

## NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the 2015 Annual General Meeting ("**AGM**") of Ilika plc (the "**Company**") will be held at the offices of Eversheds LLP at One Wood Street, London EC2V 7WS at 2:00pm on Wednesday, 30 September 2015 for the purpose of transacting the following business:

### Ordinary Business

1. To receive and adopt the audited accounts of the Company for the financial year ended 30 April 2015, together with the Directors' and Auditor's Reports in respect of such accounts.
2. To elect Professor Keith Jackson as a director of the Company.
3. To elect Mike Inglis as a director of the Company.
4. To re-elect Clare Spottiswoode as a director of the Company who retires by rotation in accordance with Article 111 of the Company's articles of association.
5. To re-appoint BDO LLP as auditors to the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company, and to authorise the directors to determine their remuneration.
6. To award unapproved share options to Professor Keith Jackson and Mike Inglis.
7. To adopt and establish the Ilika plc Long Term Incentive Plan 2015 (the "LTIP"), a summary of which is set out in the Appendix to this notice, and to authorise the directors of the Company to do all acts, matters and things which they may consider necessary or desirable in order to carry the LTIP into effect, including the making of non-material or consequential amendments thereto.

### Special Business

8. To consider and, if thought fit, pass the following resolution which will be proposed as an ordinary resolution:

"**THAT** the directors be and they are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "**Act**") to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £219,122 representing a number of ordinary shares of 1 pence each equivalent to approximately one third of the issued share capital of the Company at the date of this notice.

The authorities referred to in this Resolution 8 shall be in substitution for all other existing authorities dealing with the subject matter of this Resolution and shall expire on the earlier of 31 December 2016 and the conclusion of the next annual general meeting of the Company. The Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors are hereby authorised to allot such securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired. This authority shall replace all existing authorities conferred on the directors in respect of the allotment or relevant securities to the extent that the same have not been previously utilised."

9. To consider and, if thought fit, pass the following resolution which will be proposed as a special resolution:

**“THAT**, subject to and conditional upon the passing of Resolution 8, and in accordance with Article 17 of the articles of association of the Company, the directors be and are hereby empowered pursuant to section 570 of the Act, in substitution for all previous powers granted thereunder, to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the general authority conferred by Resolution 8 as if section 561(1) of the Act did not apply to such allotment, provided that this power shall be limited to allotments of equity securities:

- (i) in connection with or pursuant to an offer by way of rights, open offer or other pre-emptive offer to the holders of shares in the Company and other persons entitled to participate therein in proportion (as nearly as practicable) to their respective holdings, subject to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of any territory or the regulations or requirements of any regulatory authority or any stock exchange in any territory; and
- (ii) (otherwise than pursuant to sub-paragraph (i) of this Resolution 9) up to an aggregate nominal amount of £65,736 representing approximately 10 per cent. of the issued share capital of the Company,

and such authority shall expire on the earlier of 31 December 2016 and the conclusion of the next annual general meeting of the Company. The Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors are hereby authorised to allot such securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired. This authority shall replace all existing authorities conferred on the directors in respect of the allotment or relevant securities to the extent that the same have not been previously utilised.”

**Registered Office**  
Kenneth Dibben House  
Southampton  
SO16 7NS

**By order of the Board**  
**Steve Boydell**  
Company Secretary

4 September 2015

## **NOTES:**

### **Entitlement to attend and vote**

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at 6pm on the 28 September 2015 or, if the AGM is adjourned, at 6pm on the day two days prior to the adjourned meeting, shall be entitled to attend and vote at the AGM.

### **Appointment of proxies**

2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint one or more proxies to exercise all or any of your rights to attend, speak and vote at the AGM and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

3. A proxy does not need to be a member of the Company but must attend the AGM to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the AGM you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

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 you either select the "Discretionary" option or if no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the AGM.

### **Appointment of proxy using hard copy proxy form**

5. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote. To appoint a proxy using the proxy form, the form must be:

- completed and signed;
- sent or delivered to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY; and
- received by Computershare Registrars no later than 2 pm on 28 September 2015.

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

### **Appointment of proxy by joint members**

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).

