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If you have sold or otherwise transferred all of your Ordinary Shares, please forward this document, together with the accompanying documents, at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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Oxonica plc

(incorporated and registered in England and Wales under number 5363273)

Notice of Extraordinary General Meeting relating to Placings of 20,071,426 new Ordinary Shares at 21 pence per share

This document should be read as a whole. Your attention is drawn to the letter from your Chairman which is set out on pages 7 to 13 of this document and which recommends that you vote in favour of the resolution to be proposed at the Extraordinary General Meeting referred to below.

The New Ordinary Shares, the subject of the Placings, have not been, nor 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 of America and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as defined in Regulation S under the Securities Act). The New Ordinary Shares are being offered and sold outside the United States to non-US persons in reliance on Regulation S and are being offered and sold within the United States in reliance on exemptions from the registration requirements of the Securities Act and such laws. The New Ordinary Shares have not been approved or disapproved by the Securities and Exchange Commission, any state securities commission or other regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Placings or the accuracy or adequacy of this document. Any representation to the contrary is unlawful. The New Ordinary Shares are subject to restrictions on transferability and resale and may not be transferred or resold except pursuant to an effective registration statement under the Securities Act or pursuant to an available exemption from the registration requirements of the Securities Act, and in accordance with all applicable state securities laws. Investors should be aware that they must be able to bear the economic risk of their investment for an indefinite period of time.

The New Ordinary Shares are being offered and sold in the United States only to "accredited investors", as defined in Rule 501(a) under the Securities Act, in private sales exempt from the registration requirements of the Securities Act and any other applicable securities laws. By its acceptance or purchase of New Ordinary Shares, each investor in the United States will be deemed to have represented and agreed, among other things, that it is an accredited investor.

Notice of an Extraordinary General Meeting of the Company to be held at the offices of Oxonica, 7 Begbroke Science Park, Sandy Lane, Yarnton, Kidlington, Oxfordshire OX5 1PF at 10.00 a.m. on 19 December 2007, is set out at the end of this document. A Form of Proxy for use by Shareholders at the Extraordinary General Meeting is enclosed. **Forms of Proxy should be completed in accordance with the instructions printed thereon and returned so as to be received by the Company's registrars, Computershare Investor Services PLC, at PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 3FA, as soon as possible but in any event, not later than 10.00 a.m. on 17 December 2007.** Completion and return of Forms of Proxy will not preclude Shareholders from attending and voting at the Extraordinary General Meeting should they so wish.

Copies of this Document will be available to the public, free of charge, at the offices of Hammonds during normal hours on any weekday (excluding Saturdays, Sundays and public holidays) from the date of this document for the period of one month.

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PLACING STATISTICS

Placing Price	21 p
Number of New Ordinary Shares being placed on behalf of the Company	20,071,426
Number of Ordinary Shares currently in issue prior to the First Tranche Placing	45,379,070
Number of Ordinary Shares in issue following completion of the Placings and Admission	65,450,496
Number of New Ordinary Shares as a percentage of the Existing Ordinary Shares	44.2 per cent.
Proceeds of the Placings available to the Company (net of approximate expenses)	£4.0m

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Latest time and date for receipt of Forms of Proxy	10.00 a.m. on 17 December 2007
Extraordinary General Meeting	10.00 a.m. on 19 December 2007
Admission and commencement of dealings in the First Tranche Placing Shares	8.00 a.m. on 20 December 2007
Admission and commencement of dealings in the Second Tranche Placing Shares	8.00 a.m. on 21 December 2007
Definitive share certificates for New Ordinary Shares despatched (where applicable)	4 January 2008

* All references in this document to time of day are to London time

DEFINITIONS

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

“Admission”	the admission of the Placing Shares to trading on AIM becoming effective in accordance with the AIM Rules for Companies;
“AIM”	the AIM market of the London Stock Exchange;
“AIM Rules”	the rules governing the operation of AIM and issued by the London Stock Exchange from time to time in relation to AIM traded securities comprising the AIM Rules for Companies and the AIM Rules for Nominated Advisers;
“AIM Rules for Companies”	the AIM Rules for Companies and guidance notes as published by the London Stock Exchange from time to time;
“AIM Rules for Nominated Advisers”	the AIM Rules for Nominated Advisers and guidance notes as published by the London Stock Exchange from time to time;
“Board” or “Directors”	the board of directors of Oxonica;
“Circular”	this document;
“Company” or “Oxonica”	Oxonica plc;
“EIS”	Enterprise Investment Scheme;
“Enlarged Share Capital”	the entire issued share capital of the Company following completion of the Placings;
“Existing Ordinary Shares”	the 45,379,070 Ordinary Shares in issue on the date of this document;
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company, notice of which is set out at the end of this document;
“First Tranche Placing” or “First Tranche Placing Shares”	those New Ordinary Shares which are to be issued to those investors who may seek tax relief under VCT or EIS legislation to the extent that such tax relief will only be applicable if such shares are issued in the initial tranche of the Placing;
“Foresight VCT Companies”	together Foresight VCT plc, Foresight 2 VCT plc, and Foresight 3 VCT plc;
“Form of Proxy”	the form of proxy for use at the Extraordinary General Meeting, which accompanies this document;
“Group”	the Company, its subsidiaries and its subsidiary undertakings;
“Introduction Agreement”	the conditional agreement relating to the Placings and Admission dated 22 November 2007 between the Company and Panmure Gordon;
“London Stock Exchange”	London Stock Exchange plc;
“New Ordinary Shares” or “Placing Shares”	20,071,426 new Ordinary Shares the subject of the Placings;
“Options”	options granted by the Board over Ordinary Shares;
“Option Holders”	holders of Options;

“Ordinary Shares”	the ordinary shares of 1 pence each in the share capital of Oxonica;
“Oxonica Shareholders” or “Shareholders”	holders of Ordinary Shares;
“Panmure Gordon”	Panmure Gordon (UK) Limited;
“Placings”	the conditional placing by the Company of the First Tranche Placing Shares and the Second Tranche Placing Shares with certain investors and existing Shareholders (or their associated investment vehicles), on a non-pre-emptive basis, at the Placing Price;
“Placing Price”	21 pence per New Ordinary Share;
“Resolution”	the resolution set out in the notice of EGM;
“Second Tranche Placing” or “Second Tranche Placing Shares”	those New Ordinary Shares not to be issued in the First Tranche Placing;
“Securities and Exchange Commission”	United States Securities and Exchange Commission, the agency responsible for administering federal securities laws in the US;
“UK” or “United Kingdom”	United Kingdom of Great Britain and Northern Ireland;
“VCT”	Venture Capital Trust.

GLOSSARY

“lateral flow”

also called immunochromatographic tests or strip tests are assays where the biological sample is brought into contact with an antibody which develops along a chromatographic strip and if the disease or biological indicator is present binds to a visually detectable solid support. The format is most commonly encountered in over the counter pregnancy tests;

“nanomaterials”

a material which has at least one dimension greater than 1nm and less than 100nm.

PART I

LETTER FROM THE CHAIRMAN

OXONICA PLC

(incorporated and registered in England and Wales under number 5363273)

Directors:

Richard Farleigh *(Non-Executive Chairman)*
Kevin Matthews *(Chief Executive Officer)*
Richard Clarke *(Chief Financial Officer)*
Martin Hagen *(Non-Executive Director)*
Gordon Ringold *(Non-Executive Director)*
Ed Weeks *(Non-Executive Director)*

Registered and Head Office:

7 Begbroke Science Park,
Sandy Lane,
Yarnton,
Kidlington,
Oxfordshire
OX5 1PF

22 November 2007

To Oxonica Shareholders and, for information only, to the Option Holders.

Dear Shareholder

Placings of 20,071,426 new Ordinary Shares at 21 pence per Ordinary Share

Introduction

The Company has today announced placings of 20,071,426 new Ordinary Shares at 21 pence per Ordinary Share. The Placing Shares have been conditionally placed by the Company with certain investors and existing Shareholders (or their associated investment vehicles) to raise approximately £4.2 million (before expenses).

