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**Surgical Innovations Group plc
("SI", the "Company" or the "Group")**

**Proposed Acquisition of Elemental Healthcare Limited
&
Proposed Vendor Placing and Subscriptions to raise up to approx. £5.5 million**

Surgical Innovations Group plc (AIM: SUN), the designer and manufacturer of innovative medical technology for minimally invasive surgery, announces the proposed acquisition of Elemental Healthcare Limited, a UK-based specialist distributor of medical products. Elemental has been owned and managed by Adam Power and David Marsh, and has been the exclusive distributor of SI branded products in the UK, since 2007.

Elemental is a profitable and cash-generative business and the Acquisition provides SI with a direct route to the UK market and will be earnings enhancing. On completion of the Acquisition, the vendors, Adam Power and David Marsh, will become significant shareholders in the enlarged Company and will join the main board of SI.

The Company also announces its intention to conduct a Vendor Placing and Subscriptions of up to 183,333,333 New Ordinary Shares at a price of 3p per share, to raise up to approximately £5.5 million (before expenses) to part-fund the Acquisition.

The Placing Shares are being offered by way of an accelerated bookbuilding process, which will be launched immediately following this Announcement in accordance with the terms and conditions set out in the Appendix to this Announcement. WH Ireland is acting as sole bookrunner in connection with the Bookbuild. N+1 Singer is acting as placing agent to WH Ireland.

The Subscription Shares will be the subject of the Subscription Letters between the subscribers and the Company.

A further announcement will be made to confirm the completion of the Bookbuild and receipt of completed Subscription Letters in due course.

Highlights and Rationale

- Proposed acquisition of Elemental for an aggregate consideration of £9.375 million (subject to an adjustment for net debt at completion), to be satisfied as to £7.5 million in cash and £1.875 million through the allotment of 62,500,000 Consideration Shares.

- The Company intends to conduct a Vendor Placing and Subscriptions of up to 183,333,333 New Ordinary Shares at a price of 3p per share, representing a discount of 20.5 per cent. to the Closing Price on 26 July 2017, the last trading day prior to this Announcement.
- Elemental is a leading supplier of specialist, high quality surgical devices to the NHS and UK private hospital groups, including the Surgical Innovations branded range. The Acquisition therefore provides SI with a direct route to the UK market.
- For the year ended 31 March 2017, Elemental reported revenue of £6.53 million and a normalised profit before tax of £1.1 million. The Acquisition is expected to be earnings enhancing.
- The Acquisition will principally be funded through the net proceeds of the Vendor Placing and the Subscriptions, alongside existing cash resources and a new debt facility with Yorkshire Bank.
- In addition, SI will issue to the Vendors an aggregate of 62,500,000 Consideration Shares, valued at £1.875 million at the Issue Price.
- Adam Power and David Marsh, the two principals of Elemental, will be appointed to the Board on Admission as Group Development Director and Group Commercial Director, respectively.
- Certain of the Directors have indicated that they intend to subscribe for New Ordinary Shares.

Nigel Rogers, Executive Chairman of SI, said: *“The coming together of Surgical Innovations and Elemental is a natural progression for such a long-standing and inter-dependent partnership. Not only does this acquisition add further profitability and cash generation to the Group, but also provides SI with a direct route to the UK market through an experienced UK direct sales force. In addition, we look forward to utilising Adam and David’s commercial experience to prioritise new product innovation, and drive our marketing and business development in the UK and export markets.”*

Adam Power, Managing Director of Elemental, said: *“This deal brings together two highly complementary and long established businesses; both focused on providing the highest levels of personal service to the medical device sector. With our respective strengths and heritage, the two businesses have already enjoyed a long history of working together. We will look to build on our current expertise and reputation, sharing each other’s knowledge and experience. This creates a powerful and innovative new company with the aim of growing substantially, both through increasing organic growth and potentially through further acquisitions.”*

Expected Timetable

	2017
Announcement of the Transaction and commencement of Bookbuild	7.00 a.m. on 27 July
Expected completion and announcement of Bookbuild	by 4.30 p.m. on 27 July
Admission and commencement of dealings in the New Ordinary Shares and completion of the Acquisition	8.00 a.m. on 1 August
CREST accounts to be credited with New Ordinary Shares	8.00 a.m. on 1 August

Each of the times and dates above refer to the date and time in London and are subject to change. Any such change will be notified to shareholders by an announcement on a Regulatory Information Service.

Additional information on the Transaction is included below. Attention is also drawn to the section headed 'Important Information' and to the Appendix to this Announcement containing, inter alia, the terms and conditions of the Vendor Placing (representing important information for Placees only). The number of New Ordinary Shares to be issued in connection with the Vendor Placing and the Subscriptions will be agreed by

SI and WH Ireland at the close of the Bookbuild process, and the results of the Vendor Placing and the Subscriptions will be announced as soon as practicable thereafter. The timing of the closing of the Bookbuild, pricing and allocations is at the absolute discretion of SI and WH Ireland.

Terms used but not defined in this Announcement shall have the meanings given to such terms in the Definitions section of the Appendix to this Announcement.

This Announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014 ("MAR"). In addition, market soundings (as defined in MAR) were taken in respect of the Vendor Placing with the result that certain persons became aware of inside information (as defined in MAR), as permitted by MAR. This inside information is set out in this Announcement. Therefore, those persons that received inside information in a market sounding are no longer in possession of such inside information relating to the Company and its securities.

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Additional Information

1. Further Information on Elemental

Elemental is a leading supplier of specialist, high quality surgical devices to the NHS and UK private hospital groups, including the Surgical Innovations branded range. The Acquisition therefore provides SI with a direct route to the UK market.

Elemental is based in Hungerford, Berkshire, and employs 19 full-time staff, including 12 sales personnel. For the year ended 31 March 2017, Elemental reported revenue of £6.53 million and a normalised profit before tax of £1.1 million.

In addition to exclusivity for SI branded products in the UK, Elemental acts as UK distributor for Microline Surgical's range of laparoscopic instruments, bariatric products on behalf of GI Dynamics, hernia repair products for Cousin Biotech and Péters Surgical and breast reconstruction products for Meccellis Biotech.

The Directors consider that the following are key factors in the assessment of the Acquisition to SI:

- Elemental is a profitable, cash generative business with a strong reputation;
- A high level of inter-dependency exists between the two businesses, meaning that SI already has an understanding of Elemental which should ease the integration process;
- The Acquisition will provide SI with an experienced UK direct sales force;

- The Elemental products will significantly diversify SI's product offering into new and growth areas and provide exposure to key suppliers; and
- SI's management team will be bolstered by the appointments to the Board of Adam Power and David Marsh, both of whom have a strong pedigree in the medical device sector and who will lead new product initiatives and business development in the UK and overseas.
- Direct positive impact on margins and the Acquisition is expected to be earnings enhancing.

