

THIS DOCUMENT AND THE ENCLOSED FORM OF PROXY ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this Document or what action you should take, you should immediately consult your stockbroker, bank manager, solicitor or other independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended) ("FSMA") if you are in the United Kingdom or, if not, another appropriately authorised independent financial adviser duly qualified in your jurisdiction.

If you have sold or otherwise transferred all of your holding of Existing Ordinary Shares, please forward this Document (but not the enclosed Form of Proxy) 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, except that such documentation should not be sent into a Restricted Jurisdiction or any other jurisdiction where to do so may constitute a violation of local securities laws or regulations.

This Document does not constitute an offer of transferable securities to the public within the meaning of section 102B of FSMA. Members of the general public are not eligible to take part in the Placing. The issue of the New Ordinary Shares will not constitute an offer to the public requiring an approved prospectus under section 85 of FSMA. This Document does not constitute a prospectus for the purpose of the Prospectus Rules of the Financial Conduct Authority or an admission document for the purpose of the AIM Rules. Accordingly, this Document has not been, and will not be, reviewed or approved by the Financial Conduct Authority (in its capacity as UK Listing Authority or otherwise) pursuant to sections 85 and 87 of FSMA, the London Stock Exchange or any other authority or regulatory body and has not been approved for the purposes of Section 21 of FSMA.

Neither this Document (nor any part of it) nor its distribution shall form the basis of, or be relied on in connection with, any contract or as an inducement to enter into any contract or commitment whatsoever. This Document is being sent to you solely for the purpose of convening the General Meeting referred to below and to provide information to you as a member of the Company to help you to decide how to cast your vote in respect of the Resolutions. No reliance may be placed on this Document for any other purpose.

Application will be made for the New Ordinary Shares to be admitted to trading on AIM, a market of the London Stock Exchange. Subject to certain conditions being satisfied, including the passing of the Resolutions at the General Meeting, it is expected that admission to trading on AIM and dealings in the EIS/VCT Shares will commence at 8.00 a.m. on 4 April 2018 and it is expected that admission to trading on AIM and dealings in the General Shares will commence at 8.00 a.m. on 5 April 2018.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.



DIURNAL GROUP PLC

(Incorporated and registered in England and Wales with registered number 09846650)

Notice of General Meeting

relating to the proposed

**Placing of up to 2,104,872 EIS/VCT Shares at a price of
190 pence per New Ordinary Share**

**Placing of up to 4,210,915 General Shares at a price of
190 pence per New Ordinary Share**

Numis

Nominated Adviser and Joint Broker

PANMURE GORDON & CO

Joint Broker

The whole of this document should be read. Your attention is drawn to the Letter from the Chairman of Diurnal Group plc which recommends you to vote in favour of the Resolutions to be proposed at the General Meeting referred to below.

Numis Securities Limited is authorised and regulated by the Financial Conduct Authority and is acting as nominated adviser and joint broker exclusively for the Company and for no one else in connection with the matters detailed in this Document. Numis Securities Limited will not be responsible to anyone other than the Company for providing the protections afforded to its customers or for providing advice in relation to the matters referred to in this Document. Numis Securities Limited has not authorised the contents of, or any part of, this Document and no liability whatsoever is accepted by Numis Securities Limited for the accuracy of any information or opinions contained in this Document or for the omission of any information. Numis Securities Limited, as nominated adviser to the Company, owes certain responsibilities to the London Stock Exchange which are not owed to the Company or the Directors, Shareholders or any other person.

Panmure Gordon (UK) Limited is authorised and regulated by the Financial Conduct Authority and is acting as joint broker exclusively for the Company and for no one else in connection with the matters detailed in this Document. Panmure Gordon (UK) Limited will not be responsible to anyone other than the Company for providing the protections afforded to its customers or for providing advice in relation to the matters referred to in this Document. Panmure Gordon (UK) Limited has not authorised the contents of, or any part of, this Document and no liability whatsoever is accepted by Panmure Gordon (UK) Limited for the accuracy of any information or opinions contained in this Document or for the omission of any information.

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 on the Ordinary Shares after Admission.

Notice of a General Meeting of Diurnal Group plc to be held at the offices of Eversheds Sutherland (International) LLP at 1 Wood Street, London EC2V 7WS at 11.00 a.m. on 3 April 2018 is set out at the end of this Document. Shareholders will find accompanying this Document a Form of Proxy for use at the General Meeting.

Copies of this Document will be available free of charge during normal business hours on any weekday (except Saturdays, Sundays and public holidays) from Diurnal Group's registered office from the date of this Document to the date of admission of the New Ordinary Shares.

Copies of this Document will be available on the Company's website at www.diurnal.co.uk.

Whether or not you intend to be present at the General Meeting, it is important that you complete, sign and return the Form of Proxy to Link Asset Services at PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF by 11.00 a.m. on 28 March 2018 or 48 hours before any adjourned meeting. Completion and return of a Form of Proxy will not preclude Shareholders from attending and voting at the General Meeting should they so wish. The Form of Proxy should, to be valid, be completed in accordance with the instructions printed on it.

If you hold your Ordinary Shares in Uncertificated Form (i.e. in CREST), you may appoint a proxy by completing and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual so that it is received by the registrar (under CREST Participation ID RA10) by no later than 11.00 a.m. on 28 March 2018. The time of receipt will be taken to be the time from which the registrar is able to retrieve the message by enquiry to CREST in the manner proscribed by CREST.

None of the New Ordinary Shares, the Form of Proxy, this Document or any other document connected with the Placing have been or will be approved by the US Securities and Exchange Commission or by the securities commissions of any state or other jurisdiction of the United States or any other regulatory authority, nor have any of the foregoing authorities or any securities commission passed comment upon or endorsed the merits of the offering of the New Ordinary Shares, the Form of Proxy, or the accuracy or adequacy of this Document or any other document connected with the Placing. Any representation to the contrary is a criminal offence. The distribution of this Document and the Form of Proxy in jurisdictions other than the UK may be restricted by law and therefore persons into whose possession this Document and/or the Form of Proxy come should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws or regulations of such jurisdictions.

The New Ordinary Shares have not been, and will not be, registered under the Securities Act or under the applicable securities laws of any state or other jurisdiction of the United States or any other Restricted Jurisdiction. In the opinion of the Directors, there is a significant risk of civil, regulatory or criminal exposure to the Company and its Directors were the Placing to be made into any of the Restricted Jurisdictions. The New Ordinary Shares may not be offered, sold, taken up, resold, transferred or delivered, directly or indirectly, within, into or in the United States, or any other Restricted Jurisdiction, or to any US Person (as such term is defined in Regulation S) or to any national resident or citizen of, or any corporation, partnership or other entity created or organised under the laws of any Restricted Jurisdiction, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with the securities laws of any relevant state or other jurisdiction of the United States and any relevant Restricted Jurisdiction. The New Ordinary Shares are being offered and sold outside the United States in offshore transactions within the meaning of and in accordance with Regulation S or another applicable exemption therefrom. There will be no public offer of the New Ordinary Shares in the United States.

It is the responsibility of any person receiving a copy of this Document and/or the Form of Proxy outside the United Kingdom to satisfy himself as to the full observance of the laws and regulatory requirements of the relevant territory in connection therewith, including obtaining any governmental or other consents which may be required or observing any other formalities required to be observed in such territory and paying any other issue, transfer or other taxes due in such other territory. Persons (including, without limitation, nominees and trustees) receiving this Document and/or the Form of Proxy should not, in connection with the Placing, distribute or send it into any jurisdiction when to do so would, or might contravene local securities laws or regulations.