In order to protect the Company's eligibility for VCT and EIS status, the Placings will be effected in two tranches. Firstly, New Ordinary Shares will be issued to certain participants in the Placings under the First Tranche Placing and secondly, on the following business day, New Ordinary Shares will be issued to the remaining participants under the Second Tranche Placing. The First Tranche Placing is not conditional upon the Second Tranche Placing Shares being admitted to trading on AIM. The purpose of this document is to explain the background to the Placings, to set out the reasons why your Board believes that the Placings are in the best interests of the Company and its Shareholders and to seek your approval for the Resolution at the forthcoming EGM, which will be held at the offices of the Company, 7 Begbroke Science Park, Sandy Lane, Yarnton, Kidlington, Oxfordshire OX5 1PF on 19 December 2007 at 10 a.m.

Application will be made for the New Ordinary Shares to be admitted to trading on AIM (subject to the passing of the Resolution) and it is expected that dealings in the First Tranche Placing Shares will commence on 20 December 2007 and that dealings in the Second Tranche Placing Shares will commence on 21 December 2007.

Background to, and reasons for, the Placings

Oxonica is committed to developing a portfolio of profitable, sustainable, market driven businesses based on nanomaterials and, since listing on AIM, it has made significant progress towards delivering this strategic vision.

Oxonica's business model is to identify attractive market opportunities, secure any necessary intellectual property and manufacturing capability (through partnerships), develop the base technology into product applications and generate value through agreements with commercial partners for end-market adoption.

The Board believes that the focus on nanomaterials offers significant opportunities for the continued development of valuable businesses with differentiated product performance or new applications. In many industries performance is limited by the use of old technologies that have reached their application

limit and to date Oxonica has actively identified major markets where nanomaterials can offer meaningful improvements in performance compared with the incumbent technology. As a result the Group has built a portfolio of potential applications.

Following a recent strategic review Oxonica is restructuring into two operational divisions, Oxonica Nanomaterials and Oxonica Diagnostics. This reorganisation recognises the differences between supplying nanomaterials for a variety of uses and developing a biodiagnostics business where nanomaterials are typically integrated into a full diagnostic system.

Oxonica Nanomaterials consists of three application based businesses:

- Energy with the principal product being Envirox™, a fuel borne catalyst with the demonstrated potential to reduce diesel fuel use by 5-10 per cent with commensurate reductions in greenhouse gases and an addressable market estimated at US\$3bn;
- Materials with the principal products being the UV absorbers Optisol™ and Solacor™, with the demonstrated ability to improve protection against sunlight for both cosmetic and industrial applications and an addressable market estimated at US\$2.3bn; and
- Security with the Nanobarcode™ technology for anti-counterfeiting and brand protection is gaining significant commercial interest with an addressable market estimated at US\$0.4bn.

Additional details and trading highlights for each of the Nanomaterials businesses are described in more detail in the Company's interim results for the six month period ended 30 June 2007 as set out in Part II of this document.

Oxonica Diagnostics is a business with a platform technology that has the potential to be utilised in a number of application areas including clinical diagnostics (central laboratory and point-of-care), life sciences, veterinary, food and bioterrorism with combined estimated addressable markets of in excess of \$10bn. The Oxonica Diagnostics business has evolved considerably over the last two years. The initial development of the nanomaterial based optical tags, based on technology in-licensed from the University of Strathclyde, was significantly accelerated in 2006 following the acquisition of Nanoplex Technologies Inc, which was concluded in February 2006. This acquisition consolidated the principal intellectual property in the area as well as significantly strengthening the technical and commercial skills within the business.

The Diagnostics business introduced the first product prototype in Q1 2006 which was a multiplexed lateral flow test, Nanoplex™ Rapid, allowing the simple simultaneous detection and measurement of a number of respiratory diseases. In addition, the business has also advanced the technology to demonstrate the potential for more sensitive lateral flow tests over what is currently available in the market and the development of a new assay format that allows a test where the requirement for sample preparation is minimised, Nanoplex™ Direct. The latter development is being well received by the market as it provides the potential for a significant reduction in processing time and cost, is easy to use in a point-of-care setting and offers unique benefits for carrying out tests in difficult to test biological samples which are of specific interest to the food and bioterrorism markets.

During 2006 the Board recognised that the support of partners, including the relationship with BD announced in mid-2006, not only required the business to develop the capability to produce the nanomaterial optical labels but also to play a significant role in assay or test development and the design, prototyping and specification of associated readers and software.

The product propositions for the Oxonica Diagnostics business are based on a system built around the enabling features of the nanomaterial whereas the Oxonica Nanomaterial business is exclusively focused on the sale of the nanomaterial as the product. This results in different operating challenges for the two businesses. The Oxonica Nanomaterials business is projected to require relatively modest levels of investment to get the division to a break-even cash flow position, whereas the Oxonica Diagnostics business requires substantial further investment to develop the capability to support partners, and in addition, allow scope for bringing its own diagnostic products to market.

Following the recent strategic review, the Board intends to explore a number of strategic financial and structural options to best support the development of the Oxonica Diagnostics business.

Use of proceeds

Oxonica intends to raise £4.2 million (before expenses) of equity funding through the Placings. In addition the Company is also exploring the potential to secure debt finance, and is in advanced discussions with certain parties in this regard.

The funds raised from the Placings will allow the Group to increase investment in the engine test programme and marketing activity for Envirox™, to continue the commercial development of Solacor™ into a number of applications, to strengthen the Oxonica Diagnostics business and explore the strategic options outlined above, and to provide working capital for the Group.

Working capital

The Group's cash balances as at 8 November 2007 were £1.25 million. The Group's average monthly cash burn is currently approximately £500,000. Consequently the Company needs to raise additional funds for its immediate working capital requirements.

Shareholders should be aware that the funds raised from the Placings, together with the Group's existing working capital, will not be sufficient to allow the Group to fully execute on its business plan for both the Oxonica Nanomaterials and the Oxonica Diagnostics businesses. As such, the Group is exploring additional financing options including debt financing. It is also exploring the options available for funding the Oxonica Diagnostics business in the medium term, which could include strategic partnering, joint venturing or separate equity funding.

The Directors believe that the combination of the proceeds of the Placings and the Group's existing working capital should allow the Group's Nanomaterials business to move towards profitability and break-even on a cash flow basis and enable the Group to invest certain additional funds in the development of the Oxonica Diagnostics business. However, this statement is based on a number of assumptions, including conversion of new business development into sales, which may not materialise or be achieved. There can be no guarantee that the Group will achieve a position of break-even on a cash flow basis. Neither the above statement, nor any other statement in this Circular is intended as, or should be taken as, a profit forecast.

Taking into account the net proceeds of the Placings, and the Group's average monthly cash burn, the Group's cash balances will be approximately £4.5 million on receipt of the net proceeds. Based on the average monthly cash burn of £500,000, this would provide 9 months of working capital. This statement does not take into account any additional funds raised from a potential debt financing, which the Group is currently exploring and which, if obtained, would increase the Group's working capital.

Taxation

In a letter dated 12 October 2007, HM Revenue and Customs ("HMRC") confirmed that the Company should be regarded as a qualifying company both under the provisions of Chapter 4, Part 6 of the Income Tax Act 2007 ("ITA") and under the provisions of Chapter 4, Part 5 ITA. Accordingly, HMRC should regard the Company as a qualifying company for the purposes of Venture Capital Trusts and under the Enterprise Investment Scheme. The Company has also received confirmation that the First Tranche Placing Shares to be issued under the First Tranche Placing will be regarded as satisfying the share requirement for Enterprise Investment Scheme purposes and are eligible shares for the purposes of the Venture Capital Trust scheme. The Company is unable to guarantee that the Company will remain a qualifying company in the future. The main ways in which the Company might cease to be a qualifying company are (i) if it were to become the subsidiary of another company, (ii) if it were to fail to use the proceeds of the Placings for a qualifying business activity within the relevant time limits, or (iii) if the Company were to undertake any of the non-qualifying activities mentioned in section 192 ITA.

Placees should note that eligibility is also dependent on a Shareholder's own position and not just that of the Company. Accordingly, investors should seek advice from their own independent professional advisers on their own eligibility.

Interim Results Announcement

Set out in Part II of this document is the interim results announcement, made by the Company, for the 6 months ended 30 June 2007.

Placing Arrangements

The Company is proposing to raise approximately £4.2 million (before expenses) by way of conditional placings by the Company in two tranches of a total of 20,071,426 new Ordinary Shares at 21 pence per share with certain investors and existing Shareholders, (or their associated investment vehicles), on a non pre-emptive basis, in order to avoid the significant costs to the Company which would arise were the Company to make an open offer or rights issue to all Shareholders to subscribe for the New Ordinary Shares. The Placing Shares (if subscribed for in full) will, on issue, represent approximately 30.7 per cent. of the Enlarged Share Capital.

