warranty, undertaking, agreement or statement made at any time by the Company or any of its officers, directors, agents, employees or advisers, or any other person in relation to the Company or its subsidiary undertakings, the Open Offer or the Open Offer Shares or the Warrants to be issued pursuant to the Open Offer, and neither the Company nor any other person will be liable for any Qualifying Shareholder's decision to participate in the Open Offer based on any other information, representation, warranty, undertaking, agreement or statement which Qualifying Shareholders may have obtained or received. In addition, it has

neither received nor relied on any confidential price sensitive information. Nothing in this paragraph shall exclude the liability of any person for fraud; and

(x) confirms that in making the application they are not relying and have not relied on the Company or the Joint Bookrunners or any person affiliated with the Company or The Joint Bookrunners in connection with any investigation of the accuracy of any information contained in this document or their investment decision.

If a Qualifying CREST Shareholder does not wish to apply for the Open Offer Shares under the Open Offer, they should take no action and should not send a USE instruction through CREST.

(l) *Company's discretion as to the rejection and validity of applications The Company may in its sole discretion:*

(i) treat as valid (and binding on the CREST member concerned) an application which does not comply in all respects with the requirements as to validity set out or referred to in this Part 5;

(ii) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid application in substitution for or in addition to a USE instruction and subject to such further terms and conditions as the Company may determine;

(iii) treat a properly authenticated dematerialised instruction (in this sub-paragraph the "first instruction") as not constituting a valid application if, at the time at which Neville Registrars Limited receives a properly authenticated dematerialised instruction giving details of the first instruction or thereafter, either the Company or Neville Registrars Limited has received actual notice from Euroclear of any of the matters specified in Regulation 35(5) (a) of the CREST Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and

(iv) accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for settlement of a USE instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to apply for Open Offer Shares by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by Neville Registrars Limited in connection with CREST.

(m) *Lapse of the Open Offer*

In the event that the Open Offer does not become unconditional by 8.00 a.m. on 26 February 2019 or such later time and date as the Company and The Joint Bookrunners may agree (being no later than 8.00 a.m. on 15 March 2019), the Open Offer will lapse, the Open Offer Entitlements and the Excess CREST Open Offer Entitlements admitted to CREST will be disabled and Neville Registrars Limited will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter.

4. Money Laundering Regulations

Anti-money laundering checks are required by law to be performed on certain financial transactions. The checks are undertaken to make sure investors are genuinely who they say they are and that any application monies have not been acquired illegally or that Neville Registrars Limited itself is not being used as part of criminal activity, most commonly the placement, layering and integration of illegally obtained money.

Whist Neville Registrars may carry out checks on any application, they are usually only performed when dealing with application values above a certain threshold, commonly referred to as the anti-money laundering threshold which is the Sterling equivalent of €15,000 (currently approximately £13,000).

Neville Registrars will make enquiries to credit reference agencies to meet its anti-money laundering obligations and the applicant may be required to provide an original or certified copy of their passport, driving licence and recent bank statements to support such enquiries. Anti-money laundering checks do not mean the investor is suspected of anything illegal and there is nothing to worry about.

The checks made at credit reference agencies leave an 'enquiry footprint' – an indelible record so that the investor can see who has checked them out. The enquiry footprint does not have any impact on their credit score or on their ability to get credit. Anti-Money Laundering Checks appear as an enquiry/soft search on the investors credit report. The report may contain a note saying "Identity Check to comply with Anti Money Laundering Regulations".

4.1 ***Holders of Application Forms***

To ensure compliance with money laundering regulations, Neville Registrars Limited may require, at its absolute discretion, verification of the identity of the person by whom or on whose behalf the Application Form is lodged with payment (which requirements are referred to below as the "verification of identity requirements"). If the Application Form is submitted by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of Neville Registrars Limited. In such case, the lodging agent's stamp should be inserted on the Application Form.

The person lodging the Application Form with payment and in accordance with the other terms as described above (the "acceptor"), including any person who appears to Neville Registrars Limited to be acting on behalf of some other person, accepts the Open Offer in respect of such number of Open Offer Shares and (where relevant) Excess Shares as is referred to therein (for the purposes of this paragraph 4 the "relevant Open Offer Shares") shall thereby be deemed to agree to provide Neville Registrars Limited with such information and other evidence as they may require to satisfy the verification of identity requirements.