In accordance with the AIM Rules, this Document will be available on the Company's website (www.diurnal.co.uk) from the date of this document, free of charge.

Forward-looking statements:

This Document contains statements about Diurnal Group that are or may be "forward-looking statements". All statements, other than statements of historical facts, included in this Document may be forward-looking statements and are subject to, amongst other things, known and unknown risks, uncertainties and other factors. 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", "would", "could", "continue" or words or terms of similar substance or the negative thereof, are forward-looking statements. Forward-looking statements include statements relating to the following: management's strategic vision, aims and objectives; the conduct of clinical trials; the filing dates for product licence applications; the Company's ability to find partners for the development and commercialisation of its technology and services; the effect of competition; trends in results of operations; margins; the overall pharmaceutical market; and exchange rates.

These forward-looking statements are not guarantees of future performance and have not been reviewed by the auditors of Diurnal. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of any such person, or industry results, 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 assumptions regarding the present and future business strategies of such persons and the environment in which each will operate in the future. Shareholders 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 and the Disclosure Guidance and Transparency Rules), Diurnal 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 Diurnal 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 of Diurnal 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.

Currency presentation:

Unless otherwise indicated, references to pounds sterling, sterling, pounds, pence, p or £ are to the lawful currency of the United Kingdom and reference to US dollars or \$ are to the lawful currency of the United States.

Market, economic and industry data

This document contains information regarding the Company's business and the market in which it operates and competes, which the Company has obtained from various third party sources. Where information has been sourced from a third party it has been accurately reproduced and, so far as the Company is aware and is able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Such information has not been audited or independently verified.

Rounding

Certain data in this document, including financial, statistical and operating information, has been rounded. As a result of rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data. Percentages have also been rounded and accordingly may not add to 100 per cent.

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INDICATIVE TIMETABLE

Announcement of the Placing and posting of this Document and Form of Proxy	14 March 2018
Latest time to exercise Broker Option by either of the Joint Brokers	5.00 p.m. on 20 March 2018
Latest time and date for receipt of Forms of Proxy	11.00 a.m. on 28 March 2018
General Meeting	11.00 a.m. on 3 April 2018
Result of General Meeting announced through RNS	3 April 2018
Admission and commencement of dealings in EIS/VCT Shares (including any Option Shares which are intended to qualify for EIS/VCT Relief)	8.00 a.m. on 4 April 2018
EIS/VCT Shares (including any Option Shares which are intended to qualify for EIS/VCT Relief) to be held in Uncertificated Form credited to CREST stock accounts (CREST shareholders only)	4 April 2018
Admission and commencement of dealings in General Shares (including any Option Shares which are not intended to qualify for EIS/VCT Relief) and Convertible Loan Shares	8.00 a.m. on 5 April 2018
General Shares (including any Option Shares which are not intended to qualify for EIS/VCT Relief) and Convertible Loan Shares to be held in Uncertificated Form credited to CREST stock accounts (CREST shareholders only)	5 April 2018
Despatch of definitive share certificates for New Ordinary Shares to be held in Certificated Form (non-CREST shareholders only)	Within 14 days of General Admission

Notes

- (1) References to times in this Document are to London time (unless otherwise stated).
- (2) The dates and timing of the events in the above timetable and in the rest of this Document are indicative only and may be subject to change.
- (3) If any of the above times or dates should change, the revised times and/or dates will be notified by an announcement through RNS.

KEY STATISTICS

Placing Price per New Ordinary Share	190 pence
Number of Existing Ordinary Shares	52,580,634
Minimum number of EIS/VCT Shares to be issued by the Company	1,578,557
Minimum number of General Shares to be issued by the Company	3,684,600
Maximum number of Option Shares to be issued by the Company	526,315
Number of Convertible Loan Shares	3,229,575
Minimum number of New Ordinary Shares	8,492,732
Maximum number of New Ordinary Shares	9,019,047
Number of Ordinary Shares comprising the Enlarged Share Capital (assuming no Option Shares are issued)	61,073,366
Number of Ordinary Shares comprising the Enlarged Share Capital (assuming the maximum number of Option Shares is issued)	61,599,681
Number of New Ordinary Shares as a percentage of the Enlarged Share Capital (assuming no Option Shares are issued)	13.9 per cent.
Number of New Ordinary Shares as a percentage of the Enlarged Share Capital (assuming the maximum number of Option Shares is issued)	14.6 per cent.
Number of EIS/VCT Shares as a percentage of the Enlarged Share Capital (assuming no Option Shares are issued)	2.6 per cent.
Number of EIS/VCT Shares as a percentage of the Enlarged Share Capital (assuming the maximum number of Option Shares is issued and that none of the Option Shares are EIS/VCT Shares)	2.6 per cent.
Number of EIS/VCT Shares as a percentage of the Enlarged Share Capital (assuming the maximum number of Option Shares is issued and that all Option Shares are EIS/VCT Shares)	3.4 per cent.
Number of General Shares as a percentage of the Enlarged Share Capital (assuming no Option Shares are issued)	6.0 per cent.
Number of General Shares as a percentage of the Enlarged Share Capital (assuming the maximum number of Option Shares is issued and that none of the Option Shares are EIS/VCT Shares)	6.8 per cent.
Number of General Shares as a percentage of the Enlarged Share Capital (assuming the maximum number of Option Shares is issued and that all Option Shares are EIS/VCT Shares)	6.0 per cent.
Number of Convertible Loan Shares as a percentage of the Enlarged Share Capital (assuming no Option Shares are issued)	5.3 per cent.
Number of Convertible Loan Shares as a percentage of the Enlarged Share Capital (assuming the maximum number of Option Shares is issued)	5.2 per cent.
Gross proceeds of the Placing (assuming no Option Shares are issued)	Approximately £10.0 million
Gross proceeds of the Placing (assuming the maximum number of Option Shares is issued)	Approximately £11.0 million
Estimated proceeds receivable by the Company pursuant to the Placing, net of expenses (assuming no Option Shares are issued)	Approximately £9.4 million
Estimated proceeds receivable by the Company pursuant to the Placing, net of expenses (assuming the maximum number of Option Shares is issued)	Approximately £10.4 million
SEDOL	BDB6Q76
ISIN	GB00BDB6Q760

Assuming that the Placing is fully subscribed, has completed and that no further Ordinary Shares have been issued other than the New Ordinary Shares and no share options with respect to Ordinary Shares have been issued.

