

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** It contains the Resolutions to be voted on at the General Meeting of the Company to be held at the Company's registered office, Merlin Place, Milton Road, Cambridge, CB4 0DP at 11.00 a.m. on 3 April 2017. If you are in any doubt about what action you should take, you should consult your stockbroker, bank manager, solicitor or other independent financial adviser authorised under the Financial Services and Markets Act 2000 immediately.

Copies of this document will be available free of charge until 1 May 2017 at the Company's registered office, Merlin Place, Milton Road, Cambridge CB4 0DP, during normal business hours.

If you have sold or otherwise transferred all of your Ordinary Shares, please forward this document and the accompanying Form of Proxy for use in relation to the General Meeting as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee.

The Directors, whose names appear on page 4 of this document, accept responsibility for the information contained in this document. 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 is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application will be made to the London Stock Exchange plc for the New Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in all of the New Ordinary Shares will have commenced by 8.00 a.m. on 7 April 2017.



## CYANCONNODE HOLDINGS PLC

*(Incorporated and registered in England and Wales with registered no. 04554942)*

### **Placing of 230,441,804 Ordinary Shares and Subscription for 1,676,470,588 Ordinary Shares at 0.17 pence per share to raise £3.2 million**

**and**

### **Notice of General Meeting**

*Nominated Adviser and Joint Broker:*



*Joint Broker:*



**Your attention is drawn to the letter from the Chairman of the Company which recommends that you vote in favour of the Resolutions to be proposed at the General Meeting.**

Notice of a General Meeting of CyanConnode Holdings plc to be held at the Company's registered office at Merlin Place, Milton Road, Cambridge, CB4 0DP at 11.00 a.m. on 3 April 2017 is set out at the end of this document. A Form of Proxy for use in connection with the general meeting is also enclosed with this document. The Form of Proxy should be completed and returned to the Company's Registrars, Share Registrars Limited, The Courtyard, 17 West Street, Farnham, Surrey, GU9 7DR in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received no later than 48 hours prior to the General Meeting. Completion and return of a Form of Proxy will not preclude Shareholders from attending and voting in person at the General Meeting should they so wish.

Cantor Fitzgerald Europe ("**Cantor Fitzgerald**"), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as nominated adviser and joint broker to the Company with Beaufort Securities Limited ("**Beaufort**") acting as joint broker to the Company. The responsibilities of Cantor Fitzgerald as the Company's nominated adviser under the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange plc and are not owed to the Company or to any Director, shareholder or any other person, in respect of his decision to acquire shares in the Company in reliance on any part of this document, or otherwise. Neither Cantor Fitzgerald Europe nor Beaufort is making any representation or warranty, express or implied, as to the contents of this document. Neither Cantor Fitzgerald nor Beaufort will be offering advice and will not be responsible for providing customer protections to recipients of this document in respect of the Placing or any acquisition of shares in the Company.

No person has been authorised to give any information or make any representation 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. The delivery of this document shall not, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in it is correct as of any subsequent time.

The distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document and/or the accompanying Form of Proxy comes should inform themselves about and observe such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.

#### **Cautionary note regarding forward-looking statements**

This document contains statements about the Company that are or may be deemed to be "forward-looking statements".

All statements, other than statements of historical facts, included in this document may be forward-looking statements. Without limitation, any statements preceded or followed by, or that include, the words "targets", "plans", "believes", "expects", "aims", "intends", "will", "may", "should", "anticipates", "estimates", "projects", or words or terms of similar substance or the negative thereof, are forward-looking statements. Forward-looking statements may include, without limitation, statements relating to future capital expenditures, expenses, revenues, earnings, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects, etc.

These forward-looking statements are not guarantees of future performance. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual result, performance or achievements of any such person, or industry, to be materially different from any results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the present and future business strategies of such persons and the environment in which each will operate in the future. Investors should not place undue reliance on such forward-looking statements and, save as is required by law or regulation (including to meet the requirements of the AIM Rules, the City Code, the Prospectus Rules and/or FSMA), the Company does not undertake any obligation to update publicly or revise any forward-looking statements (including to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based). All subsequent oral or written forward-looking statements attributed to the Company or any persons acting on its behalf are expressly qualified in their entirety by the cautionary statement above. All forward-looking statements contained in this document are based on information available to the Directors at the date of this document, unless some other time is specified in relation to them, and the posting or receipt of this document shall not give rise to any implication that there has been no change in the facts set forth herein since such date.

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## **DIRECTORS, COMPANY SECRETARY AND ADVISERS**

<b>Directors</b>	John James Cronin, Executive Chairman Simon Peter Smith, Chief Financial Officer Dr John William Read, Non-Executive Director Henry James Berry, Non-Executive Director Paul Graham Ratcliff, Non-Executive Director
<b>Company Secretary</b>	Heather Marie Peacock
<b>Registered Office</b>	CyanConnode Holdings plc Merlin Place Milton Road Cambridge CB4 0DP
<b>Nominated Adviser and Joint Broker</b>	Cantor Fitzgerald Europe One Churchill Place Canary Wharf London E14 5RB
<b>Joint Broker to the Company</b>	Beaufort Securities Limited 63 St Mary Axe London EC3A 8AA
<b>Legal Advisers to the Company</b>	Taylor Vinters LLP Tower 42, 33 <sup>rd</sup> Floor 25 Old Broad Street London EC2N 1HQ
<b>Legal Advisers to Cantor Fitzgerald Europe and Beaufort Securities Limited</b>	Pinsent Masons LLP 30 Crown Place Earl Street London EC2A 4ES
<b>Registrars</b>	Share Registrars Limited The Courtyard 17 West Street Farnham Surrey GU9 7DR

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Announcement of the Placing and Subscription	17 March 2017
Latest time for receipt of Forms of Proxy	11.00 a.m. on 30 March 2017
General Meeting	11.00 a.m. on 3 April 2017
Admission of the First EIS Shares	4 April 2017
Admission of the Second EIS Shares	6 April 2017
Admission of the Placing Shares	7 April 2017
Admission and commencement of dealings in the Enlarged Share Capital expected to have commenced on AIM	by 8.00 a.m. on 7 April 2017
Definitive share certificates to be dispatched by	21 April 2017

*Each of the times and dates above is subject to change. Any such change will be notified by an announcement on a Regulatory Information Service.*

## FUNDRAISING STATISTICS

Total number of Existing Ordinary Shares	15,903,071,015
Number of First EIS Shares	151,004,999
Number of Second EIS Shares	391,176,471
Number of General Shares	1,364,730,922
Number of Subscription Shares	1,676,470,588
Number of New Ordinary Shares as a percentage of the Enlarged Share Capital	10.71 per cent.
Issue Price	0.17 pence
Enlarged Share Capital*	17,809,983,407
Gross proceeds of the Placing and Subscription	£3.2 million
Net proceeds of the Placing and Subscription	£3.1 million
Market capitalisation of the Company on Admission at the Issue Price	£30.3 million
ISIN of the Existing Ordinary Shares	GB00B0P66Q02
SEDOL of the Existing Ordinary Shares	B0P66Q0

