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If you have sold or transferred all of your registered holding of Existing Ordinary Shares please forward this document, but not the personalised Form of Proxy, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other party through whom the sale or transfer was effected, for transmission to the purchaser or transferee. If you have sold or transferred only part of your registered holding of Existing Ordinary Shares, you are advised to consult your stockbroker, bank or other party through whom the sale or transfer was effected.

THE WHOLE TEXT OF THIS DOCUMENT SHOULD BE READ.

AVACTA GROUP PLC

(Incorporated in England and Wales with registered number 04748597)

Proposed placing of 8,669,682 Second Placing Shares

Proposed subscription for 914,215 Second Subscription Shares

Proposed subscription for 4,061,821 PrimaryBid Shares

and

Notice of General Meeting

A notice convening a General Meeting of the Company to be held at the offices Walker Morris LLP at 33 Wellington Street, Leeds LS1 4DL at 10.00 a.m. on 24 June 2020 is set out in Part II of this document. A Form of Proxy accompanies this document. To be valid, the Form of Proxy for use at the General Meeting must be completed and returned so as to be received at the offices of the Company's registrars, Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 10.00 a.m. on 22 June 2020.

The Existing Ordinary Shares are 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 Financial Conduct Authority ("**FCA**"). 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 FCA has examined or approved the contents of this document. The AIM Rules are less demanding than those of the Official List of the FCA. It is emphasised that no application is being made for admission of the Existing Ordinary Shares, the First Admission Shares or the New Ordinary Shares to the Official List of the FCA.

finnCap Ltd ("**finnCap**"), 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 Fundraising. Persons receiving this document should note that finnCap will not be responsible to anyone other than the Company for providing the protections afforded to customers of finnCap or for advising any other person on the arrangements described in this document. No representation or warranty, expressed or implied, is made by finnCap as to any of the contents of this document and finnCap has not authorised the contents of, or any part of, this document and no liability whatsoever is accepted by finnCap for the accuracy of any information or opinions contained in this document or for the omission of any information. finnCap, as nominated adviser and broker to the Company, owes certain responsibilities to the London Stock Exchange which are not owed to the Company or the Directors.

Zeus Capital Limited ("**Zeus**"), which is authorised and regulated in the United Kingdom by the FCA, is acting as joint broker to the Company in connection with the Fundraising. Persons receiving this document should note that Zeus will not be responsible to anyone other than the Company for providing the protections afforded to customers of Zeus or for advising any other person on the arrangements described in this document. No representation or warranty, expressed or implied, is made by Zeus as to any of the contents of this document and Zeus has not authorised the contents of, or any part of, this document and no liability whatsoever is accepted by Zeus for the accuracy of any information or opinions contained in this document or for the omission of any information. Zeus, as joint broker to the Company, owes certain responsibilities to the London Stock Exchange which are not owed to the Company or the Directors.

This document or any part of it does not constitute or form part of any offer to issue or sell, or the solicitation of an offer to acquire, purchase or subscribe for, any New Ordinary Shares in the United States (including its territories and possessions, any state of the United States and the District of Columbia), Australia, Canada, Japan or the Republic of

South Africa or any other jurisdiction in which the same would be unlawful. No public offering of the New Ordinary Shares is being made in any such jurisdiction.

The New Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission or other regulatory authority in the United States, nor have any of the foregoing authorities passed upon or endorsed the merits of the Fundraising or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States. The relevant clearances have not been, nor will they be, obtained from the securities commission of any province or territory of Canada, no prospectus has been lodged with, or registered by, the Australian Securities and Investments Commission or the Japanese Ministry of Finance; the relevant clearances have not been, and will not be, obtained for the South Africa Reserve Bank or any other applicable body in the Republic of South Africa in relation to the New Ordinary Shares and the New Ordinary Shares have not been, nor will they be, registered under or offering in compliance with the securities laws of any state, province or territory of Australia, Canada, Japan or the Republic of South Africa. Accordingly, the New Ordinary Shares may not (unless an exemption under the relevant securities laws is applicable) be offered, sold, resold or delivered, directly or indirectly, in or into Australia, Canada, Japan or the Republic of South Africa or any other jurisdiction outside the United Kingdom.

THE NEW ORDINARY SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR JURISDICTION OF THE UNITED STATES, AND MAY NOT BE OFFERED, SOLD OR TRANSFERRED, DIRECTLY OR INDIRECTLY, IN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, 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. NO PUBLIC OFFERING OF THE NEW ORDINARY SHARES IS BEING MADE IN THE UNITED STATES.

Persons (including, without limitation, nominees and trustees) who have a contractual right or other legal obligations to forward a copy of this document should seek appropriate advice before taking any action.

Copies of this document will be available free of charge to the public during normal business hours on any day (Saturdays, Sundays and public holidays (in England) excepted) at the offices of Avacta Group plc at Unit 20, Ash Way, Thorp Arch Estate, Wetherby, LS23 7FA for a period of one month from the date of this document and available on the Company’s website www.avacta.com.

