

THIS DOCUMENT AND THE ACCOMPANYING APPLICATION FORM AND FORM OF PROXY ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of any such document or the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised for the purposes of FSMA who specialises in advising on the acquisition of shares and other securities if you are in the UK, or another appropriately authorised financial adviser if you are in a territory outside of the United Kingdom.

If you have sold or otherwise transferred all of your Existing Ordinary Shares prior to the Ex-entitlement Date, please send this document, together with the accompanying Application Form (for Qualifying Non-CREST Holders) and 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 onward transmission to the purchaser or transferee. However, the distribution of this document and/or any accompanying documents into a jurisdiction other than the United Kingdom may be restricted by law or regulation and therefore such documents should not be distributed, forwarded to or transmitted in or into the United States of America, Canada, Australia, New Zealand, the Republic of South Africa, the Russian Federation, Japan or the Republic of Ireland, nor in or into any other jurisdiction where the extension of the Open Offer would breach any applicable law or regulation. If you have sold or transferred part of your holding of Existing Ordinary Shares prior to the Ex-entitlement Date, you are advised to consult your stockbroker, bank or other agent through whom the sale or transfer was effected as to the action you should take.

Neither the Placing nor the Open Offer constitutes an offer to the public requiring an approved prospectus under section 85 of FSMA and accordingly this document does not constitute a prospectus for the purposes of the Prospectus Rules made by the FCA pursuant to sections 73A(1) and (4) of FSMA and has not been pre-approved by the FCA pursuant to section 85 of FSMA.

The Company and the Directors, whose names are set out on page 8 of this document, accept responsibility, both collectively and individually, for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

DIURNAL GROUP plc

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

**Placing of 20,576,924 New Ordinary Shares at
26 pence per share**

**Open Offer of up to 3,857,617 New Ordinary Shares at
26 pence per share**

Notice of General Meeting

Nominated Adviser and Joint Broker
Panmure Gordon (UK) Limited

Joint Broker
Cantor Fitzgerald Europe

Panmure Gordon (UK) Limited, which is authorised and regulated in the United Kingdom by the FCA, is acting as nominated adviser and joint broker to the Company in connection with the matters described in this document. Persons receiving this document should note that Panmure Gordon (UK) Limited will not be responsible to anyone other than the Company for providing the protections afforded to clients of Panmure Gordon (UK) Limited or for advising any other person on the arrangements described 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 opinion contained in this document or for the omission of any information.

Cantor Fitzgerald Europe, which is authorised and regulated in the United Kingdom by the FCA, is acting as joint broker to the Company in connection with the matters described in this document. Persons receiving this document should note that Cantor Fitzgerald Europe will not be responsible to anyone other than the Company for providing the protections afforded to clients of Cantor Fitzgerald Europe or for advising any other person on the arrangements described in this document. Cantor Fitzgerald Europe has not authorised the contents of, or any part of, this document and no liability whatsoever is accepted by Cantor Fitzgerald Europe for the accuracy of any information or opinion contained in this document or for the omission of any information.

The Existing Ordinary Shares are currently admitted to trading on AIM. Applications will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM. It is expected that EIS/VCT Admission will become effective, and dealings for normal settlement in the EIS/VCT Shares will commence, at or around 8.00 a.m. on 17 June 2019 and Admission of the General Shares is expected to occur at or around 8.00 a.m. on 18 June 2019. The New Ordinary Shares will not be admitted to trading on any other investment exchange. The New Ordinary Shares will, on admission, rank *pari passu* in all respects with the Existing Ordinary Shares and will rank in full for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of the Company.

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 United Kingdom Listing Authority (being the FCA acting as competent authority for the purposes of Part V of FSMA) ("UKLA"). 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. Neither the London Stock Exchange nor the UKLA has examined or approved the contents of this document. The AIM Rules are less demanding than those of the Official List of the UKLA. It is emphasised that no application is being made for admission of the Existing Ordinary Shares or the New Ordinary Shares to the Official List of the UKLA.

This document should be read as a whole. Your attention is drawn to the letter from the Chairman of the Company which is set out in Part 1 of this document and which recommends that you vote in favour of the Resolutions to be proposed at the General Meeting and to the Risk Factors set out in Part 2 of this document.

Notice of 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 14 June 2019 is set out at the end of this document.

Copies of this document will be available free of charge during normal business hours on any weekday (except Saturdays, Sundays and public holidays) from the Company's registered office from the date of this document to the date of Admission. 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 12 June 2019 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 for the General Meeting by completing and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual issued by Euroclear so that it is received by the registrar (under CREST Participation ID RA10) by no later than 11.00 a.m. on 12 June 2019). 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.

Open Offer: Qualifying Shareholders

Qualifying Non-CREST Holders will find an Application Form enclosed with this document.

Qualifying CREST Holders (none of whom will receive an Application Form) will receive a credit to their appropriate stock accounts in CREST in respect of the Open Offer Entitlements and Excess CREST Open Offer Entitlements which will be enabled for settlement on 29 May 2019.

Applications under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim arising out of a sale or transfer of Ordinary Shares prior to the date on which the Ordinary Shares were marked “ex” the entitlement by the London Stock Exchange. If the Open Offer Entitlements and Excess CREST Open Offer Entitlements are for any reason not enabled by 3.00 p.m. on 29 May 2019 or such later time as the Company may decide, an Application Form will be sent to each Qualifying CREST Holder in substitution for the Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to his stock account in CREST. Qualifying CREST Holders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Open Offer.

The latest time for acceptance and payment under the Open Offer is 11.00 a.m. on 13 June 2019. Further details on the procedure for application is set out in Part 3 of this document and, where relevant, the Application Form.

Open Offer: EIS and VCT tax relief

EIS Relief will only be available to Qualifying Shareholders who hold Existing Ordinary Shares which were acquired pursuant to an EIS compliant issue of shares by the Company. EIS Relief is not available for Qualifying Shareholders who subscribe for Open Offer Shares at a time when they hold Existing Ordinary Shares for which EIS Relief has not been claimed.

Please refer to paragraph 7 of Part 1 of this document for details of the availability of EIS Relief for investors applying for New Ordinary Shares under the Open Offer. Qualifying non-CREST Holders seeking EIS Relief should note the procedures set out in paragraph 4.5 of Part 3 of this document. Qualifying CREST Holders seeking EIS Relief should note the procedures set out in paragraph 4.6 of Part 3 of this document.

None of the New Ordinary Shares, the Form of Proxy, the Application Form, this document or any other document connected with the Placing and/or Open Offer 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 and/or Open Offer Entitlements and/or Excess Open Offer Entitlements, the Form of Proxy, the Application Form, or the accuracy or adequacy of this document or any other document connected with the Placing and/or Open Offer. Any representation to the contrary is a criminal offence. The distribution of this document, the Form of Proxy and the Application Form 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 and/or the Application Form 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 and/or Open Offer 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 under the Securities Act) 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 under the Securities Act 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 and/or Application Form 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 and/or Application Form should not, in connection with the Placing or Open Offer, distribute or send it into any jurisdiction when to do so would, or might, contravene local securities laws or regulations.

Forward-looking statements

This document contains statements about the 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 Group’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 the Group. 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 published by the FCA from time to time), the Company does not undertake any obligation to update publicly or revise any forward-looking statements (including to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based). All subsequent oral or written forward-looking statements attributed to the Company or any persons acting on its behalf are expressly qualified in their entirety by the cautionary statement above. All forward-looking statements contained in this document are based on information available to the Directors of the Company 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 and exchange rate 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 Group’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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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Record Date for the Open Offer	6.00 p.m. on 22 May 2019
Announcement of the Placing and Open Offer	28 May 2019
Publication and posting of this document, the Application Form and Form of Proxy	by 28 May 2019
Ex-entitlement Date	8.00 a.m. on 28 May 2019
Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to CREST stock accounts of Qualifying CREST Holders	29 May 2019
Recommended latest time and date for requesting withdrawal of Open Offer Entitlements and Excess CREST Open Offer Entitlements from CREST	4.30 p.m. on 7 June 2019
Latest time and date for depositing Open Offer Entitlements and Excess CREST Open Offer Entitlements into CREST	3.00 p.m. on 10 June 2019
Latest time and date for splitting Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00 p.m. on 11 June 2019
Latest time and date for receipt of completed Forms of Proxy to be valid at the General Meeting	11.00 a.m. on 12 June 2019
Latest time and date for acceptance of the Open Offer and receipt of completed Application Forms and payment in full under the Open Offer or settlement of relevant CREST instructions (as appropriate)	11.00 a.m. on 13 June 2019
General Meeting	11.00 a.m. on 14 June 2019
Announcement of result of Open Offer and result of General Meeting	14 June 2019
Admission and commencement of dealings in the EIS/VCT Shares	8.00 a.m. on 17 June 2019
EIS/VCT Shares credited to CREST members' accounts	As soon as possible after 8.00 a.m. on 17 June 2019
Admission and commencement of dealings in the General Shares	8.00 a.m. on 18 June 2019
General Shares credited to CREST members' accounts	As soon as possible after 8.00 a.m. on 18 June 2019
Despatch of definitive share certificates for New Ordinary Shares in certificated form	Within 14 days of allotment

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 a Regulatory Information Service.

KEY STATISTICS

Number of Existing Ordinary Shares	61,721,880
Maximum number of New Ordinary Shares to be issued by the Company*	24,434,541
Issue Price	26 pence

PLACING STATISTICS

Number of Placing Shares	20,576,924
Gross proceeds from the Placing	c.£5.35 million
Number of Ordinary Shares in issue immediately following the Placing (excluding any impact from the issue of Open Offer Shares)	82,298,804
Placing Shares as a percentage of the Ordinary Shares in issue immediately following the Placing (excluding any impact from the issue of Open Offer Shares)	c.25.0 per cent.

OPEN OFFER STATISTICS

Number of Open Offer Shares*	3,857,617
Open Offer Shares as a percentage of the Enlarged Share Capital*	c.4.5 per cent.
Basic entitlement under the Open Offer	1 New Ordinary Share for every 16 Existing Ordinary Shares
Gross proceeds from the Open Offer*	c.£1.0 million

OVERALL STATISTICS

Enlarged Share Capital following the Placing and Open Offer*	86,156,421
New Ordinary Shares as a percentage of the Enlarged Share Capital*	c.28.4 per cent.
Market capitalisation of the Company immediately following the Placing and Open Offer at the Issue Price*	£22.40 million
ISIN of the Ordinary Shares	GB00BDB6Q760
ISIN for Open Offer Entitlements	GB00BK0RCF97
ISIN for Excess Open Offer Entitlements	GB00BK0VF187

* on the assumption that the Open Offer is fully subscribed

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	Panmure Gordon (UK) Limited 1 New Change London EC4M 9AF
Joint Broker	Cantor Fitzgerald Europe One Churchill Place London E14 5RB
Solicitors to the Company	Eversheds Sutherland (International) LLP 1 Wood Street London EC2V 7WS
Solicitors to the Nominated Adviser and Joint Brokers	Fieldfisher LLP Riverbank House 2 Swan Lake London EC4R 3TT
Public Relations	FTI Consulting 200 Aldersgate Street London EC1A 4HD
Receiving Agent	Link Asset Services Corporate Actions The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Registrar	Link Market Services Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

DEFINITIONS

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

“Act”	Companies Act 2006 (as amended)
“Admission”	EIS/VCT Admission in the case of the EIS/VCT Shares and General Admission in the case of the General Shares
“AIM”	the AIM market operated by London Stock Exchange
“AIM Rules”	the AIM Rules for Companies as published by the London Stock Exchange from time to time
“Application Form”	the personalised application form on which Qualifying Shareholders may apply for New Ordinary Shares under the Open Offer
“Board” or “Directors”	the directors of the Company as at the date of this document
“Cantor Fitzgerald”	Cantor Fitzgerald Europe
“Capital Raising”	the Placing and the Open Offer, taken together
“certificated” or “in certificated form”	in relation to a share or other security, not in uncertificated form (that is, not in CREST)
“Company” or “Diurnal”	Diurnal Group plc, a public limited company incorporated in England and Wales with registered number 09846650
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the operator (as defined in the CREST Regulations), which facilitates the transfer of title to shares in uncertificated form
“CREST member”	a person who has been admitted to CREST as a system-member (as defined in the CREST Regulations)
“CREST participant”	a person who is, in relation to CREST, a system-participant (as defined in the CREST Regulations)
“CREST participant ID”	shall have the meaning given in the CREST Manual issued by Euroclear
“CREST payment”	as such term is defined in the CREST Manual issued by Euroclear
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended)
“CREST sponsor”	a CREST participant admitted to CREST as a CREST sponsor
“CREST sponsored member”	a CREST member admitted to CREST as a sponsored member (which includes all CREST Personal Members)
“Dealing Day”	a day on which dealings in domestic securities may take place on and with the authority of the London Stock Exchange
“EIS”	Enterprise Investment Scheme
“EIS/VCT Admission”	admission of the EIS/VCT Shares to trading on AIM becoming effective in accordance with the AIM Rules
“EIS/VCT Open Offer”	the Open Offer to the extent that it relates to EIS/VCT Shares

“EIS Open Offer Shares”	the Open Offer Shares to be allotted and issued by the Company at the Issue Price, conditional on EIS/VCT Admission, in connection with the Open Offer, which are intended to qualify for EIS Relief
“EIS/VCT Open Offer Shares”	the EIS Open Offer Shares and the VCT Open Offer Shares together
“EIS/VCT Placing”	the conditional placing of 2,171,539 EIS/VCT Shares with Placees at the Issue Price pursuant to the Placing and Open Offer Agreement
“EIS/VCT Shares”	the EIS Shares and the VCT Shares together
“EIS Relief”	the relief claimed by any holder of the EIS Shares under Part 5 of the ITA 2007 or exemption or relief available under sections 150A, 150C and Schedule 5B Taxation of Chargeable Gains Act 1992
“EIS Shares”	New Ordinary Shares to be allotted and issued by the Company at the Issue Price, conditional on EIS/VCT Admission, in connection with the EIS/VCT Placing and the Open Offer, which are intended to qualify for EIS Relief
“enabled for settlement”	in relation to the Open Offer Entitlements and Excess CREST Open Offer Entitlements, enabled for the limited purpose of settlement of claim transactions and unmatched stock event transactions (each as described in the CREST Manual issued by Euroclear)
“Enlarged Share Capital”	the entire issued share capital of the Company as enlarged by the issue of the New Ordinary Shares following Admission (assuming subscription in full for the Open Offer Shares)
“EU”	the European Union
“Euroclear”	Euroclear UK & Ireland Limited
“Excess Application Facility”	the arrangement pursuant to which Qualifying Shareholders may apply for additional Open Offer Shares in excess of their Open Offer Entitlement in accordance with the terms and conditions of the Open Offer
“Excess CREST Open Offer Entitlements”	in respect of each Qualifying CREST Holder who has taken up their Open Offer Entitlement in full, the Excess Open Offer Entitlements credited to his stock account in CREST
“Excess Open Offer Entitlements”	in respect of each Qualifying Shareholder, the entitlement (in addition to his Open Offer Entitlement) to apply for Open Offer Shares pursuant to the Excess Application Facility, subject to the terms and conditions of the Open Offer
“Excess Shares”	Open Offer Shares in addition to the Open Offer Entitlement for which Qualifying Shareholders may apply under the Excess Application Facility
“Ex-entitlement Date”	the date on which the Existing Ordinary Shares are marked “ex” for entitlement under the Open Offer, being 8.00 a.m. on 28 May 2019.
“Existing Ordinary Shares”	the 61,721,880 Ordinary Shares in issue on the date of this document
“FCA”	the Financial Conduct Authority

“Form of Proxy”	the form of proxy for use in relation to the General Meeting enclosed with this document
“FSMA”	Financial Services and Market 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 for 11.00 a.m. on 14 June 2019 or at any adjournment thereof, notice of which is set out at the end of this document
“General Open Offer”	the Open Offer to the extent that it relates to General Shares
“General Open Offer Shares”	the Open Offer Shares being made available to Qualifying Shareholders pursuant to the Open Offer (excluding the EIS/VCT Open Offer Shares)
“General Placing”	the conditional placing of 18,405,385 General Shares with Placees at the Issue Price pursuant to the Placing and Open Offer Agreement
“General Shares”	New Ordinary Shares to be allotted and issued by the Company at the Issue Price, conditional on General Admission, in connection with the General Placing and the Open Offer (excluding the EIS/VCT Shares)
“Group”	the Company and its subsidiaries
“HMRC”	Her Majesty’s Revenue and Customs
“ISIN”	International Securities Identification Number
“ITA 2007”	Income Tax Act 2007
“Issue Price”	26 pence per New Ordinary Share
“Joint Brokers”	being Panmure Gordon and Cantor Fitzgerald
“London Stock Exchange”	London Stock Exchange plc
“Member Account ID”	the identification code or number attached to any member account in CREST
“Money Laundering Regulations”	the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 and obligations in connection with money laundering under the Criminal Justice Act 1993 and the Proceeds of Crime Act 2002
“New Ordinary Shares”	the Placing Shares and the Open Offer Shares
“Notice of General Meeting”	the notice convening the General Meeting as set out at the end of this document
“Open Offer”	the conditional invitation made to Qualifying Shareholders to apply to subscribe for the Open Offer Shares at the Issue Price on the terms and subject to the conditions set out in Part 3 of this document and (if relevant) in the Application Form
“Open Offer Entitlement”	in respect of each Qualifying Shareholder, the entitlement to apply for the number of Open Offer Shares pro rata to their holding of Existing Ordinary Shares pursuant to the Open Offer as described in Part 3 of this document

“Open Offer Shares”	the 3,857,617 new Ordinary Shares being made available to Qualifying Shareholders pursuant to the Open Offer
“Ordinary Shares”	ordinary shares of £0.05 each in the capital of the Company
“Overseas Shareholders”	Shareholders with registered addresses outside the United Kingdom or who are citizens or residents of countries outside the United Kingdom
“Panmure Gordon”	Panmure Gordon (UK) Limited
“Placing and Open Offer Agreement”	the agreement dated 28 May 2019 between the Company, Panmure Gordon and Cantor Fitzgerald in respect of the Placing and the Open Offer
“Placees”	the persons who have agreed to subscribe for Placing Shares under the Placing
“Placing”	the conditional placing by the Company of the Placing Shares with the Placees, otherwise than on a pre-emptive basis, at the Issue Price pursuant to the Placing and Open Offer Agreement and comprising the EIS/VCT Placing and the General Placing
“Placing Shares”	the 20,576,924 new Ordinary Shares which are the subject of the Placing
“Qualifying CREST Holders”	holders of Existing Ordinary Shares in uncertificated form on the register of members of the Company at the Record Date
“Qualifying Non-CREST Holders”	holders of Existing Ordinary Shares in certificated form on the register of members of the Company at the Record Date
“Qualifying Shareholders”	Qualifying Non-CREST Holders and Qualifying CREST Holders (other than certain Overseas Shareholders)
“Receiving Agent”	Link Asset Services (a trading name of Link Market Services Limited)
“Record Date”	6.00 p.m. on 22 May 2019
“Registrar”	Link Market Services Limited
“Regulatory Information Service”	has the meaning given in the AIM Rules
“Restricted Jurisdiction”	the US, Canada, Australia, New Zealand, the Republic of South Africa, the Russian Federation, Japan or the Republic of Ireland and any jurisdiction where the extension or availability of the Open Offer (and any other transaction contemplated thereby) would breach any applicable laws or regulations and “Restricted Jurisdictions” shall mean all of them
“Resolutions”	the resolutions to be proposed at the General Meeting as set out in the Notice of General Meeting
“Securities Act”	US Securities Act of 1933 (as amended)
“Shareholders”	the holders of Existing Ordinary Shares
“stock account”	an account within a member account in CREST to which a holding of a particular share or other security in CREST is credited
“uncertificated” or “in uncertificated form”	in relation to a share or other security, recorded on the relevant register as being held in uncertificated form in CREST and title

	to which, by virtue of the CREST Regulations, may be transferred through CREST
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland
"United States", "United States of America" or "US"	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia and all areas subject to its jurisdiction
"VCT"	Venture Capital Trust as defined by section 259 ITA 2007
"VCT Open Offer Shares"	the Open Offer Shares to be allotted and issued by the Company at the Issue Price, conditional on EIS/VCT Admission, in connection with the Open Offer, which are intended to qualify for VCT Relief
"VCT Relief"	the relief claimed by any holder of the VCT Shares under Part 6 of the ITA 2007 or exemption or relief available under sections 151A, 151B and Schedule 5C Taxation of Chargeable Gains Act 1992 or Chapter 5 of Part 6 of the Income Tax (Trading and Other Income) Act 2005 and
"VCT Shares"	New Ordinary Shares to be allotted and issued by the Company at the Issue Price, conditional on EIS/VCT Admission, in connection with the Placing and the Open Offer, 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 in the US. 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;
Marketing Authorisation Application or MAA	a Marketing Authorisation Application made to the EMA seeking authorisation of a new medicine. Once granted by the European Commission, the centralised marketing authorisation is valid in all EU Member States, Iceland, Norway and Liechtenstein;
New Drug Application or NDA	the FDA's New Drug Application is the vehicle in the United States through which drug sponsors formally propose that the FDA approve a new pharmaceutical for sale and marketing;
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 a total of 10 years exclusivity (eight years of data exclusivity and an additional 2 years of market exclusivity) with effect from market approval in Europe; and
T3	the thyroid hormone triiodothyronine, produced by the thyroid gland.