DIRECTORS, SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	Peter Allen, <i>Non-Executive Chairman</i> Dr Martin Whitaker, <i>Chief Executive Officer</i> Richard Bungay, <i>Chief Financial Officer</i> Professor Richard Ross, <i>Non-Executive Director</i> Dr Sam Williams, <i>Non-Executive Director</i> Dr Alan Raymond, <i>Non-Executive Director</i> John Goddard, <i>Independent Non-Executive Director</i>
Company Secretary	Richard Bungay
Registered Office	Cardiff MediCentre, Heath Park, Cardiff, CF14 4UJ
Website	www.diurnal.co.uk
Telephone	+44 (0)2920 682 069
Nominated Adviser and Joint Broker	Numis Securities Limited The London Stock Exchange Building, 10 Paternoster Square, London EC4M 7LT
Joint Broker	Panmure Gordon (UK) Limited 1 New Change, London EC4M 9AF
Solicitors to the Company	Eversheds Sutherland (International) LLP 1 Wood Street, London EC2V 7WS
Solicitors to the Nominated Adviser and Joint Brokers	DLA Piper UK LLP 3 Noble Street, London EC2V 7EE
Public Relations	FTI Consulting 200 Aldersgate Street, London EC1A 4HD
Registrar	Link Asset Services (a division of Link Group Asset Services) The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU

DEFINITIONS

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

Act	the Companies Act 2006, as amended;
Admission	EIS/VCT Admission in the case of the EIS/VCT Shares, General Admission in the case of the General Shares and Convertible Loan Share Admission in the case of the Convertible Loan Shares;
AIM	AIM, a market operated by the London Stock Exchange;
AIM Rules	the AIM Rules for Companies, published by the London Stock Exchange governing admission to, and the operation of, AIM as amended from time to time;
Board or Directors	the directors of the Company as at the date hereof, being those directors whose names are set out on page 7 of this Document;
Broker Option	the option granted to each of the Joint Brokers pursuant to the Placing Agreement to allow each of them to require the Company to allot and issue the Option Shares to Placees;
Certificated or in Certificated Form	shares or other securities recorded on the relevant register as being held in certificated form;
Company or Diurnal	Diurnal Group plc, a public limited company incorporated in England and Wales with registered number 09846650;
Convertible Loan	the convertible, interest-free, unsecured loan facility in the aggregate principal amount of £4,650,588 made available to the Company by IP2IPO on the terms of the Convertible Loan Agreement;
Convertible Loan Agreement	the convertible loan agreement dated 21 December 2015 between IP2IPO, as lender, and the Company, as borrower;
Convertible Loan Share Admission	admission of the Convertible Loan Shares to trading on AIM becoming effective in accordance with the AIM Rules;
Convertible Loan Shares	the 3,229,575 new Ordinary Shares which are expected to be issued to IP2IPO simultaneously with the issue of the General Shares, conditional on and subject to each Admission, in connection with its conversion of the Convertible Loan in accordance with the terms of the Convertible Loan Agreement;
CREST	the electronic transfer and settlement system of the paperless settlement of trades in listed securities operated by Euroclear UK & Ireland Limited;
Dealing Day	a day on which dealings in domestic securities may take place on, and with the authority of, the London Stock Exchange;
Disclosure Guidance and Transparency Rules	(i) the disclosure guidance made by the UKLA in accordance with section 73A(3) of Part VI of FSMA relating to the disclosure of information in respect of financial instruments (and, where the context requires, the disclosure rules made by the UKLA in accordance with section 73A(3) of Part VI of FSMA relating to the disclosure of information in respect of financial instruments which have been admitted to trading on a regulated market or for which a request for admission to trading on such a market has been made); and (ii) the transparency rules made by the UKLA under section 73A(6) of Part VI of FSMA in relation to major shareholdings and the notification and dissemination of information by issues of transferable securities (and, in each case, as these rules may be amended from time to time);

Document	this document which, for the avoidance of doubt, does not comprise a prospectus (under the Prospectus Rules) nor an admission document (under the AIM Rules);
EIS Relief	the relief claimed by any holder of the EIS Shares under Part 5 of the ITA or exemption or relief available under sections 150A, 150C and Schedule 5B Taxation of Chargeable Gains Act 1992;
EIS Shares	new Ordinary Shares (including any Option Shares) to be allotted and issued by the Company at the Placing Price, conditional on EIS/VCT Admission, in connection with the EIS/VCT Placing and which are intended to qualify for EIS Relief;
EIS/VCT Admission	admission of the EIS/VCT Shares to trading on AIM becoming effective in accordance with the AIM Rules;
EIS/VCT Placing	the conditional placing of the EIS/VCT Shares to Placees pursuant to the Placing Agreement;
EIS/VCT Shares	the EIS Shares and the VCT Shares together;
Enlarged Share Capital	the issued share capital of the Company as enlarged by the issue of the New Ordinary Shares;
Europe	the 28 member states of the European Union;
Existing Ordinary Shares or Existing Share Capital	the 52,580,634 Ordinary Shares in issue as at the date of this Document;
Existing Shareholders	the shareholders of the Company as at the date of this Document;
FCA	the Financial Conduct Authority established pursuant to the Financial Services Act 2012 and responsible for, among other things, the conduct and regulation of firms authorised and regulated under FSMA and the prudential regulation of firms which are not regulated by the PRA;
FSMA	the Financial Services and Markets Act 2000 (as amended);
General Admission	admission of the General Shares to trading on AIM becoming effective in accordance with the AIM Rules;
General Meeting	the general meeting of the Company convened at 11.00 a.m. on 3 April 2018 at the offices of Eversheds Sutherland (International) LLP at 1 Wood Street, London EC2V 7WS;
General Placing	the conditional placing of the General Shares to Placees pursuant to the Placing Agreement;
General Shares	new Ordinary Shares (including any Option Shares) to be issued by the Company at the Placing Price, conditional on General Admission, in connection with the General Placing (excluding, for the avoidance of doubt, the EIS/VCT Shares);
Group	the Company and its subsidiary undertakings;
HMRC	HM Revenue & Customs;
IP2IPO	IP2IPO Limited, a company incorporated in England and Wales with company number 04072979, a wholly-owned subsidiary of IPG;
IPG	IP Group plc, a company incorporated in England Wales with company number 04204490;
ISIN	International Securities Identification Number;
Joint Brokers	together, Numis and Panmure Gordon;
London Stock Exchange	London Stock Exchange plc;
New Ordinary Shares	together, the Placing Shares, the Option Shares (if any) and the Convertible Loan Shares;

Notice	the notice of the General Meeting set out at the end of this Document;
Numis or Nominated Adviser	Numis Securities Limited, a private limited company incorporated in England and Wales with registered number 02285918;
Option Shares	up to an aggregate of 526,315 new Ordinary Shares (if any) to be allotted and issued by the Company to Placees following the exercise of the Broker Option by either or both of the Joint Brokers;
Ordinary Shares or Shares	ordinary shares of £0.05 each in the capital of the Company;
Panmure Gordon	Panmure Gordon (UK) Limited, a private limited company incorporated in England and Wales with registered number 02700769;
Placee	any person with whom the Placing Shares and/or the Option Shares (if any) are placed, whether for purchase or subscription;
Placing	the EIS/VCT Placing, General Placing and Broker Option;
Placing Agreement	the conditional placing agreement dated 14 March 2018 entered into between (1) the Company, (2) Numis and (3) Panmure Gordon described in the paragraph headed “ <i>The Placing Agreement</i> ” of the Letter from the Chairman of Diurnal Group plc on page 18 of this Document;
Placing Price	190 pence per Placing Share and Option Share;
Placing Shares	the 5,263,157 new Ordinary Shares to be issued to certain investors who have agreed to subscribe for such new Ordinary Shares pursuant to the EIS/VCT Placing and the General Placing (but excluding the Option Shares and the Convertible Loan Shares);
Prospectus Directive	Directive 2003/71/EC (and amendments thereto);
Prospectus Rules	the prospectus rules made by the UK Listing Authority under Part VI of FSMA relating to offers of securities to the public and admission of securities to trading on a regulated market and as set out in the FCA Handbook;
Registrar	Link Asset Services;
Regulations	the Money Laundering Regulations 2007;
Resolutions	the resolutions set out in the Notice;
Restricted Jurisdictions	any jurisdiction where the extension or availability of an offer of Ordinary Shares, or the accessing of this document, or its publication, distribution or other dissemination, would be prohibited by, or would breach, any applicable law or regulation;
Shareholder(s)	the holder(s) of Ordinary Shares from time to time;
Takeover Panel or Panel	the UK Panel on Takeovers and Mergers;
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland;
UK Listing Authority or UKLA	the FCA, in its capacity as the UK Listing Authority;
Uncertificated or in Uncertificated Form	shares or other securities recorded on the relevant register as being held in uncertificated form in CREST and title in which, by virtue of the CREST Regulations, may be transferred by means of CREST;
United States or US	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia;
US Securities Act	the United States Securities Act 1933, as amended;
VCT Relief	the relief claimed by any holder of the VCT Shares under Part 6 of the ITA or exemption or relief available under sections 151A, 151B and Schedule 5C Taxation of Chargeable Gains Act 1992 or

VCT Shares

Chapter 5 of Part of the Income Tax (Trading and Other Income) Act 2005; and

new Ordinary Shares (including any Option Shares) to be issued by the Company at the Placing Price, conditional on EIS/VCT Admission, in connection with the Placing and which are intended to qualify for VCT Relief.