If Neville Registrars Limited determines that the verification of identity requirements apply to any acceptor or application, the relevant Open Offer Shares or (where relevant) Excess Shares (notwithstanding any other term of the Open Offer) will not be issued to the relevant acceptor unless and until the verification of identity requirements have been satisfied in respect of that acceptor or application. Neville Registrars Limited is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any acceptor or application and whether such requirements have been satisfied, and neither Neville Registrars Limited nor the Company will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays in the despatch of share certificates or in crediting CREST accounts. If, within a reasonable time following a request for verification of identity, Neville Registrars Limited has not received evidence satisfactory to it as aforesaid, the Company may, in its absolute discretion, treat the relevant application as invalid, in which event the monies payable on acceptance of the Open Offer or (where relevant) Excess Shares will be returned (at the acceptor's risk) without interest to the account of the bank or building society on which the relevant cheque was drawn. Submission of an Application Form with the appropriate remittance will constitute a warranty to each of the Company, Neville Registrars Limited and the Joint Bookrunners from the applicant that the Money Laundering Regulations will not be breached by application of such remittance.

The verification of identity requirements will not usually apply:

(i) if the applicant is an organisation required to comply with the Money Laundering Directive (the Council Directive on prevention of the use of the financial system for the purpose of money laundering (no.91/308/EEC));

(ii) if the acceptor is a regulated United Kingdom broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations;

(iii) if the applicant (not being an applicant who delivers their application in person) makes payment by way of a cheque drawn on an account in the applicant's name; or

(iv) if the aggregate subscription price for the Open Offer Shares is less than €15,000 (currently approximately £13,000).

In other cases the verification of identity requirements may apply. Satisfaction of these requirements may be facilitated in the following ways:

(a) if payment is made by cheque or bankers' draft in sterling drawn on a branch in the United Kingdom of a bank or building society which bears a UK bank sort code number in the top right hand corner the following applies. Cheques should be made payable to "Neville Registrars Limited Re: Clients Account" in respect of an application by a Qualifying Shareholder and crossed "A/C Payee Only". Third party cheques may not be accepted with the exception of building society cheques where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque to such effect. The account name should be the same as that shown on the Application Form; or

(b) if the Application Form is lodged with payment by an agent which is an organisation of the kind referred to in paragraph 4(i) above or which is subject to anti-money laundering regulation in a country which is a member of the Financial Action Task Force, the agent should provide with the Application Form written confirmation that it has that status and a written assurance that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to the Registrar and Receiving Agent. If the agent is not such an organisation, it should contact Neville Registrars Limited at Neville House, Steelpark Road, Halesowen B62 8HD.

To confirm the acceptability of any written assurance referred to in paragraph 4.1(b) above, or in any other case, the acceptor should contact Neville Registrars Limited on 0121 585 1131. Calls to the helpline number are typically charged at your service provider's standard rate. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note Neville Registrars Limited cannot provide financial or taxation advice or comment on the merits of the Open Offer or as to whether applicants should take up their Open Offer Entitlement and/or make an application under the Excess Application Facility.

If the Application Form(s) is/are in respect of Open Offer Shares with an aggregate subscription price of €15,000 or more (currently approximately £13,000) and is/are lodged by hand by the acceptor in person, or if the Application Form(s) in respect of Open Offer Shares is/are lodged by hand by the acceptor and the accompanying payment is not the acceptor's own cheque, they should ensure that they have with them evidence of identity bearing their photograph (for example, their passport) and separate evidence of their address.

If, within a reasonable period of time following a request for verification of identity, and in any case by no later than 11.00 a.m. on 22 February 2019, Neville Registrars Limited has not received evidence satisfactory to it as aforesaid, Neville Registrars Limited may, at its discretion, as agent of the Company, reject the relevant application, in which event the monies submitted in respect of that application will be returned without interest to the applicant at the applicant's risk (without prejudice to the rights of the Company to undertake proceedings to recover monies in respect of the loss suffered by it as a result of the failure to produce satisfactory evidence as aforesaid).

