THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this Document or what action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant, or other independent financial adviser duly authorised under FSMA.

This Document should be read as a whole. Your attention is drawn to the letter from the Chairman of the Company which is set out in part I of this Document and which recommends that you vote in favour of the Resolutions to be proposed at the General Meeting, and also to the section entitled "Risk Factors" at part II of this Document.

Application will be made for all of the New Shares to be admitted to trading on the Alternative Investment Market of the London Stock Exchange ("**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 United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

No prospectus is required in accordance with the Prospectus Directive in connection with the Placing. The term "**Prospectus Directive**" means Directive 2003/71/EU as amended and includes any relevant implementing measures in each member state of the European Economic Area.

This Document 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 Document. The rules of AIM are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the New Shares to the Official List. The New Shares will not be dealt on any recognised investment exchange and no other such application will be made. It is anticipated that Admission will become effective and that dealings in the Placing Shares will commence on AIM at 8.00 a.m. on 29 July 2016. A block listing application will be made in respect of the Warrant Shares.

Verona Pharma PLC

(incorporated and registered in England and Wales under the Companies Act 1985 with Company number 5375156)

Proposed Placing of 1,555,796,345 Units at 2.873 pence per Unit
Adoption of New Articles
and
Notice of General Meeting

Nplus1 Singer Advisory LLP ("**N+1 Singer**"), which is authorised and regulated in the United Kingdom by the FCA, is acting as nominated adviser and broker to the Company in connection with the matters described in this Document. Persons receiving this Document should note that N+1 Singer will not be responsible to anyone other than the Company for providing the protections afforded to clients of N+1 Singer or for advising any other person on the arrangements described in this Document. N+1 Singer has not authorised the contents of, or any part of, this Document and no liability whatsoever is accepted by N+1 Singer for the accuracy of any information or opinion contained in this Document or for the omission of any information.

This document is being distributed only to and directed only at persons in member states of the European Economic Area who are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive ("**Qualified Investors**"). In addition, in the United Kingdom, this document is being distributed only to and directed only at Qualified Investors (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 ("**Order**") (investment professionals) or (ii) who fall within Article 49(2)(a) to (d) of the Order (high net worth companies, unincorporated associations etc), (all such persons referred to above being "**Relevant Persons**"). Any investment or investment activity to which this document relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. By accepting receipt of this document, each recipient is deemed to confirm, represent and warrant to the Company and N+1 Singer that they are a Relevant Person.

The release, publication or distribution of this Document in jurisdictions other than the United Kingdom may be restricted by applicable laws or regulations and this Document does not form part of any offer or invitation to sell or issue or the solicitation of any offer to purchase Warrants or New Shares in any jurisdiction where such offer, invitation or solicitation is unlawful. Persons in jurisdictions other than the United Kingdom into whose possession this Document comes should inform themselves about and observe any such applicable legal or regulatory requirements in such jurisdiction. Any failure to do so may constitute a violation of the securities laws of any such jurisdiction.

None of the New Shares have been, or, except as provided for in a registration rights agreement to be entered into by the Company and the Placees, will be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or under the securities legislation of any state of the United States. The New Shares may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act and any applicable state or local securities laws. The relevant clearances have not been, and will not be, obtained from the securities commission of any province or territory of Canada. No Document in relation to the Placing has been, or will be, lodged with, or registered by, the Australian Securities and Investments Commission, and no registration statement has been, or will be, filed with the Japanese Ministry of Finance in relation to the Placing or this Document. Accordingly, subject to certain exceptions the New Shares may not directly or indirectly be offered, sold, renounced, resold, taken up or delivered in or into the United States, Canada, Australia, Japan or any other jurisdiction where it would be unlawful to do so ("**Restricted Jurisdiction**") or offered to, sold to, renounced, taken up or delivered in favour of, or to, a person within the United States or a resident of Canada, Australia, Japan or any other Restricted Jurisdiction. This Document is not for publication, release or distribution, directly or indirectly, in or into the United States or any Restricted Jurisdiction.

The Directors of the Company, whose names are set out on page 10 of this Document, accept responsibility for the information contained in this Document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge of the Directors (who have taken reasonable care to ensure that such is the case), the information contained in this Document is in accordance with the facts and contains no omission likely to affect its import.

No person has been authorised to make any representations on behalf of the Company concerning the Placing which are inconsistent with the statements contained in this Document and any such representations, if made, may not be relied upon as having been authorised.

No person should construe the contents of this Document as legal, tax or financial advice and recipients of this Document should consult their own advisers as to the matters described in this Document.

Notice of a General Meeting of the Company, to be held at the offices of Shakespeare Martineau LLP at Allianz House, 6th Floor, 60 Gracechurch Street, London EC3V 0HR at 11.00 a.m. on 22 July 2016 is set out at the end of this Document.

If you are unable to attend and vote at the General Meeting, a Form of Proxy for use at the meeting is enclosed. To be valid, Forms of Proxy should be completed, signed and returned so as to be received by Ben Harber at Shakespeare Martineau LLP at One America Square, Crosswall, London, EC3N 2SG as soon as possible, but in any event so as to be received not later than 48 hours before the time of the General Meeting (excluding any day which is not a working day), being 11.00 a.m. on 20 July 2016. Completion and return of a Form of Proxy will not preclude Shareholders from attending and voting in person at the General Meeting should they so wish. Please refer to the detailed notes contained in the Notice of General Meeting and the Form of Proxy.

A copy of this Document will also be available from the Company's website, www.veronapharma.com.

Cautionary note regarding forward-looking statements: This Document contains statements about the Company that are or may be "forward-looking statements". All statements, other than statements of historical facts, included in this Document may be forward-looking statements and are subject to, *inter alia*, the risk factors described in part II of this Document. 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" or words or terms of similar substance or the negative thereof, are forward-looking statements. Forward- looking statements include statements relating to the following: (i) future capital expenditure, 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 the Company. These forward-looking statements are not guarantees of future performance and have not been reviewed by the auditors of the Company. 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 Disclosure and Transparency Rules and/or the Prospectus Rules), the Company does not undertake any obligation to update publicly or revise any forward-looking statements (including to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based). All subsequent oral or written forward-looking statements attributed to the Company or any persons acting on its behalf are expressly qualified in their entirety by the cautionary statement above. All forward-looking statements contained in this Document are based on information available to the Directors of the Company at the date of this Document, unless some other time is specified in relation to them, and the posting or receipt of this Document shall not give rise to any implication that there has been no change in the facts set forth herein since such date.

CONTENTS

DEFINITIONS

"**Abingworth**"	Abingworth Bioventures VI LP (acting through its manager, Abingworth LLP)
"**Abingworth Relationship Agreement**"	the relationship agreement to be entered into between the Company, Abingworth and N+1 Singer to regulate the Company's relationship with Abingworth
"**Acquisition**"	in relation to the Warrants, a reorganisation, consolidation, merger, demerger, sale of shares or transfer of all or substantially all of the assets of the Company, where the holders of the Company's outstanding shares as of immediately before the transaction beneficially own less than a majority by voting powers of the outstanding shares of the surviving or successor entity as of immediately after the transaction, or a scheme of arrangement or takeover offer
"**Act**"	the Companies Act 2006
"**Admission**"	the admission of the Placing Shares to trading on AIM following completion of the Placing
"**ADSs**"	American Depositary Shares each of which will consist of a fixed number of Ordinary Shares or a right to receive a fixed number of Ordinary Shares, proposed to be issued pursuant to Tranche 2
"**AIM**"	the AIM market operated by the London Stock Exchange
"**AIM Rules**"	the AIM Rules for Companies and guidance notes as published by the London Stock Exchange from time to time
"**Arix**"	Arix Bioscience Limited
"**Arix Relationship Agreement**"	the relationship agreement to be entered into between the Company, Arix, Arthurian and N+1 Singer, to regulate the Company's relationship with Arix and Arthurian
"**Arthurian**"	Arthurian Life Sciences SPV GP Limited, as the general partner of WLSIF
"**Business Day**"	a day (other than a Saturday or Sunday) on which commercial banks are open for general business in London, England
"**Company**" or "**Verona**"	Verona Pharma PLC, a company incorporated and registered in England and Wales under the Companies Act 1985 with registered number 5375156
"**Directors**" or "**Board**"	the directors of the Company as at the date of this Document, whose names are set out on page 10 of this Document
"**Document**"	this document which for the avoidance of doubt does not comprise a prospectus (under the Prospectus Rules) or an admission document (under the AIM Rules)
"**Enlarged Share Capital**"	the issued ordinary share capital of the Company following Admission, comprising the Existing Ordinary Shares and the Placing Shares
"**Exempt Placement**"	an exempt placement of the Company's securities in accordance with Regulation D and/or Regulation S

"**Existing Ordinary Shares**"	the Ordinary Shares in issue as at the date of this Document
"**FCA**"	the Financial Conduct Authority
"**Form of Proxy**"	the form of proxy for use in relation to the General Meeting enclosed with this Document
"**FSMA**"	the Financial Services and Markets Act 2000 (as amended)
"**General Meeting**"	the General Meeting of the Company, convened for 11.00 a.m. on 22 July 2016 (or any adjournment thereof), notice of which is set out at the end of this Document
"**Group**"	the Company and its subsidiaries
"**HMRC**"	Her Majesty's Revenue & Customs
"**ISIN**"	International Securities Identification Number
"**Issue Price**"	2.873 pence per Unit
"**Issued Share Capital**"	the issued share capital of the Company as at 16 June 2016 (being the last practicable date prior to the date of this Document)
"**Listing Rules**"	the Listing Rules of the UKLA made in accordance with section 73A(2) of FSMA
"**London Stock Exchange**"	London Stock Exchange plc
"**Money Laundering Regulations**"	Money Laundering Regulations 2007, the money laundering provisions of the Criminal Justice Act 1993, Part VIII of FSMA (together with the provisions of the Money Laundering Sourcebook of the FCA and the manual of guidance produced by the Joint Money Laundering Steering Group in relation to financial sector firms), the Terrorism Act 2000, the Anti-Terrorism Crime and Security Act 2001, the Proceeds of Crime Act 2002 and the Terrorism Act 2006
"**MTS Securities, LLC**"	MTS Securities, LLC, the Company's placement agent based within the US in accordance with Regulation D
"**N+1 Singer**"	Nplus1 Singer Advisory LLP, together with its associate Nplus1 Singer Capital Markets Limited, acting as lead UK broker to the Placing and as nominated adviser and UK broker to the Company
"**NASDAQ**"	the NASDAQ Global Market or the NASDAQ Capital Market
"**New Articles**"	the new articles of association of the Company proposed to be adopted at the General Meeting
"**New Shares**"	the Placing Shares and the Warrant Shares (to the extent the Warrants are exercised)
"**Notice of General Meeting**"	the notice convening the General Meeting as set out at the end of the Document
"**Novo**"	Novo A/S
"**Novo Management Rights Letter**"	the management rights letter to be entered into between the Company and Novo
"**OrbiMed**"	OrbiMed Private Investments VI, LP (acting through its general partner, OrbiMed Capital GP VI LLC, acting through its managing member, OrbiMed Advisors LLC)

"**OrbiMed Relationship Agreement**"	the relationship agreement to be entered into between the Company, OrbiMed and N+1 Singer to regulate the Company's relationship with OrbiMed
"**Ordinary Shares**"	ordinary shares of 0.1 pence each in the capital of the Company
"**Placees**"	certain institutional and other investors subscribing for Units (including the US Purchasers)
"**Placement Agent Agreement**"	the placement agent engagement relating to the US Placing between the Company and MTS Securities, LLC
"**Placing**"	the UK Placing and the US Placing as further described in this Document
"**Placing Agreement**"	the placing agreement relating to the UK Placing entered into between the Company and N+1 Singer
"**Placing Shares**"	up to 1,555,796,345 new Ordinary Shares to be issued pursuant to the Placing (which figure excludes the Warrant Shares)
"**Posting**"	the posting of this Document
"**Prospectus Rules**"	the Prospectus Rules made in accordance with EU Prospectus Directive 2003/71/EC
"**Purchase Agreement**"	the purchase agreement relating to the US Placing and Tranche 2 entered into between the Company and the US Purchasers
"**Regulation D**"	Regulation D under the Securities Act
"**Regulation S**"	Regulation S under the Securities Act
"**Regulatory Information Service**"	has the meaning given in the AIM Rules
"**Relationship Agreements**"	means the Vivo Relationship Agreement, the OrbiMed Relationship Agreement, the Arix Relationship Agreement and the Abingworth Relationship Agreement
"**Resolutions**"	the resolutions to be proposed at the General Meeting as set out in the Notice of General Meeting
"**Restricted Jurisdiction**"	United States of America, Canada, Australia, New Zealand, Japan, the Republic of South Africa or the Republic of Ireland and any other jurisdiction where the extension or availability of the Placing or distribution of this Document would breach any applicable law
"**Securities Act**"	the US Securities Act of 1933, as amended
"**SEC**"	U.S. Securities and Exchange Commission
"**Shareholders**"	the holders of Existing Ordinary Shares
"**Sterling**" or "**£**"	pounds sterling, the basic unit of currency in the UK
"**Substantial Shareholder**"	as defined in the AIM Rules, being a Shareholder who has an interest, directly or indirectly, in 10 per cent. or more of the Issued Share Capital or 10 per cent. or more of the voting rights
"**Tranche 1**"	the Placing

"**Tranche 2**"	an anticipated placing of Ordinary Shares proposed to take place within 180 days of completion of Admission (or by such other date as may reasonably be agreed between the Company and Vivo), consisting of the US IPO and any concurrent Exempt Placement
"**UK**" or "**United Kingdom**"	the United Kingdom of Great Britain and Northern Ireland
"**UK Placing**"	the conditional placing of UK Units by N+1 Singer (which, for the avoidance of doubt, does not include the US Units to be subscribed for by the US Purchasers) on the terms and subject to the conditions of the Placing Agreement
"**UK Units**"	Units to be issued under the UK Placing
"**UKLA**"	the UK Listing Authority
"**Unit**"	a unit comprising one Placing Share and one Warrant
"**US**" or "**United States**"	the United States of America, its territories and possessions, any State of the United States and the District of Columbia
"**US$**"	the United States dollar, the basic unit of currency of the United States of America
"**US IPO**"	the proposed registration by the Company under the Securities Act of the ADSs to be issued in Tranche 2 and the listing of ADSs on NASDAQ as further detailed in paragraph 6 in part I of this Document
"**US Placing**"	the conditional placing of US Units by MTS Securities, LLC (which, for the avoidance of doubt, does not include the UK Units to be placed by N+1 Singer under the Placing Agreement) on the terms and subject to the conditions of the Purchase Agreement and the Placement Agent Agreement
"**US Purchasers**"	the US and certain other persons acquiring Units pursuant to the Purchase Agreement, all being "accredited investors" within the meaning of Rule 501(a) of Regulation D
"**US Units**"	Units to be issued under the US Placing
"**Vivo Capital**"	Vivo Capital Fund VIII L.P.
"**Vivo Relationship Agreement**"	the relationship agreement to be entered into between the Company, Vivo Capital and N+1 Singer to regulate the Company's relationship with Vivo Capital
"**Warrantholders**"	the holder of the Warrants, each being referred to as a "**Warrantholder**"
"**Warrant Instrument**"	the warrant instrument to be entered into in respect of the Warrants, a summary of which is in part III "Additional Information"
"**Warrants**"	the 622,318,538 warrants to subscribe for 0.4 of an Ordinary Share each, constituted by the Warrant Instrument as more particularly described at paragraph 5 of Part I and paragraph 4.4 of part III of this Document
"**Warrant Shares**"	up to 622,318,538 new Ordinary Shares which are the subject of the exercise of the Warrants
"**WLSIF**"	The Wales Life Sciences Investment Fund LP

GLOSSARY OF TECHNICAL TERMS

"**bronchodilator**"	a substance that increases potential airflow to the lungs by dilating (enlarging) the airway
"**COPD**"	chronic obstructive pulmonary disease
"**MAD**"	multiple ascending dose, used in the context of a study to investigate safety, tolerability and pharmacokinetics of a drug
"**SAD**"	single ascending dose, used in the context of a study to investigate the safety tolerability and pharmacokinetics of a drug
"**supramaximal dose**"	being much higher or greater than what is considered or usually maximal; being greater or higher than the corresponding maximal

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Announcement of the Placing and publication of this Document	17 June 2016
Latest time and date for receipt of completed Forms of Proxy to be valid at the General Meeting	11.00 a.m. on 20 July 2016
General Meeting	11.00 a.m. on 22 July 2016
Announcement of results of General Meeting	22 July 2016
Admission and commencement of dealings in the Placing Shares on AIM	29 July 2016
Despatch of definitive share certificates for Placing Shares in certificated form	by 16 August 2016
Despatch of definitive certificates for Warrants	by 16 August 2016

Notes:

(1) References to times in this Document are to London time (unless otherwise stated).