FORWARD LOOKING STATEMENTS

This document contains (or may contain) certain “forward-looking statements” with respect to certain of the Company’s current expectations and projections about future events. These statements, which sometimes use words such as “target”, “aim”, “will”, “may”, “would”, “could”, “similar”, “anticipate”, “believe”, “intend”, “estimate”, “expect” and words of similar meaning, reflect the Directors’ current beliefs and expectations and involve a number of risks, uncertainties and assumptions that could cause actual results and performance to differ materially from any expected future results or performance expressed or implied by any such forward-looking statement. Statements contained in this document regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. The information contained in this document is subject to change without notice and none of the Joint Brokers nor, except as required by applicable law, the Company assumes any responsibility or obligation to update publicly or review any of the forward-looking statements (or any other information) contained herein. You should not place undue reliance on forward-looking statements, which speak only as of the date of this document.

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DIRECTORS, SECRETARY AND ADVISERS

Directors	Eliot Forster Alastair Smith Tony Gardiner Trevor Nicholls Paul Fry Mike Owen	<i>Non-executive Chairman</i> <i>Chief Executive Officer</i> <i>Chief Financial Officer</i> <i>Non-executive Director</i> <i>Non-executive Director</i> <i>Senior Independent Director & Scientific Advisory Board Chairman</i>
Registered Office	Unit 20 Ash Way Thorp Arch Estate Wetherby LS23 7FA	
Company Secretary	Tony Gardiner	
Nominated Adviser and a Joint Broker	finnCap Ltd 60 New Broad Street London EC2M 1JJ	
Joint Broker	Zeus Capital Limited 10 Old Burlington Street London W1S 3AG	
Solicitors to the Company	Walker Morris LLP 33 Wellington Street Leeds LS1 4DL	
Solicitors to finnCap and Zeus	Fieldfisher LLP Riverbank House 2 Swan Lane London EC4R 3TT	
Registrars	Link Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	

KEY STATISTICS

Number of Existing Ordinary Shares in issue on the date of this document	208,797,815
Number of new Ordinary Shares to be issued pursuant to the First Placing and the First Subscription ⁽¹⁾	26,354,282
Number of Second Placing Shares	8,669,682
Number of Second Subscription Shares	914,215
Number of PrimaryBid Shares	4,061,821
Aggregate number of New Ordinary Shares to be issued pursuant to the Second Placing, the Second Subscription and the PrimaryBid Offers	13,645,718
Issue Price	120p
Number of Ordinary Shares in issue immediately following Admission ^{(1) (2)}	248,797,815
Percentage of the Enlarged Share Capital represented by the New Ordinary Shares immediately following Admission ^{(1) (2)}	5.48 per cent.
Gross proceeds from the Second Placing, Second Subscription and PrimaryBid Offers ⁽³⁾	£16.4 million
Gross proceeds from the Fundraising ^{(1) (3)}	£48.0 million

(1) Assuming 26,354,282 Ordinary Shares are admitted to trading or on about 10 June 2020 pursuant to the First Placing and the First Subscription.

(2) Assuming 26,354,282 Ordinary Shares are allotted and issued pursuant to the First Placing and the First Subscription and no further Ordinary Shares are issued between the date of this document and Admission.

(3) Assuming completion of the Second Placing, the Second Subscription and the PrimaryBid Offers at the Issue Price.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Announcement of the Fundraising	4 June 2020
Publication and posting of this document and the Form of Proxy	8 June 2020
Latest time and date for receipt of Forms of Proxy	10.00 a.m. on 22 June 2020
General Meeting	10.00 a.m. on 24 June 2020
Admission	8.00 a.m. on 25 June 2020
New Ordinary Shares to be held in uncertificated form credited to relevant CREST accounts	on 25 June 2020
Despatch of definitive share certificates for New Ordinary Shares to be held in certificated form	no later than 9 July 2020

If any of the details contained in the timetable above should change (and such change is material), the revised times and dates will be notified by means of an announcement through a Regulatory Information Service.

All references are to London, UK time unless stated otherwise.