4.2 ***Open Offer Entitlements in CREST***

If you hold your Open Offer Entitlement and Excess CREST Open Offer Entitlement in CREST and apply for Open Offer Shares in respect of some or all of your Open Offer Entitlement and/or Excess CREST Open Offer Entitlement as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), then, irrespective of the value of the application, Neville Registrars Limited is obliged to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. You must therefore contact Neville Registrars Limited before sending any USE or other instruction so that appropriate measures may be taken.

Submission of a USE instruction which on its settlement constitutes a valid application as described above constitutes a warranty and undertaking by the applicant to provide promptly to Neville Registrars Limited such information as may be specified by Neville Registrars Limited as being required for the

purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to Neville Registrars Limited as to identity, Neville Registrars Limited may in its absolute discretion take, or omit to take, such action as it may determine to prevent or delay issue of the Open Offer Shares concerned. If satisfactory evidence of identity has not been provided within a reasonable time, then the application for the Open Offer Shares represented by the USE instruction will not be valid. This is without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure to provide satisfactory evidence.

5. Admission, settlement and dealings

The result of the Open Offer is expected to be announced on 25 February 2019. Applications will be made to the London Stock Exchange for the Open Offer Shares to be admitted to trading on AIM. Subject to the Proposals becoming unconditional in all respects (save only as to Admission), it is expected that Admission will become effective and that dealings in the Open Offer Shares will commence at 8.00 a.m. on 26 February 2019.

Application will be made for the Open Offer Shares to be admitted to CREST. All such shares, when issued and fully paid, are therefore expected to be able to be held and transferred by means of CREST as soon as practicable after Admission.

Open Offer Entitlements and Excess CREST Open Offer Entitlements held in CREST are expected to be disabled in all respects after 11.00 a.m. on 22 February 2019 (the latest date for applications under the Open Offer). If the condition(s) to the Open Offer described above are satisfied, Open Offer Shares will be issued in uncertificated form to those persons who submitted a valid application for Open Offer Shares by utilising the CREST application procedures and whose applications have been accepted by the Company under the terms and conditions of the Open Offer in this Part 5.

On 26 February 2019, the Registrar and Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of such persons with such persons' entitlements to Open Offer Shares with effect from Admission. The stock accounts to be credited will be accounts under the same CREST participant IDs and CREST member account IDs in respect of which the USE instruction was given. Notwithstanding any other provision of this document, the Company reserves the right to send Qualifying CREST Shareholders an Application Form instead of crediting the relevant stock account with Open Offer Entitlements and Excess CREST Open Offer Entitlements, and to allot and/or issue any Open Offer Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of the facilities and/or systems operated by the Registrar in connection with CREST.

No temporary documents of title will be issued and transfers will be certified against the UK share register of the Company. All documents or remittances sent by, to, from or on behalf of applicants, or as they may direct, will (in the latter case) be sent through the post and will (in both cases) be at the risk of the applicant. For more information as to the procedure for application, Qualifying Non-CREST Shareholders are referred to paragraph 3.1 of this Part 5 above and their respective Application Form.

6. Overseas Shareholders

The comments set out in this paragraph 6 are intended as a general guide only and any Overseas Shareholders who are in any doubt as to their position should consult their professional advisers without delay.

6.1 ***General***

The distribution of this document and the making and/or acceptance of the Open Offer to or by persons who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, or which are corporations, partnerships or other entities created or organised under the laws of countries other than the United Kingdom or to persons who are nominees of or custodians, trustees or guardians for citizens, residents in or nationals of, countries other than the United Kingdom, may be affected by the laws or regulatory requirements of the relevant jurisdictions. It is the responsibility of those persons to consult their professional advisers as to whether they require any governmental or other consents or

need to observe any applicable legal requirement or other formalities to enable them to apply for Open Offer Shares under the Open Offer.

No action has been or will be taken by the Company, the Joint Bookrunners or any other person, to permit a public offering or distribution of this document (or any other offering or publicity materials or application form(s) relating to the Open Offer Shares) in any jurisdiction where action for that purpose may be required, other than in the United Kingdom.