PART 1

LETTER FROM THE CHAIRMAN

DIURNAL GROUP plc

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

Registered office:
Cardiff Medicentre
Heath Park
Cardiff
CF14 4UJ

28 May 2019

Dear Shareholder

Placing of 20,576,924 New Ordinary Shares and Open Offer of up to 3,857,617 New Ordinary Shares at 26 pence per share

Notice of General Meeting

1. Introduction

On 28 May 2019, the Board announced a conditional Placing of 20,576,924 New Ordinary Shares at 26 pence each to raise approximately £5.35 million before expenses by means of a placing of shares with the Placees. The Issue Price is at a discount of 16.1 per cent. to the closing middle market price of 31 pence per Existing Ordinary Share on 24 May 2019 (being the last practicable date before publication of this document).

In addition, in order to provide Shareholders who have not taken part in the Placing with an opportunity to participate in the proposed issue of New Ordinary Shares, the Company is providing all Qualifying Shareholders with the opportunity to subscribe, at the Issue Price, for an aggregate of up to 3,857,617 Open Offer Shares, to raise up to approximately £1.00 million, on the basis of 1 Open Offer Share for every 16 Existing Ordinary Shares, at 26 pence each payable in full on acceptance.

The Placing and Open Offer are conditional on, 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 New Ordinary Shares will be allotted and issued after the General Meeting. EIS/VCT Admission is expected to occur no later than 8.00 a.m. on 17 June 2019 and General Admission is expected to occur no later than 8.00 a.m. on 18 June 2019, (or such later time and/or date, in each case, as Panmure Gordon, Cantor Fitzgerald and the Company may agree, being, in the case of EIS/VCT Admission and General Admission, no later than 8.00 a.m. on 28 June 2019. Neither the Placing nor the Open Offer is underwritten.

The purpose of this document is to explain the background to and reasons for the Placing and Open Offer, the use of proceeds and the details of the Placing and Open Offer, to set out the reasons why the Board believes that the Placing and Open Offer are in the best interests of the Company and its Shareholders and to seek your approval to the Resolutions at the forthcoming General Meeting, which will be held at the offices of Eversheds Sutherland (International) LLP at 1 Wood Street, London EC2V 7WS at 11.00 a.m. on 14 June 2019

2. Description of Company

Diurnal is a UK-based speciality pharmaceutical group targeting patient needs in chronic endocrine (hormonal) diseases. The Group aims to develop and commercialise products to solve patient needs in endocrine diseases, primarily those 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. Absence of cortisol 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. In adrenal disease, this moderates the impact that excess androgens have on the body throughout the day. If left unregulated for even certain periods during the day, excess androgens can affect patients' growth and sexual development, resulting in symptoms such as short stature, infertility, obesity and increased mortality.

The Directors believe the Group is on track to become a world-leading endocrinology speciality pharma group focused on c. \$10 billion market opportunity initially targeting a \$3 billion market in cortisol deficiency. The Group is building a life-long "Adrenal Franchise" through the Group's two flagship products, Alkindi® (hydrocortisone granules in capsules for opening) and Chronocort® (modified release capsules), to 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 is essential for cortisol production.

Alkindi® is licensed throughout Europe and was successfully launched in Germany and the UK and is now generating revenues for the Group. Chronocort® is on track for submission of a European MAA by the end of 2019. The Group is seeking commercial partners in the US and the rest of the world to enter other global markets.

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. These treatments, which are not specifically designed for children, do not provide circadian release and only achieve limited disease and symptom control. In contrast, Alkindi® and Chronocort® have been shown to provide effective disease control in young children and adults respectively.

The Company estimates that CAH and paediatric AI presents a combined market opportunity in the US and Europe of approximately \$400 million with Chronocort®, for the treatment of adults, having a far larger market potential compared to Alkindi®. Further significant market opportunity exists for both Chronocort® and Alkindi® in other territories.

Alkindi® is designed for young children suffering from paediatric AI, and the related condition CAH. Alkindi® is licensed for sale in Europe, effective, safe and easy to administer. Given the specialist prescribing base, and to retain the maximum commercial value of the product, Diurnal is commercialising Alkindi® itself in larger European markets, focusing its marketing efforts initially on patients aged 0-6 years where the unmet need is highest. Diurnal will assess the most effective means of accessing smaller markets for Alkindi® and will either use in-house resource or engage distribution partners.

Diurnal launched Alkindi® in the UK in September 2018, its second launch following introduction in Germany in May 2018. Diurnal has continued to make positive progress in both territories, including pricing discussions, notably with a positive Scottish Medicines Consortium pricing and reimbursement decision in October 2018. Diurnal believes that the health economic arguments supporting Alkindi® are robust and support the proposed pricing in key markets. Alkindi® has continued to make strong progress, with continued sales growth in the UK and Germany in line with Company expectations.

In October 2018, Diurnal successfully completed an Alkindi® US reference drug bioequivalence study to support its planned New Drug Application (NDA) application in the US. In addition, the Company also completed the Alkindi® safety evaluation and tolerability extension study in Europe, which will provide valuable long-term exposure data in support of registration and market access in the US. Diurnal has discussed the proposed NDA package with FDA, who confirmed Diurnal's planned regulatory path for Alkindi® in the US. Reflecting this, Diurnal plans to submit an NDA for Alkindi® during Q4 2019, with potential for approval in late 2020. As highlighted in previous announcements, Diurnal intends to seek a licensing partner for its late-stage cortisol deficiency pipeline in the US and, following the recent FDA feedback, has now initiated partnering discussions for Alkindi® in the US.

Chronocort[®], provides a drug release profile that the Directors believe better mimics the body's natural cortisol circadian rhythm, which current therapy is unable to replicate, and is designed to improve disease treatment for adults with CAH, as measured by androgen control.

The Company completed its European pivotal Phase 3 clinical trial of Chronocort[®] for the treatment of CAH in adults, with a total of 122 patients enrolled across 11 clinical sites, the largest interventional study conducted to date in this patient population. Patients completing treatment in this study had the option to enrol into a long-term safety extension study, assessing the impact of treatment with Chronocort[®] over an extended period, regardless of whether the patients were initially treated with Chronocort[®] or standard-of-care. A significant proportion of patients eligible to enter the follow-on study did so, and patient drop-out rates from this study have been very low to date.

In October 2018, Diurnal announced that, whilst Chronocort[®] had been able to demonstrate 24-hour control of androgens in its European Phase 3 trial in CAH, it did not meet the primary endpoint of superior control compared to conventional glucocorticoid therapy. Subsequently, Diurnal has performed a detailed analysis of all the study data, identifying significant differences between Chronocort[®] and the control arm of the trial based upon a number of important clinical parameters. Diurnal has also analysed interim data from the ongoing Chronocort[®] safety extension study; notably, a number of patients on the safety extension trial have now been treated for at least 36 months and show sustained benefit from extended Chronocort[®] treatment, consistent with feedback from the study investigators in this open-label trial. Based on these findings and a positive meeting with the EMA in March 2019, the Company received formal Scientific Advice from the EMA confirming the current clinical and regulatory path for Chronocort[®] as a treatment for patients with CAH. Consequently, in April 2019, the Company announced that it intends to submit a MAA for Chronocort[®] in Q4 2019 based upon the existing clinical data, (including additional data on significant benefit which will be required to support Orphan Drug Status in the treatment of CAH).

The Company intends to use its commercial organisation and supply chain developed for Alkindi[®] for the planned future launch of Chronocort[®] in Europe. In addition, the pricing work undertaken for Alkindi[®] has provided insights into the cortisol deficiency market that will be extremely valuable when developing health economic arguments for Chronocort[®].

Following discussion with the FDA, Diurnal designed a Phase 3 registration package for Chronocort[®] in the US designed to recruit c.150 patients with CAH, randomised to either receive Chronocort[®] twice-daily or standard-of-care. Based upon the headline results from the European Phase 3 study, Diurnal paused this study whilst it reviewed the European data package and the Scientific Advice from the EMA, with a view to optimising the design of the US study based on this new information. Diurnal believes that the preparatory work undertaken prior to this pause, including identification of key clinical sites, will substantially accelerate the updated clinical trial once the protocol has been revised and, if necessary, agreed with the FDA.

Diurnal also developed a Phase 2 study design to assess the utility of Chronocort[®] in AI, which represents a sizeable commercial opportunity (potentially \$0.9 billion in the US alone) and with a highly favourable competitive landscape in the US. Following the Chronocort[®] European Phase 3 study results, the AI study was paused in order to preserve cash whilst seeking Scientific Advice from the EMA. Diurnal believes that this study is ready to commence, either in-house or with the support of a US partner.

Diurnal also intends to explore the development of Chronocort[®] for adolescent CAH patients, providing the potential for life-long treatment, with patients commencing treatment with Alkindi[®] and transitioning to Chronocort[®].

Diurnal's pipeline of product candidates for cortisol deficiency are protected by an extensive patent portfolio, benefitting from granted or pending patents in key jurisdictions, along with strong protection through orphan drug designations. During Q1, 2019, a second US patent was granted for Chronocort[®], further strengthening the in-house patent portfolio. The FDA has granted Chronocort[®] orphan drug designation in the treatment of both CAH and AI and has granted Alkindi[®] orphan drug designation in the treatment of paediatric AI. In Europe, the PUMA for Alkindi[®] affords ten years of data and market exclusivity, whilst Chronocort[®] benefits from the orphan drug designations for CAH and AI. These orphan drug designations mean Alkindi[®] and Chronocort[®] have the potential to be granted market and data exclusivity on approval in the US and Europe.

Diurnal has continued to refine its strategy to optimise market access for its products. Outside of key European markets and the US, the Group aims to maximise revenues from Alkindi® and Chronocort® by entering into distribution agreements. The Group seeks to access territories where there is the potential for a price which reflects the innovation for its products and which can use the European or US regulatory dossiers as the basis for local regulatory submissions. This approach is exemplified by its agreements with Emerge Health for the marketing of Alkindi® and Chronocort® in Australia and New Zealand, and Medison for the marketing of Alkindi® and Chronocort® in Israel. Medison confirmed that the MAA for Alkindi® in Israel had been accepted for filing during Q1, 2019. In April 2019, Alkindi® was granted Orphan Drug Designation in Australia by the Therapeutic Goods Administration (TGA) for AI in infants, children and adolescents. Furthermore, a marketing and distribution agreement with Anthrop Pharmaceuticals AB was announced in April 2019, which covers the commercialisation of Alkindi® in Sweden, Norway, Denmark, Finland and Iceland, providing an estimated total market opportunity for Alkindi® of approximately \$3.3 million per annum.

Following the grant of the Group's first patents for Alkindi® and Chronocort® in Japan during 2018, Diurnal is continuing to assess its strategy for entry into this important market with a local partner. Japan is an attractive market for Diurnal's late-stage cortisol deficiency pipeline, with a well-developed pharmaceutical market, including orphan drug designation and a large population, with the market for CAH and AI estimated at \$397 million.

Whilst Diurnal's current primary focus is on bringing its late-stage cortisol deficiency pipeline to the market in Europe and the US and to expand these products into new indications, the Group's long-term plan is to expand into other endocrine disease areas, such as those associated with the thyroid, gonads and pituitary. Diurnal's recent focus has been on applying for grants to assist the development of its early-stage pipeline whilst focusing resources on its late-stage pipeline. Feedback from these grant applications have been positive and highlight the significant unmet needs Diurnal is aiming to address.

Diurnal's early-stage pipeline products include a native oral testosterone for the treatment of male hypogonadism (a greater than \$4.8 billion market opportunity), which has completed dosing in a Phase 1/2 clinical study in male patients with hypogonadism, its novel siRNA therapy for Cushing's disease, a condition characterised by an excess of cortisol (a c.\$463 million market opportunity), and a modified-release T3 replacement therapy for patients with hypothyroidism who do not respond to current standard-of-care (a potential market of \$1 billion in the US and Europe). In addition, Diurnal regularly assesses third party products for chronic endocrine disorders that fit within its strategic vision.

Current trading and prospects

Diurnal reported cash and cash equivalents and held-to-maturity financial assets (unaudited) as at 31 December 2018 of £6.9 million (31 December 2017: £14.0 million). The Company's loss after tax for the six-month period ended 31 December 2018 was £9.7 million (six months ended 31 December 2017: £7.7 million).

In addition to the planned MAA submission for Chronocort® by the end of 2019, Diurnal expects additional progress for Alkindi®, with further country launches scheduled during 2019 to accelerate growth of revenues, along with a planned NDA submission in the US during Q4 2019. Diurnal has received strong interest in Alkindi® and Chronocort® for the US and will continue to progress licensing discussions, including the potential for co-development of Chronocort® in the US, both in CAH and AI.

In addition to developing the Group's own specialist products and bringing them to market the Directors also believe there is potential for targeted mergers and acquisitions to accelerate and leverage the Group's increasing international profile.

3. Use of proceeds

The net proceeds of the Capital Raising will be used by the Company to continue to support the development of Alkindi® and Chronocort® in the US and the rest of the world. In particular it is the Board's expectation that the net proceeds from the Capital Raise, in addition to existing cash resources and anticipated tax credits, will be used to fund:

- Filing a MAA for Chronocort® in Europe by end 2019;
- Filing an NDA for Alkindi® in the US by end 2019;
- Continuing the development of the European commercial organisation and roll-out of Alkindi® in Europe to maximise revenues; and
- Progressing licensing discussions for Alkindi® and Chronocort® in US and the rest of the world.

The Directors believe that delivering the milestones outlined above will enhance the value of the Company and that these milestones will ensure wider recognition of the Group both in the United States and Europe.

The Company intends to submit a MAA for Chronocort® in Q4 2019 based upon existing clinical data and, subject to regulatory processes, estimates approval in Q4 2020. The net proceeds of the Placing of approximately £4.99 million are expected to provide funding through to mid-Q2 2020 (excluding any proceeds from the Open Offer). The Company continues to assess future sources of funding, including further equity investment (currently anticipated to be following achievement of key milestones) and non-dilutive financing, including potential licensing agreements. Further announcements regarding funding arrangements will be made as and when required.

4. Details of the Placing

The Company has conditionally raised approximately £5.35 million before expenses by way of the placing of 2,171,539 EIS/VCT Shares and 18,405,385 General Shares under the Placing at the Issue Price to Placees.

It is expected that the EIS/VCT Shares (in respect of the Placing) will be allotted, conditional upon, amongst other things, EIS/VCT Admission occurring by 8.00 a.m. on 17 June 2019 (or such later time and/or date as the Joint Brokers may agree with the Company, not being later than 8.00 a.m. on 28 June 2019) and that the General Shares (in respect of the Placing) will be allotted, conditional upon, amongst other things, General Admission occurring by 8.00 a.m. on 18 June 2019 (or such later time and/or date as the Joint Brokers may agree with the Company, not being later than 8.00 a.m. on 28 June 2019). The EIS/VCT Placing is not conditional on the issue of the General Shares and General Admission, nor is the EIS/VCT Placing (or the General Placing) conditional on the Open Offer.

The Placing is not subject to clawback in favour of Shareholders pursuant to the Open Offer. The Placing is not underwritten.

The Placing Shares 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 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 subscribed for pursuant to the Placing will commence, at 8.00 a.m. on 17 June 2019, at which time it is also expected that the EIS/VCT Shares subscribed for pursuant to the Placing 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 18 June 2019, 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.

5. Details of the Open Offer

The Company is further proposing to raise up to approximately £1.00 million before expenses by the issue of up to 3,857,617 Open Offer Shares under the Open Offer at the Issue Price, payable in full on acceptance. Any entitlements to Open Offer Shares not subscribed for by Qualifying Shareholders will be available to Qualifying Shareholders under the Excess Application Facility. The balance of any Open Offer Shares not subscribed for under the Excess Application Facility will not be available to the Placees under the Placing.

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

Qualifying Shareholders may apply for Open Offer Shares under the Open Offer at the Issue Price *pro rata* to their holdings of Existing Ordinary Shares on the Record Date on the basis of:

1 Open Offer Share for every 16 Existing Ordinary Shares

Entitlements of Qualifying Shareholders will be rounded down to the nearest whole number of Open Offer Shares. Fractional entitlements which would otherwise arise will not be issued to the Qualifying Shareholders but will be aggregated and made available under the Excess Application Facility. Not all Shareholders will be Qualifying Shareholders. Shareholders who are located in, or are citizens of, or have a registered office in a Restricted Jurisdiction will not qualify to participate in the Open Offer. The attention of Overseas Shareholders is drawn to paragraph 7 of Part 3 of this document.

Subject to availability, the Excess Application Facility enables Qualifying Shareholders to apply for Excess Shares up to the maximum number of Open Offer Shares available less their Open Offer Entitlement, subject to availability. Further details of the Open Offer and the Excess Application Facility are given in Part 3 of this document.