Set out below is a pro forma income statement based on the audited results of SI for the year ended 31 December 2016 and the unaudited results of Elemental for the year ended 31 March 2017:

	SI £m	Elemental £m	Integration £m	Combined pro-forma £m
Revenue	6.09	6.53	(0.89)	11.73
Cost of sales	(4.03)	(3.76)	0.89	(6.90)
Gross profit	2.06	2.77	0.00	4.83
Other operating expenses	(1.59)	** (1.67)	-	(3.26)
EBITDA	1.41	1.14	-	2.55
Amortisation	(0.43)	-	-	(0.43)
Depreciation	(0.51)	(0.04)	-	(0.55)
Operating profit	0.47	1.10	-	1.57
Net finance costs	* (0.03)	-	(0.13)	(0.15)
Profit before taxation	0.44	1.10	(0.13)	1.42
Taxation	* 0.20	(0.20)	-	-
Profit for the year	* 0.64	** 0.90	(0.13)	1.42

* Statutory results normalised to reflect loan conversion in December 2016 and prior year element of tax credit

** Normalised to reflect non-recurring bad debt cost and directors' remuneration

2. The Acquisition

SI has today entered into the Acquisition Agreement under which it has conditionally agreed to acquire Elemental for an aggregate consideration of £9.375 million (subject to post-completion adjustments in respect of net cash/debt), to be satisfied as to £7.5 million in cash and £1.875 million through the allotment of the Consideration Shares.

The cash consideration for the Acquisition will principally be funded through the net proceeds of the Vendor Placing and the Subscriptions, alongside existing cash resources and a new debt facility with Yorkshire Bank.

Under the Acquisition Agreement, completion of the Acquisition is conditional on, and will occur in conjunction with, Admission.

3. Lock-in Arrangements

The Vendors have undertaken to the Company in the Acquisition Agreement that they will not, for three years from completion of the Acquisition, sell, transfer or otherwise dispose of, or create any encumbrance over, any of the Consideration Shares. These undertakings are subject to certain customary exceptions, including disposals made with the prior consent of the Company.

4. The Vendor Placing

WH Ireland, as agent for the Company, will conduct a Vendor Placing of up to 183,333,333 Placing Shares at a price of 3p per Placing Share, representing a discount of 20.5 per cent. to the Closing Price on 26 July 2017, the last trading day prior to this Announcement.

The Placing Shares are being offered by way of an accelerated bookbuilding process, which will be launched immediately following this announcement in accordance with the terms and conditions set out in the Appendix to this announcement.

In addition, the Company expects to enter into Subscription Letters with certain investors.

WH Ireland is acting as sole bookrunner in connection with the Bookbuild. N+1 Singer is acting as placing agent to WH Ireland.

The Bookbuild will determine final demand for and participation in the Vendor Placing and the amount of the Subscriptions. The timing of the closing of the Bookbuild is at the absolute discretion of the Company and WH Ireland, but is expected to be no later than 4.30 p.m. today 27 July 2017. The allocations in the Vendor Placing and the Subscriptions will be determined by the Company and WH Ireland in their absolute discretion and will be confirmed orally or by email by WH Ireland following the close of the Bookbuild. A further announcement of the results of the Vendor Placing and receipt of completed Subscription Letters will be made by the Company.

The New Ordinary Shares will be allotted on a non pre-emptive basis. If the maximum number of Placing Shares and Subscription Shares are allotted, a total of 245,833,333 New Ordinary Shares will be allotted by the Company under the Transaction representing approximately 46.0 per cent. of the existing issued ordinary share capital of the Company as at the date of this Announcement.

The Vendor Placing and the Subscriptions are not being underwritten by WH Ireland nor by any other party.

Admission and dealings in the New Ordinary Shares are expected to commence on 1 August 2017.

Certain of the Directors have indicated that they intend to subscribe for New Ordinary Shares.

The New Ordinary Shares will be issued credited as fully paid and will rank in full for all dividends and other distributions declared, made or paid after the admission of the New Ordinary Shares and will otherwise rank on admission *pari passu* in all respects with the Existing Ordinary Shares. The New Ordinary Shares are not being made available to the public and are not being offered or sold in any jurisdiction where it would be unlawful to do so.

The Vendor Placing, which is being arranged on behalf of the Company by WH Ireland subject to the terms of the Placing Agreement, is conditional, *inter alia*, upon:

- (i) the Placing Agreement becoming unconditional in all respects (save for the condition relating to Admission) and not having being terminated in accordance with its terms; and
- (ii) Admission taking place not later than 8.00 a.m. on 1 August 2017 (or such later time and / or date as the Company and WH Ireland may agree, being not later than 29 August 2017).

The Vendor Placing is also conditional on the Placing Agreement not having been terminated and is inter-conditional with completion of the Acquisition Agreement. Under the terms of the Placing Agreement, the Company has agreed to pay WH Ireland, in consideration for its broking services in respect of the Vendor Placing, a commission representing a percentage of the gross proceeds raised in the Vendor Placing. Further details of the Placing Agreement are set out in the Appendix to this Announcement (which forms part of this Announcement).

Under the terms of the Subscription Letters, completion of the Subscriptions will be conditional upon completion of the Vendor Placing and Admission.

Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will be effective and trading in the New Ordinary Shares will commence at 8.00 a.m. on 1 August 2017.

The Appendix to this Announcement (which forms a part of this Announcement) contains the detailed terms and conditions of the Vendor Placing.

5. New Bank Facility

The Company has today entered into a facilities agreement with Yorkshire Bank under which Yorkshire Bank has made available to the Company term loans in the aggregate principal amount of £2.5 million and a revolving credit facility of £500,000. The term loans may be used for the purposes of funding the Acquisition and the revolving credit facility may be used towards meeting the Group's general working capital and corporate requirements.

The term loan facilities are repayable in part across the lifetime of the loans and must in any event be repaid in full on or by 27 July 2022. The revolving credit facility also terminates on 27 July 2022.

The facilities agreement contains customary financial covenants and undertakings with which the Group is required to comply during the lifetime of the loans and customary events of default under which Yorkshire Bank can demand immediate repayment of the loans.

6. Current Trading and Prospects

At the Annual General Meeting of the Company on 26 June 2017, a statement was made relating to trading, an extract of which was as follows:

“Trading performance of the Group for the current financial year to date is in line with the Board’s expectations. Revenues show strong growth compared with the corresponding period in the prior year, with gross margins delivered within target range. Overall, the Board is satisfied with progress.”

In the opinion of the Directors, there has been no significant change to the trading performance or prospects since that announcement.

7. Principal Risks and Uncertainties

A description of the principal risks and uncertainties associated with the Group’s business and how the Group seeks to manage them is included in the Group's Annual Report and Accounts for the year ended 30 December 2016. The Board is of the view that these principal risks and uncertainties are those which continue to be applicable to the business.

In addition, the Board has carefully considered the specific risks associated with the Transaction, including an evaluation of the historic and forecast financial performance of Elemental, a review of customer and

supplier contracts and relationships, the potential for product liability and regulatory issues, and the retention of key personnel. In the opinion of the Directors, adequate steps have been taken to evaluate and mitigate against these risks, whilst acknowledging that a degree of commercial risk is inherent in any transaction of this nature.

8. Admission, Settlement and CREST

Application has been made to the London Stock Exchange for admission of the New Ordinary Shares to trading on AIM. It is expected that Admission will become effective at 8.00 a.m. on 1 August 2017 and that dealings in the New Ordinary Shares will commence at that time.