*\*assuming no new Ordinary Shares are issued prior to the date of the General Meeting*

## DEFINITIONS

The following definitions apply throughout this document and in the accompanying Form of Proxy unless the context requires otherwise:

“Admission”	admission of the New Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules;
“AIM”	the market of that name operated by the London Stock Exchange;
“AIM Rules”	together, the AIM Rules for Companies and the AIM Rules for Nominated Advisers;
“Beaufort”	Beaufort Securities Limited, 63 St Mary Axe, London, EC3A 8AA, as joint broker to the Company;
“Board” or “Directors”	the directors of CyanConnode whose names are set out on page 4 of this document;
“Business Day”	any day on which banks are usually open in England and Wales for the transaction of business, other than a Saturday, Sunday or public holiday;
“Cantor Fitzgerald”	Cantor Fitzgerald Europe, One Churchill Place, Canary Wharf, London E14 5RB, as Nominated Adviser and Joint Broker to the Company;
“City Code”	the City Code on Takeovers and Mergers;
“Companies Act”	the Companies Act 2006 (as amended);
“Company” or “CyanConnode”	CyanConnode Holdings plc, a company incorporated and registered in England and Wales with company number 04554942;
“Corporate Finance Warrants”	the 1,480,000 warrants created under the Corporate Finance Warrant Instrument to subscribe for Ordinary Shares during the six months following Admission (on the basis of one Corporate Finance Warrant for one Ordinary Share) exercisable at 0.1962 pence (being the average closing mid-price of Ordinary Shares for the 45 day period prior to the date of this document);
“CREST”	the computerised settlement system (as defined in the CREST Regulations) operated by Euroclear UK & Ireland Limited;
“EIS”	Enterprise Investment Scheme under the provisions of Part 5 of the UK Income Tax Act 2007 (as amended);
“EIS Placing”	means the conditional placing of the First EIS Shares and Second EIS Shares pursuant to, amongst other things, the terms and conditions set out in the Placing Agreement;
“EIS Placing Shares”	means the 542,181,470 New Ordinary Shares to be issued by the Company pursuant to the EIS Placing;
“Enlarged Share Capital”	the Company’s issued share capital immediately after the completion of the Placing and the Subscription;
“Existing Ordinary Shares”	the existing ordinary shares of 0.01 pence each in the capital of the Company at the date of this document;

“FCA” or “Financial Conduct Authority”	the Financial Conduct Authority;
“First EIS Shares”	means the 151,004,999 EIS Placing Shares to be admitted to trading on 4 April 2017;
“Form of Proxy”	the form of proxy attached to this document for use by Shareholders in connection with the GM;
“FSMA”	the Financial Services and Markets Act 2000;
“Fundraising”	together, the Placing and Subscription;
“General Placing and Subscription”	means the conditional placing and Subscription of General Shares pursuant to, amongst other things, the terms and conditions set out in the Placing Agreement;
“General Shares”	means the 1,364,730,922 New Ordinary Shares (not being issued under the EIS Placing) to be issued by the Company pursuant to the General Placing and Subscription;
“GM” or “General Meeting”	the general meeting of CyanConnode to be held at the Company’s registered office, Merlin Place, Milton Road, Cambridge, CB4 0DP at 11.00 a.m. on 3 April 2017, notice of which is set out in Part 3 of this document;
“HMRC”	Her Majesty’s Revenue & Customs;
“Issue Price”	0.17 pence per New Ordinary Share;
“London Stock Exchange”	London Stock Exchange plc;
“New Ordinary Shares”	the new ordinary shares of 0.01 pence each in the capital of the Company to be issued in connection with the Placing and the Subscription;
“Ordinary Shares”	the ordinary shares of 0.01 pence each in the capital of the Company;
“Placing Agreement”	the conditional placing agreement dated 17 March 2017 between Cantor Fitzgerald, Beaufort and the Company, details of which are set out in the letter from the Chairman;
“Placing”	the proposed placing by Cantor Fitzgerald and Beaufort, as agents for the Company, of the Placing Shares at the Issue Price on the terms of the Placing Agreement;
“Placing Shares”	230,441,804 New Ordinary Shares issued pursuant to the Placing;
“Prospectus Rules”	means the Prospectus Rules made by the UK Listing Authority;
“Record Date”	means the date of Admission;
“Registrars”	Share Registrars Limited, The Courtyard, 17 West Street, Farnham, Surrey, GU9 7DR;
“Resolutions”	the resolutions to be proposed at the GM, as set out in the notice of General Meeting;
“Second EIS Shares”	means the 391,176,471 EIS Placing Shares to be admitted to trading on 6 April 2017;

“Shareholders”	holders of Ordinary Shares in CyanConnode at the date of this document;
“Share Option Scheme”	the CyanConnode Holdings plc Enterprise Management Incentive Scheme;
“SMIP”	Smart Metering Implementation Programme;
“Subscribers”	investors investing in the Fundraising under the Subscription;
“Subscription”	the subscription for Ordinary Shares by the Subscribers at the Issue Price pursuant to the Subscription Agreements;
“Subscription Agreements”	the share subscription agreements between the Subscribers and the Company;
“Subscription Shares”	1,676,470,588 New Ordinary Shares to be issued to the Subscribers on Admission;
“Telefonica”	Telefonica UK Limited;
“Toshiba”	Toshiba Information Systems (UK) Limited;
“UK” or “the United Kingdom”	the United Kingdom of Great Britain and Northern Ireland; and
“UKDCC”	the Data Communications Company, trading as Smart DCC Limited, a wholly owned subsidiary of Capita plc and regulated by OFGEM.



## PART 1

### LETTER FROM THE CHAIRMAN

## CyanConnode Holdings plc

*(Incorporated and registered in England and Wales with registered no. 04554942)  
Registered office: Merlin Place, Milton Road, Cambridge, CB4 0DP*

*Directors:*

John James Cronin *Executive Chairman*  
Simon Peter Smith *Chief Financial Officer*  
Dr. John William Read *Non-Executive Director*  
Harry James Berry *Non-Executive Director*  
Paul Graham Ratcliff *Non-Executive Director*

17 March 2017

*To all Shareholders and, for information only, holders of options under the Share Option Scheme*

Dear Shareholder,

**Proposed Placing of 230,441,804 New Ordinary Shares and Subscription for 1,676,470,588 New Ordinary  
Shares at  
0.17 Pence Per Share  
and  
Notice of General Meeting**

### **1 Introduction**

The Company has announced today that it is proposing to raise £3.2 million (before the deduction of fees and expenses) through a Placing and Subscription comprising the issue of 230,441,804 Placing Shares and 1,676,470,588 Subscription Shares at 0.17 pence per New Ordinary Share.