Receipt of this document and/or an Application Form and/or a credit of an Open Offer Entitlement or an Excess CREST Open Offer Entitlement to a stock account in CREST will not constitute an invitation or offer of securities for subscription, sale or purchase in those jurisdictions in which it would be illegal to make such an invitation or offer and, in those circumstances, this document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

Application Forms will not be sent to, and Open Offer Entitlements and Excess CREST Open Offer Entitlements will not be credited to stock accounts in CREST of persons with registered addresses in the United States or a Restricted Jurisdiction or their agent or intermediary, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

No person receiving a copy of this document and/or an Application Form and/or a credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to them, nor should they in any event use any such Application Form and/or credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST unless, in the relevant territory, such an invitation or offer could lawfully be made to them and such Application Form and/or credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST could lawfully be used, and any transaction resulting from such use could be effected, without contravention of any registration or other legal or regulatory requirements. In circumstances where an invitation or offer would contravene any registration or other legal or regulatory requirements, this document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

It is the responsibility of any person (including, without limitation, custodians, agents, nominees and trustees) outside the United Kingdom wishing to apply for Open Offer Shares under the Open Offer to satisfy themselves as to the full observance of the laws of any relevant territory in connection therewith, including obtaining any governmental or other consents that may be required, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes due in such territory.

None of the Company, the Joint Bookrunners nor any of their respective representatives, is making any representation to any offeree, subscriber or purchaser of the Open Offer Shares regarding the legality of an investment in the Open Offer Shares by such offeree, subscriber or purchaser under the laws applicable to such offeree, subscriber or purchaser.

Persons (including, without limitation, custodians, agents, nominees and trustees) receiving a copy of this document and/or an Application Form and/or a credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST, in connection with the Open Offer or otherwise, should not distribute or send either of those documents nor transfer Open Offer Entitlements or Excess CREST Open Offer Entitlements in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If a copy of this document and/or an Application Form and/or a credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST is received by any person in any such territory, or by their custodian, agent, nominee or trustee, they must not seek to apply for Open Offer Shares under the Open Offer unless the Company and the Joint Bookrunners determine that such action would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, agents, nominees and trustees) who does forward a copy of this document and/or an Application Form and/or transfers Open Offer Entitlements or Excess CREST Open Offer Entitlements into any such territory, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this Part 5 and specifically the contents of this paragraph 6.

The Company reserves the right to treat as invalid any application or purported application for Open Offer Shares that appears to the Company or its agents to have been executed, effected or dispatched from the United States or a Restricted Jurisdiction or in a manner that may involve a breach of the laws or regulations of any other jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements or if it provides an address for delivery of the share certificates of Open Offer Shares or in the case of a credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST, to a CREST member whose registered address would be in the United States or a Restricted Jurisdiction or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates or make such a credit.

Notwithstanding any other provision of this document or the relevant Application Form, the Company and the Joint Bookrunners reserve the right to permit any person to apply for Open Offer Shares in respect of the Open Offer if the Company, in its sole and absolute discretion, is satisfied that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

Overseas Shareholders who wish, and are permitted, to apply for Open Offer Shares should note that payment must be made in sterling denominated cheques or where such Overseas Shareholder is a Qualifying CREST Shareholder, through CREST. Due to restrictions under the securities laws of the United States and the Restricted Jurisdictions, and subject to certain exceptions, Qualifying Shareholders in the United States or who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, any Restricted Jurisdiction will not qualify to participate in the Open Offer and will not be sent an Application Form nor will their stock accounts in CREST be credited with Open Offer Entitlements or Excess CREST Open Offer Entitlements. No public offer of Open Offer Shares (or any New Ordinary Shares) is being made by virtue of this document or the Application Forms into the United States or any Restricted Jurisdiction. Receipt of this document and/or an Application Form and/or a credit of an Open Offer Entitlement or Excess CREST Open Offer Entitlement to a stock account in CREST will not constitute an invitation or offer of securities for subscription, sale or purchase in those jurisdictions in which it would be illegal to make such an invitation or offer and, in those circumstances, this document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed and no action should be taken to take up any Open Offer Entitlement or Excess CREST Open Offer Entitlement so credited.