GLOSSARY OF TECHNICAL AND SCIENTIFIC TERMS

The following technical and scientific terms apply throughout this Document, unless the context requires otherwise:

Adrenal glands	the adrenal glands are small glands that sit on top of the kidneys in the retroperitoneum (that is, the deepest part of the abdomen). The adrenal glands have two layers: the cortex and the medulla. The cortex is located on the outer layer of the adrenal gland and secretes a number of different hormones, including cortisol, aldosterone and Androgens. Diseases of the adrenal cortex may be caused by either too much or too little of any of the above hormones;
“Adrenal Franchise”	the Group’s hydrocortisone product “franchise” or range, designed to treat patients with diseases of cortisol deficiency;
Adrenal Insufficiency or AI	a condition characterised by deficiency in cortisol, an essential hormone in regulating metabolism and the response to stress. Poor control of disease can result in precocious puberty in young children, virilisation in girls and chronic fatigue leading to a poor quality of life in adulthood resulting in increased morbidity and mortality;
Androgens	hormones that regulate the development and maintenance of male characteristics;
CHMP	the Committee for Medicinal Products for Human Use;
Congenital Adrenal Hyperplasia or CAH	a condition caused by deficiency of adrenal enzymes, most commonly 21-hydroxylase. This enzyme is required to produce cortisol. The block in the cortisol production pathway causes the over-production of Androgens, which are precursors to cortisol. The condition is congenital (inherited at birth) and affects both sexes. The cortisol deficiency and over-production of male sex hormones can lead to increased mortality, infertility and severe development defects including ambiguous genitalia, premature (precocious) sexual development and short stature. Sufferers, even if treated, remain at risk of death through an adrenal crisis;
Cortisol	a life-sustaining adrenal hormone essential to the maintenance of homeostasis. Called the “stress hormone”, cortisol influences, regulates or modulates many of the changes that occur in the body in response to stress, including (but not limited to): blood sugar (glucose) levels; fat, protein and carbohydrate metabolism to maintain blood glucose (gluconeogenesis); immune responses; anti-inflammatory actions; blood pressure; heart and blood vessel tone and contraction; and central nervous system activation. Cortisol levels have a rhythm around the day and night, a circadian rhythm. Cortisol levels are high on waking (between 7.00 a.m. and 10.00 a.m.), gradually decline over the day with low levels on going to sleep (between midnight and 2.00 a.m.) and then building-up overnight to peak again shortly after waking;
EMA	the European Medicine Agency;
FDA	the US Food and Drug Administration;
Homeostasis	the tendency towards a relatively stable equilibrium between inter-dependent elements in the human body, as maintained by physiological processes;
Hypogonadism	diminished functional activity of the gonads (the testes);
Hypothyroidism	also called underactive thyroid or low thyroid, is a disorder of the endocrine system in which the thyroid gland does not produce enough thyroid hormone, causing a number of symptoms,

	including poor ability to tolerate cold, a feeling of tiredness, constipation, depression and weight gain;
Investigative New Drug Application or IND	a request for FDA authorisation to administer an investigational drug to humans. Such authorisation must be secured prior to interstate shipment and administration of any new drug that is not the subject of an approved new drug application;
Orphan Drug Designation	in the European Union, orphan drug designation under Regulation (EC) No. 141/2000 by the EMA's Committee for Orphan Medicinal Products and, in the United States, orphan drug designation under the Orphan Drug Act of 1983;
Phase I clinical trial	a clinical trial which aims to test the safety of a new medicine/ treatment on humans for the first time. A small number of people, who may be healthy volunteers, are given the medicine/ treatment. Researchers test for side effects and calculate what the right dose might be to use in treatment (known as dose-ranging studies);
Phase II clinical trial	a second phase of clinical trial which tests a new medicine/ treatment on a group of people, usually a small number of patients, in order to gain a better understanding of its effects in the short term. A Phase II clinical trial may also be conducted on a blind, double-blind and/or randomised basis;
Phase III clinical trial	a third phase clinical trial only for medicines/treatments that have already passed a Phase I clinical trial and a Phase II clinical trial. In a Phase III clinical trial, a medicine/treatment is tested on a further increased number of people (sometimes several thousand) who are ill and compared against an existing treatment or placebo to see if it is better in practice and if it has important side effects. Most Phase III clinical trials are also conducted on a blind, double-blind and/or randomised basis;
PUMA	a Paediatric Use Marketing Authorisation that provides incentives for products intended to be used in children in Europe. A product that benefits from a PUMA will have eight years of data exclusivity and 10 years of market exclusivity in Europe with effect from receipt of the PUMA; and
T3	the thyroid hormones triiodothyronine, produced by the thyroid gland.

LETTER FROM THE CHAIRMAN OF DIURNAL GROUP PLC

(Incorporated and registered in England and Wales with registered number 09846650)

Registered office:

Cardiff Medicentre
Heath Park
Cardiff
CF14 4UJ

14 March 2018

Dear Shareholders,

Placing of up to 2,104,872 EIS/VCT Shares and up to 4,210,915 General Shares at a price of 190 pence per New Ordinary Share (including the Broker Option to place up to 526,315 Option Shares at a price of 190 pence per Option Share)

Introduction

On 14 March 2018, the Company announced a conditional placing of 1,578,557 EIS/VCT Shares and 3,684,600 General Shares at 190 pence each to raise approximately £10 million before expenses for the Company, together with a proposal to raise up to a further £1 million before expenses by granting the Broker Option to each of the Joint Brokers to place up to a further 526,315 Option Shares in total at the Placing Price from the date of this Document to 5.00 p.m. on 20 March 2018. The Placing Price represents a discount of approximately 11.2 per cent. to the mid-market closing price of the Company's Ordinary Shares on 13 March 2018, being the last practicable date prior to the date of this Document.

In addition, IP2IPO has elected, simultaneously with the issue of the General Shares and conditional on and subject to each Admission, to convert the Convertible Loan into New Ordinary Shares.

The Placing has been arranged by the Joint Brokers, Numis and Panmure Gordon, and the EIS/VCT Shares and General Shares have been placed with certain new and existing investors in the Company.

The Placing is conditional upon, amongst other things, the passing of the Resolutions by Shareholders at the General Meeting, notice of which is set out at the end of this Document. If the Resolutions are passed, the EIS/VCT Shares and the General Shares will be allotted and issued after the General Meeting. In addition, 3,229,575 Convertible Loan Shares are expected to be allotted and issued simultaneously with the issue of the General Shares. EIS/VCT Admission is expected to occur no later than 8:00 a.m. on 4 April 2018, and General Admission and the Convertible Loan Share Admission are each expected to occur no later than 8:00 a.m. on 5 April 2018 (or such later time(s) and/or date(s), in each case, as Numis, Panmure Gordon and the Company may agree (being, in the case of EIS/VCT Admission, no later than 5.00 p.m. on 19 April 2018 and, in the case of General Admission and Convertible Loan Share Admission, no later than 5.00 p.m. on 20 April 2018)). The Joint Brokers each severally agreed to use their respective reasonable endeavours, as agents of the Company, to procure subscribers for the Placing Shares at the Placing Price. The Placing is not being underwritten.