Each of the Placing and Subscription are conditional, *inter alia*, on the passing of the Resolutions at the General Meeting, Admission becoming effective by no later than 8.00 a.m. on 7 April 2017 (or such other time and/or date, being no later than 30 April 2017, as the Company and Cantor Fitzgerald may agree) and the Placing Agreement between the Company, Cantor Fitzgerald and Beaufort becoming unconditional and not being terminated prior to Admission (in accordance with its terms). It is expected that the First EIS Shares will be admitted to trading on AIM on or around 8.00 a.m. on 4 April 2017, that the Second EIS Shares will be admitted to trading on AIM on or around 8.00 a.m. on 6 April 2017 and that the General Shares will be admitted to trading on AIM on or around 8.00 a.m. on 7 April 2017.

The Board believes that raising equity finance by way of the Placing and Subscription is the most appropriate method of financing for the Company at this time. This allows both existing and new institutional investors to be targeted and to participate in the Placing and to provide additional growth and development funding for the Company. The Board believes that the potential value creation for the benefit of Shareholders arising from the Placing and Subscription outweigh the dilutive effects of the Fundraising.

In the event that the Placing and Subscription do not complete, the Placing will not proceed.

The purpose of this document is to set out the reasons for, and provide further information on, the Placing and Subscription, to explain why the Board considers the Placing and Subscription to be in the best interests of the Company and its Shareholders as a whole and why the Directors unanimously recommend that you vote in favour of the Resolutions, as they have irrevocably undertaken to do so in respect of their own beneficial holdings of 762,749,530 Ordinary Shares, in aggregate representing approximately 4.79 per cent. of CyanConnode's issued share capital on 16 March 2017 (being the last Business Day prior to publication of this document).

At the end of this document you will find a notice convening the General Meeting at which the Resolutions will be proposed by the Directors. The General Meeting has been convened for 11.00 a.m. on 3 April 2017 and will take place at the Company's registered office, Merlin Place, Milton Road, Cambridge, CB4 0DP.

## **2 Background to and reasons for the Fundraising**

### ***Current trading***

Over the last four months, CyanConnode has announced orders relating to a significant number of units of its narrowband radio mesh network solution:

- Bangladesh (February 2017)
  - \$5.4 million order for 150,000 unit smart metering deployment
  - Half of the order is for hardware/services to be delivered over 12-18 months
  - Half of the order is for recurring revenue software licenses with a ten year contract term
- HM Power Sweden (February 2017)
  - Order for 100,000 software licenses
- Tata Power Mumbai (December 2016)
  - Third order from Larsen & Toubro for deployment of 4,700 smart meters
- Landis + Gyr (December 2016)
  - €230,000 order for legacy Connode C3 solution
- E.ON (December 2016)
  - Pilot project in Hyllie, Sweden
  - Upsell of legacy Connode C3 to new Panmesh solution at utility who have been a customer since 2006

Building on the Company's recent momentum, CyanConnode is actively pursuing a number of projects which the Directors believe have a greater than 50% chance of success and an overall significant pipeline of 94 opportunities.

In November 2016, the UKDCC announced the official "go-live" of the UK SMIP and the commencement of operations at the data centre for communication between consumers and the utilities. Consequently, the rollout of smart metering can now commence during the current year and will involve the installation of 53 million gas and electricity meters nationwide before the UK government's targeted completion date of 2020.

CyanConnode was selected by Telefonica and Toshiba to provide a software platform that uses narrowband mesh technology to complement Telefonica's existing cellular network, allowing previously off-grid households to be reached as part of the SMIP. Telefonica was awarded a contract as the preferred communications service provider in two out of the three regions tendered by the UK Government. Telefonica's SMIP solution utilises its existing cellular network in the UK, supported by CyanConnode's C4 solution, which connects households without reliable cellular coverage (known as "not-spots" by the mobile network operators). The CyanConnode software license and support fee revenue is expected to total £25 million over the life of the contract and we are pleased to note that the 2016 milestones under the UK SMIP contract were successfully delivered.

The Company is proposing to raise a total of £3.2 million (before deduction of fees and expenses) from the Fundraising, which is considered by the Directors to be in the best interests of Shareholders as it will enable the Company to pursue its stated strategy more effectively. The reasons for the Fundraising are set out below.

The Directors believe that CyanConnode remains in a strong position to secure substantial revenues from a large global market and that the Company has an opportunity to maintain its leadership position in the narrowband

mesh networks market, particularly in emerging markets.

In order to properly exploit this market opportunity and secure additional orders in the Company's target markets, to deliver against the Company's existing customer commitments and to further develop CyanConnode's solutions to ensure it retains its competitive advantage, further investment by the Company is required. The Fundraising will help to provide the Company with the cash resources required for this investment.

### ***Use of Proceeds***

The net proceeds of the Fundraising will be used:

- to fund staffing costs for the delivery of customer projects won in its markets, as well as to secure new orders and maintain CyanConnode's leadership position in key markets;
- for the development and delivery of solutions that are being specifically requested by customers;
- to further develop CyanConnode's narrowband mesh network solutions to retain a competitive advantage;
- to further invest in business development initiatives to capitalise on opportunities in the Company's existing emerging markets and to secure orders in additional markets;
- for the integration of CyanConnode's solution into additional Tier 1 meter manufacturer partners, which will allow CyanConnode to target larger contracts; and
- for ongoing growth and development.

CyanConnode's leadership team and Board of Directors remain highly motivated and confident in both the Company's existing pipeline of opportunities and the future prospects of the business.

### **3 Details of the Placing and Subscription**

It was announced on 17 March 2017 that the Company proposes to raise, in aggregate, £3.2 million (approximately £3.1 million net of expenses) by way of a Placing of 230,441,804 Placing Shares and a Subscription for 1,676,470,588 Subscription Shares with certain new and existing investors representing 10.71 per cent. of the Enlarged Share Capital, at an Issue Price of 0.17 pence per Ordinary Share. Cantor Fitzgerald and Beaufort have conditionally agreed to place all of the Placing Shares pursuant to the Placing Agreement.

The Issue Price of 0.17 pence per New Ordinary Share represents a discount of 5.6 per cent. to the closing price of 0.18 pence on 16 March 2017, being the last Business Day prior to the publication of the announcement of the Fundraising. The Board unanimously agrees that the level of discount and method of issue are appropriate to secure the investment necessary in order to provide funds for the growth and development of the Company.

