

To Shareholders and, for information purposes only, holders of options to subscribe for new Sareum ordinary shares of 0.025p each (“Shares”)

Dear Shareholder

Introduction

Further to the announcement by Sareum Holdings PLC (“Sareum” or the “Company”) of the licensing of CCT245737 to ProNAi Therapeutics, Inc. (the “ProNAi licensing transaction”) on 27 September 2016, which is anticipated to generate for the Company up to US\$88.4 million together with a share of sales royalties, and of the Company’s final results for the year ended 30 June 2016 on 2 November 2016, the Company has today announced various proposed changes to the remuneration of its Directors.

The changes described below constitute a related party transaction for the purposes of the AIM Rules for Companies and in the absence of any independent Directors they are conditional upon shareholder approval by ordinary resolution. A notice of the general meeting to approve such a resolution is set out in the page following this letter.

The proposals

The Company proposes the following changes to the remuneration of the Directors (such proposals together referred to as the “Proposals”).

In light of the significant anticipated returns to the Company and its increased scale resulting from the licensing transaction, the Company proposes to award each of Dr Tim Mitchell and Dr John Reader a one off bonus of £50,000.

The strategy of Sareum remains to discover and develop innovative drug candidates aimed at cancers and autoimmune diseases. With a proven business model following the ProNAi licensing transaction, the management believes there is an opportunity to expand Sareum’s drug candidate pipeline. This will require additional talent and, in order to attract the best candidates, the Company believes it needs to offer market rates of pay. Accordingly, the Company proposes to re-adjust the salaries of Drs Mitchell and Reader to closer to market levels, noting that Drs Mitchell and Reader had agreed to a significant salary reduction in 2008. Therefore, with effect from 1 December 2016, it is proposed that the annual salaries of each of Drs Mitchell and Reader be agreed at £157,556 and that of Dr Parker at £54,000, representing increases of 50%.

In addition the Company proposes to grant to each of Drs Mitchell and Reader an option over 12,500,000 Shares, exercisable by no later than 22 December 2026 in the case of 6,250,000 Shares at 0.80 pence, 3,125,000 Shares at 1.20 pence and 3,125,000 Shares at 1.6 pence per Share, respectively.

Finally, the Company proposes to award to Dr Stephen Parker an option over 10,000,000 Shares, exercisable by no later than 22 December 2026, in the case of 5,000,000 Shares at 0.80 pence, 2,500,000 Shares at 1.2 pence and 2,500,000 Shares at 1.6 pence per Share, respectively. The Company had committed to award such an option to Dr Parker upon his appointment to the Board on 17 May 2016, however the Board was then aware of discussions concerning the ProNAi licensing transaction.

Following the proposed grants of options referred to above, the interests of Directors in options over Shares would be as follows:

Director	Share scheme	Exercise price (pence)	No. of Shares under option	Percentage of issued share capital
Dr Tim Mitchell	EMI	0.25	6,400,000	0.24%
	EMI	0.26	6,153,846	0.23%
	EMI	1.2	2,566,666	0.10%
	EMI	0.6	4,752,000	0.18%
	EMI	0.425	7,198,353	0.27%
	EMI	0.59	5,340,862	0.20%
	EMI	0.80	6,250,000	0.24%
	EMI	1.20	3,125,000	0.12%
	EMI	1.60	3,125,000	0.12%
Dr John Reader	EMI	0.25	6,400,000	0.24%
	EMI	0.26	6,153,846	0.23%
	EMI	1.2	2,566,666	0.10%
	EMI	0.6	4,752,000	0.18%
	EMI	0.425	7,198,353	0.27%
	EMI	0.59	5,340,862	0.20%
	EMI	0.80	6,250,000	0.24%
	EMI	1.20	3,125,000	0.12%
	EMI	1.60	3,125,000	0.12%
Dr Stephen Parker	Unapproved	0.80	5,000,000	0.19%
	Unapproved	1.20	2,500,000	0.09%
	Unapproved	1.60	2,500,000	0.09%

The Proposals constitute related party transactions for the purposes of the AIM Rules for Companies. In the absence of any independent Directors, WH Ireland Limited, the Company's Nominated Adviser, confirms that the terms of the Proposals, which are conditional upon shareholder approval by ordinary resolution, are fair and reasonable in so far as shareholders of the Company are concerned.

General meeting

A notice is set out below this letter convening the general meeting of shareholders at the offices of Taylor Vinters LLP at Merlin Place, Milton Road, Cambridge CB4 0DP at 9.00 am on Thursday 22 December 2016 for the purpose of considering and, if thought fit, passing an ordinary resolution approving the Proposals. The Proposals are conditional on the passing of this resolution and accordingly, if it is not passed the Proposals will not be implemented.

Action to be taken

A form of proxy is enclosed for use at the general meeting. Whether or not you are able to attend the general meeting, you are requested to complete the form of proxy and return it in accordance with the instructions provided thereon as soon as possible and, in any event, so as to be received by Capita Registrars no later than 9.00 am on 20 December 2016.

