

**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 registered office of the Company at 10 a.m. on 7th September 2016. 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 7<sup>th</sup> September 2016 at the Company's registered office, The Magdalen Centre, Oxford Science Park, Robert Robinson Avenue, Oxford, OX4 4GA, 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.

## **PHYSIOMICS PLC**

*(Incorporated and registered in England and Wales with registered no. 04225086)*

### **Proposed Placing and Notice of General Meeting**

*Nominated Adviser and joint broker: WH Ireland*

*Joint Broker: Hybridan*

**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.**

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, Capital Asset Services of The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU 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.

WH Ireland, 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 Hybridan also acting as joint broker to the Company and sole broker for the Placing. The responsibilities of WH Ireland 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 WH Ireland nor Hybridan is making any representation or warranty, express or implied, as to the contents of this document. Neither WH Ireland nor Hybridan 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 of 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.

# CONTENTS

	<i>Page</i>
DETAILS OF OFFICERS AND ADVISERS	4
EXPECTED TIMETABLE OF EVENTS	5
ADMISSION AND PLACING STATISTICS	5
DEFINITIONS	6
PART 1 - LETTER FROM THE CHAIRMAN	8
PART 2 – RISK FACTORS	12
PART 3 – NOTICE OF GENERAL MEETING	17

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

<b>Directors</b>	Dr Paul Harper, Chairman Dr Jim Millen, Chief Executive Officer Dr Christophe Chassagnole, Chief Operating Officer Dr Mark Chadwick, Non-Executive Director
<b>Company Secretary</b>	Strategic Finance Director Limited
<b>Registered Office</b>	Physiomics plc The Magdalen Centre Oxford Science Park Robert Robinson Avenue Oxford OX4 4GA
<b>Nominated Adviser and Joint Broker</b>	WH Ireland 11 St James's Square Manchester M2 6WH
<b>Joint Broker to the Company and sole broker to the Placing</b>	Hybridan LLP 2 Jardine House, The Harrovian Business Village, Bessborough Road, Harrow, Middlesex HA1 3EX
<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>Registrars</b>	Capita Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

## EXPECTED TIMETABLE OF EVENTS

Announcement of the Resolutions:	22 <sup>nd</sup> August 2016
Latest time for receipt of Forms of Proxy:	10 a.m. on 5th September 2016
General Meeting:	10 a.m. on 7th September 2016
Cut-off date for creation of mailing list of registered shareholders for distribution of Circular	12 <sup>th</sup> August 2016

*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.*

## ADMISSION AND PROPOSED PLACING STATISTICS

Total number of existing Ordinary Shares (a):	3,481,657,918
Proposed Maximum Number of Consideration Shares (b):	1,740,828,959
Maximum Number of Placing Shares (c):	5,128,205,128
Capital value of Placing Shares as a percentage of the Enlarged Share Capital $c/(a+b)$ :	80 per cent.
Capital value of Placing Shares and Consideration Shares as a percentage of the Existing Share Capital $(b+c)/a$ :	197 per cent
ISIN of the existing Ordinary Shares:	GB00B04QT956
SEDOL of the existing Ordinary Shares:	B04QT95

*\*assuming no new existing 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:

“Acquisition”	the Company’s proposed acquisition of BioMoti Limited, pursuant to the terms of the Acquisition Agreement;
“Acquisition Agreement”	the conditional agreement dated 17 August 2016 for the sale and purchase of the entire issued share capital of BioMoti Limited between Physiomics plc and the Sellers;
“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;
“BioMoti”	BioMoti Limited, care of Vector Accountants, 5 Church Street, St. Ives, Cambridgeshire, PE27 6DG;
“Hybridan”	Hybridan LLP, of 2 Jardine House, The Harrovia Business Village, Bessborough Road, Harrow, Middlesex HA1 3EX, as joint broker to the Company and sole broker to the Placing;
“Board” or “Directors”	the directors of Physiomics plc 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;
“City Code”	the City Code on Takeovers and Mergers;
“Companies Act”	the Companies Act 2006 (as amended);
“Company” or “Physiomics”	Physiomics plc, a company incorporated and registered in England and Wales with company number 04225086;
“Completion”	completion of the Acquisition in accordance with the terms of the Acquisition Agreement;
“Consideration Shares”	1,740,828,959 New Ordinary Shares to be allotted and issued to the Sellers in accordance with the Acquisition Agreement as partial consideration for the transfer of the entire issued share capital of BioMoti to the Company;
“CREST”	the computerised settlement system (as defined in the CREST Regulations) operated by Euroclear UK & Ireland Limited;
“Deferred Shares”	the deferred shares of 0.036 pence each in the capital of the Company as at the date of this document;
“Enlarged Share Capital”	the Company’s issued Ordinary Share capital immediately after the completion of the Acquisition, the Placing;
“Enlarged Group”	the Company as enlarged by the Acquisition;
“Existing Share Capital”	the Company’s issued Ordinary Share capital immediately before the completion of the Acquisition, the Placing;
“FCA” or “Financial Conduct Authority”	the Financial Conduct Authority;

“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;
“Placing”	the placing, on behalf of the Company, of the Placing Shares;
“Placing Shares”	up to 5,128,205,128 New Ordinary Shares to be issued by the Company pursuant to the Placing;
“GM” or “General Meeting”	the general meeting of Physiomics plc to be held at the registered office of the Company at 10 a.m. on 7 <sup>th</sup> September 2016, notice of which is set out in Part 3 of this document;
“HMRC”	Her Majesty’s Revenue & Customs;
“London Stock Exchange”	London Stock Exchange plc;
“New Ordinary Shares”	the new ordinary shares of the Company to be issued in connection with the Placing and the Acquisition, the number of which is described in this document by reference to the Ordinary Capital but which shall be adjusted to reflect the Share Consolidation and denominated in Consolidated Ordinary Shares accordingly;
“Ordinary Capital”	the ordinary share capital of the Company being the product of the number of Ordinary Shares in issue and the nominal value per Ordinary Share of 0.004 pence;
“Ordinary Shares”	the ordinary shares of 0.004 pence each in the capital of the Company as at the date of this document;
“Prospectus Rules”	the Prospectus Rules made by the UK Listing Authority;
“Registrars”	Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU;
“Resolutions”	the resolutions to be proposed at the GM, as set out in the notice of GM contained in Part 3 of this document;
“Sellers”	Mr Gilbert Chalk, Professor Joanne Martin, WCS Nominees Limited, Dr Davidson Ateh, Dr Keith Powell, Queen Mary & Westfield College and Mr Ian McFarlane-Toms;
“Shareholders”	holders of Ordinary Shares in Physiomics plc at the date of this document;
“Share Option Scheme”	the Physiomics Enterprise Management Incentive and non-Enterprise Management Incentive Schemes;
“UK” or “the United Kingdom”	the United Kingdom of Great Britain and Northern Ireland; and
“WH Ireland”	WH Ireland, 11 St James’s Square, Manchester M2 6WH, as Nominated Adviser and Joint Broker to the Company.

## PART 1

### LETTER FROM THE CHAIRMAN

## Physiomics plc

*(Incorporated and registered in England and Wales with registered no. 04225086)*

*Registered office: The Magdalen Centre, Oxford Science Park, Robert Robinson Avenue, Oxford, OX4 4GA*

*Directors:*

*Dr Paul Harper, Chairman*

*Dr Jim Millen, Chief Executive Officer*

*Dr Christophe Chassagnole, Chief Operating Officer*

*Dr Mark Chadwick, Non-Executive Director*

22 August 2016

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

Dear Shareholder,

### **Proposed Placing, Proposed Acquisition and Notice of General Meeting**

#### **1 Introduction**

I am writing to inform you of a General Meeting which is proposed be held on 7<sup>th</sup> September 2016 at The Magdalen Centre, Oxford Science Park, Robert Robinson Avenue, Oxford, OX4 4GA, at which Shareholder authority will be sought for a number of Resolutions including a proposed placing of Ordinary Shares in connection with the proposed acquisition of BioMoti (as previously announced on 31<sup>st</sup> March 2016).

This document also sets out the reasons for, and provides further information on, the Resolutions, to explain why the Board considers the Resolutions 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 done at the Company's last Board meeting held on 11<sup>th</sup> August 2016.

For clarity, and as further detailed below, the Acquisition is subject to a Placing raising a minimum of £1m gross proceeds. Should the Placing fail to reach this threshold the Acquisition will not occur, however Physiomics will nevertheless complete the Placing to raise working capital to fund other potential acquisition opportunities as well as opportunities arising from its core modelling and simulation business.

#### **2 Physiomics' Core Modelling and Simulation Business**

In April 2016, Physiomics hired Dr Jim Millen as CEO to review its existing business and to identify new opportunities. This review confirmed that PYC's more recently developed "Virtual Tumour Clinical" offering has generated significantly greater revenues per project than "Virtual Tumour Preclinical" and the Board believes there are opportunities to sell "Virtual Tumour Clinical" to existing and new pharma clients in the next financial year. In addition, the Company aims to extend and deepen its relationship with key clients.

To reach these key milestones, the Company would require the Placing to raise working capital of £300-400k.



### 3 Acquisition

The Company continues to review potential acquisition targets that would be synergistic with its core modelling and simulation technology. In particular the Company believes it can apply its modelling and simulation technology to in-house oncology assets, potentially improving their profile and reducing cost and time to develop.

As previously announced on 31 March 2016, the Company identified BioMoti Limited as such a target and provisionally agreed to acquire it.

BioMoti has a platform technology that can potentially be used to develop multiple therapeutic drugs and a lead asset, MOTI1001 that has already demonstrated efficacy in pre-clinical mouse models of ovarian cancer, a devastating condition with poor prognosis and significant unmet medical need.

For the period ended 30 November 2015, BioMoti Limited had a turnover of £2,062 made a loss for the financial year of £9,700 and its gross assets were valued at £2,331.

The consideration for the Acquisition (“**Consideration**”) will comprise:

- 50% of the entire issued share capital of the Company immediately prior to Completion (but for clarity prior to the issue of any ordinary shares in connection with the Placing); and
- £50k in cash which is subject to completion accounting adjustments

The Acquisition is also subject to the following restrictions:

- The Consideration will never exceed or equal the lower of the market capitalisation of the Company on signing and £1m (and it is anticipated that the total Consideration value will be much lower);
- The Consideration will not be more than 29.99% of the enlarged share capital of the Company after the Placing;
- The Placing will raise a minimum of £1m in gross proceeds; and
- Completion will occur before the end of October 2016

A member of the board of BioMoti will join the board of Physiomics as a non-executive director on closing of the acquisition subject to NOMAD approval.

Application will be made to the London Stock Exchange for the Consideration Shares to be admitted to trading on AIM. The Consideration 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.

### 4 Details of the Placing

The Company proposes to raise capital by way of a Placing of a maximum of 5,128,205,128 Placing Shares with certain new and existing investors representing a maximum of 98 per cent. of the Enlarged Share Capital.

In connection with the proposed Placing, the Company has engaged Hybridan to seek to procure placees for the Placing Shares following the passing of the relevant resolutions at the General Meeting.

Application will be made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM.

The Placing 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 anticipated that the Placing will take place on or before 31 October 2016 and that Admission will follow promptly thereafter however these dates may be subject to change for any reason.

### 5 General Meeting

A notice convening the GM to be held at the registered office of the Company at 10 a.m. on 7<sup>th</sup> September 2016 is set out at the end of this document. The Resolutions to be proposed at that meeting are, inter alia, to:

**Resolution 1:** empower the Directors to allot Ordinary Shares in the capital of the Company in connection with the Placing and the Acquisition

**Resolution 2:** empower the Directors to allot Ordinary Shares in the capital of the Company for cash otherwise than in accordance with the statutory pre-emption provisions set out in the Companies Act in connection with the Placing and the Acquisition

The authority proposed to be given to the Directors to allot Ordinary Shares in the capital of the Company requires the prior authorisation of the Shareholders at a general meeting under section 551 of the Companies Act.

Following the passing of Resolution 1, the Directors will have authority to allot New Ordinary Shares up to £69,664 in nominal value in respect of the Consideration Shares, and up to £205,129 in nominal value in connection with the Placing (depending on whether the Acquisition closes). If granted, this authority will supersede authorities granted to allot Ordinary Shares approved at previous Board Meetings and will expire at the next annual general meeting of the Company, or if earlier, the date which is 15 months after the date of the passing of this resolution.

Subject to the passing of Resolution 2, the Directors will have the power under section 570 of the Companies Act to allot, for cash, the full nominal value of the shares allotted under Resolution 1 without being required first to offer such securities to Shareholders in accordance with their statutory pre-emption rights. This authority will expire at the next annual general meeting of the Company, or if earlier, on the date which is 15 months after the date of the passing of this resolution.

## **6 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 are set out in the table below.

	<i>Date of this document</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of ordinary share capital</i>
<b>Director</b>		
Dr Paul Harper	52,570,787	1.51%
Dr Christophe Chassagnole	15,189,740	0.44%
Dr Mark Chadwick	3,970,151	0.11%
Total	71,730,678	2.06%

In addition, a total of 331,047,676 options over Ordinary Shares are granted to the Directors, representing approximately 9.51 per cent. of the current issued share capital.

## **7 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

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 Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, by no later than 10.00 a.m. on 5<sup>th</sup> September 2016 (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 (Capita Asset Services) by no later than 10.00 a.m. on 5<sup>th</sup> September 2016 (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.

## **8 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.**

Yours faithfully,

Dr Paul Harper

*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. 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 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 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.

***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 signs of economic recovery have been perceptible in certain countries, the sustainability of a global economic upturn is not yet 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 in the past, 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 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 may 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 (applicable both to the Company and the Enlarged Group)**

***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 Placing. In the event that the Company wins a large order then the Company may consider supporting the working capital 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.

***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 technical team 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, the failure to retain key employees or the Company's inability to recruit additional employees to meet increased demand could adversely affect the Company's ability to maintain and / or improve its operating and financial performance.

***Physiomics' 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 products or 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.

***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, 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 Physiomics' 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/ Scientific 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 and/or the underlying science may arise which could affect adversely the Company's ongoing development, growth and business performance.

#### ***Risk associated with key clients***

Physiomics dedicates significant time and resource to develop relationship with key clients. Significant changes in strategy, management or policy at key clients may have an adverse impact on Physiomics ability to generate new business from its key clients.

#### ***Failure of physical infrastructure 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. Service interruptions and equipment failures may expose Physiomics 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.

## **4. Acquisition Risks**

#### ***The integration of BioMoti and future acquisition opportunities may not go as planned***

The Acquisition, and any future acquisition, poses integration and other risks which may significantly affect the Company's results or operations and the businesses may not turn out to be profitable. In addition, the operation and management of additional businesses (including BioMoti), assets or customers may require additional resources, such as human or infrastructure resources, beyond that which is anticipated by the Directors. There can be no assurance that the Company will be able to procure the additional resources to cope with the growth in the number of assets under the Company's management.

The integration process may take longer than anticipated or might be more difficult or expensive than the Directors have anticipated. Resolving problems arising in connection with the integration may also take a significant amount of management time and divert management away from other activities. Some of the key potential difficulties relating to the integration of the businesses into the Enlarged Group include:

- challenges in managing the increased scope, geographic diversity and complexity of the Enlarged Group's operations;
- difficulties in integrating the financial, technological and management standards, processes, procedures and controls of BioMoti; and

- attempts by third parties to terminate or alter their existing contracts with the Company or BioMoti.

If such difficulties are significant, this could adversely affect the operational and financial performance of the Enlarged Group.

***Historic liabilities***

The Enlarged Group may be liable for the past acts, omissions or liabilities of the companies or businesses it has acquired, which may be unforeseen or greater than anticipated and may be in excess of the value of any warranties and guarantees received from the sellers of such companies or businesses.