6.2 ***United States***

The New Ordinary Shares (including the Open Offer Shares, Placing Shares and the Warrants) have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and, accordingly, may not be offered or sold, re-sold, taken up, transferred, delivered or distributed, directly or indirectly, in or into the United States or to or for the account or benefit of, US Persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

Accordingly, the Company is not extending the Open Offer (or the Placing or the Warrants) into the United States unless an exemption from the registration requirements of the Securities Act is available and, neither this document nor the Application Form constitutes or will constitute an offer or an invitation to apply for or an offer or an invitation to acquire any New Ordinary Shares (including the Open Offer Shares, the Placing Shares and the Warrants) in the United States. Neither this document nor an Application Form will be sent to, and no New Ordinary Shares (including the Open Offer Shares and Placing Shares) will be credited to a stock account in CREST of, any Qualifying Shareholder with a registered address in the United States. Subject to certain exceptions, Application Forms sent from or postmarked in the United States will be deemed to be invalid and all persons acquiring New Ordinary Shares (including the Open Offer Shares, Placing Shares and Warrants) and wishing to hold such New Ordinary Shares (including the Open Offer Shares, Placing Shares and Warrants) in registered form must provide an address for registration of the New Ordinary Shares (including the Open Offer Shares, Placing Shares and Warrants) issued upon exercise thereof outside the United States.

Any person who acquires New Ordinary Shares (including the Open Offer Shares and the Placing Shares) will be deemed to have declared, warranted and agreed, by accepting delivery of this document or the Application Form and delivery of the New Ordinary Shares (including the Open Offer Shares, Placing Shares and Warrants), that they are not, and that at the time of acquiring the New

Ordinary Shares (including the Open Offer Shares, Placing Shares and Warrants) they will not be, US Persons or acting on behalf of, or for the account or benefit of a US Person.

The Company reserves the right to treat as invalid any Application Form that appears to the Company or its agents to have been executed in, or despatched from, the United States, or that provides an address in the United States for the receipt of New Ordinary Shares (including the Open Offer Shares and Placing Shares), or which does not make the warranty set out in paragraphs 3.1(g)(vi) and 3.2(k)(vii) of this Part 5 or in the Application Form to the effect that the person completing the Application Form does not have a registered address and is not otherwise located in the United States and is not acquiring the New Ordinary Shares (including the Open Offer Shares, Placing Shares and the Warrants) with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Ordinary Shares (including the Open Offer Shares, Placing Shares and the Warrants) in the United States or where the Company believes acceptance of such Application Form may infringe applicable legal or regulatory requirements.

The Company will not be bound to allot or issue any New Ordinary Shares (including the Open Offer Shares, Placing Shares and the Warrants) to any person with an address in, or who is otherwise located in, the United States in whose favour an Application Form or any New Ordinary Shares (including the Open Offer Shares and Placing Shares) may be transferred. In addition, the Company and the Joint Bookrunners reserve the right to reject any USE instruction sent by or on behalf of any CREST member with a registered address in the United States in respect of the New Ordinary Shares (including the Open Offer Shares and Placing Shares). In addition, until 40 days after Admission, an offer, sale or transfer of the New Ordinary Shares within the United States or to or for the benefit of a US Person may violate the registration requirements of the Securities Act if such offer, sale or transfer is made otherwise than pursuant to an available exemption from registration under the Securities Act.

6.3 ***Restricted Jurisdictions***

Due to restrictions under the securities laws of the Restricted Jurisdictions and subject to certain exemptions, Shareholders who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, any Restricted Jurisdiction may not qualify to participate in the Open Offer and, unless an exemption is applicable, will not be sent an Application Form nor will their stock accounts in CREST be credited with Open Offer Entitlements or Excess CREST Open Offer Entitlements. The Open Offer Shares have not been and will not be registered under the relevant laws of any Restricted Jurisdiction or any state, province or territory thereof and may not be offered, sold, resold, delivered or distributed, directly or indirectly, in or into any Restricted Jurisdiction or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of, any Restricted Jurisdiction except pursuant to an applicable exemption.