Valid applications by Qualifying Shareholders will be satisfied in full up to their Open Offer Entitlements. Applicants can apply for less or more than their entitlements under the Open Offer, but the Company cannot guarantee that any application for Excess Shares under the Excess Application Facility will be satisfied, as this will depend, in part, on the extent to which other Qualifying Shareholders apply for less than or more than their own Open Offer Entitlements. The Company may satisfy valid applications for Excess Shares in whole or in part but reserves the right not to satisfy any application above any Open Offer Entitlement. The Board may scale back applications made in excess of Open Offer Entitlements on such basis as it reasonably considers to be appropriate.

Application has been made for the Open Offer Entitlements and Excess CREST Open Offer Entitlements to be admitted to CREST. It is expected that such Open Offer Entitlements and Excess CREST Open Offer Entitlements will be credited to CREST on 29 May 2019. The Open Offer Entitlements and Excess CREST Open Offer Entitlements will be enabled for settlement in CREST until 11.00 a.m. on 13 June 2019. Applications through the CREST system may only be made by the Qualifying CREST Shareholder originally entitled or by a person entitled by virtue of bona fide market claims. The Open Offer Shares must be paid in full on application. The latest time and date for receipt of completed Application Forms or CREST applications and payment in respect of the Open Offer is 11.00 a.m. on 13 June 2019.

The Open Offer Shares must be paid for in full on application. If you have received an Application Form with this document, please refer to paragraph 4.5 and paragraphs 5 to 12 of Part 3 of this document. If you hold your Ordinary Shares in CREST, no Application Form is enclosed and you will receive a credit of Open Offer Entitlements and Excess CREST Open Offer Entitlements to your CREST stock account, please refer to paragraph 4.6 and paragraphs 5 to 12 of Part 3 of this document and also to the CREST Manual for further information on the CREST procedures referred to below.

Qualifying Non-CREST Holders who wish to seek EIS Relief or VCT Relief for all or part of their application should insert in Box 6 of the Application Form the number of Open Offer Shares for which they intend to seek such relief. Return of the Application Form will constitute an undertaking by the applicant to only seek EIS Relief or VCT Relief for the number of Open Offer Shares stated in Box 6 or such lesser number as results from the Board's allocation, as detailed below.

If you are electing for EIS Relief or VCT Relief and your existing Ordinary Shares are registered in a single name, then the Company will use the same information to supply to HMRC. If your Ordinary Shares are registered in joint names or a nominee name, you or the nominee, will need to notify the Company at eis@diurnal.co.uk by no later than 28 June 2019 of the registration details required for all of the underlying beneficial holders who wish to receive the EIS tax certificate for use in their tax return along with your contact details. Failure to supply the EIS registration information by the cut-off date will result in no application being made to HMRC for Tax relief on your subscription.

Under the relevant legislation, the maximum amount the Company may raise in any 12-month period by issuing shares to EIS and VCT investors is £10 million. The Company expects the Placees to be issued EIS/VCT Shares for approximately £0.56 million in aggregate, being 2,171,539 Placing Shares.

EIS income tax relief will only be available to Qualifying Shareholders who hold Existing Ordinary Shares which were acquired pursuant to an EIS compliant issue of shares by the Company. EIS income tax relief is not available for Qualifying Shareholders who subscribe for Open Offer Shares at a time when they hold Existing Ordinary Shares for which EIS relieve has not been claimed.

Qualifying Shareholders must not seek EIS Relief on any Open Offer Shares that are not EIS/VCT Shares.

Following Admission, the Company will notify Qualifying Shareholders who are VCTs or who stated that they would seek EIS Relief on the number of EIS/VCT Shares allocated to them and accordingly upon which Open Offer Shares they may seek such relief. **The Company will only claim EIS Relief on any Open Offer Shares for individual subscription amounts after any scale back of approximately £2,000, being 7,692 Open Offer Shares, or more.**

Qualifying Shareholders may elect for their application to be cancelled in respect of any Open Offer Shares which, as a result of the Board's allocation, will not be eligible for EIS Relief by circling "Yes" in Box 7 of the Application Form. Monies received in relation to such Open Offer Shares will be returned (at the applicant's sole risk), without payment of interest, to such Qualifying Shareholders as soon as practicable, but within 14 days, following Admission.

Further details of the Open Offer and the terms and conditions on which it is being made, including the procedure for application and payment, are contained in Part 3 of this document and, where relevant, on the accompanying Application Form.

The EIS/VCT Open Offer is conditional on the EIS/VCT Placing becoming or being declared unconditional in all respects (save for the condition relating to EIS/VCT Admission) and not being terminated before EIS/VCT Admission. The other principal conditions to the EIS/VCT Open Offer are:

- (a) the passing of all of the Resolutions at the General Meeting;
- (b) the Placing and Open Offer Agreement having become or being declared unconditional (save for the condition relating to EIS/VCT Admission) and not having been terminated before EIS/VCT Admission; and
- (c) EIS/VCT Admission becoming effective by no later than 8.00 a.m. on 17 June 2019 (or such later time and/or date (being not later than 8.00 a.m. on 28 June 2019) as the Company, Panmure Gordon and Cantor Fitzgerald may agree).

Accordingly, if those conditions are not satisfied or waived (where capable of waiver), the EIS/VCT Open Offer will not proceed and the EIS/VCT Open Offer Shares will not be issued and all monies received by Link Asset Services in respect of the EIS/VCT Open Offer will be returned to the applicants (at the applicants' risk and without interest) as soon as possible thereafter and any Open Offer Entitlements and Excess CREST Open Offer Entitlements in relation to EIS/VCT Open Offer Shares admitted to CREST will thereafter be disabled. In this circumstance, the Company will not receive the relevant net proceeds in respect of the issue of the EIS/VCT Open Offer Shares and monies paid by Qualifying Shareholders in respect of subscriptions for EIS/VCT Open Offer Shares will be returned.

The General Open Offer is conditional on the General Placing becoming or being declared unconditional in all respects (save for the condition relating to General Admission) and not being terminated before General Admission. The other principal conditions to the General Open Offer are:

- (a) the passing of all of the Resolutions at the General Meeting;
- (b) the Placing and Open Offer Agreement having become or being declared unconditional (save for the condition relating to General Admission) and not having been terminated before General Admission;
- (c) the EIS/VCT Open Offer becoming unconditional in all respects; and
- (d) General Admission becoming effective by no later than 8.00 a.m. on 18 June 2019 (or such later time and/or date (being not later than 8.00 a.m. on 28 June 2019) as the Company, Panmure Gordon and Cantor Fitzgerald may agree).

Accordingly, if those conditions are not satisfied or waived (where capable of waiver), the General Open Offer will not proceed and the General Open Offer Shares will not be issued and all monies received by Link Asset Services in respect of the General Open Offer will be returned to the applicants (at the applicants' risk and without interest) as soon as possible thereafter and any Open Offer Entitlements and Excess CREST Open Offer Entitlements in relation to General Open Offer Shares admitted to CREST will thereafter be disabled. In this circumstance, the Company will not receive the relevant net proceeds in respect of the issue of the General Open Offer Shares and monies paid by Qualifying Shareholders in respect of subscriptions for General Open Offer Shares will be returned.

Shareholders should note that it is possible that EIS/VCT Admission occurs but that General Admission does not. If General Admission does not occur then the Company will not receive the relevant net proceeds in respect of the issue of the General Open Offer Shares and General Placing Shares and the Company may not be able to finance the activities referred to in this document.

The Open Offer Shares 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 and the Placing 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 Open Offer Shares 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 subscribed for pursuant to the Open Offer will commence, at 8.00 a.m. on 17 June 2019, 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 subscribed for pursuant to the Open Offer will commence, at 8.00 a.m. on 18 June 2019, at which time it is also expected that the General Shares will be enabled for settlement in CREST.

6. The Placing and Open Offer Agreement

Pursuant to the Placing and Open Offer 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 Issue Price.

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

- EIS/VCT Admission occurring at or before 8.00 a.m. on 17 June 2019 (or such later time and/or date (being not later than 8.00 a.m. on 28 June 2019) as the Company, Panmure Gordon and Cantor Fitzgerald may agree);
- the compliance by the Company with all of its obligations under the Placing and Open Offer Agreement to the extent they are required to be performed on or prior to EIS/VCT Admission;
- the Resolutions being approved by the required majorities of Shareholders attending and voting (in person or by proxy) at the General Meeting at which they are proposed;

- the obligations of the Joint Brokers not having been terminated pursuant to clause 12 of the Placing and Open Offer Agreement, so far as the same fall to be performed prior to EIS/VCT Admission; and
- in respect of the General Shares to be issued in relation to the Placing and the Open Offer only, amongst other things:
 - General Admission occurring at or before 8.00 a.m. on 18 June 2019 (or such later time and/or date (being not later than 8.00 a.m. on 28 June 2019) as the Company, Panmure Gordon and Cantor Fitzgerald may agree);
 - the compliance by the Company with all its obligations under the Placing and Open Offer Agreement to the extent they are required to be performed on or prior to General Admission; and
 - the obligations of the Joint Brokers not having been terminated pursuant to clause 12 of the Placing and Open Offer Agreement, so far as the same fall to be performed prior to General Admission.

The Placing is not part of or subject to any condition related to the Open Offer.

If: (i) any condition contained in the Placing and Open Offer Agreement in relation to the Placing Shares is not fulfilled or waived (to the extent capable of being waived) by the Joint Brokers, by the respective time or date where specified; (ii) any such condition becomes incapable of being fulfilled; or (iii) the Placing and Open Offer Agreement is terminated in accordance with its terms, the Placing (following EIS/VCT Admission, in relation to General Shares only) will not proceed and the Placees' rights and obligations thereunder in relation to the Placing Shares shall cease and terminate at such time (provided that following EIS/VCT Admission, only the obligations relating to the General Shares shall terminate) and each Placee agrees that no claim can be made by the Placee in respect thereof. EIS/VCT Admission is not conditional on General Admission but General Admission is conditional on EIS/VCT Admission.

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

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

The Placing and Open Offer Agreement contains customary warranties and indemnities from the Company in favour of Panmure Gordon and Cantor Fitzgerald.

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

7. Enterprise Investment Scheme and Venture Capital Trust

The Company received advance assurance on 12 February 2019 from HMRC that it is a qualifying company for the purposes of the Enterprise Investment Scheme ("EIS Advance Assurance"). Accordingly, the Company expects HMRC to authorise the Company to issue compliance certificates under section 204(1), ITA 2007 in respect of the EIS Shares to be issued, following receipt of a form EIS1 satisfactorily completed following the issue of shares to investors seeking EIS Relief for their investment. As of 2 January 2018, HMRC can no longer consider VCT advance assurance applications where the details of the potential qualifying holding are not given.

The Directors believe that the EIS/VCT Shares should be eligible (subject to the circumstances of investors) for tax reliefs under EIS and as a qualifying holder for VCTs. The Directors are not aware of any subsequent change in the qualifying conditions or the Company's circumstances that would prevent the EIS/VCT Shares from being eligible VCT and EIS investments on this occasion. However, neither the Directors nor the Company gives any warranty or undertaking that relief will be available in respect of any investment in EIS/VCT Shares pursuant to this document or the Capital Raising, nor do they warrant or undertake that the Company will conduct its activities in a way that qualifies for or preserves its status.

Companies can raise up to £10 million from State Aid investment sources, including under the combined EIS and from VCTs, in any 12-month period. In order to comply with this restriction only Open Offer Shares which are allocated as EIS/VCT Shares will be issued to VCTs or to individuals wishing to claim EIS Relief.

The Company will, following EIS/VCT Admission, make an application to HMRC to authorise the Company to deliver certificates under section 204, ITA 2007 in respect of those Open Offer Shares which Qualifying Shareholders have indicated on their Application Form that they wish to seek EIS Relief on and which have been duly allocated such relief by the Board. Assuming that HMRC gives authorisation to the Company, it will deliver such certificates in respect of such allocations of EIS/VCT Shares.

Provided that Qualifying Investors and the Company comply with the EIS legislation (Part V, ITA 2007 and sections 150A-C and Schedule 5B of the Taxation of Chargeable Gains Act 1992), which includes a requirement that the EIS Shares are held by investors for not less than three years, UK taxpayers should qualify for EIS Relief on their investment in the EIS Shares.

As the rules governing EIS Relief and VCT Relief are complex and interrelated with other legislation, if Shareholders or any potential 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.

8. Overseas Shareholders

The attention of Qualifying Shareholders who have registered addresses outside the United Kingdom, or who are citizens or residents of countries other than the United Kingdom, or who are holding Existing Ordinary Shares for the benefit of such persons (including, without limitation, custodians, nominees, trustees and agents) or who have a contractual or other legal obligation to forward this document or the Application Form to such persons, is drawn to the information which appears in paragraph 7 of Part 3 of this document.

Qualifying Shareholders who have registered addresses in or who are resident in, or who are citizens of, countries other than the United Kingdom (including without limitation the United States), should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their entitlements under the Open Offer.

9. Effect of the Placing and Open Offer

Upon General Admission, and assuming full take up of all the New Ordinary Shares offered under the Open Offer, the Enlarged Share Capital is expected to be 86,156,421 Ordinary Shares. On this basis, the New Ordinary Shares will represent approximately 28.4 per cent. of the Enlarged Share Capital.

10. Risk Factors and Additional Information

The attention of Shareholders is drawn to the risk factors set out in Part 2 and the information contained in Parts 3 to 4 (inclusive) of this document, which provide additional information on the Placing, the Open Offer and the General Meeting.

11. Related Party Transaction

Certain Directors and Substantial Shareholders (as defined in the AIM rules) in the Company have subscribed for Placing Shares in connection with the Placing. The number of Placing Shares

conditionally subscribed for by each such Director and Substantial Shareholder pursuant to the Placing, and their resulting shareholdings on Admission, are set out below:

<i>Shareholder</i>	<i>Existing Ordinary Shares held as a percentage of all Existing Ordinary Shares</i>	<i>Number of Existing Ordinary Shares held as a percentage of all Existing Ordinary Shares</i>	<i>Number of Placing Shares subscribed for</i>	<i>Ordinary Shares held post- Admission*</i>	<i>Percentage of Enlarged Share Capital held*</i>
IP Group plc (including IP2IPO and other subsidiaries and associates) (the "IPG Holders")	26,717,839	43.29%	7,692,308	34,410,147	39.94%
Peter Allen	84,722	0.14%	84,722	169,444	0.20%
John Goddard	65,015	0.11%	38,461	103,476	0.12%
Alan Raymond	28,888	0.05%	38,461	67,349	0.08%
Martin Whitaker	50,729	0.08%	19,230	69,959	0.08%
Richard Bungay	2,222	0.00%	19,230	21,452	0.02%

*assuming the Open Offer is fully subscribed

IP Group are "Substantial Shareholders" in the Company for the purposes of the AIM Rules. Their conditional subscription for Placing Shares pursuant to the Placing (as described above) and the participation of certain Directors as stated above will be related party transactions for the purposes of the AIM Rules. The Director who is independent of the related party transaction, being Richard Ross, having consulted with Panmure Gordon, the Company's nominated adviser for the purposes of the AIM Rules, considers the terms of the participations of each of Peter Allen, John Goddard, Alan Raymond, Martin Whitaker, Richard Bungay and IP Group plc in the Placing to be fair and reasonable insofar as Shareholders are concerned.

12. Transaction Considerations

As set out in the Recommendation section below, the Directors believe the Capital Raising to be in the best interests of the Company and its Shareholders as a whole. In making this statement, the Directors have spent time, and have taken appropriate advice, in considering the Capital Raising and the method by which to raise the net proceeds. The Directors concluded that a Placing accompanied by an Open Offer was the most appropriate structure to raise funding for the following reasons:

- the Placing enables the Company to attract a number of new investors to its shareholder register, which the Directors expect will improve liquidity going forward, and also to provide an element of funding certainty within the Capital Raising; and
- the Open Offer of up to approximately £1.00 million enables all Qualifying Shareholders to participate in the Capital Raising on the same terms as institutional and new investors but without the time and costs associated with a full pre-emptive offer. A full pre-emptive offer, either via a rights issue or open offer, of greater than €8.00 million would have required the Company to have produced a prospectus which would have taken significant time and cost.

The Issue Price represents a discount of 16.1 per cent. to the closing mid-market price of the Ordinary Shares on 24 May 2019, being the latest practicable date prior to the publication of this document. The Directors can confirm the Issue Price, and therefore potential dilution for Shareholders, has been a key consideration in setting the amount raised as part of the Capital Raising and the decision to undertake an Open Offer. The Issue Price was established as part of a book building process undertaken by the Company's advisers and also following consultation with certain substantial Shareholders and incoming investors.

13. General Meeting

The Directors do not currently have authority to allot all the New Ordinary Shares and, accordingly, the Board is seeking the approval of Shareholders to allot the New Ordinary Shares at the General Meeting.

A notice convening the General Meeting, which is to be held at the offices of Eversheds Sutherland (International) LLP at 1 Wood Street, London EC2V 7WS at 11.00 a.m. on 14 June 2019, is set out at the end of this document. At the General Meeting, the following Resolutions will be proposed:

- Resolution 1 which is an ordinary resolution to authorise the Directors to allot relevant securities up to an aggregate nominal amount of £1,221,727.05, being equal to 24,434,541 New Ordinary Shares (i.e. the maximum number of New Ordinary Shares available under the Placing and the Open Offer); and
- Resolution 2 which is conditional on the passing of Resolution 1 and is a special resolution to authorise the Directors to issue and allot 24,434,541 New Ordinary Shares pursuant to the Placing and the Open Offer on a non-pre-emptive basis.

The authorities to be granted pursuant to the Resolutions shall expire on whichever is the earlier of the conclusion of the Annual General Meeting of the Company to be held in 2019 or the date falling 15 months after the date of the passing of the Resolutions (unless renewed, varied or revoked by the Company prior to or on that date) and shall be in addition to the Directors' authorities to allot relevant securities and dis-apply statutory pre-emption rights granted at the Company's Annual General Meeting held on 14 November 2018.

14. Action to be taken

In respect of the General Meeting

You will find enclosed with this document a Form of Proxy for use by Shareholders at the General Meeting. Whether or not you intend to be present at the General Meeting, you are requested to complete and return the Form of Proxy in accordance with the instructions printed thereon as soon as possible. To be valid, completed Forms of Proxy must be received by Link Asset Services at PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF by no later than 11.00 a.m. on 12 June 2019, being 48 hours before the time appointed for holding the General Meeting. Completion of a Form of Proxy will not preclude you from attending the General Meeting and voting in person if you so choose.

In respect of the Open Offer

Qualifying Non-CREST Holder

If you are a Qualifying Non-CREST Holder, you will have received an Application Form which gives details of your entitlements under the Open Offer (as shown by the number of Open Offer Entitlements allocated to you). If you wish to apply for the number of Open Offer Shares you are entitled to under the Open Offer (as shown by the number of Open Offer Entitlements allocated to you) or more or less Open Offer Shares than you are entitled to under the Open Offer or any EIS/VCT Shares under the Open Offer, you should complete the enclosed Application Form in accordance with the procedure for application set out in paragraph 4.5 of Part 3 of this document and on the Application Form itself.

If you do not wish to apply for any Open Offer Shares under the Open Offer, you should not complete or return the Application Form. Shareholders are nevertheless requested to complete and return the Form of Proxy.

Qualifying CREST Holder

If you are a Qualifying CREST Holder, no Application Form is enclosed, and you will receive a credit to your appropriate stock account in CREST in respect of the Open Offer Entitlements and Excess CREST Open Offer Entitlements representing your entitlement under the Open Offer. You should refer to the procedure for application set out in paragraph 4.6 of Part 3 of this document.