DEFINITIONS

“Act”	the Companies Act 2006, as amended
“Admission”	the admission of the New Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	the market of that name, operated by the London Stock Exchange
“AIM Rules”	the AIM Rules for Companies published by the London Stock Exchange, as amended
“Beech Hill”	Beech Hill Securities, Inc., a Joint Broker
“Board” or “Directors”	the directors of the Company as at the date of this document, whose names appear on page 4 of this document
“Business Day”	a day (other than a Saturday or Sunday or public holidays in England) on which commercial banks are open for business in London, UK
“certificated form” or “in certificated form”	an Ordinary Share recorded on the Company’s share register as being held in certificated form (namely, not in CREST)
“Company” or “Avacta”	Avacta Group plc, a company incorporated in England and Wales with registered number 04748597
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear UK & Ireland is the operator (as defined in the CREST Regulations)
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended
“Doxorubicin”	a chemotherapy medication used to treat cancer
“Enlarged Share Capital”	the current issued share capital of the Company as enlarged by the issue of the First Admission Shares and the New Ordinary Shares
“Euroclear UK & Ireland”	Euroclear UK & Ireland Limited, the operator of CREST
“Existing Ordinary Shares”	the 208,797,815 Ordinary Shares in issue on the date of this document
“FCA”	the Financial Conduct Authority of the UK
“finnCap”	finnCap Ltd, the Company’s nominated adviser and a Joint Broker
“Form of Proxy”	the form of proxy for use in connection with the General Meeting
“First Admission”	the admission of the First Admission Shares to trading on AIM becoming effective in accordance with the AIM Rules, which is expected to occur on or around 10 June 2020
“First Admission Shares”	the 26,354,282 new Ordinary Shares, in aggregate, to be issued pursuant to the First Placing and the First Subscription
“First Placing”	the placing of 24,348,831 new Ordinary Shares by the finnCap, Zeus and Beech Hill pursuant to the Placing Agreement

“First Subscription”	the subscription of 2,005,451 new Ordinary Shares by the Subscriber pursuant to the Subscription Letter
“Fundraising”	the First Placing, the First Subscription, the Second Placing, the Second Subscription and the PrimaryBid Offers
“General Meeting”	the general meeting of the Company convened by the Notice of General Meeting
“Group”	the Company and its subsidiaries as at the date of this document
“IND/CTA”	an investigational new drug application or clinical trial application
“Issue Price”	the issue price of the First Admission Shares and New Ordinary Shares, being 120p per new Ordinary Share
“Joint Brokers”	together finnCap, Zeus and Beech Hill
“Link Asset Services”	a trading name of Link Market Services Limited
“London Stock Exchange”	London Stock Exchange plc
“Long Stop Date”	10 July 2020
“New Ordinary Shares”	the Second Placing Shares, the Second Subscription Shares and the PrimaryBid Shares
“Notice of General Meeting”	the notice convening the General Meeting which is set out at Part II of this document
“Ordinary Shares”	ordinary shares of 10p each in the capital of the Company
“Placing Agreement”	the conditional agreement dated 4 June 2020 between the Company and the Joint Brokers in relation to the First Placing and the Second Placing
“PrimaryBid”	PrimaryBid Limited
“PrimaryBid Offers”	the offers for subscription conducted by PrimaryBid of the PrimaryBid Shares at the Issue Price
“PrimaryBid Shares”	4,061,821 of the New Ordinary Shares to be allotted and issued pursuant to the PrimaryBid Offers and which are expected to be admitted to trading on at AIM at Admission
“Registrar”	Link Asset Services, the Company’s registrar
“Regulatory Information Service” or “RIS”	has the meaning given to it in the AIM Rules
“Resolution”	the resolution to be proposed at the General Meeting, details of which are set out in the Notice of General Meeting
“Second Placing”	the conditional placing of the Second Placing Shares at the Issue Price by finnCap and Zeus pursuant to the Placing Agreement
“Second Placing Shares”	8,669,682 of the New Ordinary Shares to be allotted and issued pursuant to the Placing Agreement and which are expected to be admitted to trading on at AIM at Admission

“Second Subscription”	the conditional subscription of the Second Subscription Shares by the Subscriber pursuant to the Subscription Letter
“Second Subscription Shares”	914,215 of the new Ordinary Shares to be allotted and issued pursuant to the Subscription Letter and which are expected to be admitted to trading on at AIM at Admission
“Securities Act”	US Securities Act of 1933, as amended
“Selexis”	Selexis SA, a company headquartered in Chemin des Aulx, 14, 1228 Plan-les-Ouates, Switzerland
“Shareholders”	holders of Ordinary Shares
“Subscriber”	the subscriber for the First Subscription Shares and the Second Subscription Shares pursuant to the First Subscription and the Second Subscription, respectively
“Subscription Letter”	the conditional subscription letter dated 4 June 2020 between the Company and the Subscriber in connection with the First Subscription and the Second Subscription
“uncertificated” or “uncertificated form”	recorded on the relevant register or other record of the Ordinary Shares or other security concerned as being held in uncertificated form in CREST, and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“United Kingdom” or “UK”	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
“Zeus”	Zeus Capital Limited, a Joint Broker

PART I

LETTER FROM THE CHAIRMAN OF

AVACTA GROUP PLC

(Incorporated in England and Wales with registered number 04748597)

Directors:

Eliot Forster	<i>Non-Executive Chairman</i>
Alastair Smith	<i>Chief Executive Officer</i>
Tony Gardiner	<i>Chief Financial Officer</i>
Trevor Nicholls	<i>Non-executive Director</i>
Paul Fry	<i>Non-executive Director</i>
Mike Owen	<i>Senior Independent Director & Scientific Advisory Board Chairman</i>