The Articles permit the Company to issue shares in uncertificated form. CREST is a computerised paperless share transfer and settlement system which allows shares and other securities to be held in electronic rather than paper form. The Ordinary Shares are already admitted to CREST and therefore the New Ordinary Shares will also be eligible for settlement in CREST. The New Ordinary Shares due to uncertificated holders are expected to be delivered in CREST on 1 August 2017.

IMPORTANT INFORMATION

The distribution of this announcement and the offering of the New Ordinary Shares in certain jurisdictions may be restricted or prohibited by law or regulation. Persons distributing this announcement must satisfy themselves that it is lawful to do so. No action has been taken by the Company or WH Ireland that would permit an offering of such shares or possession or distribution of this announcement or any other offering or publicity material relating to such shares in any jurisdiction where action for that purpose is required. Persons into whose possession this announcement comes are required by the Company and WH Ireland to inform themselves about, and to observe, such restrictions.

This announcement contains (or may contain) certain forward-looking statements with respect to certain of the Company's current expectations and projections about future events. These statements, which sometimes use words such as "anticipate", "believe", "intend", "estimate", "expect" and words of similar meaning, reflect the directors' beliefs and expectations and involve a number of risks, uncertainties and assumptions that could cause actual results and performance to differ materially from any expected future results or performance expressed or implied by any such forward-looking statement. Statements contained in this announcement regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. The information contained in this announcement is subject to change without notice and neither WH Ireland nor, except as required by applicable law, the Company assumes any responsibility or obligation to update publicly or review any of the forward-looking statements contained herein. You should not place undue reliance on forward-looking statements, which speak only as of the date of this announcement.

WH Ireland, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as nominated adviser and broker to the Company in relation to the Transaction and is not acting for any other persons in relation to the Transaction. WH Ireland is acting exclusively for the Company and for no one else in relation to the matters described in this announcement and is not advising any other person and accordingly will not be responsible to anyone other than the Company for providing the protections afforded to clients of WH Ireland, or for providing advice in relation to the contents of this announcement or any matter referred to in it. The responsibilities of WH Ireland as the Company's nominated adviser under the AIM Rules for Companies and the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange and are not owed to the Company or to any director or shareholder of the Company or any other person, in respect of a decision to acquire shares in the capital of the Company in reliance on any part of this announcement, or otherwise.

No representation or warranty, express or implied, is or will be made as to, or in relation to, and no responsibility or liability is or will be accepted by WH Ireland or by any of its affiliates or agents as to, or in relation to, the accuracy or completeness of this announcement or any other written or oral information made available to or publicly available to any interested party or its advisers, and any liability therefor is expressly disclaimed.

APPENDIX TERMS AND CONDITIONS OF THE VENDOR PLACING

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IMPORTANT INFORMATION ON THE VENDOR PLACING FOR INVITED PLACEEES ONLY.

MEMBERS OF THE PUBLIC ARE NOT ELIGIBLE TO TAKE PART IN THE VENDORPLACING. THIS APPENDIX AND THE TERMS AND CONDITIONS SET OUT HEREIN ARE FOR INFORMATION PURPOSES ONLY AND ARE DIRECTED ONLY AT: (A) PERSONS WHO ARE IN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA AND ARE, UNLESS OTHERWISE AGREED BY WH IRELAND, "**QUALIFIED INVESTORS**" AS DEFINED IN ARTICLE 2.1(E) OF THE EU PROSPECTUS DIRECTIVE (WHICH MEANS DIRECTIVE 2003/71/EC AND INCLUDES ANY RELEVANT IMPLEMENTING DIRECTIVE MEASURE IN ANY MEMBER STATE) (THE "**PROSPECTUS DIRECTIVE**"); AND (B) IN THE UNITED KINGDOM, PERSONS WHO ARE: (I) "INVESTMENT PROFESSIONALS" WITHIN THE MEANING OF ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE "**ORDER**"); (II) PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) ("HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS, ETC") OF THE ORDER; OR (III) PERSONS TO WHOM IT MAY OTHERWISE BE LAWFULLY COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "**RELEVANT PERSONS**"). THIS APPENDIX AND THE TERMS AND CONDITIONS SET OUT HEREIN MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS APPENDIX AND THE TERMS AND CONDITIONS SET OUT HEREIN RELATE IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS.

THIS ANNOUNCEMENT IS NOT AN OFFER FOR SALE OR SUBSCRIPTION IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL UNDER THE SECURITIES LAWS OF ANY JURISDICTION. THIS ANNOUNCEMENT DOES NOT ITSELF CONSTITUTE AN OFFER FOR SALE OR SUBSCRIPTION OF ANY SECURITIES IN THE COMPANY. THIS ANNOUNCEMENT IS NOT AN OFFER OF OR SOLICITATION TO PURCHASE OR SUBSCRIBE FOR SECURITIES IN THE UNITED STATES. THE SECURITIES REFERRED TO HEREIN HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES, EXCEPT PURSUANT TO AN APPLICABLE EXEMPTION FROM, OR AS PART OF A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES HAS APPROVED OR DISAPPROVED OF AN INVESTMENT IN THE SECURITIES OR PASSED UPON OR ENDORSED THE MERITS OF THE VENDOR PLACING OR THE ACCURACY OR ADEQUACY OF THE CONTENTS OF THIS ANNOUNCEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES. NO PUBLIC OFFERING OF SECURITIES IS BEING MADE IN THE UNITED STATES.

EACH PLACEE SHOULD CONSULT WITH ITS OWN ADVISERS AS TO LEGAL, TAX, BUSINESS AND RELATED ASPECTS OF AN INVESTMENT IN PLACING SHARES. THE PRICE OF SHARES AND THE INCOME FROM THEM (IF ANY) MAY GO DOWN AS WELL AS UP AND INVESTORS MAY NOT GET BACK THE FULL AMOUNT INVESTED ON DISPOSAL OF SHARES.

The relevant clearances have not been, nor will they be, obtained from the securities commission of any province or territory of Canada; no prospectus has been lodged with or registered by the Australian Securities and Investments Commission or the Japanese Ministry of Finance or the South African Reserve Bank; and the Placing Shares have not been, nor will they be, registered under or offered in compliance with the securities laws of any state, province or territory of Australia, Canada, Japan or the Republic of South Africa. Accordingly, the Placing Shares may not (unless an exemption under the relevant securities laws is applicable) be offered, sold, resold or delivered, directly or indirectly, in or into Australia, Canada, Japan, the Republic of South Africa or any other jurisdiction in which such offer, sale, resale or delivery would be unlawful.

Persons (including, without limitation, nominees and trustees) who have a contractual or other legal obligation to forward a copy of this Appendix or the Announcement of which it forms part should seek appropriate advice before taking any action.

These terms and conditions apply to persons making an offer to acquire Placing Shares. Each Placee hereby agrees with WH Ireland and the Company to be bound by these terms and conditions as being the terms and conditions upon which Placing Shares will be issued or acquired. A Placee shall, without limitation, become so bound if WH Ireland confirms to such Placee its allocation of Placing Shares.