No offer or invitation to apply for Open Offer Units is being made by virtue of this document or the Application Form into any Restricted Jurisdiction.

6.4 ***Representations and warranties relating to Overseas Shareholders***

(a) *Qualifying Non-CREST Shareholders*

Any person completing and returning an Application Form or requesting registration of the Open Offer Shares comprised therein represents and warrants to the Company, the Joint Bookrunners and Neville Registrars Limited that, except where proof has been provided to the Company's satisfaction that such person's use of the Application Form will not result in the contravention of any applicable legal requirements in any jurisdiction: (i) such person is not requesting registration of the relevant Open Offer Shares from within the United States or any Restricted Jurisdiction; (ii) such person is not in any territory in which it is unlawful to make or accept an offer to acquire Open Offer Shares in respect of the Open Offer or to use the Application Form in any manner in which such person has used or will use it; (iii) such person is not acting on a non-discretionary basis for a person located within the United States or any Restricted Jurisdiction (except as agreed with the Company) or any territory referred to in (ii) above at the time the instruction to accept was given; and (iv) such person is not acquiring Open Offer Shares with a view to offer, sell, resell, transfer, deliver or distribute, directly or indirectly, any such Open Offer Shares into any of the above territories. The Company and/or Neville Registrars Limited may treat as invalid any acceptance or purported acceptance of the allotment of Open Offer Shares comprised in an Application Form if it: (i) appears to the Company or its agents to have been executed, effected

or dispatched from the United States or a Restricted Jurisdiction or in a manner that may involve a breach of the laws or regulations of any jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements; or (ii) provides an address in the United States or a Restricted Jurisdiction for delivery of the share certificates of Open Offer Shares (or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates); or (iii) purports to exclude the warranty required by this sub-paragraph (a).

(b) *Qualifying CREST Shareholders*

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this Part 5 represents and warrants to the Company, the Joint Bookrunners and Neville Registrars Limited that, except where proof has been provided to the Company's satisfaction that such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) they are not within the United States or any Restricted Jurisdiction; (ii) they are not in any territory in which it is unlawful to make or accept an offer to acquire Open Offer Shares; (iii) they are not accepting on a non-discretionary basis for a person located within the United States any Restricted Jurisdiction (except as otherwise agreed with the Company) or any territory referred to in (ii) above at the time the instruction to accept was given; and (iv) they are not acquiring any Open Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Open Offer Shares into any of the above territories.

6.5 ***Waiver***

The provisions of this paragraph 6 and of any other terms of the Open Offer relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Company or the Joint Bookrunners in their absolute discretion. Subject to this, the provisions of this paragraph 6 supersede any terms of the Open Offer inconsistent herewith. References in this paragraph 6 to Shareholders shall include references to the person or persons executing an Application Form and, in the event of more than one person executing an Application Form, the provisions of this paragraph 6 shall apply to them jointly and to each of them.

7. Times and Dates

The Company shall, in agreement with the Joint Bookrunners and after consultation with its legal advisers, be entitled to amend the dates that Application Forms are despatched or amend or extend the latest date for acceptance under the Open Offer and all related dates set out in this document and in such circumstances shall notify the London Stock Exchange, and make an announcement on a Regulatory Information Service but Qualifying Shareholders may not receive any further written communication. If a supplementary circular is issued by the Company two or fewer Business Days prior to the latest time and date for acceptance and payment in full under the Open Offer specified in this document, the latest date for acceptance under the Open Offer shall be extended to the date that is three Business Days after the date of issue of the supplementary circular (and the dates and times of principal events due to take place following such date shall be extended accordingly).

8. Taxation

Shareholders who are in any doubt as to their tax position in relation to taking up their entitlements under the Open Offer, or who are subject to tax in any jurisdiction other than the United Kingdom, should immediately consult a suitable professional adviser.

9. Further information

Your attention is drawn to the further information set out in this document and also, in the case of Qualifying Non-CREST Shareholders and other Qualifying Shareholders to whom the Company has sent Application Forms, to the terms, conditions and other information printed on the accompanying Application Form.