(2) The timing of the events in the above timetable and in the rest of this Document is indicative only and may be subject to change.

(3) If any of the above times or dates should change, the revised times and/or dates will be notified by an announcement to an RIS and otherwise communicated to Placees.

(4) Certain of the events in the above timetable are conditional upon, amongst other things, the approval of the Resolutions to be proposed at the General Meeting.

(5) The Company's SEDOL code is B06GSH4 and ISIN code is GB00B06GSH43.

(6) The Warrants will not be separately admitted to trading on AIM, but the Warrant Shares which will arise following any valid exercise of Warrants will be admitted to trading as part of the single class of shares admitted to trading on AIM.

KEY STATISTICS

Number of Existing Ordinary Shares in issue[1]	1,009,923,481
Number of Placing Shares	1,555,796,345
Proceeds of the Placing (before expenses)	£44.7 million (US$63.3 million)
Net proceeds of the Placing receivable by the Company[2]	£41.9 million
Percentage of Enlarged Share Capital represented by the Placing Shares	60.6 per cent.
Maximum number of Warrant Shares arising from potential exercise of Warrants[3]	622,318,538
Maximum percentage of Enlarged Share Capital represented by the Warrant Shares[3]	24.3 per cent.
Percentage of Enlarged Share Capital represented by the New Shares[3]	84.9 per cent.
Number of Ordinary Shares in issue immediately following the Placing	2,565,719,826
Market capitalisation of the Company immediately following the Placing at the Issue Price	£73.7 million

Notes:

(1) As at 16 June 2016, being the last practicable date prior to the date of the Document and assuming no further issue of Ordinary Shares between the date of this Document and Admission.

(2) Net proceeds are stated after deduction of estimated total expenses of approximately £2.8 million.

(3) Assumes all Warrants are exercised on a 'for cash' basis and no further issue of shares between Admission and the date of exercise. In practice the Warrants will likely be exercised after the US IPO and the number of Warrant Shares arising will be lower than the maximum if the cashless exercise mechanism is used by Warrantholders (as described in more detail in paragraph 5 of part I and paragraph 4.4 of part III of this document).

If you have any questions on how to complete the Form of Proxy or have any other question as to voting at the General Meeting, please contact the Company Secretary, either by email at ben.harber@sghmartcosec.co.uk or on telephone number 020 7264 4366 or +44 20 7264 4366.

EXCHANGE RATES

The rate of exchange used throughout this Document, unless otherwise stated, is US$1.4158: £1.00 and £0.7061: US$1.00 being the closing rate on 16 June 2016, the last practicable date prior to the date of the Document.

DIRECTORS, SECRETARY AND ADVISERS

Directors	Dr. David Ebsworth *(Non-Executive Chairman)* Dr. Jan-Anders Karlsson *(Chief Executive Officer)* Dr. Anders Ullman *(Non-Executive Director)* Dr. Ken Cunningham *(Non-Executive Director)* Dr. Patrick Humphrey *(Non-Executive Director)*
Company secretary	Ben Harber Shakespeare Martineau LLP Allianz House, 6th Floor 60 Gracechurch Street London EC3V 0HR United Kingdom
Registered office	One Central Square Cardiff, Wales CF10 1FS United Kingdom
Nominated adviser and UK broker	Nplus1 Singer Advisory LLP One Bartholomew Lane London EC2N 2AX United Kingdom
US placement agent	MTS Securities, LLC 623 Fifth Avenue 14th Floor New York NY10022 United States of America
UK legal adviser to the Company	Taylor Wessing LLP 5 New Street Square London EC4A 3TW United Kingdom
US legal adviser to the Company	Kaye Scholer LLP Two Palo Alto Square 3000 El Camino Real, Suite 400 Palo Alto, California 94306-2112 United States of America
Legal adviser to N+1 Singer	Brown Rudnick LLP 8 Clifford Street London W1S 2LQ United Kingdom
Registrar	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS13 8AE United Kingdom

PART I

LETTER FROM THE CHAIRMAN

Verona Pharma PLC

(incorporated and registered in England and Wales under the Companies Act 1985 with Company number 5375156)

Directors:

Dr. David Ebsworth *(Non-Executive Chairman)*
Dr. Jan-Anders Karlsson *(Chief Executive Officer)*
Dr. Anders Ullman *(Non-Executive Director)*
Dr. Ken Cunningham *(Non-Executive Director)*
Dr. Patrick Humphrey *(Non-Executive Director)*

Registered Office:

One Central Square
Cardiff
Wales
CF10 1FS
United Kingdom

17 June 2016

The attention of Shareholders is drawn to the risk factors set out in part II of this Document and the information contained in part III of this Document, which provides additional information on the Verona Group. Shareholders are advised to read the whole of this Document and not rely solely on the summary information presented in this letter.

Dear Shareholder

Proposed Placing of 1,555,796,345 Units at 2.873 pence per Unit
Adoption of New Articles
and
Notice of General Meeting

1. Introduction

The Company announced today that it proposes to raise a total of approximately £44.7 million (before expenses) through a Placing of 1,555,796,345 Units with new and existing institutional investors at a price of 2.873 pence per Unit. Each Unit comprises one Placing Share and one Warrant. The Company has obtained conditional commitments to raise approximately £41.9 million (net of expenses).

The Placing comprises a UK Placing and a US Placing. The US Placing is being directed at US Persons only, and the Placing Shares to be issued thereunder will be admitted to trading on AIM on Admission.

N+1 Singer is acting as lead UK broker for the Company and MTS Securities, LLC is acting as US Placement Agent. The Placing is not being underwritten.

Each Warrant will be exercisable into 0.4 of a Warrant Share, at an exercise price per Warrant Share of 3.4476 pence, being 120 per cent. of the Issue Price. Further particulars of the Warrants including the conditions under which they may be exercised are provided at paragraph 5 of this Part I and in paragraph 4.4 of part III of this Document. The Warrants will not be separately admitted to trading on AIM, but the new Warrant Shares will, following valid exercise of the Warrants in accordance with the terms of the Warrant Instrument, be admitted to trading as part of the single class of shares admitted to trading on AIM.

The net proceeds of the Placing will be used to progress RPL554 through several Phase 2 studies, including a Phase 2b study after which the Board will consider whether continuing development alone by the Company or partnering the drug candidate would be likely to provide a commercially attractive return for Shareholders.

The UK Placing and the US Placing are conditional, *inter alia*, upon the passing by the Shareholders of the Resolutions at the General Meeting, including special resolutions which will give the Company the required authority to dis-apply statutory pre-emption rights in respect of the allotment of the New Shares and to authorise the adoption of new articles of association (the "**New Articles**"), conditional on Admission. Subject to all relevant conditions being satisfied (or, if applicable, waived), it is expected that the Placing Shares will be

admitted to trading on AIM on or around 29 July 2016 (with Warrant certificates delivered on or around 16 August 2016).

The purpose of this letter is to outline the reasons for the Placing and explain why the Board considers the proposals described in this Document to be in the best interests of the Company and Shareholders as a whole, and why the Directors recommend that you vote in favour of the Resolutions, as they intend to do in respect of the Ordinary Shares held by them, in order to give effect to the Placing.

The Company has further agreed with Vivo Capital and the other US Purchasers to seek to raise a further tranche of funding in the future ("**Tranche 2**"), expected to be at an aggregate offering size reasonably acceptable to the Company and to the holders of a majority of the Units issued at Tranche 1, coupled with a listing of ADSs on NASDAQ (the "**US IPO**").

2. Background to and reasons for the Placing

The Company has made significant progress on the development of its lead drug candidate, RPL554, to treat respiratory diseases with significant unmet medical needs, such as COPD, cystic fibrosis and potentially asthma. RPL554 is a first-in-class PDE3/PDE4 inhibitor currently being developed as a nebulised maintenance treatment for COPD patients with moderate to severe disease and possibly as a treatment of acute exacerbations of COPD in the hospital setting.

65 million people worldwide suffer from moderate to severe COPD and according to the World Health Organisation, COPD was among the four leading causes of death globally in 2015 together with lower respiratory tract infections and after heart disease and stroke (http://www.who.int/mediacentre/factsheets/fs310/en/). Currently available drugs are aimed at long-term maintenance therapy, with the market dominated by large pharma. Despite the wide availability of these therapies, COPD patients suffer acute periods of worsening symptoms (exacerbations), which cause, in the US alone, some 1.5 million emergency department visits, 726,000 hospitalisations and 120,000 deaths per annum. There is an urgent need for new and more effective treatments.

The Company has successfully completed five early clinical phase 1 and phase 2a studies for RPL554, having dosed 105 subjects with an initial proof of concept formulation. These single and multiple dose studies of the previous nebulized formulation demonstrated that RPL554, when inhaled across a range of doses, is an effective bronchodilator in patients with COPD and asthma and has bronchoprotective properties (e.g. it reduces the hypersensitivity of airways to inhaled irritants). RPL554 has a rapid onset of action and the magnitude of the bronchodilator effect seems to be at least as profound as that of other commonly used bronchodilator drugs. RPL554 has also been demonstrated to have a potent anti-inflammatory effect in a number of pre-clinical models and in a clinical trial.

Since 2014, the Company focused on the development of a new proprietary suspension formulation of RPL554 which is stable, scalable and suitable for commercial use. The first phase 1/2a study with this new nebulised formulation started at the end of that year and the clinical phases of the SAD and MAD study in healthy subjects and the MAD study in COPD patients were completed in 2015 (in each case over 5.5 days, with twice daily dosing). 112 subjects took part in these phase 1/2a studies. The first two parts of the trial in healthy subjects indicated that the new formulation is well tolerated, as 16 times the previously used bronchodilator dose (vs. the old formulation) could be administered without reaching a maximum tolerated dose. Initial observations also revealed a longer residence time in the lung, lower peak plasma concentrations and a longer plasma half-life than the previously used formulation, suggesting that twice daily dosing may also be achievable. Positive headline data from the third and final part of the phase 1/2a trial with the new nebulised formulation was reported in September 2015, meeting its objective and demonstrating safety and tolerability in COPD patients with moderate severity of disease. Importantly, data also supported the findings from the first two parts of the trial. The data demonstrated that as designed, the new commercially scalable, suspension formulation is well tolerated at all doses with no reports of serious adverse events. Lung function was also significantly increased in all dose groups. This has allowed the Company to study a broad dose range and confirm that the duration of the bronchodilation effect seems appropriate for twice daily dosing.

Following this positive data from the Phase 1/2a study, and following full data from the final part of this trial, the Company has also completed and reported the outcomes of two additional phase 2a studies.

As announced in June 2015, the Company conducted a second single-dose Phase 2a dose-finding study on RPL554 in 29 asthma patients in a double-blind, placebo-controlled, seven-way crossover study. The primary objective of this study was to establish the bronchodilator effect and duration of action as compared to the most widely used bronchodilator. Results from this study were reported in March 2016. The primary objective was met, with nebulised RPL554 demonstrating a dose-dependent and highly statistically significant ($p<0.0001$) bronchodilator response in asthma patients. The maximum bronchodilator effect of RPL554 in this study was comparable to the effect observed with the supramaximal dose (7.5mg) of nebulised salbutamol used in this study. RPL554 did not elicit any serious adverse events or adverse events of concern at any dose suggesting that the compound may have a large safety margin.

The Company has also investigated the possibility that RPL554 can be used in combination with existing bronchodilator drugs with a study in COPD patients that started in October 2015. The primary objective of the study was met, with RPL554 producing a highly significant ($p\leq0.001$) and a clinically meaningful additional (>60 per cent.) bronchodilation on top of standard doses of commonly used bronchodilators, salbutamol and ipratropium bromide. The bronchodilator effects seen with the combinations were significantly ($p\leq0.001$) larger than those of either salbutamol or ipratropium bromide alone, which were in turn all significantly greater than placebo. In addition, the combination of RPL554 with salbutamol or ipratropium bromide caused a significant reduction ($p=0.0002$ and $p=0.004$ respectively) in trapped air in the lung (residual volume) as compared to salbutamol or ipratropium bromide alone, suggesting that RPL554 treatment may reduce dyspnea, a major debilitating symptom of COPD. Consistent with previous studies, RPL554 was well tolerated both alone and in combination.

The Company also plans further studies in 2016 to explore the potential of RPL554 in cystic fibrosis.

The Board believes that RPL554 has the potential to become a novel treatment for patients with obstructive lung diseases such as COPD, cystic fibrosis and potentially asthma, and that it can provide clear healthcare economic benefits in a commercial setting. The Company has considered all available options for further funding of its development programmes, as without further capital the Company has sufficient resources to fund its near terms plans only. Having done so, the Board believes that the Placing is required in order to finance the Company adequately through to the end of the first Phase 2b study, a major value inflection point at which the Board considers it will be better placed to consider whether to continue development alone or to partner its drug candidates, should this provide a sufficiently attractive return at that time.