Upon being notified of its allocation of Placing Shares, a Placee shall be contractually committed to acquire the number of Placing Shares allocated to it at the Issue Price and, to the fullest extent permitted by law, will be deemed to have agreed not to exercise any rights to rescind or terminate or otherwise withdraw from such commitment.

In this Appendix, unless the context otherwise requires, “Placee” means a Relevant Person (including individuals, funds or others) on whose behalf a commitment to subscribe for or acquire Placing Shares has been given.

Details of the Placing Agreement and the Placing Shares

WH Ireland and the Company have entered into a Placing Agreement, under which WH Ireland has, on the terms and subject to the conditions set out therein, undertaken to use its reasonable endeavours to procure subscribers for up to 183,333,333 Placing Shares. It is expected that the Vendor Placing and the Subscriptions will raise, in aggregate, up to approximately £5.5 million in gross proceeds at a price of 3p per share with up to approximately 183,333,333 Placing Shares and Subscription Shares expected to be issued. The Vendor Placing and the Subscriptions are not being underwritten by WH Ireland or any other person.

The number of Placing Shares and Subscription Shares will be determined following completion of the Bookbuild as set out in this Announcement. The timing of the closing of the Bookbuild, the number of Placing Shares and Subscription Shares and allocations are at the discretion of WH Ireland and a further announcement confirming these details will be made in due course.

The Placing Shares will, when issued, be subject to the articles of association of the Company, will be credited as fully paid and will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions (if any) declared, made or paid on or in respect of Ordinary Shares after the date of issue of the Placing Shares.

The Placing Shares will trade on AIM under SUN, with ISIN GB0004016704.

Application for admission to trading

Application has been made to London Stock Exchange for admission to trading of the New Ordinary Shares on AIM. It is expected that settlement of any such shares and Admission will become effective on or around 1 August 2017 and that dealings in the New Ordinary Shares will commence at that time.

Bookbuild

WH Ireland will today commence an accelerated bookbuilding process to determine demand for participation in the Vendor Placing by potential Placees at the Issue Price. This Appendix gives details of the terms and conditions of, and the mechanics of participation in, the Vendor Placing. No commissions will be paid to Placees or by Placees in respect of any Placing Shares.

WH Ireland and the Company shall be entitled to effect the Vendor Placing by such alternative method to the Bookbuild as they may, in their sole discretion, determine.

Participation in, and principal terms of, the Vendor Placing

1. WH Ireland is arranging the Vendor Placing as agent for, and broker of, the Company. The Subscriptions are being arranged by the Company directly and do not form part of the Vendor Placing. However, completion of the Subscriptions will be conditional on completion of the Vendor Placing and Admission, and subscribers will be subject to scale back as agreed between the Company and WH Ireland in the same manner as if they were a Placee.
2. Participation in the Vendor Placing is only available to persons who are lawfully able to be, and have been, invited to participate by WH Ireland. WH Ireland is entitled to participate in the Vendor Placing as principal.
3. The Bookbuild will establish the number of Placing Shares and Subscription Shares to be issued at the Issue Price, which will be agreed between WH Ireland and the Company following completion of the Bookbuild. The number of Placing Shares will be announced on a Regulatory Information Service following the completion of the Bookbuild.
4. To bid in the Bookbuild, Placees should communicate their bid by telephone to their usual contact at WH Ireland Corporate & Institutional Broking. Each bid should state the number of Placing Shares which the prospective Placee wishes to subscribe for or purchase at the Issue Price. Bids may be scaled down by WH Ireland on the basis referred to in paragraph 8 below.
5. The timing of the closing of the Bookbuild will be at the discretion of WH Ireland. The Company reserves the right to reduce or seek to increase the amount to be raised pursuant to the Vendor Placing, in its absolute discretion.
6. Each Placee's allocation will be confirmed to Placees orally, or by email, by WH Ireland following the close of the Bookbuild and a trade confirmation or contract note will be dispatched as soon as possible thereafter. WH Ireland's oral or emailed confirmation will give rise to an irrevocable, legally binding commitment by that person (who at that point becomes a Placee), in favour of WH Ireland and the Company, under which it agrees to acquire by subscription the number of Placing Shares allocated to it at the Issue Price and otherwise on the terms and subject to the conditions set out in this Appendix and in accordance with the Company's articles of association. Except with WH Ireland's consent, such commitment will not be capable of variation or revocation.
7. The Company will make a further announcement following the close of the Bookbuild detailing the number of Placing Shares and Subscription Shares to be issued at the Issue Price.
8. Subject to paragraphs 4 and 5 above, WH Ireland may choose not to accept bids and/or to accept bids, either in whole or in part, on the basis of allocations determined at their discretion (after consultation with the Company) and may scale down any bids for this purpose on such basis as it may determine. WH Ireland may also, notwithstanding paragraphs 4 and 5 above, subject to the prior consent of the

Company, allocate Placing Shares after the time of any initial allocation to any person submitting a bid after that time.

9. A bid in the Bookbuild will be made on the terms and subject to the conditions in the Announcement (including this Appendix) and will be legally binding on the Placee on behalf of which it is made and except with WH Ireland's consent will not be capable of variation or revocation from the time at which it is submitted.
10. Except as required by law or regulation, no press release or other announcement will be made by WH Ireland or the Company using the name of any Placee (or its agent), in its capacity as Placee (or agent), other than with such Placee's prior written consent.
11. Irrespective of the time at which a Placee's allocation pursuant to the Vendor Placing is confirmed, settlement for all Placing Shares to be acquired pursuant to the Vendor Placing will be required to be made at the same time, on the basis explained below under "Registration and Settlement".
12. All obligations of WH Ireland under the Vendor Placing will be subject to fulfilment of the conditions referred to below under "Conditions of the Vendor Placing" and to the Vendor Placing not being terminated on the basis referred to below under "Right to terminate under the Placing Agreement".
13. By participating in the Vendor Placing, each Placee agrees that its rights and obligations in respect of the Vendor Placing will terminate only in the circumstances described below and will not be capable of rescission or termination by the Placee.
14. To the fullest extent permissible by law and the applicable rules of the Financial Conduct Authority, neither WH Ireland nor any of its affiliates shall have any liability to Placees or subscribers for Subscription Shares (or to any other person whether acting on behalf of a Placee or otherwise whether or not a recipient of these terms and conditions) in respect of the Vendor Placing. Each Placee and subscriber acknowledges and agrees that the Company is responsible for the allotment of the Placing Shares to the Placees and Subscription Shares to subscribers and WH Ireland and its affiliates shall have no liability to the Placees or subscribers for the failure of the Company to fulfil those obligations. In particular, neither WH Ireland nor any of its affiliates shall have any liability (including to the extent permissible by law, any fiduciary duties) in respect of WH Ireland's conduct of the Vendor Placing.