In connection with the Placing, the Company has entered into the Placing Agreement with Cantor Fitzgerald and Beaufort Securities, pursuant to which they have agreed to use reasonable endeavours, as agents on behalf of the Company, to procure placees for the Placing Shares at the Issue Price and have agreed to conditionally place the Placing Shares with certain new and existing investors. The Placing and Subscription are conditional, *inter alia*, on:

- the passing of the Resolutions at the General Meeting;
- the conditions in the Placing Agreement being satisfied or (if applicable) waived and the Placing Agreement not having been terminated in accordance with its terms prior to Admission; and
- Admission becoming effective by no later than 8.00 a.m. on 7 April 2017 (or such later time and/or date, being no later than 8.00 a.m. on 30 April 2017, as the Company and Cantor Fitzgerald/Beaufort may agree).

Accordingly, if any of these conditions are not satisfied or, if applicable, waived, the Placing will not proceed.

In connection with the Subscription, the Subscribers have entered into the Subscription Agreements.

### ***Related Party Transaction***

John Stamp is a substantial shareholder of the Company, being interested in 13.62 per cent of the Company's share capital. Nightingale (being an associate company of John Stamp) constitutes a related party of the Company and its participation in the Subscription is considered a related party transaction under the AIM Rules for Companies. The Directors of CyanConnode, having consulted with the Company's nominated adviser, Cantor Fitzgerald Europe, consider that the terms of Nightingale's investment are fair and reasonable insofar as the Company's shareholders are concerned.

Following Admission, John Stamp will be interested in 3,343,137,254 ordinary shares of 0.01 pence each, representing 18.77 per cent of the Company's issued share capital.

Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM. The New Ordinary Shares 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 in respect of the Ordinary Shares following Admission. It is expected that Admission will become effective, and that dealings in all of the New Ordinary Shares on AIM will have commenced by 8.00 a.m. on 7 April 2017.

### **4 Terms of the Placing Agreement**

Under the terms of the Placing Agreement, Cantor Fitzgerald and Beaufort have each conditionally agreed to use their reasonable endeavours, as agent to the Company, to place the Placing Shares at the Issue Price with certain institutional and other investors.

The Placing has not been underwritten by Cantor Fitzgerald, Beaufort or any other party.

The Placing Agreement provides for payment by the Company to each of Cantor Fitzgerald and Beaufort certain fees and commissions. In addition, Beaufort will, conditional on the Resolutions being passed, receive the Corporate Finance Warrants.

The Placing Agreement contains customary warranties given by the Company to each of Cantor Fitzgerald and Beaufort in relation to, inter alia, the accuracy of the information in this document, certain financial information and other matters relating to the Company and its business. In addition the Company has agreed to indemnify Cantor Fitzgerald, Beaufort and any other Relevant Person (as such term is defined in the Placing Agreement) in respect of certain liabilities that Cantor Fitzgerald, Beaufort and any other Relevant Person may incur in connection with the Placing.

Cantor Fitzgerald is entitled to, having consulted with Beaufort and the Company to the extent practicable, but in Cantor Fitzgerald's absolute discretion, terminate the Placing Agreement in certain customary circumstances prior to Admission, including:

- where any statement contained the Placing Documents (as such term is defined in the Placing Agreement) or any of the warranties or given by the Company to Cantor Fitzgerald and Beaufort are found not to be true or accurate or were misleading and which in any such case is material in the context of the Placing;
- the occurrence of certain force majeure events or a material adverse change in (amongst other things) the financial or political conditions in the United Kingdom (which in the opinion of Cantor Fitzgerald and Beaufort, materially adversely affects, or makes it inadvisable to proceed with the Placing); or
- the failure of the Company to comply with any of its obligations under the Placing Agreement.

If this right is exercised, the Placing will not proceed.

The Placing Agreement is not subject to any right of termination after Admission.

### **5 Enterprise Investment Scheme**

The following paragraphs are intended as a general guide only for Shareholders who are resident and ordinarily resident in the United Kingdom for tax purposes, holding Ordinary Shares as investments and not in the course of a trade, and are based on current legislation and HMRC practice. Any prospective subscriber or purchaser of Ordinary Shares who is in any doubt about his tax position or who is subject to taxation in a jurisdiction other

than the UK, should consult his own professional adviser immediately.

The Company intends to operate so that it qualifies for the taxation advantages offered under EIS. The main advantages are as follows:

- (i) Individuals can claim a tax credit of 30 per cent. of the amount invested in the Company against their UK income tax liability, (provided they have a sufficient tax liability to reclaim this amount), thus reducing the effective cost of their investment to 70 pence for each £1 invested. However, there is an EIS subscription limit of £1,000,000 in each tax year and, to retain the relief, the EIS Placing Shares must be held for at least three years.
- (ii) UK investors (individuals or certain trustees) may defer a chargeable gain by investing the amount of the gain in the Company. There is no limit to the level of investment and, therefore, to the amount of gain which may be deferred in this way. Note that the deferred gain will come back into charge when the EIS shares are disposed of, or if the Company ceases to qualify as an EIS company within the three year qualifying period.
- (iii) There is no tax on capital gains made upon disposal after the three year period (“Qualifying Period”) of shares in an EIS qualifying company on which income tax relief has been given and not withdrawn.
- (iv) If a loss is made on disposal of the Ordinary Shares at any time, the amount of the loss (after allowing for any income tax relief initially obtained) can be set off against either the individual’s gains for the tax year in which the disposal occurs, or, if not so used, against capital gains of a subsequent tax year, or against the individual’s income of the tax year of the disposal or of the previous tax year.
- (v) Provided a Shareholder has owned Ordinary Shares in the Company for at least two years and certain conditions are met at the time of transfer, 100 per cent. business property relief will be available, which reduces the inheritance tax liability on the transfer of EIS Placing Shares to nil.

The amount of relief an investor may gain from an EIS investment in the Company will depend on the investor’s individual circumstances.

Changes to the legislation that came into effect from 18 November 2015 now mean that an individual can only be eligible for EIS relief on the purchase of shares if all shares held by that investor are either risk based shares (that is shares for which an EIS compliance statement has been issued) or subscriber shares.

#### *Qualifying Period*

In order to retain the EIS reliefs, an investor must hold their shares for at least three years. A sale or other disposal (other than an inter-spousal gift or a transfer on death) will result in any income tax relief that has been claimed being clawed back by HMRC. Additionally, any capital gains deferred will come back into charge and the capital gains tax exemption will be lost. It is the investor’s responsibility to disclose a disposal to HMRC.

Additionally, if the Company ceases to meet certain qualifying conditions within three years from the date of the share issue, the tax reliefs will be lost. This will be shown as the “Termination Date” on the EIS3 certificate which the Company will issue to investors following formal approval of the share issue by HMRC.

#### *Advance Assurance of EIS Status*

In order for investors to claim EIS reliefs relating to their shares in the Company, the Company has to meet a number of rules regarding the kind of company it is, the amount of money it can raise, how and when that money must be employed for the purposes of the trade, and the trading activities carried on. The Company must satisfy HMRC that it meets these requirements and is therefore a qualifying company.

The Company has received advanced assurance from HMRC that it would be able to issue shares that are eligible for the EIS regime.