3. Use of Proceeds

The net proceeds of the Placing will be approximately £41.9 million, which are expected to fund RPL554 through a Phase 2b clinical trial in chronic obstructive pulmonary disease (COPD) patients and additional Phase 2 studies in both COPD and in cystic fibrosis. The net proceeds are expected to be allocated approximately as to:

Clinical development of RPL554 for COPD in a Phase 2b study and additional clinical Phase 2 studies such as:	£19.6 million
(i) Phase 2b 4-week dose-ranging study in COPD	
(ii) 4 to 6-week anti-inflammatory study	
(iii) <1 week add-on study in COPD patients	
(iv) Cystic fibrosis pharmacodynamics/pharmacokinetic study (proof of concept study to be funded separately later)	
(v) Preparatory work for other clinical trials	
General working capital*	£13.7 million
Pre-clinical development, including dry powder inhalation (DPI)/metered dose inhalation (MDI)	£8.6 million
Total (net of estimated fees)	£41.9 million

*covering continuing operating expenditure as increased for the above development work and for the anticipated costs of listing and maintaining the NASDAQ listing.

4. Principal terms of the Placing

The Company has conditionally raised a total of approximately £44.7 million (before expenses) by the Placing of 1,555,796,345 Units at the Issue Price to the Placees. Each Unit comprises one Placing Share and one Warrant over 0.4 of a Warrant Share. Further particulars of the Warrants are provided at paragraph 5 of this Part I.

The UK Placing is conditional, *inter alia*, upon:

(i) the passing of the Resolutions;

(ii) the Placing Agreement not having been terminated in accordance with its terms prior to Admission;

(iii) written confirmation from the Company that, as far as it is aware (having made reasonable enquiries of the Directors, its advisers and the US Placees), there is no fact, matter or circumstance existing which would allow the US Purchasers to terminate the Purchase Agreement; and

(iv) Admission.

If any of the above UK conditions are not satisfied or waived (where capable of waiver), the UK Units will not be issued and all relevant monies received from the investors in the UK Placing will be returned to them (at the risk of these investors and without interest) as soon as possible thereafter.

The US Placing is conditional, *inter alia*, upon (including certain customary conditions for a transaction of this nature):

(i) the passing of the Resolutions;

(ii) the receipt of a certificate of a Director confirming that the representations and warranties of the Company in the Purchase Agreement are true and correct in all material respects (except those that are qualified by materiality, which shall be true and correct in all respects) as of the date of the Purchase Agreement and as of Admission, and that all covenants, obligations and agreements of the Company required to be performed prior to Admission have been performed;

(iii) the Placing Agreement not having been terminated in accordance with its terms prior to Admission; and

(iv) Admission.

If any of the above US conditions are not satisfied or waived (where capable of waiver), the US Units will not be issued and all relevant monies received from the investors in the US Placing will be returned to them (at the risk of these investors and without interest) as soon as possible thereafter.

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

Application will be made to the London Stock Exchange for the admission of the Placing Shares to trading on AIM. It is expected that Admission will occur and that dealings in the Placing Shares will commence at 8.00 a.m. on 29 July 2016, at which time it is also expected that the Placing Shares will be enabled for settlement in CREST. A block listing application will be made in respect of the Warrant Shares for the purpose of admitting the Warrant Shares to trading on AIM in due course.

Shareholders in the Company who are not participating in the Placing proportionate to their economic interest will have their interest in the Company significantly diluted as a consequence of the issue of the New Shares. Furthermore, Shareholders who participate in the Placing, but who do not participate in Tranche 2, would be further significantly diluted as a consequence of the issue of Ordinary Shares as part of the US IPO.

Information relating to the Placing Agreement, the Purchase Agreement and the Placement Agent Agreement appear in paragraphs 4.1, 4.2 and 4.3 of part III of this Document.

5. The Warrants

Each Warrant will be exercisable into 0.4 of a Warrant Share, at an exercise price per Warrant Share of 3.4476 pence, being 120 per cent. of the Issue Price. Upon exercise, fractional entitlements to Warrant

Shares, determined on an aggregate basis with all other Warrants then being exercised by the applicable Placee, will be rounded down to the nearest whole Warrant Share.

The exercise price per Warrant is 3.4476 pence (being a 20 per cent. premium to the Issue Price) and each Warrant shall become exercisable on the earlier of: (i) the first anniversary of Admission; or (ii) the closing of Tranche 2, and the exercise period shall end on the fifth anniversary of such date. In the event that the Company announces the execution of a definitive agreement providing for an Acquisition prior to the closing of Tranche 2, the exercise period shall instead begin immediately following such announcement, and shall still end on the sixth anniversary of Admission.

The Warrants may be exercised either in cash or on a cashless exercise basis, whereby the Warrantholder will forfeit such number of Warrant Shares as represent at the relevant time the value of the exercise price, and receive bonus shares equal to the Warrantholder's net entitlement. Such bonus shares will be issued by way of a capitalisation issue. Shareholders should note that the number of Warrant Shares to be forfeited in connection with a cashless exercise of Warrants will be determined by the future price of the Company's Shares. Warrantholders must also be Shareholders in order to be able to exercise on a cashless exercise basis.

Warrantholders shall be entitled to require that their Warrant Shares be converted into ADSs, at the cost of the Company.

The terms of the Warrants include a Black-Scholes valuation provision that would be applicable on a reorganisation, consolidation, merger, demerger or sale of shares or transfer of all or substantially all of the assets of the Company, where the holders of the Company's outstanding shares as of immediately before the transaction beneficially own less than a majority by voting powers of the outstanding shares of the surviving or successor entity as of immediately after the transaction, or the acquisition by any person of at least 50 per cent. of the voting power of the Company ("**Acquisition**"). The provision provides a basis for valuation of the Warrants in circumstances where the Warrants are not assumed for exchange-traded shares of the acquiring entity (or its ultimate parent) under circumstances where the Warrants continue until their expiry. In such circumstances, Warrantholders shall be entitled to receive or demand from the Company the Black-Scholes value per share in accordance with the provisions of the Warrants. Details of the Warrant and the Black-Scholes value calculation are described in more detail in paragraph 4.4 of part III of this Document.

If Tranche 2 is completed within a year after Tranche 1, to the extent that any Placee does not fully subscribe for an equivalent value of Ordinary Shares or ADSs in Tranche 2 (including the value of any Ordinary Shares or ADSs acquired in any concurrent Exempt Placement made on substantially the same terms as the US IPO) as subscribed for in Tranche 1, subject to allocations in Tranche 2 being potentially adjusted downwards by the underwriter in connection with the US IPO (on the terms set out in the Purchase Agreement)), such Placee will (subject to certain limited exceptional circumstances) forfeit any Warrants issued to it in Tranche 1. However, if the Placee's allocation is reduced by the managing underwriter in the US IPO, then the required level of participation to retain the Warrants in full shall be only that amount that is allocated to the Placee in Tranche 2.

Given the potential cashless exercise mechanism of the Warrants (and also the possible forfeiture of Warrants as described above), it is likely, in the Company's reasonably held opinion, that the number of Warrant Shares to be issued following the exercise of Warrants over time will be materially lower than the maximum number possible.

A block listing application will be made to the London Stock Exchange of 622,318,538 new Ordinary Shares to be admitted to AIM in connection with the prospective issue of the Warrant Shares. Once applied for, these new Ordinary Shares will be issued from time to time pursuant to the valid exercise of Warrants which is expected to be following the US IPO. The Company will make a further notification in this regard in due course.

6. Tranche 2 (US IPO)

Pursuant to the Purchase Agreement, the Company has agreed to use its commercially reasonable efforts to complete a firm commitment registered public offering of ADSs in the United States with an aggregate offering size reasonably acceptable to the Company and to the holders of a majority of the Units issued in Tranche 1, coupled with a listing of such ADSs on NASDAQ. The Company has agreed to use its

commercially reasonable efforts to consummate the US IPO as promptly as possible and no later than 180 days following Admission, or by such later date as may be agreed by the Company and Placees holding a majority of the US Units issued in the US Placing. To the extent participating by a Placee in the US IPO would conflict with U.S. securities laws or other legal requirements so as to materially delay or interfere with the US IPO, investor participation in the US IPO may instead be effected through a concurrent Exempt Placement that would be made on substantially the same terms as the registered public offering. We refer to the US IPO and the concurrent Exempt Placement as Tranche 2. Following the US IPO and as requested by Placees, New Shares held by such Placees may be converted into ADSs (subject to any limitations under United States securities laws). The Company will pay the reasonable expenses of the Placees in respect of the conversion of New Shares issued in connection with the Placing into ADSs (to the extent required) at the appropriate time.

It is expected that the Company's entire share capital will remain admitted to trading on AIM following the US IPO. Any such transaction will require separate approval by Shareholders. While the Company has agreed to use its commercially reasonable efforts to facilitate the US IPO, there is no certainty that the US IPO will proceed as targeted, or at all. Additional information in respect of the prospective US IPO is set out in part II of this document.

The ADSs will be negotiable instruments, representing ownership of Ordinary Shares. They are designed to facilitate the purchase, holding and sale of Ordinary Shares by US investors. Each of the offered ADSs will represent an exact number of Ordinary Shares. This number will be determined by the Directors during the offering process. Other than a potential Regulation S offering in the UK, there will be no offer to the public in the United Kingdom (including to the Company's existing Shareholders generally) of ADSs or Ordinary Shares in connection with the US IPO.

Vivo Capital, a current Shareholder of the Company, is acting as a cornerstone investor in relation to the US Placing and is expected to act as a cornerstone investor in Tranche 2.

7. Novo Management Rights Letter

Pursuant to the Purchase Agreement, the Company has agreed to provide a customary management rights letter to Novo. Pursuant to the letter, which will be delivered prior to Admission, the Company will grant Novo certain contractual management rights relating to the Company, including matters such as (i) the right to consult with the Company's management on significant business issues, (ii) examine the Company's books and records and inspect the Company's properties, (iii) designate a non-voting representative on the Company's board of directors, and (iv) receive information with respect to significant corporate actions.

The Company has agreed to deliver the Novo Management Rights Letter in order to assist Novo in avoiding becoming subject to the requirements of the U.S. Employee Retirement Income Security Act of 1974. According to the terms of the Novo Management Rights Letter, Novo has a right to designate a non-voting board observer to attend all meetings of the Board of Directors. The Novo Management Rights Letter will terminate on the earlier of (i) the consummation of the US IPO, or (ii) such time as Novo ceases to hold at least 50 per cent. of the shares held by it on closing of the Placing.

8. Board representation and the Relationship Agreements

The Company will enter into the Relationship Agreements with Vivo Capital, OrbiMed, Arix/Arthurian and Abingworth to regulate its relationships with those investors from Admission and to limit their influence over the Group's corporate actions and activities and the outcome of general matters pertaining to the Group. Further details of the Relationship Agreements are provided in paragraph 4.6 of Part III of this Document. The Relationship Agreements will become effective on Admission.

Pursuant to the Relationship Agreements, the Company has further agreed, conditional on Admission, to appoint representatives designated by Vivo Capital, OrbiMed, Arix/Arthurian and Abingworth to the Board of Directors. The investors' respective rights to maintain representatives on the Board of Directors shall continue for so long as each respectively continue to beneficially hold not less than the lesser of (i) 6.5 per cent. of the Company's issued Ordinary Shares from time to time (with beneficial ownership for this purpose being determined without regard to any exercise limitations or conversion blockers), and (ii) 60 per cent. of the sum of the number of Ordinary Shares held by them on Admission and, after completion of the US IPO, the number

of Ordinary Shares they are obligated to purchase in connection with the US IPO in order to avoid forfeiture of their Warrants.

Following Admission, Arix and Arthurian (WLSIF) are expected to own over 10 per cent. of the Enlarged Share Capital. Dr. Ken Cunningham, a non-executive director, will continue to serve as the appointed board representative of Arix/Arthurian.

As described in paragraph 7 in this Part I, the Company entered into the Novo Management Rights Letter under which Novo has a right to designate a non-voting board observer to attend all meetings of the Board of Directors. Novo's right to maintain a board observer on the Board of Directors shall continue until (i) the consummation of the US IPO, or (ii) such time as Novo ceases to hold at least 50 per cent. of the shares held by it on closing of the Placing.

Following Admission, the Company will conduct an executive search to recruit suitable senior finance resources.

9. New Articles

In connection with the issue of the Warrants and in order to facilitate the US Placing, it is proposed that the Company will adopt the New Articles at the General Meeting conditional upon the relevant special resolution being passed. The New Articles will incorporate certain amendments allowing for, *inter alia*, the issue of the Warrant Shares and ADSs.

The New Articles will also contain provisions allowing the Company to issue Warrant Shares in respect of the exercise of the Warrants (in accordance with the terms of the Warrant Instrument) by way of a non pre-emptive bonus issue of fully paid up Warrant Shares to the relevant Warrantholder. Such bonus shares will be issued by way of a capitalisation issue. This change is required to allow for the cashless exercise of the Warrants in accordance with the terms of the Warrant Instrument, whereby the Warrantholder will forfeit Warrant Shares representing the cost of exercise, and receive Warrant Shares by means of a bonus issue as described above.

The principal changes to the current articles of association of the Company are summarized in part IV of this Document. A copy of the New Articles is available for inspection on the Company's website at www.veronapharma.com. Hard copies of the New Articles are available at the Company's registered office from today until the date of the General Meeting, and at the place of and on the date of the General Meeting from 11.00 a.m. until the close of the meeting.

10. Recent trading and prospects

The Company reported a loss after tax of £7.42 million for the year ended 31 December 2015 (2014: £2.76 million), broadly in line with market expectations and reflecting tight cost control despite the planned increase in R&D spend, especially on clinical studies.

The Company's net cash outflow from operating activities for the year ended 31 December 2015 was £6.35 million (2014: £3.54 million) reflecting clinical progress, with cash and cash equivalents as at 31 December 2015 of approximately £3.5 million (2014: £10 million). Having reported in the first half of 2016 on the Phase 1/2a trials described in paragraph 2 of this Part I above, clinical activity is expected to be at a lower level in 2016 than in 2015 as the Company plans its next substantive batch of clinical and pre-clinical studies to be funded by the net proceeds of the Placing.

11. Risk factors and additional information

The attention of Shareholders is drawn to the risk factors set out in Part II of this Document and the information contained in part III of this Document, which provide additional information on the Verona Group. Shareholders are advised to read the whole of this Document and not rely solely on the summary information presented in this letter.

12. General Meeting

The Directors do not currently have authority to allot all of the New Shares and, accordingly, the Board is seeking the approval of Shareholders to allot such shares at the General Meeting. Shareholder approval is not being sought at the General Meeting to issue any Ordinary Shares under Tranche 2.