The Company has today entered into the Introduction Agreement with Panmure Gordon. Under the terms of the Introduction Agreement Panmure Gordon has agreed, conditional *inter alia* upon the passing of the Resolution and upon Admission (in relation to the First Tranche Placing Shares) taking place before 8.00 a.m. on 20 December 2007 (or such later time and date as the Company and Panmure Gordon may agree not being later than 21 January 2008) to assist the Company with the Admission of the First Tranche Placing Shares. Panmure Gordon's obligation to assist the Company with the Admission relating to the Second Tranche Placing is conditional on the Admission of the First Tranche Placing Shares becoming effective. The Placings are conditional on the Introduction Agreement not having been terminated in accordance with its terms.

The Introduction Agreement contains warranties and indemnities given by the Company in favour of Panmure Gordon, in relation to the accuracy of the information contained in the documents issued in connection with the Placings and other matters relating to the Company and its business, together with provisions which enable Panmure Gordon to terminate the Introduction Agreement in certain circumstances prior to Admission including where the warranties are found to be untrue or inaccurate and in certain circumstances of force majeure.

The Company is to pay all costs, charges and expenses of or incidental to the Placings.

Application will be made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM. It is expected that, conditional upon the passing of the Resolution at the EGM and on the Introduction Agreement otherwise becoming wholly unconditional and not being terminated in accordance with its terms, dealings in the First Tranche Placing Shares will commence on 20 December 2007 and that dealings in the Second Tranche Placing Shares will commence on 21 December 2007. The New Ordinary Shares will, when issued, rank *pari passu* with the Existing Ordinary Shares and will rank in full for dividends and other distributions declared, made or paid on or after Admission in respect of the ordinary share capital of the Company. Immediately upon Admission, Oxonica will have 65,450,496 Ordinary Shares in issue.

Reasons to dis-apply pre-emption rights

The Directors (other than Richard Farleigh) have considered the most appropriate method to conduct the fundraising of approximately £4.0 million (net of expenses). This included consideration of a placing and open offer or rights issue. The time and costs associated with a pre-emptive offer resulting from the introduction of the EU Prospectus Rules (which came into force in July 2005) are considered by the Directors to be excessive. The making of a pre-emptive offer would require the production of a prospectus which would have to comply with the Prospectus Rules and be pre-vetted and approved by the FSA. After careful consideration the Directors (other than Richard Farleigh) concluded that the benefit of minimising the costs of the fundraising by way of a non pre-emptive cash placing would be in Shareholders' best interests.

The Company does not currently have in place sufficient existing authorities to enable the allotment of equity securities for cash on a non pre-emptive basis sufficient for the purposes of the Placings. Accordingly, the Board (other than Richard Farleigh) is seeking Shareholders' approval (pursuant to paragraph (a) of the Resolution) to dis-apply pre-emption rights at the EGM to the extent required to facilitate the Placings.

In addition, the Resolution will, if passed, enable the Company in the event of a rights issue or open offer to meet certain practical requirements which may arise in connection with fractional entitlements or in respect of overseas shareholders as a result of local laws and which prevent shares from being issued strictly *pro rata*.

Additionally, the Resolution also empowers the Directors to allot Ordinary Shares for cash up to an aggregate nominal value of £65,450 (being ten per cent. of the Enlarged Share Capital) without first offering those shares to existing Shareholders.

This will allow the Directors to allot the Placing Shares but will also give the Directors a degree of flexibility to allot further Ordinary Shares in circumstances which they deem appropriate. These powers will supersede any previous authorities and powers given to the Directors and shall expire at the conclusion of the next Annual General Meeting of the Company, at which time, if necessary, the Company will seek renewal of such authorities.

Related party transactions

Richard Farleigh

Richard Farleigh, the Company's Non-Executive Chairman, is classed as a substantial shareholder under the AIM Rules for Companies by virtue of his beneficial interest in 15.49 per cent. of the Company's current issued share capital. As a related party under the AIM Rules for Companies, Mr. Farleigh has not taken part in the Board's deliberations to proceed with the Placings.

Richard Farleigh has undertaken to subscribe or to procure the subscription by an associated investment vehicle to be nominated by him for 6,190,476 of the New Ordinary Shares in the Placings at the Placing Price (equating to an investment of £1.3 million) which, immediately upon the Placings becoming unconditional, would result in him being interested in 13,218,995 Ordinary Shares (representing 20.20 per cent. of the Enlarged Share Capital). Accordingly, the Directors (other than Mr. Farleigh), having consulted with Panmure Gordon (in its capacity as the Company's nominated adviser under the AIM Rules), confirm that they are satisfied that the terms of Richard Farleigh's (or his associated investment vehicle's) participation in the Placings are fair and reasonable insofar as the Shareholders are concerned.

Foresight VCT plc

Foresight VCT plc is classed as a substantial shareholder and a related party under the AIM Rules for Companies by virtue of its beneficial interest in 12.52 per cent. of the Company's current issued share capital.

Foresight 2 VCT plc

Foresight 2 VCT plc is classed as a related party under the AIM Rules for Companies by virtue of its relationship with Foresight VCT plc and Foresight Group, the investment adviser to the Foresight VCT Companies. Foresight 2 VCT plc has a beneficial interest in 2.30 per cent of the Company's current issued share capital.

The Income & Growth VCT plc (formerly TriVest VCT plc)

The Income & Growth VCT plc is classed as a substantial shareholder and a related party under the AIM Rules for Companies by virtue of its beneficial interest in 11.27 per cent. of the Company's current issued share capital. Christopher Moore, an ex-Director and Chairman of the Company, is a board member of The Income & Growth VCT plc.

Foresight VCT plc, Foresight 2 VCT plc and The Income & Growth VCT plc have together undertaken to subscribe for 4,761,904 of the New Ordinary Shares in the Placings at the Placing Price (equating to an investment of £1.0 million) which, immediately upon the Placings becoming unconditional, would

result in it being interested in 16,604,678 Ordinary Shares (representing 25.37 per cent. of the Enlarged Share Capital). Foresight Group, manager of the Foresight funds, has been granted observer status at Board meetings and David Hughes is its nominated representative.

Accordingly, the Directors, having consulted with Panmure Gordon (in its capacity as the Company's nominated adviser under the AIM Rules), confirm that they are satisfied that the terms of Foresight VCT plc, Foresight 2 VCT plc and The Income & Growth VCT plc's participation in the Placings are fair and reasonable insofar as the Shareholders are concerned.

Current Trading and Outlook

The Company announced its interim results for the 6 months ended 30 June 2007 on 28 September 2007. These are reproduced in Part II of this document. Included within the interim results is a section entitled "Future outlook" which provides a summary of current trading and outlook since 30 June 2007.

Undertakings

Oxonica has received irrevocable undertakings to vote in favour of the Resolution from the Directors holding in aggregate 7,180,834 Ordinary Shares representing 15.82 per cent. of the Existing Ordinary Shares. In addition, certain Shareholders holding in aggregate 26,866,643 Ordinary Shares, representing 59.20 per cent. of the Existing Ordinary Shares have irrevocably undertaken to vote their Ordinary Shares in favour of the Resolution.

Accordingly, the Company is in receipt of irrevocable undertakings to vote in favour of the Resolution in respect of 34,047,477 Ordinary Shares representing in aggregate 75.03 per cent. of the Existing Ordinary Shares.

Extraordinary General Meeting

Set out at the end of this document you will find a notice convening an Extraordinary General Meeting of the Company to be held at the offices of the Company, 7 Begbroke Science Park, Sandy Lane, Yarnton, Kidlington, Oxfordshire OX5 1PF at 10.00 a.m. on 19 December 2007. A Form of Proxy to be used by Shareholders in connection with the Extraordinary General Meeting is enclosed. At this meeting the Resolution will be proposed as a special resolution to disapply statutory pre-emption rights in respect of the allotment of the Placing Shares for cash.

In addition, the Resolution would, if passed, enable the Company in the event of a rights issue or open offer to meet certain practical requirements which may arise in connection with fractional entitlements or in respect of overseas shareholders as a result of local laws which prevent shares from being issued strictly *pro rata*.