The Directors do not give any warranty or other assurance as to the availability of EIS relief – prospective investors who may be eligible for relief are strongly recommended to consult their own professional advisers particularly on the conditions which must be satisfied to obtain such relief, the nature of the tax advantages which may be obtained, and the circumstances in which relief may be forfeited.

## 6 General Meeting

A notice convening the GM to be held at the Company's registered office, Merlin Place, Milton Road, Cambridge, CB4 0DP at 11.00 a.m. on 3 April 2017 is set out at the end of this document. The Resolutions to be proposed at that meeting are summarised below. Resolution 1 is to be passed as an ordinary resolution. This means that for resolution 1 to be passed, more than half the votes cast must be in favour of the resolution. Resolution 2 is to be proposed as a special resolution. This means that in order for resolution 2 to be passed, at least three-quarters of the votes cast must be in favour of the resolution:

- *Resolution 1 – allotment of the Placing Shares, the Subscription Shares, and further Ordinary Shares*  
Resolution 1 empowers the Directors to allot Ordinary Shares in connection with the Fundraising, the Corporate Finance Warrants, and up to one third of the Enlarged Issued Share Capital.
- *Resolution 2 – non pre-emptive allotment of the Placing Shares, the Subscription Shares, and further Ordinary Shares*  
Resolution 2 empowers the Directors to allot, or where appropriate, issue, Ordinary Shares for cash otherwise than in accordance with the statutory pre-emption provisions set out in the Companies Act in connection with the Fundraising, the Corporate Finance Warrants, and additionally up to 10 per cent. of the Enlarged Share Capital.

## 7 Directors' Shareholdings

The beneficial and non-beneficial interests of the Directors in Ordinary Shares as at the date of this document and following the Placing and Subscription are set out in the table below.

In the Company's announcement dated 14 June 2016, it set out that all Directors had agreed to receive shares in the Company at the placing price of 0.18 pence per Ordinary Share rather than receive any remuneration that became due during the period 1 July 2016 to 30 June 2017 in cash, and certain employees had agreed to receive shares in the Company at the then placing price of 0.18 pence per Ordinary Share rather than any bonuses that became due during the same period. This program is still underway at the time of this Fundraising, with the Directors continuing to take all remuneration in shares through to 30 June 2017.

The Directors have made substantive investments in the equity of the Company as set out in the table below:

	<i>Date of this document and immediately following the Fundraising</i>	<i>Amount invested to date</i>	
<i>Director</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Existing Ordinary Share capital</i>	<i>£'000</i>
John Cronin	386,090,662	2.43	790
Simon Smith	210,633,681	1.32	510
Dr. John Read	54,817,111	0.34	270
Harry Berry	96,559,292	0.61	200
Paul Ratcliff	14,648,784	0.09	26
<b>TOTAL</b>	<b>762,749,530</b>	<b>4.79</b>	<b>1,796</b>

## 8 Irrevocable Undertakings

The Directors have irrevocably undertaken to vote in favour of the Resolutions in respect of their own beneficial holdings of 762,749,530 Ordinary Shares, in aggregate representing approximately 4.79 per cent. of CyanConnodé's issued share capital on 16 March 2017 (being the last Business Day prior to publication of this

Circular).

## **9 Action to be taken in respect of the General Meeting**

Please check that you have received with this document:

- a Form of Proxy for use in respect of the General Meeting; and
- if you are a Shareholder based in the United Kingdom, a reply-paid envelope for use in conjunction with the return of the Form of Proxy.

**Whether or not you propose to attend the General Meeting in person, you are strongly encouraged to complete, sign and return your Form of Proxy in accordance with the instructions printed thereon as soon as possible, but in any event so as to be received, by post or, during normal business hours only, by hand, to Share Registrars, The Courtyard, 17 West Street, Farnham, Surrey, GU9 7DR, by no later than 11.00 a.m. on 30 March 2017 (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 Business Day)).**

**If you hold your shares in the Company in uncertificated form (that is, in CREST) you may vote using the CREST Proxy Voting service in accordance with the procedures set out in the CREST Manual (please also refer to the accompanying notes to the Notice of General Meeting set out at the end of this document). Proxies submitted via CREST must be received by the Company's agent (Share Registrars, The Courtyard, 17 West Street, Farnham, Surrey, GU9 7DR) by no later than 11.00 a.m. on 30 March 2017 (or, in the case of an adjournment, 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 Business 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 the Form of Proxy or the use of the CREST Proxy Voting service will not prevent you from attending and voting at the General Meeting, or any adjournment thereof, in person should you wish to do so.

## **10 Recommendation**

**The Directors believe that the Resolutions to be proposed at the General Meeting are in the best interests of the Company and Shareholders as a whole and unanimously recommend that you vote in favour of the Resolutions. Each of the Directors has irrevocably undertaken to vote in favour of the Resolutions in respect of, in aggregate, 762,749,530 Ordinary Shares, representing approximately 4.79 per cent. of the Ordinary Shares in issue on 16 March 2017 (being the last Business Day prior to publication of this Circular).**

Yours faithfully,

John Cronin

*Executive Chairman*

## PART 2

### RISK FACTORS

**An investment in Ordinary Shares involves a high degree of risk. Accordingly, prospective investors and Shareholders should carefully consider the risks set out below before making a decision to invest in the Company. The investment offered in this document may not be suitable for all of its recipients. Potential investors and Shareholders are accordingly advised to consult a professional adviser authorised under FSMA, who specialises in advising on the acquisition of shares and other securities, before making any investment decision. A prospective investor should consider carefully whether an investment in the Company is suitable in light of his or her personal circumstances and the financial resources available to him or her.**

**Prospective investors and Shareholders should carefully consider the risks described below before making a decision to invest in the Company. This Part 2 contains what the Directors believe to be the principal risk factors associated with an investment in the Company. However, the risks listed do not purport to be an exhaustive summary of the risks affecting the Company and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Directors or which the Directors deem immaterial may also have an adverse effect on the Company. In particular, the Company's performance may be affected by changes in market or economic conditions and in legal, regulatory and tax requirements.**

**If any of the following risks were to materialise, the Company's business, financial condition, results or future operations could be materially adversely affected. In such cases, the market price of the Ordinary Shares could decline and an investor may lose part or all of his or her investment.**

**This document contains forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks faced by the Company which are described below and elsewhere in this document. Prospective investors and Shareholders should carefully consider the other information in this document.**

**There can be no certainty that the Company will be able to successfully implement its strategy. Additional risks and uncertainties not currently known to the Directors or which the Directors currently deem immaterial may also have an adverse effect on the Company.**

#### **1. Risks relating to the Ordinary Shares**

##### ***Investment risk***

An investment in a share which is traded on AIM, such as the Ordinary Shares, may be difficult to realise and carries a high degree of risk. The ability of an investor to sell Ordinary Shares will depend on there being a willing buyer for them at an acceptable price. Consequently, it might be difficult for an investor to realise his/her investment in the Company and he/she may lose all of his/her investment.