### **Corporate representatives**

7. A shareholder of the Company which is a corporation may authorise a person or persons to act as its representative(s) at the AGM. In accordance with the provisions of the Act, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual shareholder of the Company,

provided that they do not do so in relation to the same shares. It is no longer necessary to nominate a designated corporate representative.

Corporate members are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – [www.icsa.org.uk](http://www.icsa.org.uk) – for further details of this procedure. The guidance includes a sample form of representation letter to appoint the Chairman as a corporate representative.

### **Termination of proxy appointments**

8. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment as above. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

The revocation notice must be received by Computershare Investor Services PLC no later than the time of the Annual General Meeting. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

### **Issued shares and total voting rights**

9. As at 27 August 2015, being the last practicable day before printing this document, the Company's issued share capital comprised 65,736,416 ordinary shares of 1 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 27 August 2015 was 65,736,416.

### **Transactions by Directors**

10. A statement or summary of transactions made by the directors (and their family interests) in the share capital of the Company and copies of their service contracts are available for inspection at the Company's registered office during normal business hours (Saturdays and public holidays excepted) from the date of this notice until the conclusion of the AGM and will also be available for inspection at the place of the AGM for at least 15 minutes prior to and during the meeting.

11. CREST members who wish to appoint a proxy or proxies by using the CREST electronic proxy appointment service may do so for the meeting (and any adjournment of the meeting) by following the procedures laid down in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed 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.

12. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual (available via [www.euroclear.com/CREST](http://www.euroclear.com/CREST)). The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID Number 3RA50) by no later than 2 pm on 28 September 2015. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the issuer's agent is able to retrieve the

message 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.

13. 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.

14. CREST members and, where applicable, their CREST sponsors, or voting service providers 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, 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. Please see sections of the CREST Manual concerning practical limitations of the CREST system and timings.

15. Entitlement to attend and vote at the meeting, and the number of votes which may be cast by shareholders at the meeting, will be determined by reference to the Company's register of members at 6pm on 28 September 2015 or, if the meeting is adjourned, 48 hours before the time fixed for the adjourned meeting (as the case may be). In each case, changes to the register of members after such time will be disregarded in determining the rights of any person to attend and vote at the meeting. This is in accordance with Regulation 41 of the Uncertificated Securities Regulations 2001 and Article 58 of the Company's Articles of Association.

**The explanatory notes below summarise the purpose of each resolution to be passed:**

Resolutions 1 to 7 comprise the ordinary business of the AGM.

#### **Resolution 1: Report and Accounts**

For each financial year, the directors are required to lay the Directors' Report, the audited accounts and the Auditor's Report before the Company at a general meeting. The shareholders are requested to receive and adopt the Report and Accounts for the year ended 30 April 2015.

#### **Resolutions 2, 3 and 4: Appointment of directors**

Article 111 of the Company's articles of association requires that any director not elected or re-elected at the previous two AGMs should retire from office and that at subsequent AGMs one third of directors (excluding directors retiring in accordance with Article 117) shall retire. Accordingly, four directors will retire and, being eligible, three will offer themselves for re-appointment. Resolutions 2, 3 and 4 propose their re-appointment.

#### **Resolution 5: Appointment of auditor**

At each general meeting at which the accounts are laid before shareholders, the Company is required to appoint an auditor to serve until the next such meeting.

Resolution 5 proposes the re-appointment of BDO LLP as the Company's auditor and that the directors be authorised to fix the auditor's remuneration.

#### **Resolution 6: Award of unapproved share options to non-executive directors**

The Remuneration Committee is seeking shareholders' approval to grant unapproved share options to the non-executive directors appointed since the last AGM. It is proposed that Mike Inglis will receive an unapproved share option over 120,000 shares and Professor Keith Jackson will receive an unapproved share option over 40,000 shares. The exercise price for each share option will be the closing market price on the day before grant. Each

award will vest on the achievement of the following share price targets, assessed over a three year performance period:

- (a) Less than 50% growth in share price - no vesting
- (b) 50% growth in share price – 25% of the shares subject to award will vest
- (c) 100% growth in share price – 75% of the shares subject to award will vest
- (d) 200% growth in share price – 100% of the shares subject to award will vest

Awards will vest between the points (b) and (c) and between (c) and (d) on a straight line basis.

