

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** It contains the Resolutions to be voted on at the General Meeting of the Company to be held at the offices of Muckle LLP, Time Central, 32 Gallowgate, Newcastle upon Tyne, NE1 4BF at 11.00 a.m. on 10 November 2016. If you are in any doubt about the contents of this Circular and/or the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, another appropriately authorised independent financial adviser.

If you have sold or transferred all of your Ordinary Shares, please pass this Circular (but not the 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 transmission to the purchaser or transferee. However, this Circular and the Form of Proxy should not be forwarded or sent in, into or from, a Restricted Jurisdiction or any other jurisdiction that may be restricted by law and therefore persons into whose possession this Circular and any accompanying circulars come should inform themselves about and observe any applicable requirements.

**This Circular is not a prospectus for the purposes of the Prospectus Rules. Accordingly, this Circular has not been, and will not be, reviewed or approved by the FCA (in its capacity as the UKLA or otherwise) pursuant to sections 85 and 87 of the FSMA. This Circular does not comprise an admission document under the AIM Rules and the London Stock Exchange has not itself examined or approved the contents of this Circular. The AIM Rules are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the Placing Shares to the Official List. Save as referred to below, the Placing Shares will not be dealt on any other recognised investment exchange and no other such application will be made.**

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

It is anticipated that Admission of the Placing Shares will become effective and that dealings will commence on AIM at 8.00 a.m. on 11 November 2016.

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# QUANTUM PHARMA PLC

*(Incorporated in England and Wales under the Companies Act 2006 (as amended) with registered number 09269818)*

## Placing of 44,117,647 Placing Shares at 34 pence per share and Notice of General Meeting

*Nominated Adviser and Joint Broker*

*Zeus Capital*

*Joint Broker*

**N+1** SINGER

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**Your attention is drawn to the letter from the Chairman of the Company which is set out in this Circular and which recommends that you vote in favour of the Resolutions to be proposed at the General Meeting of the Company to be held at the offices of Muckle LLP, Time Central, 32 Gallowgate, Newcastle upon Tyne, NE1 4BF at 11.00 a.m. on 10 November 2016.**

A notice convening a General Meeting of the Company is set out at the end of this Circular.

A Form of Proxy for use at the General Meeting accompanies this Circular. To be valid the Forms of Proxy must be completed and returned so as to be received at the offices of the Company's Registrar, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 11.00 a.m. on 8 November 2016. If you are completing the Form of Proxy electronically or via the CREST system this must be done not later than 11 a.m. on 8 November 2016.

The completion and depositing of a Form of Proxy will not preclude you from attending and voting in person at the General Meeting should you wish to do so.

On Admission, the Placing Shares will rank in full for all dividends and other distributions declared, made or paid on the Ordinary Shares after Admission and will rank *pari passu* in all respects with the Existing Ordinary Shares.

The distribution of this Circular (together with the accompanying Form of Proxy) into jurisdictions other than the United Kingdom may be restricted by law. Any failure to comply with any of the restrictions may constitute a violation of the securities law of any such jurisdiction. In particular, this Circular should not be distributed, forwarded to or transmitted to the United States or any other Restricted Jurisdiction. The Placing Shares and this Circular have not been, nor will they be, registered under the Securities Act or under the applicable securities laws of any state of the United States or under the securities laws of any other Restricted Jurisdiction or any state, province or territory thereof or any other jurisdiction outside the United Kingdom. There will be no public offer in the United States or any other Restricted Jurisdictions. Accordingly, the Placing Shares may not be taken up, offered, sold, resold, delivered or distributed, directly or indirectly, through CREST or otherwise, within, into or from the United States or any of the other Restricted Jurisdictions or to, or for the account of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of such jurisdictions or to any person in any country or territory where to do so would or might contravene local securities laws or regulations except pursuant to an applicable exemption.

Zeus Capital and N+1 Singer, both of which are authorised and regulated in the United Kingdom by the Financial Conduct Authority, are acting exclusively for Quantum Pharma Plc in connection with the Placing and neither Zeus Capital nor N+1 Singer will be responsible to any person other than the Company for providing the protections afforded to clients of Zeus Capital or N+1 Singer or for providing advice to any other person in connection with the Placing or any other matter referred to herein. Neither Zeus Capital nor N+1 Singer has authorised the contents of, or any part of, this Circular, and no liability whatsoever is accepted by either Zeus Capital or N+1 Singer for the accuracy of any information or opinions contained in this Circular or for the omission of any material information. Zeus Capital as Nominated Adviser to the Company, owes certain responsibilities to the London Stock Exchange which are not owed to the Company or the Directors or any other person.

No person has been authorised to give any information or make any representations other than those contained in this Circular and, if given or made, such information or representations must not be relied on as having been so authorised.

The contents of this Circular should not be construed as legal, business, financial or tax advice. Each Shareholder should consult his, her or its own legal adviser or tax adviser for legal, business, financial or tax advice.

The contents of the Company's website do not form part of this Circular.

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

This Circular contains statements about Quantum Pharma Plc that are or may be deemed to be "forward-looking statements".

All statements, other than statements of historical facts, included in this Circular may be forward-looking statements. Without limitation, any statements preceded or followed by, or that include, the words "targets", "plans", "believes", "expects", "aims", "intends", "will", "may", "should", "anticipates", "estimates", "projects", "would", "could", "continue" or words or terms of similar substance or the negative thereof, are forward-looking statements. Forward-looking statements include, without limitation, statements relating to the following: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects and (ii) business and management strategies and the expansion and growth of the operations of Quantum Pharma Plc.

These forward-looking statements are not guarantees of future performance. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual 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 numerous assumptions regarding the present and future business strategies of such persons and the environment in which each will operate in the future. Investors should not place undue reliance on such forward-looking statements and, save as is required by law or regulation (including to meet the requirements of the AIM Rules, the Prospectus Rules the FSMA and/or MAR), Quantum Pharma Plc 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 Quantum Pharma Plc or any persons acting on their behalf are expressly qualified in their entirety by the cautionary statement above. All forward-looking statements contained in this Circular are based on information available to the Directors of Quantum Pharma Plc at the date of this Circular, unless some other time is specified in relation to them, and the posting or receipt of this Circular shall not give rise to any implication that there has been no change in the facts set forth herein since such date.

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	<i>Time and/or Date</i>
Announcement of the Placing	20 October 2016
Posting of Circular and Forms of Proxy	21 October 2016
Latest time and date for receipt of General Meeting Forms of Proxy	11.00 a.m. on 8 November 2016
General Meeting	11.00 a.m. on 10 November 2016
Admission and commencement of dealings in Placing Shares	8.00 a.m. on 11 November 2016
Placing Shares in uncertificated form expected to be credited to accounts in CREST	As soon as possible after 11 November 2016
Despatch of definitive share certificates for Placing Shares (if required)	by 25 November 2016

1. References to times in this Circular are to London time unless otherwise stated.
2. The times and dates set out in the Expected Timetable of Principal Events above and mentioned throughout this Circular may be adjusted by Quantum Pharma Plc with agreement from Zeus Capital and N+1 Singer in which event details of the new times and dates will be notified to Shareholders by means of an announcement through a Regulatory Information Service.

## PLACING STATISTICS

Issue Price per New Ordinary Share	34 pence
Number of Ordinary Shares in issue as at the Latest Practicable Date	124,999,993
Number of Placing Shares to be issued by the Company pursuant to the Placing	44,117,647
Gross Proceeds of the Placing	£15 million
Estimated expenses of the Placing	£0.7 million
Net Proceeds of the Placing	£14.3 million
Number of Ordinary Shares in issue immediately following completion of the Placing	169,117,640
Placing Shares as a percentage of the Enlarged Issued Share Capital	26.09 per cent.

## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors</b>	Ian Roy Johnson Christian ('Chris') Alexander Rigg Christopher Harwood Bernard Mills Dr John Robert Brown	<i>Non-Executive Chairman</i> <i>CEO and CFO</i> <i>Non-Executive Director</i> <i>Non-Executive Director</i>
<b>Company Secretary</b>	Craig Robert Swinhoe	
<b>Registered and head office</b>	Quantum House Hobson Industrial Estate Burnopfield County Durham NE16 6EA	
<b>Nominated Adviser and Joint Broker</b>	Zeus Capital Limited 41 Conduit Street London W1S 2YQ  and  82 King Street Manchester M2 4WQ	
<b>Joint Broker</b>	N+1 Singer One Bartholomew Lane London EC2N 2AX  and  Earl Grey House 75-85 Grey Street Newcastle upon Tyne NE1 6EF	
<b>Solicitors to the Company</b>	Muckle LLP Time Central 32 Gallowgate Newcastle upon Tyne NE1 4BF	
<b>Solicitors to Zeus Capital and N+1 Singer</b>	Addleshaw Goddard LLP 100 Barbirolli Square Manchester M2 3AB	
<b>Registrar</b>	Capita Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	
<b>Financial PR</b>	Buchanan 107 Cheapside London EC2V 6DN	

## DEFINITIONS

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

<b>“Act”</b>	the Companies Act 2006 (as amended from time to time)
<b>“Admission”</b>	the admission of the Placing Shares to trading on AIM becoming effective in accordance with the AIM Rules
<b>“AIM”</b>	the market of that name operated by the London Stock Exchange
<b>“AIM Rules”</b>	the AIM Rules for Companies as amended or reissued from time to time by the London Stock Exchange governing, amongst other things, admission to AIM and the continuing obligations of AIM companies
<b>“Articles of Association”</b>	the articles of association of the Company as amended from time to time
<b>“Board”</b>	the board of Directors of the Company as at the date of this Circular
<b>“Business Day”</b>	any day (excluding Saturdays, Sundays and public holidays in England) on which banks are open in London for business
<b>“Capita”</b>	Capita Asset Services, the Company’s registrar
<b>“Circular”</b>	this circular, dated 21 October 2016
<b>“Company” or “Quantum”</b>	Quantum Pharma Plc
<b>“CREST”</b>	the relevant system (as defined in the CREST Regulations) for the paperless settlement of trades and the holding of shares in uncertificated securities operated by Euroclear as defined in the CREST Regulations
<b>“CREST Regulations” or “Regulations”</b>	the Uncertificated Securities Regulations 2001 (S.I. 2001/3755), as amended from time to time
<b>“Directors”</b>	the directors of the Company as at the date of this Circular, whose names are set out on page 6
<b>“Enlarged Issued Share Capital”</b>	the issued share capital of the Company as enlarged by the issue of the Placing Shares
<b>“EU”</b>	European Union
<b>“Euroclear”</b>	Euroclear & Ireland Limited, the operator of CREST
<b>“Existing Ordinary Shares”</b>	the 124,999,993 Ordinary Shares in issue, comprising the whole of the issued share capital of the Company, as at the date of this Circular
<b>“FCA”</b>	the Financial Conduct Authority of the United Kingdom
<b>“Form of Proxy”</b>	the form of proxy accompanying this Circular for use in connection with the General Meeting
<b>“FSMA”</b>	Financial Services and Markets Act 2000 (as amended)

<b>“General Meeting”</b>	the general meeting of the Company convened for 11.00 a.m. on 10 November 2016, notice of which is set out in this Circular, and any adjournment thereof
<b>“Gross Proceeds”</b>	the gross proceeds of the Placing before the deduction of expenses
<b>“Group”</b>	the Company and its subsidiaries from time to time
<b>“HMRC”</b>	Her Majesty’s Revenue & Customs
<b>“Independent Directors”</b>	the Directors independent of the transaction in question
<b>“Issue Price”</b>	34 pence per Placing Share
<b>“Latest Practicable Date”</b>	the latest date practicable prior to the publication of this Circular, being 20 October 2016
<b>“Letter from the Chairman”</b>	the letter from the chairman of the Company which appears at page 10 of this Circular
<b>“London Stock Exchange”</b>	London Stock Exchange Plc
<b>“MAR”</b>	the Market Abuse Regulation
<b>“Money Laundering Regulations”</b>	the Money Laundering Regulations 2007, as amended from time to time
<b>“N+1 Singer”</b>	Nplus1 Singer Advisory LLP, acting together with its associates
<b>“Net Proceeds”</b>	the Gross Proceeds of the Placing net of fees and expenses
<b>“Notice of General Meeting”</b>	the notice convening the General Meeting set out on page 15 of this Circular
<b>“Official List”</b>	the official list of the FCA pursuant to Part VI of FSMA, as amended from time to time
<b>“Ordinary Shares”</b>	ordinary shares of 10p each in the capital of the Company
<b>“Overseas Shareholders”</b>	Shareholders who are resident in or a citizen or national of any country outside the United Kingdom
<b>“Placees”</b>	the persons with whom Placing Shares are to be placed
<b>“Placing”</b>	the conditional placing of the Placing Shares, details of which are set out in paragraph 6 of the Letter from the Chairman
<b>“Placing Agreement”</b>	the conditional placing agreement dated 20 October 2016 between the Company, Zeus Capital and N+1 Singer relating to the Placing, details of which are set out in paragraph 6 of the Letter from the Chairman
<b>“Placing Resolutions”</b>	the Resolutions numbered 1 and 2 in the Notice of General Meeting
<b>“Placing Shares”</b>	the 44,117,647 new Ordinary Shares which are the subject of the Placing
<b>“Prospectus Rules”</b>	the rules made for the purposes of Part V of FSMA in relation to offers of securities to the public and admission of securities to trading on a regulated market

<b>“Quantum Pharma Plc”</b>	Quantum or the Company
<b>“Registrar”</b>	Capita
<b>“Regulatory Information Service”</b>	a regulatory information service that is approved by the FCA and on the list of regulatory information service providers maintained by the FCA
<b>“Resolutions”</b>	the resolutions including the Placing Resolutions to be proposed at the General Meeting as set out in the Notice of General Meeting
<b>“Restricted Jurisdiction”</b>	any jurisdiction where local laws or regulations may result in a significant risk of civil, regulatory or criminal exposure for the Company if information or documentation concerning the proposals set out in this document is sent or made available to shareholders in that jurisdiction including, without limitation, the United States, Canada, Australia, Japan and the Republic of South Africa
<b>“Securities Act”</b>	the US Securities Act of 1933, as amended
<b>“Shareholder(s)”</b>	holder(s) of Ordinary Shares
<b>“UK” or “United Kingdom”</b>	the United Kingdom of Great Britain and Northern Ireland
<b>“UKLA”</b>	the UK Listing Authority, being the FCA acting as competent authority for the purposes of Part VI of the FSMA
<b>“US” or “United States”</b>	the United States of America, each state thereof (including the district of Columbia), its territories, possessions and all areas subject to its jurisdiction
<b>“Warranties”</b>	the warranties given by the Company in the Placing Agreement
<b>“Zeus Capital”</b>	Zeus Capital Limited of 82 King Street, Manchester, M2 4WQ, being the Company’s Nominated Adviser and Joint Broker

## LETTER FROM THE CHAIRMAN

# QUANTUM PHARMA PLC

*(Incorporated in England and Wales with registered number 09269818)*

*Directors:*

Ian Roy Johnson, *Non-Executive Chairman*  
Christian Alexander Rigg, *CEO and CFO*  
Christopher Harwood Bernard Mills, *Non-Executive Director*  
Dr John Robert Brown, *Non-Executive Director*

*Registered Office:*

Quantum House  
Hobson Industrial Estate  
Burnopfield  
County Durham  
NE16 6EA

21 October 2016

Dear Shareholder,

**Placing of 44,117,647 Placing Shares at 34 pence per share  
and  
Notice of General Meeting**

### **1. Introduction**

The Company announced on 20 October 2016 that it had conditionally raised a total of £15 million (before expenses) by means of a Placing with certain new and existing investors, of 44,117,647 Placing Shares at a price of 34 pence per share.

The Placing is subject to the passing of certain resolutions at the General Meeting. Shareholder approval in respect of the Placing Resolutions will be sought at the General Meeting, which is being convened for 11.00 a.m. on 10 November 2016 at the offices of Muckle LLP, Time Central, 32 Gallowgate, Newcastle upon Tyne, NE1 4BF.

In addition to providing you with information about the Placing, this letter sets out the background to, and reasons for, the Placing and explains why the Directors consider that the Placing is fair and reasonable and is in the best interests of the Company and its Shareholders as a whole. The Directors unanimously recommend that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting, as the Directors who are Shareholders intend to do in respect of their own holdings of Ordinary Shares.

In the event that the Placing Resolutions are not passed, the Placing will not proceed.

### **2. Background to and reasons for the Placing**

Quantum announced its half year results for the six months ended 31 July 2016 on 4 October 2016, and also announced the results of a business review of key areas of the Group undertaken by the Board since the appointment of Chris Rigg as acting CEO in August 2016. The findings of this review are reproduced below:

- The core specials business remains strong and cash generative;
- Market data continues to support the value of the Group's unlicensed to licensed pipeline;
- A simplified business, primarily focused on specials and the Group's unlicensed to licensed growth platform, offers the best opportunity for value creation;
- Generic, generic plus and medical device products are proving more challenging to take to market and more conservative sales assumptions are required for those products;
- Decision taken to commence consultation on closure of the underperforming and loss making NuPharm business;
- Further opportunities exist to reduce the Group's cost base; and

- A lower level of net debt would help to support the further growth of the refocused business.

The Company is now proposing to raise up to £15 million.

### **3. Use of proceeds**

The Board believes that the Net Proceeds of the Placing will reduce the Group's net debt to a more appropriate level for a business of Quantum's type and size.

The proceeds of the Placing will initially be used to reduce the level of utilisation of the Group's revolving credit facility, which will create headroom in the Group's debt facilities, allowing increased operational and commercial flexibility. The reduced level of net debt will allow the Group to be able to invest in its business without decisions being constrained by the need to actively manage cash and debt levels.

### **4. Current Trading and Prospects**

The Group continues to trade in line with revised expectations set out in the half year results announcement of 4 October 2016.

The Board believes that the focused and simplified strategy to concentrate on the Group's key businesses, including its strong specials business and exciting unlicensed to licensed product pipeline, combined with the reduction in net debt levels achieved by the proposed Placing, will better position the Group to deliver its growth potential in the coming years. The Board is confident that the continuing growth opportunities available to a focused business on a sounder financial footing remain substantial.

### **5. Board Changes**

On 19 October 2016 Quantum announced the appointment of Chris Rigg as permanent CEO, the appointment of Ian Johnson as non-executive chairman, the appointments of Christopher Mills and Dr John Brown as non-executive directors, and the resignation from the Board of John Clarke and Sheila Kelly. An extract from this announcement is reproduced below:

Following a formal search process, and having taken into account the feedback of a number of Quantum's major shareholders who are fully supportive of the strategy to simplify and focus the Group, the Board has today appointed Chris Rigg to the position of Chief Executive Officer on a permanent basis. Chris was appointed to the Board as CFO in March 2016 and has been Acting CEO since 1 August 2016. The Board has commenced a formal search process for a new CFO but, in the interim, as well as permanent CEO, Chris will remain as CFO until a replacement for that role is appointed.

Quantum is also pleased to announce the appointments to the Board of Ian Johnson as non-executive Chairman; Christopher Mills as non-executive Director and Dr John Brown as Senior Independent non-executive Director. The Board has commenced a formal search process for a further non-executive Director. John Clarke and Sheila Kelly, non-executive Chairman and non-executive Director respectively, have resigned from their positions on the Board with immediate effect to focus on other Directorships and new business appointments.

Ian Johnson is an experienced director in the healthcare and life science sector. He was founder and CEO of Biotrace International plc and is currently Chairman of Celesis Group, Cyprotex plc and Lumora Ltd. Ian has also served on the boards of various public and private companies in strategic consultancy and business development capacities including: Evans Analytical Group, MyCelx Technologies Corporation and AOI Medical Inc., each AIM traded companies. Ian is a chartered biologist and a member of the Institute of Biology and the Institute of Directors.

Christopher Mills is an experienced non-executive Director. He founded Harwood Capital Management Ltd in 2011, a successor from its former parent company J O Hambro Capital Management Ltd, which he co-founded in 1993. He is Chief Executive of North Atlantic Smaller Companies Investment Trust plc, a Director and Investment Manager of Oryx International Growth Fund Ltd and Chief Investment Officer of Harwood Capital LLP. He is also a non-executive Director of several AIM-listed companies. Christopher was a Director of Invesco MIM, where he was head of North American investments and venture capital and of Samuel Montagu International. Together, North Atlantic Smaller Companies Investment Trust PLC and Oryx

International Growth Fund Limited are interested in 13,850,000 Ordinary Shares representing 11.08 per cent. of the entire issued share capital of the Company.

Dr John Brown is an experienced non-executive director who has extensive experience in the life sciences and healthcare sectors. He is Chairman of Kyowa Kirin International and the Cell and Gene Therapy Catapult and a Director of Electrical Geodesics Inc. His board experience includes his roles as Chairman of Touch Bionics Ltd, BTG plc, and Axis-Shield plc, and as a Director of Vectura Group plc, Cambridge Antibody plc and Acambis plc.

## **6. Key elements of the Placing**

### **6.1 Placing**

The Company is proposing to raise £15 million (£14.3 million net of estimated expenses), by way of the conditional placing of 44,117,647 Placing Shares at the Issue Price with new and existing investors. The Placing Shares to be issued pursuant to the Placing will represent approximately 26.09 per cent. of the Enlarged Issued Share Capital. The Placing Shares will rank *pari passu* in all respects with the Existing Ordinary Shares. The Issue Price represents a premium of 0.7 per cent. to the mid-market closing price on 19 October 2016. The Placing is conditional on (amongst other things) Admission and has not been underwritten.

### **6.2 Placing Agreement**

On 20 October 2016, the Company entered into the Placing Agreement with Zeus Capital and N+1 Singer pursuant to which Zeus Capital and N+1 Singer agreed to use reasonable endeavours to place the Placing Shares at the Issue Price. Under the Placing Agreement, the Company has given Zeus Capital and N+1 Singer customary warranties and indemnities. Zeus Capital and N+1 Singer also have customary termination rights in certain circumstances prior to Admission, including, *inter alia*, where there is a material breach of any of the Warranties.

## **7. Effect of the Placing**

44,117,647 Placing Shares will be issued to Placees pursuant to the Placing. All the Placing Shares will, when issued and fully paid, rank *pari passu* with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after the date of Admission.

The Placing Resolutions set out in the Notice of General Meeting must be passed at the General Meeting in order for the Placing to proceed.

Upon completion of the Placing, the Placing Shares will represent approximately 26.09 per cent. of the Enlarged Issued Share Capital and the Existing Ordinary Shares will represent approximately 73.91 per cent. of the Enlarged Issued Share Capital.

## **8. Related Party Transactions**

### **8.1 Legal and General Placing Participation**

Legal & General, a Substantial Shareholder in the Company (as defined by the AIM Rules) has conditionally agreed to subscribe for 9,040,335 Placing Shares pursuant to the Placing. The participation of Legal & General in the Placing is a related party transaction for the purposes of the AIM Rules.

Following Admission, Legal & General will have a shareholding of 24,928,842 Ordinary Shares, representing 14.63 per cent. of the Enlarged Issued Share Capital.

The Directors, having consulted with the Company's Nominated Adviser, Zeus Capital, consider the terms of Legal & General's participation in the Placing to be fair and reasonable insofar as Shareholders are concerned.

### **8.2 Harwood Capital Placing Participation**

Harwood Capital, a Substantial Shareholder in the Company (as defined by the AIM Rules) has conditionally agreed to subscribe for 11,078,842 Placing Shares pursuant to the Placing. The

participation of Harwood Capital in the Placing is a related party transaction for the purposes of the AIM Rules.

Following Admission, Harwood Capital will have a shareholding of 23,837,860 Ordinary Shares, representing 14.74 per cent. of the Enlarged Issued Share Capital.

The Independent Directors, having consulted with the Company's Nominated Adviser, Zeus Capital, consider the terms of Harwood Capital's participation in the Placing to be fair and reasonable insofar as Shareholders are concerned.

### **8.3 *Chris Rigg Placing Participation***

Chris Rigg, a Director of the Company has conditionally agreed to subscribe for 147,059 Placing Shares pursuant to the Placing. The participation of Chris Rigg in the Placing is a related party transaction for the purposes of the AIM Rules.

Following Admission, Chris Rigg will have a shareholding of 162,059 Ordinary Shares, representing 0.10 per cent. of the Enlarged Issued Share Capital.

The Independent Directors, having consulted with the Company's Nominated Adviser, Zeus Capital, consider the terms of Chris Rigg's participation in the Placing to be fair and reasonable insofar as Shareholders are concerned.

### **8.4 *Ian Johnson Placing Participation***

Ian Johnson, a Director of the Company has conditionally agreed to subscribe for 58,824 Placing Shares pursuant to the Placing. The participation of Ian Johnson in the Placing is a related party transaction for the purposes of the AIM Rules.

Following Admission, Ian Johnson will have a shareholding of 58,824 Ordinary Shares, representing 0.04 per cent. of the Enlarged Issued Share Capital.

The Independent Directors, having consulted with the Company's Nominated Adviser, Zeus Capital, consider the terms of Ian Johnson's participation in the Placing to be fair and reasonable insofar as Shareholders are concerned.

### **8.5 *Dr John Brown Placing Participation***

Dr John Brown, a Director of the Company has conditionally agreed to subscribe for 73,529 Placing Shares pursuant to the Placing. The participation of Dr John Brown in the Placing is a related party transaction for the purposes of the AIM Rules.

Following Admission, Dr John Brown will have a shareholding of 73,529 Ordinary Shares, representing 0.04 per cent. of the Enlarged Issued Share Capital.

The Independent Directors, having consulted with the Company's Nominated Adviser, Zeus Capital, consider the terms of Dr John Brown's participation in the Placing to be fair and reasonable insofar as Shareholders are concerned.

## **9. Risks and Uncertainties**

A description of the principal risks and uncertainties associated with the Group's business and how they are being managed is included in the Group's Annual Report and Accounts for the year ended 31 January 2016 (on pages 22-23). In the interim results released on 4 October 2016 the Board confirmed its view that these principal risks and uncertainties are as applicable to the remaining six months of the current financial year as they were to the first six months reviewed in the interim results.

## **10. General Meeting**

At page 16 of this Circular, you will find the Notice of General Meeting convening the General Meeting to be held at the offices of Muckle LLP at 11.00 a.m. on 10 November 2016. For the purposes of effecting the Placing, the Placing Resolutions will be proposed at the General Meeting.

The full text of the Resolutions are set out in the Notice of General Meeting, but set out below is a summary of the Placing Resolutions:

- Resolution 1 (to be proposed as an ordinary resolution): to authorise the Directors under section 551 of the Act to allot shares up to an aggregate nominal amount of £4,411,764.70 for the purposes of the Placing; and
- Resolution 2 (to be proposed as a special resolution): to dis-apply the pre-emption rights pursuant to the provisions of sections 570 and 573 of the Act in respect of the allotment of equity securities pursuant to the Placing.

As well as the Placing Resolutions referred to above, additional Resolutions will be proposed at the General Meeting as summarised below.

- Resolution 3 (to be proposed as an ordinary resolution): to authorise the Directors under section 551 of the Act to allot additional shares up to an aggregate nominal amount of £11,161,764.20 (representing 66 per cent. of the nominal value of the Enlarged Issued Share Capital providing that half such sum may only be allotted in connection with a rights issue or similar pre-emptive share issue). If passed, this authority will expire on the earlier of the date of the next annual general meeting of the Company and the anniversary of the General Meeting and will be in substitution for the authority granted by the Company at the annual general meeting held on 12 July 2016; and
- Resolution 4 (to be proposed as a special resolution): to dis-apply the pre-emption rights pursuant to the provisions of sections 570 and 573 of the Act in respect of the allotment of additional equity securities up to an aggregate nominal amount of £1,691,176.40 (representing 10 per cent. of the nominal value of the Enlarged Issued Share Capital). If passed, this authority will expire on the earlier of the date of the next annual general meeting of the Company and the anniversary of the General Meeting and will be in substitution for the authority granted by the Company at the annual general meeting held on 12 July 2016.
- Resolutions 3 and 4 will be conditional on the passing of Resolutions 1 and 2.

The Board is proposing Resolutions 3 and 4 in order to seek Shareholder approval to grant the Board additional flexibility, following the Placing, to issue Ordinary Shares up to a certain amount without the need to seek Shareholder approval at the relevant time. These proposed authorities are in the same proportions as those approved by Shareholders at the last annual general meeting and if passed, would give the Board flexibility to raise funds on an expedited basis to take advantage of potential fundraising opportunities which may arise. The Board has no present intention of exercising these authorities, if granted, (other than in connection with the exercise of options) and the Board will only exercise these authorities when it is satisfied that it is in the Company's interests to do so.

## **11. Action to be taken by Shareholders**

### ***General Meeting***

Shareholders will find enclosed with this Circular, or have been sent separately, a Form of Proxy for use at the General Meeting. **Whether or not you propose to attend the General Meeting in person, it is important that you complete and sign the Form of Proxy in accordance with the instructions thereon and return it so as to arrive with the Company's Registrar, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 11.00 a.m. on 8 November 2016.** If you are completing the Form of Proxy electronically or via the CREST system this must be done so not later than 11.00 a.m. on 8 November 2016. The completion and depositing of a Form of Proxy will not preclude you from attending and voting in person at the General Meeting, or at any adjournment thereof, should you wish to do so.

## **12. Recommendation**

The Directors consider the Placing and the passing of the Resolutions to be in the best interests of the Company and the Shareholders as a whole. The Directors consider that the dilution to existing Shareholders from the Placing is proportionate relative to the benefits of the Placing in putting the business on a sounder financial footing with greater operational flexibility. Accordingly, the Directors consider the Placing as a whole to be fair and reasonable and in the best interests of Shareholders as a whole. Accordingly, the Directors recommend that Shareholders vote in favour of the Resolutions as those Directors who are Shareholders

intend to do in respect of their beneficial holdings of an aggregate of 15,000 Existing Ordinary Shares, representing approximately 0.01 per cent. of the Existing Ordinary Shares.

Copies of this Circular will be available free of charge from the Company's website [www.quantumpharmagroup.com](http://www.quantumpharmagroup.com)

Yours faithfully

**Ian Johnson**

*Non-Executive Chairman*

# QUANTUM PHARMA PLC

*(Incorporated in England and Wales under the Companies Act 2006 (as amended) with registered number 09269818)*

## NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of Quantum Pharma Plc (**Company**) will be held at Muckle LLP, Time Central, 32 Gallowgate, Newcastle upon Tyne, NE1 4BF on Thursday 10 November 2016 at 11.00 a.m. to consider and, if thought fit, pass the following resolutions which will be proposed as ordinary or special resolutions of the Company as set out below.

### Ordinary Resolution

1. That the Directors of the Company be and are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (**Act**) to exercise all the powers of the Company to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company (**Rights**) up to an aggregate nominal amount of £4,411,764.70 pursuant to the Placing, as described in the circular to shareholders dated 21 October 2016 (**Circular**), provided that this authority shall, unless renewed, revoked or varied by the Company in general meeting expire on 10 May 2017 or, if earlier, the conclusion of the Company's next Annual General Meeting save that the Company may, before such expiry, revocation or variation make offers or enter into agreements that would or might require such shares to be allotted or Rights to be granted and the Directors may allot any such shares or grant any Rights after the expiry, revocation or variation of such authority in pursuance of any such offer or agreement as if the authority conferred by this resolution had not expired or been revoked or varied.

### Special Resolution

2. That, subject to the passing of resolution 1 set out in the notice of this meeting, the Directors of the Company be given general power, pursuant to section 570 of the Companies Act 2006 (**Act**), to allot equity securities (as defined in section 560 of the Act), up to an aggregate nominal amount of £4,411,764.70 for cash pursuant to the authority conferred by resolution 1 set out in the notice of this General Meeting, as if section 561 of the Act did not apply to such allotment, provided that this authority is limited to the allotment of equity securities up to an aggregate nominal value of £4,411,764.70 pursuant to the Placing, as described in the circular to shareholders dated 21 October 2016 (**Circular**); and

provided that this authority shall, unless renewed, revoked or varied by the Company in general meeting expire on 10 May 2017 or, if earlier, the conclusion of the Company's next Annual General Meeting save that the Company may, before such expiry, revocation or variation make offers or enter into agreements that would or might require such shares to be allotted or Rights to be granted and the Directors may allot any such shares or grant any Rights after the expiry, revocation or variation of such authority in pursuance of any such offer or agreement as if the authority conferred by this resolution had not expired or been revoked or varied.

### Ordinary Resolution

3. That, subject to the passing of resolutions 1 and 2 set out in the notice of this General Meeting, the Directors of the Company be and are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (**Act**) to exercise all the powers of the Company to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company (**Rights**):
  - (a) up to an aggregate nominal amount of £5,580,882 (representing 33 per cent. of the issued share capital of the Company following the Placing referred to in resolution 1 set out in the notice of this General Meeting); and
  - (b) up to an additional aggregate nominal amount of £5,580,882 provided that they are offered by way of a rights issue to holders of Ordinary Shares on the register of members at such record date(s) as the Directors may determine, where the shares or equity securities respectively

attributable to the interests of the ordinary Shareholders are proportionate (as nearly as may be practicable) to the respective number of Ordinary Shares held or deemed to be held by them on any such record date(s), subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems arising under the laws of any territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter,

and provided that this authority shall, unless renewed, revoked or varied by the Company in general meeting expire on the earlier of 12 months after the date of the passing of this resolution and the conclusion of the next Annual General Meeting of the Company save that the Company may, before such expiry, revocation or variation make offers or enter into agreements that would or might require shares to be allotted or Rights to be granted and the Directors may allot any shares or grant any Rights after the expiry, revocation or variation of such authority in pursuance of any such offer or agreement as if the authority conferred by this resolution had not expired or been revoked or varied.

The authority granted to the Directors in accordance with section 551 of the Act, at the Annual General Meeting of the Company held on 12 July 2016, shall, subject to the passing of this resolution, cease to have effect at the conclusion of this General Meeting, save to the extent that the authority granted shall remain exercisable in connection with any offer made or agreement entered into prior to the date of this resolution which would or might require shares to be allotted or Rights to be granted after the date of this resolution.

### **Special Resolution**

4. That, subject to the passing of resolutions 1, 2 and 3 set out in the notice of this General Meeting, the Directors of the Company be given general power, pursuant to section 570 of the Companies Act 2006 (**Act**), to allot equity securities (as defined in section 560 of the Act), for cash pursuant to the authority conferred by resolution 3 set out in the notice of this General Meeting as if section 561 of the Act did not apply to such allotment, provided that
  - (a) this power is limited to:
    - (i) the allotment of equity securities in connection with an offer by way of a rights issue (a) to holders of Ordinary Shares in proportion (as nearly as may be practicable) to their respective holdings and (b) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or any legal or practical problems arising under the laws of any territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter; and
    - (ii) the allotment (other than pursuant to paragraph 4.(a)(i) above) of equity securities up to an aggregate nominal amount of £1,691,176.40 (representing 10 per cent. of the issued share capital of the Company following the Placing referred to in resolution 1 set out in the notice of this General Meeting);

and provided that this power shall, unless renewed, revoked or varied by the Company in general meeting expire on the date 12 months after the passing of this resolution or, if earlier, the conclusion of the Company's next Annual General Meeting save that before such expiry, revocation or variation the Company may make offers or enter into agreements which would or might require equity securities to be allotted after the expiry, revocation or variation of such power in pursuance of any such offer or agreement as if the power conferred by this resolution had not expired or been revoked or varied.

The authority granted to the Directors in accordance with section 570 of the Act, at the Annual General Meeting of the Company held on 12 July 2016, shall, subject to the passing of resolution 3 and this resolution as set out above, cease to have effect at the conclusion of this General Meeting, save to the extent that the authority granted shall remain exercisable pursuant to section 570 of the Act in connection with any offer made or agreement entered into prior to the date of this resolution which would or might require equity securities to be allotted after the date of this resolution.

By order of the Board

**Craig Swinhoe**

*Company Secretary*

21 October 2016

*Registered Office:*

Quantum House  
Hobson Industrial Estate  
Burnopfield  
County Durham  
NE16 6EA

*Notes:*

**1. Entitlement to attend and vote**

Only those shareholders registered in the Company's Register of Members at:

- 1.1 close of business on 8 November 2016; or
- 1.2 if the General Meeting is adjourned, at close of business on the day two days prior to the adjourned meeting;

shall be entitled to attend and vote at the General Meeting in respect of the number of ordinary shares of 10p each in the capital of the Company registered in their name at that time. Subsequent changes to entries in the register of members shall be disregarded in determining the rights of any person to attend or vote at the General Meeting.

**2. Appointment of Proxies**

- 2.1 As a shareholder of the Company, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the General Meeting and you should have received a proxy form with this notice of General Meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
- 2.2 A proxy does not need to be a shareholder of the Company but must attend the General Meeting to represent you. Details of how to appoint the Chairman of the General Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the General Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
- 2.3 You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares held by you. To appoint more than one proxy, you may photocopy the enclosed proxy form.
- 2.4 If you do not give your proxy an indication of how to vote on any resolution, 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. A vote to abstain 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.

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

- 2.5 The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

To appoint a proxy using the proxy form, the form must be:

- completed and signed;
- sent or delivered to the Company's Registrars, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU; and
- received by the Company's Registrars, Capita Asset Services, no later than 11.00 a.m. on 8 November 2016.

In the case of a shareholder which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

### **Appointment of proxy through CREST**

- 2.6 CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the General Meeting convened by this notice and any adjournment(s) thereof by utilising the procedures described in the CREST Manual (available from <https://www.euroclear.com/site/public/EUI>). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") 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 the latest time for receipt of proxy appointments specified in note 2.5. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service 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.

### **Appointment of proxy by joint shareholders**

- 2.7 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).

### **Changing proxy instructions**

- 2.8 To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard copy proxy form and would like to change the instructions using another hard copy proxy form, please contact the Company's Registrars, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

### **Termination of proxy appointments**

- 2.9 In order to revoke a proxy instruction you will need to send a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Company's Registrars, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU. In the case of a shareholder which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

Any revocation notice must be received by the Company's Registrars, Capita at the address above no later than 11.00 a.m. on 8 November 2016.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

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

### **3. Corporate Representative**

A corporation which is a shareholder can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a shareholder provided that no more than one corporate representative exercises powers over the same share.

### **4. Issued share capital and voting rights**

As at 20 October 2016, the Company's issued share capital comprised 124,999,993 ordinary shares of 10p each, carrying the right to one vote each at a general meeting of the Company.

### **5. Communication**

Except as provided above, Shareholders who have general queries about the General Meeting should contact the Company Secretary at Quantum House, Hobson Industrial Estate, Burnopfield, County Durham, NE16 6EA or by telephone 01207 279 400 (no other methods of communication will be accepted).

You may not use any electronic address provided either in this notice of General Meeting or any related documents to communicate with the Company for any purposes other than those expressly stated.

### **6. Documents on display**

Copies of the Circular will be available free of charge from the Company's website [www.quantumpharmagroup.com](http://www.quantumpharmagroup.com).