Yours faithfully

Dr Stephen Parker, Chairman

Notice of General Meeting

Notice is hereby given that a general meeting ("GM") of Sareum Holdings plc (the "Company") will be held at 9.00 am on 22 December 2016 at the offices of Taylor Vinters LLP at Merlin Place, Milton Road, Cambridge CB4 0DP to consider and, if thought fit, pass the following resolution as an ordinary resolution:

Ordinary resolution

1. That the Proposals (as defined in the letter accompanying this notice of general meeting) be approved.

By order of the board

Tony Bunn FCMA

Company Secretary

5 December 2016

Notes

1. Any member entitled to attend and vote at the GM is entitled to appoint one or more proxies (who need not be a member of the Company but must attend the GM to represent you) to attend, speak and vote instead of the member, provided that each proxy is appointed to exercise the rights attaching to different shares held by the shareholder. Completion and return of a form of proxy will not preclude a member from attending and voting at the meeting in person, should he subsequently decide to do so.
2. To appoint more than one proxy, please photocopy the form of proxy. On each copy of the form of proxy you must also include the number of shares in respect of which each proxy is appointed (which, in aggregate, should not exceed the number of voting shares held by you) and indicate how you wish each proxy to vote. You may not appoint more than one proxy to exercise the rights attached to any one share. Please also indicate by ticking the box that the proxy is one of multiple instructions being given.
3. In order to be valid, any form of proxy, power of attorney or other authority under which it is signed, or a notarially certified or office copy of such power or authority, must reach the Company's registrars, Capita Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF, United Kingdom, not less than 48 hours before the time of the meeting or of any adjournment of the meeting.
4. As permitted by Regulation 41 of the Uncertificated Securities Regulations 2001, shareholders who hold shares in uncertificated form must be entered on the Company's share register at close of business on 20 December 2016 in order to be entitled to attend and vote at the GM. Such shareholders may only cast votes in respect of shares held at such time. Changes to entries on the relevant register after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
5. You may submit your proxy electronically using the Share Portal Service at www.capitashareportal.com. To vote online you will need to log into your Share Portal account or register for the Share Portal if you have not already done so.

Form of Proxy

I/We (block capital).....

of.....

being a member/members of Sareum Holdings plc hereby appoint the Chairman of the meeting or (see note [1])

.....as my/our proxy to attend and on a poll to vote for

me/us and on my/our behalf at the General Meeting of the Company to be held on 22 December 2016 at 9.00 am and at any adjournment thereof. I/We direct, by inserting a cross or other mark in the appropriate box below, how my/our votes are to be cast on the ordinary resolution to be proposed at the meeting as indicated below. If no indication is given, the proxy will exercise his/her discretion as to how he/she votes and as to whether or not he/she abstains from voting. Please complete, sign and date this form where indicated below (see notes below).

Please tick this box if the proxy appointment is one of multiple appointments being made (note [4])

The number of shares in relation to which the proxy is authorised to act (notes [3] and [4])

Ordinary resolution	For	Against	Vote withheld
1. To approve the Proposals (as defined in the letter accompanying this form of proxy).			

Signature(s).....dated

This.....day.....2016

Notes on completion of the proxy form:

1. You are entitled to appoint a proxy of your own who need not be a shareholder of the Company. If you wish to appoint a proxy other than the Chairman of the meeting, please delete the words "the Chairman of the meeting or" and initial the alteration and PRINT the name and address of the proxy in the space provided.
2. Any alteration to the form of proxy should be initialled.
3. If the proxy is appointed in relation to less than your full voting entitlement, please enter in the second of the two boxes at the top of this form of proxy the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement.
4. To appoint more than one proxy, please photocopy the form of proxy and insert the name and address of each of your proxies on a separate copy of the form of proxy. On each form you must insert the number of shares in respect of which each proxy is appointed (which, in aggregate, should not exceed the number of shares held by you). You may not appoint more than one proxy to exercise the rights attached to any one share. Please also indicate by ticking the first of the boxes at the top of this form that the proxy is one of multiple instructions being given.
5. The form of proxy should be signed by the appointer or his attorney duly authorised in writing or, if the appointer is a Company, either under seal or under hand of a duly authorised officer or attorney of the Company.
6. The "Vote withheld" option is provided to enable you to abstain on any particular resolution. However, it should be noted that a "Vote withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes "For" and "Against" a resolution.
7. In the case of joint holders the signature of any one holder is sufficient. If more than one joint holder of any share is present at the meeting personally or by proxy, that one present whose name stands first on the register of members in respect of that share is alone entitled to vote in respect of that share.
8. To be valid this form of proxy and any power of attorney or other authority under which it is signed or a notarially certified copy of such power of authority must be lodged at the offices of the Company's Registrars, Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU United Kingdom, not later than 48 hours before the time of the meeting.