If the option holder ceases to be a director before the third anniversary of the date of grant, his award will generally lapse immediately. Subject to vesting, an award may be exercised at any time from the third anniversary to the tenth anniversary of the date of grant. If an award remains unexercised at the end of that period, it will lapse.

### **Resolution 7: Adoption of a Long-Term Incentive Plan**

Resolution 7 will be proposed as an ordinary resolution. The Remuneration Committee is seeking shareholders' approval for the adoption of the Ilika plc Long Term Incentive Plan 2015 (the "LTIP") to incentivise, retain and reward the executive directors for successfully taking the Company through the next stage of its growth. Single awards of share options with an exercise price of the nominal value of the shares will be made to the directors. The awards will vest after three years to the extent that challenging share price targets have been met.

The maximum number of shares that may be issued on the exercise of awards granted under the LTIP together with the number of shares that may be issued under all other employee share plans operated by the Company (including shares to be issued under the bonus scheme) will not exceed 10% of the Company's issued share capital over a rolling ten-year period.

The Appendix to this notice of meeting contains a summary of the rules of the LTIP.

Resolutions 8 and 9 are the special business of the AGM.

**Resolution 8** will be proposed as an ordinary resolution for the renewal of the Directors' general authority to issue shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £219,122, representing approximately one third of the current issued share capital of the Company.

The Act also provides that any allotment of new shares for cash must be made pro rata to individual shareholders' holdings, unless such provisions are dis-applied under section 570 of the Act. The authority given to the Directors at the last AGM to allot shares for cash pursuant to section 570 of the Act expires on the date of this year's AGM.

**Resolution 9** will be proposed as a special resolution for the renewal of the Directors' authority to allot equity securities for cash, without first offering them to shareholders pro rata to their holdings. This authority facilitates issues made by way of rights to shareholders which are not strictly in accordance with section 561(1) of the Act, and authorises other allotments of up to a maximum aggregate nominal amount of £65,736 of shares, representing approximately 10 per cent of the current issued ordinary share capital of the Company. This authority also allows the Directors, within the same aggregate limit, to sell for cash shares that may be held by the Company in treasury.

The authorities granted under resolutions 8 and 9 will expire at the conclusion of the next annual general meeting of the Company.

## Appendix 1

### Summary of the Principal Terms of the Ilika plc Long Term Incentive Plan 2015 (“the LTIP”)

#### 1. Introduction

The LTIP will be administered by the Remuneration Committee of the Board of Directors of the Company (“the Committee”). The LTIP is discretionary.

#### 2. Eligibility

Only the executive directors, that is Graeme Purdy (Chief Executive Officer), Professor Brian Hayden (Chief Scientific Officer) and Stephen Boydell (Finance Director) will be eligible to participate in the LTIP (the “Participants”).

#### 3. Nominal Value Options (“Awards”)

3.2 Awards will be granted over ordinary shares in the capital of the company (“Shares”). The Committee can choose what price to set as the exercise price, but the intention is that the awards will be in the form of a nominal-value option as a single award.

3.3 A nominal-value option (“Option”) is the right to acquire a number of Shares in the future on payment of the nominal value of the Shares (1p per Share). The right to exercise the Option is generally dependent upon the Participant remaining an employee throughout the performance period and the satisfaction of a performance condition. This is subject to the good leaver provisions described in paragraph 9 below. Options have a life of ten years.

3.4 Awards will not be pensionable. Awards may not be granted more than twelve months after the date of adoption of the LTIP by shareholders of the Company unless shareholders approve the extension of the LTIP.

#### 4. Performance Period

The performance period is a period of three consecutive financial years of the Company, commencing with the financial year in which the Award is granted (the “Performance Period”).

#### 5. Performance Conditions

5.1 The Committee will set the terms of the performance conditions applying to Awards in its absolute discretion.

5.2 The Committee has decided that the Awards shall vest on the achievement of the following share price targets over the three-year performance period:

- (a) Less than 50% growth in share price - no vesting

- (b) 50% growth in share price – 25% of the awards will vest
- (c) Share price doubles – 75% of the awards will vest
- (d) Share price trebles – 100% of the awards will vest

Awards will vest between the points (b) and (c) and between (c) and (d) on a straight line basis.