Registered Office:

Unit 20
Ash Way
Thorp Arch Estate
Wetherby
LS23 7FA

8 June 2020

To holders of Ordinary Shares and, for information purposes, to holders of options over Ordinary Shares

Dear Shareholder,

Proposed placing of 8,669,682 Second Placing Shares
Proposed subscription for 914,215 Second Subscription Shares
Proposed subscription for 4,061,821 PrimaryBid Shares
and
Notice of General Meeting

1. INTRODUCTION

On 4 June 2020, the Company announced the Fundraising through the issue of 40,000,000 new Ordinary Shares at an issue price of 120 pence per Ordinary Share. The Fundraising is made up of two parts. The first, a placing and a separate share subscription to raise approximately £31 million (before expenses) through the issue of, in aggregate, 26,354,282 Ordinary Shares, which have been conditionally allotted using the Company's existing authorities and powers to allot shares for cash on a non-pre-emptive basis, is expected to complete on or around 10 June 2020. The second part, the Second Placing, the Second Subscription and the PrimaryBid Offers to raise a further £16 million (before expenses) through the issue of, in aggregate, a further 13,645,718 new Ordinary Shares, is conditional on, amongst other things, the passing of the Resolution at the General Meeting.

Pursuant to the Fundraising, the Company expects to raise, in aggregate, £48 million (before expenses) to fund the rapid scale-up of the broader Affimer[®] diagnostic products opportunities including COVID-19 antigen rapid testing and accelerated expansion of the in-house Affimer[®] and pre|CISION[™] cancer therapy pipeline.

The Issue Price represents a discount of approximately 4.4 per cent. to the 30 day volume weighted average price of the Ordinary Shares on AIM on 3 June 2020 (being the latest practicable date prior the announcement of the Fundraising), being 125.3 pence per Ordinary Share.

The purpose of this document is to provide you with information about the background to and the reasons for the Fundraising and to explain why the Board considers the Second Placing, the Second Subscription and the PrimaryBid Offers to be in the best interests of the Company and its Shareholders as a whole.

Brief details of the Fundraising can be found in paragraphs below.

2. BACKGROUND ON THE COMPANY

Avacta is developing novel cancer immunotherapies combining its two proprietary platforms – Affimer® biotherapeutics and preCISION™ tumour targeted chemotherapy. With this approach, the Company aims to address the lack of a durable response to current immunotherapies experienced by most patients. The Company's therapeutics development activities are based in Cambridge, UK.

The Company is also generating near-term revenues from Affimer® reagents for diagnostics, bioprocessing and research, through a separate business unit based in Wetherby, UK.

The Affimer® platform is an alternative to antibodies derived from a small human protein. Despite their shortcomings, antibodies currently dominate markets worth in excess of \$100bn. Affimer® technology has been designed to address many of these negative performance issues of antibodies, principally: the time taken, and the reliance on an animal's immune response, to generate new antibodies; poor specificity in many cases; large size; and cost. The Board believes that the Affimer® technology has significant commercial and technical benefits that provide major competitive advantages in both drug development and diagnostics.

Avacta's lead pre|CISION™ targeted chemotherapy programme, AVA6000 Pro-doxorubicin, is seeking to address the significant toxicity of a well-established cancer drug, Doxorubicin, which limits the duration of dosing and eligible patient population. Doxorubicin has been the standard of care treatment for over 40 years for patients with advanced soft tissue sarcomas ("**ASTS**"). However, patients are taken off the treatment due to irreversible heart failure once the cumulative dose reaches 450 mg/m², even if they are experiencing clinical benefit. As a result, median progression free survival for ASTS patients is approximately six months, with median overall survival of 12 to 15 months. This severe cardiotoxicity limits the size of the Doxorubicin market, but it is still nearly \$1bn per year. AVA6000 Pro-doxorubicin is inert when given to the patient until activated in the tumour by an enzyme called fibroblast activation protein ("**FAP**"). This tumour-targeted activation reduces the exposure of the heart and other healthy tissues to the active chemotherapy drug and concentrates the active drug in the tumour. The improved safety and efficacy of AVA6000 Pro-doxorubicin compared with standard Doxorubicin has been demonstrated in mouse models of cancer. Avacta is looking to initiate phase I clinical trials in patients with soft tissue sarcomas with AVA6000 Pro-doxorubicin in the second half of 2020.

The growing *in vitro* and *in vivo* Affimer® therapeutics data packages are improving the potential for substantial deal-making. The Group has established a drug development partnership with LG Chem Life Sciences ("**LG Chem**"), part of the South Korean LG Group, to develop Affimer® therapeutics in several disease areas. Following a research collaboration with Moderna Therapeutics Inc. ("**Moderna**"), the two companies also entered into an exclusive licensing agreement with respect to certain Affimers® against a potential therapeutic target. Moderna was granted exclusive access to Avacta's Affimer® technology for certain collaboration targets and the option to enter into exclusive licence agreements on pre-agreed terms to further research, develop and commercialise Affimers® selected by Moderna. Avacta has entered into a collaboration and licence option agreement with ADC Therapeutics to combine Affimer® proteins that bind to certain cancer biomarkers with ADC Therapeutics' PBD warheads in Affimer® drug conjugates. Each of these collaborations and commercial agreements is fully funded by the partner.

Most recently, Avacta has established a joint venture in South Korea with Daewoong Pharmaceutical Co. Ltd., ("**Daewoong**"), a leading Korean pharmaceutical company, and entered a collaboration and license agreement for the joint venture to develop the next generation of cell and gene therapies, incorporating Affimer® proteins to enhance the immune-modulatory effects. Avacta will develop Affimer® proteins against several undisclosed targets which will be transferred to the joint venture to be incorporated into mesenchymal stem cells ("**MSC**"). Avacta's research and development costs will be fully covered by the joint venture which is funded by Daewoong. Avacta retains the rights to commercialise the Affimer® proteins outside of the field of cell therapies. Daewoong will provide the joint venture with access to its proprietary technology for generating allogeneic MSCs from a single donor to treat a large number of patients. This proprietary technology facilitates the development of cell therapies as "off-the-shelf" products.

The Avacta reagents business unit works with partners world-wide to develop Affimers® for evaluation by those third parties with the objective of establishing royalty bearing license deals with a particular focus on the diagnostics sector. The Company is also developing a small in-house pipeline of Affimer®-based diagnostic assays for licensing. The Group has made good progress in establishing a revenue stream based on the non-therapeutic applications of Affimer® technology and is aiming to establish a significant number

of license and supply deals for Affimer® reagents as quickly as possible that could generate recurring royalty-based revenue such as the deal announced recently with New England Biolabs.

3. CURRENT TRADING

Revenues for the 17 month period to 31 December 2019 have grown 100 per cent. to £5.5 million from £2.76 million (12 months ended 31 July 2018). Importantly, revenues from the Affimer® diagnostics business have grown, over the same period, by 135 per cent. as more customer evaluations of the Affimer® platform are underway. The Group's order intake and sales pipeline into 2020 are the strongest to date.

Diagnostics

Covid-19 antigen testing

As previously announced, Avacta has entered into an exclusive global distribution agreement with Medusa19 Limited ("**Medusa19**") for direct-to-consumer sales of its newly developed saliva-based rapid test for the COVID-19 antigen, subject to regulatory approvals. A short time prior to this the Company announced its partnership with Cytiva (formerly GE Healthcare Life Sciences) to develop an Affimer®-based point-of-care rapid antigen test (in the form of a simple test strip), to indicate whether a person has the COVID-19 infection. The test is intended to give a result within minutes and is for use by both healthcare professionals and consumers.

In addition, the Company has announced a collaboration with Adeptrix (Beverly, MA, USA) to develop and manufacture an Affimer®-based BAMS™ (bead-assisted mass spectrometry) coronavirus antigen test that will provide clinicians with a significant expansion of the available testing capacity for COVID-19 infection in hospitals.

The consensus view is that hundreds of millions of antigen tests will be required per month to support the fight against the pandemic and initial easing of the lock-down during 2020, and to deal with the long term challenge of endemic COVID-19.

Key market opportunities:

COVID-19

- PCR testing will not be able to provide daily testing for millions of people.
- A rapid point-of-care antigen test using saliva is ideal for mass screening of populations for COVID 19 infection.
- The directors believe that there are only a few rapid antigen tests in development and none have CE/FDA approval yet.
- Avacta has already put in place one distribution partner for the direct-to-consumer market (Medusa19) and will put in place additional distribution partners for the healthcare professional/work-force testing markets, as well as OEM partnerships in order to maximise the commercial opportunity.
- Given the expected volume of sales for COVID-19 antigen testing products the potential revenue stream has the potential to be transformational for Avacta.
- Avacta intends to commercialise further the COVID-19 Affimer reagents that it has generated through additional diagnostic development partnerships.

Other diagnostic opportunities

The Group has made good commercial progress which is reflected in strong revenue growth and a growing pipeline of Affimer® technology evaluations with a range of partners. These evaluations are progressing well, and the primary objective remains converting these into license deals that will drive future royalty revenue. Additionally, the Group is making very good progress with its own pipeline of diagnostic tests which will also deliver licensing opportunities in the medium term.

Therapeutic pipeline

AVA6000

Avacta will file an IND/CTA application as soon as possible for a phase I dose escalation study for its lead pre|CISION™ pro-drug chemotherapy AVA6000 pro-doxorubicin. A positive outcome to this phase I study would require an improved safety profile compared with standard Doxorubicin since the efficacy of this existing chemotherapy is well known. Positive data could lead to a significant licensing opportunity for AVA6000 with companies currently marketing existing Doxorubicin products or with companies that are currently carrying out clinical studies combining Doxorubicin with their checkpoint inhibitors. A successful outcome to the study would also open the potential to using the pre|CISION™ tumour targeting technology developed at Tufts University and exclusively licensed by Avacta to improve the safety profile of many other chemotherapies.

AVA004

The Group's lead Affimer® therapeutic molecule (AVA004-251Fc) has been shown to have equivalent tumour growth inhibition to three approved monoclonal antibody inhibitors of PD-L1 (Tecentriq, Imfinzi and Bavencio) in several *in vivo* animal efficacy models. The Group has completed cell line development, the first stage in the manufacturing process, with its partner Selexis. The next step of GMP manufacturing of AVA004-251 with a partner that has been identified was placed on hold in 2019 in order to focus the Group's limited resources on the AVA6000 clinical trial. The Group intends to use the Fundraising proceeds to further develop the PD-L1 clinical candidate as part of bispecific therapies in order to maximise the potential commercial value of the investment in clinical development.

4. OUTLOOK

The ongoing development of COVID-19 antigen tests, including a saliva-based lateral flow test strip, requires the expansion of the Group's research and development, and production facilities at its site in Wetherby to meet the anticipated demand for Affimer reagent production. The Group is also growing its senior team in the diagnostics division to include regulatory affairs and product management roles, and expand the commercial and technical teams to support the development and commercialisation of the COVID-19 test and its wider product pipeline.

The Group will grow the therapeutics development team in Cambridge and add further clinical development resources to support the transition of several Affimer and pre|CISION therapeutic programmes through preclinical development into the clinic.

The Board anticipates strong near-term newsflow relating to the COVID-19 test developments with Cytiva and Adeptrix, further commercial partnerships to exploit the COVID-19 Affimer reagents and from ongoing commercial and technical progress in the core therapeutic and diagnostic businesses.

5. USE OF PROCEEDS

The use of proceeds of the Fundraising are as follows:

Rapid Scale-up of Diagnostics Business, £10 million:

- Working capital for the COVID-19 testing opportunity.
- Expansion of in-house diagnostics product development capabilities including facilities, capital equipment; scientific, commercial and senior leadership teams.
- Acceleration of broader diagnostics product pipeline and commercial partnerships.

Accelerated Expansion of Pipeline of Differentiated Cancer Therapies, £38 million:

- Rapidly growing the pre|CISION™ pre-clinical pipeline and delivering pre-clinical packages for several pro-drugs (pre|CISION™ velcade, paclitaxel and oxaliplatin).
- Expanding the Affimer® immunotherapy pipeline (PDL1-TGFβ inhibitor and PDL1-cytokine bispecifics).
- IND/CTA filings for one or more Affimer immunotherapies (TMAC drug conjugate (PDL1-IDASH) or first bispecific candidate) and one or more pre|CISION™ pro-drugs.
- Obtain first-in-human data for the Affimer® platform.

- UK phase I clinical trial for first pre|CISION™ chemotherapy AVA6000 pro-doxorubicin covered by current cash reserves, with the proceeds of the Fundraise being used to fund IND filing AVA6000.

6. THE SECOND PLACING, THE SECOND SUBSCRIPTION, THE PRIMARYBID OFFERS AND THE PLACING AGREEMENT

In addition to the £31 million expected to be raised by the issues of the First Admission Shares, the Company has also conditionally raised a further £10.4 million (before expenses) through the Second Placing, conditional on, amongst other things:

- First Admission becoming effective by no later than 8.00 a.m. on 10 June 2020 (or such later time and/or date as the Company and the Joint Brokers may agree, not being later than 8.00 a.m. on the Long Stop Date);
- the relevant conditions in the Placing Agreement being satisfied or (if applicable) waived and the Placing Agreement not having been terminated in accordance with its terms prior to Admission;
- the passing of the Resolution; and
- Admission becoming effective by no later than 8.00 a.m. on 25 June 2020 (or such later time and/or date as the Company and the Joint Brokers may agree, not being later than 8.00 a.m. on the Long Stop Date).

In addition to the proceeds referred to above, the Company has also conditionally raised a further £1.1 million (before expenses) through the Second Subscription and a further £4.9 million (before expenses) through the PrimaryBid Offers, each of which are conditional on, amongst other things, Admission becoming effective by no later than 8.00 a.m. on 25 June 2020 (or such later time and/or date as the Company and the Joint Brokers may agree, not being later than 8.00 a.m. on the Long Stop Date).

The Placing Agreement contains customary warranties from the Company in favour of the Joint Brokers in relation to, amongst other things, the accuracy of the information in this document and other matters relating to the Group and its business. In addition, the Company has agreed to indemnify the Joint Brokers in relation to certain liabilities that they may incur in respect of the First Placing and First Subscription, the Second Placing and the Second Subscription.

The Joint Brokers (acting together and in good faith) have the right to terminate the Placing Agreement in certain circumstances prior to Admission, including (but not limited to): in the event that any of the warranties in the Placing Agreement were untrue or inaccurate in any material respect, or were misleading in any respect when given or in the event of a material adverse change affecting the business, financial trading position or prospects of the Company. The Joint Brokers shall also have a further right to terminate the Placing Agreement, following consultation with the Company to the extent practicable, if, at any time before Admission, there has been a change in national or international financial, political, economic or stock market conditions (primary or secondary); an incident of terrorism, outbreak or escalation of hostilities, war, declaration of martial law or any other calamity or crisis; a suspension or material limitation in trading of securities generally on any stock exchange; any change in currency exchange rates or exchange controls or a disruption of settlement systems or a material disruption in commercial banking, in each case as would be likely in the opinion of the Joint Brokers (acting in good faith) to materially prejudice the success of the Second Placing and the Second Subscription.

The Placing Agreement also provides for the Company to pay all agreed costs, charges and expenses of, or incidental to, the Second Placing, First Admission and Admission including all legal and other professional fees and expenses up to the specified amounts stipulated in the Placing Agreement.

The Fundraising is not underwritten (in whole or in part).

7. GENERAL MEETING

Set out in Part II of this document is a notice convening the General Meeting to be held at the offices of Walker Morris LLP at 33 Wellington Street, Leeds LS1 4DL at 10.00 a.m. on 24 June 2020, at which the Resolution will be proposed. The Second Placing, the Second Subscription and the PrimaryBid Offers are conditional upon the Resolution being duly passed.

8. ADMISSION, DEALINGS AND SETTLEMENT ON AIM

The New Ordinary Shares will be allotted and issued fully paid and will, on issue, rank *pari passu* with the Ordinary Shares then in issue, including the right to receive, in full, all dividends and other distributions thereafter declared, made or paid after the date of issue together with all rights attaching to them and free from all liens, charges and encumbrances of any kind.

Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM and it is expected that Admission will become effective and trading in the New Ordinary Shares will commence at 8.00 a.m. on 25 June 2020.

9. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders will find enclosed with this document a Form of Proxy for use at the General Meeting. You are strongly encouraged to complete, sign and return your Form of Proxy in accordance with the instructions printed on it as soon as possible, but in any event so as to be received, by post at Link Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 10.00 a.m. on 22 June 2020 (or, in the case of an adjournment, not less than 48 hours before the time fixed for the holding of the adjourned meeting (at the discretion of the directors, excluding any part of a day that is not a Business Day)).

In light of the Coronavirus pandemic, Shareholders are urged to appoint the chairman of the meeting as his or her proxy as, given current Government advice on social gatherings in particular, attendance in person is not advised and members and their proxies may be refused entry if circumstances permit or require. The Company is actively following developments and will issue further information through an RIS and/or on its website at <https://avacta.com/investors/> if it becomes necessary or appropriate to make any alternative arrangements for the General Meeting. In particular, the Company has noted that the Corporate Insolvency and Governance Bill is currently passing through Parliament and will therefore, where appropriate and/or required, take into account its provisions and impact on the General Meeting as they become law.

If you hold your Ordinary Shares in uncertificated form (that is, in CREST) you may vote using the CREST Proxy Voting service in accordance with the procedures set out in the CREST Manual (please also refer to the accompanying notes to the Notice of the General Meeting). Proxies submitted via CREST must be received by the Company's agent (ID RA10) by no later than 10.00 a.m. on 22 June 2020 (or, in the case of an adjournment, not less than 48 hours before the time fixed for the holding of the adjourned meeting (at the discretion of the directors, excluding any part of a day that is not a Business Day)).

Appointing a proxy in accordance with the instructions set out above will enable your vote to be counted at the General Meeting in the event of your absence. The completion and return of the Form of Proxy or the use of the CREST Proxy Voting service will not prevent you from attending and voting at the General Meeting, or any adjournment of it, in person should you wish to do so (but please note the comments above about the impact of the Coronavirus pandemic).

10. DIRECTORS' RECOMMENDATION AND VOTING INTENTIONS

The Directors believe that the Resolution is in the best interests of the Company and its Shareholders as a whole. Accordingly, the Directors unanimously recommend that Shareholders vote in favour of the Resolution, as they intend to do in respect of their own beneficial holdings amounting, in aggregate, to 948,194 Ordinary Shares and representing approximately 0.45 per cent. of the Company's current issued share capital.

Dr. Eliot Forster

Non-executive Chairman

PART II

Avacta Group plc

(Registered in England and Wales with company number 04748597)

NOTICE OF A GENERAL MEETING

NOTICE IS HEREBY GIVEN that a general meeting of Avacta Group plc (the “**Company**”) will be held at the offices of Walker Morris LLP at 33 Wellington Street, Leeds LS1 4DL at 10.00 a.m. on 24 June 2020 for the purposes of considering and, if thought fit, passing the following resolution (being a special resolution, and in which capitalised terms shall have the meanings given in the circular to shareholders issued by the Company dated 8 June 2020, containing this Notice of General Meeting (the “**Circular**”), save where otherwise specified):

THAT:

- (a) the directors of the Company from time to time (the “**Directors**”) be authorised pursuant to section 551 of the Act (in addition and without prejudice to any subsisting like authority to allot shares in the Company (“**Shares**”) generally and unconditionally to exercise all powers of the Company to allot Shares up to an aggregate nominal amount of £1,364,600 in connection with the Second Placing, the Second Subscription and the PrimaryBid Offers, provided that the authority conferred on the Directors by this part of this resolution shall expire on 31 December 2020; and
- (b) the Directors be empowered in accordance with section 571 of the Act (in addition and without prejudice to any subsisting like power) to allot equity securities (within the meaning of section 560 of the Act) for cash, pursuant to the authority conferred on them by part (a) of this resolution, as if section 561(1) and subsections (1) – (6) of section 562 of the Act did not apply to such allotment, provided that the power conferred by this part of this resolution shall be limited to the allotment of equity securities for cash up to a maximum nominal amount of £1,364,600 in connection with the Second Placing, the Second Subscription and the PrimaryBid Offers and shall expire on 31 December 2020.

By order of the Board

Tony Gardiner

Company Secretary

8 June 2020

Notes:

- (i) Appointment of proxy using hard copy proxy form:

The notes to the proxy form explain how to direct your proxy how to vote on the resolution or to withhold your vote. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If you do not indicate on the proxy form how your proxy should vote, they will vote or abstain from voting at their discretion. They will also vote (or abstain from voting) at they think fit in relation to any other matter which is put before the meeting.

To appoint a proxy using the proxy form, the form must be completed, signed and received by the Company’s registrars by 10.00 a.m. on 22 June 2020 (or, in the case of an adjournment of the General Meeting, not less than 48 hours before the time fixed for the holding of the adjourned meeting (at the discretion of the directors, excluding any part of a day that is not a Business Day)). Any proxy forms (including any amended proxy forms) received after the deadline will be disregarded. A form of proxy may be returned in any of the following ways:

- (a) in hard copy form by post or by courier to the Company’s registrars, Link Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU; or
- (b) electronically via www.signalshares.com; or
- (c) in the case of CREST members, by using the CREST electronic proxy appointment service in accordance with the procedures set out below.

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

Completion of the Form of Proxy or appointment or a proxy through CREST will not prevent a member from attending and voting in person. However, in light of the Coronavirus pandemic situation and current Government advice, attendance in person is not advised and members and their proxies may be refused entry if circumstances permit or require.

- (ii) 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 and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment 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 10.00 a.m. on 22 June 2020 (or, in the case of an adjournment of the General Meeting, not less than 48 hours before the time fixed for the holding of the adjourned meeting (at the discretion of the directors, excluding any part of a day that is not a Business Day)). For this purpose, the time of receipt will be taken to be the time 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 provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the CREST Regulations.

- (iii) Completion of the Form of Proxy or appointment or a proxy through CREST will not prevent a member from attending and voting in person. **However, in light of the Coronavirus pandemic situation and current Government advice (particularly as to social gatherings), attendance in person is not advised and members and their proxies may be refused entry if circumstances permit or require.**
- (iv) Any member or his proxy attending the General Meeting has the right to ask any question at the General Meeting relating to the business of the General Meeting.
- (v) Pursuant to Regulation 41 of the CREST Regulations, only Shareholders registered in the register of members of the Company as at 7.30 p.m. on 22 June 2020 (being not more than 48 hours before the time fixed for the holding of the General Meeting (at the discretion of the directors, excluding any part of a day that is not a Business Day)) shall be entitled to attend and vote at the General Meeting in respect of the number of Ordinary Shares registered in their name at such time. If the General Meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned General Meeting is 7.30 p.m. on the day which falls two days prior to the date fixed for the adjourned General Meeting. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the General Meeting. **Shareholders are urged to appoint the chairman of the meeting as his or her proxy as, given the Coronavirus situation and current Government advice (particularly as to social gatherings), attendance in person is not advised and members and their proxies may be refused entry if circumstances permit or require.**
- (vi) In the case of joint holders, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
- (vii) As at 5 June 2020 (being the last Business Day prior to the publication of this Notice of General Meeting) the Company's issued share capital consisted of 208,797,815 Ordinary Shares, carrying one vote each. Therefore, the total voting rights in the Company as at 5 June 2020 were 208,797,815.