A notice convening the General Meeting, which is to be held at the offices of Shakespeare Martineau LLP at Allianz House, 6th Floor, 60 Gracechurch Street, London EC3V 0HR at 11.00 a.m. on 22 July 2016, is set out at the end of this Document. At the General Meeting, the following Resolutions will be proposed:

- Resolution 1 which is an ordinary resolution to authorise the Directors to allot relevant securities up to an aggregate nominal amount of £1,555,796.35, being equal to 1,555,796,345 Placing Shares (i.e. the maximum number of Placing Shares available under the Placing).
- Resolution 2 which is conditional on the passing of resolution 1 and is an ordinary resolution to authorise the Directors to issue Warrants to subscribe for Ordinary Shares up to an aggregate nominal amount of £622,318.54, being equal to 622,318,538 Ordinary Shares (i.e. the maximum number of Ordinary Shares that could be allotted pursuant to the exercise of the warrants).
- Resolution 3 which is conditional on the passing of resolutions 1, 2, 4, 5 and 6 (inclusive) and is an ordinary resolution authorising the Directors to capitalise such sums as they may determine from time to time, not exceeding the amount standing to the credit of any of the Company's reserve accounts from time to time or any sum standing to the credit of the profit and loss account or otherwise available for distribution from time to time to pay up in full, up to 622,318,538 Ordinary Shares and to allot and issue such new shares on a non-pre-emptive basis, and to do all acts and things to satisfy any entitlement to Warrant Shares.
- Resolution 4 which is conditional on the passing of resolution 1 and is a special resolution to authorise the Directors to issue and allot 1,555,796,345 Placing Shares pursuant to the Placing on a non pre-emptive basis.
- Resolution 5 which is conditional on the passing of resolution 2 and is a special resolution to authorise the Directors to issue and allot warrants to subscribe for 622,318,538 Ordinary Shares on a non pre-emptive basis.
- Resolution 6 is a special resolution to adopt the New Articles.

The authorities to be granted pursuant to resolutions 1, 2, 4 and 5 shall expire on the conclusion of the Annual General Meeting ("**AGM**") of the Company to be held in 2017 (unless renewed varied or revoked by the Company prior to or on that date) and shall be in addition to any Directors' authorities to allot relevant securities and disapply statutory pre-emption rights granted at the Company's AGM to be held in 2016, which shall expire on the conclusion of the AGM of the Company to be held in 2017. The authority given pursuant to resolution 3 shall expire on 30 July 2022 (unless renewed, varied or revoked by the Company prior to or on that date).

13. Action to be taken in respect of the General Meeting

The Directors unanimously consider that completion of the Placing is in the best interests of the Company and accordingly strongly recommend that you vote in favour of the Resolutions to be proposed at the General Meeting to give effect to the Placing, as they intend to do in respect of those Ordinary Shares in respect of which they have a beneficial interest, being 7,469,774 Ordinary Shares in aggregate, representing 0.74 per cent. of the current issued Ordinary Share capital of the Company as at the date of this Document.

Enclosed with this Document is a Form of Proxy for use by Shareholders at the General Meeting. Whether or not you intend to be present at the General Meeting, you are requested to complete and return to Ben Harber at Shakespeare Martineau LLP, One America Square, Crosswall, London EC3N 2SG the Form of Proxy in accordance with the instructions printed thereon. To be valid, completed Forms of Proxy must be received by Mr. Harber at the above address as soon as possible and in any event not later than 11.00 a.m. on 20 July 2016, being 48 hours before the time appointed for holding the General Meeting (excluding any day which is not a working day). Completion of a Form of Proxy will not preclude you from attending the meeting and voting in person if you so choose. For the avoidance of doubt, the General Meeting will take place at Allianz House, 6th Floor, 60 Gracechurch Street, London EC3V 0HR, due to a change of Company Secretary address, but the Form of Proxy should still be sent to One America Square, Crosswall, London EC3N 2SG.

14. Related party matters

Dr. David Ebsworth, the Company's Non-Executive Chairman, is investing in the Placing on the same terms as the other Placees.

Arix has agreed to subscribe for 64,517,620 units pursuant to the UK Placing. Arix is considered to be a related party under the AIM Rules by virtue of its conditional entitlement to indirectly acquire Arthurian, the general partner of WLSIF, an existing Substantial Shareholder. Its subscription is classified as a related party transaction under AIM Rule 13. The independent directors, who are for the purposes of Arix's subscription, Dr. David Ebsworth, Dr. Jan-Anders Karlsson, Dr. Anders Ullman and Dr. Patrick Humphrey, consider having consulted with the Company's nominated adviser, N+1 Singer that the terms of the participation by Arix in the UK Placing are fair and reasonable insofar as the Shareholders of the Company are concerned.

15. Irrevocable undertakings

The Company has secured irrevocable undertakings from certain institutional shareholders to vote in favour of the Resolutions in respect of which they have a beneficial interest, representing 294,237,197 Ordinary Shares in aggregate or approximately 29.1 per cent. of the Existing Ordinary Shares. Together with the aggregate irrevocable undertakings from the Directors (which will be in the same form as the irrevocable undertakings secured from certain institutional shareholders), the Company has secured commitments from Shareholders holding, in total, 298,836,971 Ordinary Shares (comprising approximately 29.6 per cent. of the Existing Ordinary Shares) to vote in favour of the Resolutions. In addition, the Company has received verbal indications of support from Shareholders holding a total of 159,335,343 Ordinary Shares (representing approximately 15.8 per cent. of the Existing Ordinary Shares). In aggregate, the Company therefore reasonably considers that the Resolutions have the backing, from irrevocable commitments and verbal indications of support, of 458,172,314 Ordinary Shares or approximately 45.4 per cent. of the voting rights in the Company's Shares.

16. Additional information

Your attention is drawn to the risk factors and additional information set out in Parts II and III of this Document. Shareholders are advised to read the whole of this Document and not rely solely on the summary information presented in this letter.

17. Directors' Recommendation and Voting Intentions

The Directors, acting in good faith, believe that the Placing and the passing of the Resolutions are most likely to promote the success of the Company for the benefit of its Shareholders as a whole. The Directors unanimously and strongly recommend the Shareholders to vote in favour of the Resolutions, as they intend to do in respect of their aggregate beneficial holdings of 7,469,774 Ordinary Shares representing approximately 0.74 per cent. of the Existing Ordinary Shares.

Yours faithfully

Dr. David Ebsworth
Chairman

PART II

RISK FACTORS

An investment in the securities of the Company involves a high degree of risk. Accordingly, prospective investors should carefully consider the specific risk factors set out below in addition to the other information contained in this Document before investing in the Units. The Directors consider the following risks and other factors to be the most significant for potential investors in the Company, but the risks listed do not purport to comprise all those risks associated with an investment in the Company and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Directors may also have an adverse effect on the Company's business.

If any of the following risks actually occur, the Company's business, financial condition, capital resources, results or future operations could be materially adversely affected. In this event, the price of the Company's securities could decline and investors may lose all or part of their investment.

1. Risks relating to the Company's business

1.1 ***Stage of development***

Verona is a mid-stage pharmaceutical development company. There are a number of operational, strategic and financial risks associated with pre-revenue drug development companies. There can be no certainty that the Company will achieve or sustain material revenues, profitability or positive cash flow from its operating activities. The Company faces risks frequently encountered by similar stage pharmaceutical companies looking to bring new products to the market. In particular, its future growth and prospects will depend on its ability to develop products which have broad commercial appeal, to secure commercialisation partnerships on appropriate terms, to manage growth and to continue to expand and improve operational, financial and management information, quality control systems and its commercialisation function on a timely basis, whilst at the same time maintaining effective cost controls. Any failure to expand and improve operational, financial and management information and quality control systems in line with the Company's growth could have a material adverse effect on the Company's business, financial condition and results of operations.

1.2 ***Unproven technology***

The Company's technology is at an early stage of development. As a result, the safety and effectiveness of the Company's technologies for the treatment of human disease has not yet been fully established and its R&D activities may not result in commercially viable products, whether for many years or at all. This may be for a number of reasons, including that:

- the technologies may not prove to be safe and effective in further pre-clinical or clinical trials;
- relevant regulatory approvals may not be granted or maintained in a timely fashion or at all;
- the Company may not be able to secure and maintain sufficient intellectual property protection for the technologies and challenges may be made against the Company's relevant intellectual property;
- competitors may develop more attractive alternative products;
- the products may not receive healthcare coverage and adequate reimbursement; or
- the Company may not be able to launch commercial sales of the products and maintain a continued acceptable safety profile of the products following approval.

1.3 ***Regulatory approval and product testing***

The pre-clinical and clinical testing, manufacture and marketing of the Company's proposed products and its ongoing R&D are subject to regulation by government and regulatory agencies in countries where the Company or any of its potential licensees or collaborators intend to test, manufacture or market products. There can be no assurance that any of the Company's proposed products will successfully complete these processes or that regulatory approvals to manufacture and market the proposed products will ultimately be obtained.

If regulatory approval is obtained, the products and their manufacture are subject to continual review and there can be no assurance that such approval will not be withdrawn or restricted. Changes in the application of legislation or regulatory policies or the discovery of unexpected side effects and other problems with the products or their manufacture may result in the imposition of restrictions on the products or their manufacture, withdrawals of the drug from the market, voluntary or mandatory drug recalls, government investigations and the imposition of penalties.

The extent of pre-clinical studies and clinical trials that will be required to test the safety and efficacy of the Company's products will vary depending on the product, the treatment being evaluated, the trial results and regulations applicable to the particular product. The results of pre-clinical studies and clinical trials to date of the Company's proposed products do not necessarily predict the results of later-stage clinical trials. Proposed products in the later stages of clinical trials may fail to show the desired safety and efficacy despite having progressed through initial clinical trials. There can be no assurance that the data collected from the pre-clinical studies and clinical trials of the Company's proposed products will be sufficient to support regulatory approvals.

The Directors cannot accurately predict when the planned clinical trials will be completed, if at all. The Company's proposed products may produce unexpected side effects or serious adverse events which could interrupt, delay or halt clinical trials of the products and could result in regulatory authorities denying approval of its products for any or all targeted treatments. An independent safety monitoring board, a regulatory authority or the Company itself may suspend or terminate trials at any time. There can be no assurances that any of the Company's proposed products will ultimately prove to be safe for human use. The Company's clinical trials could also be delayed or terminated in the event that the product being tested is in the same class of drug as a marketed product that is revealed to cause side effects.

1.4 ***Reliance on third parties***

The business model for the Company anticipates that it will have limited internal resources over the next few years and that it will use third party providers wherever possible to conduct the research, development, registration, manufacture, marketing and sales of its proposed products. The commercial success of the Company's products will depend upon the performance of these third parties. The Company cannot guarantee that the third parties will be able to carry out their obligations under the relevant arrangements. Disagreements between the Company and any of these third parties could lead to delays in the Company's R&D programme and/or commercialisation plans. If any of those third parties were to terminate its relationship with the Company, the Company would be required to obtain development and/or commercialisation services from other parties or develop these functions internally. The process of entering into such relationships or developing these functions internally could require significant expenditure and, whilst the Directors believe that the Company would be able to enter into arrangements with other companies within a reasonable period of time, upon commercially reasonable terms, and in compliance with applicable regulatory requirements, no assurance can be given that it would be able to do so.

In order to access worldwide markets in the marketing and sales of its products, the Company intends to enter into third party out-licensing arrangements with pharmaceutical companies and other suitable industry players. The Company cannot guarantee that it will be able to enter into suitable arrangements, that any such arrangement or agreement will be on favourable terms or that any such arrangement or agreement will prove successful.

1.5 ***Manufacturing***

There can be no assurance that the Company's proposed products will be capable of being manufactured in sufficient quantities and standards for clinical trials or in commercial quantities, in compliance with regulatory requirements and at an acceptable cost. The Company intends to outsource the manufacture of the raw materials, active ingredients and final formulations required in connection with the R&D and commercialisation of its proposed products and, as such, will be dependent upon third parties for the provision of adequate facilities, material supplies and performance. In addition, where the Company is dependent upon third parties for manufacture, its ability to procure the manufacture of the drugs in a manner which complies with regulatory requirements may be constrained, and its ability to develop and deliver such products on a timely and competitive basis may be adversely affected.

1.6 ***Financial risk***

The Company has a history of operating losses. These losses have arisen mainly from the costs incurred in research and development of its products and general administrative costs. In order to support the research and development of the Company's product candidates, the Company is likely to continue to incur operating losses until such time as it generates sufficient revenue. The Company may not be successful in developing any additional products and any other products it may develop may not generate revenues.

The lack of a current revenue stream and the significant resources needed for ongoing investment in its R&D pipeline requires the Company to gain access to additional funding from licensing, capital markets or elsewhere. There can be no assurances that such funding will be available on favourable terms, if at all.

Additional funding will be required to allow the Company time to reach profitability. If the Company is unable to raise further funding, there may be insufficient finance for product development or operations and consequent delay, reduction or elimination of development programmes could result.

The Company has a small portfolio of products, none of which has received regulatory approval required for marketing. After receipt of the necessary regulatory approvals, the Company's success will depend on acceptance of the Company's products by the market, including by physicians, patients and third-party payers. The Company's progress may be adversely affected if it is unable to achieve market acceptance of its products.

This in turn may make it difficult for the Company to continue funding its development programme. The Company has not paid dividends in the past and does not expect that dividends will be paid in the foreseeable future. The declaration and payment of any dividends in the future and the amount of any future dividends will depend upon the results of operations, financial conditions, cash requirements, future prospects, profits available for distribution and other factors deemed by Directors to be relevant at the time.

1.7 ***Additional capital requirements to fund ongoing operations***

The aggregate net proceeds of the Placing, the US IPO and/or any concurrent Exempt Placement are not expected to take the Company to profitability, and accordingly the Company may need to raise additional capital from equity or debt sources in the future. Further equity financing may be further dilutive to existing Shareholders or result in the issuance of securities whose rights, preference and privileges are senior to those of the owners of Ordinary Shares. If any such future funding requirements are met through additional debt financing, the Company may be required to adhere to covenants restricting its future operational and financial activities. If the Company is unable to secure additional funds when needed or cannot do so on terms it finds acceptable, the Company may be unable to continue to trade, expand its operations, take full advantage of future commercial opportunities or respond adequately to competitive pressures, any of which may have an adverse effect on its business and results of operations.

1.8 ***The expenditure required by the Company may be more than currently anticipated***

There is a risk that the amounts the Company anticipates will be needed to fund its growth will be insufficient, that the anticipated timing of such investment may prove incorrect, or that the Company may be unable to raise the amounts required (if at all). The Company may not be able to generate revenues at the times targeted. Costs may be greater than planned, or timings may vary from those targeted.

1.9 ***Intellectual property and proprietary technology***

The commercial success of the Company will depend to a great extent on its ability to secure and maintain patent protection for its products, to preserve the confidentiality of its know-how and to operate without infringing the proprietary rights of third parties.

No assurance can be given that any pending patent applications or any future patent applications will result in granted patents, that the scope of any patent protection will exclude competitors or provide competitive advantages to the Company, that any of the Company's patents will be held valid if

challenged or that third parties will not claim rights in or ownership of the patents and other proprietary rights held by the Company.

The RPL554 drug development programme relies on patents and patent applications assigned and know-how licensed by Vernalis Development Limited ("**Vernalis**") to the Company as well as a series of patent applications that has been created and filed by the Company on its own. The registrations of the assignment of each of these patents and patent applications with the relevant authorities in certain of the territories in which the patents and patent applications are registered have been granted. There can be no assurance that any such further registrations will be effected in a timely manner or at all, or that the Company will be able to adequately protect its existing patent estate.

The Company has a number of obligations under the Intellectual Property Assignment and Licence Agreement (the "**IP Agreement**") entered into with Vernalis, a breach of which by the Company may give rise to a right of Vernalis to terminate the IP Agreement.