Additionally, the Resolution would empower the Directors to allot Ordinary Shares for cash up to an aggregate nominal value of £65,450 (being ten per cent. of the Enlarged Share Capital) without first offering those shares to existing Shareholders. This would allow the Directors to allot the Placing Shares and would also give the Directors a degree of flexibility to allot further Ordinary Shares in circumstances which they deem appropriate.

These authorities would expire at the conclusion of the next Annual General Meeting of the Company, at which time, if necessary, the Company will seek renewal of such authorities.

Action to be taken

Shareholders will find enclosed a Form of Proxy for use at the Extraordinary General Meeting. Whether or not you propose to attend the Extraordinary General Meeting in person, it is important that you complete and sign the enclosed Form of Proxy in accordance with the instructions printed on it and return it to the Company's registrars, Computershare Investor Services, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 3FA, as soon as possible and in any event so as to arrive no later than 10.00 a.m. on 17 December 2007. Completion and return of the Form of Proxy will not preclude you from attending and voting at the Extraordinary General Meeting, should you wish to do so.

Additional Information

Your attention is drawn to the additional information in Parts II and III of this document.

Recommendation

The Directors of Oxonica consider the terms of the Placings to be in the best interests of the Company and its shareholders as a whole. Accordingly, the Directors of the Company unanimously recommend Shareholders to vote in favour of the Resolution to be proposed at the Extraordinary General Meeting, as they intend to do in respect of their own beneficial holdings of Ordinary Shares amounting, in aggregate, to 7,180,834 Ordinary Shares, representing approximately 15.82 per cent. of the Existing Ordinary Shares.

In the event that Shareholders do not approve the Resolution and the Placings do not proceed, the Board will need to consider alternative sources of funding, which may or may not be forthcoming.

Yours sincerely,

Richard Farleigh
Chairman

PART II

INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

OXONICA PLC

The following is the full text of the unaudited interim results of the Group for the six months ended 30 June 2007, which were announced on 28 September 2007:

“Oxonica plc, a leading international nanomaterials group, today announces interim results for the six months ended 30 June 2007.

Highlights

- Revenue rose 142 per cent. to £3.1m (1H06: £1.3m)
- Gross profit increased by 59 per cent. to £1.2m (1H06: £0.8m)
- Operating loss was £3.2m (1H06: £2.9m)
- Oxonica Energy impacted by loss of Petrol Ofisi contract in Turkey following inconclusive trial results. Actions taken to successfully resolve contractual issues, reduce costs and rebuild product trial programme
- Optisol™ sales more than doubled to £265,000 (1H06: £108,000) and now incorporated into 27 formulations, by 14 customers in 9 countries
- Oxonica Security booked purchase orders totaling US\$1.2m for a number of development products as part of a project with one of its existing customers. Further purchase orders worth US\$525,000 in 2008 are contingent on achievement of technical milestones
- Oxonica Diagnostics secures follow-on research agreement with BD
- Oxonica is in advanced discussions regarding an equity fundraising.

Commenting on today’s announcement, Dr Kevin Matthews, Chief Executive, said:

“Despite the setback with Petrol Ofisi in the Energy business, Oxonica is continuing to make good progress and the strong sales performance from Optisol™ in the first half year is particularly encouraging. Development of the Group’s diagnostics technology is proceeding rapidly as Oxonica further develops its relationship with BD as well as carrying out evaluations with a number of other global diagnostics companies. The Board continues to see very considerable potential for this business.”

For further information, please contact:

Oxonica plc

Kevin Matthews, Chief Executive Officer
Richard Clarke, Chief Financial Officer

Tel. 01865 856 700

The Broadcast PR Business

Matthew Locke

Tel. 020 7812 6624

Notes to Editors

About Oxonica plc – www.oxonica.com

Oxonica (AIM: OXN.L) is a leading international nanomaterials group with advanced products already launched into global markets and is listed in London on AIM. Oxonica's mission is to develop innovative products for international markets using its expertise in the design and application of nanomaterials. Products already launched or under development offer substantial benefits to the energy, healthcare, materials and security markets.

The Group is currently restructuring into two operating divisions: Oxonica Diagnostics and Oxonica Nanomaterials. Oxonica Diagnostics is developing transformational detection technologies which will enable a new generation of ultrasensitive multiplex diagnostic tools for the clinical diagnostics and life science markets. Oxonica Nanomaterials has already launched products into international markets. Lead products include:

- Envirox™ Fuel Borne Nanocatalyst – a nanocatalyst improving fuel economy and reducing emissions
- Optisol™ UV Absorber – a revolutionary photostable UV protection system designed to optimise the performance of quality sunscreens and anti-premature aging products

In addition, Oxonica Nanomaterials is developing other UV absorber technologies for polymer systems and coatings and is also developing covert security product solutions.

CHAIRMAN'S REVIEW

Introduction

Apart from the loss of the major contract in the Energy business, the Group's products continued to make good progress in the first half of 2007. Optisol™ in particular performed well, more than doubling sales compared to the previous year, and in June, Oxonica's security business booked a series of purchase orders, deliverable in the second half of the year, which represent a major step forward in the commercialisation of Oxonica's security technology.

The Energy business started the year well, but the inconclusive result from a track trial resulted in the loss of its contract for Envirox™ with Petrol Ofisi, the leading national oil company in Turkey. Unfortunately, the materiality of this contract to the Group and the initial uncertainties associated with the contract termination meant that the Board had no option but to suspend the Company's shares from trading on 27 April 2007 until the position with Petrol Ofisi could be clarified. Having resolved the position and taken steps to reduce costs, Oxonica's share suspension was lifted on 5 June 2007. However, the impact of the loss of this major contract necessitated a detailed strategic review of the business by the Board and has resulted in the Company needing to raise additional equity funds.

Oxonica is in advanced discussions regarding an equity fundraising to meet ongoing working capital requirements and will update shareholders on progress in due course.

Results

In the six months ended 30 June 2007 revenue was £3.1 million (2006: £1.3 million), an increase of 142 per cent. compared with the same period last year. However, £2.1 million of this (2006: £0.3 million) consisted of sales of Envirox™ to Petrol Ofisi under the contract which was terminated on 22 May 2007. Excluding these sales, revenues for Envirox™ were slightly lower than in the prior year, mainly due to the loss of the Stagecoach London depots following the sale of their London operations, which marginally offset new sales into Italy and Germany. Optisol™ sales rose by 145 per cent. to £265,000 (2006: £108,000) with increased sales to Boots as the use of Optisol™ was further extended across their Soltan™ range and also higher sales into the important Korean market. Sales at Oxonica Inc were 30 per cent. higher than in the prior year, partly due to the fact that the prior year figures were for only five months. Revenue does not include grant income received or the contract termination settlement with Petrol Ofisi which are included under Other Operating Income of £852,000 (2006: £252,000).

The gross margin reduced from 60 per cent. to 39 per cent. mainly due to the impact of the inventory write-down associated with the cancellation of the Petrol Ofisi contract. Development, sales and marketing and administration costs increased by 35 per cent. to £5.2 million (2006: £3.9 million) partly as a result of increased investment in the diagnostics business in the US and partly due to the costs associated with the termination of the Petrol Ofisi contract. The operating loss increased by 11 per cent. to £3.2 million (2006: £2.9 million). The cash outflow before financing was up 56 per cent. at £4.2 million (2006: £2.7 million) of which £1.8 million resulted from adverse working capital movements mainly associated with the termination of the Petrol Ofisi contract. Cash balances, including short term deposits, at the end of the period were £2.5 million (2006: £2.8 million).

Business overview

The Board is restructuring the Group into two separate divisions, Oxonica Nanomaterials and Oxonica Diagnostics. The Nanomaterials division will comprise the Energy, Materials and Security businesses (including Optisol™ UV absorber) and the Diagnostics division will consist of the Group's activities in the detection of diseases and biological markers for clinical, veterinary, food and bioterrorism markets. This reorganisation recognises the differences between supplying nanomaterials for a variety of uses and developing a biodiagnostics business where nanomaterials are typically integrated into a full diagnostic system.

Oxonica Nanomaterials

Energy: The Energy business comprises the Envirox™ Fuel Borne Nanocatalyst with demonstrated improvements in fuel economy and reduced emissions for diesel vehicles.