***There can be no assurance that the Enlarged Group will be successful following the Acquisition***

The Directors believe that the Acquisition will be revenue enhancing. However, there is a risk that it will not be revenue enhancing, or that it may be materially less revenue enhancing than expected, which would impact on the profitability of the Enlarged Group in the future. The Directors also believe that the Acquisition will provide wider commercial benefits for the Enlarged Group. However, there is a risk that some or all of the expected benefits may fail to materialise, or may not occur within the time periods anticipated by the Directors, or that the level of investment required to achieve these benefits may be higher than expected. The Directors' expectation of anticipated benefits, including expectations with respect to the future financial performance of the Enlarged Group, is based on certain assumptions and information available to the Company as at the date of this document which may in turn prove to be inaccurate or unrealistic. The realisation of anticipated benefits may be affected by a number of factors and risks, many of which will be beyond the control of the Enlarged Group and, as such, actual results may differ materially from those currently anticipated. A failure to realise anticipated benefits could have a material adverse effect on the Enlarged Group's business, prospects, financial condition and the results of operations.

***Reduction or impairment of the value of goodwill or other intangible assets***

If goodwill or other intangible assets that the Enlarged Group records in connection with the Acquisition become impaired, the Enlarged Group may have to take significant charges against earnings. In connection with the accounting for the Acquisition, the Enlarged Group is expected to record an amount of goodwill and other intangible assets. Under IFRS, the Enlarged Group will need to assess, at least annually and potentially more frequently, whether the value of goodwill and other intangible assets has been impaired. Any reduction or impairment of the value of goodwill or other intangible assets will result in a charge against earnings, which could materially adversely affect the Enlarged Group's results of operations and shareholders' equity in future periods.



## PART 3

### NOTICE OF GENERAL MEETING

#### Physiomics plc

*(Incorporated in England and Wales with registered no. 04225086)  
(the "Company")*

NOTICE IS HEREBY GIVEN that a General Meeting of the Company will be held at the Company's registered office at The Magdalen Centre, Oxford Science Park, Robert Robinson Avenue, Oxford, OX4 4GA at 10.00 a.m. on 7<sup>th</sup> September 2016 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 RESOLUTIONS

1. THAT the directors of the Company (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 up to a maximum aggregate nominal amount of £274,763 in the Ordinary Capital of the Company.

This maximum aggregate nominal amount comprises:

- i. a nominal amount of £69,634 in the Ordinary Capital of the Company in connection with the allotment of the Consideration Shares; and
- ii. a maximum nominal amount of £205,129 in the Ordinary Capital of the Company in connection with working capital and the Acquisition as described in Part 2 above, and 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, or if earlier 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.

#### SPECIAL RESOLUTION

2. THAT 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 maximum aggregate nominal amount of £274,763 in the Ordinary Capital of the Company.

This maximum aggregate nominal amount comprises:

- i. a nominal amount of £69,634 in the Ordinary Capital of the Company in connection with the allotment of the Consideration Shares; and
- ii. a maximum nominal amount of £205,129 in the Ordinary Capital of the Company in connection with working capital and the Acquisition as described in Part 2 above,

and such 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 be in addition to all existing authorities to allot equity securities for cash as if section 561 of the Companies Act 2006 did not apply.

Dated: 22 August 2016

*Registered office:*  
The Magdalen Centre  
Oxford Science Park  
Robert Robinson Avenue  
Oxford, OX4 4GA

*By Order of the Board*  
Strategic Finance Director Limited  
*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, Capita Asset Services, whose address is Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, no later than 48 hours before the meeting together with the original of any power of attorney or other authority under which the form of proxy is signed. 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. 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.
4. 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 meeting 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, Capita Asset Services (CREST Participant ID: RA10), no later than 48 hours before the time appointed for the meeting (excluding any part of a day that is not a business day). 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).

5. 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).
6. 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 close of business on 5<sup>th</sup> September 2016 (or if the GM is adjourned, members entered on the Register of Members of the Company not later than 48 hours before the time fixed for the adjourned GM, excluding any part of a day that is not a business day) 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 5<sup>th</sup> September 2016 shall be disregarded in determining the rights of any person to attend, speak or vote at the Meeting.
7. 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.