In addition to providing you with information about the Placing and the proposed conversion of the Convertible Loan, this Document provides you with information on the Group and explains why the Board considers that the proposals referred to in this Document are in the best interests of the Company and its Shareholders and why the Board unanimously recommends that you vote in favour of the Resolutions to be proposed at the General Meeting, as the Directors intend to do in respect of their own holdings of Ordinary Shares.

Background to the Placing

The Company raised £30 million of gross proceeds through its initial public offering on AIM in December 2015 to fund the late-stage clinical development of its two flagship products, Alkindi® (development name: Infacort®) and Chronocort®. It has since achieved several successes on the path to commercialising these products. The Company is now proposing to raise additional capital

to continue to fund the next stage of development of Alkindi® and Chronocort®, as well as to develop its pipeline of early-stage products.

The development of Alkindi® and Chronocort® is most advanced in Europe. Alkindi® received marketing authorisation on 9 February 2018, making it the first licensed hydrocortisone product in Europe specifically designed for use in children with Adrenal Insufficiency. Meanwhile, Chronocort®, intended to become the first hydrocortisone product that closely mimics the cortisol circadian rhythm, is due to complete its pivotal Phase III clinical trial in the third quarter of 2018.

The Company is also progressing the late-stage clinical development of both products in the US and has an early-stage pipeline consisting of four products that are either being brought into the clinic or are in the early stages of clinical development.

Use of Proceeds

The net proceeds of the Placing, of up to approximately £10.4 million, will be used to progress the development and commercialisation of the Group's products, including:

- launching Alkindi® in Europe;
- completing the development of Chronocort® in Europe;
- completing the development of Alkindi® in the US;
- commencing the Phase III pivotal study of Chronocort® in the US;
- commencing Chronocort® indication expansion into Adrenal Insufficiency with Phase II clinical trial anticipated to start in 2018; and
- progressing the early-stage pipeline into proof-of-principle studies.

Working Capital

The Company does not anticipate needing to raise further funds until after the results of the Chronocort® Phase III trial in Europe are known (expected to be around the end of the third quarter of 2018).

Overview of Diurnal's business

Diurnal is a UK-based specialty pharmaceutical company targeting patient needs in chronic endocrine (hormonal) diseases. The Company aims to develop and commercialise products to solve patient needs in Adrenal diseases that result from a deficiency of cortisol, typically where there is either no licensed medicine or where the Directors believe that current treatment does not sufficiently address patients' needs.

Cortisol is an essential hormone produced by the adrenal gland. It suppresses the detrimental effects of Androgens, which can result in fatigue, depression and death through adrenal crisis. The production of cortisol in the human body follows a daily cycle (circadian rhythm), whereby production increases from a minimum level during sleep, peaks upon waking and gradually declines during the day. This moderates the impact that Androgens have on the body throughout the day. If left unregulated for even certain periods during the day, Androgens can cause patients to develop sexually at an accelerated rate, resulting in symptoms such as short stature, infertility, obesity and increased mortality.

The Group's objective is for its two flagship products, Alkindi® and Chronocort®, to build a life-long "Adrenal Franchise" and provide cortisol replacement therapy for patients from birth to old age by targeting two indications, Adrenal Insufficiency ("AI"), where patients lose the ability to produce cortisol leading to insufficient cortisol production, and Congenital Adrenal Hyperplasia ("CAH"), where patients are born without an enzyme that stimulates the adrenal glands to release cortisol.

Product portfolio

The Directors believe that Diurnal's "Adrenal Franchise" is well-positioned within the context of the market and targets both CAH and AI indications in Europe and the US. The other comparable products in the market include generic hydrocortisone and Plenadren®, a modified-release hydrocortisone. Both these treatments do not provide circadian release and only achieve poor disease control. In contrast, Alkindi® and Chronocort® have been shown to provide effective disease control in both children and adults.

On 15 December 2017, Alkindi® received a positive opinion from the CHMP, an advisory committee of the EMA, which initiated the 67-day timeline for the final decision on a PUMA from

the European Commission. Consequently, Diurnal received marketing authorisation approval from the European Commission on 9 February 2018. The European approval of the PUMA results in 10 years of data and market exclusivity from the date of marketing authorisation approval. Diurnal has a detailed commercialisation plan in place for the anticipated first launch of Alkindi® in the second quarter of 2018, including an agreement with Glatt Pharmaceutical Services, a specialist global manufacturer of multi-particulate pharmaceutical products. The estimated total addressable market for AI and CAH indications in children in Europe is approximately \$60 million.

Chronocort® is designed to address the shortfalls of alternative products by mimicking the distinct cortisol circadian rhythm for health. Chronocort® targets the effective treatment of CAH in the adult population through a delayed release coat on the tablet, which facilitates a pH triggered release in the gastrointestinal tract. Of the approximately 62,000 adult patients in Europe and the US, it is estimated that approximately two thirds of patients with CAH have poor disease control. Chronocort® targets the control of Androgens and, from its Phase II trial, has proven effective in 94% of patients compared to 31% of patients that used a standard treatment. Chronocort® is currently undergoing a pivotal Phase III clinical trial in Europe for the treatment of CAH in adults, with patient enrolment now complete. Headline data from the trial is expected around the end of the third quarter of 2018 and, if positive, could lead to market authorisation in 2020. The estimated total addressable market for CAH indications in adults in Europe is approximately \$300 million.

In the US, Diurnal has opened an IND with the FDA for Alkindi®. The proposed package of registration studies includes the positive European Phase III clinical trial data, a pharmacokinetics study and two Phase I studies, the first of which, a food matrix compatibility study in healthy adult volunteers, yielded positive results, and the second, a bioequivalence study in healthy adult volunteers, is due to begin in the second quarter of 2018. The proposed Phase III clinical programme is expected to complete in 2018 (subject to confirmation from the FDA), with market authorisation estimated to be received in 2020. The estimated total addressable market for AI and CAH indications in children in the US is approximately \$22 million.

The Company has received feedback from the FDA on the design of its pivotal Phase III US trial in Chronocort®. It is expected that this study will be conducted on approximately 150 CAH patients and will commence in the third quarter of 2018. Market authorisation is anticipated to be received in 2021 and the estimated total addressable market for CAH indications in adults in the US is approximately \$110 million.

There are three potential competitors to Chronocort® in the US. SPR001, the lead product of Spruce Biosciences, Inc., was granted Orphan Drug Designation in the US in December 2017. It is currently enrolling to a Phase II trial in the US to study its safety and efficacy in 18 adult patients with CAH, with headline data expected in July 2018. Millendo's ATR-101 product has completed Phase II clinical studies and has been granted Orphan Drug Designation in the US. Neurocrine Biosciences has a product, NBI-74788, in its development pipeline targeting treatment of CAH that is currently enrolling to a Phase I study. If any of these products receives commercial exclusivity in the US before Chronocort®, there is a danger that Chronocort® could potentially be blocked from entering the US market for up to seven years. However, the Directors believe this is unlikely given that Chronocort® is further progressed in its clinical development.