Having entered into an agreement in August 2006 to supply Envirox™ to Petrol Ofisi A.S. for incorporation into their high sulphur diesel throughout the nationwide distribution network in Turkey, it was very disappointing to lose this business in the first half of 2007 following an inconclusive trial result. Regrettably, the statistical variability in the fuel usage data from the track trial in Turkey increased during the course of the trial to the point that it was impossible to make a definitive statement as to the effect of Envirox™ on fuel economy. Notwithstanding the setback with Petrol Ofisi, Oxonica Energy continues to supply Envirox™ to existing customers in the UK, Germany, Italy and New Zealand with Stagecoach being the largest single customer. A number of new trials are ongoing both in the UK and overseas in bus and truck fleets with blue-chip potential customers to further build the credibility of the product and facilitate the sales cycle. Stagecoach, the largest customer for Envirox™, is currently conducting a further trial to affirm the effectiveness of Envirox™ in its fleet, as envisaged at the time of the original agreement with Oxonica. The trial is expected to be finalised by the end of 2007.

With regard to the patent dispute with Neuftec, as announced on 12 July 2007, Neuftec has confirmed that its granted European patent does not cover the Envirox™ formulation currently sold by Oxonica. The remaining issue relates to whether or not royalties are payable on the current formulation up to the date of termination of the licence by Neuftec on 26 February 2007. While Oxonica has been advised that its prospects of success are good, a provision has nevertheless been established to offset any additional royalties which may ultimately be payable. Legal costs are being expensed as incurred and the Neuftec licence, which was being carried in the balance sheet as an intangible fixed asset at a value of £135,000, has been written-off.

Oxonica has continued to pursue its submission for US EPA registration in order to be able to sell Envirox™ into the USA for on-road use. The EPA has now confirmed that Envirox™ has met all the requirements for Tier 1 approval. However, EPA has requested that certain additional information is provided before they consider whether or not to grant Tier 1 approval and this may require further testing to be carried out.

Materials: Oxonica Materials comprises the Optisol™ and Solacor™ UV absorbers – advanced photostable UV protection materials for personal care and industrial applications. Optisol™, which improves the performance of sunscreens and anti-ageing products, was launched successfully in Boots' Soltan facial sun defence cream in 2005 and extended into the Soltan Once range in 2006. Optisol™ performed strongly in the first half of 2007 with sales significantly ahead of plan and considerably higher than the previous year. The product is now being used in 27 formulations, by 14 customers in 9 countries. In April 2007, Croda, Oxonica's principal distribution partner for Optisol™, launched a pre-dispersed form of the product designed to help customers incorporate Optisol™ into their personal care formulations quicker and more effectively. This important development should shorten customers' lead times and accelerate sales growth.

Development of Solacor™ for the industrial markets of coatings and plastics has been mainly focused on securing application data to validate that the material acts to protect substrates from degradation by sunlight which typically affects colour, mechanical strength and performance. The product is currently in long term evaluation programmes with a number of blue-chip industrial partners and progress is being made in securing a manufacturing partner to allow Oxonica to address this market.

Security: Subsequent to the acquisition of Nanoplex in February 2006, Oxonica established Oxonica Security in order to pursue a number of commercial applications for nanotechnology based marker systems for anti-counterfeiting and brand protection. The market for this anti-counterfeiting technology comprises applications in high value documents, tax stamps, pharmaceuticals, fuel and luxury goods. In June 2007, Oxonica secured a series of purchase orders totaling US\$1.16 million for a number of development products to be delivered over the following nine months as part of a project with one of its existing customers. In addition, further purchase orders worth US\$525k are contingent on the achievement of intermediate technical milestones. These orders represent significant progress in moving Oxonica's security technology towards product development on a commercial scale and the Group is evaluating the strategic options for the further development of this business.

Oxonica Diagnostics:

The Diagnostics business, which consists of the Group's activities in the detection of diseases and biological markers for clinical, veterinary, food and bioterrorism markets, is progressing rapidly both technically and commercially with promising potential to enable significant advances in point of care diagnostics. Oxonica continues to develop its relationship with BD and the two companies signed a follow-on research agreement shortly after the half-year end. Oxonica has also commenced evaluations with a number of other global diagnostics companies. In order to exploit the potential for this business and develop the necessary infrastructure to support customer development activities the Diagnostics business is likely to require substantial investment over the next few years. The Group is therefore evaluating alternative options for financing this business including strategic partnering, joint venturing or separate equity funding.

Board

As announced on 19 July 2007, immediately following the AGM I joined the Board as Deputy Chairman and have since been focused on leading Oxonica's fundraising efforts. Christopher Moore indicated at the AGM that he intended to step down from the Board following an orderly handover of the Chairmanship and he left the Board on 27 September 2007. Bob Pettigrew and Charles Eld also stepped down from the Board on this date. On behalf of the Board, I would like to thank Christopher, Bob and Charles for their valuable contribution to Oxonica, in particular during the capital restructuring, placing and admission to trading on AIM and the subsequent acquisition and integration of Nanoplex Technologies Inc. Following Christopher's departure, I have now taken over as Chairman of the Board.

Also on 19 July 2007, Foresight Venture Partners, the Investment Adviser to the Foresight Funds and TriVest, together the largest combined shareholder group in Oxonica, was granted observer status at Board meetings. David Hughes, a Foresight partner with over 30 years of venture capital and corporate finance experience with smaller listed companies, has been attending Board meetings as the nominated representative.

Management and staff

The first half of 2007 has been a challenging period for the management and staff, particularly as we lost 10 employees through redundancy as part of the cost reduction exercise following the termination of the Petrol Ofisi contract. At 30 June, after the redundancies, the Group had 51 employees of which 29 (57 per cent.) were based in California. On behalf of the Board, I would like to express our sincere appreciation to all our employees for their sustained efforts and continued support.

Future outlook

As a result of the termination of the contract with Petrol Ofisi, the Group's sales revenues for the full year to December 2007 will be substantially lower than the previous year. However, a pipeline of new customer opportunities for Envirox™ has been re-established and sales of Optisol™ continue to gather momentum. In addition, the development of the diagnostics platform continues to be very encouraging and exciting opportunities are emerging for the security technology as well as for Solacor™ in a range of industrial applications including plastics, polymers and coatings. Cash balances as at 27 September 2007 were £1.5 million.

Despite the setback with Petrol Ofisi in the Energy business, the Board continues to see very considerable potential for Oxonica.

Richard Farleigh

Chairman

INDEPENDENT REVIEW REPORT TO OXONICA PLC

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2007 which comprises the Consolidated income statement, Consolidated statement of recognised income and expense, Consolidated balance sheet, Consolidated cash flow statement and the related explanatory notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the AIM Rules which require that the interim report must be presented and prepared in a form consistent with that which will be adopted in the group's annual financial statements having regard to the accounting standards applicable to such annual financial statements.

As disclosed in note 1 to the financial information, the next annual financial statements of the group will be prepared in accordance with IFRSs as adopted by the European Union.

The accounting policies that have been adopted in preparing the financial information are consistent with those that the directors currently intend to use in the next annual financial statements. There is, however, a possibility that the directors may determine that some changes to these policies are necessary when preparing the full annual financial statements for the first time in accordance with IFRSs as adopted by the European Union.

Review work performed

We conducted our review having regard to the guidance contained in Bulletin 1999/4: *Review of interim financial information* issued by the Auditing Practices Board for use in the UK. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2007.

Emphasis of matter – Going concern

In forming our conclusion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the group's ability to continue as a going concern. The group incurred a net loss of £3,080,000 during the six month period ended 30 June 2007 and, at that date, the group's cash resources amounted to £2,529,000, which is insufficient to meet expected working capital requirements for a period of 12 months from the date of approval of these financial statements. The directors are currently in negotiations with potential fund providers and consider that the Group will be successful in raising additional debt and equity funding. Nevertheless, the conditions noted above, along with the other matters explained in note 2 to the

financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group were unable to continue as a going concern.