Conditions of the Vendor Placing

WH Ireland's obligations under the Placing Agreement in respect of the Placing Shares are conditional on, *inter alia*:

- (a) the Acquisition Agreement being validly entered into by the parties to it and not having been amended or varied and becoming unconditional in all respects (save to the extent that it is conditional on the Placing Agreement becoming unconditional and on Admission) and remaining in full force and effect and having not lapsed or been terminated prior to Admission;
- (b) there being no breach of any term of the Acquisition Agreement (including any warranty either as given at the date of the Acquisition Agreement or as deemed repeated at any time between such date and Admission by reference to the facts and circumstances then subsisting) which, in the opinion of WH Ireland (acting in good faith), is material in the context of the Transaction;
- (c) each of the warranties contained in the Placing Agreement being true and accurate and not misleading at all times prior to Admission by reference to the facts and circumstances from time to time subsisting;

- (d) the Company having complied with its obligations under the Placing Agreement which fall to be performed prior to Admission;
- (e) the Company allotting the Placing Shares, prior to and conditional only on Admission, in accordance with the terms of the Placing Agreement; and
- (f) Admission taking place not later than 8.00 a.m. on 1 August 2017 (or such later time or date as the Company and WH Ireland may agree, not being later than 8.00 a.m. on 29 August 2017).

If: (i) any of the conditions contained in the Placing Agreement, including those described above, are not fulfilled or (where applicable) waived by WH Ireland by the respective time or date where specified (or such later time or date as WH Ireland may notify to the Company, not being later than 8.00 a.m. on 29 August 2017); (ii) any of such conditions becomes incapable of being fulfilled; or (iii) the Placing Agreement is terminated in the circumstances specified below, the Vendor Placing will not proceed and the Placees' rights and obligations hereunder in relation to the Placing Shares shall cease and terminate at such time and each Placee agrees that no claim can be made by the Placee in respect thereof.

WH Ireland may, at its discretion and upon such terms as it thinks fit, waive, or extend the period for, compliance by the Company with the whole or any part of any of the Company's obligations in relation to the conditions in the Placing Agreement save that the condition relating to Admission taking place may not be waived. Any such extension or waiver will not affect Placees' commitments as set out in this Announcement.

Neither WH Ireland, the Company nor any of their respective affiliates shall have any liability to any Placee or subscriber for Subscription Shares (or to any other person whether acting on behalf of a Placee, subscriber or otherwise) in respect of any decision they may make as to whether or not to waive or to extend the time and/or date for the satisfaction of any condition to the Vendor Placing nor for any decision they may make as to the satisfaction of any condition or in respect of the Vendor Placing generally and by participating in the Vendor Placing or entering into a Subscription Letter each Placee or subscriber (as applicable) agrees that any such decision is within the absolute discretion of WH Ireland.

Right to terminate the Placing Agreement

WH Ireland is entitled, at any time before Admission, to terminate the Placing Agreement by giving notice to the Company in certain circumstances, including, *inter alia*:

- (a) if any statement contained in the Placing Documents (as defined in the Placing Agreement and which includes this Announcement) has become or been discovered to be untrue, incomplete, incorrect or misleading in any material respect or a new matter has arisen or a change has taken place which would, if the Placing Documents were published at that time, constitute a significant change, matter, inaccuracy or omission;
- (b) the Company's application to the London Stock Exchange for Admission being withdrawn by the Company and/or refused by the London Stock Exchange;
- (c) the Acquisition Agreement being terminated or rescinded, or is amended or varied or the Company grants a waiver of any term of the Acquisition Agreement (including the conditions to completion) in any such case without the prior written approval of WH Ireland;
- (d) breach of any term of the Acquisition Agreement (including any warranty either as given at the date of the Acquisition Agreement or as deemed repeated at any time between such date and Admission by reference to the facts and circumstances then subsisting) which, in the opinion of WH Ireland (acting in good faith), is material in the context of the Transaction;

- (e) any of the warranties given in the Placing Agreement not being true and accurate or being or becoming misleading at any time prior to Admission by reference to the facts and circumstances from time to time subsisting;
- (f) the occurrence, in the opinion of WH Ireland (acting in good faith), of a material adverse change in the condition or the earnings or business affairs of the Group and of Elemental (taken as a whole), whether or not arising in the ordinary course of business; or
- (g) the occurrence of a specified force majeure or market disruption event which makes it impractical or inadvisable to proceed with the Vendor Placing or the Acquisition.

The rights and obligations of the Placees will not be subject to termination by the Placees or any prospective Placees at any time or in any circumstances. By participating in the Vendor Placing, Placees agree that the exercise by WH Ireland of any right of termination or other discretion under the Placing Agreement shall be within the absolute discretion of WH Ireland and that WH Ireland need not make any reference to Placees in this regard and that neither WH Ireland nor any of their respective affiliates shall have any liability to Placees whatsoever in connection with any such exercise or failure so to exercise.

No Admission Document or Prospectus

The Placing Shares are being offered to a limited number of specifically invited persons only and have not been nor will be offered in such a way as to require the publication of an admission document or prospectus in the United Kingdom or any equivalent document in any other jurisdiction. No offering document, admission document or prospectus has been or will be submitted to be approved by the FCA or the London Stock Exchange in relation to the Vendor Placing, and Placees' commitments will be made solely on the basis of the information contained in the Announcement (including this Appendix) and the business and financial information that the Company is required to publish in accordance with the AIM Rules for Companies (the “**Exchange Information**”). Each Placee, by accepting a participation in the Vendor Placing, agrees that the content of this Announcement is exclusively the responsibility of the Company and confirms that it has neither received nor relied on any other information (other than the Exchange Information), representation, warranty, or statement made by or on behalf of the Company or WH Ireland or any other person and neither WH Ireland, the Company nor any other person will be liable for any Placee's decision to participate in the Vendor Placing based on any other information, representation, warranty or statement which the Placees may have obtained or received and, if given or made, such information, representation, warranty or statement must not be relied upon as having been authorised by WH Ireland, the Company or their respective officers, directors, employees or agents. Each Placee acknowledges and agrees that it has relied on its own investigation of the business, financial or other position of the Company in accepting a participation in the Vendor Placing. Neither the Company nor WH Ireland are making any undertaking or warranty to any Placee regarding the legality of an investment in the Placing Shares by such Placee under any legal, investment or similar laws or regulations. Each Placee should not consider any information in this Announcement to be legal, tax or business advice. Each Placee should consult its own solicitor, tax adviser and financial adviser for independent legal, tax and financial advice regarding an investment in the Placing Shares. Nothing in this paragraph shall exclude the liability of any person for fraudulent misrepresentation.

Registration and Settlement

Following the close of the Bookbuild, each Placee allocated Placing Shares in the Vendor Placing will be sent a trade confirmation or contract note in accordance with the standing arrangements in place with WH Ireland, stating the number of Placing Shares allocated to it at the Issue Price, the aggregate amount owed by such Placee (in GBP) and a form of confirmation in relation to settlement instructions.

Each Placee will be deemed to agree that it will do all things necessary to ensure that delivery and payment is completed as directed by WH Ireland in accordance with the standing CREST settlement instructions which they have in place with WH Ireland.

Settlement of transactions in the Placing Shares (ISIN: GB0004016704) following Admission will take place within the system administered by Euroclear UK & Ireland Limited (“**CREST**”) provided that, subject to certain exceptions, WH Ireland reserves the right to require settlement for, and delivery of, the Placing Shares (or a portion thereof) to Placees by such other means that it deems necessary if delivery or settlement is not possible or practicable within CREST within the timetable set out in this Announcement or would not be consistent with the regulatory requirements in any Placee's jurisdiction.