In addition to CAH, Diurnal is also investigating the application of Chronocort® to AI indications in adults, with Phase II clinical trials anticipated to commence in the US in 2018. The estimated total addressable market across Europe and the US for this indication in adults is estimated to be approximately \$2,770 million.

In addition to its two key products, Diurnal has four other products in its product pipeline: Rheumacort®, DITEST, modified-release T3 and oligonucleotide therapy. Rheumacort® is a modified-release hydrocortisone preparation for patients suffering with inflammatory diseases and has a Phase II proof-of-concept study planned to commence in 2018. DITEST is an oral delivery mechanism of testosterone for the treatment of hypogonadism and is in a Phase I/II clinical trial. Modified-release T3 is a hormone for patients suffering from hypothyroidism and oligonucleotides is a short, interfering RNA oligonucleotide therapy for patients suffering from Cushing's syndrome and Cushing's disease. Both are in pre-clinical development with feasibility work planned to commence in 2018.

Diurnal has four target markets within endocrinology populations which the Directors consider to be attractive and have classified them according to the predominant gland that is related to the

condition. Diurnal plans to develop the product portfolio and then explore strategic opportunities including in-licensing, M&A and partnerships.

Endocrinology segments	Indications	Estimated annual addressable market (\$ billion)	Product
Gonads	Hypogonadism	5.16	DITEST (Phase I/II)
Adrenal	CAH Adrenal Insufficiency Cushing's syndrome	0.49 2.77 0.48	Alkindi® (completed) Chronocort® (Phase III) Oligonucleotide therapy (pre-clinical)
Thyroid	Hypothyroidism	1.00	Modified-release T3 (pre-clinical)
Pituitary	Acromegaly	0.65	—

Product protection

The Directors believe that the Group has robust product protection through its patent portfolio and orphan drug designations in key geographical markets.

Product	Regulatory Exclusivity*		Intellectual property			
	EU	US	European Patent		US	
Alkindi®	PUMA (10 years)	Orphan (7 years)	Under review	Composition of matter	2032 2034	Method of treatment
			Under review	Medical use	2034	Composition of matter
Chronocort®	Orphan (10 years)	Orphan (7 years)	Under review	Composition of matter and medical use	2033	Composition of matter
					2033	Method of treatment
Oral Testosterone DITEST®	Not an orphan disease	Not an orphan disease	2029	Composition of matter	2030	Composition of matter

* Conditional on, and subject to, grant of market authorisation (and that the Company is the first sponsor to obtain market authorisation for the relevant product), grant of pending patents and ongoing grant.

Commercialisation strategy

The Group aims to become a world-leading endocrinology specialty pharmaceutical company and will seek to in-license high potential product candidates that can be sold through the Group's direct sales platform alongside its own-developed pipeline products, once established. The Group aims to develop and commercialise products within the small niche areas of the endocrinology market throughout global markets. It is estimated that within the cortisol deficiency market there are approximately 350,000 and 160,000 patients in Europe and the US, respectively. This equates to an estimated total addressable market of approximately \$2,250 million and \$1,012 million in Europe and the US, respectively.

Diurnal has established local distribution arrangements outside the US and Europe to capitalise upon the significant market potential in jurisdictions where the Group holds patents for Alkindi® and Chronocort®. In March 2017, Diurnal announced a distribution agreement with Medison Pharma Limited to assist with the introduction of Alkindi® and Chronocort® into Israel. The Company estimates the market opportunity in Israel to be approximately \$6 million for the treatment of CAH and paediatric AI indications and the first revenues from this agreement are anticipated to be received in 2019. Diurnal has also signed a marketing and distribution agreement with Emerge Health Pty Ltd for commercialisation of both Alkindi® and Chronocort® in Australia and New Zealand, which the Company estimates to be a market opportunity worth approximately \$10 million for the treatment of CAH and paediatric AI indications and the first revenues from this agreement are anticipated to be received in 2020. Furthermore, the Company is planning to initiate a clinical trial programme for Japan during 2019, which the Company estimates to be a market opportunity worth approximately \$415 million for the treatment of CAH and paediatric AI indications.

Current trading and prospects

Diurnal reported cash and cash equivalents and held-to-maturity financial assets (unaudited) as at 31 December 2017 of £14.0 million (31 December 2016: £25.6 million). The Company's loss after tax for the six month period ended 31 December 2017 was £6.7 million (six months ended 31 December 2016: £5.7 million).

Details of the Placing

The Company has conditionally raised approximately £10 million before expenses by the placing of 1,578,557 EIS/VCT Shares and 3,684,600 General Shares at the Placing Price to Placees (in each case, excluding any Option Shares). The Company has also granted the Broker Option to the Joint Brokers which will enable them to cater for additional demand to raise up to a further £1 million in total before expenses. The maximum number of Option Shares that may be issued pursuant to the exercise of the Broker Option is 526,315. Accordingly, the maximum number of Placing Shares and Option Shares that may be issued pursuant to the Placing is 5,789,472.

It is expected that the EIS/VCT Shares will be allotted, conditional upon, amongst other things, EIS/VCT Admission occurring by 8.00 am on 4 April 2018 (or such later time and date as the Joint Brokers may agree with the Company, not being later than 5.00 p.m. on 19 April 2018) and that the General Shares will be allotted, conditional upon, amongst other things, General Admission occurring by 8.00 am on 5 April 2018 (or such later time and date as the Joint Brokers may agree with the Company, not being later than 5.00 p.m. on 20 April 2018). The EIS/VCT Placing is neither conditional on the issue of the General Shares nor the General Admission.

The Placing Shares and the Option Shares (if any) are not subject to clawback in favour of Shareholders. The Placing is not underwritten.

The Placing Shares and the Option Shares (if any) will be issued free of all liens, charges and encumbrances and will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after the date of their issue.

Application will be made to the London Stock Exchange for the admission of the Placing Shares and the Option Shares (if any) to trading on AIM. Subject to Shareholder approval of the Resolutions at the General Meeting, it is expected that: (i) EIS/VCT Admission will occur, and that dealings in the EIS/VCT Shares will commence, at 8:00 a.m. on 4 April 2018, at which time it is also expected that the EIS/VCT Shares will be enabled for settlement in CREST; and (ii) General Admission will occur, and that dealings in the General Shares will commence, at 8.00 a.m. on 5 April 2018, at which time it is also expected that the General Shares will be enabled for settlement in CREST.

Shareholders should note that it is possible that EIS/VCT Admission will occur but General Admission will not occur. If any Admission does not occur, then the Company will not receive the relevant net proceeds in respect of such Admission and the Company may not be able to finance the activities it intends to utilise the net proceeds of the Placing for, as described in this Document, and may have to seek additional funding.

The Placing Agreement

Pursuant to the Placing Agreement, the Joint Brokers have each severally agreed to use their respective reasonable endeavours, as agents of the Company, to procure subscribers for the Placing Shares at the Placing Price.

The Company has also granted the Broker Option to Numis and Panmure Gordon in order to cater for additional demand under the Placing. Any Option Shares issued pursuant to the exercise of the Broker Option will be issued on the same terms, and subject to the same conditions, as the Placing Shares. The Broker Option is exercisable by the Joint Brokers, on more than one occasion, at any time from the date of this Document to 5.00 p.m. on 20 March 2018 in their absolute discretion, following consultation with the Company. However, there is no obligation on either of the Joint Brokers to exercise the Broker Option or to seek to procure subscribers for Option Shares pursuant to the Broker Option. The maximum number of Option Shares that may be issued pursuant to the exercise of the Broker Option is 526,315.

The Joint Brokers' obligations under the Placing Agreement are conditional on, amongst other things:

- EIS/VCT Admission becoming effective by not later than 8.00 a.m. on 4 April 2018 (or such later time and date (being not later than 5.00 p.m. on 19 April 2018) as the Company, Numis and Panmure Gordon may agree);
- the compliance by the Company with all of its obligations under the Placing Agreement to the extent they are required to be performed on or prior to EIS/VCT Admission;
- the Resolutions being passed at the General Meeting;
- the Placing Agreement not having been terminated prior to EIS/VCT Admission; and
- in respect of the General Shares only, amongst other things:
 - General Admission becoming effective by not later than 8.00 a.m. on 5 April 2018 (or such later time and date (being not later than 5.00 p.m. on 20 April 2018) as the Company, Numis and Panmure Gordon may agree);
 - the compliance by the Company with all of its obligations under the Placing Agreement to the extent they are required to be performed on or prior to the General Admission; and
 - the Placing Agreement not having been terminated prior to the General Admission.

The Placing Agreement provides, amongst other things, for payment by the Company to each of Numis and Panmure Gordon of certain commissions and fees in connection with their appointment.

The Company will bear all other expenses of and incidental to the Placing, including the fees of the London Stock Exchange, printing costs, registrar's fees, all properly incurred legal and accounting fees of the Company, Numis and Panmure Gordon and any other taxes and duties payable.

The Placing Agreement contains customary warranties and indemnities from the Company in favour of Numis and Panmure Gordon.

Numis and Panmure Gordon may (after consultation with the Company and the other Joint Broker) terminate the Placing Agreement prior to EIS/VCT Admission and/or General Admission in certain circumstances, including, amongst other things, if the Company is in material breach of any of its obligations under the Placing Agreement (including the warranties contained in the Placing Agreement); if there is a material adverse change in the condition, earnings, business, operations or prospects of the Group; or if there is a material adverse change in the financial, political, economic or stock market conditions, which in Numis' and Panmure Gordon's reasonable opinion (acting in good faith) makes it impractical or inadvisable to proceed with the Placing.

EIS/VCT

The following information is based upon the laws and practice currently in force in the UK and may not apply to persons who do not hold Ordinary Shares as investments.

The Company has in the past obtained assurance from HMRC that shares in the Company represented a qualifying investment for a VCT and were capable of qualifying for EIS tax reliefs. The Company has applied for advance assurance from HMRC that the EIS/VCT Shares will rank as 'eligible shares' and will be capable of being a 'qualifying holding' for the purposes of investment by VCTs and that the Company can issue EIS 3 'compliance certificates' for the purposes of EIS. As at the date of this Document, however, this assurance has not yet been received.

Shareholders and investors who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than the UK are strongly advised to consult their own independent financial adviser immediately.

The information below is intended only as a general guide to the current tax position under UK taxation law and is not intended to be exhaustive. Shareholders and investors who are in any doubt as to their tax position or who are subject to a tax jurisdiction, other than the UK, are strongly advised to consult their professional advisers. Companies can raise up to £5 million under the combined VCT, EIS, SEIS, social investment tax relief or any other state aid risk capital investment in any 12 month period.

EIS

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

- Individuals can claim a tax credit of 30% 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 million in each tax year and, to retain the relief, the EIS Shares must be held for at least three years.
- 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 for this purpose 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.
- There is no tax on capital gains made upon disposal after the three year period (the “Qualifying Period”) of shares in an EIS qualifying company on which income tax relief has been given and not withdrawn.
- If a loss is made on disposal of the EIS 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.
- Provided a Shareholder has owned EIS Shares for at least two years and certain conditions are met at the time of transfer, up to 100% business property relief will be available, which reduces the inheritance tax liability on the transfer of EIS 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.

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.

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 3 compliance statement has been or will be issued) or the original subscriber shares which the investor has continued to hold.

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. Although the Company currently expects to satisfy the relevant conditions for EIS investment, neither the Directors nor the Company gives any warranty or undertaking that relief will be available in respect of any investment in the EIS Shares.

VCT

The Company has applied for, but not yet received, assurance from HMRC that the Placing Shares will be ‘eligible shares’ for the purposes of investment by VCTs. The status of the Placing Shares as a qualifying holding for VCTs will be conditional, *inter alia*, upon the Company continuing to satisfy the relevant requirements.

Although the Company currently expects to satisfy the relevant conditions for VCT investment, neither the Directors nor the Company gives any warranty or undertaking that an investment in New Ordinary Shares by a VCT will be a qualifying holding.

As the rules governing EIS and VCT reliefs are complex and interrelated with other legislation, if Shareholders and investors are in any doubt as to their tax position, require more detailed

information than the general outline above, or are subject to tax in a jurisdiction other than the United Kingdom, they should consult their professional adviser.

Directors and Substantial Shareholders

Certain Directors and Shareholders who are “substantial shareholders” pursuant to the AIM Rules have agreed to subscribe for Placing Shares in connection with the Placing. In addition, IP2IPO has elected, conditional on and subject to Admission, to convert the Convertible Loan into Convertible Loan Shares. The number of New Ordinary Shares subscribed for by each such Director and substantial Shareholder pursuant to the Placing (or, in the case of IP2IPO, resulting from such conversion), and their resulting shareholdings on Admission, are set out below:

Shareholder	Existing Ordinary Shares	Number of New Ordinary Shares subscribed for (or resulting from conversion)	Ordinary Shares held post- Admission*	Percentage of Enlarged Share Capital* %
IP Group plc (including IP2IPO and other subsidiaries and associates) (the “IPG Holders”)	23,808,100	3,229,575	27,037,675	44.3
Invesco Limited (“Invesco”)	6,527,777	516,316	7,044,093	11.5
Peter Allen	74,722	10,000	84,722	0.1
Sam Williams	46,748	5,500	52,248	0.1
John Goddard	37,774	5,500	43,274	0.1
Alan Raymond	22,888	5,500	28,388	0.0

* Assumes no Option Shares are issued.

Convertible Loan

IP2IPO has elected, simultaneously with the issue of the General Shares and conditional on and subject to each Admission, to convert the Convertible Loan in its entirety into such number of New Ordinary Shares (rounded down to the nearest whole number) as equals the principal amount outstanding under the Convertible Loan, being £4,650,588 as at the date of this Document, divided by the placing price at IPO, being 144 pence per share. Accordingly, upon conversion of the Convertible Loan, a total of 3,229,575 Convertible Loan Shares would be issued to IP2IPO. The conversion of the Convertible Loan, and the issue of the Convertible Loan Shares to IP2IPO pursuant thereto, is intended to occur simultaneously with the issue of the General Shares and is conditional on, and subject to, each Admission occurring. Accordingly, if for any reason any Admission does not occur, the conversion of the Convertible Loan will not occur and the Convertible Loan Shares will not be issued.

Application will be made to the London Stock Exchange for the admission of the Convertible Loan Shares to trading on AIM. It is expected that Convertible Loan Share Admission will occur, and that dealings in the Convertible Loan Shares will commence, at 8.00 a.m. on 5 April 2018 (or at such later time and date as General Admission occurs, being not later than 5.00 p.m. on 20 April 2018), at which time it is also expected that the Convertible Loan Shares will be enabled for settlement in CREST.