10. Governing law and jurisdiction

The terms and conditions of the Open Offer as set out in this document and the Application Form and any non-contractual obligation related thereto shall be governed by, and construed in accordance with, the laws of England and Wales. The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Open Offer, this document or the Application Form. By taking up Open Offer Shares, by way of their Open Offer Entitlement and/or the Excess Application Facility (as applicable), in accordance with the instructions set out in this document and, where applicable, the Application Form, Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

NOTICE OF GENERAL MEETING

MIDATECH PHARMA PLC

(Incorporated and registered in England and Wales with registered no. 09216368)

Notice is hereby given that a general meeting of the members of Midatech Pharma Plc (the "**Company**") will be held at the offices of Panmure Gordon (UK) Limited, One New Change, London EC4M 9AF on 25 February 2019 at 9.00 a.m. to consider and, if thought fit, pass the following resolutions. Resolutions 1 and 3 will be proposed as ordinary resolutions (with resolution 3 to be held by means of a poll) and resolution 2 will be presented as a special resolution (collectively, the "**Resolutions**" and each a "**Resolution**").Unless the context otherwise requires, words and expressions used in this notice have the meanings given to them in the circular to shareholders of the Company dated 5 February 2019 of which this notice forms part (the "**Circular**").

ORDINARY RESOLUTION

1. THAT, subject to and conditional upon the passing of Resolutions 2 and 3, in accordance with section 551 of the Companies Act 2006 (the "**Act**"), the directors of the Company from time to time (the "**Directors**") be generally and unconditionally authorised to exercise all powers of the Company to:

   (a) allot ordinary shares in the Company up to a maximum aggregate nominal amount of £15,692.33 (the "**New Ordinary Shares**") in connection with the Subscription, the Placing and the Open Offer (as such terms defined in the Circular) following the offer by the Company of Units (as defined in the Circular) which comprise one New Ordinary Share and one Warrant (as defined in the Circular) to subscribe for one new Ordinary Share (the "**Capital Raising**"); and

   (b) to grant Warrants to subscribe for ordinary shares in the Company up to a maximum aggregate nominal amount of £17,410.78 (the "**Warrants**") in connection with the Subscription, the Placing and the Open Offer. Each Warrant will be exercisable into one ordinary share in accordance with the terms of a warrant instrument entered into by the Company on 29 January 2019 (the "**Warrant Instrument**") in connection with the Capital Raising.

   The authority given pursuant to this Resolution 1 will be in addition to any authority conferred upon the Board for the purposes of section 551 of the Act at its annual general meeting held in 2018 and shall expire on the date falling on the third anniversary from the date of the passing of this Resolution (unless renewed varied or revoked by the Company prior to or on that date) but the Company may, before this authority expires, make an offer or agreement which would or might require shares in the Company or rights to be allotted or granted after this authority expires and that the Directors may allot shares in the Company or grant rights pursuant to such an offer or agreement as if the authority conferred by this resolution had not expired.

SPECIAL RESOLUTION

2. **THAT**, subject to and conditional upon the passing of Resolutions 1 and 3 in accordance with section 571(1) of the Act, the Directors be empowered to allot equity securities for cash (within the meaning of section 560 of the Act) pursuant to the authorities conferred by Resolution 1 above, as if section 561 of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of:

   (a) the New Ordinary Shares; and

   (b) the Warrants and the ordinary shares to be subscribed upon exercise of the Warrants;

   and shall expire on the date falling on the third anniversary from the date of the passing of this resolution (unless renewed varied or revoked by the Company prior to or on that date) but the Company may, before this authority expires, make an offer or agreement which would or might require shares in the Company or rights to be allotted or granted after this authority expires and that the Directors may allot shares in the Company or grant rights pursuant to such an offer or agreement as if the authority conferred by this resolution had not expired.

The power given pursuant to this Resolution 2 will be in addition to any authority conferred upon the Board for the purposes of section 570 of the Act at its annual general meeting held in 2018, without prejudice to any allotments made pursuant to the terms of such authority.