The relevant CREST instructions must have settled in accordance with the instructions in paragraph 4.6 of Part 3 of this document by no later than 11.00 a.m. on 13 June 2019.

Qualifying CREST Holders who wish to apply for EIS/VCT Shares will have Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to their stock accounts via

the CREST system and should follow the instructions set out in paragraph 4.6 of Part 3 of this document. EIS Relief will only be available to Qualifying Shareholders who hold Existing Ordinary Shares which were acquired pursuant to an EIS compliant issue of shares by the Company. Qualifying Shareholders who obtained Existing Ordinary Shares on the secondary markets will not be eligible to claim EIS Relief.

The latest time for applications under the Open Offer to be received is 11.00 a.m. on 13 June 2019. The procedure for application and payment depends on whether, at the time at which application and payment is made, you have an Application Form in respect of your entitlement under the Open Offer or have Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to your stock account in CREST in respect of such entitlement. The procedures for application and payment are set out in Part 3 of this document. Further details also appear in the Application Form which has been sent to Qualifying Non-CREST Holders.

Qualifying CREST Holders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Open Offer.

15. Recommendation

The Directors believe that the Placing and the Open Offer and the passing of the Resolutions are in the best interests of the Company and the Shareholders, taken as a whole. The Directors unanimously recommend the Shareholders to vote in favour of the Resolutions as they intend to do in respect of their own holdings of Ordinary Shares, amounting in aggregate to 1,838,749 Existing Ordinary Shares (representing approximately 2.98 per cent. of the Existing Ordinary Shares).

Shareholders are reminded that the Placing and the Open Offer are conditional, amongst other things, upon the passing of the Resolutions at the General Meeting. Shareholders should be aware that, if the Resolutions are not passed at the General Meeting, the Placing and the Open Offer will not proceed and the Company will need to seek alternative sources of finance to provide working capital and advance the Group's products.

Yours faithfully

Peter Allen
Non-Executive Chairman

PART 2

RISK FACTORS

1. Risks relating to the Group and its business

The regulatory approval processes of the EMA, FDA and other comparable regulatory agencies may be lengthy, time-consuming and unpredictable

The Group's future success is dependent upon its ability to develop successfully, obtain regulatory approval for and then successfully commercialise its product candidates. There can be no assurance that the Group's product candidates will be successful in clinical trials or receive regulatory approval. Marketing Authorisation Applications for the Group's product candidates could fail to receive regulatory approval for many reasons. Any of the Group's future product candidates could take a significantly longer time to gain regulatory approval than expected or may never gain regulatory approval. This could delay or eliminate any potential product revenue by delaying or terminating the potential commercialisation of the Group's product candidates. Products which have received approval in one territory may not succeed in getting approval in other territories.

Chronocort® and Alkindi® may receive marketing approval but may not receive Orphan Drug Status

Diurnal intends to submit a Marketing Authorisation Application for Chronocort® in Q4 2019 based upon the existing clinical data, including additional data on significant benefit which will be required to support Orphan Drug Status in Europe in the treatment of CAH. However, should the EMA not support Orphan Drug Status, it would be more challenging for the Group to achieve premium pricing for the product which may significantly affect the Group's prospects and would reduce barriers to entry for competing products. The Group also intends to submit an NDA to the FDA for Alkindi® in Q4 2019. Whilst the Group holds Orphan Drug Designation for Alkindi® for paediatric AI, which affords seven years' market exclusivity post NDA approval, until the NDA has been accepted for filing and fully reviewed by the FDA, Orphan Drug Status cannot be assumed.

Licence for Alkindi® after Brexit

If the United Kingdom ceases to be a member of the European Union, unless the terms of such cessation provide otherwise, in order to continue to sell the Group's Alkindi® product in the European Union, it would require a wholesale dealer licence. The Group's wholly-owned subsidiary, Diurnal Europe B.V., has applied for such a licence in the Netherlands but, if it was unsuccessful in obtaining such a licence, either at all or by the time of such cessation, upon such cessation, it would cease to be able to sell its Alkindi® product in the European Union until it obtained such a licence, which would adversely affect the Group's business, financial condition and results of operations.

Reimbursement

Both Alkindi® and Chronocort® Phase 3 programmes include follow-on studies designed to assess longer-term impact of these therapies on important clinical measures that impact patient quality of life. The Group has engaged specialist market access consultants to ensure expected benefits are well understood by payers. However, should the increased pressure of global healthcare budgets or other factors (including Orphan Drug Status where still to be determined) significantly impact the level of reimbursement in core territories for the Group's products, the effect on pricing may make the commercialisation of existing or future products in the relevant territories unviable, which would adversely impact the Group's business.

The Group's success will depend on commercial partners

The Group's strategy includes seeking partners for the development and commercialisation of certain of its products and product candidates in certain territories. Such agreements may provide important funding to the Group through signature and milestone payments and fees and potentially the funding of additional trials required in certain territories. The Group may be unable to establish commercial arrangements on favourable terms, or at all, and any such arrangement or agreement may not prove successful.

If the Group is unable to establish commercial arrangements or, following negotiations with the relevant partners, terminates an agreement, no assurance can be given that the Group will be able to pursue the development and commercialisation of the respective product in certain territories.

Disruption of product supply

The Group currently has a single source of supply for both Alkindi® and Chronocort® capsules. The Group aims to maintain sufficient stocks of both commercial and clinical material such that it would be able to transfer manufacturing in the event of disruption to product supply. The Group also maintains business interruption insurance to cover increased costs of working arising from losses of product. However, should the Group be affected by a disruption of product supply, it could affect the Group's business, financial condition, and results of operations.

Distribution of products

The Group has implemented a supply chain that is entirely within the EU to minimise customs, duty and VAT risks arising from the movement of goods. Future trading arrangements between the UK and EU could disrupt product supply, impacting future sales of Alkindi® in the UK, or lead to increased costs resulting from duties. The Group is continuously assessing ways of mitigating potential disruption for shipping goods into the UK following its planned departure from the EU.

Intellectual property

The Group relies upon a combination of patents (a number of which are in application stage), trade secrets and confidentiality agreements to protect the intellectual property related to its technologies and product candidates in addition to the exclusivity that has been obtained for Alkindi® and may be obtained for some of the Group's product candidates with regulatory Orphan Drug Status or, where applicable, a PUMA, subject to the Group obtaining regulatory approval in respect of its relevant product candidates in advance of third parties doing so in respect of similar product candidates with regulatory Orphan Drug Designation. The Group's success depends in large part on its ability to obtain and maintain patent and other intellectual property protection in the United Kingdom, Europe, the United States and in other countries with respect to its proprietary technology and product candidates.

Further, there can be no assurance that others have not developed or will not develop similar products, duplicate any of the Group's products or design around any patents held by the Group. Others may hold or receive patents which contain claims having a scope that covers products developed by the Group (whether or not patents are held by or issued to the Group). No assurance can be given that others will not independently develop or otherwise acquire substantial equivalent techniques or otherwise gain access to the Group's unpatented proprietary technology or disclose such technology or that the Group can ultimately protect meaningful rights to such unpatented proprietary technology.

Technology and products

For the Group to meet its objectives, continued research and development of additional technologies and products will be required. There can be no assurance that any of the Group's targeted developments will be successful. The Group may encounter delays and incur additional development and production costs and expenses, over and above those expected by the Directors, to develop technologies and product candidates suitable for commercialisation. If the Group's development programme is curtailed due to any of the above issues, this could have a material adverse effect on the Group's business, financial condition, and results of operations.

Product development and commercialisation timelines

Product development and commercialisation timelines for new products and expansion of approved products into new territories are at risk of delay, particularly since it is not always possible to predict the rate of patient recruitment into clinical trials, the timelines of regulatory feedback and approval or the timelines or outcome of pricing decisions. There is a risk therefore that product development could take longer than presently expected by the Directors; if such delays occur the Group may require further working capital. The Directors seek to minimise the risk of delays by careful management of projects.

Loss-making

The Group is currently loss making and the funds raised pursuant to the Placing and Open Offer are not envisaged by the Directors to be sufficient to fund the Group through to break even or to expected Chronocort European marketing approval. There can be no guarantee that the Group can raise sufficient funding to continue operations as currently envisaged on terms that are acceptable to Shareholders or at all.

Competition

It is possible that another company might develop rival products that prove to be superior or more cost effective than those being developed by the Group or that are approved prior to the Group's products.

Dependence on key executives and personnel

The Group's future development and prospects depend to a significant degree on the experience, performance and continued service of its senior management team, including the Directors. The Group has entered into contractual arrangements with these individuals (including non-compete and non-solicitation restrictive covenants and confidentiality restrictions) to secure the services of each of them. Retention of these services or the identification of suitable replacements, however, cannot be guaranteed. The loss of the services of any of the Directors or other members of the senior management team and the costs of recruiting replacements may have a material adverse effect on the Group and its commercial and financial performance and reduce the value of an investment in the Ordinary Shares.

Management of growth

The ability of the Group to implement its strategy requires effective planning and management control systems. The Group's growth plans may place a significant strain on its management and operational, financial and personnel resource. Therefore, the Group's future growth and prospects will depend on its ability to manage this growth. The Group's objectives may not be fulfilled. There can be no guarantee that the Group will achieve the level of success that the Board expects.

Trading risks

There is a risk that if all or a significant part of the Group's business underperforms, the proposed investment programme may need to be reduced or curtailed accordingly, despite the funding from the Placing and the Open Offer. Current trading remains volatile and there are risks as well as opportunities across all the sectors in which the Group operates.

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

The Group may be adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors, in the areas in which the Group operates and conducts its principal activities, which are currently in the United Kingdom.

Maintenance of qualifying EIS/VCT status

The Company received advance assurance in February 2019 from HMRC that it is a qualifying company for the purposes of the Enterprise Investment Scheme.

Neither the Company, the Directors nor the Company's advisers give any warranty, representation or undertaking that any investment in the Company by way of Placing Shares or Open Offer Shares will remain a qualifying investment for EIS purposes. Investors must take and rely on their own professional advice. Investors should also be aware that due to a recent repurchase of its own shares by the Company, EIS deferral relief may not be available in respect of the Placing Shares or Open Offer Shares. If the Company carries on activities beyond those disclosed to HMRC, then EIS investors may cease to qualify for the tax benefits.

Taxation risk

Any change in the Company's tax status or in taxation legislation or its interpretation, could affect the Company's ability to provide returns to Shareholders and/or alter the post-tax returns to Shareholders.

Statements in this document concerning the taxation of the Company and its investors are based upon current tax law and practice which is subject to change.

2. Risk factors associated with the Capital Raising and the New Ordinary Shares

It may be difficult to realise an investment on AIM. The market price of the Ordinary Shares may fluctuate widely in response to different factors.

The New Ordinary Shares will be traded on AIM rather than listed on the Official List of the UK Listing Authority. The AIM Rules are less demanding than those of the Official List of the UK Listing Authority and an investment in a share that is traded on AIM may carry a higher risk than an investment in shares listed on the Official List of the UK Listing Authority. The share price of publicly traded companies can be highly volatile.

It may be more difficult for an investor to realise his or her investment in the Company than to realise an investment in a company whose shares or other securities are listed on the Official List or other similar stock exchange. Shares traded on AIM are perceived to involve higher risks. AIM has been in existence since 1995 and is a market designed for small and growing companies but its future success and liquidity as a market for the Ordinary Shares cannot be guaranteed.

The price at which the Ordinary Shares are traded and the price at which investors may realise their investment are influenced by a large number of factors, some specific to the Group and its operations and some which may affect quoted companies generally. Admission to AIM does not imply that there will be a liquid market for the Ordinary Shares. Consequently, the price of Ordinary Shares may be subject to fluctuation on small volumes of shares, and the Ordinary Shares may be difficult to sell at a particular price.

The investment offered in this circular may not be suitable for all of its recipients. Investors are accordingly advised to consult an investment adviser, who is authorised under FSMA and who or which specialises in investments of this kind before making a decision to invest.

Split Admission for EIS/VCT Shares and non EIS/VCT Shares

To claim Income Tax relief under the EIS or VCT, specific details are required in respect of each investment, which includes the date of issue of shares and the annual investment limit of the Company. As such, the HMRC will require the New Ordinary Shares claiming EIS Relief or VCT Relief to be issued and admitted to trading on AIM separately from non-EIS/VCT Shares. Shareholders should note that it is possible that EIS/VCT Admission occurs but that General Admission does not. If General Admission does not occur then the Company will not receive the relevant net proceeds in respect of the issue of the General Open Offer Shares and the Company may not be able to finance the activities referred to in this document.

To the extent that Shareholders do not take up their entitlement to Open Offer Shares, their proportionate ownership and voting interest in the Company will be reduced. In addition, Shareholders' proportionate ownership and voting will be further reduced pursuant to the Capital Raising and to the extent Open Offer Shares are issued pursuant to the Excess Application Facility.

The risks above do not necessarily comprise all those faced by the Company and are not intended to be presented in any assumed order of priority.

PART 3

TERMS AND CONDITIONS OF THE OPEN OFFER

1. Introduction

- 1.1. As explained in the letter from the Chairman set out in Part 1 of this document, the Company has conditionally raised approximately £5.35 million (approximately £4.99 million net of expenses) by way of the Placing and is proposing to raise up to approximately £1.00 million from the offer of the Open Offer Shares at the Issue Price to Qualifying Shareholders under the Open Offer, assuming full take up of the Open Offer.
- 1.2. The purpose of this Part 3 is to set out the terms and conditions of the Open Offer. Up to 3,857,617 Open Offer Shares will be issued through the Open Offer. Qualifying Shareholders are being offered the right to subscribe for Open Offer Shares in accordance with the terms of the Open Offer. The Open Offer has not been underwritten.
- 1.3. The Record Date for entitlements under the Open Offer for Qualifying Shareholders is expected to be 6.00 p.m. on 22 May 2019.
- 1.4. Subject to availability, the Excess Application Facility will enable Qualifying Shareholders to apply for Excess Shares. Further details in relation to the Excess Application Facility are set out in Part 4 “Questions and Answers about the Open Offer” in this document and the Application Form.
- 1.5. This document and, where relevant, the Application Form contain the formal terms and conditions of the Open Offer. Your attention is drawn to paragraph 4 of this Part 3 “Terms and Conditions of the Open Offer” which gives details of the procedure for application and payment for the Open Offer Shares and any Excess Shares applied for pursuant to the Excess Application Facility.
- 1.6. The Open Offer Shares will, when issued and fully paid, rank equally in all respects with Existing Ordinary Shares, including the right to receive all dividends or other distributions made, paid or declared, if any, by reference to a record date after the date of their issue.
- 1.7. Any Qualifying Shareholder who has sold or transferred all or part of his/her registered holding(s) of Ordinary Shares prior to the Ex-entitlement Date is advised to consult his or her stockbroker, bank or other agent through or to whom the sale or transfer was effected as soon as possible since the invitation to apply for Open Offer Shares under the Open Offer may be a benefit which may be claimed from him/her by the purchasers under the rules of the London Stock Exchange.

2. The Open Offer

- 2.1. Subject to the terms and conditions set out below and paragraph 5 of Part 1 of this document and, where relevant, in the Application Form, Qualifying Shareholders are being given the opportunity under the Open Offer to subscribe for Open Offer Shares at the Issue Price, payable in full on application. The Issue Price represents a discount of 16.1 per cent. to the closing middle market price of 31 pence per Existing Ordinary Share on 24 May 2019 (being the last practicable date before publication of this document). The Open Offer is conditional on, inter alia, completion of the Placing and the passing of all of the Resolutions at the General Meeting.
- 2.2. Qualifying Shareholders have basic entitlements of:

1 Open Offer Share for every 16 Existing Ordinary Shares

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

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

- 2.4. If you are a Qualifying Non-CREST Holder, you will have received an Application Form which gives details of your entitlements under the Open Offer (as shown by the number of Open Offer Entitlements allocated to you). If you wish to apply for the number of Open Offer Shares you are entitled to under the Open Offer (as shown by the number of Open Offer Entitlements allocated to you) or more or less Open Offer Shares than you are entitled to under the Open Offer or any EIS/VCT Shares under the Open Offer, you should complete the enclosed Application Form in accordance with the procedure for application set out in paragraph 4.5 of Part 3 of this document and on the Application Form itself.
- 2.5. If you hold your Existing Ordinary Shares in CREST, no Application Form is enclosed and you will receive a credit of Open Offer Entitlements and Excess CREST Open Offer Entitlements to your CREST stock account. Please refer to paragraph 4.6 and paragraphs 5 to 12 of this Part 3 and also to the CREST Manual for further information on the CREST procedures referred to below.
- 2.6. If you are electing for EIS Relief or VCT Relief and your existing Ordinary Shares are registered in a single name, then the Company will use the same information to supply to HMRC. If your Ordinary Shares are registered in joint names or a nominee name, you or the nominee, will need to notify the Company at eis@diurnal.co.uk by no later than 28 June 2019 of the registration details required for all of the underlying beneficial holders who wish to receive the EIS tax certificate for use in their tax return along with your contact details. Failure to supply the EIS registration information by the cut-off date will result in no application being made to HMRC for Tax relief on your subscription.
- 2.7. Subject to availability, the Excess Application Facility will enable Qualifying Shareholders, provided they have taken up their Open Offer Entitlement in full, to apply for further Open Offer Shares in excess of their Open Offer Entitlement. Further details in relation to the Excess Application Facility are set out in paragraph 4 of this Part 3 and in Part 4 “Questions and Answers about the Open Offer” and, where relevant, the Application Form.
- 2.8. If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of Open Offer Entitlements and Excess CREST Open Offer Entitlements, such applications may be allocated in such manner as the Directors may determine in their absolute discretion and no assurance can be given that excess applications by Qualifying Shareholders will be met in full or at all.
- 2.9. Please refer to paragraph 4 of this Part 3 “Terms and Conditions of the Open Offer” for further details of the Excess Application Facility.
- 2.10. **Qualifying Shareholders should be aware that the Open Offer is not a rights issue. Qualifying CREST Holders should note that although the Open Offer Entitlements and Excess CREST Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of entitlements under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim raised by Euroclear’s Claims Processing Unit. Qualifying Non-CREST Holders should note that their respective Application Forms are not negotiable documents and cannot be traded. Open Offer Shares not applied for under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer. Any Open Offer Shares which are not applied for by Qualifying Shareholders under the Open Offer will not be issued by the Company as the Open Offer is not underwritten.**
- 2.11. **The attention of Overseas Shareholders is drawn to paragraph 7 of this Part 3.**
- 2.12. Existing Ordinary Shares are admitted to trading on AIM. Application will be made for the Open Offer Shares to be admitted to trading on AIM. It is expected that:
- (a) EIS/VCT Admission will become effective and that dealings in the EIS/VCT Open Offer Shares will commence at 8.00 a.m. on 17 June 2019.
 - (b) General Admission will become effective and that dealings in the General Open Offer Shares subscribed for will commence at 8.00 a.m. on 18 June 2019.

- 2.13. The Existing Ordinary Shares are already admitted to CREST. No further application for admission to CREST is accordingly required for the Open Offer Shares; all of such Open Offer Shares, when issued and fully paid, may be held and transferred by means of CREST.
- 2.14. The Open Offer Shares are not being made available in whole or in part to the public except under the terms of the Open Offer.

3. Conditions and further terms of the Open Offer

- 3.1. The EIS/VCT Open Offer is conditional on the EIS/VCT Placing becoming or being declared unconditional in all respects (save for the condition relating to EIS/VCT Admission) and not being terminated before EIS/VCT Admission. The other principal conditions to the EIS/VCT Open Offer are:

- (a) the passing of all of the Resolutions at the General Meeting;
- (b) the Placing and Open Offer Agreement having become or being declared unconditional (save for the condition relating to EIS/VCT Admission) and not having been terminated before EIS/VCT Admission; and
- (c) EIS/VCT Admission becoming effective by no later than 8.00 a.m. on 17 June 2019 (or such later time and/or date (being not later than 8.00 a.m. on 28 June 2019) as the Company, Panmure Gordon and Cantor Fitzgerald may agree).

Accordingly, if those conditions are not satisfied or waived (where capable of waiver), the EIS/VCT Open Offer will not proceed and the EIS/VCT Open Offer Shares will not be issued and all monies received by Link Asset Services in respect of the EIS/VCT Open Offer will be returned to the applicants (at the applicants' risk and without interest) as soon as possible thereafter and any Open Offer Entitlements and Excess CREST Open Offer Entitlements in relation to EIS/VCT Open Offer Shares admitted to CREST will thereafter be disabled. In this circumstance, the Company will not receive the relevant net proceeds in respect of the issue of the EIS/VCT Open Offer Shares and monies paid by Qualifying Shareholders in respect of subscriptions for EIS/VCT Open Offer Shares will be returned.

The General Open Offer is conditional on the General Placing becoming or being declared unconditional in all respects (save for the condition relating to General Admission) and not being terminated before General Admission. The other principal conditions to the General Open Offer are:

- (a) the passing of all of the Resolutions at the General Meeting;
- (b) the Placing and Open Offer Agreement having become or being declared unconditional (save for the condition relating to General Admission) and not having been terminated before General Admission;
- (c) the EIS/VCT Open Offer becoming unconditional in all respects; and
- (d) General Admission becoming effective by no later than 8.00 a.m. on 18 June 2019 (or such later time and/or date (being not later than 8.00 a.m. on 28 June 2019) as the Company, Panmure Gordon and Cantor Fitzgerald may agree).

Accordingly, if those conditions are not satisfied or waived (where capable of waiver), the General Open Offer will not proceed and the General Open Offer Shares will not be issued and all monies received by Link Asset Services in respect of the General Open Offer will be returned to the applicants (at the applicants' risk and without interest) as soon as possible thereafter and any Open Offer Entitlements and Excess CREST Open Offer Entitlements in relation to General Open Offer Shares admitted to CREST will thereafter be disabled. In this circumstance, the Company will not receive the relevant net proceeds in respect of the issue of the General Open Offer Shares and monies paid by Qualifying Shareholders in respect of subscriptions for General Open Offer Shares will be returned.

Shareholders should note that it is possible that EIS/VCT Admission occurs but that General Admission does not. If General Admission does not occur then the Company will not receive the

relevant net proceeds in respect of the issue of the General Open Offer Shares and the Company may not be able to finance the activities referred to in this document. No temporary documents of title will be issued in respect of Open Offer Shares.

- 3.2. Definitive certificates in respect of Open Offer Shares taken up are expected to be posted to those Qualifying Shareholders who have validly elected to hold their Open Offer Shares in certificated form within 14 days after allotment.
- 3.3. In respect of those Qualifying Shareholders who have validly elected to hold their Open Offer Shares in uncertificated form, Open Offer Shares are expected to be credited to their stock accounts maintained in CREST within 14 days after allotment.
- 3.4. If for any reason it becomes necessary to adjust the expected timetable as set out in this document, the Company will notify the London Stock Exchange and make an appropriate announcement to a Regulatory Information Service giving details of the revised dates.

4. Procedure for application and payment

- 4.1. The action to be taken by a Qualifying Shareholder in respect of the Open Offer depends on whether, at the relevant time, he has an Application Form in respect of his entitlement under the Open Offer or Open Offer Entitlements and Excess Open Offer Entitlements credited to his CREST stock account in respect of such entitlement.
- 4.2. Qualifying Shareholders who hold their Existing Ordinary Shares in certificated form will be allotted Open Offer Shares in certificated form. Qualifying Shareholders who hold all or part of their Existing Ordinary Shares in uncertificated form will be allotted Open Offer Shares in uncertificated form to the extent that their entitlement to Open Offer Shares arises as a result of holding Existing Ordinary Shares in uncertificated form. However, it will be possible for Qualifying Shareholders to deposit entitlements into, and withdraw them from, CREST. Further information on deposit and withdrawal from CREST is set out in paragraph 4.6(i) of this Part 3.
- 4.3. CREST sponsored members should refer to their CREST sponsor, as only their CREST sponsor will be able to take the necessary action specified below to apply under the Open Offer in respect of the Open Offer Entitlements and Excess CREST Open Offer Entitlements of such members held in CREST. CREST members who wish to apply under the Open Offer in respect of their Open Offer Entitlements and Excess CREST Open Offer Entitlements in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below.
- 4.4. Qualifying Shareholders who do not want to apply for the Open Offer Shares under the Open Offer should take no action and should not complete or return the Application Form or send a USE message through CREST.
- 4.5. **If you have an Application Form in respect of your entitlement under the Open Offer:**
 - (a) *General*
 - (i) Subject to paragraph 7 of Part 3 “Terms and Conditions of the Open Offer” in relation to Overseas Shareholders, all Qualifying Non-CREST Holders will receive an Application Form. The Application Form shows the number of Existing Ordinary Shares registered in their name on the Record Date in Box 8. It also shows the Open Offer Entitlement allocated to them set out in Box 9. Entitlements to Open Offer Shares are rounded down to the nearest whole number and any fractional entitlements to Open Offer Shares will be aggregated and made available under the Excess Application Facility. Box 10 shows how much Qualifying Shareholders would need to pay if they wish to take up their Open Offer Entitlement in full. Qualifying Shareholders may apply for less than their entitlement should they wish to do so.
 - (ii) Qualifying Shareholders may apply for more than the amount of their Open Offer Entitlement under the Excess Application Facility should they wish to do so, provided that they have agreed to take up their Open Offer Entitlement in full. The Excess Application Facility enables Qualifying Shareholders to apply for Excess Shares. The Excess Shares may be allocated in such manner as the Directors may

determine in their absolute discretion and no assurance can be given that excess applications by Qualifying Shareholders will be met in full or in part or at all.

- (iii) Qualifying Shareholders who wish to seek EIS Relief or VCT Relief in respect of the Open Offer Shares and/or Excess Shares for which they are applying should insert in Box 6 of the Application Form the number of Open Offer Shares in respect of which they intend to seek such relief. Return of the Application Form will constitute an undertaking by the applicant not to seek EIS Relief or VCT Relief except upon the number of New Ordinary Shares stated in Box 6 or such lesser number as results from the Board allocation as provided below.
 - (iv) If the total number of Open Offer Shares for which Qualifying Shareholders seek EIS Relief exceeds the total number of EIS/VCT Open Offer Shares, the Board will allocate the available EIS/VCT Shares amongst Qualifying Shareholders on such basis as it considers in its absolute discretion to be fair and reasonable.
 - (v) Qualifying Shareholders may elect for their application to be cancelled in respect of any Open Offer Shares which, as a result of the Board's allocation, will not be eligible for EIS Relief or VCT Relief by circling the word "Yes" in Box 7 of the Application Form. Monies received in relation to such Open Offer Shares will be returned (at the applicant's sole risk), without payment of interest, to such Qualifying Shareholders as soon as practicable following Admission.
 - (vi) The Company will only claim EIS Relief on any Open Offer Shares for individual subscription amounts, after any scale back, of approximately £2,000, being 7,692 Open Offer Shares, or more.
 - (vii) The instructions and other terms set out in the Application Form form part of the terms of the Open Offer.
- (b) *Bona fide market claims*
- (i) Applications to acquire Open Offer Shares may only be made on the Application Form and may only be made by the Qualifying Shareholder named in it or by a person entitled by virtue of a *bona fide* market claim in relation to a purchase of Existing Ordinary Shares through the market prior to the date upon which the Existing Ordinary Shares were marked "ex" the entitlement to participate in the Open Offer. Application Forms may not be sold, assigned, transferred or split, except to satisfy *bona fide* market claims up to 3.00 p.m. on 11 June 2019. The Application Form is not a negotiable document and cannot be separately traded. A Qualifying Shareholder who has sold or otherwise transferred all or part of his holding of Existing Ordinary Shares prior to the date upon which the Existing Ordinary Shares were marked "ex" the entitlement to participate in the Open Offer, should contact his broker or other professional adviser authorised under FSMA through whom the sale or purchase was effected as soon as possible, as the invitation to acquire Open Offer Shares under the Open Offer may be a benefit which may be claimed by the purchaser(s) or transferee(s).
 - (ii) Qualifying Shareholders who have sold all or part of their registered holding should, complete Box 12 on the Application Form and immediately send it to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. The Application Form should not, however be forwarded to or transmitted in or into the United States of America, any Restricted Jurisdiction, nor in or into any other jurisdiction where the extension of the Open Offer would breach any applicable law or regulation. If the market claim is to be settled outside CREST, the beneficiary of the claim should follow the procedures set out in the accompanying Application Form.
- (c) *Application procedures*
- (i) Qualifying Shareholders wishing to apply to acquire Open Offer Shares (whether in respect of all or part of their Open Offer Entitlement or in addition to their Open Offer

Entitlement under the Excess Application Facility) should complete the Application Form in accordance with the instructions printed on it. Qualifying Shareholders may only apply for Excess Shares if they have agreed to take up their Open Offer Entitlements in full. The Excess Shares may be allocated in such manner as the Directors may determine in their absolute discretion and no assurance can be given that excess applications by Qualifying Shareholders will be met in full or in part or at all.

- (ii) Completed Application Forms should be posted to Link Asset Services at Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, or returned by hand (during normal business hours only) so as to be received by Link Asset Services by no later than 11.00 a.m. on 13 June 2019. The Company reserves the right to treat any application not strictly complying with the terms and conditions of application as nevertheless valid. The Company further reserves the right (but shall not be obliged) to accept either Application Forms or remittances received after 11.00 a.m. on 13 June 2019. Qualifying Shareholders should note that applications, once made, will be irrevocable and receipt thereof will not be acknowledged. Multiple applications will not be accepted. If an Application Form is being sent by first-class post in the UK, Qualifying Shareholders are recommended to allow at least four Business Days for delivery.
 - (iii) The Company may in its sole discretion, but shall not be obliged to, treat an Application Form as valid and binding on the person by whom or on whose behalf it is lodged, even if not completed in accordance with the relevant instructions or not accompanied by a valid power of attorney where required, or if it otherwise does not strictly comply with the terms and conditions of the Open Offer. The Company further reserves the right (but shall not be obliged) to accept either:
 - (1) Application Forms received after 11.00 a.m. on 13 June 2019; or
 - (2) applications in respect of which remittances are received before 11.00 a.m. on 13 June 2019 from authorised persons (as defined in FSMA) specifying the Open Offer Shares applied for and undertaking to lodge the Application Form in due course but, in any event, within two Business Days.
 - (iv) All documents and remittances sent by post by, to, from or on behalf of an applicant (or as the applicant may direct) will be sent entirely at the applicant's own risk.
- (d) *Payments*
- (i) All payments must be in pounds sterling and made by cheque or banker's draft made payable to Link Market Services Ltd re: Diurnal Group plc Open Offer 2019 A/C. Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner and must be for the full amount payable on application. Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque or draft to confirm that the relevant Qualifying Shareholder has title to the underlying funds. The account name should be the same as that shown on the application. Post-dated cheques will not be accepted.
 - (ii) Cheques or banker's drafts will be presented for payment upon receipt. The Company reserves the right to instruct Link Asset Services to seek special clearance of cheques and banker's drafts to allow the Company to obtain value for remittances at the earliest opportunity (and withhold definitive share certificates (or crediting to the relevant member account, as applicable) pending clearance thereof). No interest will be paid on payments made before they are due. It is a term

of the Open Offer that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted.

- (iii) If the Open Offer does not become unconditional, no Open Offer Shares will be issued and all monies will be returned (at the applicant's sole risk), without payment of interest, to applicants as soon as practicable, but within 14 days, following the lapse of the Open Offer.
- (iv) If Open Offer Shares have already been allotted to a Qualifying Shareholder and such Qualifying Shareholder's cheque or banker's draft is not honoured upon first presentation or such Qualifying Shareholder's application is subsequently otherwise deemed to be invalid, Link Asset Services shall be authorised (in its absolute discretion as to manner, timing and terms) to make arrangements, on behalf of the Company, for the sale of such Qualifying Shareholder's Open Offer Shares and for the proceeds of sale (which for these purposes shall be deemed to be payments in respect of successful applications) to be paid to and retained by the Company. None of Link Asset Services, Panmure Gordon, Cantor Fitzgerald or the Company nor any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by such Qualifying Shareholders.

(e) *Incorrect Sums*

- (i) If an Application Form encloses a payment for an incorrect sum, the Company through Link Asset Services reserves the right:
 - (1) to reject the application in full and return the cheque or banker's draft or refund the payment to the Qualifying Shareholder in question; or
 - (2) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Open Offer Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the Qualifying Shareholder in question, save that any sums of less than £1 will be retained for the benefit of the Company; or
 - (3) in the case that an excess sum is paid, to treat the application as a valid application for all of the Open Offer Shares referred to in the Application Form, refunding any unutilised sums to the Qualifying Shareholder in question, save that any sums of less than £1 will be retained for the benefit of the Company.
- (ii) All monies received by Link Asset Services in respect of Open Offer Shares will be held in a separate account.

(f) *The Excess Application Facility*

- (i) Provided they choose to take up their Open Offer Entitlement in full, the Excess Application Facility enables a Qualifying Shareholder to apply for Open Offer Shares in excess of their Open Offer Entitlement. The Excess Application Facility enables Qualifying Shareholders to apply for Excess Shares up to the maximum number of Open Offer Shares available.
- (ii) If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of Open Offer Entitlements and Excess CREST Open Offer Entitlements, the Excess Shares may be allocated in such manner as the Directors may determine in their absolute discretion and no assurance can be given that excess applications by Qualifying Shareholders will be met in full or in part or at all. Qualifying Shareholders who wish to apply for Excess Shares must complete the Application Form in accordance with the instructions set out on the Application Form.

- (iii) If the Open Offer becomes unconditional and applications for Excess Shares exceed the Excess Shares available, resulting in a scale back of applications, each Qualifying Shareholder who has made a valid application for Excess Shares and from whom payment in full for the Excess Shares has been received will receive a pounds sterling amount equal to the number of Excess Shares applied and paid for but not allocated to the relevant Qualifying Shareholder multiplied by the Issue Price. In such case, monies will be returned as soon as reasonably practicable, without payment of interest and at the applicant's sole risk.
- (g) *Effect of application*
- (i) All documents and remittances sent by post by, to, from, or on behalf of or to an applicant (or as the applicant may direct) will be sent entirely at the applicant's own risk. By completing and delivering an Application Form the applicant:
 - (1) represents and warrants to the Company, Panmure Gordon and Cantor Fitzgerald that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his rights, and perform his obligations under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
 - (2) agrees with the Company, Panmure Gordon and Cantor Fitzgerald that all applications under the Open Offer and contracts resulting therefrom, and any non-contractual obligations related thereto, shall be governed by and construed in accordance with the laws of England;
 - (3) confirms to the Company, Panmure Gordon and Cantor Fitzgerald that in making the application he is not relying on any information or representation in relation to the Company other than that contained in this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this document, he will be deemed to have had notice of all information in relation to the Company contained in this document (including information incorporated by reference);
 - (4) represents and warrants to the Company, Panmure Gordon and Cantor Fitzgerald that he is the Qualifying Shareholder originally entitled to the Open Offer Entitlement;
 - (5) represents and warrants to the Company, Panmure Gordon and Cantor Fitzgerald that if he has received some or all of his Open Offer Entitlement from a person other than the Company he is entitled to apply under the Open Offer in relation to such Open Offer Entitlements by virtue of a *bona fide* market claim;
 - (6) requests that the Open Offer Shares to which he will become entitled shall be issued to him on the terms set out in this document and the Application Form;
 - (7) represents and warrants to the Company, Panmure Gordon and Cantor Fitzgerald that he is not, nor is he applying on behalf of any person who is, in the United States or is a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws of the United States of America, any Restricted Jurisdiction or any other jurisdiction in which the application for Open Offer Shares is prevented by law and he is not applying with a view to re-offering, re-selling, transferring or delivering any of the Open Offer Shares which are the subject of this application to or for the benefit of a shareholder who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of the

United States of America, any Restricted Jurisdiction or any other jurisdiction in which the application for Open Offer Shares is prevented by law (except where proof satisfactory to the Company has been provided to the Company that application in the United States or to, or for the benefit of, a person who he is able to accept the invitation by the Company free of any requirement which it (in its absolute discretion) regards as unduly burdensome), nor acting on behalf of any such person on a non-discretionary basis nor (a) person(s) otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer;

- (8) represents and warrants to the Company, Panmure Gordon and Cantor Fitzgerald that he is not, and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to the increased rates referred to in sections 67, 70, 93 or 96 (depository receipts and clearance services) of the Finance Act 1986; and
- (9) confirms that in making the application he is not relying and has not relied on the Company, Panmure Gordon and Cantor Fitzgerald or any person affiliated with the Company or Panmure Gordon or Cantor Fitzgerald in connection with any investigation of the accuracy of any information contained in this document or his investment decision.

- (ii) All enquiries in connection with the procedure for application and completion of the Application Form should be addressed to Link Asset Services at Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or on +44 (0)371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes. Please note Link Asset Services cannot provide advice on the merits of the Open Offer or as to whether applicants should take up their Open Offer Entitlements or give any financial, legal or tax advice.

4.6. If you have Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to your stock account in CREST in respect of your entitlements under the Open Offer:

(a) General

- (i) Subject as provided in paragraph 7 of this Part 3 in relation to certain Overseas Shareholders, each Qualifying CREST Holder will receive a credit to his stock account in CREST of his Open Offer Entitlements and Excess CREST Open Offer Entitlements equal to the number of Open Offer Shares for which he is entitled to apply under the Open Offer. A Qualifying CREST Holder may apply for more or less Open Offer Shares than he is entitled to should he wish to do so. If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take-up of Open Offer Entitlements and Excess Open Offer Entitlements, such applications will be scaled back by the Board on the basis as it reasonably considers to be appropriate.
- (ii) The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Existing Ordinary Shares held on the Record Date by the Qualifying CREST Holder in respect of which the Open Offer Entitlements and Excess CREST Open Offer Entitlements have been allocated.
- (iii) If for any reason the Open Offer Entitlements cannot be admitted to CREST by, or the stock accounts of Qualifying CREST Holders cannot be credited by 3.00 p.m. or such later time as the Company may decide on 28 May 2019, an Application Form will be sent out to each Qualifying CREST Holder in substitution for the Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to his stock

account in CREST. In these circumstances the expected timetable as set out in this document will be adjusted as appropriate and the provisions of this document applicable to Qualifying Non-CREST Holders with Application Forms will apply to Qualifying CREST Holders who receive Application Forms.

- (iv) CREST members who wish to apply for some, all or more than their entitlements to Open Offer Shares should refer to the CREST Manual for further information on the CREST procedures referred to below. Should you need advice with regard to these procedures, please contact Link Asset Services using the contact details set out in paragraph (c)(ii) below. If you are a CREST sponsored member you should consult your CREST sponsor if you wish to apply for Open Offer Shares as only your CREST sponsor will be able to take the necessary action to make this application in CREST.

(b) *Market claims*

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

(c) *Excess Application Facility*

- (i) Qualifying CREST Holders at the Record Date who wish to make applications for additional Open Offer Shares (in excess of their basic entitlement) should follow the instructions below for submitting a USE (as defined below) in respect of the Excess Application Facility.
- (ii) All enquiries in connection with the procedure for application and completion of the Application Form should be addressed to Link Asset Services at Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or on +44 (0)371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes. Please note Link Asset Services cannot provide advice on the merits of the Open Offer or as to whether applicants should take up their Open Offer Entitlements and Excess CREST Open Offer Entitlements or give any financial, legal or tax advice.

(d) *USE Instructions*

- (i) CREST members who wish to apply for Open Offer Shares in respect of some, all or more than their Open Offer Entitlements in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) an Unmatched Stock Event (“USE”) instruction to Euroclear which, on its settlement, will have the following effect:
 - (1) the crediting of a stock account of the Registrar under the participant ID and member account ID specified below, with a number of Open Offer Entitlements and number of shares applied for under the Excess Application Facility corresponding to the number of Open Offer Shares applied for; and
 - (2) the creation of a CREST payment, in accordance with the CREST payment arrangements, in favour of the payment bank of the Registrar in respect of the amount specified in the USE instruction which must be the full amount

payable on application for the number of Open Offer Shares referred to in (1) above.

- (e) *Content of USE Instructions in respect of non-EIS/VCT Share Open Offer Entitlements*
- (i) The USE instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:
- (1) the number of Open Offer Shares for which application is being made (and hence the number of the Open Offer Entitlement(s) being delivered to the Registrar);
 - (2) the ISIN of the Open Offer Entitlement. This is GB00BK0RCF97;
 - (3) the CREST participant ID of the accepting CREST member;
 - (4) the CREST member account ID of the accepting CREST member from which the Open Offer Entitlements are to be debited;
 - (5) the participant ID of the Registrar, in its capacity as a CREST receiving agent. This is 7RA33;
 - (6) the member account ID of the Registrar, in its capacity as a CREST receiving agent. This is 20185DIU;
 - (7) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in (1) above;
 - (8) the intended settlement date. This must be on or before 11.00 a.m. on 13 June 2019; and
 - (9) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.
- (ii) In order for an application under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 13 June 2019.
- (iii) In order to assist prompt settlement of the USE instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE instruction:
- (1) a contact name and telephone number (in the free format shared note field); and
 - (2) a priority of at least 80.
- (iv) In the event that the Open Offer does not become unconditional by 8.00 a.m. on 18 June 2019 or such later time and date as the Company may determine (being no later than 8.00 a.m. on 28 June 2019), the Open Offer will lapse, the Open Offer Entitlements and Excess CREST Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a Qualifying CREST Holder by way of a CREST payment, without interest, within 14 days thereafter. The interest earned on such monies will be retained for the benefit of the Company.

- (f) *Content of USE Instructions in respect of the non-EIS/VCT Share Excess Application Facility*
- (i) The USE instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:
 - (1) the number of Excess Shares for which application is being made (and hence the number of the Excess CREST Open Offer Entitlement(s) being delivered to the Registrar);
 - (2) the ISIN of the Excess Application Facility. This is GB00BK0VF187;
 - (3) the participant ID of the accepting CREST member;
 - (4) the CREST member account ID of the accepting CREST member from which the Excess CREST Open Offer Entitlements are to be debited;
 - (5) the participant ID of the Registrar, in its capacity as a CREST receiving agent. This is 7RA33;
 - (6) the member account ID of the Registrar, in its capacity as a CREST receiving agent. This is 20185DIU;
 - (7) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in paragraph (1) above;
 - (8) the intended settlement date. This must be on or before 11.00 a.m. on 13 June 2019; and
 - (9) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.
 - (ii) In order for an application under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 13 June 2019.
 - (iii) In order to assist prompt settlement of the USE instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE instruction:
 - (1) a contact name and telephone number (in the free format shared note field); and
 - (2) a priority of at least 80.
 - (iv) In the event that the Open Offer does not become unconditional by 8.00 a.m. on or about 18 June 2019 or such later time and date as the Company may, in its absolute discretion, elect (being no later than 8.00 a.m. on 28 June 2019), the Open Offer will lapse, the Open Offer Entitlements and Excess CREST Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a Qualifying CREST Holder by way of a CREST payment, without interest, within 14 days thereafter. The interest earned on such monies will be retained for the benefit of the Company.
- (g) *Content of USE Instructions for EIS/VCT share Open Offer Entitlements*
- (i) The USE instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:
 - (1) the number of Open Offer Shares for which application is being made (and hence the number of the Open Offer Entitlement(s) being delivered to the Registrar);

- (2) the ISIN of the Open Offer Entitlement. This is GB00BK0RCF97;
 - (3) the CREST participant ID of the accepting CREST member;
 - (4) the CREST member account ID of the accepting CREST member from which the Excess CREST Open Offer Entitlements are to be debited;
 - (5) the participant ID of the Registrar, in its capacity as a CREST receiving agent. This is 7RA33;
 - (6) the member account ID of the Registrar, in its capacity as a CREST receiving agent. This is 20185EIS;
 - (7) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Offer Shares referred to in (1) above;
 - (8) the intended settlement date. This must be on or before 11.00 a.m. on 13 June 2019; and
 - (9) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.
- (ii) In order for an application under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 13 June 2019.
 - (iii) In order to assist prompt settlement of the USE instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE instruction:
 - (1) a contact name and telephone number (in the free format shared note field); and
 - (2) a priority of at least 80.
 - (iv) In the event that the Open Offer does not become unconditional by 8.00 a.m. on 17 June 2019 or such later time and date as the Company may determine (being no later than 8.00 a.m. on 28 June 2019), the Open Offer will lapse, the Open Offer Entitlements and Excess CREST Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a Qualifying CREST Holder by way of a CREST payment, without interest, within 14 days thereafter. The interest earned on such monies will be retained for the benefit of the Company.
- (h) *Content of USE Instructions in respect of EIS/VCT Share Excess Application Facility*
- (i) The USE instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:
 - (1) the number of excess Open Offer Shares for which application is being made (and hence the number of the Excess CREST Open Offer Entitlement(s) being delivered to the Registrar);
 - (2) the ISIN of the Excess Application Facility. This is GB00BK0VF187;
 - (3) the participant ID of the accepting CREST member;
 - (4) the CREST member account ID of the accepting CREST member from which the Excess CREST Open Offer Entitlements are to be debited;
 - (5) the participant ID of the Registrar, in its capacity as a CREST receiving agent. This is 7RA33;

- (6) the member account ID of the Registrar, in its capacity as a CREST receiving agent. This is 20185EIS;
 - (7) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the Full amount payable on application for the number of Offer Shares referred to in paragraph (f)(i)(1) above;
 - (8) the intended settlement date. This must be on or before 11.00 a.m. on 13 June 2019; and
 - (9) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.
- (ii) In order for an application under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 13 June 2019.
 - (iii) In order to assist prompt settlement of the USE instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE instruction:
 - (1) a contact name and telephone number (in the free format shared note field); and
 - (2) a priority of at least 80.
 - (iv) In the event that the Open Offer does not become unconditional by 8.00 a.m. on or about 17 June 2019 or such later time and date as the Company may, in its absolute discretion, elect (being no later than 8.00 a.m. on 28 June 2019), the Open Offer will lapse, the Open Offer Entitlements and Excess CREST Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a Qualifying CREST Holder by way of a CREST payment, without interest, within 14 days thereafter. The interest earned on such monies will be retained for the benefit of the Company.
- (i) *Deposit of Open Offer Entitlements and Excess CREST Open Offer Entitlements into, and withdrawal from, CREST*
 - (i) A Qualifying Non-CREST Holder's entitlement under the Open Offer as shown by the number of Open Offer Entitlements set out in his Application Form may be deposited into CREST (either into the account of the Qualifying Shareholder named in the Application Form or into the name of a person entitled by virtue of a *bona fide* market claim). Similarly, Open Offer Entitlements and Excess CREST Open Offer Entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer is reflected in an Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, subject (in the case of a deposit into CREST) as set out in the Application Form.
 - (ii) A holder of an Application Form who is proposing so to deposit the entitlement set out in such form is recommended to ensure that the deposit procedures are implemented in sufficient time to enable the person holding or acquiring the Open Offer Entitlements following their deposit into CREST to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 13 June 2019.
 - (iii) In particular, having regard to normal processing times in CREST and on the part of the Registrar, the recommended latest time for depositing an Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the entitlement under the Open Offer set out in such Application Form as Open Offer Entitlements in CREST, is 3.00 p.m. on 10 June 2019, and the recommended latest time for receipt by Euroclear of a dematerialised instruction requesting withdrawal of Open Offer Entitlements and Excess CREST Open Offer Entitlements from CREST is 4.30 p.m. on 7 June 2019, in either case so as to enable the person acquiring or (as appropriate) holding the Open Offer Entitlements and Excess

CREST Open Offer Entitlements following the deposit or withdrawal (whether as shown in an Application Form or held in CREST) to take all necessary steps in connection with applying in respect of the Open Offer Entitlements and Excess CREST Open Offer Entitlements prior to 13 June 2019.

- (iv) Delivery of an Application Form with the CREST deposit form duly completed whether in respect of a deposit into the account of the Qualifying Shareholder named in the Application Form or into the name of another person, shall constitute a representation, warranty, covenant, agreement and acknowledgement to the Company and the Registrar by the relevant CREST member(s) that it/they is/are not in breach of the provisions of the notes as set out in the CREST deposit form which forms part of the Application Form, and a declaration to the Company and the Registrar from the relevant CREST member(s) that it/they is/are not citizen(s) or resident(s) of any Restricted Jurisdiction and, where such deposit is made by a beneficiary of a market claim, a representation and warranty that the relevant CREST member(s) is/are entitled to apply under the Open Offer by virtue of a *bona fide* market claim.

(j) *Validity of Application*

A USE instruction complying with the requirements as to authentication and contents set out above which settles by no later than 11.00 a.m. on 13 June 2019 will constitute a valid application under the Open Offer.

(k) *CREST Procedures and Timings*

CREST members and (where applicable) their CREST sponsors should note that Euroclear does not make available special procedures, in CREST, for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE instruction and its settlement in connection with the Open Offer. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above by 11.00 a.m. on 13 June 2019. In this connection CREST members and (where applicable) their CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(l) *Incorrect or Incomplete Applications*

- (i) If a USE instruction includes a CREST payment for an incorrect sum, the Company through the Receiving Agent reserves the right:
 - (1) to reject the application in full and refund the payment to the CREST member in question;
 - (2) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Open Offer Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the CREST member in question; and
 - (3) in the case that an excess sum is paid, to treat the application as a valid application for all the Open Offer Shares referred to in the USE instruction refunding any unutilised sum to the CREST member in question.

(m) *Effect of Valid Application*

- (i) A CREST member who makes or is treated as making a valid application in accordance with the above procedures will thereby:
 - (1) give the representations, warranties, covenants, agreements and acknowledgements set out in paragraph 12 of this Part 3;
 - (2) pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to the

Receiving Agent's payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST member to pay to the Company the amount payable on application); and

- (3) request that the Open Offer Shares to which he will become entitled be issued to him on the terms set out in this document and subject to the Articles.

(n) *Company's discretion as to Rejection and Validity of Applications*

(i) The Company may in its sole discretion:

- (1) treat as valid (and binding on the CREST member concerned) an application which does not comply in all respects with the requirements as to validity set out or referred to in this Part 3;
- (2) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid application in substitution for or in addition to a USE instruction and subject to such further terms and conditions as the Company may determine;
- (3) treat a properly authenticated dematerialised instruction (in this subparagraph the first instruction) as not constituting a valid application if, at the time at which the Registrar receives a properly authenticated dematerialised instruction giving details of the first instruction or, thereafter, either the Company or Registrar have received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) of the Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- (4) accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for settlement of a USE instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to apply for Open Offer Shares by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by the Registrar in connection with CREST.

5. Money Laundering Regulations

- 5.1. To ensure compliance with the Money Laundering Regulations, Link Asset Services may require, at its absolute discretion, verification of the identity of the person by whom or on whose behalf the Application Form is lodged with payment (which requirements are referred to below as the "verification of identity requirements"). If the Application Form is submitted by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of Link Asset Services. In such case, the lodging agent's stamp should be inserted on the Application Form.
- 5.2. The person lodging the Application Form with payment and in accordance with the other terms as described above (the "acceptor"), including any person who appears to Link Asset Services to be acting on behalf of some other person, accepts the Open Offer in respect of such number of Open Offer Shares as is referred to therein (for the purposes of this paragraph 5 the "relevant Open Offer Shares") shall thereby be deemed to agree to provide Link Asset Services with such information and other evidence as they may require to satisfy the verification of identity requirements.

- 5.3. If Link Asset Services determines that the verification of identity requirements apply to any acceptor or application, the relevant Open Offer Shares (notwithstanding any other term of the Open Offer) will not be issued to the relevant acceptor unless and until the verification of identity requirements have been satisfied in respect of that acceptor or application. Link Asset Services is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any acceptor or application and whether such requirements have been satisfied, and neither Link Asset Services nor the Company will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.
- 5.4. If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays in the despatch of share certificates or in crediting CREST accounts. If, within a reasonable time following a request for verification of identity, Link Asset Managers has not received evidence satisfactory to it as aforesaid, the Company may, in its absolute discretion, treat the relevant application as invalid, in which event the monies payable on acceptance of the Open Offer will be returned (at the acceptor's risk) without interest to the account of the bank or building society on which the relevant cheque or banker's draft was drawn.
- 5.5. Submission of an Application Form with the appropriate remittance will constitute a warranty to each of the Company, Link Asset Services, Panmure Gordon and Cantor Fitzgerald from the applicant that the Money Laundering Regulations will not be breached by application of such remittance.
- 5.6. The verification of identity requirements will not usually apply:
- (a) if the applicant is an organisation required to comply with the Money Laundering Directive (the Council Directive on prevention of the use of the financial system for the purpose of money laundering (no.91/308/EEC));
 - (b) if the acceptor is a regulated United Kingdom broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations;
 - (c) if the applicant (not being an applicant who delivers his application in person) makes payment by way of a cheque drawn on an account in the applicant's name; or
 - (d) if the aggregate subscription price for the Open Offer Shares is less than €15,000 (currently approximately £12,500).
- 5.7. In other cases the verification of identity requirements may apply. Satisfaction of these requirements may be facilitated in the following ways:
- (a) if payment is made by cheque or banker's draft in sterling drawn on a branch in the United Kingdom of a bank or building society which bears a UK bank sort code number in the top right-hand corner the following applies. Cheques should be made payable to "Link Market Services Ltd RE: Diurnal Group plc Open Offer 2019 A/C" in respect of an application by a Qualifying Shareholder. Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque/banker's draft to such effect. The account name should be the same as that shown on the Application Form; or
 - (b) if the Application Form is lodged with payment by an agent which is an organisation of the kind referred to in (a) above or which is subject to anti-money laundering regulation in a country which is a member of the Financial Action Task Force, the agent should provide with the Application Form written confirmation that it has that status and a written assurance that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to Link Asset Services. If the agent is not such an organisation, it should contact Link Asset Services at Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

- 5.8. To confirm the acceptability of any written assurance referred to in (b) above, or in any other case, the acceptor should contact Link Asset Services on the Receiving Agent, Link Asset Services on +44 (0)371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes. Please note Link Asset Services cannot provide financial or taxation advice or comment on the merits of the Open Offer or as to whether applicants should take up their Open Offer Entitlement.
- 5.9. If the Application Form(s) is/are in respect of Open Offer Shares with an aggregate subscription price of €15,000 (currently approximately £12,500) or more and is/are lodged by hand by the acceptor in person, or if the Application Form(s) in respect of Open Offer Shares is/are lodged by hand by the acceptor and the accompanying payment is not the acceptor's own cheque, he or she should ensure that he or she has with him or her evidence of identity bearing his or her photograph (for example, his or her passport) and separate evidence of his or her address.
- 5.10. If, within a reasonable period of time following a request for verification of identity, and in any case by no later than 11.00 a.m. on 13 June 2019, Link Asset Services has not received evidence satisfactory to it as aforesaid, Link Asset Services may, at its discretion, as agent of the Company, reject the relevant application, in which event the monies submitted in respect of that application will be returned without interest to the account at the payee bank from which such monies were originally debited (without prejudice to the rights of the Company to undertake proceedings to recover monies in respect of the loss suffered by it as a result of the failure to produce satisfactory evidence as aforesaid).
- 5.11. If you hold your Open Offer Entitlement in CREST and apply for Open Offer Shares in respect of some or all of your Open Offer Entitlement as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), then, irrespective of the value of the application, Link Asset Services is obliged to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. You must therefore contact Link Asset Services before sending any USE Instruction or other instruction so that appropriate measures may be taken.
- 5.12. Submission of a USE Instruction which on its settlement constitutes a valid application as described above constitutes a warranty and undertaking by the applicant to provide promptly to Link Asset Services such information as may be specified by Link Asset Services as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to Link Asset Services as to identity, who may in its absolute discretion take, or omit to take, such action as it may determine to prevent or delay issue of the Open Offer Shares concerned. If satisfactory evidence of identity has not been provided within a reasonable time, then the application for the Open Offer Shares represented by the USE instruction will not be valid. This is without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure to provide satisfactory evidence.

6. Admission, settlement and dealings

- 6.1. The result of the Open Offer is expected to be announced on 14 June 2019. Applications will be made to the London Stock Exchange for the Open Offer Shares to be admitted to trading on AIM. Subject to the Placing and the Open Offer becoming unconditional in all respects (save only as to admission), it is expected that Admission will become effective and that dealings in the EIS/VCT Open Offer Shares will commence at 8.00 a.m. on 17 June 2019 and that dealings in the General Open Offer Shares at 8.00 a.m. on 18 June 2019.
- 6.2. The Existing Ordinary Shares are already admitted to CREST. No further application for admission to CREST is accordingly required for the New Ordinary Shares. All such shares, when issued and fully paid, may be held and transferred by means of CREST.
- 6.3. If the condition(s) to the Open Offer described above are satisfied, New Ordinary Shares will be issued in uncertificated form to those Qualifying CREST Holders who validly applied for New

Ordinary Shares, and definitive share certificates will be sent to Qualifying Non-CREST Holders who have validly applied for New Ordinary Shares.

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

7. Overseas Shareholders

- 7.1. The comments set out in this paragraph 7 are intended as a general guide only and any Overseas Shareholders who are in any doubt as to their position should consult their professional advisers without delay.

(a) General

- (i) **The distribution of this document and the making or acceptance of the Open Offer to or by persons who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, or which are corporations, partnerships or other entities created or organised under the laws of countries other than the United Kingdom or to persons who are nominees of or custodians, trustees or guardians for citizens, residents in or nationals of, countries other than the United Kingdom, may be affected by the laws or regulatory requirements of the relevant jurisdictions. It is the responsibility of those persons to consult their professional advisers as to whether they require any governmental or other consents or need to observe any applicable legal requirement or other formalities to enable them to apply for Open Offer Shares under the Open Offer.**
- (ii) No action has been or will be taken by the Company, Panmure Gordon, Cantor Fitzgerald or any other person, to permit a public offering or distribution of this document (or any other offering or publicity materials or application form(s) relating to the Open Offer Shares) in any jurisdiction where action for that purpose may be required, other than in the United Kingdom. Receipt of this document and/or an Application Form will not constitute an invitation or offer of securities for subscription, sale or purchase in those jurisdictions in which it would be illegal to make such an invitation or offer and, in those circumstances, this document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.
- (iii) Application Forms will not be sent to persons with registered addresses in the United States or a Restricted Jurisdiction or their agent or intermediary, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.
- (iv) No person receiving a copy of this document and/or an Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him or her, nor should he or she in any event use any such Application Form unless in the relevant territory, such an invitation or offer could lawfully be made to him or her and such Application Form could lawfully be used, and any transaction resulting from such use could be effected, without contravention of any registration or other legal or regulatory requirements. In circumstances where an invitation or offer would contravene any registration or other legal or regulatory requirements, this document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.
- (v) It is the responsibility of any person (including, without limitation, custodians, agents, nominees and trustees) outside the United Kingdom wishing to apply for Open Offer Shares under the Open Offer to satisfy themselves as to the full observance of the laws of any relevant territory in connection therewith, including obtaining any governmental or other consents that may be required, observing any other

formalities required to be observed in such territory and paying any issue, transfer or other taxes due in such territory.

- (vi) None of the Company, Panmure Gordon, Cantor Fitzgerald nor any of their respective representatives, is making any representation to any offeree or purchaser of the Open Offer Shares regarding the legality of an investment in the Open Offer Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser.
 - (vii) Persons (including, without limitation, custodians, agents, nominees and trustees) receiving a copy of this document and/or an Application Form in connection with the Open Offer or otherwise, should not distribute or send either of those documents in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If a copy of this document and/or an Application Form is received by any person in any such territory, or by his or her custodian, agent, nominee or trustee, he or she must not seek to apply for Open Offer Shares in respect of the Open Offer unless the Company Panmure Gordon, Cantor Fitzgerald determine that such action would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, agents, nominees and trustees) who does forward a copy of this document and/or an Application Form into any such territory, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this Part 3 “Terms and Conditions of the Open Offer” and specifically the contents of this paragraph 7.
 - (viii) The Company reserves the right to treat as invalid any application or purported application for Open Offer Shares that appears to the Company or its agents to have been executed, effected or dispatched from the United States or a Restricted Jurisdiction or in a manner that may involve a breach of the laws or regulations of any other jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements or if it provides an address for delivery of the share certificates of Open Offer Shares in the United States or a Restricted Jurisdiction or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates or make such a credit.
 - (ix) Notwithstanding any other provision of this document or the relevant Application Form, the Company, Panmure Gordon and Cantor Fitzgerald reserve the right to permit any person to apply for Open Offer Shares in respect of the Open Offer if the Company, in its sole and absolute discretion, is satisfied that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.
 - (x) Overseas Shareholders who wish, and are permitted, to apply for Open Offer Shares should note that payment must be made in sterling denominated cheques or banker’s drafts. Due to restrictions under the securities laws of the United States and the Restricted Jurisdictions, and subject to certain exceptions, Qualifying Shareholders in the United States or who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, any Restricted Jurisdiction will not qualify to participate in the Open Offer and will not be sent an Application Form. No public offer of Open Offer Shares is being made by virtue of this document or the Application Forms into the United States or any Restricted Jurisdiction. Receipt of this document and/or an Application Form will not constitute an invitation or offer of securities for subscription, sale or purchase in those jurisdictions in which it would be illegal to make such an invitation or offer and, in those circumstances, this document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.
- (b) *United States*
- (i) The Open Offer Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other

jurisdiction of the United States and, accordingly, may not be offered or sold, re-sold, taken up, transferred, delivered or distributed, directly or indirectly, within the United States except in reliance on an exemption from the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

- (ii) Accordingly, the Company is not extending the Open Offer into the United States unless an exemption from the registration requirements of the Securities Act is available and, subject to certain exceptions, neither this document nor the Application Form constitutes or will constitute an offer or an invitation to apply for or an offer or an invitation to acquire any Open Offer Shares in the United States. Subject to certain exceptions, neither this document nor an Application Form will be sent to any Qualifying Shareholder with a registered address in the United States. Subject to certain exceptions, Application Forms sent from or postmarked in the United States will be deemed to be invalid and all persons acquiring Open Offer Shares and wishing to hold such Open Offer Shares in registered form must provide an address for registration of the Open Offer Shares issued upon exercise thereof outside the United States.
 - (iii) Subject to certain exceptions, any person who acquires Open Offer Shares will be deemed to have declared, warranted and agreed, by accepting delivery of this document or the Application Form and delivery of the Open Offer Shares, that they are not, and that at the time of acquiring the Open Offer Shares they will not be, in the United States or acting on behalf of, or for the account or benefit of a person on a non-discretionary basis in the United States or any state of the United States.
 - (iv) The Company reserves the right to treat as invalid any Application Form that appears to the Company or its agents to have been executed in, or despatched from, the United States, or that provides an address in the United States for the receipt of Open Offer Shares, or which does not make the warranty set out in the Application Form to the effect that the person completing the Application Form does not have a registered address and is not otherwise located in the United States and is not acquiring the New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Open Offer Shares in the United States or where the Directors believe acceptance of such Application Form may infringe applicable legal or regulatory requirements.
 - (v) The Company will not be bound to allot or issue any Open Offer Shares to any person with an address in, or who is otherwise located in, the United States in whose favour an Application Form or any New Ordinary Shares may be transferred. In addition, until 45 days after the commencement of the Open Offer, an offer, sale or transfer of the Open Offer Shares within the United States by a dealer (whether or not participating in the Open Offer) may violate the registration requirements of the Securities Act.
- (c) *Restricted Jurisdictions*
 - (i) Due to restrictions under the securities laws of the Restricted Jurisdictions and subject to certain exemptions, Shareholders who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, any Restricted Jurisdiction will not qualify to participate in the Open Offer and will not be sent an Application Form. The Open Offer Shares have not been and will not be registered under the relevant laws of any Restricted Jurisdiction or any state, province or territory thereof and may not be offered, sold, resold, delivered or distributed, directly or indirectly, in or into any Restricted Jurisdiction or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of, any Restricted Jurisdiction except pursuant to an applicable exemption.
 - (ii) No offer or invitation to apply for Open Offer Shares is being made by virtue of this document or the Application Forms into any Restricted Jurisdiction.

(d) *Other overseas territories*

Qualifying Shareholders in jurisdictions other than the United States or the Restricted Jurisdictions may, subject to the laws of their relevant jurisdiction, take up Open Offer Shares under the Open Offer in accordance with the instructions set out in this document and the Application Form. Qualifying Shareholders who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, countries other than the United Kingdom should, however, consult appropriate professional advisers as to whether they require any governmental or other consents or need to observe any further formalities to enable them to apply for any Open Offer Shares in respect of the Open Offer.

(e) *Representations and warranties relating to Overseas Shareholders*

(i) Any person completing and returning an Application Form or requesting registration of the Open Offer Shares comprised therein represents and warrants to the Company, Panmure Gordon, Cantor Fitzgerald and Link Asset Services that, except where proof has been provided to the Company's satisfaction that such person's use of the Application Form will not result in the contravention of any applicable legal requirements in any jurisdiction:

- (A) such person is not requesting registration of the relevant Open Offer Shares from within the United States or any Restricted Jurisdiction;
- (B) such person is not in any territory in which it is unlawful to make or accept an offer to acquire Open Offer Shares in respect of the Open Offer or to use the Application Form in any manner in which such person has used or will use it;
- (C) such person is not acting on a non-discretionary basis for a person located within any Restricted Jurisdiction (except as agreed with the Company) or any territory referred to in (B) above at the time the instruction to accept was given; and
- (D) such person is not acquiring Open Offer Shares with a view to offer, sale, resale, transfer, deliver or distribute, directly or indirectly, any such Open Offer Shares into any of the above territories.

(ii) The Company and/or Link Asset Services may treat as invalid any acceptance or purported acceptance of the allotment of Open Offer Shares comprised in an Application Form if it:

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

(f) *Waiver*

The provisions of this paragraph 7 and of any other terms of the Open Offer relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Company in its absolute discretion. Subject to this, the provisions of this paragraph 7 supersede any terms of the Open Offer inconsistent herewith. References in this paragraph 7 to Shareholders shall include references to the person or persons executing an Application Form and, in the event of more than one person executing an Application Form, the provisions of this paragraph 7 shall apply to them jointly and to each of them.

8. Times and Dates

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

9. Taxation

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

10. Further information

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

11. Governing law and jurisdiction

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

12. Warranties

Each Qualifying Shareholder applying for Open Offer Shares represents, warrants, covenants, agrees and acknowledges as follows:

- 12.1. the Company and others will rely upon its representations, warranties, covenants, agreements and acknowledgements set forth herein, and it agrees to notify the Company promptly in writing if any of its representations, warranties, covenants, agreements or acknowledgements ceases to be accurate and complete;
- 12.2. it has read and understood and accepted the terms and conditions of the Open Offer contained in this document and its application for Open Offer Shares shall be on and subject to the terms and conditions of this document and, if it is a Qualifying Non-CREST Holder or a Qualifying CREST Holder applying for EIS Relief, the Application Form;
- 12.3. it agrees that all applications, and contracts resulting therefrom, and all non-contractual claims under the Open Offer shall be governed by, and construed in accordance with, the laws of England;

- 12.4. it is a Qualifying Shareholder originally entitled to Open Offer Entitlements or if it has received some or all of its Open Offer Entitlements from a person other than the Company, it is entitled to apply under the Open Offer in relation to such Open Offer Entitlements by virtue of a *bona fide* market claim;
- 12.5. it may lawfully acquire the Open Offer Shares to be subscribed by it pursuant to the Open Offer and has the capacity and authority and is entitled to enter into and perform its obligations as a subscriber for Open Offer Shares and will honour such obligations;
- 12.6. it agrees that its obligations under the Open Offer shall not be capable of rescission or termination by it in any circumstance;
- 12.7. in agreeing to acquire the Open Offer Shares, it is relying on the information contained in this document and any announcement made by or on behalf of the Company through a Regulatory Information Service and it is not relying on any information given or representation, warranty, undertaking, agreement or statement made at any time by the Company, Panmure Gordon and Cantor Fitzgerald or any of their officers, directors, agents, employees or advisers, or any other person in relation to the Company and Panmure Gordon or any of their subsidiary undertakings, the Open Offer or the Open Offer Shares, and neither the Company nor any other person will be liable for any Qualifying Shareholder's decision to participate in the Open Offer based on any other information, representation, warranty, undertaking, agreement or statement which Qualifying Shareholders may have obtained or received. In addition, it has neither received nor relied on any confidential price-sensitive information. Nothing in this paragraph shall exclude the liability of any person for fraud;
- 12.8. it is entitled to acquire the Open Offer Shares under the terms of the Open Offer and the laws of all relevant jurisdictions which apply to it (the "**Applicable Securities Laws**") and it has fully observed such laws and obtained all governmental and other consents which may be required thereunder and complied with all necessary formalities and it has not taken any action or omitted to take any action which will or may result in the Company or any of their officers, directors, agents, employees or advisers acting in breach of any law or regulatory requirement of any territory or jurisdiction in connection with the Open Offer or its entitlement;
- 12.9. it is not, nor is it applying on behalf of any person who is, a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws, of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law (except where proof satisfactory to the Company has been provided to the Company that it is able to accept the invitation by the Company free of any requirement which it (in its absolute discretion) regards as unduly burdensome) and the Qualifying Shareholder is not applying with a view to re-offering, re-selling, transferring or delivering any of the Open Offer Shares which are the subject of its application to, or for the benefit of, a person who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is or may be prevented by law (except where proof satisfactory to the Company has been provided to the Company that the Qualifying Shareholder is able to accept the invitation by the Company pursuant to an applicable exemption and free of any requirement which it (in its absolute discretion) regards as unduly burdensome), nor acting on behalf of any such person on a non-discretionary basis nor such person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer;
- 12.10. it irrevocably appoints any director of the Company as its agent for the purpose of executing and delivering to the Company and/or the Registrar any documents on its behalf necessary to enable it to be registered as the holder of Open Offer Shares;
- 12.11. it is not, and nor is it applying for Open Offer Shares as nominee or agent for, a person who is or may be liable to notify and account for stamp duty or stamp duty reserve tax at any of the increased rates referred to in sections 67 to 72 inclusive and sections 93 to 97A inclusive of the Finance Act 1986 (Depositary Receipts and Clearance Services) and, in the event of any breach of this warranty, it agrees that neither the Company nor any other person will have any liability to it or other persons in respect of such duty or tax;

- 12.12.the Applicable Securities Laws do not require the Company to make any filings or seek any approvals of any kind whatsoever from any regulatory authority of any kind in connection with the Open Offer in the jurisdiction in which it is resident;
- 12.13.the purchase by it of Open Offer Shares does not trigger in the jurisdiction in which it is resident: (a) any obligation to prepare or file a prospectus or similar document or any other report with respect to such purchase; or (b) any disclosure reporting obligation of the Company; or (c) any registration or other obligation on the part of the Company; or (d) the requirement for the Company to take any other action;
- 12.14.the offer and sale to it of Open Offer Shares was not made through an advertisement of the Open Offer Shares in printed media of general and regular paid circulation, radio or television or any other form of advertisement;
- 12.15.it and any person acting on its behalf is aware of the obligations in connection with money laundering under the Money Laundering Regulations to the extent applicable to it and, if it is making payment on behalf of a third party, it has obtained and recorded satisfactory evidence to verify the identity of the third party as required by the Money Laundering Regulations;
- 12.16.it agrees to be bound by the terms of the articles of association of the Company in force immediately following Admission;
- 12.17.it will not deal or cause or permit any other person to deal in all or any of the Open Offer Shares unless and until Admission becomes effective;
- 12.18.it has not received a prospectus or admission document or, save for this document, any other offering document in connection with the Open Offer, and no United States federal or state agency or any other government or governmental agency has passed on or made any recommendation or endorsement of the Open Offer Shares or the fairness or suitability of the investment in the Open Offer Shares nor have such authorities passed upon or endorsed the merits of the offering of the Open Offer Shares;
- 12.19.it acknowledges that the Ordinary Shares are admitted to trading on AIM and the Company is therefore required to publish certain business and financial information in accordance with the rules of AIM (the “**Exchange Information**”), and that it is able to obtain or access the Exchange Information without undue difficulty;
- 12.20.neither the Company nor Panmure Gordon and Cantor Fitzgerald nor any person acting on their behalf nor any of their respective affiliates nor any of their respective directors, officers, employees, agents, partners or professional advisers has or shall have any liability for any direct, indirect or consequential loss or damage suffered by any person as a result of relying on any statement contained in the Exchange Information, any other information made available by or on behalf of the Company or made publicly available by the Company on its website, by press release, by public filing or otherwise or any other information, provided that nothing in this paragraph excludes the liability of any person for fraud made by that person;
- 12.21.if it is acquiring any Open Offer Shares as a fiduciary or agent for one or more accounts, it has sole investment discretion with respect to each such account and full power and authority to make such foregoing representations, warranties, covenants, agreements and acknowledgements on behalf of each such account;
- 12.22.it acknowledges that the Open Offer Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States;
- 12.23.it has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this document (or any part thereof) to or within the United States, nor will it do any of the foregoing;
- 12.24.it is purchasing the Open Offer Shares for its own account or for one or more investment accounts for which it is acting as a fiduciary or agent, in each case for investment only, and not with a view to or for sale or other transfer in connection with any distribution of the Open Offer Shares in any manner that would violate the Securities Act or any other applicable securities

laws, and it does not have a present arrangement to effect any distribution of the Open Offer Shares to or through any person or entity;

- 12.25.it is not acquiring any Open Offer Shares for resale in the United States and it has not and will not deliver or forward any advertisement or other offering material in relation to the Open Offer Shares in or into the United States;
- 12.26.it will indemnify and hold the Company, Panmure Gordon and Cantor Fitzgerald and each of their respective affiliates harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations, warranties, agreements and covenants in this document. All representations, warranties, agreements and covenants given by it in this document are given to the Company, Panmure Gordon and Cantor Fitzgerald and will survive completion of the Open Offer;
- 12.27.it is acquiring the Open Offer Shares in an offshore transaction meeting the requirements of Regulation S under the Securities Act;
- 12.28.at the time it received the offer to purchase the Open Offer Shares it was not in the United States;
- 12.29.it: (i) understands and acknowledges that the offering and sale of the Open Offer Shares are not being, and will not be, made, directly or indirectly, in or into, or by the use of the mails or any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facilities of a national securities exchange of, the United States; and (ii) acknowledges that no Application Form will be accepted by any such use, means, instrumentality or facility or from within the United States, and doing so may render such Application Form invalid;
- 12.30.its receipt and execution of the Application Form each occurred outside the United States; and
- 12.31.it is not acquiring the Open Offer Shares as a result of or due to, and will not engage in, any “directed selling efforts” (as defined in Regulation S under the Securities Act) in the United States in respect of the Open Offer Shares, which would include any activities undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for the resale of the Open Offer Shares, including placing an advertisement in a publication with a general circulation in the United States, nor has it seen or been aware of any activity that, to its knowledge, constitutes directed selling efforts in the United States.

PART 4

QUESTIONS AND ANSWERS ABOUT THE OPEN OFFER

The questions and answers set out in this Part 4 “Questions and Answers about the Open Offer” are intended to be in general terms only and, as such, you should read Part 3 “Terms and Conditions of the Open Offer” of this document for full details of what action to take. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank, fund manager, solicitor, accountant or other appropriate independent financial adviser, who is authorised under the FSMA if you are in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser.

This Part 4 deals with general questions relating to the Open Offer and more specific questions relating to persons resident in the United Kingdom who hold their Existing Ordinary Shares in certificated form only.

If you are an Overseas Shareholder, you should read paragraph 7 of Part 3 “Terms and Conditions of the Open Offer” of this document and you should take professional advice as to whether you are eligible and/or you need to observe any formalities to enable you to take up your Open Offer Entitlement. If you hold your Existing Ordinary Shares in uncertificated form (that is, through CREST) you should read Part 3 “Terms and Conditions of the Open Offer” of this document for full details of what action you should take.

If you are a Qualifying CREST Holder and hold your Existing Ordinary Shares in CREST you should read paragraph 4.6 in Part 3 of this document. Persons who hold Existing Ordinary Shares through a CREST member should be informed by the CREST member through which they hold their Existing Ordinary Shares of: (i) the number of Open Offer Shares which they are entitled to acquire under their Open Offer Entitlement; and (ii) how to apply for Open Offer Shares in excess of their Open Offer under the Excess Application Facility provided they choose to take up their Open Offer Entitlement in full and should contact them should they not receive this information.

The contents of this document should not be construed as legal, business, accounting, tax, investment or other professional advice. Each prospective investor should consult his, her or its own appropriate professional advisers for advice. This document is for your information only and nothing in this document is intended to endorse or recommend a particular course of action.

1. What is an open offer?

An open offer is a way for companies to raise money. Companies usually do this by giving their existing Shareholders a right to acquire further shares at a fixed price in proportion to their existing shareholdings. In this instance Shareholders will also be offered the opportunity to apply for additional shares in excess of their entitlement to the extent that other Qualifying Shareholders do not take up their entitlement in full. The fixed price is normally at a discount to the market price of the existing ordinary shares prior to the announcement of the open offer.

This Open Offer is an invitation by the Company to Qualifying Shareholders to apply to acquire up to an aggregate of 3,857,617 New Ordinary Shares at a price of 26 pence per share. If you hold Existing Ordinary Shares on the Record Date or have a *bona fide* market claim, other than, subject to certain exceptions, where you are a Shareholder with a registered address or located in the United States, or a Restricted Jurisdiction, you will be entitled to buy Open Offer Shares under the Open Offer.

The Open Offer is being made on the basis of 1 Offer Share for every 16 Existing Ordinary Shares held by Qualifying Shareholders on the Record Date. If your entitlement to Open Offer Shares is not a whole number, you will not be entitled to buy a fraction of an Offer Share and your entitlement will be rounded down to the nearest whole number. The Issue Price of 26 pence per Offer Share represents discount of 16.1 per cent. to the closing middle-market price quotation as derived from the Daily Official List of the London Stock Exchange of 31 pence per Ordinary Share on 24 May 2019 (being the latest practicable date prior to the date of this document).

The Excess Application Facility allows Qualifying Shareholders to apply for Excess Shares in excess of their Open Offer Entitlement. Applications made under the Excess Application Facility may be allocated

in such manner as the Directors may determine in their absolute discretion, if applications are received from Qualifying Shareholders for more than the available number of Open Offer Shares, no assurance can be given that excess applications by Qualifying Shareholders will be met in full or in part or at all.

Unlike in a rights issue, Application Forms are not negotiable documents and neither they nor Open Offer Entitlements nor Excess CREST Open Offer Entitlements can themselves be traded. Shareholders will not be able to apply for any New Ordinary Shares which are the subject of the Placing.

2. How do I know I am eligible to participate in the Open Offer?

If you receive an Application Form and, subject to certain exceptions, are not a holder with a registered address or located in the United States or any Restricted Jurisdiction, then you should be eligible to participate in the Open Offer as long as you have not sold all of your Existing Ordinary Shares before 28 May 2019 (the time when the Existing Ordinary Shares are expected to be marked “ex-entitlement” by the London Stock Exchange).

3. How do I know how many Open Offer Shares I am entitled to take up?

If you do not have a registered address and are not located in the United States or any Restricted Jurisdiction, subject to certain exceptions, you will be sent an Application Form that shows:

- how many Existing Ordinary Shares you held at the close of business on the Record Date;
- how many Open Offer Shares are comprised in your Open Offer Entitlement; and
- how much you need to pay if you want to take up your right to buy all your entitlement to the Open Offer Shares.

Subject to certain exceptions, if you have a registered address in the United States or any of the Restricted Jurisdictions, you will not receive an Application Form.

If you would like to apply for any of or all of the Open Offer Shares comprised in your Open Offer Entitlement you should complete the Application Form in accordance with the instructions printed on it and the information provided in this document. Completed Application Forms should be returned, along with a cheque or banker’s draft drawn in the appropriate form, by post to Link Asset Services at Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, or by hand (during normal office hours only) to Link Asset Services at the address above so as to be received by them by no later than 11.00 a.m. on 13 June 2019, after which time Application Forms will not be valid.

4. I am eligible to receive an Application Form. What are my choices in relation to the Open Offer?

(a) *If you do not want to take up your Open Offer Entitlement*

If you do not want to take up the Open Offer Shares to which you are entitled, you do not need to do anything. In these circumstances, you will not receive any Open Offer Shares. You will also not receive any money when the Open Offer Shares you could have taken up are sold, as would happen under a rights issue.

You cannot sell your Application Form or your Open Offer Entitlement to anyone else. If you do not return your Application Form subscribing for the Open Offer Shares to which you are entitled by 11.00 a.m. on 13 June 2019, the Company has made arrangements under which the Company has agreed to issue the Open Offer Shares to other Qualifying Shareholders under the Excess Application Facility.

If you do not take up your Open Offer Entitlement, then following the issue of the Open Offer Shares pursuant to Open Offer, your interest in the Company will be significantly diluted. Even if a Qualifying Shareholder subscribes for the basic entitlement under the Open Offer, their proportionate economic interest would be diluted by the issue of New Ordinary Shares pursuant to the Excess Application Facility and the Placing.

(b) ***If you want to take up some but not all of your Open Offer Entitlement***

If you want to take up some but not all of the Open Offer Shares to which you are entitled, you should write the number of Open Offer Shares you want to take up in Box 2 of your Application Form; for example, if you are entitled to take up 50 shares but you only want to take up 30 shares, then you should write '30' in Box 2. To work out how much you need to pay for the Open Offer Shares, you need to multiply the number of Open Offer Shares you want (in this example, '30') by £0.26, which is the price in pounds of each Offer Share (giving you an amount of £7.80 in this example). You should write this amount in Box 5, rounding up to the nearest whole pence and this should be the amount your cheque or banker's draft is made out for. You should then return the completed Application Form, together with a cheque or banker's draft for that amount, by post to Link Asset Services at Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, or by hand (during normal office hours only) to Link Asset Services at the address above so as to be received by them by no later than 11.00 a.m. on 13 June 2019, after which time Application Forms will not be valid. If you post your Application Form by first class post, you should allow at least four Business Days for delivery.

All payments must be in pounds sterling and made by cheque or banker's draft made payable to "Link Market Services Ltd RE: Diurnal Group plc Open Offer 2019 A/C". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner and must be for the full amount payable on application. Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder and the number of an account held in the applicant's name at the building society or bank by stamping or endorsing the cheque or draft to such effect. The account name should be the same as that shown on the application. Post-dated cheques will not be accepted. Third party cheques (other than building society cheques or banker's drafts where the building society or bank has confirmed that the relevant Qualifying Shareholder has title to the underlying funds) may not be accepted (see section 4 of Part 3).

Cheques or banker's drafts will be presented for payment upon receipt. The Company reserves the right to instruct Link Asset Services to seek special clearance of cheques and banker's drafts to allow the Company to obtain value for remittances at the earliest opportunity. No interest will be paid on payments made before they are due. It is a term of the Open Offer that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted.

A definitive share certificate will then be sent to you for the Open Offer Shares that you take up. Your definitive share certificate for Open Offer Shares is expected to be despatched to you by no later than 2 July 2019.

(c) ***If you want to take up all of your Open Offer Entitlement***

If you want to take up all of the basic Open Offer Shares to which you are entitled, you should write the number of Open Offer Shares detailed in Box 9 into Box 2. In Box 5 enter the value printed in Box 10 then send the Application Form (ensuring that all joint holders sign (if applicable)), together with your cheque or banker's draft for the amount (as indicated in Box 5 of your Application Form), by post to Link Asset Services at, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, or by hand (during normal office hours only) to Link Asset Services at the address above so as to be received by them by no later than 11.00 a.m. on 13 June 2019, after which time Application Forms will not be valid. If you post your Application Form by first-class post, you should allow at least four Business Days for delivery.

All payments must be in pounds sterling and made by cheque or banker's draft made payable to Link Market Services Ltd RE: Diurnal Group plc Open Offer 2019 A/C". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the

United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner. Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder and the number of an account held in the applicant's name at the building society or bank by stamping or endorsing the cheque or draft to such effect. The account name should be the same as that shown on the application.

Post-dated cheques will not be accepted. Third party cheques (other than building society cheques or banker's drafts where the building society or bank has confirmed that the relevant Qualifying Shareholder has title to the underlying funds) may not be accepted.

(d) ***If you want to apply for more than your Open Offer Entitlement***

Provided you have agreed to take up your Open Offer Entitlement in full, you can apply for further Open Offer Shares under the Excess Application Facility. The Excess Application Facility enables Qualifying Shareholders to apply for Excess Shares up to the maximum number of Open Offer Shares available less their Open Offer Entitlement. To work out how much you need to pay for the Open Offer Shares, you need to multiply the number of Open Offer Shares you want by £0.26, which is the price in pounds sterling of each Offer Share. You should write this amount in Box 5.

You should then return your Application Form by post to Link Asset Services at Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or by hand (during normal office hours only) to Link Asset Services at the address above so as to be received by them by no later than 11.00 a.m. on 13 June 2019, after which time Application Forms will not be valid. If you post your application form by first class post, you should allow at least four Business Days for delivery.

If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of Open Offer Entitlements and Excess CREST Open Offer Entitlements, the Excess Shares may be allocated in such manner as the Directors may determine in their absolute discretion. No assurance can be given that excess applications by Qualifying Shareholders will be met in full or in part or at all.

5. I acquired my Existing Ordinary Shares prior to the Record Date. What if I do not receive an Application Form or I have lost my Application Form?

If you do not receive an Application Form, this probably means that you are not eligible to participate in the Open Offer. Some Shareholders, however, will not receive an Application Form but may still be eligible to participate in the Open Offer, namely:

- Qualifying Shareholders who bought Existing Ordinary Shares before 28 May 2019 but were not registered as the holders of those shares at the close of business on 22 May 2019; and
- certain Overseas Shareholders.

If you do not receive an Application Form but think that you should have received one or you have lost your Application Form, please contact the Shareholder helpline on +44 (0)371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes. Please note Link Asset Services cannot provide financial or taxation advice or comment on the merits of the Open Offer or as to whether applicants should take up their Open Offer Entitlement.

6. Can I trade my Open Offer Entitlement?

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. As such, Qualifying Shareholders should also note that their Application Forms are not negotiable documents and cannot be traded. Open Offer Entitlements and Excess CREST Open Offer Entitlements will not be tradable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholders originally entitled or by a person entitled by virtue of a *bona fide* market claim. Open Offer Shares for which an application has not been made under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and Qualifying Shareholders who do not apply to take up their Open Offer Entitlement will have no rights under the Open Offer or receive any proceeds from it. The Open Offer Shares are not underwritten.

7. What if I change my mind?

Once you have sent your Application Form and payment to Link Asset Services at Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, you cannot withdraw your application or change the number of Open Offer Shares for which you have applied, except in the very limited circumstances which are set out in this document.

8. What if the number of Open Offer Shares to which I am entitled is not a whole number: am I entitled to fractions of Open Offer Shares?

If the number is not a whole number, you will not receive a fraction of an Offer Share and your entitlement will be rounded down to the nearest whole number.

9. What should I do if I have sold some or all of my Existing Ordinary Shares?

If you hold Existing Ordinary Shares in the Company directly and you sell some or all of your Existing Ordinary Shares before 22 May 2019, you should contact the buyer or the person/company through whom you sell your shares. The buyer may be entitled to apply for Open Offer Shares under the Open Offer. If you sell any of your Existing Ordinary Shares on or after 22 May 2019, you may still take up and apply for the Open Offer Shares as set out on your Application Form.

10. How do I pay?

Completed Application Forms should be returned with a cheque or banker's draft drawn in the appropriate form. All payments must be in pounds sterling and made by cheque or banker's draft made payable to Link Market Services Ltd RE: Diurnal Group plc Open Offer 2019 A/C and crossed "A/C Payee Only". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner. Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder and the number of an account held in the applicant's name at the building society or bank by stamping or endorsing the cheque or draft to such effect. The account name should be the same as that shown on the application. Post-dated cheques will not be accepted. Third party cheques (other than building society cheques or banker's drafts where the building society or bank has confirmed that the relevant Qualifying Shareholder has title to the underlying funds) may not be accepted.

11. Will the Existing Ordinary Shares that I hold now be affected by the Open Offer?

If you decide not to apply for any of the Open Offer Shares to which you are entitled under the Open Offer, or only apply for some of your entitlement, your proportionate ownership and voting interest in the Company will be reduced.

12. Where do I send my Application Form?

You should send your completed Application Form together with the monies in the appropriate form, by post to Link Asset Services at Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, or by hand (during normal office hours only) to Link Asset Services

at the address above. If you post your Application Form by first-class post, you should allow at least four Business Days for delivery. If you do not want to take up or apply for Open Offer Shares then you need take no further action.

13. When do I have to decide if I want to apply for Open Offer Shares?

Link Asset Services must receive the Application Form by no later than 11.00 a.m. on 13 June 2019, after which time Application Forms will not be valid. If an Application Form is being sent by first class post in the UK, Qualifying Shareholders are recommended to allow at least four Business Days for delivery.

14. How do I transfer my entitlements into the CREST system?

If you are a Qualifying Shareholder and are a CREST member and want your Open Offer Shares to be in uncertificated form, you should complete the CREST deposit form (contained in the Application Form), and ensure it is delivered to CCSS in accordance with the instructions in the Application Form. CREST sponsored members should arrange for their CREST sponsors to do this.

15. I hold my Existing Ordinary Shares in certificated form. When will I receive my new share certificate?

It is expected that Link Asset Services will post all new share certificates by 2 July 2019.

16. If I buy Existing Ordinary Shares after the Record Date, will I be eligible to participate in the Open Offer?

If you bought your Existing Ordinary Shares after the Record Date, you are unlikely to be able to participate in the Open Offer in respect of such Ordinary Shares.

17. Will I be taxed if I take up my entitlements?

Shareholders who are in any doubt as to their tax position should consult an appropriate professional adviser immediately.

18. What should I do if I live outside the United Kingdom?

Your ability to apply to acquire Open Offer Shares may be affected by the laws of the country in which you live and you should take professional advice as to whether you require any governmental or other consents or need to observe any other formalities to enable you to take up your Open Offer Entitlement. Shareholders with registered addresses or who are located in the United States or any Restricted Jurisdiction are, subject to certain exceptions, not eligible to participate in the Open Offer. Your attention is drawn to the information in paragraph 7 of Part 3 “Terms and Conditions of the Open Offer” of this document.

19. How do I claim EIS Relief in respect of my application for Open Offer Shares

Please refer to paragraph 6 of Part 1 of this document for details of the availability of EIS Relief for investors applying for New Ordinary Shares under the Open Offer.

The Company will following Admission make an application to HMRC to authorise the Company deliver certificates under section 204, ITA 2007 to those Qualifying Shareholders who have indicated on their Application Forms that they intended to seek EIS Relief in respect of the EIS/VCT Shares allocated to such Qualifying Shareholders under the Open Offer. Assuming that HMRC gives authorisation to the Company it will deliver to Qualifying Shareholders such certificates in respect of such allocations of EIS/VCT Shares.

Qualifying Non-CREST Holders who intend to apply for EIS/VCT Shares under the Open Offer should refer to paragraph 4.6 (g)(h) of Part 3 of this document.

If you are electing for EIS Relief or VCT Relief and your existing Ordinary Shares are registered in a single name, then the Company will use the same information to supply to HMRC. If your Ordinary Shares are registered in joint names or a nominee name, you or the nominee, will need to notify the Company at eis@diurnal.co.uk by no later than 28 June 2019 of the registration details required for all

of the underlying beneficial holders who wish to receive the EIS tax certificate for use in their tax return along with your contact details. Failure to supply the EIS registration information by the cut-off date will result in no application being made to HMRC for Tax relief on your subscription.

Neither the Company nor the Directors give any guarantee that HMRC will authorise the Company to issue such certificates.

20. If I apply for EIS relief on some or all of the Open Offer Shares to which I am entitled, can I cancel my application for such Open Offer Shares if the Board do not allocate them EIS relief as per my request?

Yes, to the extent that your request for EIS relief on any Open Offer Shares is not met by the Board's allocation of EIS relief, you may elect that your application in respect of those Open Offer Shares is cancelled by circling the word "Yes" in Box 7 on your Application Form.

21. Further assistance

Should you require further assistance please call the Shareholder helpline on +44 (0)371 664 0321. Please note that, for legal reasons, the Shareholder helpline is only able to provide information contained in this document and information relating to the Company's register of members and is unable to give advice on the merits of the Open Offer or to provide legal, business, accounting, tax, investment or other professional advice.

NOTICE OF GENERAL MEETING

DIURNAL GROUP plc

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

NOTICE OF GENERAL MEETING

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 on 14 June 2019 at 11.00 a.m. to consider, and if thought fit pass, the following resolutions of which resolution 1 will be proposed as an ordinary resolution and resolution 2 will be proposed as a special resolution.

ORDINARY RESOLUTION

1. THAT, in addition to all other powers granted to the directors at the Company's annual general meeting on 14 November 2018, in accordance with section 551 of the Companies Act 2006 (the "Act"), the directors be generally and unconditionally authorised to exercise all powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to a maximum aggregate nominal amount of £1,221,727.05 (24,434,541 Ordinary Shares) pursuant to the Placing and Open Offer (as defined in the circular issued by the Company dated 28 May 2019), provided that this authority will expire at whichever is the earlier of the conclusion of the annual general meeting of the Company to be held in 2019, or the date falling 15 months after the date of the passing of this resolution (unless renewed varied or revoked by the Company prior to or on that date) but the Company may, before this authority expires, make an offer or agreement which would or might require shares in the Company or rights to be allotted or granted after this authority expires and that the directors may allot shares in the Company or grant rights pursuant to such an offer or agreement as if the authority conferred by this resolution had not expired.

SPECIAL RESOLUTION

2. THAT, in addition to all other powers granted to the directors at the Company's annual general meeting on 14 November 2018, subject to and conditional upon the passing of resolution 1 above, in accordance with section 571(1) of the Companies Act 2006 (the "Act"), the directors be empowered to allot equity securities (within the meaning of 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 any such allotment, provided that this power shall:
 - be limited to the allotment of equity securities pursuant to the Placing and Open Offer (as defined in the circular issued by the Company dated 28 May 2019) up to an aggregate nominal value of £1,221,727.05 (24,434,541 Ordinary Shares); and
 - expire, whichever is the earlier, at the conclusion of the annual general meeting of the Company to be held in 2019, or the date falling 15 months after the date of the passing of this resolution but may be previously revoked or varied by special resolution and so that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement as if such power had not expired.

Registered Office
Cardiff Medicentre
Heath Park
Cardiff, CF14 4UJ

By Order of the Board

Dated: 28 May 2019

Notes:

1. 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.
2. 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 22 May 2019. 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.
3. 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 14 June 2019 so that their shareholdings may be checked against the Company's Register of Members and attendances recorded.
4. 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.
5. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first named being the most senior).
6. 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.
7. 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 12 June 2019 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);
8. 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.
9. 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.
10. 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.
11. 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 12 June 2019. 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.
12. 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.

13. 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.
14. As at 24 May 2019 (being the latest practicable business day prior to the publication of this Notice), the Company's ordinary issued share capital consists of 61,721,880 Ordinary Shares, carrying one vote each. Therefore, the total voting rights in the Company as at 24 May 2019 are 61,721,880.
15. 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.
16. 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.
17. 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.