Resolutions

The Directors do not currently have authority to allot all of the Placing Shares and Option Shares and, accordingly, the Board is seeking the approval of Shareholders to allot the Placing Shares and the Option Shares at the General Meeting. The Resolutions to be proposed at the General Meeting are, in summary, as follows:

1. an ordinary resolution, to grant the Directors authority to allot the Placing Shares and the Option Shares in connection with the Placing; and
2. a special resolution, to disapply pre-emption rights granted under the Act in respect of the allotment of the Placing Shares and the Option Shares for cash in connection with the Placing.

Action to be taken

A notice convening the General Meeting to be held at the offices of Eversheds Sutherland (International) LLP at 1 Wood Street London EC2V 7WS at 11.00 a.m. on 3 April 2018 is set out at the end of this Document. A Form of Proxy for use by Shareholders in connection with the General Meeting is also enclosed with this Document.

Whether or not you propose to attend the General Meeting in person, you are requested to complete and sign the Form of Proxy in accordance with the instructions printed on it and to return it to the Company's Registrar, Link Asset Services, by post or by hand (during normal business hours only), at PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF, as soon as possible and in any event so as to arrive no later than 11.00 a.m. on 28 March 2018. Completion, signature and return of the Form of Proxy will not preclude you from attending the General Meeting and voting in person should you so wish.

Overseas Shareholders

The distribution of this Document and the Form of Proxy in jurisdictions other than the UK may be restricted by law and therefore persons into whose possession this Document and/or the Form of Proxy come, should inform themselves about, and observe, any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws or regulations of such jurisdictions. Nonetheless, Shareholders who receive this Document and a Form of Proxy may vote on the Resolutions set out in the Notice of General Meeting, attached at the end of this Document, by completing, signing and returning the Form of Proxy to the Registrars, so as to be received by no later than 11.00 a.m. on 28 March 2018.

Recommendation

Shareholders are reminded that the Placing, and hence conversion of the Convertible Loan, is conditional, amongst other things, on the passing of the Resolutions to be proposed at the General Meeting. Shareholders should be aware that if the Resolutions are not approved at the General Meeting, the Placing will not proceed (and the conversion of the Convertible Loan will not occur) and the Company will need to seek alternative sources of finance to continue to execute its business plan and to finance the working capital requirements of the Group.

Accordingly, the Directors consider that the Placing is in the best interests of the Company and Shareholders, taken as a whole, and the Directors unanimously recommend that Shareholders vote in favour of the Resolutions, as they intend to do in respect of their own holdings of Ordinary Shares, amounting to, in aggregate, 1,790,508 Ordinary Shares as at 13 March 2018, being the last practicable date prior to the date of this Document, representing approximately 3.4 per cent. of the Existing Share Capital.

Yours faithfully

Peter Allen
Chairman

NOTICE OF GENERAL MEETING DIURNAL GROUP PLC

(Incorporated and registered in England and Wales with registered number 09846650)

NOTICE IS HEREBY GIVEN that a General Meeting of Diurnal Group plc (the “Company”) will be held at the offices of Eversheds Sutherland (International) LLP at 1 Wood Street, London EC2V 7WS at 11.00 a.m. on 3 April 2018 for the purpose 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.

In this Notice, words and defined terms shall have the same meanings as words and defined terms in the Document to which this Notice is attached.

Ordinary Resolution

1. THAT in addition to all existing authorities given to them pursuant to section 551 of the Companies Act 2006 (the “Act”) which shall continue in full force and effect, the Directors be generally and unconditionally authorised in accordance with section 551 of the Act, to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company up to an aggregate nominal amount of £289,473.60 in connection with the Placing, provided that (unless previously revoked, varied or renewed) this authority shall expire on 30 June 2018, save that the Company may make an offer or agreement before this authority expires which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after this authority expires and the Directors may allot shares or grant such rights pursuant to any such offer or agreement as if this authority had not expired.

Special Resolution

2. THAT, conditional upon the passing of Resolution 1 above, in addition to all existing authorities given to them under section 570 of the Act which shall continue in full force and effect, the Directors be empowered pursuant to section 571 of the Act to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority conferred by Resolution 1 above as if section 561 of the Act did not apply to such allotment and (unless previously revoked, varied or renewed) this power shall expire on 30 June 2018, save that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted for cash after this power expires and the Directors may allot equity securities for cash pursuant to any such offer or agreement as if this power had not expired.

BY ORDER OF THE BOARD

Richard Bungay,
Chief Financial Officer & Company Secretary

Dated: 14 March 2018

Registered office:

Cardiff Medicentre,
Heath Park,
Cardiff,
CF14 4UJ

Notes

The following notes explain your general rights as a Shareholder and your right to attend and vote at the General Meeting or to appoint someone else to vote on your behalf.

1. Voting at the General Meeting will be conducted on a show of hands. To be entitled to attend and vote at the General Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), Shareholders must be registered in the Register of Members of the Company at close of trading on 28 March 2018. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the General Meeting.
2. Shareholders, or their proxies, intending to attend the General Meeting in person are requested, if possible, to arrive at the General Meeting venue at least 20 minutes prior to the commencement of the General Meeting at 11.00 a.m. on 3 April 2018 so that their shareholdings may be checked against the Company's Register of Members and attendances recorded.
3. Shareholders are entitled to appoint another person as a proxy to exercise all or part of their rights to attend and to speak and vote on their behalf at the General Meeting. A Shareholder may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different Ordinary Share or Ordinary Shares held by that Shareholder. A proxy need not be a Shareholder. A Form of Proxy which may be used to make such appointment and give proxy instructions accompanies this Notice. If you do not have a Form of Proxy and believe that you should have one, or if you require additional forms, please contact the registrar of the Company whose contact details are provided below.
4. 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).
5. 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 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 General Meeting.
6. To be valid, any Form of Proxy or other instrument appointing a proxy, must be returned by no later than 11.00 a.m. on 28 March 2018 through any one of the following methods:
 - by post, courier or (during normal business hours only) hand to the Company's registrar at:
Link Asset Services
PXS1
34 Beckenham Road
Beckenham
BR3 4ZF;
 - electronically through the website of the Company's registrar at www.signalshares.com; or
 - in the case of shares held through CREST, via the CREST system (see notes below).
7. If you return more than one proxy appointment, either by paper or electronic communication, the appointment received last by the Registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all Shareholders and those who use them will not be disadvantaged.
8. The return of a completed Form of Proxy, electronic filing or any CREST Proxy Instruction (as described in note 11 below) will not prevent a Shareholder from attending the General Meeting and voting in person if he/she wishes to do so.
9. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting (and any adjournment of the General Meeting) by using the procedures described in the CREST Manual (available from www.euroclear.com/site/public/EUI). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a 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.
10. 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. The message must be transmitted so as to be received by the issuer's agent (ID RA10) by 11.00 a.m. on 28 March 2018. For this purpose, the time of receipt will be taken to mean the time (as determined by the timestamp applied to the message by the CREST application host) from which the issuer'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.
11. 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 message. 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 system providers 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.
12. Any corporation which is a Shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a Shareholder provided that no more than one corporate representative exercises powers in relation to the same Ordinary Shares.
13. As at 13 March 2018 (being the latest practicable business day prior to the publication of this Notice), the Company's ordinary issued share capital consists of 52,580,634 Ordinary Shares, carrying one vote each. Therefore, the total voting rights in the Company as at 13 March 2018 are 52,580,634.
14. Any Shareholder attending the General Meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the General Meeting but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the General Meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the General Meeting that the question be answered.
15. You may not use any electronic address (within the meaning of section 333(4) of the Act) provided in either this Notice or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.

16. A copy of this Notice, and other information required by section 311A of the Act, can be found on the Company's website at www.diurnal.co.uk.