It is expected that settlement will be on 1 August 2017 in accordance with the instructions set out in the form of confirmation.

Interest is chargeable daily on payments not received from Placees on the due date in accordance with the arrangements set out above at the rate of two percentage points above LIBOR.

Each Placee is deemed to agree that, if it does not comply with these obligations, WH Ireland may sell any or all of the Placing Shares allocated to that Placee on such Placee's behalf and retain from the proceeds, for WH Ireland's account and benefit (as agent for the Company), an amount equal to the aggregate amount owed by the Placee plus any interest due. The relevant Placee will, however, remain liable and shall indemnify WH Ireland on demand for any shortfall below the aggregate amount owed by it and may be required to bear any stamp duty or stamp duty reserve tax or securities transfer tax (together with any interest or penalties) which may arise upon the sale of such Placing Shares on such Placee's behalf. By communicating a bid for Placing Shares, each Placee confers on WH Ireland such authorities and powers necessary to carry out any such sale and agrees to ratify and confirm all actions which WH Ireland lawfully takes in pursuance of such sale.

If Placing Shares are to be delivered to a custodian or settlement agent, Placees should ensure that the form of confirmation is copied and delivered immediately to the relevant person within that organisation.

Insofar as Placing Shares are registered in a Placee's name or that of its nominee or in the name of any person for whom a Placee is contracting as agent or that of a nominee for such person, such Placing Shares should, subject as provided below, be so registered free from any liability to UK stamp duty or stamp duty reserve tax or securities transfer tax. Neither WH Ireland nor the Company will be liable in any circumstances for the payment of stamp duty, stamp duty reserve tax or securities transfer tax in connection with any of the Placing Shares. Placees will not be entitled to receive any fee or commission in connection with the Vendor Placing.

Representations, Warranties and Further Terms

By participating in the Vendor Placing, each Placee (and any person acting on such Placee's behalf) makes the following representations, warranties, acknowledgements, agreements and undertakings (as the case may be) to WH Ireland (for itself and on behalf of the Company):

1. that it has read and understood this Announcement, including the Appendix, in its entirety and that its subscription for or purchase of Placing Shares is subject to and based upon all the terms, conditions, representations, warranties, acknowledgements, agreements and undertakings and other information contained herein and undertakes not to redistribute or duplicate this Announcement;
2. that its obligations are irrevocable and legally binding and shall not be capable of rescission or termination by it in any circumstances;

3. that the exercise by WH Ireland of any right or discretion under the Placing Agreement shall be within the absolute discretion of WH Ireland and WH Ireland need not have any reference to it and shall have no liability to it whatsoever in connection with any decision to exercise or not to exercise any such right and each Placee agrees that it has no rights against WH Ireland or the Company, or any of their respective officers, directors or employees, under the Placing Agreement pursuant to the Contracts (Rights of Third Parties Act) 1999;
4. that these terms and conditions represent the whole and only agreement between it, WH Ireland and the Company in relation to its participation in the Vendor Placing and supersedes any previous agreement between any of such parties in relation to such participation. Accordingly, each Placee, in accepting its participation in the Vendor Placing, is not relying on any information or representation or warranty in relation to the Company or any of its subsidiaries or any of the Placing Shares other than as contained in this Announcement and the Exchange Information, such information being all that it deems necessary to make an investment decision in respect of the Placing Shares. Each Placee agrees that neither the Company, WH Ireland nor any of their respective officers, directors or employees will have any liability for any such other information, representation or warranty, express or implied;
5. that in the case of any Placing Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the Placing Shares acquired by it in the Vendor Placing have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Member State of the European Economic Area which has implemented the Prospectus Directive other than Qualified Investors or in circumstances in which the prior consent of WH Ireland has been given to the offer or resale; or (ii) where Placing Shares have been acquired by it on behalf of persons in any member state of the EEA other than Qualified Investors, the offer of those Placing Shares to it is not treated under the Prospectus Directive as having been made to such persons;
6. that neither it nor, as the case may be, its clients expect WH Ireland to have any duties or responsibilities to such persons similar or comparable to the duties of "best execution" and "suitability" imposed by the FCA's Conduct of Business Source Book, and that WH Ireland is not acting for it or its clients, and that WH Ireland will not be responsible for providing the protections afforded to customers of WH Ireland or for providing advice in respect of the transactions described herein;
7. that it is: (i) unless otherwise agreed in writing with WH Ireland, located outside the United States and is not a US person as defined in Regulation S under the Securities Act ("**Regulation S**") and is subscribing for and/or purchasing the Placing Shares only in "offshore transactions" as defined in and pursuant to Regulation S, and (ii) it is not subscribing for and/or purchasing Placing Shares as a result of any "directed selling efforts" as defined in Regulation S or by means of any form of "general solicitation" or "general advertising" as such terms are defined in Regulation D under the Securities Act;
8. that the Placing Shares have not been and will not be registered under the Securities Act, or under the securities legislation of, or with any securities regulatory authority of, any state or other jurisdiction of the United States and that, subject to certain exceptions, the Placing Shares may not be offered, sold, pledged, resold, transferred, delivered or distributed into or within the United States;
9. that, unless specifically agreed with WH Ireland, it is not and was not acting on a non-discretionary basis for the account or benefit of a person located within the United States at the time the undertaking to subscribe for and/or purchase Placing Shares was given and it is not acquiring Placing Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any Placing Shares into the United States and it will not reoffer, resell, pledge or otherwise transfer

the Placing Shares except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and otherwise in accordance with any applicable securities laws of any state or jurisdiction of the United States;

10. that it is not a national or resident of Canada, Australia, South Africa or Japan or a corporation, partnership or other entity organised under the laws of Canada, Australia, the Republic of South Africa or Japan and that it will not offer, sell, renounce, transfer or deliver, directly or indirectly, any of the Placing Shares in Canada, Australia, the Republic of South Africa or Japan or to or for the benefit of any person resident in Canada, Australia, the Republic of South Africa or Japan and each Placee acknowledges that the relevant exemptions are not being obtained from the Securities Commission of any province of Canada, that no document has been or will be lodged with, filed with or registered by the Australian Securities and Investments Commission or Japanese Ministry of Finance and that the Placing Shares are not being offered for sale and may not be, directly or indirectly, offered, sold, transferred or delivered in or into Canada, Australia, the Republic South Africa or Japan;
11. that it does not have a registered address in, and is not a citizen, resident or national of, any jurisdiction in which it is unlawful to make or accept an offer of the Placing Shares and it is not acting on a non-discretionary basis for any such person;
12. that it has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted, and will not, directly or indirectly, distribute, forward, transfer or otherwise transmit, any presentation or offering materials concerning the Vendor Placing or the Placing Shares to any persons within the United States or to any US persons (as that term is defined in Regulation S);
13. that it is entitled to subscribe for and/or purchase Placing Shares under the laws of all relevant jurisdictions which apply to it and that it has fully observed such laws and obtained all governmental and other consents which may be required thereunder or otherwise and complied with all necessary formalities and that it has not taken any action which will or may result in the Company or WH Ireland or any of their respective directors, officers, employees or agents acting in breach of any regulatory or legal requirements of any territory in connection with the Vendor Placing or its acceptance;
14. that it has obtained all necessary consents and authorities to enable it to give its commitment to subscribe for and/or purchase the Placing Shares and to perform its subscription and/or purchase obligations;
15. that where it is acquiring Placing Shares for one or more managed accounts, it is authorised in writing by each managed account: (a) to acquire the Placing Shares for each managed account; (b) to make on its behalf the representations, warranties, acknowledgements, undertakings and agreements in this Appendix and the Announcement of which it forms part; and (c) to receive on its behalf any investment letter relating to the Vendor Placing in the form provided to it by WH Ireland;
16. that it is either: (a) a person of a kind described in paragraph 5 of Article 19 (persons having professional experience in matters relating to investments and who are investment professionals) of the Order; or (b) a person of a kind described in paragraph 2 of Article 49 (high net worth companies, unincorporated associations, partnerships or trusts or their respective directors, officers or employees) of the Order; or (c) a person to whom it is otherwise lawful for this Announcement to be communicated and in the case of (a) and (b) undertakes that it will acquire, hold, manage or dispose of any Placing Shares that are allocated to it for the purposes of its business;
17. that, unless otherwise agreed by WH Ireland, it is a qualified investor (as defined in section 86(7) of the Financial Services and Markets Act 2000, as amended (“FSMA”));