The Company may be subject to claims in relation to infringement of patents, trademarks or other proprietary rights. Adverse judgments against the Company may give rise to significant liability in monetary damages, legal fees and an inability to manufacture, market or sell products either at all or in particular territories using existing trademarks and/or a particular technology. Where the Company has given assurances to customers that its products do not infringe proprietary rights of third parties, any such infringement might also expose the Company to liabilities to those customers. Even claims without merit could deter customers and have a detrimental effect on the Company's business as well as being costly and time consuming to defend, as well as diverting management's attention and Company resources.

Further, there can be no assurance that others have not developed or will not develop similar products, duplicate any of the Company's products or design around any patents held by the Company. Others may hold or receive patents which contain claims having a scope that covers products developed by the Company (whether or not patents are held by or issued to the Company).

The Company relies on patents to protect, among other things, its products. These rights act only to prevent a competitor from copying but not from independently developing products that perform the same functions. No assurance can be given that others will not independently develop or otherwise acquire substantial equivalent techniques or otherwise gain access to the Company's unpatented proprietary technology or disclose such technology or that the Company can ultimately protect meaningful rights to such unpatented proprietary technology.

1.10 ***Retention of key personnel risk***

The Company's success is largely dependent on the personal efforts and abilities of the Company's existing senior management, key employees and advisers. The loss of any key individual for whatever reason may have an adverse effect on the future of the Company. Future success depends on its ability to attract and retain key management and employees and there can be no assurance that the Company will be able to attract and retain such persons.

1.11 ***The Company's success will continue to be highly dependent on collaborators***

The Company's strategy will continue to be to seek collaboration partners for certain of its product candidates. Such collaborations provide important funding to the Company through signature and milestone payments and fees. The Company may be unable to establish additional collaborative arrangements on favourable terms, or at all, and any such arrangement or agreement may not prove successful.

The Company's success is partially dependent on its current collaborators and contractors and the ability of the Company to attract new collaborators and contractors in the future. The Company's collaborators have, and in the future are likely to have, substantial responsibility for some of the development and commercialisation of the Company's drug candidates. Certain of the Company's collaborators also have, and in the future are likely to have, significant discretion over the resources they devote to these efforts. The Company's success, therefore, will depend on the ability and efforts of these outside parties in performing their responsibilities. The development of certain of the Company's product portfolio will rely significantly on its success in reaching agreements with new

strategic partners and on the performance of such strategic partners. If the relationship with any one of these partners (or their co-partners) is adversely affected, the results of the Company's operations may be adversely impacted.

The Company cannot guarantee that:

- existing collaborative arrangements or licence agreements or agreements with third party contractors will be able to be maintained;
- any new collaborative arrangements or licence agreements or agreements with third party contractors will be on favourable terms; or
- any collaborative arrangements or licence agreements or agreements with third party contractors will prove successful.

If the Company is unable to continue with any of the existing collaborations and, following negotiations with the relevant partners, terminates a collaboration, no assurance can be given that this will not have a negative impact on the reputation of the Company or its ability to secure additional collaborations in the future. The termination of any agreements with third party contractors or failure of third party contractors to perform their obligations under such agreements could adversely impact on the Company's business and results of operations.

1.12 ***There is no public market in the US and the US IPO is not guaranteed to proceed***

There is currently no public market in the Company's Ordinary Shares in the US. Pursuant to the terms of the Purchase Agreement, the Company has agreed to use its commercially reasonable efforts to consummate the US IPO no later than 180 days following Admission (or by such later date as may be agreed by the Company and the Shareholders). Notwithstanding the Company's agreement to use its commercially reasonable efforts to facilitate the US IPO, there is no certainty that the US IPO will proceed as targeted, or at all. Furthermore, there is no guarantee that the Company will be eligible for listing under the SEC rules or that there will be investor appetite for the US IPO on the current timeline or at all.

2. Risks specific to the industry in which the Company operates

2.1 ***Pharmaceutical pricing environment***

In common with other companies researching and developing new pharmaceutical products, the ability of the Company and its partners to market its products successfully depends in part on the extent to which reimbursement for the cost of such products and related treatment will be available from government health administration authorities, private health coverage insurers and other organisations. There is uncertainty as to the reimbursement status of newly approved healthcare products, and there is no assurance that adequate health administration or third party coverage will be available for the Company or its licensees to obtain satisfactory price levels to realise an appropriate return on its investment. In addition, there is increasing pressure by certain governments to contain healthcare costs by limiting both coverage and the level of reimbursement for new therapeutic products, and by refusing in some cases to provide coverage for uses of products for disease conditions for which the relevant regulatory agency has not granted marketing approval.

2.2 ***Competition and market acceptance***

The Company expects competition for those of its products and technologies which are under development currently. Competition may come from companies which have greater research, development, marketing, financial and personnel resources than the Company. Competitors may precede the Company in development of competing products and receiving regulatory approval or may succeed in developing products that are more effective or economically viable than products developed by the Company. Such activities could render the Company's technology or products obsolete and/or otherwise uncompetitive. The success of the Company will also depend on the market acceptance of its products and there can be no guarantee that this acceptance will be forthcoming. Notwithstanding the technical merits of a product developed by the Company, there can be no assurance that medical practitioners will adopt such products as a standard means of medical practice or that the medical procedures at which the Company's products are targeted will maintain market acceptance. Even if the Company's products achieve market acceptance, the market may not be large

enough to allow it to generate significant revenues. The failure of the Company's products to achieve market acceptance would prevent it from ever generating meaningful product revenues.

2.3 ***Government actions***

All governments reserve the right to amend their policies in relation to drug development and life sciences. These policies are subject to change at any time, in any country and changes can have a profound impact upon the life sciences industry as a whole or in part.

3. General risks

3.1 ***Liability and insurance***

The nature of the Company's business means that the Company may be exposed to potentially substantial liability for damages that are inherent in the research, development, manufacturing, marketing and use of pharmaceutical products. There can be no assurance that necessary insurance cover will be available to the Company at an acceptable cost, if at all, nor that, in the event of any claim, the level of insurance carried by the Company now or in the future will be adequate. Any claims against the Company, regardless of their merit, could be difficult and costly to defend and could materially adversely affect the market for the Company's product candidates or any prospects for commercialization of the product candidates.

The Company's operations are also subject to environmental and safety laws and regulations, including those governing the use of hazardous materials, such as biological materials. The cost of compliance with these and similar future regulations could be substantial and the risk of accidental contamination or injury from the biological and other hazardous materials with which it works cannot be eliminated. If an accident or contamination occurred, the Company could incur significant costs associated with civil damages, penalties and criminal fines for failure to comply with applicable environmental, health and safety laws and regulations or an interruption in operations. The Company's insurance may not be adequate to cover the damages, penalties and fines that could result from an accident or contamination and the Company may not be able to obtain adequate insurance at an acceptable cost or at all.

3.2 ***Currency risk***

The Company expects to present its financial information in Sterling although part or all of its business may be conducted in other currencies. As a result, it will be subject to foreign currency exchange risk due to exchange rate movements which will affect the Company's transaction costs and the translation of its results.

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

The Company may be adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors, in the areas in which the Company will operate.

3.4 ***Taxation***

Any change in the Company's tax status or the tax applicable to holding Ordinary Shares or in taxation legislation or its interpretation, could affect the value of the investments or assets held by the Company, affect the Company's ability to provide returns to Shareholders and/or alter the post-tax returns to Shareholders. Statements in this Document concerning the taxation of the Company and its investors are based upon current tax law and practice which may be subject to change.

If the Company is characterized as a "passive foreign investment company" (a "**PFIC**") or a "controlled foreign corporation" (a "**CFC**") for U.S. federal income tax purposes, Shareholders who are U.S. persons, as defined for U.S. federal income tax purposes ("**US Shareholders**"), may be subject to adverse U.S. federal income tax consequences.

The Company generally will be characterized as a PFIC if either (i) at least 75 per cent. of its gross income is passive income (generally including dividends, interest, rents, royalties and gains from the disposition of passive assets) or (ii) on average for the taxable year at least 50 per cent. of the value of its assets is attributable to assets that produce or are held for the production of passive income. If the Company is treated as a PFIC for any taxable year in which a U.S. Shareholder holds Ordinary Shares, certain adverse U.S. federal income tax consequences could apply, including a material increase in the amount of U.S. federal income tax that the U.S. Shareholder would owe, an imposition of U.S.

federal income tax earlier than would otherwise be imposed, interest charges and additional U.S. federal income tax form filing requirements. In particular, if the Company is treated as a PFIC, a U.S. Shareholder who disposes or is deemed to dispose of Ordinary Shares at a gain, or who receives a so-called "excess distribution" on Ordinary Shares, generally would be required to treat such gain or excess distribution as ordinary income and may be subject to an interest charge on a portion of the gain or distribution. The determination of whether a non-U.S. corporation is a PFIC involves the application of complex U.S. federal income tax rules. The Company has not made a conclusive determination as to whether it is currently, or has been in prior taxable years, a PFIC.

The Company generally will be characterized as a CFC if more than 50 per cent. of either the total combined voting power of all classes of its stock or of the total value of all of its stock is owned (directly, indirectly or by operation of certain attribution rules), by U.S. Shareholders, each of which owns 10 per cent. or more (taking certain attribution rules into account) of the total combined voting power of all classes of stock of the Company (a "**10 per cent. U.S. Shareholder**"). If the Company is a CFC, certain of its income, including certain passive income and income certain transactions with affiliated parties, may be included in the income of 10 per cent. U.S. Shareholders regardless of whether any distributions are made by the Company.

U.S. Shareholders may be subject to special information reporting requirements with respect to their investment in the Company. The Company has not committed to provide all of the information about the Company or its Shareholders that may be needed for U.S. Shareholders to complete their U.S. tax returns. U.S. Shareholders are urged to consult with their own independent tax advisors regarding their investment in the Company, including the status of the Company as a PFIC or CFC, the potential effect of the PFIC and CFC rules, and the advisability of and procedure for making any election that may be available under the PFIC or CFC rules, as well as how these rules and elections may impact their particular U.S. federal income tax situation.

4. Risks relating to the Ordinary Shares

4.1 *Conditionality of the Placing*

The Placing is conditional upon, among other things, the passing of the Resolutions. If any such condition is not satisfied, and not waived, the Placing will not proceed. In the event that the Company is not successful in raising all or any of the monies in Tranche 1 and /or Tranche 2 of the Placing, the Company may not have sufficient working capital to operate its business and/or to invest in research and development of its products. Insufficient finance for product development or operations could result in, among other things, delay, reduction or elimination of development programs and redundancy of the Group's staff.

4.2 *Costs of the Placing*

There is no guarantee that the Company will be successful in raising all or any of the monies in Tranche 1 and /or Tranche 2 of the Placing. The Company has incurred due diligence costs and legal fees in connection with the Placing irrespective of whether the Placing takes place (including but not limited to the reasonable costs and expenses of Vivo Capital of up to (i) $100,000 if the closing of Tranche 1 fails to occur; or (ii) if Tranche 1 occurs, $200,000 through to the closing of Tranche 2) irrespective of whether the financing is consummated in whole, in part or if at all.

4.3 *Share price volatility and liquidity*

The share prices of publicly traded companies in the life sciences sector may be highly volatile and subject to wide fluctuations in price in response to a variety of factors which can also cause a reduction in trading liquidity.

These factors include: technological innovations, changes in government policies, complex regulatory requirements, changes in legislation and economic conditions, the provision of new products by the Company or its competitors, fluctuations in the Company's operating results, changes in economic performance or market valuations of similar businesses, announcements by the Company or its competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments, additions or departures of key personnel, litigation and press, newspaper and other media reports. In addition, the Ordinary Shares may not be traded in sufficient volumes to give share liquidity to Shareholders.

Stock markets have also from time to time experienced extreme price and volume fluctuations, which have affected the market prices of securities and which have often been unrelated to the operating performance of the companies affected. These broad market fluctuations, as well as general economic and political conditions, could adversely affect the market price for the Ordinary Shares.

4.4 ***Investment risk and AIM***

The New Shares will be quoted on AIM rather than the Official List. The rules of AIM are less demanding than those of the Official List and an investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List. AIM has been in existence since June 1995 but its future success and the liquidity in the market for the Company's securities cannot be guaranteed. Investors should be aware that the value of the Ordinary Shares may be volatile and may go down as well as up and investors may therefore not recover their original investment.

The market price of the Ordinary Shares may not reflect the underlying value of the Company's net assets. The price at which investors may dispose of their shares in the Company may be influenced by a number of factors, some of which may relate to the Company, and others of which are not specific to the Company. On any disposal investors may realise less than the original amount invested.

4.5 ***No guarantee that the Company's Ordinary Shares will continue to be traded on AIM***

The Company cannot assure investors that the Company's Ordinary Shares will always continue to be traded on AIM or on any other exchange. If such trading were to cease, certain investors may decide to sell their shares, which could have an adverse impact on the price of the Ordinary Shares. Additionally, if in the future the Company decides to obtain a listing on another exchange in addition or as an alternative to AIM, the level of liquidity of the Ordinary Shares traded could decline.

4.6 ***Future issues of shares will result in immediate dilution***

The Company may issue additional Ordinary Shares in subsequent public offerings or private placements to fund further clinical and commercial development of RPL554 or other investments. Statutory pre-emption rights prevent the issue of shares for cash consideration without such shares being offered to Shareholders first, subject to the disapplication of such pre-emption rights by a special resolution of the Shareholders. Therefore, existing Shareholders may not be offered the right or opportunity to participate in such future share issues (if such a special resolution is approved by Shareholders), which may dilute the existing Shareholders' interests in the Company. Furthermore, the issue of additional Ordinary Shares may be on more favourable terms than the Placing. In addition, the issue of additional Shares by the Company, or the possibility of such issue or exercise, may cause the market price of the Ordinary Shares to decline and may make it more difficult for Shareholders to sell Ordinary Shares at a desirable time or price.

In accordance with the terms of the Warrant Instrument, the Warrants may be exercised either for cash or on a cashless exercise (at the discretion of the Warrantholder). In the event of a cashless exercise of the Warrants, the Warrantholder will forfeit Warrant Shares representing the value of the exercise price, and receive bonus shares equal to the Warrantholder's net entitlement. Therefore, on a cashless exercise, the Company would not receive any proceeds from the issue of the Warrant Shares and the reserves of the Company would be depleted by the sum of the capitalised amount to fund the bonus issue of the Warrant Shares. Furthermore, upon exercise of the Warrants (exercised either for cash or on a cashless exercise), Warrant Shares would be issued would dilute the existing share capital of the Company.

4.7. ***Political Risk & The EU Referendum***

The UK government's referendum on the UK's membership of the European Union is being held on 23 June 2016. The outcome of this EU referendum and consequences for the UK has introduced significant new uncertainties in financial markets which is leading to additional market volatility and is negatively impacting investor confidence. This is likely to continue prior to the vote and may continue thereafter.