KPMG Audit Plc

Chartered Accountants

Arlington Business Park

Theale

Reading

RG7 4SD

Consolidated income statement
For the period ended 30 June 2007

	<i>Six months to 30 June 2007</i>	<i>Six months to 30 June 2006</i>	<i>Year to 31 December 2006</i>
	<i>Unaudited £'000</i>	<i>Unaudited £'000</i>	<i>Unaudited £'000</i>
Revenue	3,101	1,280	10,229
Cost of sales	(1,883)	(510)	(4,304)
Gross profit	1,218	770	5,925
Other operating income	852	252	377
Research and development	(1,036)	(626)	(2,384)
Sales and marketing and administration expenses	(4,082)	(3,275)	(6,559)
Write-off of intangible asset	(135)	—	—
Operating loss	(3,183)	(2,879)	(2,641)
Financial income	122	72	169
Financial expenses	(18)	(27)	(54)
Loss before tax	(3,079)	(2,834)	(2,526)
Income tax (expense)/credit	(1)	(9)	114
Loss for the period attributable to equity holders of the parent	(3,080)	(2,843)	(2,412)
Basic and diluted loss per share	(6.82)p	(6.94)p	(5.77)p

Consolidated statement of recognised income and expense
For the period ended 30 June 2007

	<i>Six months to 30 June 2007</i>	<i>Six months to 30 June 2006</i>	<i>Year to 31 December 2006</i>
	<i>Unaudited £'000</i>	<i>Unaudited £'000</i>	<i>Unaudited £'000</i>
Loss for the period	(3,080)	(2,843)	(2,412)
Exchange differences on translation of foreign operations	(2)	(214)	71
Total recognised income and expense for the period attributable to equity shareholders	(3,082)	(3,057)	(2,945)

Consolidated balance sheet

As at 30 June 2007

	<i>30 June 2007 Unaudited £'000</i>	<i>30 June 2006 Unaudited £'000</i>	<i>31 December 2006 Unaudited £'000</i>
Assets			
Non-current assets			
Intangible assets	13,254	13,432	13,498
Property, plant and equipment	664	783	731
Total non-current assets	<u>13,918</u>	<u>14,215</u>	<u>14,229</u>
Current assets			
Inventories	311	417	477
Trade and other receivables	1,955	920	852
Cash and cash equivalents	2,529	2,756	6,836
Total current assets	<u>4,795</u>	<u>4,093</u>	<u>8,165</u>
TOTAL ASSETS	<u><u>18,713</u></u>	<u><u>18,308</u></u>	<u><u>22,394</u></u>
Equity			
Issued share capital	453	418	428
Share premium	22,522	17,888	18,971
Shares to be issued	—	4,225	4,225
Other reserves	9,953	9,953	9,953
Retained earnings	(17,033)	(15,882)	(14,927)
Total equity attributable to the shareholders of the parent	<u><u>15,895</u></u>	<u><u>16,602</u></u>	<u><u>18,650</u></u>
Liabilities			
Current liabilities			
Interest bearing loans and borrowings	164	173	166
Trade and other payables	2,489	1,111	3,331
Total current liabilities	<u>2,653</u>	<u>1,284</u>	<u>3,497</u>
Non-current liabilities			
Interest-bearing loans and borrowings	165	422	247
Total non-current liabilities	<u>165</u>	<u>422</u>	<u>247</u>
Total liabilities	<u>2,818</u>	<u>1,706</u>	<u>3,744</u>
TOTAL EQUITY AND LIABILITIES	<u><u>18,713</u></u>	<u><u>18,308</u></u>	<u><u>22,394</u></u>

Consolidated cash flow statement

For the period ended 30 June 2007

	<i>Six months to 30 June 2007 Unaudited £'000</i>	<i>Six months to 30 June 2006 Unaudited £'000</i>	<i>Year to 31 December 2006 Unaudited £'000</i>
Cash flows from operating activities			
Net loss	(3,183)	(2,879)	(2,641)
Depreciation and other amortisation	274	233	557
Equity settled transactions	260	114	353
	<u>(2,649)</u>	<u>(2,532)</u>	<u>(1,731)</u>
Operating cash flow before changes in working capital, interest and taxes			
Decrease/(increase) in inventories	167	(5)	(66)
(Increase)/decrease in trade and other receivables	(1,159)	301	462
(Decrease)/increase in trade and other payables	(761)	(305)	1,952
	<u>(4,402)</u>	<u>(2,541)</u>	<u>617</u>
Cash generated from operations			
Interest received	122	72	169
Interest paid	(18)	(27)	(54)
Income tax received/(paid)	30	(9)	(5)
	<u>(4,268)</u>	<u>(2,505)</u>	<u>727</u>
Operating cash flow			
Cash flows from investing activities			
Capital expenditure	(111)	(145)	(318)
Acquisition of subsidiaries net of cash acquired	—	(66)	(66)
Loss on disposal of intangible asset	147	—	—
	<u>36</u>	<u>(211)</u>	<u>(384)</u>
Net cash used in investing activities			
Free cash flow	<u>(4,232)</u>	<u>(2,716)</u>	<u>343</u>
Cash flows from financing activities			
Proceeds from the issue of share capital	64	—	1,117
New bank loans	—	514	514
Repayment of bank loans	(137)	(97)	(282)
	<u>(73)</u>	<u>417</u>	<u>1,349</u>
Net cash used in financing activities			
Net (decrease)/increase in cash and cash equivalents	<u>(4,305)</u>	<u>(2,299)</u>	<u>1,692</u>
Cash and cash equivalents at the beginning of the year	6,836	5,066	5,066
Effect of exchange rates on cash	(2)	(11)	78
	<u>2,529</u>	<u>2,756</u>	<u>6,836</u>
Cash and cash equivalents at the end of the year			

1. Statement of compliance

The AIM Rules require that the next annual consolidated financial statements of the company, for the year ending 31 December 2007, be prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU (“adopted IFRSs”).

This interim financial information has been prepared on the basis of the recognition and measurement requirements of IFRSs in issue that either are endorsed by the EU and effective (or available for early adoption) at 31 December 2007 or are expected to be endorsed and effective (or available for early adoption) at 31 December 2007, the Group’s first annual reporting date at which it is required to use adopted IFRSs. Based on these adopted and unadopted IFRSs, the directors have made assumptions about the accounting policies expected to be applied, which are as set out on the Group’s website at www.oxonica.com, when the first annual IFRS financial statements are prepared for the year ending 31 December 2007.

In addition, the adopted IFRSs that will be effective (or available for early adoption) in the annual financial statements for the year ending 31 December 2007 are still subject to change and to additional interpretations and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period will be determined finally only when the annual financial statements are prepared for the year ending 31 December 2007.

2. Going concern

The interim financial statements are prepared on a going concern basis which the directors believe continues to be appropriate. The Group meets its day to day working capital requirements through existing cash resources which currently amount to £1.5 million. The directors have prepared projected cash flow information for the period ending twelve months from the date of their approval of these financial statements. On the basis of this cash flow information and discussions with potential fund providers, the directors consider that the Group will be successful in raising sufficient additional funding. However, the directors recognise that there can be no certainty in relation to these matters, which may cast significant doubt on the Group’s ability to continue as a going concern. The Company may, therefore, be unable to continue realising its assets and discharging its liabilities in the normal course of business but the interim financial statements do not include any adjustments that would result if the Group were unable to continue as a going concern.

3. Basis of preparation of consolidated interim financial statements

Oxonica plc is a company domiciled in the UK. The consolidated interim financial statements as at, and for, the six months ended 30 June 2007 comprise the Company and its subsidiaries.

The interim financial statements comprise the consolidated balance sheets as at 30 June 2007 and 30 June 2006, consolidated income statement, consolidated statement of recognised income and expense, consolidated cash flow statement and related notes for the six months then ended of Oxonica plc (the “Company”).

The financial information contained in this interim report does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The interim financial information is unaudited. The comparative figures for the financial year ended 31 December 2006 are not the Company’s statutory accounts for that financial year. Those accounts, which were prepared under UK GAAP, have been reported on by the Company’s auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

The interim financial information has been prepared on the basis of the recognition and measurement requirements of those adopted IFRS as at 31 December 2007 that are effective (or available for early adoption) at 31 December 2007, the Groups first annual reporting date at which it is required to use adopted IFRS. Based on these adopted IFRS, the directors have made assumptions about the accounting policies expected to be applied, when the first annual IFRS financial statements are prepared for the year ending 31 December 2007.

The interim report for the six months ended 30 June 2007 was approved by the Board on 27 September 2007.

Copies of this statement are being posted to shareholders and will also be available on the investor relations page of the Group's website (www.oxonica.com). Further copies are available from the Company Secretary at 7 Begbroke Science Park, Sandy Lane, Yarnton, Kidlington, Oxfordshire OX5 1PF.