18. that, unless otherwise agreed by WH Ireland, it is a “professional client” or an “eligible counterparty” within the meaning of Chapter 3 of the FCA's Conduct of Business Sourcebook and it is purchasing Placing Shares for investment only and not with a view to resale or distribution;
19. it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) relating to the Placing Shares in circumstances in which section 21(1) of FSMA does not require approval of the communication by an authorised person;
20. that any money held in an account with each of WH Ireland (or its nominee) on its behalf and/or any person acting on its behalf will not be treated as client money within the meaning of the rules and regulations of the FCA. Each Placee further acknowledges that the money will not be subject to the protections conferred by the FCA's client money rules. As a consequence, this money will not be segregated from WH Ireland's (or its nominee's) money in accordance with such client money rules and will be used by WH Ireland in the course of its own business and each Placee will rank only as a general creditor of WH Ireland;
21. that it will (or will procure that its nominee will) if applicable, make notification to the Company of the interest in its ordinary shares in accordance with the Disclosure Guidance and Transparency Rules published by the FCA;
22. that it is not, and it is not acting on behalf of, a person falling within subsections (6), (7) or (8) of sections 67 or 70 respectively or subsections (2) and (3) of section 93 or subsection (1) of section 96 of the Finance Act 1986;
23. that it will not deal or cause or permit any other person to deal in all or any of the Placing Shares which it is subscribing for and/or purchasing under the Vendor Placing unless and until Admission becomes effective;
24. that it appoints irrevocably any director of WH Ireland as its agent for the purpose of executing and delivering to the Company and/or its registrars any document on its behalf necessary to enable it to be registered as the holder of the Placing Shares;
25. that, as far as it is aware it is not acting in concert (within the meaning given in The City Code on Takeovers and Mergers) with any other person in relation to the Company;
26. that this Announcement does not constitute a securities recommendation or financial product advice and that neither WH Ireland nor the Company has considered its particular objectives, financial situation and needs;
27. that it has sufficient knowledge, sophistication and experience in financial, business and investment matters as is required to evaluate the merits and risks of subscribing for or purchasing the Placing Shares and is aware that it may be required to bear, and it, and any accounts for which it may be acting, are able to bear, the economic risk of, and is able to sustain, a complete loss in connection with the Vendor Placing;
28. that it will indemnify and hold the Company and WH Ireland and their respective affiliates harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations, warranties, acknowledgements, agreements and undertakings in this Appendix and further agrees that the Company and WH Ireland will rely on the truth and accuracy of the confirmations, warranties, acknowledgements and undertakings herein and, if any of the foregoing is or becomes no longer true or accurate, the Placee shall promptly notify WH Ireland and the Company. All confirmations, warranties, acknowledgements and undertakings given by the Placee, pursuant to this Announcement (including this Appendix) are

given to WH Ireland for itself and on behalf of the Company and will survive completion of the Vendor Placing and Admission;

29. that time shall be of the essence as regards obligations pursuant to this Appendix;
30. that it is responsible for obtaining any legal, tax and other advice that it deems necessary for the execution, delivery and performance of its obligations in accepting the terms and conditions of the Vendor Placing, and that it is not relying on the Company or WH Ireland to provide any legal, tax or other advice to it;
31. that all dates and times in this Announcement (including this Appendix) may be subject to amendment and that WH Ireland shall notify it of such amendments;
32. that (i) it has complied with its obligations under the Criminal Justice Act 1993, Part VIII of FSMA and MAR, (ii) in connection with money laundering and terrorist financing, it has complied with its obligations under the Proceeds of Crime Act 2002 (as amended), the Terrorism Act 2000 (as amended), the Terrorism Act 2006 and the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 and (iii) it is not a person: (a) with whom transactions are prohibited under the Foreign Corrupt Practices Act of 1977 or any economic sanction programmes administered by, or regulations promulgated by, the Office of Foreign Assets Control of the U.S. Department of the Treasury; (b) named on the Consolidated List of Financial Sanctions Targets maintained by HM Treasury of the United Kingdom; or (c) subject to financial sanctions imposed pursuant to a regulation of the European Union or a regulation adopted by the United Nations (together, the "**Regulations**"); and, if making payment on behalf of a third party, that satisfactory evidence has been obtained and recorded by it to verify the identity of the third party as required by the Regulations and, if making payment on behalf of a third party, that satisfactory evidence has been obtained and recorded by it to verify the identity of the third party as required by the Regulations and has obtained all governmental and other consents (if any) which may be required for the purpose of, or as a consequence of, such purchase, and it will provide promptly to WH Ireland such evidence, if any, as to the identity or location or legal status of any person which WH Ireland may request from it in connection with the Vendor Placing (for the purpose of complying with such Regulations or ascertaining the nationality of any person or the jurisdiction(s) to which any person is subject or otherwise) in the form and manner requested by WH Ireland on the basis that any failure by it to do so may result in the number of Placing Shares that are to be subscribed for and/or purchased by it or at its direction pursuant to the Vendor Placing being reduced to such number, or to nil, as WH Ireland may decide in its absolute discretion;
33. that it will not make any offer to the public of those Placing Shares to be subscribed for and/or purchased by it for the purposes of the Prospectus Rules made by the FCA pursuant to Commission Regulation (EC) No. 809/2004;
34. that it will not distribute any document relating to the Placing Shares and it will be acquiring the Placing Shares for its own account as principal or for a discretionary account or accounts (as to which it has the authority to make the statements set out herein) for investment purposes only and it does not have any contract, understanding or arrangement with any person to sell, pledge, transfer or grant a participation therein to such person or any third person with respect of any Placing Shares; save that that if it is a private client stockbroker or fund manager it confirms that in purchasing the Placing Shares it is acting under the terms of one or more discretionary mandates granted to it by private clients and it is not acting on an execution only basis or under specific instructions to purchase the Placing Shares for the account of any third party.
35. that it acknowledges that these terms and conditions and any agreements entered into by it pursuant to these terms and conditions shall be governed by and construed in accordance with the laws of England and Wales and it submits (on behalf of itself and on behalf of any person on whose

behalf it is acting) to the exclusive jurisdiction of the English courts as regards any claim, dispute or matter arising out of any such contract, except that enforcement proceedings in respect of the obligation to make payment for the Placing Shares (together with any interest chargeable thereon) may be taken by the Company or WH Ireland in any jurisdiction in which the relevant Placee is incorporated or in which its assets are located or any of its securities have a quotation on a recognised stock exchange;