4.8 ***Restrictions under US Securities Laws***

Except as provided under the Registration Rights Agreement, the Company has not and will not register the Units, Warrants, New Shares or Ordinary Shares under the Securities Act. The securities may not be offered or sold within the United States absent registration or an applicable exemption from registration requirements of the Securities Act. Accordingly, the Units that are being offered and sold outside the United States are being offered and sold in a transaction that is exempt from the registration requirements of the Securities Act in reliance on Regulation S under the Securities Act. The Units that

are being offered and sold to US Purchasers are being offered and sold in a transaction that is exempt from the registration requirements of the Securities Act in reliance on Regulation D under the Securities Act. Subscribers for or purchasers of the Units may not offer, sell or transfer the Units unless outside the United States in compliance with Rules 903 or 904 under the Securities Act, absent registration or an applicable exemption from registration under the Securities Act. Only the Company is entitled to register its securities under the Securities Act and the Company has no obligation to do so, except as will be provided for in the registration rights agreement to be entered into in connection with Tranche 1. The Company can give no assurances that an exemption from registration under the Securities Act will be available to any subscribers for or purchasers of its securities.

4.9 ***Loss of FPI status***

The Company expects that if it completes the US IPO, it will be a "foreign private issuer," as defined in the rules and regulations of the SEC. As a foreign private issuer, the Company will be exempt from certain rules under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**") that would otherwise apply if it were a company incorporated in the United States, including the following:

- the requirement to file periodic reports and financial statements with the SEC as frequently or as promptly as United States companies with securities registered under the Exchange Act;
- the requirement to file financial statements prepared in accordance with accounting principles generally accepted in the United States ("**U.S. GAAP**");
- the proxy rules, which impose certain disclosure and procedural requirements for the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act;
- the requirements to comply with the provisions of Regulation FD, which imposes certain restrictions on the selective disclosure of material information; and
- Section 16 of the Exchange Act, which requires officers, directors and principal shareholders to file public reports of their stock ownership and trading activities and establishes liability for profits realized from any "short-swing" trading transaction (a purchase and sale, or sale and purchase, of the issuer's equity securities within less than six months).

Accordingly, you may receive less information about the Company than you would receive about a public company incorporated in the United States and may be afforded less protection under the United States federal securities laws than you would be if the Company were incorporated in the United States.

The Directors are required to maintain an audit committee comprised solely of three or more directors satisfying the independence standards of NASDAQ applicable to audit committee members. As a foreign private issuer, however, the Company is allowed to follow "home country" corporate governance practices in lieu of complying with most of the other corporate governance rules of NASDAQ, including the requirement to maintain a majority of independent directors, and nominating and compensation committees of the Board comprised solely of independent directors. Although the AIM Rules and the United Kingdom Corporate Governance Code have comparable requirements, holders of the Company's securities may not be afforded the benefits of the corporate governance standards of NASDAQ to the same extent applicable to companies incorporated in the United States.

In the future, the Company will lose its foreign private issuer status if both of the following become true:

- more than 50 per cent. of our ordinary shares become directly or indirectly owned of record by residents of the United States; and
- any one of (a) the majority of our executive officers or directors are U.S. citizens or residents; or (b) more than 50 per cent. of the Company's assets are located in the U.S.; or (c) the Company's business is administered principally in the U.S.

If the Company loses its foreign private issuer status, it will no longer be exempt from the provisions set forth above. The regulatory and compliance costs incurred to satisfy these requirements could be substantial.

Investors should carefully consider in light of the risk factors outlined above, their personal circumstances and the financial resources available to them whether an investment decision to be taken in respect of the Company's Shares is suitable for them.

This list should not be considered an exhaustive statement of all potential risks and uncertainties.

PART III

ADDITIONAL INFORMATION

1. The Company

1.1 The Company was incorporated under the Companies Act 1985 and registered in England and Wales on 24 February 2005 with registered number 5375156 as a public limited company with the name Isis Resources plc. The Company changed its name to Verona Pharma PLC on 18 September 2006. The liability of the members of the Company is limited.

1.2 On 19 September 2006 the Company was admitted to AIM. The principal legislation under which the Company operates is the Act and the regulations made thereunder. The Company is domiciled in England.

1.3 The Company's registered office and principal place of business is at One Central Square, Cardiff, Wales, United Kingdom CF10 1FS.

1.4 The Company's accounting reference date is 31 December.

1.5 The ISIN number of the Ordinary Shares is GB00B06GSH43.

1.6 On 12 June 2015, the Company completed a secondary listing on the Xetra exchange, part of the Deutsche Borse in Germany. The German cusip is ISIN: GB00B06GSH43 and the symbol is I9S.

2. Share capital

2.1 The issued and fully paid up share capital of the Company as at 16 June 2016 (being the latest practicable date before publication of this Document) was 1,009,923,481 Ordinary Shares.

2.2 Following Admission there will be a further 1,555,796,345 new Ordinary Shares in issue (being the Placing Shares) and 622,318,538 Warrants in issue. If all the Placing Shares are issued, then immediately following Admission the Company will have an issued share capital of 2,565,719,826 Ordinary Shares.

2.3 By ordinary and special resolutions passed on 11 June 2015:

2.3.1 the Directors were generally and unconditionally authorised, in accordance with section 551 of the Act, to exercise all powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any securities into shares in the Company up to a maximum aggregate nominal amount of £336,641.16 (336,641,160 Ordinary Shares) and provided that this authority will expire at the earlier of the conclusion of the annual general meeting of the Company to be held in 2016 and the date eighteen months from the passing of this resolution but the Company may, before this authority expires, make an offer or agreement which would or might require shares in the Company or rights to be allotted or granted after this authority expires and the Directors may allot shares in the Company or grant rights pursuant to such offer or agreement as if the authority conferred by this authority had not expired.

2.3.2 the Directors were given power in accordance with section 570 of the Act, to allot equity securities for cash (within the meaning of section 560 of the Act) pursuant to the authority referred to in 2.3.1 above as if section 561(1) of the Act did not apply to any such allotment provided that this power shall:

(a) be limited to the allotment of equity securities in connection with an offer of equity securities open for acceptance for a period fixed by the Directors to holders of equity securities on the register of members of the Company on a date fixed by the Directors in proportion (as nearly as may be) to their respective holdings of such securities or in accordance with the rights attached thereto but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or directions from any holders of shares to deal in some other manner with their respective entitlements or legal or practical problems arising in any overseas territory or the requirements of any regulatory body or stock exchange; and

(b) be limited to the allotment (otherwise than pursuant to paragraph 2.3.2(i) above) of equity securities up to an aggregate nominal amount of £201,984.70 (201,984,700 Ordinary Shares) and the power thereby conferred shall expire at the earlier of the conclusion of the annual general meeting of the Company held in 2014 and the date eighteen months from the passing of this resolution but may be previously revoked or varied by special resolution and so that the Company may before such expiry make an offer or agreement which will or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if such power had not expired.

2.4 The Company is seeking further resolutions to enable it to allot New Shares pursuant to the Placing and the Warrant Instrument (assuming the Warrants will be fully exercised) at the General Meeting which will be in addition to the authorities described at paragraph 2.3 of this part III above.

3. Directors' and other interests

3.1 The interests of the Directors (all of which are beneficial unless otherwise stated) including the interests of any person connected with them (within the meaning of section 252 of the Act)) as at the date of this Document and as expected to be at Admission are as follows:

	As at the date of this Document		*Following Admission**	
	Number of Ordinary Shares	*Percentage of issued Ordinary Share capital*	*Number of Ordinary Shares*	*Percentage of issued Ordinary Share capital*
Dr. Jan-Anders Karlsson	2,870,000	0.28	2,870,000	0.11
Dr. David Ebsworth	4,599,774	0.46	5,214,227	0.20

* These numbers and percentages are calculated assuming that all the Placing Shares are taken up.

3.2 ***Directors' option arrangements***

As at the date of this Document, the Directors and persons connected with them (within the meaning of section 252 of the Act)) have the following options over Ordinary Shares:

Option holder	*Share options*	*Exercise price (£)*
Dr. Jan-Anders Karlsson	5,000,000	0.04
Dr. Jan-Anders Karlsson	5,000,000	0.066
Dr. Jan-Anders Karlsson	15,000,000	0.025
Dr. Jan-Anders Karlsson	3,000,000	0.035
Dr. Jan-Anders Karlsson	5,000,000	0.04
Dr. Jan-Anders Karlsson	2,000,000	0.05
Dr. Jan-Anders Karlsson	1,000,000	0.10
Dr. Jan-Anders Karlsson	1,000,000	0.12
Dr. Jan-Anders Karlsson	1,000,000	0.15
Dr. Patrick Humphrey	1,000,000	0.04

3.3 Save as disclosed above, no Director nor any member of his immediate family or person connected with him (within the meaning of section 252 of the Act) holds or is interested, whether beneficially or non-beneficially, directly or indirectly, in any shares, options over shares, voting rights in respect of shares or securities convertible into shares of the Company or any of its subsidiaries.

4. Material Contracts

4.1 ***Placing Agreement***

Pursuant to the Placing Agreement entered into between the Company (1) and N+1 Singer (2), N+1 Singer has agreed to use its reasonable endeavours to place the UK Units at the Issue Price with certain institutional and other investors.

The Placing Agreement provides, conditional upon Admission, for payment of a corporate finance and broking fee of £0.35 million and certain commissions payable by the Company to N+1 Singer against certain of the gross proceeds of the Placing.

The Company will bear all other expenses of and incidental to the Placing, including the fees of the London Stock Exchange, printing costs, registrar's and receiving bank's fees and all legal and accounting fees of the Company and N+1 Singer, all stamp duty and other taxes and duties payable.

The Placing Agreement contains customary warranties and indemnities from the Company in favour of N+1 Singer and is conditional, amongst other things, upon:

(a) the Resolutions having been passed;

(b) the Placing Agreement not having been terminated in accordance with its terms prior to Admission;

(c) written confirmation from the Company that, as far as it is aware (having made reasonable enquiries of the Directors, its advisers and the US Placees), there is no fact, matter or circumstance existing which would allow the US Purchasers to terminate the Purchase Agreement;

(d) Arthurian and Arix having duly executed and delivered the Arix Relationship Agreement; and

(e) Admission.

N+1 Singer may terminate the Placing Agreement in certain circumstances, if, amongst other things, the Company is in breach of any of the representations, warranties or covenants given by it under the Purchase Agreement provided such breach gives rise to a termination right for the US Purchasers; or if there is a change in national or international financial, political, economic or stock market conditions which in its opinion, acting in good faith, would be likely to materially prejudice the Placing and Admission, provided that no occurrence, change, event, effect or circumstance arising from or relating to financial or securities markets or the economy in general, including any fluctuation in the price of the Ordinary Shares, may be taken into account by N+1 Singer in determining whether there has been an event or change which is likely to be materially prejudicial to the success of the Placing and Admission, except to the extent that such event or change has a disproportionate impact on the Company relative to similarly situated biotech companies in the United Kingdom.

Separately N+1 Singer may determine not to proceed with the UK portion of the Placing only, in circumstances where, in the opinion of N+1 Singer (acting in good faith) 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 as would be likely to materially prejudice the success of the Placing and Admission.

4.2 ***Purchase Agreement***

US Purchasers have agreed to purchase the US Units at a price per share equal to the Issue Price pursuant to the terms of the Purchase Agreement entered into between the Company and the Placees. The offering to US Purchasers was conducted pursuant to an exemption from the registration requirements of the Securities Act under Regulation D.

Pursuant to the Purchase Agreement, the Company has agreed to use its commercially reasonable efforts to register ADSs for issuance and sale in the United States under the Securities Act, and to list such ADSs on NASDAQ. The Company has further agreed to use its commercially reasonable efforts to consummate the US IPO within 180 days following Admission, or by such later date as may be agreed by the Company and Placees holding a majority of the US Units issued in the US Placing. To the extent that the Company issues Ordinary Shares in the US IPO, following the US IPO and as requested by Placees, it will deposit the New Shares held by such Placees with the ADS depositary in exchange for ADSs. The Company will pay reasonable expenses of the Placees for the conversion of New Shares into ADSs.

The obligations of the US Purchasers to purchase the US Units under the Purchase Agreement are conditional on, *inter alia*, the following:

(a) the Resolutions having been passed;

(b) the Placing Agreement not having been terminated in accordance with its terms prior to Admission;

(c) the Purchase Agreement not having been terminated in accordance with its terms prior to Admission; and

(d) Admission.

The obligation of the Company to issue and sell the US Units to the US Purchasers under the Purchase Agreement is conditional on, *inter alia*, the following:

(a) the passing of the Resolutions;

(b) receipt by the Company from the US Purchasers of the purchase price for the US Units;

(c) the continued accuracy of certain warranties of the US Purchasers that are customary for a US PIPE offering; and

(d) Vivo Capital having duly executed and delivered the Vivo Relationship Agreement, Abingworth having duly executed and delivered the Abingworth Relationship Agreement and OrbiMed having duly executed and delivered the OrbiMed Relationship Agreement.

The Purchase Agreement contains warranties from the Company to the Purchasers in a form customary for a US PIPE offering. The Purchase Agreement also contains customary covenants including, *inter alia*, lock-up agreements for each US Purchaser for the period commencing on the effective date of the underwriting agreement in connection to the US IPO and ending on the date specified by the Company and the managing underwriter (such period not to exceed 180 days). The lock-up obligations are conditional on the Company obtaining similar obligations from its officers and directors, and using commercially reasonable efforts to obtain similar obligations from other shareholders holding at least 2 per cent. of the Company's outstanding securities.

The closing of the purchase of the US Units under the Purchase Agreement will automatically occur on Admission, if the other conditions of the US Purchasers and the conditions of the Company have been satisfied or waived at that time. The Company and the US Purchasers have agreed to use reasonable best efforts to timely satisfy the above conditions.

The Purchase Agreement can be terminated at any time prior to completion of the sale of US Units under the following circumstances:

(a) by mutual consent of the company and the US Purchasers who have agreed to purchase at least two-thirds of all of the US Units of all US Purchasers (the "**Requisite Purchasers**");

(b) by either the Company or the Requisite Purchasers:

  (i) if the closing has not occurred by 1 August 2016 (the "**Outside Date**") (except that no party whose breach of the Purchase Agreement has caused the closing not to occur may terminate);

  (ii) if the Resolutions have been submitted to the shareholders at the General Meeting and the Resolutions have not been passed prior to the Outside Date; or

  (iii) if any law or governmental authority prohibits the closing, or an order or decree prohibits it and the order or decree has become final and non-appealable;

(c) by the Requisite Purchasers (but not any US Purchaser who is in material breach of the Purchase Agreement), if the Company has breached the Purchase Agreement, the breach has not been cured within 15 business days of written notice, and the breach would reasonably be expected to cause a closing condition not to be satisfied prior to the Outside Date; or

(d) by the Company (as long as the Company is not in material breach of the Purchase Agreement), if there is a breach of the Purchase Agreement by the US Purchasers, the breach has not been cured within 15 business days of written notice, and the breach would reasonably be expected to cause a closing condition not to be satisfied prior to the Outside Date.