4. Accounting policies

The preparation of the condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Estimates and judgements are continually reviewed and are based on historical experience and other factors, and expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The Group's principal accounting policies, the significant judgements made by management in applying these policies and the key sources of uncertainty are as follows:

- ***Revenue and revenue recognition***

Revenue represents the total amount receivable by the Group for goods and services provided, excluding value added tax. Revenue from product sales is recognised when substantially all the risks and rewards have been transferred to the customer. Revenue from funded development contracts is recognised on a percentage of completion basis.

- ***Research and development expenditure***

Development expenditure on new products is capitalised only once the criteria specified under IAS 38, Intangible Assets have been met. Prior to and during the period ended on 30 June 2007, no development expenditure satisfied the necessary conditions of IAS 38.

- ***Non-current assets***

Intangible assets (excluding goodwill) and property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is provided at rates calculated to write down the cost of assets to their residual values over their estimated useful lives. The value of the assets is reviewed for impairment if events or circumstances indicate the carrying values may not be recoverable.

- ***Goodwill***

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions is capitalised. Goodwill is not amortised, but is regularly reviewed for impairment. Determining whether goodwill is impaired requires an estimation of the value in use, which is calculated by estimating the future cashflow expected to arise from the cash-generating unit and discounted by a suitable discount rate in order to calculate the present value. No provision for impairment was made in the period.

- ***Inventories***

Inventories are stated at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. In determining the allowance to be made for obsolete and slow moving items, the Group makes assumptions as to future inventory usage based on forecast sales.

- ***Share based payments***

The Company operates share option and share incentive plans which allow employees to acquire shares in the Company. The fair value of options and conditional share awards granted is recognised as an employee expense with a corresponding increase in equity. In determining the fair value of share based payments and the related charge to the income statement, the Company makes assumptions regarding future events and market conditions. The fair value is calculated using an option pricing model, which is dependent on future estimates including the time within which the options will be exercised and the future volatility of the Company's share price. These assumptions

are based on publicly available information and reflect market expectations and the advice of qualified experts. Different assumptions regarding these factors could affect the reported value of share based payments. Development, sales and marketing and administration expenses includes a charge of £260,000 (2006: £114,000) in respect of share based payments to employees.

5. Summary segmental information

Primary

For management purposes the Group is currently organised into four different operating businesses.

Revenue

	30 June 2007 <i>Unaudited</i>	30 June 2006 <i>Unaudited</i>	31 December 2006 <i>Unaudited</i>
Energy	2,411	846	8,933
Diagnostics	94	2	329
Materials	264	108	175
Security	332	324	792
Group	—	—	—
Total	<u>3,101</u>	<u>1,280</u>	<u>10,229</u>

Profit/(loss) before tax

	30 June 2007 <i>Unaudited</i>	30 June 2006 <i>Unaudited</i>	31 December 2006 <i>Unaudited</i>
Energy	536	(102)	3,419
Diagnostics	(723)	(452)	(913)
Materials	(1,658)	(1,379)	(3,029)
Security	(542)	(269)	(519)
Group	(692)	(632)	(1,484)
Total	<u>(3,079)</u>	<u>(2,834)</u>	<u>(2,526)</u>

Net Assets

	30 June 2007 <i>Unaudited</i>	30 June 2006 <i>Unaudited</i>	31 December 2006 <i>Unaudited</i>
Energy	697	914	(818)
Diagnostics	204	454	199
Materials	(749)	(438)	(430)
Security	181	226	57
Group	15,562	15,446	19,642
Total	<u>15,895</u>	<u>16,602</u>	<u>18,650</u>

Secondary

The Group sales are managed into three regions.

Revenue by geographical destination

	30 June 2007 <i>Unaudited</i>	30 June 2006 <i>Unaudited</i>	31 December 2006 <i>Unaudited</i>
UK	968	560	1,628
Europe	1,255	306	11
USA	420	325	1,069
Rest of world	458	89	7,521
Total	<u>3,101</u>	<u>1,280</u>	<u>10,229</u>

Revenue by geographical origin

	30 June 2007 <i>Unaudited</i>	30 June 2006 <i>Unaudited</i>	31 December 2006 <i>Unaudited</i>
UK	2,681	955	9,160
Europe	—	—	—
USA	420	325	1,069
Rest of world	—	—	—
Total	<u>3,101</u>	<u>1,280</u>	<u>10,229</u>

6. Earnings per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during each period. Options over 4,864,780 ordinary shares (2006:4,657,349) are not included in the calculation of diluted loss per share as their effect is anti-dilutive.

	30 June 2007 <i>Unaudited</i> £'000	30 June 2006 <i>Unaudited</i> £'000	31 December 2006 <i>Unaudited</i> £'000
Basic and diluted loss for the period attributable to ordinary shareholders	(3,080)	(2,843)	(2,412)
	<i>No.</i>	<i>No.</i>	<i>No.</i>
Weighted average number of ordinary shares	45,176,067	40,991,624	41,773,796
Loss per share – basic and diluted	(6.82)p	(6.94)p	(5.77)p

7. Reconciliation of movements in equity

	<i>Share capital</i> £'000	<i>Share premium account</i> £'000	<i>Merger reserve</i> £'000	<i>Share to be issued</i> £'000	<i>Retained earnings</i> £'000	<i>Total</i> £'000
At 1 January 2007	428	18,971	9,953	4,225	(14,927)	18,650
Shares issued/to be issued in connection with acquisition of Nanoplex	21	3,490	—	(4,225)	714	—
Exchange rate adjustments	—	—	—	—	—	—
Share options – value of employee service	4	61	—	—	260	325
Retained loss for the period	—	—	—	—	(3,080)	(3,080)
At 30 June 2007	<u>453</u>	<u>22,522</u>	<u>9,953</u>	<u>—</u>	<u>(17,033)</u>	<u>15,895</u>

The gain of £714,000 arising on the settlement of the deferred consideration for Nanoplex results from the fact that the fixed number of shares to be issued were actually issued at a lower share price than the price ruling at the date the acquisition was completed.

8. Principal Exchange Rates

Average for the period

	30 June 2007 <i>Unaudited</i>	30 June 2006 <i>Unaudited</i>	31 December 2006 <i>Unaudited</i>
Euro	1.4810	1.4566	1.4664
United states dollar	1.9800	1.7844	1.8579

Period end

	<i>30 June 2007 Unaudited</i>	<i>30 June 2006 Unaudited</i>	<i>31 December 2006 Unaudited</i>
Euro	1.4705	1.4573	1.4831
United states dollar	1.9767	1.8680	1.9591

9. Payment of Deferred Consideration

On 8 February 2007, following the achievement of revenue milestones and there being no claims under the vendor's representations and warranties, deferred consideration consisting of a further 2,090,005 new ordinary shares was issued to the previous shareholders of Nanoplex Technologies, Inc.

10. Safe Harbour

Our interim statement contains certain statements, statistics and projections that are or may be forward-looking. The accuracy and completeness of all such statements, including, without limitation, statements regarding the future financial position, strategy, projected costs, plans and objectives for the management of future operations of the Company and its subsidiaries is not warranted or guaranteed. These statements typically contain words such as "intends", "expects", "anticipates", "estimates" and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Although the Company believes that the expectations reflected in such statements are reasonable, no assurance can be given that such expectations will prove to be correct. There are a number of factors, which may be beyond the control of the Company, which could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. Other than as required by applicable law or the applicable rules of any exchange on which our securities may be listed. The Company has no intention or obligation to update forward-looking statements contained herein.

PART III
GENERAL INFORMATION

1. Responsibility

The Directors, whose names appear on page 7 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Share Capital

The authorised and issued share capital of the Company at the date of this document is as follows:

	<i>Authorised</i>		<i>Issued</i>	
	<i>Number</i>	£	<i>Number</i>	£
Ordinary shares of 1 pence each	500,000,000	5,000,000	45,379,070	453,791

Immediately following the Placings on the basis that the Placings are fully subscribed, the authorised and issued share capital of the Company will be as follows:

	<i>Authorised</i>		<i>Issued</i>	
	<i>Number</i>	£	<i>Number</i>	£
Ordinary shares of 1 pence each	500,000,000	5,000,000	65,450,496	654,505

On Admission, the Placing Shares will rank *pari passu* in all respects with the Existing Ordinary Shares.