36. that any documents sent to Placees will be sent at the Placees' risk. They may be sent by post to such Placees at an address notified to WH Ireland;
37. that WH Ireland owes no fiduciary or other duties to any Placee in respect of any representations, warranties, undertakings or indemnities in the Placing Agreement;
38. that WH Ireland or any of their respective affiliates may, at their absolute discretion, agree to become a Placee in respect of some or all of the Placing Shares;
39. that no prospectus or offering document has been or will be prepared in connection with the Vendor Placing and it has not received and will not receive a prospectus or other offering document in connection with the Vendor Placing or the Placing Shares; and
40. that if it has received any confidential price sensitive information concerning the Company in advance of the publication of this Announcement, it has not: (i) dealt in the securities of the Company; (ii) encouraged, required, recommended or induced another person to deal in the securities of the Company; or (iii) disclosed such information to any person, prior to such information being made publicly available.

The Company, WH Ireland and their respective affiliates will rely upon the truth and accuracy of each of the foregoing representations, warranties, acknowledgements and undertakings which are given to WH Ireland for itself and on behalf of the Company and are irrevocable.

The provisions of this Appendix may be waived, varied or modified as regards specific Placees or on a general basis by WH Ireland.

The agreement to settle a Placee's subscription and/or purchase (and/or the subscription of a person for whom such Placee is contracting as agent) free of stamp duty and stamp duty reserve tax depends on the settlement relating only to a subscription by it and/or such person direct from the Company for the Placing Shares in question. Such agreement assumes that the Placing Shares are not being subscribed for in connection with arrangements to issue depository receipts or to transfer the Placing Shares into a clearance service. If there are any such arrangements, or the settlement relates to any other subsequent dealing in the Placing Shares, stamp duty or stamp duty reserve tax may be payable, for which neither the Company or WH Ireland will be responsible, and the Placee to whom (or on behalf of whom, or in respect of the person for whom it is participating in the Vendor Placing as an agent or nominee) the allocation, allotment, issue or delivery of Placing Shares has given rise to such UK stamp duty or stamp duty reserve tax undertakes to pay such UK stamp duty or stamp duty reserve tax forthwith and to indemnify on an after-tax basis and to hold harmless the Company and WH Ireland in the event that any of the Company and/or WH Ireland has incurred any such liability to UK stamp duty or stamp duty reserve tax. If this is the case, each Placee should seek its own advice and notify WH Ireland accordingly.

In addition, Placees should note that they will be liable for any stamp duty and all other stamp, issue, securities, transfer, registration, documentary or other duties or taxes (including any interest, fines or penalties relating thereto) payable outside the UK by them or any other person on the subscription or purchase by them of any Placing Shares or the agreement by them to subscribe for or purchase any Placing Shares.

This Announcement has been issued by, and is the sole responsibility, of the Company. No representation or warranty express or implied, is or will be made as to, or in relation to, and no responsibility or liability is or will be accepted by WH Ireland or by any of their respective affiliates or agents as to or in relation to, the accuracy or completeness of this Announcement or any other written or oral information made available to or publicly available to any interested party or its advisers, and any liability therefore is expressly disclaimed.

DEFINITIONS

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

“Acquisition”	the proposed acquisition of Elemental by the Company pursuant to the Acquisition Agreement
“Acquisition Agreement”	the conditional agreement dated 27 July 2017 between the Company and the Vendors, pursuant to which the Company has agreed to purchase the entire share capital of Elemental
“Admission”	the admission of the New Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules for Companies
“AIM”	the market of that name operated by the London Stock Exchange
“Announcement”	this announcement (including the Appendix which forms part of this announcement)
“Articles”	the articles of association of the Company (as amended from time to time)
“Bookbuild”	the accelerated bookbuilding to be conducted by WH Ireland pursuant to the Placing Agreement and this Announcement
“Closing Price”	the closing middle market price of an Existing Ordinary Share as derived from the AIM Appendix to the Daily Official List of the London Stock Exchange
“Company” or “SI”	Surgical Innovations Group plc
“Consideration Shares”	the 62,500,000 New Ordinary Shares to be issued to, and retained by, the Vendors pursuant to the Acquisition Agreement
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the operator (as defined in those regulations)
“Directors”	Nigel Rogers, Melanie Ross, Paul Hardy, Professor Mike McMahon and Alistair Taylor, being the current directors of the Company
“Elemental”	Elemental Healthcare Limited
“Existing Ordinary Shares”	the 534,431,255 Ordinary Shares in existence at the date of this Announcement

“Fundraising”	the Vendor Placing and the Subscriptions
“FCA”	the Financial Conduct Authority
“Group” or “SI Group”	the Company and its existing subsidiaries and subsidiary undertakings
“Issue Price”	3p per New Ordinary Share
“London Stock Exchange”	the London Stock Exchange plc
“New Ordinary Shares”	together the Placing Shares and the Consideration Shares
“Ordinary Shares”	ordinary shares of 1p each in the capital of the Company
“Placee”	a Relevant Person (as defined in the Appendix to this Announcement) on whose behalf a commitment to subscribe for or acquire Placing Shares has been given
“Placing Agreement”	the conditional agreement dated 27 July 2017 between the Company and WH Ireland relating to the Vendor Placing and Admission
“Placing Shares”	the New Ordinary Shares to be issued pursuant to the Vendor Placing
“Regulatory Information Service”	one of the regulatory information services authorised by the FCA acting in its capacity as the UK listing authority to receive, process and disseminate regulatory information
“Securities Act”	the United States Securities Act of 1933, as amended
“Subscriptions”	the subscriptions to be entered into by certain investors as part of the Fundraising
“Subscription Letters”	the letters of agreement to be entered into between the Company and certain investors in relation to the Subscriptions
“Subscription Shares”	the New Ordinary Shares to be issued pursuant to the Subscriptions
“Transaction”	together, the Acquisition and the Fundraising
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“United States” or “US”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia and any other area subject to its jurisdiction
“US Person”	has the meaning set out in Regulation S of the Securities Act
“Vendor Placing”	the proposed placing of the Placing Shares by WH Ireland at the Issue Price pursuant to the Placing Agreement
“Vendors”	Adam Power, Alison Power, David John Marsh, Mary-Jane Marsh and the Trustees of the Power Family Trust

“WH Ireland”

WH Ireland Limited, the Company’s nominated adviser and broker and the sole bookrunner of the Vendor Placing