ORDINARY RESOLUTION

3. **THAT**, subject to and conditional upon Resolutions 1 and 2 having been passed, the waiver granted by the Panel on Takeovers and Mergers of any requirement under Rule 9 of the City Code on Takeovers and Mergers (the "**Code**") for CMS and A&K (HK) and persons deemed to be acting in concert with them under the Code (the "**Concert Party**") to make a general offer to Shareholders as a result of (i) the allotment and issue by the Company of up to 207,792,206 New Ordinary Shares in the capital of the Company to the Concert Party; and (ii) the grant and subsequent allotment and issue by the Company of up to 207,792,206 New Ordinary Shares in the capital of the Company to the Concert Party on exercise of the 207,792,206 Warrants, be and is hereby approved.

   This ordinary resolution is subject to the approval of the independent Shareholders (being the Shareholders other than Placees who have participated in the Placing and as defined in the accompanying Circular) on a poll and each independent Shareholder will be entitled to one vote for each ordinary share held. Placees will not vote on the resolution.

By order of the Board

Nick Robbins-Cherry
Company Secretary

Registered office:
65 Innovation Drive
Milton Park
Abingdon
Oxfordshire
OX14 4RQ

Date: 5 February 2019

NOTES:

Proxies

1. Holders of Ordinary Shares are entitled to attend and vote at the general meeting of the Company. The total number of issued Ordinary Shares in the Company on 4 February 2019, which is the latest practicable date before the publication of this document, is 61,184,135. On a vote by show of hands every member who is present in person or by proxy shall have one vote. On a poll vote every member who is present in person or by proxy shall have one vote for every Ordinary Share of which he is the holder.

2. A member of the Company entitled to attend, speak and vote at this meeting is entitled to appoint one or more proxies to attend, speak and vote in that member's place. A member may appoint more than one proxy in relation to this meeting provided that each proxy is appointed to exercise rights attached to a different share or shares held by that member. A proxy need not also be a member. Completion and return of a Form of Proxy (or any CREST Proxy Instruction, as described in notes 7 to 9) will not preclude a member from attending and voting at the meeting should the member so decide. A Form of Proxy has been sent to all registered holders of shares. If you wish to appoint multiple proxies please photocopy the Form of Proxy, fill in each copy in respect of different shares and send the multiple forms together to the Company's registrars, Neville Registrars Limited, in accordance with note 3 below. Alternatively you may appoint multiple proxies by CREST Proxy Instruction in accordance with note 7 below.

3. To be valid, the Form of Proxy and any power of attorney or other authority (if any) under which it is signed (or a copy certified notarially, or in some other manner approved by the Board) must be completed and returned so as to reach the Company's registrars, Neville Registrars Limited at: Neville House, Steelpark Road, Halesowen B62 8HD by 9.00 a.m. on 23 February 2019 (or, if the meeting is adjourned, not less than 48 hours before the time fixed for the holding of the adjourned meeting).

4. In the event that a poll is demanded at the meeting, and such poll is to be taken more than 48 hours thereafter, the Form of Proxy (together with any documents of authority required by note 3) may be returned to the Company's registrars, Neville Registrars Limited at the address in note 3 above so as to arrive not later than 24 hours before the time appointed for such poll. In the event that a poll is demanded at the meeting, and such poll is not taken at the meeting, but is taken less than 48 hours after the meeting, the enclosed Form of Proxy (together with any documents of authority required by note 3) may be delivered at the meeting to the chairman of the meeting or to the secretary or any director of the Company.

5. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), to be entitled to attend and vote at the meeting (and for the purpose of determining the number of votes a member may cast), members must be entered on the register of members of the Company at 6.00 p.m. on 23 February 2019.

6. In the case of joint holders, the signature of only one of the joint holders is required on the Form of Proxy, but the vote of the senior (by order in the register of members) who tenders a vote will be accepted to the exclusion of the others.

7. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for this meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

8. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ('Euroclear') specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the Company's agent (ID 7RA11) by the latest time for proxy appointments set out in note 3 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

9. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those

10. sections of the CREST Manual concerning practical limitations of the CREST system and timings (www.euroclear.com/CREST).

11. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).

12. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

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