3. Directors' Interests

3.1 The interests of the Directors and their immediate families and of persons connected with the Directors in the Ordinary Shares, as at the date of this document and as they are expected to be immediately following completion of the Placings are as follows:

	<i>Pre Placings</i>		<i>Post Placings</i>	
	<i>Number of</i>	<i>Percentage of</i>	<i>Number of</i>	<i>Percentage of</i>
	<i>Ordinary</i>	<i>Ordinary</i>	<i>Ordinary</i>	<i>Ordinary</i>
	<i>Shares</i>	<i>Shares (%)</i>	<i>Shares</i>	<i>Shares (%)</i>
Richard Farleigh	7,028,519	15.49	13,218,995*	20.20
Kevin Matthews	46,968	0.09	46,968	0.07
Richard Clarke	7,636	0.02	31,446	0.05
Martin Hagen	6,000	0.01	148,857	0.23
Ed Weeks	—	0.00	—	—
Gordon Ringold	134,170	0.30	467,503	0.71

* Includes interest in 6,190,476 shares held by The Kyabram Trust

3.2 As at the date of this document, the interests of the Directors in options and awards over Ordinary Shares, all of which are capable of being exercised, are as follows:

<i>Name of Director</i>	<i>Name of Scheme</i>	<i>LTIP /SIP Awards Granted</i>	<i>Number of Shares under Option</i>	<i>Exercise price (£)</i>	<i>Expiry Date</i>
Richard Farleigh	n/a		Nil	n/a	n/a
Kevin Matthews	UK EMI Approved		223,896	£0.447	20.03.2015
Kevin Matthews	UK Non approved		1,161,128	£0.447	20.03.2015
Kevin Matthews	LTIP	141,923			
Kevin Matthews	SIP Free Shares	2,307			
Kevin Matthews	SIP Plus Shares	235			
Richard Clarke	UK EMI Approved		223,896	£0.447	20.03.2015
Richard Clarke	UK Non approved		350,968	£0.447	20.03.2015
Richard Clarke	LTIP	109,615			
Richard Clarke	SIP Free Shares	2,307			
Richard Clarke	SIP Plus Shares	235			
Martin Hagen	n/a		Nil	n/a	n/a
Ed Weeks	n/a		Nil	n/a	n/a
Gordon Ringold	n/a		Nil	n/a	n/a

3.3 The Company is aware of the following parties who, at the date of this document and following the Placings, directly or indirectly, jointly or severally, hold or will hold 3 per cent. or more of the Ordinary Share capital of the Company or exercise or could exercise control over the Company:

	<i>Pre Placings</i>		<i>Number of Ordinary Shares being subscribed for</i>	<i>Post Placings</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of Ordinary Shares</i>		<i>Number of Ordinary Shares</i>	<i>Percentage of Ordinary Shares(%)</i>
Richard Farleigh	7,028,519	15.49%	6,190,476	13,218,995*	20.20
BASF Venture Capital	5,865,711	12.93%	—	5,865,711	8.96
Foresight VCT plc	5,683,108	12.52%	2,051,252	7,734,360	11.82
Income & Growth VCT plc	5,115,947	11.27%	1,846,495	6,962,442	10.64
Alavita, Inc	4,254,326	9.38%	—	4,254,326	6.50
Stagecoach Bus Holdings Limited	2,035,485	4.48%	—	2,035,485	3.11

* Includes interest in 6,190,476 shares held by The Kyabram Trust, a discretionary family trust

4. Share Options

The Board believe that the award of share options is an important component of the incentive package for the executive management team. Consequently, it is envisaged that there will be an award of options under the current Post-Admission Scheme, with some minor modifications required for US employees. The awards will be linked to performance and will not exceed the scheme limits whereby the maximum number of shares over which options to subscribe may be granted when aggregated with shares issued under any other employee share scheme (excluding any options prior to Admission) in the preceding ten years may not exceed 10 per cent of the ordinary share capital in issue at the time.

5. Litigation

As has been previously announced by the Company, Oxonica Energy Limited (“Oxonica Energy”) has been in a patent dispute with Neuftec Limited since early January 2007 regarding the issue of whether royalty fees are payable on sales of the Envirox™ formulation currently sold by Oxonica Energy.

To obtain clarity on this issue, Oxonica Energy issued proceedings on 23 February 2007 for a declaration that such formulation does not infringe Neuftec's granted patent. As announced on 12 July 2007, Neuftec has now confirmed that it does not.

Accordingly, Oxonica Energy has now agreed to withdraw its claim for that declaration, on the bases of (i) that confirmation and (ii) that the costs relating to the claim for that declaration up to and including 11 June 2007 are to be borne equally by Oxonica Energy and Neuftec, while the costs of the correspondence relating to withdrawal of that claim after that date are reserved for determination at the end of the proceedings.

The remaining claims and counterclaims in the proceedings concern technical arguments as to whether (as argued by Neuftec) or not (as argued by Oxonica Energy) royalties are nevertheless payable up to 26 February 2007 (the date of termination of the licence deed) on the true construction of the relevant licence deed between Neuftec and Oxonica Energy. Oxonica Energy has been advised that its prospects of success are good, and that it is expected to prevail on its arguments at trial. It has been confirmed by the Court that a two day trial is expected to begin during the week commencing Monday 9 June 2008.

Except for the matter disclosed above no member of the Group has engaged in, or is currently engaged in, any legal or arbitration proceedings which have had or may have a significant effect on the financial position of the Group and, so far as the Directors are aware, there are no such proceedings pending or threatened against the Company or any member of the Group.

6. Significant Changes

Save as disclosed in this document, there has been no significant change in the financial or trading position of the Group since 30 June 2007, being the date of the last interim results of the Group.

22 November 2007

OXONICA PLC

(incorporated and regulated in England and Wales under number 5363273)

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of Oxonica plc (the “**Company**”) will be held at 10.00 a.m. on 19 December 2007 at the offices of the Company, 7 Begbroke Science Park, Sandy Lane, Yarnton, Kidlington, Oxfordshire OX5 1PF for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as a special resolution:

SPECIAL RESOLUTION

THAT, conditional upon the Introduction Agreement (as defined in the Circular despatched to the shareholders of the Company dated 22 November 2007 (the “**Circular**”)) becoming unconditional in all respects save only for the passing of this resolution and Admission (as defined in the Circular) and it not being terminated, the Directors be and are hereby generally and unconditionally empowered in accordance with section 95 of the Companies Act 1985 (the “**Act**”) to allot equity securities (as defined in section 94 of the Act) for cash pursuant to the authority conferred on them to allot equity securities (as defined in section 80 of the Act) by a resolution of the Company passed at the Company’s last Annual General Meeting held on 19 July 2007, as if section 89(1) of the Act did not apply to any such allotment, provided that the power conferred by this resolution shall be limited to the allotment of equity securities:

- (a) up to an aggregate nominal amount of £200,714 to persons applying for shares in the Placings (as defined in the Circular);
- (b) in connection with a rights issue and so that for this purpose “**rights issue**” means an offer of equity securities open for acceptance for a period fixed by the Directors to holders of equity securities on the register of the Company on a fixed record date in proportion 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 in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory; and
- (c) otherwise than pursuant to the authorities contained in paragraphs (a) and (b) above up to an aggregate nominal value of £65,450,

and the power conferred hereby shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2008, save that the Company may before such expiry make any offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

Registered Office:

Oxonica plc
7 Begbroke Science Park
Sandy Lane
Yarnton
Kidlington
Oxfordshire
OX5 1PF

By Order of the Board

Richard Clarke
Company Secretary
22 November 2007

Notes:

- (i) A member of the Company entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him or her. A proxy need not be a member of the Company. A form of proxy is enclosed with this notice. Instructions for use are shown on the form. Forms of proxy must be received by the Company’s registrars, Computershare Investor Services, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 3FA, no later than 10.00 a.m. on 17 December 2007. Completion and return of a form of proxy does not preclude a member from attending and voting in person.

- (ii) Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that in order to have the right to attend and vote at the meeting (and also for the purpose of calculating how many votes a person entitled to attend and vote may cast), a person must be entered on the register of members of the Company by no later than 6.00 p.m. on 17 December 2007, or, in the event that the meeting is adjourned, on the register of members 48 hours before any such adjourned meeting. Changes to entries on the register after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
- (iii) In the case of joint holders, the vote of the senior joint holder who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders and for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.