- 5.3 The Committee will have the power to vary the terms of the performance conditions to take account of a change in circumstances if the Committee considers that the amended performance condition is a fairer measure of the performance of the Group, the Company or the Participant, or that the amended performance condition would be a more effective incentive, provided that the amended performance condition is neither materially easier nor more difficult to achieve than it was when the Award was first granted.

## **6. Transfer of Shares**

- 6.1 The Committee will determine the extent the performance condition has been met following the end of the Performance Period. If the performance condition has been met (in whole or in part), the Committee will then determine whether (and the extent to which) the Award will become capable of exercise (“vest”). To the extent the performance condition has not been met in line with the performance conditions set out in 5.2 above, at the end of the Performance Period, the Award will lapse.
- 6.2 When an Option vests, it may usually be exercised by the Participant at any time during the period ending on the tenth anniversary of its date of grant. If it remains unexercised at the end of that period, it will lapse.

## **7. Maximum Value of Awards**

Participation is limited such that the total Market Value of Shares over which a Participant may be granted an Award is equivalent to 300% of annual salary. It is the Committee’s intention to make awards equivalent to the following proportions of salary for each of the Participants:

- (a) Chief Executive Officer – 300% of salary (current salary: £200,000)
- (b) Chief Scientific Officer – 250% of salary (current salary: £145,000)
- (c) Finance Director – 150% of salary (current salary: £126,000)

## **8. Scheme Limits**

- 8.1 Shares may either be newly issued or purchased on the market to satisfy Awards. It is intended that Awards will be satisfied by the issue of new shares.



8.2 The number of Shares which may be issued under the LTIP on any day, when added to the total number of Shares which have been issued or placed under options to subscribe in the previous ten years under the LTIP and any other employee share scheme adopted by the Company (including for the avoidance of doubt, any shares issued under an annual bonus plan) shall not exceed 10% of the ordinary share capital of the Company in issue immediately before that day. For the purpose of this limit, options and other rights to subscribe for Shares that have lapsed or been released and shares issued on the exercise of options granted before the Company's shares were admitted to trading on AIM will not be counted.

## **9. Cessation of Employment**

9.1 As a general rule, if a Participant ceases to be an employee before the third anniversary of the date of grant of his Award, it will lapse immediately.

9.2 However, if the Participant leaves before the third anniversary of the date of grant by reason of death, injury or disability, retirement or redundancy or because his employing company or part of the business in which he is employed is transferred out of the Group (a "good leaver"), the Performance Period will end on the date of cessation of employment. The Participant will only be permitted to exercise his Award to the extent that the performance condition has been met at the date of cessation of employment. The number of shares will be scaled back to reflect the proportion of the performance period that has elapsed. If the Participant leaves for any other reason, his Award shall lapse unless the Committee in its absolute discretion determines that it shall vest in full or in part, taking into account the reason for leaving, the proportion of the performance period that has elapsed and the extent to which the performance conditions have been met at the date of cessation of employment.

9.3 An Option that becomes exercisable as described in paragraph 9.2 will lapse six months following the date of leaving, except in the case of death, when it will lapse twelve months following vesting.

## **10. Take-over**

10.1 In the event of a take-over of the Company, scheme of arrangement or certain other similar major corporate events, the Performance Period will end on the date of that event unless 10.2 below applies. Awards will vest in full if the share price at the date of such event is higher than the share price at the date of grant of the Award.

10.2 If another company acquires control of the Company, Participants may be invited to exchange their Awards for awards over shares in the acquiring company ("Replacement Awards"). In such circumstances, the total market value of shares comprised in the Award and the Replacement Award must be broadly equivalent and the terms of the Replacement Award must be, in so far as is practicable, broadly equivalent to the terms of the Award.

**11. Variation of capital**

In the event of any capitalisation issue, rights issue, rights offer, consolidation, subdivision or reduction of capital, demerger or any other event affecting the share capital of the Company, the number and/or the nominal value of the Shares comprised in Awards may be adjusted by the Committee in such a way as the Committee deems to be fair and reasonable.

**12. Amendments to the LTIP**

Although the Committee will have the power to amend the provisions of the LTIP, the key provisions of the LTIP cannot be altered to the advantage of Participants without the prior approval of the shareholders in general meeting (except for minor amendments to benefit the administration of the LTIP, to comply with or take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for Participants, or for the Company or any other member of the Group).