Investors should be aware that the market price of the Ordinary Shares may be volatile and may go down as well as up and investors may therefore be unable to recover their original investment and could lose their entire investment. This volatility could be attributable to various facts and events, including the availability of information for determining the market value of an investment in the Company, any regulatory or economic changes affecting the Company's operations, variations in the Company's operating results, developments in the Company's business or its competitors, or changes in market sentiment towards the Ordinary Shares. In addition, the Company's operating results and prospects from time to time may be below the expectations of market analysts and investors.

Market conditions may affect the Ordinary Shares regardless of the Company's operating performance or the overall performance of the sector in which the Company operates. Share market conditions are affected by many factors, including general economic outlook, movements in or outlook on interest rates and inflation rates, currency fluctuations, commodity prices, changes in investor sentiment towards particular market sectors and the demand and supply for capital. Accordingly, the market price of the Ordinary Shares may not reflect the underlying value of the Company's net assets, or its trading performance and the price at



which investors may dispose of their Ordinary Shares at any point in time may be influenced by a number of factors, only some of which may pertain to the Company while others of which may be outside the Company's control.

If the Company's revenues do not grow, or grow more slowly than anticipated, or if its operating or capital expenditures exceed expectations and cannot be adjusted sufficiently, the market price of its Ordinary Shares may decline. In addition, if the market for the securities of companies in the same sector or the stock market in general experiences a loss in investor confidence or otherwise falls, the market price of the Ordinary Shares may fall for reasons unrelated to the Company's business, results of operations or financial condition. Therefore, investors might be unable to resell their Ordinary Shares at or above the Issue Price.

***Future need for access to capital***

The Company may need to raise further funds to carry out the implementation of its business plan. Any additional equity financing may be dilutive to Shareholders, and debt financing, if available, may involve restrictions in financing and operating activities. In addition, there can be no assurance that the Company will be able to raise additional funds when needed or that such funds will be available on terms favourable to it. If the Company is unable to obtain additional financing as needed it may be required to reduce the scope of its operations or anticipated expansion or cease trading.

***Investment in publicly quoted securities***

Investments in securities traded on AIM is perceived to involve a higher degree of risk and be less liquid than investment in companies whose securities are listed on the "Official List" of the FCA in the UK and traded on the London Stock Exchange's main market for listed securities. An investment in the Ordinary Shares traded on AIM may be difficult to realise. AIM has been in existence since 1995 and is a market designed for small and growing companies, but its future success and liquidity as a market for Ordinary Shares cannot be guaranteed.

***Potentially volatile share price and liquidity***

The share prices of companies quoted on AIM can be highly volatile and shareholdings illiquid. The price at which the Ordinary Shares are quoted and the price at which investors may realise their investment in the Company may be influenced by a significant number of factors, some specific to the Company and its operations and some which affect quoted companies generally.

These factors could include the performance of the Company, large purchases or sales of Ordinary Shares, legislative changes and general economic, political or regulatory conditions.

## **2. General Risks**

***Economic conditions and current economic weakness***

Any economic downturn either globally or locally in any area in which the Company operates may have an adverse effect on the demand for the Company's products. A more prolonged economic downturn may lead to an overall decline in the volume of the Company's sales, restricting the Company's ability to deliver a profit. In addition, although current economic sentiment is perceptibly positive, the sustainability of a global economic upturn is not assured and the Directors consider that the current level of market risk is higher than normal given geo-political unrest and a slowdown in the growth of emerging economies. If economic conditions remain uncertain, the Company might see lower levels of growth than expected, which could have an adverse impact on the Company's operations and business results.

***Changes in tax laws or their interpretation could affect the Company's financial condition or prospects***

The nature and amount of tax which the Company expects to pay and the reliefs expected to be available to the Company are each dependent upon a number of assumptions, any one of which may change and which would, if so changed, affect the nature and amount of tax payable and reliefs available. In particular, the nature and amount of tax payable is dependent on the availability of relief under tax treaties in a number of jurisdictions and is subject to changes to the tax laws or practice in any of the jurisdictions affecting the Company. Any limitation in the availability of relief under these treaties, any change in the terms of any such treaty or any changes in tax law, interpretation or practice could increase the amount of tax payable by the Company.

### ***Force majeure***

The economics of the Company's projects may be adversely affected by risks outside the control of the Company, including trade sanctions, labour unrest, civil disorder, war, subversive activities, sabotage, fires, floods, acts of God, explosions or other catastrophes or epidemics.

### ***Currency fluctuations could materially adversely affect the Company's results***

As the Company's revenue streams mainly come from abroad, exchange rate fluctuations could have a material adverse effect on the Company's profitability or the price competitiveness of its products. There can be no guarantee that the Company would be able to compensate for, or hedge against, such adverse effects and therefore, adverse exchange rate movements could have a material adverse effect on the Company's business, results of operations and/or financial condition.

## **3. Group Specific Risks**

### ***Any failure of physical infrastructure or services of the Company could lead to significant costs and disruptions that could reduce revenues, harm the Company's reputation and have a material adverse effect on financial results***

The Company's business is dependent on its IT infrastructure, the principal elements of which are hosted by Tier 1 service providers. Service interruptions and equipment failures may expose CyanConnote to financial loss and damage its reputation, which could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's IT infrastructure is subject to failure from a variety of causes largely outside with the Company's control, including human error, equipment failure, power loss, failure of services related to the internet and telecommunications provided by the Company, physical or electronic security breaches, as well as factors out of the Company's control, such as sabotage, vandalism, system failures of network service providers, fire, earthquake, volcanic ash, flood and other natural disasters, water damage, fibre optic cable cuts, power loss not caused by the Company, improper building maintenance by the landlords of the buildings in which the IT infrastructure is located and terrorism.

### ***The Company may experience accelerated demand for its products and services***

The Company expects to be able to meet its current expenditures from internal resources, debt facilities and the net proceeds of the Fundraising. In the event that the Company wins a large order then the Company may consider supporting the growth and development funding requirements for such order(s) by way of an issue of new equity or debt finance or a combination of both. If the Company is unable to raise the necessary financing it could adversely affect the Company's ability to expand its business.

### ***The Company is experiencing rapid growth. If the Company is not able to effectively manage its growth, its operations could be damaged and profitability reduced***

The Company's businesses and operations have experienced rapid growth. If the Company fails to effectively manage this growth in the future, its operations could be harmed. This future growth could place significant demands on the Company's operational and financial infrastructure. If the Company is unable to effectively manage its growth its operations could be harmed and profitability reduced. The growth of the Company's sales and profits in the future will depend, in part, on its ability to expand its operations through the roll-out of new products, the exchange of existing meters and the launching of its services into new markets and geographies. Furthermore, in order to manage its planned expansion, the Company will need to continually evaluate the adequacy of its management capability, operational procedures, financial controls and information systems. Accordingly, there can be no assurance that the Company will be able to achieve its expansion goals on a timely or profitable basis.