The Company shall indemnify and hold harmless each US Purchaser under the US Placing and its directors, officers, shareholders, members, managers, employees and direct or indirect investors and any of the foregoing parties, agents or representatives (collectively, the "**Indemnitees**") from and against any and all actions, causes of action, suits, claims, losses, costs, penalties, fees, liabilities and damages, and expenses in connection therewith, and including reasonable legal fees and disbursements (the "**Indemnified Liabilities**"), incurred by any Indemnitees as a result of, or relating to (i) any breach of any representation or warranty made by the Company therein, or (ii) any breach of any covenant, agreement or obligation of the Company therein. The maximum aggregate liability of the Company to each Indemnitee shall be equal to 50 per cent. of the aggregate purchase price paid by such person.

If the Purchase Agreement is terminated, it will become void, except that a breaching party will remain liable for any knowing or intentional breaches occurring prior to termination.

If Tranche 2 occurs within a year of Tranche 1, to the extent that any Placee does not fully subscribe for an equivalent value of Ordinary Shares or ADSs in Tranche 2 (including the value of any Ordinary Shares or ADSs acquired in any concurrent Exempt Placement made on substantially the same terms as the US IPO) as subscribed for in Tranche 1, subject to allocations in Tranche 2 being potentially adjusted downwards by the underwriter in connection with the US IPO (on the terms set out in the Purchase Agreement)), such Placee will (subject to certain limited exceptional circumstances) forfeit any Warrants issued to it in Tranche 1. However, if the Placee's allocation is reduced by the managing underwriter in the US IPO, then the required level of participation to retain the Warrants in full shall be only that amount that is allocated to the Placee in Tranche 2.

Following the completion of Tranche 2, the Company has agreed as promptly as practicable (and in no event later than the later of 180 days following the closing of the US IPO or five business days after the expiration of the lock-up period of the US Purchasers), to file a registration statement covering the resale of the Registrable Shares. For the purposes of this paragraph, "**Registrable Shares**" means the New Shares or equivalent ADSs, as applicable. The Company has agreed to use commercially reasonable efforts to have such registration statement declared effective as promptly as practicable, and thereafter keep such registration statement effective until the date such securities have been sold and are no longer restricted securities, or may be resold pursuant to Rule 144 under the Securities Act without volume or manner of sale restrictions. The registration expenses (exclusive of stock transfer taxes, underwriting discounts and commissions) will be borne by the Company. The Company will also pay the reasonable expenses for counsel for the participating Placees.

Pursuant to the Purchase Agreement, the Company has agreed as promptly as practicable following the completion of Tranche 2 (and in no event later than the later of 180 days following the closing of the US IPO or five business days after the expiration of the underwriters' lock-up period in the US IPO (which is the customary period during which the underwriters are expected to prohibit officers, directors and certain large Shareholders of the Company from selling shares after the US IPO)), to file a registration statement covering the resale of the New Shares and the ADSs to be issued in connection with a concurrent Exempt Placement with the listing on NASDAQ. The Company has agreed to use commercially reasonable efforts to have such registration statement declared effective as promptly as practicable, and thereafter keep such registration statement effective until the date such securities have been sold and are no longer restricted securities, or may be resold pursuant to Rule 144 under the Securities Act without volume or manner of sale restrictions.

Pursuant to the Relationship Agreements, the Company has further agreed, conditional on Admission, to appoint representatives designated by Vivo Capital, OrbiMed, Arix/Arthurian and Abingworth to the Board of Directors. Their respective rights to maintain representatives on the Board of Directors shall continue for so long as they respectively continue to beneficially hold not less than the lesser of (i) 6.5 per cent. of the Company's issued Ordinary Shares from time to time (with beneficial ownership for this purpose being determined without regard to any exercise limitations or conversion blockers), and (ii) 60 per cent. of the sum of the number of Ordinary Shares held by them on Admission and, after completion of the US IPO, the number of Ordinary Shares they are obligated to purchase in connection with the US IPO in order to avoid forfeiture of their Warrants. The Company shall also use best efforts to recruit a qualified US-based individual to the Board of Directors to act as Chair of the Audit Committee of the Board of Directors of the Company.

4.3 ***Placement Agent Agreement***

MTS Securities, LLC has acted as placement agent for the offer and sale of US Units under the Purchase Agreement. Pursuant to the terms of the Placement Agent Agreement with the Company, MTS Securities, LLC is entitled to receive a fee of approximately $2.5 million upon closing of the offer and sale of Units under the Purchase Agreement. MTS Securities, LLC is also entitled to reimbursement of expenses of up to US $25,000. The Company has agreed to provide a customary indemnity to MTS Securities, LLC and certain related parties for losses, damages, expenses, liabilities and claims arising out of or relating to, or in connection with, the Placement Agent Agreement or the services of MTS Securities, LLC under the Placement Agent Agreement.

4.4 ***Warrant Instrument***

In connection with the Placing, the Company has agreed, under the terms of the Warrant Instrument and the Purchase Agreement, to issue in aggregate 622,318,538 Warrants in the Placing. Each Warrant entitles the Warrantholder to subscribe for two-fifths (0.4) of a new Ordinary Share.

The Warrants become exercisable at a price of 3.4476 pence (being a 20 per cent. premium to the Issue Price) (subject to terms and conditions described in the Warrant Instrument) (the "**Warrant Exercise Price**") on the earlier of (i) the first anniversary of Admission; or (ii) the closing of Tranche 2, until the fifth anniversary of such date (the "**Subscription Period**"). In the event that the Company announces the execution of a definitive agreement providing for an Acquisition prior to the closing of Tranche 2, the Subscription Period shall instead begin immediately following such announcement, and shall still end on the sixth anniversary of Admission.

Any Warrants remaining unexercised after the end of the Subscription Period shall automatically expire without compensation. Upon exercise of the Warrants, the underlying Warrant Shares will be issued within three trading days, and, following the closing of Tranche 2, may be converted into the relevant number of ADSs.

The Warrants may be exercised either for cash or on a cashless exercise basis, whereby the Warrantholder will forfeit Warrant Shares representing the value of the exercise price, and receive bonus shares equal to the Warrantholder's net entitlement. Such bonus shares will be issued by way of capitalisation of the Company's reserves from time to time. Only Warrantholders that are Shareholders can exercise on a cashless exercise basis.

The Warrant Instrument contains customary provisions for adjustments to the Warrant Exercise Price in certain circumstances, including if the following events occur prior to the end of the Subscription Period:

(a) the Company shall effect a subdivision or combination of its Ordinary Shares, or a dividend payable in Ordinary Shares;

(b) the Company pays or declares a dividend payable to Shareholders other than in Ordinary Shares (e.g. in cash or assets);

(c) there shall occur any reorganization, recapitalization, consolidation, merger or demerger involving the Company in which the Ordinary Shares are converted into or exchanged for securities, cash or other property; and

(d) there shall occur an Acquisition.

In the event of an Acquisition, the Company shall use its best efforts to ensure that each Warrantholder shall thereafter continue to have the right to subscribe for upon the terms and conditions of the Warrants and receive in lieu of the Warrant Shares, a number of shares in the acquiring entity (or its ultimate parent), so that the Black-Scholes Value of the Warrant after assumption by the acquiror is the same as it was prior to the Acquisition.

If, following an Acquisition as defined in paragraph (d) above, the Company, in spite of using its best efforts, is unable to cause the Warrants to continue in full force and effect until the end of the subscription period of the Warrants in connection with any such transaction, the Company shall pay or cause to be paid to the Warrantholders the Black-Scholes Value per Warrant. The Warrantholders also have the right to receive the Black-Scholes Value per Warrant if, as a result of the Acquisition, the

Warrants will be exercisable for anything other than shares or securities that are listed on a regulated market or a United States national securities exchange.

The Black-Scholes Value calculation is based on the Black Scholes option pricing model obtained from the "OV" function on the Bloomberg Financial Markets determined as of the day of consummation of the Acquisition for pricing purposes and reflecting: (a) a risk-free interest rate corresponding to the U.S. Treasury rate for a period equal to the time between the date of the closing of the Acquisition and the end of the Subscription Period; (b) an expected volatility equal to the lesser of 50 per cent. and the 180-day volatility obtained from the HVT function on Bloomberg as of the trading day immediately following the public announcement of the Acquisition; (c) the underlying price per ordinary share used in such calculation shall be the sum of the price per share being offered in cash, if any, plus the value of any non-cash consideration, if any, being offered in such Acquisition; and (d) a remaining option time equal to the time between the date of the closing of the Acquisition and the end of the Subscription Period. For purposes of the foregoing, the value of any non-cash consideration in any Acquisition will be determined in good faith by the Board of Directors of the Company or the acquirer of the Company.

4.5 ***N+1 Singer Warrant Instrument***

In consideration for N+1 Singer fulfilling its role as nominated adviser and broker to the Company pursuant to an engagement letter dated 6 August 2014, the Company has granted warrants to N+1 Singer to subscribe for 10,000,000 Ordinary Shares in the Company (the "**Broker Warrants**"). Each Broker Warrant (subject to adjustment in accordance with customary adjustment provisions) confers the right to subscribe for one Ordinary Share per warrant. 6,666,667 of the Broker Warrants are exercisable at a price of 2.2 pence per Ordinary Share and 3,333,333 are exercisable at a price of 3.5 pence per Ordinary Share, in each case, for a period up to 5 August 2018.

4.6 ***Relationship Agreements***

The Company and N+1 Singer will enter into the Relationship Agreements to regulate the Company's relationships with Vivo Capital, OrbiMed, Arix/Arthurian and Abingworth and to limit their influence over the Group's corporate actions and activities and the outcome of general matters pertaining to the Group from Admission.

Pursuant to their respective Relationship Agreements, Vivo Capital, OrbiMed, Arix/Arthurian and Abingworth have each agreed to (amongst other things):

(a) conduct all transactions with the Group on arm's length terms and on a normal commercial basis, including in accordance with the related party rules set out in the AIM Rules and any other applicable laws, regulations and stock exchange rules, and only with the prior approval of a majority of independent directors;

(b) exercise their voting rights or other rights and powers so as to ensure that each member of their respective Groups is capable of carrying on its business and making decisions independently of each of Vivo Capital, OrbiMed, Arix/Arthurian and Abingworth (and any of their group companies and associates); and

(c) abstain from voting in respect of any resolution concerning any contract, arrangement or transaction with a related party of each of Vivo Capital, OrbiMed, Arix/Arthurian or Abingworth (or any of their associates).

The Company further agreed to conduct all transactions, agreements and relationships (whether contractual or otherwise) with each of Vivo Capital, OrbiMed, Arix/Arthurian and Abingworth on arm's length terms and on a normal commercial basis and in accordance with the related party rules set out in the AIM Rules.

The Relationship Agreements provide that any respective dispute between the Company and each of Vivo Capital, OrbiMed, Arix/Arthurian and Abingworth and/or any of their respective associates relating to any existing or proposed transaction, arrangement or agreement between each of Capital, OrbiMed, Arix/Arthurian and Abingworth (or any of their associates) and the Company shall be resolved by a decision of the majority of independent directors.

The obligations of the parties under the respective Relationship Agreements shall automatically terminate upon:

(a) either of Vivo Capital, OrbiMed, Arix/Arthurian or Abingworth (or any of their associates) ceasing to beneficially hold 6.5 per cent. of the Company's issued Ordinary Shares; or

(b) the Ordinary Shares ceasing to be admitted to AIM.

Pursuant to the Relationship Agreements, the Company has further agreed, conditional on Admission, to appoint representatives designated by Vivo Capital, OrbiMed, Arix/Arthurian and Abingworth to the Board of Directors. Their respective rights to maintain representatives on the Board of Directors shall continue for so long as they respectively continue to beneficially hold not less than the lesser of (i) 6.5 per cent. of the Company's issued Ordinary Shares from time to time (with beneficial ownership for this purpose being determined without regard to any exercise limitations or conversion blockers), and (ii) 60 per cent. of the sum of the number of Ordinary Shares held by them on Admission and, after completion of the US IPO, the number of Ordinary Shares they are obligated to purchase in connection with the US IPO in order to avoid forfeiture of their Warrants.

If the applicable shareholder is no longer represented on the Board of Directors, the shareholder will have certain information rights and rights to consult with and advise management of the company on significant business issues and, subject to exceptions, receive information made available to the Board of Directors. These rights terminate upon the earlier to occur of (i) completion of the US IPO and (ii) such time as the applicable shareholder ceases to hold at least 50 per cent. of the Shares it acquired in the Placing.

4.7 ***Vernalis Agreement***

On 7 February 2005, Rhinopharma Limited ("**Rhinopharma**") entered into the IP Agreement with Vernalis. The IP Agreement provides for: (a) the assignment to Rhinopharma of the rights, title and interest held by Vernalis in various patents and patent applications relating to VMX-554 and related compounds (the "**Programme Patents**"); and (b) the grant of an exclusive, worldwide, royalty-bearing licence to Rhinopharma to develop, manufacture and commercialise (or any of those activities) phosphodiesterase inhibitors (developed using various patents, know-how and the physical stock of compound VMX 554 and VMX 565 (the "**Programme IP**")) in the treatment of human or animal allergic or inflammatory disorders.

Pursuant to clause 15 of the IP Agreement, Rhinopharma assigned all of its rights and obligations under the IP Agreement to the Company on 27 November 2006.

In accordance with the IP Agreement, the Company is obliged to make the following payments (by way of royalty) to Vernalis:

(a) on obtaining the first approval of a regulatory authority for the commercialisation of any phosphodiesterase inhibitors developed using the Programme IP ("**Licensed Product**");

(b) a royalty on net sales of each Licensed Product that is covered by a Programme Patent;

(c) a royalty on net sales of each Licensed Product that is not covered by a Programme Patent; and

(d) on achievement of certain milestones.

Rhinopharma is obliged to make additional payments to Vernalis to allow Vernalis to fulfil certain legal and other obligations.

The Company has a number of obligations under the IP Agreement, a breach of which by the Company may give rise to a right of Vernalis to terminate the IP Agreement.

5. General

5.1 Neither the Company nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings and, so far as the Directors are aware, there are no governmental, legal or arbitration proceedings, pending or threatened against them or being brought by the Company or any of its subsidiaries, during the previous 12 months, which may have, or had in the recent past, a significant effect on the financial position or profitability of the Company.

5.2 N+1 Singer has given and not withdrawn its written consent to the issue of this Document with the inclusion in it of references to its name in the form and context in which they appear.

5.3 MTS Securities, LLC has given and not withdrawn its written consent to the issue of this Document with the inclusion in it of references to its name in the form and context in which they appear.

5.4 The costs and expenses of, and incidental to, the Placing are payable by the Company and are estimated to amount to £2.8 million.

5.5 The net proceeds of the Placing are expected to be approximately £41.9 million.

5.6 The Ordinary Shares are in registered form and are capable of being held in uncertificated form. Settlement of the Placing Shares will, at the option of Placees or Qualifying CREST Shareholders (as the case may be), be within CREST and Ordinary Shares will be delivered into the CREST account of Placees on 29 July 2016 in respect of the Placing Shares. No temporary documents of title will be issued. Definitive share certificates for Placees not settling through CREST and Qualifying Non-CREST Shareholders will be despatched by 16 August 2016. Prior to the despatch of such certificates, transfers will be certified against the register of members of the Company.

5.7 The Auditors of the Company are PriceWaterhouseCoopers LLP of 1 Kingsway, Cardiff, Wales, United Kingdom.

6. Availability of Document

Copies of this Document are available free of charge at the Company's registered office, during normal business hours on any weekday (except Saturdays and public holidays), and shall remain available for at least one month after Admission. In addition, this Document will be available on the Company's website www.veronapharma.com.

Dated: 17 June 2016

PART IV

PRINCIPAL AMENDMENTS TO THE NEW ARTICLES

Article 18 – "Votes of Members"

Summary:

The New Articles include an article which sets out the procedure to be taken if voting takes place on a show of hands. The procedure explains that each member or each proxy representing a member will be entitled to one vote, save in the exceptions provided. Such exceptions include where a proxy has been appointed by more than one member and the members' votes are conflicting.

Article:

18.2 *Upon a show of hands:*

(a) every proxy present in person has one vote for and one vote against a resolution if the proxy has been duly appointed by more than one Member entitled to vote on the resolution and the proxy has been instructed by one or more of those Members to vote for the resolution and by one or more other of those Members to vote against it;

(b) every proxy present in person has one vote for and one vote against a resolution if the proxy has been duly appointed by more than one Member entitled to vote on the resolution and either:

(i) the proxy has been instructed by one or more of those Members to vote for the resolution and has been given any discretion by one or more other of those Members to vote and the proxy exercises that discretion to vote against it; or

(ii) the proxy has been instructed by one or more of those Members to vote against the resolution and has been given any discretion by one or more other of those Members to vote and the proxy exercises that discretion to vote for it.

Article 19 – "Termination of Proxy's Authority"

Summary:

The New Articles include an article confirming that any proxy's authority must be terminated in writing as notified to the Company. The termination of such authority, however, does not affect the validity of the proxy unless the termination notice is received before the commencement of the meeting where the proposed resolutions are being voted on.

Article:

19.1 *The termination of the authority of a person to act as proxy must be notified to the Company in writing.*

19.2 *The termination of the authority of a person to act as proxy does not affect:*

(a) whether that person counts in deciding whether there is a quorum at a meeting, the validity of anything that person does as chairman of a meeting or the validity of a poll demanded by that person at a meeting unless the Company receives notice of termination before the commencement of the meeting; and

(b) the validity of a vote given by that person unless the Company receives notice of termination before the commencement of the meeting or adjourned meeting at which the vote is given or, in the case of a poll taken more than 48 hours after it is demanded, before the time appointed for taking the poll.

19.3 *The notice of the termination must be received at an address that is specified in the form of proxy or, if the appointment of the proxy was sent by electronic means, at an address that is specified or deemed to be specified in such form of proxy or, in either case, in the notice convening the meeting or any document sent therewith.*

Article 26.1 – "Rotation, retirement and removal of directors"

Summary:

The New Articles include an article whereby, if a director becomes prohibited by law or (if applicable) the NASDAQ Rules from acting as a director, he shall vacate office.

Article:

26.1 The office of a Director shall be vacated if:

…

h) he becomes prohibited by law or (if applicable) the NASDAQ Rules from acting as a Director;

Article 34.8 – "Dividends"

Summary:

The New Articles include a provision whereby any declared dividends may be paid in any currency and the Directors will have the power to decide the rate of exchange, including the costs of determining such rate.

Article:

34.8 Any dividend, instalment of dividend or interest or other moneys payable in cash in respect of any share may be paid by cheque or warrant payable to the order of the Member entitled thereto or (in the case of joint holders) of that Member whose name stands first on the Register in respect of the joint holding…*The Directors may decide the rate of exchange for any currency conversions that may be required and how any costs involved are to be met, in relation to the currency of any dividend.*

Article 35.3 – "Capitalisation of Profits and Reserves"

Summary:

The New Articles include an article allowing the Company to issue warrant shares by way of a non pre-emptive bonus issue of fully paid up warrant shares made out of either distributable or non-distributable reserves of the Company.

Article:

35.3 *The Company may upon recommendation of the Board, by ordinary resolution, resolve to issue Ordinary Shares pursuant to the exercise of warrants issued by the Company pursuant to a warrant instrument executed by the Company on 17 June 2016 by way of a non-pre-emptive bonus issue of Ordinary Shares to the relevant warrantholder paid up in full by the capitalisation of any sum standing to the credit of any of the Company's reserve accounts from time to time (including any share premium account, any capital redemption reserve, or other permitted distributable reserve from time to time) or any sum standing to the credit of the profit and loss account or otherwise available for distribution from time to time.*

Article 39.4 – "Notices"

Summary:

The New Articles include a provision explaining that where a shareholder has not supplied to the Company an address with the United Kingdom, the Directors may decide to send a document, information or notice to that shareholder at the depositary.

Article:

39.4 *A Member who (having no registered address within the United Kingdom) has not supplied to the Company an address within the United Kingdom for the service of notices shall not be entitled to receive any document, information or notice from the Company except to the extent that the Directors decide to send a document, information or a notice to that Member or custodian at the Depositary by electronic means and that Member or custodian at the Depositary has consented (or is deemed to have consented) to the sending of that document, information or notice by electronic means and he has, where necessary, notified the Company of an address for that purpose.*

NOTICE OF GENERAL MEETING

VERONA PHARMA PLC

(Incorporated and registered in England and Wales under the Companies Act 1985 with company number 5375156)

NOTICE IS HEREBY GIVEN that the General Meeting of Verona Pharma PLC (the "**Company**") will be held at the offices of Shakespeare Martineau LLP at Allianz House, 6th Floor, 60 Gracechurch Street, London EC3V 0HR on 22 July 2016 at 11.00 a.m. to consider, and if thought fit pass, the following resolutions of which resolutions 1 to 3 (inclusive) will be proposed as ordinary resolutions and resolutions 4 to 6 (inclusive) as special resolutions. Unless the context requires otherwise, words and expressions defined in the circular dated 17 June 2016, of which this notice forms part, have the same meanings when used in this notice.

ORDINARY RESOLUTIONS

1. THAT, in accordance with section 551 of the Companies Act 2006 (the "**Act**"), the directors of the Company from time to time (the "**Directors**") be generally and unconditionally authorised to exercise all powers of the Company to allot Ordinary Shares in the Company up to a maximum aggregate nominal amount of £1,555,796.35 (1,555,796,345 ordinary shares) (the "**Placing Shares**") in connection with a placing of units which comprise one ordinary share and one warrant to subscribe for 0.4 of an ordinary share (the "**Placing**").

   The authority given pursuant to this resolution 1 will be in addition to any authority conferred upon the Board for the purposes of section 551 of the Act at its annual general meeting to be held in 2016 and shall expire at whichever is the earlier of the conclusion of the annual general meeting of the Company to be held in 2017, or the date falling 15 months from the date of the passing of this resolution (unless renewed varied or revoked by the Company prior to or on that date) but the Company may, before this authority expires, make an offer or agreement which would or might require shares in the Company or rights to be allotted or granted after this authority expires and that the Directors may allot shares in the Company or grant rights pursuant to such an offer or agreement as if the authority conferred by this resolution had not expired.

2. THAT, in accordance with section 551 of the Act, the Directors be generally and unconditionally authorised to exercise all powers of the Company to issue warrants to subscribe for ordinary shares in the Company up to a maximum aggregate nominal amount of £622,318.54 (622,318,540 Ordinary Shares) (the "**Warrants**") in connection with the Placing. Each Warrant will be exercisable into 0.4 of an ordinary share in accordance with the terms of a warrant instrument entered into by the Company on or around the date hereof (the "**Warrant Instrument**") in connection with the Placing.

   The authority given pursuant to this resolution 2 will be in addition to any authority conferred upon the Board for the purposes of section 551 of the Act at its annual general meeting to be held in 2016 and shall expire at whichever is the earlier of the conclusion of the annual general meeting of the Company to be held in 2017, or the date falling 15 months from the date of the passing of this resolution (unless renewed varied or revoked by the Company prior to or on that date) but the Company may, before this authority expires, make an offer or agreement which would or might require shares in the Company or rights to be allotted or granted after this authority expires and that the Directors may allot shares in the Company or grant rights pursuant to such an offer or agreement as if the authority conferred by this resolution had not expired.

3. THAT, conditional upon the passing of resolutions 1, 2, 4, 5 and 6 (inclusive), the Directors be and are hereby authorised:

   (a) on one or more occasions, to capitalise such sums as they may determine from time to time, but not exceeding the amount standing to the credit of any of the Company's reserve accounts from time to time (including any share premium account, any capital redemption reserve, or other permitted distributable reserve from time to time) or any sum standing to the credit of the profit and loss account or otherwise available for distribution from time to time, in order to pay up in full up to 622,318,538 ordinary shares in the capital of the Company and to allot and issue such new shares on a non pre-emptive basis, credited as fully paid up, upon the exercise of the Warrants,

and such new shares shall have the rights and be subject to the restrictions contained in the articles of association of the Company from time to time or any other terms and conditions approved by the Directors from time to time; and

(b) to do all acts and things they may consider necessary or desirable to give effect to this resolution and to satisfy any entitlement to Warrant Shares howsoever arising,

provided that this power shall expire on 30 July 2022 (unless renewed varied or revoked by the Company prior to or on that date).

SPECIAL RESOLUTIONS

4. THAT, subject to and conditional upon the passing of resolution 1, in accordance with section 571(1) of the Act, the Directors be empowered to allot equity securities for cash (within the meaning of section 560 of the Act) pursuant to the authorities conferred by resolution 1 above, as if section 561 of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of the Placing Shares and shall expire at whichever is the earlier of the conclusion of the annual general meeting of the Company to be held in 2017, or the date falling 15 months from the date of the passing of this resolution (unless renewed varied or revoked by the Company prior to or on that date) but the Company may, before this authority expires, make an offer or agreement which would or might require shares in the Company or rights to be allotted or granted after this authority expires and that the Directors may allot shares in the Company or grant rights pursuant to such an offer or agreement as if the authority conferred by this resolution had not expired.

   The power given pursuant to this resolution 4 will be in addition to any authority conferred upon the Board for the purposes of section 570 of the Act at its annual general meeting to be held in 2016, without prejudice to any allotments made pursuant to the terms of such authority.

5. THAT, subject to and conditional upon the passing of resolution 2, in accordance with section 571(1) of the Act, the Directors be empowered to allot equity securities for cash (within the meaning of section 560 of the Act) pursuant to the authorities conferred by resolution 2 above, as if section 561 of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of the Warrants and shall expire at whichever is the earlier of the conclusion of the annual general meeting of the Company to be held in 2017, or the date falling 15 months from the date of the passing of this resolution (unless renewed varied or revoked by the Company prior to or on that date) but the Company may, before this authority expires, make an offer or agreement which would or might require shares in the Company or rights to be allotted or granted after this authority expires and that the Directors may allot shares in the Company or grant rights pursuant to such an offer or agreement as if the authority conferred by this resolution had not expired.

   The power given pursuant to this resolution 5 will be in addition to any authority conferred upon the Board for the purposes of section 570 of the Act at its annual general meeting to be held in 2016, without prejudice to any allotments made pursuant to the terms of such authority.

6. THAT the articles of association tabled at the meeting and labelled the "New Articles" and initialled by the Chairman of the meeting be approved and adopted as the new articles of association of the Company in substitution for and to the entire exclusion of the existing articles of association.

Registered Office

One Central Square
Cardiff
Wales
CF10 1FS
United Kingdom

By Order of the Board

Ben Harber
Shakespeare Martineau LLP
Company secretary

Dated 17 June 2016

Notes:

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at 6.00 p.m. on 20 July 2016 shall be entitled to attend and vote at the General Meeting.

2. If you are a member of the Company at the time set out in note 1 above, 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.

3. A proxy does not need to be a member 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.

4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the Company Secretary at the address set out in note 5.

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:

   (a) completed and signed;

   (b) sent or delivered to Ben Harber at Shakespeare Martineau LLP at One America Square, Crosswall, London EC3N 2SG; and

   (c) received by them no later than 11.00 a.m. on 20 July 2016.

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

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

6. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

7. The proxy form may also be submitted electronically by fax or email. To be valid, the electronic proxy appointment must be completed and signed, together with the power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority), be:

   (a) faxed to the Company, marked for the attention of Ben Harber, at fax number 020 7264 4440; or

   (b) scanned and the scanned copy of the original sent by email to the Company market for the attention of Ben Harber, to ben.harber@shma.co.uk, so that it is received by the Company, not later than 48 hours before the time appointed for holding the General Meeting or, in the case of a poll taken subsequently to the date of the General Meeting, or any adjourned meeting, not less than 24 hours before the time appointed for the taking of the poll which is taken more than 48 hours after the day of the General Meeting or adjourned meeting. Please note that the Company will not accept any communication that is found to contain a computer virus. Shareholders who intend to appoint more than one proxy can obtain additional forms of proxy from the Company Secretary. Alternatively, the form provided may be photocopied prior to completion. The forms of proxy should be returned in the same envelope and each should indicate that it is one of more than one appointments being made.

8. To direct your proxy how to vote on the resolutions, mark the appropriate box with an "X". An abstention (or "vote withheld") option has been included on the form of proxy. The legal effect of choosing the abstention option on any resolution is that the shareholder concerned will be treated as not having voted on the relevant resolution. The number of votes in respect of which there are abstentions will however be counted and recorded, but disregarded in calculating the number of votes for or against each resolution.

9. Completion and return of a form of proxy will not affect the right of such member to attend and vote in person at the meeting or any adjournment thereof.

10. Shareholders, proxies and authorised representatives will be required to provide their names and addresses for verification against the register of members and proxy appointments received by the Company before entering the meeting. Each authorised representative must produce proof of his or her appointment, in the form of the actual appointment or a certified copy. Other than this, there are no procedures with which any such persons must comply in order to attend and vote at the meeting.

11. Shareholders may change proxy instructions by submitting a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of amended instructions is 10.59 a.m. on 22 July 2016; any amended proxy appointment received after the relevant cut-off time will be disregarded.

12. 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 Registrars at the address set out in note 7. 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.

13. A shareholder may change a proxy instruction but to do so you will need to inform the Company in writing by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Registrars at the address set out in note 7. 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. The revocation notice must be received by the Registrars no later than 11.00 a.m. on 20 July 2016. If you attempt to revoke your proxy appointment but the revocation is received after the time specified, your original proxy appointment will remain valid unless you attend the meeting and vote in person.

14. As at 5.00 p.m. on the day immediately prior to the date of posting of this notice of General Meeting, the Company's issued share capital comprised 1,009,923,481 Ordinary Shares. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 5.00 p.m. on the day immediately prior to the date of posting of this notice of General Meeting is 1,009,923,481.

15. A copy of the New Articles, proposed to be adopted pursuant to Resolution 6 in the notice of General Meeting, is available to download or view at the Company's website www.veronapharma.com. A hard copy will be available for inspection from today until the date of the meeting at the Company's registered office, and at the place of the meeting from 11.00 a.m. on 22 July 2016 until the close of the meeting.

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