### ***Ability to attract and retain key executives, officers, managers and technical personnel***

Attracting, training, retaining and motivating technical and managerial personnel, including individuals with significant technical expertise is a critical component of the future success of the Company's business. The Company may encounter difficulties in attracting or retaining qualified personnel. Continued growth may therefore cause a significant strain on existing managerial, operational, financial and information systems resources. The departure of any of the Company's executive officers or core members of its sale and marketing teams or technical service personnel could have a negative impact on its operations. In the event that future departures of employees occur, the Company's ability to execute its business strategy successfully, or to continue to provide services to its customers and users or attract new customers and users, could be adversely affected. The performance of the Company depends, to a significant extent, upon the

abilities and continued efforts of its existing senior management. The loss of the services of any of the key management personnel or the failure to retain key employees could adversely affect the Company's ability to maintain and / or improve its operating and financial performance.

***The Company relies on a limited number of large customers***

The success of the Company's business is (and is expected to continue to be) dependent upon the continuation of commercial relationships with its customers. There is no guarantee that these relationships will continue or that customers will not seek alternative providers of smart metering solutions.

***CyanConnode's competitors may take actions which adversely affect its revenues, profits or financial condition***

The Company operates within competitive markets. The Board believes that it has adopted a competitive business strategy. The Directors believe that this strategy ensures that the Company maintains its competitive position in the markets in which it operates. However, the Company's business, results, operations and financial condition could be materially adversely affected by the actions of its competitors (including their marketing strategies and product and services development).

The Company's competitors could have greater financial resources or experience in particular sectors or markets where the Company intends to offer services. If the Company is not able to compete successfully against existing or future competitors, its competitive position, business, financial condition and results of operations may be adversely affected. There are a number of large international companies that already provide a full range of smart metering services and have the ability to offer an end-to-end solution to their customers.

***Political, economic, regulatory and legislative considerations***

Adverse developments in the political, legal, economic and regulatory environment may materially and adversely affect the financial position and business prospects of the Company. Political and economic uncertainties include, but are not limited to, trade sanctions, expropriation, nationalisation, changes in interest rates, retail prices index, and changes in taxation and changes in law (for example, introduction of the Bribery Act 2010). Whilst the Company strives to take effective measures such as prudent financial management and efficient operating procedures, there is no assurance that adverse political, economic, legal and regulatory factors will not materially and adversely affect the Company.

There may be a change in the regulatory environment which may materially adversely affect the Company's ability to implement successfully the strategy set out in this document.

***Intellectual property rights***

The Company's success will depend in part on its ability to protect its intellectual property. To the extent the Company does not have patents granted in respect of any of its products or technology, it relies on a portfolio of intellectual property rights, including trade secrets, contractual provisions and licences to protect its intellectual property. However, such intellectual property rights may be difficult to protect. Monitoring and defending the Company's intellectual property rights can entail significant expense, and the outcome is unpredictable. The Company may initiate claims or litigation against third parties for infringement of its proprietary rights or to establish the validity of its proprietary rights. Any such litigation, whether or not it is ultimately resolved in the Company's favour, could result in significant expense to the Company and divert the efforts of the Company's technical and management personnel. If the Company fails to protect its intellectual property rights adequately, its competitors might gain access to its technology and its business would be harmed.

Any of CyanConnode's intellectual property rights might be challenged by others or invalidated by administrative processes or litigation. Additionally, legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain. Effective patent, trademark, copyright and trade secret protection may not be available to the Company in every country in which it markets products or services. The laws of some foreign countries may not be as protective of intellectual property rights as those in the United Kingdom, and domestic and international mechanisms for enforcement of intellectual property rights may be inadequate. Accordingly, despite the best efforts, it may be unable to prevent third parties from infringing upon or misappropriating its intellectual property or otherwise gaining access to the Company's technology.

### ***Technical risk***

New technology, changing commercial circumstances and new entrants to the markets in which the Company operates may adversely affect the Company's value. Unforeseen technical issues with the Company's technology may arise which could affect adversely the Company's ongoing technical development, growth and business performance.

### ***Investing in CyanConnode's Ordinary Shares involves an investment in emerging markets***

Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved in, and are familiar with, investing in emerging markets. Investors should also note that emerging markets such as India, Iran, Africa, Eastern Europe, Middle East and China are subject to rapid change and that the information set forth in this document may become outdated relatively quickly. Such emerging market exposure relates to the risks of major political and economic changes including, but not limited to, higher price volatility, the effect of exchange control regulations and the risks of expropriation, nationalisation and / or confiscation of assets. Moreover, financial turmoil in any emerging market country tends to adversely affect prices in equity markets of all emerging market countries as investors move their money to more stable, developed markets. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in emerging market economies with a consequent adverse effect on the economies of those emerging markets. Financial turmoil in any emerging market countries could therefore affect the Company's business, as well as result in a decrease in the price of the Ordinary Shares.

As the Company may make investments in entities or business which operate or are located in emerging markets, or may enter into contractual relationships with such businesses, it may be exposed to any one or a combination of emerging market risks, which could adversely affect the value of the Company's overseas interests and therefore have a material adverse effect on the Company's results of operations, financial condition and prospects, which could in turn affect the value of the Ordinary Shares.

### ***EIS relief***

The Company has received advance assurance from HMRC that the Company should be a qualifying company for EIS purposes. Although EIS relief should be available to investors, neither the Company nor the investors can provide any warranty or guarantee in this regard. Investors must take their own advice and rely on it.

Further information on the EIS regime is set out in paragraph 5 of Part 1 of this document.

The advance assurance relates only to the qualifying status of the Company and its shares and does not guarantee that any particular investor will qualify for relief in respect of a subscription for New Ordinary Shares.

The continuing availability of EIS relief and the status of the relevant Placing Shares as a qualifying holding for EIS purposes will be conditional, *inter alia*, on the Company continuing to satisfy the requirements for a qualifying company throughout the period of three years from the date of the investor making their investment (under EIS). Neither the Company nor the Company's advisers are giving any warranties or undertakings that any relief under the EIS qualifying status will be available in respect of the Placing, or that in due course such relief or status will not be withdrawn.

Circumstances may arise where the Board believes that the interests of the Company are not best served by acting in a way that preserves EIS or VCT qualifying status (if granted). In such circumstances, the Company cannot undertake to conduct its activities in a way designed to preserve any such relief or status.

Should the law regarding EIS schemes change then any relief or qualifying status previously obtained may be lost.

Any person who is in any doubt as to their taxation position should consult their professional taxation adviser in order that they may fully understand how the rules apply in their individual circumstances.

Investors subscribing for EIS Placing Shares should be aware that there is no guarantee that the remainder of the Placing will become unconditional or that Admission will take place. If all of the Placing Shares are not issued and Admission does not take place the Company may not be able to implement the strategy growth plans as outlined in this document.



## PART 3

### NOTICE OF GENERAL MEETING

## CyanConnode Holdings plc

*(Incorporated in England and Wales with registered no. 04554942)  
(the "Company")*

NOTICE IS HEREBY GIVEN that a General Meeting of the Company will be held at its registered office, Merlin Place, Milton Road, Cambridge, CB4 0DP at 11.00 a.m. on 3 April 2017 for the purposes of considering and, if thought fit, passing the following resolutions, of which resolution 1 will be proposed as an ordinary resolution and resolution 2 will be proposed as a special resolution:

#### ORDINARY RESOLUTION

1. THAT, the Directors be and are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 to exercise all powers of the Company to allot any shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company:
  - a. up to a maximum aggregate nominal value of £190,839.24 in the capital of the Company in connection with the Fundraising and the Corporate Finance Warrants (both as defined in the Circular accompanying this Notice of General Meeting dated 17 March 2017);
  - b. otherwise up to an aggregate maximum nominal amount of £593,666.11; and
  - c. allot equity securities (as defined in section 560 of the Companies Act 2006) up to an aggregate nominal amount of £1,187,332.22 (such amount to be reduced by the nominal amount of any shares allotted or rights granted under paragraph (b) of this resolution) in connection with an offer by way of a rights issue to:
    - i. the holders of ordinary shares in the Company in proportion (as nearly as may be practicable) to the respective numbers of ordinary shares held by them; and
    - ii. holders of other equity securities, as required by the rights of those securities or, subject to certain rights, as the directors of the Company may otherwise consider necessary,

and so that the directors of the Company may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange or any other matter.

This authority shall expire (unless renewed, varied or revoked by the Company in general meeting) at the conclusion of the next annual general meeting of the Company to be held in 2017 or if earlier on the date which is 15 months after the date of the passing of this resolution save that the Company shall be entitled to make, prior to the expiry of such authority, any offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert any securities into shares to be granted after the expiry of such authority and the Directors may allot any shares or grant rights to subscribe for or convert securities into shares in pursuance of such offer or agreement as if the authority conferred hereby had not expired. The authority granted by this resolution shall replace all existing authorities to allot any shares or grant rights to subscribe for or convert securities into shares in the Company previously granted to the Directors pursuant to section 551 of the Companies Act 2006 (but without prejudice to the validity of any allotment or grant of rights already made, offered or agreed to be made pursuant to such previous authorities and provided that the authority granted under resolution 1(d) of the Company's general meeting of 30 June 2016 shall not be so replaced).

## SPECIAL RESOLUTION

2. THAT, subject to the passing of resolution 1 above, the Directors be and are hereby empowered pursuant to section 570 of the Companies Act 2006 to allot equity securities (as defined in section 560(1) of the Companies Act 2006) for cash pursuant to the authority conferred by resolution 1 above, as if section 561 of the Companies Act 2006 did not apply to such allotment, provided that this power shall be limited to allotments of equity securities:
- a. up to a maximum aggregate nominal value of £190,839.24 in the capital of the Company in connection with the Fundraising and the Corporate Finance Warrants;
  - b. in connection with an offer for equity securities (but in the case of an allotment pursuant to the authority granted under resolution 1, such power shall be limited to the allotment of equity securities in connection with an offer by way of a rights issue only), where the equity securities respectively attributable to the interests of all Shareholders are proportionate as nearly as may be to the respective number of ordinary shares held or deemed to be held by them, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange; and
  - c. (otherwise than pursuant to paragraphs 2(a) and (b) above) up to an aggregate number of 1,780,998,340 Ordinary Shares.

This power shall expire upon expiry of the general authority conferred by resolution 1 above, save that the Company may, before such expiry, make any offers or agreements which would or might require equity securities to be allotted after such expiry, and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred by this resolution had not expired. The power conferred by this resolution shall replace all existing authorities to allot equity securities for cash as if section 561 of the Companies Act 2006 did not apply (but without prejudice to the validity of any allotment or grant of rights already made, offered or agreed to be made pursuant to such previous authorities and provided that the authority granted under resolution 2(c) of the Company's general meeting of 30 June 2016 shall not be so replaced).

Dated: 17 March 2017

*Registered office:*

Merlin Place  
Milton Road  
Cambridge  
CB4 0DP

*By Order of the Board*

Heather Peacock  
*Company Secretary*

## Notes

1. A shareholder entitled to attend and vote at the GM may appoint a proxy to attend, speak and vote instead of that shareholder. A proxy need not be a shareholder of the Company but must attend the meeting in person. A shareholder may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share held by the appointing shareholder.
2. To be effective, the relevant proxy form must be completed and lodged with the Company's registrar, Share Registrars Limited, whose address is, The Courtyard, 17 West Street, Farnham, Surrey, GU9 7DR, no later than 48 hours (excluding days that are not a working day) before the meeting together with the original of any power of attorney or other authority under which the form of proxy is signed. Alternatively the completed proxy form may be faxed to Share Registrars on 01252 719232, or scanned and emailed to [proxies@shareregistrars.uk.com](mailto:proxies@shareregistrars.uk.com). In the case of a corporation, the form of proxy must be executed under its common seal or under the hand of any officer or attorney duly authorised. You can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy. Completion and return of the relevant proxy form enclosed herewith will not prevent a shareholder from attending and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
3. Online voting: alternatively, you may register your votes electronically by visiting the website of the Company's registrar. You will need to register in order to be able to use this service. To register, please visit [www.shareregistrars.uk.com](http://www.shareregistrars.uk.com) and click on "Register" under the title Account Log In. If you have already registered, log in and click on "My Meeting Votes".
4. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or withhold from voting at his/her discretion. Your proxy will vote (or withhold from voting) as he/she thinks fit in relation to any other matter which is put before the meeting.
5. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the GM and any adjournment(s) of the GM by using 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.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's 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, Share Registrars Limited (CREST Participant ID: 7RA36), no later than 48 hours (excluding days that are not a working day) before the time appointed for the meeting. 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 Applications 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.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited 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 provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

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).

6. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
7. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), specifies that only those members registered in the Register of Members of the Company at 11.00 a.m. on 30 March 2017 (or if the GM is adjourned, members entered on the Register of Members of the Company not later than 48 hours (excluding days that are not a working day) before the time fixed for the adjourned GM) shall be entitled to attend, speak and vote at the GM in respect of the number of ordinary shares registered in their name at that time. Changes to entries on the Register of Members of the Company after 11.00 a.m. on 30 March 2017 shall be disregarded in determining the rights of any person to attend, speak or vote at the GM.
8. Except as provided above, members who have general queries about the meeting should write to the Company Secretary at the address of our registered office. You may not use any electronic address provided either in this notice of GM or any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated.